Actuarial Society of South Africa

EXAMINATION

30 MAY 2011

Subject F205 — Investment Applications

EXAMINERS’ REPORT

A surprisingly large number of candidates showed by the brevity of their answers and general lack of ability to engage with the topics that they were very poorly prepared for the examination. On the other hand candidates who obtained better scores demonstrated a breadth of knowledge and were able to give evidence of insight and judgment across all questions.

Question 1

a)

This section was generally poorly answered. All that was expected was a discussion of the differing attributes of direct and listed property assets - seen from the viewpoint of two role players with somewhat different objectives. Weaker candidates hid behind reciting bookwork - listing or describing the investment attributes - but failed to connect those to the context. Those who did tackle the context sometimes forgot to bring the most obvious investment attributes into the discussion and missed out on easy marks.

Although both are likely to produce positive real returns over time direct property has a very distinct return signature that is quite different from that of listed property.

They effectively constitute different asset classes from the point of view of optimising portfolio returns.

Direct usually produces fairly smooth returns
- Partially because there is the underpin of high income return
- And partly because valuations are slow to react and less subject to the vagaries of sentiment-driven equity market movements.

In the market turmoil of 2008 listed property halved in value while unlisted registered only minor losses and still produced an overall positive return

This type of return is very well suited to certain liabilities which require low volatility of returns and do not require high liquidity – for example discretionary participation funds and absolute return type funds.
- If the life company has a lot of such liabilities, this will be very attractive to the actuary as the assets and liabilities will be more appropriately matched.
- It will result in smoother funding levels in general and fewer occasions where funding levels drop below disclosure thresholds.

It will have a positive effect on capital requirements - both CAR currently and Solvency II in due course.

Stochastic modelling tends to favour direct property
- because of its combination of real returns and low volatility.
- and relatively low correlations with other asset classes.

To the extent that such models have to constrain the proportion of direct property.

But the actuary should also be aware that investing in listed property makes it easier to obtain a portfolio that is diversified both geographically and by type.

Must consider regulatory limits for property – Regulation 28 for RA assets and Long Term Insurance Act.

From the perspective of the Chief Investment Officer direct property has several drawbacks.

As she mentioned it lacks liquidity:
Direct property will diminish the ability to do tactical asset allocation which is a drawback for actively managed funds seeking to extract value from (possibly short-lived) market pricing anomalies.
Anomalies that are exaggerated by sentiment on stock markets.
E.g. an investment in property stocks at their low in 2008 produced a return more than 35 percentage points better than SWIX over the next year.

Many listed property stocks (the property loan stocks) have gearing which increases the cyclicality of their returns

- and is something that astute investment managers can exploit by predicting changes in the interest rate environment in timing their investments.

For products where investment performance in the short to medium term is a crucial selling point, the more pedestrian returns of direct property could be a marketing drawback.

The element of subjectivity and the comparative infrequency in property valuations sometimes makes it unpopular with linked investors such as pension funds in managed fund contracts because it introduces possible inequities when units are traded.
It also makes it harder for the CIO to explain returns.

Because of its illiquidity, investing in direct property must be seen as a strategic asset allocation decision with very limited scope for tactical variation.

In portfolios with big cash flow swings it is very difficult to manage direct property exposure

- large outflows have to be met with more liquid assets increasing exposure to property until selling can be effected.
- large, or even continuous, inflows cannot immediately be matched with purchases which will be lumpy and take time.

b)

This section and the next were reasonably well answered as should be expected from questions that require only the ability to apply investment knowledge in a practical situation. It was evident that some candidates have a shaky grasp of the practical aspects of investment portfolio management and what is involved in structuring a property management operation.

Different products may be better suited to listed or unlisted properties.
Those products best served by listed property should be managed as at present.

- these would include most types of market linked funds and any portfolios with high liquidity requirements.

