



**After the spectacular gains of the past fortnight it would be normal to expect a period of share market price consolidation while the investment world ponders the possible negatives. However, on the BIG issue of our Covid-19 'Get out of jail free' card the news continues to be positive and so you can expect markets to continue acting accordingly in the long run.**

I am thus going to start this week with a local South African share which has in so many ways ridden along with our economic hopes and fears – and lately with the Covid-19 vaccine excitement which, I believe, has in respect of this company been completely underdone; Aspen. And here I have to confess to some inside sentiment since the CEO is a Durban boy who went to the same school as me and whose fortunes I have accordingly watched with interest since he first started making headlines several decades ago.

Stephen Saad was marked for greatness from his earliest forays into business when he steered wholesale pharmaceutical business Covan Zurich towards the stage where, aged just 29 he was able to sell his share for \$3-million. Prevented by a restraint of trade agreement from working in pharmaceuticals for a four-year period, he established the well-known Varsity College campus which grew into a national phenomenon before venturing back into the medical field when, together with Gus Attridge, he established Aspen in 1997 and listed on the JSE the following year.

The graph below accurately traces Aspen's fortunes thereafter with the dark green trend line on the left signaling a spectacular 55.3 percent compound annual share price growth average from February 1998 to January 2015 followed by nearly four years during which shareholders like myself hung in despite the market growing increasingly concerned that Saad's highly-g geared business model might lead to collapse. The yellow trend line shows share prices falling at compound minus 10.6 percent in that phase.



From August 2018 to August 2019 the market's worst fears seemed to be confirmed in the post-Steinhoff era when some market commentators predicted the worst because of Aspen's highly-gearred nature and Saad began selling off some of the group's golden jewels in order to rein in debt. During this period shareholder resolve was severely tested as the shares lost two thirds of their value, crashing from R266.99 to R84.53. Then, with debt back to satisfactory levels, recovery began once more with my light green trend line indicating a very attractive compound annual average growth rate of 45.9 percent since then.

Then, a fortnight ago on November 2 Aspen announced, *"...a preliminary agreement with Janssen Pharmaceuticals, Inc., and Janssen Pharmaceutica NV, two of the Janssen Pharmaceutical Companies of Johnson & Johnson, for the technical transfer and proposed commercial manufacture of their COVID-19 vaccine candidate, Ad26.COVID-19. The vaccine candidate is currently undergoing clinical trials. Aspen Pharmacare will perform formulation, filling and secondary packaging of the vaccine for supply to Johnson & Johnson. This agreement is still subject to the successful completion of the relevant technology transfer activities and finalisation of certain commercial manufacturing terms."*

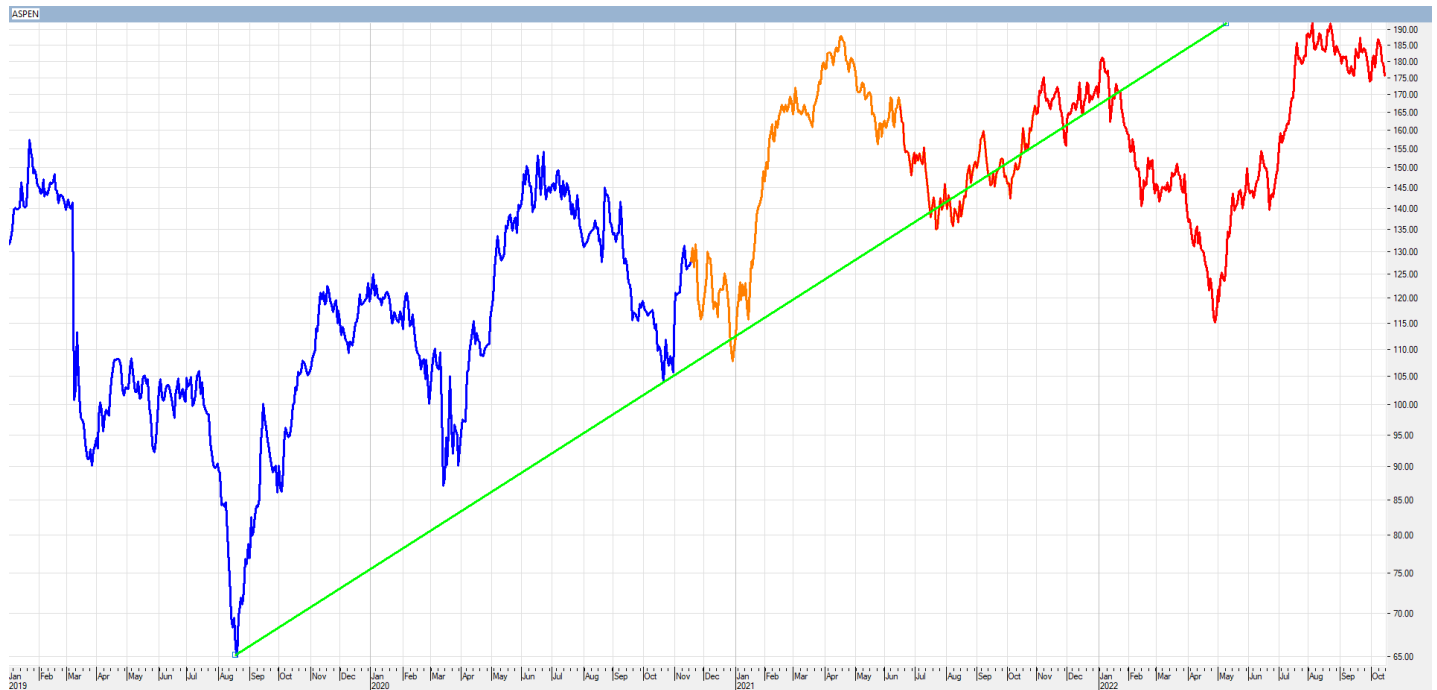
Aspen has invested in excess of R3-billion in its Port Elizabeth facility to provide the high technology equipment and systems needed for the manufacture of sterile drugs and vaccines, packaged into vials, ampoules and pre-filled syringes. The production area where it is intended that the vaccine candidate will be manufactured has capacity to produce more than 300 million doses per annum. It has accreditation from a range of international regulatory authorities to enable it to provide lifesaving medicines to both the domestic and international markets and it formed part of the first flagship investments announced at President Ramaphosa's inaugural South African Investment conference this week.

Meanwhile, results for the year to June 2020 showed revenue from continuing operations up by 9 percent to R38,6-billion from the re-stated 2019 figure of R35,5 billion with normalised EBITDA from continuing operations up by 7 percent to R11,0 billion (restated June 2019: R10,3 billion) and normalised headline earnings per share from continuing operations up by 9 percent to 1464,6 cents (restated June 2019: 1344,8 cents).

What really caught my eye was the fact that earnings per share from continuing operations increased by 175 percent to 1010,2 cents (restated June: 367,8 cents while net borrowings were reduced to R35,2 billion (from R39,0 billion at June 2019) representing a leverage ratio of 2.89 times which is well below the covenant ratio of 3.5 times whose excess was the prime cause of the share price collapse in August 2018.

Given the caution of most listed companies during this Covid-19 period together with the heavy costs of the Port Elizabeth development, it was not surprising that no dividend was declared for the year ended June 30.2020 (June 2019: no dividend declared). But, in the light of this, the question every investor will accordingly ask is whether Aspen can continue its breakneck recovery?

And ShareFinder says YES, at least until January 2022 as my graph projection below illustrates:



To my regret, Aspen does not form part of the Prospects portfolio though I would be a buyer if there were cash available in the portfolio. It has, however, been part of my personal portfolio for the past eight years, and I doubled my position in March this year when they briefly touched R80 a share.

Aspen aside, the other big question that investors must be asking this weekend at a time of high drama in the continuing State Capture soap opera, is the very future of the South African economy and the resolve of the Ramaphosa administration to steer a steady course.

Following the remarkable spectacle of the authority of the Zondo commission being disdained by former president Jacob Zuma and his legal team, a breathless South Africa has been left pondering this weekend whether Judge Zondo might now be forced to order Zuma's arrest?

To my untutored opinion, this represents more than a simple challenge to Judge Ramond Zondo for it goes directly to the fundamental Rule of Law and the seeming belief of some within the ruling ANC that powerful people are above the law. Along with the defiant stance adopted last Friday by Ace Magashula following his arrest, it will test the real support that is enjoyed by the so-called the RET faction represented by the grouping around ANC Secretary General Ace Magashula which reportedly includes the two-times corruption-accused Bongani Bongo, former ministers Malusi Gigaba and Nomvula Mokonyane, and former North West premier Supra Mahumapelo, some retired SADF generals and a portion of the uMkhonto weSizwe. Are they a sufficiently powerful faction to challenge both our Constitution and the rule of law and get away with it? If they are ever to make their move and attempt to grasp power, there has arguable never been a more cohesive moment for them.