Need to determine the appetite for unlisted property
- this would come from products with very long duration (such as the DP products) and minimal liquidity requirements
- by visiting the investment policy statements and mandates of each product to assess suitability
- in some instances the availability of unlisted property may increase the allocation to property overall, as the optimal strategic asset allocation may shift with the introduction of a new asset class.

Need reasonable size in aggregate for direct property to balance and diversify portfolio geographically, by type and to invest in large developments
- Can consider co-investing in big regional centres rather than owning the whole thing.
- Or use PUTs for that part as some specialise in specific property types.

Must consider the cost of resources and infrastructure required to manage direct property
Would probably want to keep at least the portfolio management function (i.e. determining the structure of the portfolio and buying and selling to optimise it) in house.
The actual property management (leasing, maintenance, facilities management etc.) can be outsourced to a property management company if economies of scale can be achieved.

Need size (probably > R2.5bn) to warrant the expense of setting up a full property management area with systems and personnel required.
Given the current ownership of their own-occupied buildings there may already be some property management expertise and infrastructure to tap into.

The timing of the move to direct property requires care as it constitutes a change in strategic asset allocation
- at worst would like to do it when values are fair for both direct and listed
- better would be to find a time when listed is overvalued relative to direct.

The process of buying listed property is slow and unpredictable as it relies on suitable opportunities presenting themselves
- so the decision on relative value will need to be made many times
- and the transition will take many months and possibly years
- further delayed by the legal complexities of transferring ownership.

The transition to direct property will incur considerable expenses
- commissions, transfer duties, legal costs
- while selling the listed property could depress the market price
- which will be a drag on performance in the short term.

Difficult to decide on an appropriate performance benchmark for unlisted property c)

Candidates could choose one of the following options or, if well motivated, a combination. The better candidates were willing to make a choice and able to substantiate it. None mentioned how changes in the long-term economic drivers might differ between the two markets.

The case for direct:
Provided there is sufficient scale
- and especially if the size of the DCP book is increasing
- it makes for better A/L management to invest directly
- by removing the excessive market volatility
- and optimising the SAA.

This should be seen as a SAA move with little scope for TAA later
Market linked products can continue to use listed property to utilise their flexibility
And minor cash flows can still be accommodated in the listed market.

Fewer players in direct property given amount of capital required creates more attractive opportunities.
Listed property has benefited from several tailwinds which will not continue:
- In the late 1990's listed property companies traded at a discount to their net asset value. In theory they should trade at a slight premium reflecting the extent of gearing in the company and indeed today property companies trade at a slight premium to net asset value.
- Historically properties were accounted for at acquisition cost (book value). Accounting requirements make companies account on a market value basis and so there was a big write-up (and increase in net asset value) from book value.
- The value of listed property shares is very sensitive to interest rates and so has benefited by the structural decline in inflation and interest rates over the past two decades. That cycle has ended and may even reverse.

If listed property is deemed overvalued the timing for switching to direct is opportune

The case for listed:
Listed property allows a great deal of flexibility in portfolio management and TAA decisions.
Any decisions can be revisited and changed at a later stage if no longer deemed appropriate.
It allows for sector rotation and with it another possible source of return.
Cash flows and liquidity requirements are easily accommodated.

Direct requires enough scale for diversification and to warrant the extra effort of setting up the infrastructure while listed can adapt regardless of the scale
- although there are limits to the tradability of property shares on the JSE.

There is the option of following a more passive strategy with core listed property.

Can get access to very good property management teams (although these might be hard to identify) without having to build the skills base in house.

Avoids the set up costs of a full-fledged property management company.
JSE listing requirements provides some security and protect shareholders' interests.
If direct property is overvalued relative to listed, it strengthens the case not to switch.

Question 2

a)

This part of the question required only general knowledge of typical derivative activities in life offices and was generally well answered. In these easier questions it is essential for candidates' answers to be as comprehensive as possible in order to maximise their marks.

Life offices typically invest in a broad spectrum of assets: equities, bonds, cash property, foreign assets.

Where there are derivative instruments available on these assets they are often useful in portfolio management or hedging activities.