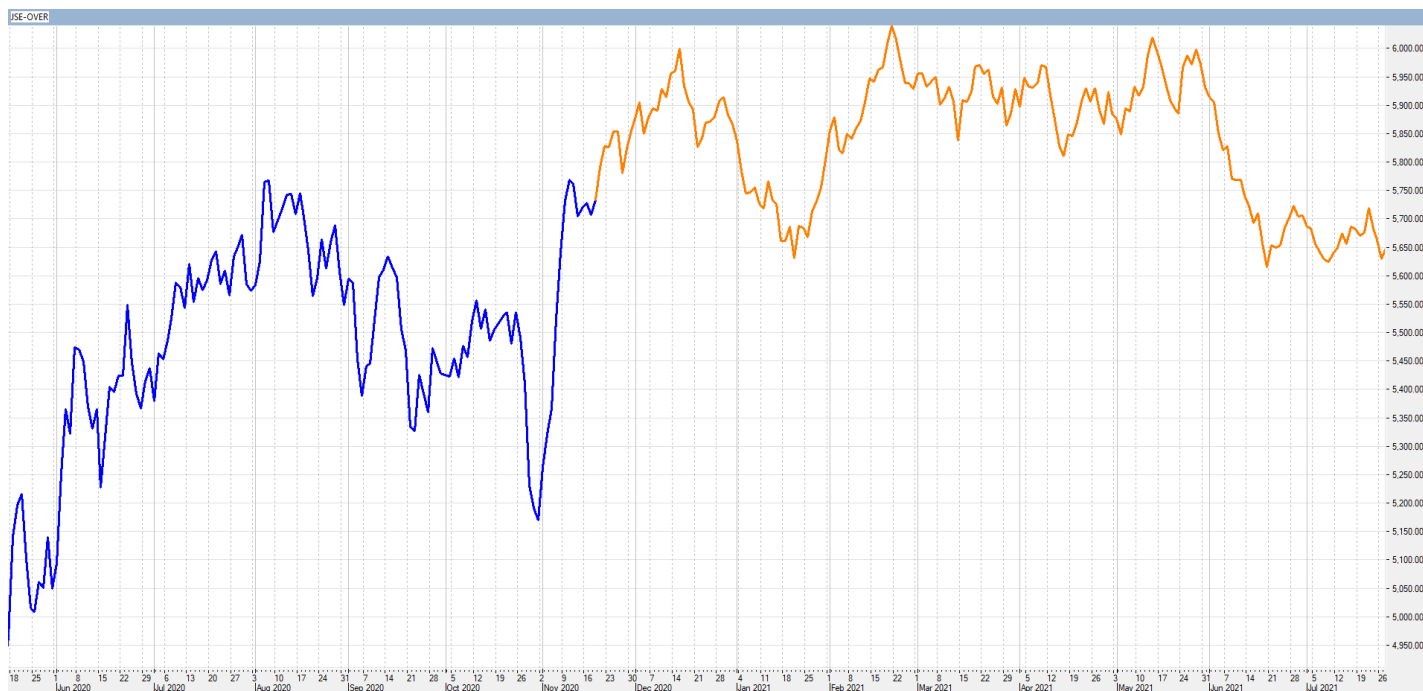
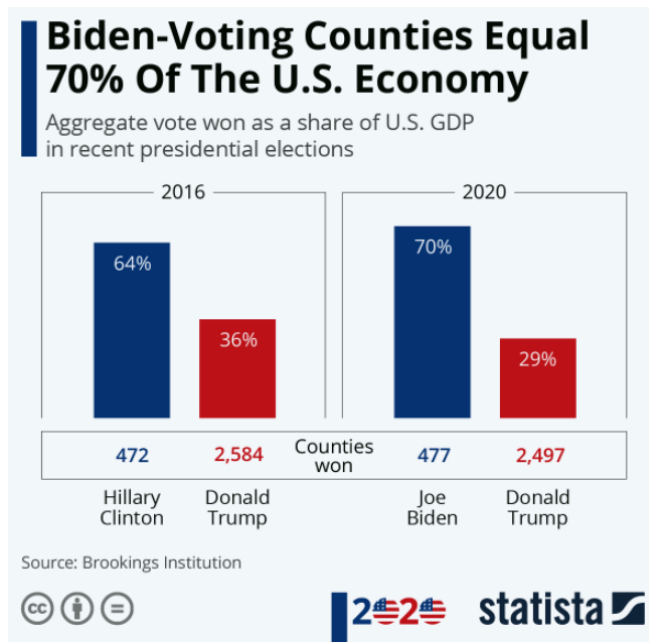
My sense is that they have all overplayed their hand and the general public is heartily sick of the lot of them. So, the big question today is whether these developments might further push President Ramaphosa to finally abandon his continued attempts to maintain conciliation within his fractured party and finally put the interests of South Africa, the ordinary people and the Rule of Law above the partisan views of many within the ANC?