They are long term investors and derivatives can obviate the need to sell out of a market, market sector or a share that is trading above fair value over the short term

- For example reducing exposure by buying single stock put options.
- Or by selling futures on stock indices.
- Or entering into collar structures.

Derivatives can be an efficient way to change asset allocation for the longer term

- this can be temporary until actual purchases/sales are effected in the underlying assets over time as market liquidity permits
- this is often very efficient due to greater liquidity and lower costs

They provide easy access to broad exposure to markets that might be expensive to invest in otherwise e.g. foreign markets.

Derivatives can be used to manage specific portfolio or asset risks such as currency, credit, market, interest rate risks

- e.g. options strategies can be used to manage market risk and so protect funding levels in discretionary participation products.

Certain derivative instruments can be used as a means of enhancing returns by explicitly taking on calculated, remunerated risks

- such as the yield uplift in credit linked notes
- or selling call options to generate some income (taking into account the cost of losing upside)
- *or any other valid examples.*

Interest rate swaps are useful in achieving matching for annuity portfolios.

The use of derivatives to reduce market risk can reduce regulatory capital requirements.

Derivatives make it possible for a life company to design products with a particular payoff profile that is attractive to their clients

- such as guaranteed endowments, absolute return funds, and sophisticated structured products

They are used in products that track indices and minimise basis risk.

b)

This part of the question elicited very poor answers. Too many candidates could do no better than generalised statements like "derivatives must only be used for hedging and not for speculation". It was evident that they had given little thought to how such a policy would be interpreted or enforced. There was little insight into the various ways that derivatives introduce unwanted risk and how one might attempt to address specific risks inherent in derivatives in terms of a policy.

The term "derivatives" should be carefully defined as it is often very loosely used.

- Even the statutory return definition is probably inadequate for proper governance (e.g. it excludes credit linked notes)

It would be wise to specify explicitly those derivatives that can be used rather than only specifying those that may not be

- This prevents unintended scope creep as new instruments come to market

The policy should not inhibit management from carrying out their usual duties; hence derivatives that are part of business as usual should be allowed

- Within appropriate and explicitly specified limits.

These derivatives and associated limits would include:

Futures used to alter asset allocation for the purposes of efficient portfolio management (i.e. to limit costs of trading)

- Provided gross exposure to asset classes is reported (inclusive of derivatives) and remains within mandated limits
- And basis risk is within specified limits.

Interest rate swaps for the purposes of matching

- provided there is daily mark to market and counterparty exposure management in line with specified legal and collateral requirements.

Hedging activities to reduce specific risks including:

- Strategies to reduce exposures to equity market risks: purchases of put options, "zero cost collars", "fences".
- Reduction of currency risks.

Exposure to options must be appropriately accounted for using the option delta

The policy must stipulate that there must be no uncovered positions i.e.:

- All positions must be adequately covered by cash including allowance for possible future cash calls (margin calls).
- and short positions must be fully covered by the underlying

Any derivatives not specified would require special consent of the board

- This ensures that new instruments are not introduced into portfolios before the board has deliberated on their risks and appropriateness.
- Also complex structured products backed by derivatives will be properly vetted by the board.

A process for the approval for use of specific derivatives not currently allowed, either temporarily or for future inclusion in the policy, should be made clear.

Apart from the prohibition of instruments not mentioned, there should be a specific prohibition of:

- Instruments which expose the balance sheet to leverage or can result in losses greater than the capital invested (this would not include standard options which do produce geared returns).
- Instruments that concentrate a specific risk and expose a whole portfolio to that risk (the way CDO tranches did to credit risk).
- Instruments that masquerade as mainstream investments but, on investigation, are derivatives
    - Such as equity linked notes – which are not vanilla fixed-interest instruments but routinely included in fixed-interest portfolios without mandate approval.

There should be a requirement for any non-vanilla instrument to look through to the underlying components and treat any embedded derivatives in accordance with the policy.