This is clearly a weekend as critical as any we have faced since 1994 which could, hopefully see President Ramaphosa finally assert his authority over those who might try to turn this country into a battle ground in order to advance their own personal interests above those of the majority of South Africans.

It could be a severe test for our young democracy and the impact upon investment markets is likely to be profound. However, I believe that the era of 'Strong Man' politics is once again on the wane in a world grown tired of the self-serving irrationality that has so often resulted. The horrors of World War 2 taught our parents' generation the folly of allowing people like Adolph Hitler to dictate our future and, I suspect that the latest US elections have shown the world there is no place for modern cameos like Donald Trump in government. Above all, the ordinary man is demanding his place in the sun and nothing can be more convincing of that than the graphic on the right, courtesy of the Brookings Institute research think tank. When the countings were over, all Donald Trump could muster was 29 percent of US votes.

There have been growing signs in Europe, the Far East and Africa that ordinary people are increasingly disenchanted with people like Jacob Zuma and Ace Magashula and would like to consign them to history...or better still to prison in order that our future tax money be spent solely upon the common good.

Certainly, that is the best interpretation of ShareFinder's projection of the JSE Overall Index over the next few weeks rising to a peak by December 15 and, following a holiday break until January 20, a sustained period of optimism at least until mid-May. Consider the graph below:



Meanwhile, the Prospects Portfolio continues its remarkable progress having passed the R4-million mark this week, it has quadrupled in value since we launched it in January 2011:



**Do enjoy your weekend!**

## The months ahead:

**New York's SP500:** I correctly predicted that the recovery was likely to continue until November 27<sup>th</sup>. Thereafter I expect both New York and the world to take a holiday break until the second week of January before entering an optimistic first half of the year.

**Nasdaq:** I correctly predicted a brief retreat followed by a resumption of the upward trend which, though likely to be more modest during the up-coming holiday period, might be expected to continue well into the New Year.

**London's Footsie:** I correctly warned that last week's recovery was likely to be a very brief short-term event and the market is already signalling the onset of weakness until late January when a three-month recovery is likely.

**Germany's Dax:** I correctly warned that last week's recovery was likely to be a very brief. Now we have the first signs of a likely month-long weakness ahead of a January to April recovery.

**France's Cac 40:** I correctly predicted that last week's recovery would be brief. Now I expect a sideways to weakening phase lasting until the end of February before the next brief recovery starts.

**Hong Kong's Hangsen:** I correctly predicted that Asian markets would continue rising until the end of this year. Now I expect a very brief correction from the first week of January that is likely to form the first phase of an extended period of weakness lasting until August.

**Japan's Nikkei:** I wrongly warned that a volatile declining trend was imminent. But I believe it is still likely until mid-December ahead of a protracted recovery phase.

**Australia's All Ordinaries:** I correctly predicted an extremely volatile recovery phase which I expect to end around November 24 when a short decline is likely ahead of another month-long period of gains. However, from December 22 I see declines until mid-March.

**JSE Industrial Index:** As I correctly forecast a brief end to the ahead of fresh gains starting mid-week through to the end of November when weakness is again likely until approximately January 19 when another sharp recovery is likely.

**JSE Top 40 Index:** I correctly predicted a decline lasting until mid-November ahead of the up-tick that began this week and should last until mid-December. Thereafter I continue to see declines until mid-January.

**ShareFinder JSE Blue Chip Index:** I correctly predicted the recovery was almost over and now I foresee a down trend until late August.

**JSE Gold shares:** I correctly predicted a decline continuing until mid February followed by a sideways trend for the rest of the New Year.

**Gold Bullion:** I correctly predicted continued gains for most of 2021.

**The Rand/US Dollar:** I correctly predicted the end of the latest recovery phase had happened and now expect the new weakening phase to last until mid-February. Thereafter I again see gains until October.

**The Rand/Euro:** I correctly predicted gains until mid-November ahead of a weakening phase which has now begun and is likely to last until the end of December. Thereafter I continue to foresee strength resuming until next October.

***The Predicts accuracy rate on a running average basis since January 2002 has been 85.98%. For the past 12 months it has been 95.03%.***

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