Operational controls might be stipulated such as the separation of trading and settling duties.

There should be stipulations to manage counterparty and credit risks such as:

- All derivatives entered into must either be traded on an approved formal exchange
- or governed by an International Swaps and Derivatives Association Agreement
- OTC contracts should be limited to counterparties with a minimum credit rating (say a short-term rating of A1) from a recognised rating agency
- OTC contract must be appropriately collateralised
    - i.e. require high quality assets as collateral, which is measured regularly and adjusted as required
- For instruments with a term of longer than 1 year the counterparty must have a minimum long-term rating (say AA)
- Alternatively (or additionally) a list of approved counterparties can be stipulated in the policy and could be limited to the big 4 local banks and large international banks with a local presence
- Credit exposures should be aggregated and fall within credit policy limits

Statutory counterparty limits must not be breached (Regulation 28 and LTIA)

The policy must stipulate the valuation basis for derivatives

- e.g. valuations must reflect market values
- and be derived using recognised models and/or investment systems if market values are not available and a marked-to-model approach is needed

- to what extent exposures with opposite economic exposures may be "netted".

The policy should stipulate reposting standards and frequency

- what parameters (Greeks) to be reported
- sensitivity analysis and stress tests
- performance impact
- explanation of strategies in words.

The policy should make provision for its regular review to ensure that it keeps pace with developments in derivative markets

c)

With few exceptions candidates were unable engage with the (very real) dilemma of board members who are required to have oversight but are far removed from activities. Many made no reference to the governance and risk management structures that typically support executives and boards.

The board will need to receive written assurance periodically from management that the policy is being adhered to but it will also need to see evidence of this

- usually in the form of more detailed and regular reporting.

It may request the company's compliance function to attest to compliance with the policy.
Where asset management is outsourced the asset manager's compliance officer could provide written confirmation of compliance and reports of compliance breaches.
Compliance officers are registered with and require the accreditation of the FSB and hence extra reliance can be placed on their reports.
Adherence to policy could be included in the scope of the annual external audit or the internal audit review.
Reliance may be put on systems such as pre-trade compliance systems and automatically generated reports.

The type of evidence the board might wish to see, or receive confirmation about, could include:

- Summary report of all derivative positions clearly stating objectives.
- Affirmation that regulatory limits not breached.
- Reports of all derivative instruments traded during a period in order to detect any speculative or excessive trading.
- Gross exposure to different asset classes, and look-through to net exposure.
- Quantification of basis or cross-hedging risk.
- Reports of counterparty exposure as a result of derivative positions.
- Reports of new instruments introduced.
- Payoff profiles of options used for hedging strategies as proof of intention to hedge.
- Term until expiry of hedge, plan to settle contract.
- Profits/losses on hedging positions to gauge the efficacy of strategies.
- Performance analysis with and without derivatives; this is often the first sign of things going wrong.
- *Any other relevant examples were accepted*

The frequency of reporting should be stipulated. This could be quarterly and may depend on the extent of usage of derivatives.

The board might obtain an independent review of procedures and processes relating to derivative management.

Question 3

a)

There was lots of bookwork in the first section and consequently candidates generally answered this part well. They must take care, however, as the questions say "explain" so the examiners require more than regurgitation of lists to earn the marks. The second part was less well answered with candidates again showing a lack of comfort when tackling questions that require a practical rather than a theoretical approach.

i.

- Nature of liabilities - liabilities are real in nature as the members cost of living increase in line with inflation as time goes by so will need an allocation to real assets like equity, property, inflation linked bonds.
- Currency of liabilities – will want to largely match liabilities with assets of same currency. However an allocation to overseas assets is desirable for diversification, access to industries not available to local investors etc.
- Term of liabilities – usually long term but depends on the average age of fund members – is it a mature or young scheme. Even if a mature scheme, can think of liabilities as long term as pensioners will purchase some type of annuity so retirement is not the end point of the investment horizon.
- But this will depend on the member profile especially if the scheme employs a "life stage" approach.
- Liquidity requirements – in DC schemes each member has his own "pot" and requirements for liquidity is usually low for the scheme as a whole.
- For most members who will access this "pot" only at retirement, liquidity requirement is low. For those likely to exit the fund and unable to transfer to a preservation fund, the liquidity requirement is considerably higher.
- Tax treatment of different asset classes (retirement fund in SA currently exempt from tax) so this is less of a concern but foreign taxes could be an issue.

- Investment freedom: extent to which investment risk can be taken is dependent on trustees who need to seek the best return for a given level of risk.
  - Need to appreciate that around 90% of members simply follow the default choice and hence risk inherent in the default becomes very important.
  - Need to establish what most members will do with their retirement savings e.g. level pension, inflation-linked annuity, living annuity, etc.
  - Need to consider overall membership's attitude to risk – empirical studies have shown that various social, economic, gender groups differ in this.

- Individuals with a second source of income (e.g. assets outside the Fund) tend to be more comfortable to take on risk.

- The range of other choices available and members' ability to analyse them will also dictate the risk nature of the default option.
- Regulatory restriction on asset allocation e.g. Reg. 28 limits must be adhered to.
- Assets need to be invested prudently and within the ambit of investment policy statements and communication to members.
- Environmental, social and governance (ESG) considerations including SRI.
- Trustees will consider what asset classes are available and the optimal portfolio construction to ensure the best risk/reward profile and appropriate diversification.
- This will be affected by their expectations for the returns, volatility and correlation of the various classes.

a) ii.

- Regulation changes as described are not necessarily related to the fund liabilities.
- In fact, even though the SA Reserve Bank has relaxed the limits, the regulator needs to approve any allocations in excess of Reg. 28 on a case by case basis
- Increasing allocation to offshore assets might result in a greater than desired mismatch by currency.
- Regulatory changes may have political/social motives – attempt to weaken the rand – which would not necessarily have bearing on a fund's optimal SAA.
- Increased volatility caused by increased foreign currency exposure may be detrimental to some (especially more mature) funds whose members are more risk averse.
- Offshore assets may be overvalued and not present attractive opportunities for investment. This may provide a fund with a lower return over time.
- The rand may be undervalued relative to the foreign currency involved in the move offshore at the time. This will harm returns earned offshore when the rand returns to a normalized level vs. foreign currency.
- Whereas local retirement funds are not subject to tax, the return on assets invested in certain overseas market may be subject to withholding and other unrecoverable taxes reducing after tax returns.
- When determining the long-term strategic asset allocation for a retirement fund using stochastic mean variance optimisation of returns, the proportion of foreign assets may well be less than the maximum allowed.
    - Especially if the net forecast returns (after management fees and expenses) are lower.
    - or more volatile than domestic returns or insufficiently uncorrelated.
- There may be pressure from members to limit foreign investment

b)

This part was answered adequately but as so often with this type of question candidates were inclined to stop well before they had exhausted all aspects. Few of the items in the suggested solution below will surprise candidates yet none managed to score well here.

Considerations include:

- The world is a big place, which markets will be targeted for investment? US, Europe, global, emerging markets?

- will it manage equity only or other asset classes too?
- where would the new firm be located, in SA or overseas? Might be better for analysts to be closer to Europe/USA/East?
- Location would affect expenses of the operation significantly but also possibly the effectiveness.
- Domicile of the funds will be crucial for tax treatment and regulatory supervision.
- Must decide on what legal structures will be used to house client funds and product assets.
- Need to fund office space and equipment; does the company have the money for this?
- Systems: trading & data systems (Bloomberg etc), research tools for analysts, general IT systems, back office IT to handle pricing and cash flows.
- Administration procedures and systems need to be purchased or developed or outsourced to another company.
- Most important element is staff, need to hire experienced portfolio managers and analysts. Need to offer competitive salaries and provide good resources for them to leave their current jobs.
- How many analysts and portfolio managers are needed?
    - How to manage cultural and linguistic differences?
- This will depend on how many markets need to be looked at and also the style of management (e.g. fundamentally or quants based).
- What will new firms investment philosophy be? Same as XYZ? Is it transportable from SA to global markets?
- Who will instil this philosophy and culture? Will some senior XYZ staff move across to new firm?
- Investment process needs to be decided and documented.
- Custody arrangements must be put in place.
- Compliance function needs to be set up and documented.
- Good legal and tax teams needed, especially since now operating in unfamiliar jurisdictions.
- Need to get regulatory approval and be registered with local and offshore authorities
- Marketing - will need to attract external clients and retain existing clients to achieve scale.
- How to do this with no track record? Employing start managers will be expensive and risky.
- How long will it take to achieve critical mass and break even?
- A business plan will have to be drawn up – but many of the assumptions on income will be largely guesswork.
- so the model must be stress tested against a range of assumptions.
- Fund pricing, cash flows procedures and systems need to be purchased or developed.
- Client reporting and service department also will be required.
- Relationships with trading houses/stock brokers need to be established. Need to ensure best execution of trades as well as obtain the research provided by them. This will be important in the beginning as in-house research may take time to build up.

c) i.

Although the last two parts were adequately answered on average, they clearly exposed the weaker candidates. Once again it seems that some candidates are unable to deal with practical matters – in this case the practical issues involved with establishing and running an asset management business.

Pros

- Existing firm will have a pre-existing track record as a base from which to market.
- … and existing clients and an asset base to underpin profitability.
- Don't have to go through regulatory approval process and registration.
- Experienced investment team in place.
- Systems and processes already up and running
    - Opportunity to choose best practices/systems from both firms.
- Opportunities to obtain synergy from sharing infrastructure or ideas and from cross selling.
- Firm known in market, contacts with company management easier, potential clients aware of the brand, asset consultants familiar too.
- Easier to financially model an existing firm as fewer assumptions are needed.
- Being an established firm means can be quick to market: products can quickly be offered to SA clients, taking advantage of the current opportunity.

Cons

- price paid will be high as owners will only sell if they get more than a fair price.
- Quite possible the owners currently involved in running the business.
- if their involvement is critical will need incentives to make them stay.
- Asymmetry of information that always exists when a business is sold.
- The sellers always has more info about the business than the buyer and will use this to their advantage .
- Staff may leave – they are the most important assets of INT and will need to be incentivised to stay or else existing clients may also leave.
- senior management will need to sign contracts committing them to stay for a certain time period and/or preventing them from competing if they leave.
- Investment philosophy may not be same as XYZ, this might cause friction or confusion with clients or INT staff.
- Cultural differences make working together a challenge.
- INT's products may not be suitable for SA clients.
- INT may have unwanted "baggage" like outdated systems that need further investment and upgrading.
- If there are any negative connotations with the firm it might be difficult to shake these off.
- Have to accept and work with current mandates – there may be onerous requirements.
- Funding of the acquisition could be a strain
    - XYZ is privately owned. Does it have access to debt/equity financing to buy INT?
    - Is XYZ in a strong enough financial position to buy INT?
    - Owners of XYZ face dilution if finance purchase with equity.

- Relative size of XYZ and INT: too large? The objective is to attain capacity for own clients. Why so big a purchase?

c) ii.

In this part only the best candidates showed a real understanding of what drives the profitability, and hence the value, of an asset management business. This was essential in approaching this question as was recognition of the difficulty in predicting of these factors into the future.

- An asset management company has a low net asset value.
- its assets are its highly skilled investment staff and the intellectual capital embedded in its philosophy and decision making processes.
- Acquisitions of asset management firms are often described as paying some percentage of assets under management.
- But the normative multiple varies greatly over time; would need some recent comparables as benchmark.
- Similarly problems exist with applying a multiple to earnings.

- The most practical way to value the business is the present value of future distributable profits.

- Components of a fund managers earnings
    - Fund managers earn fees on assets under management.
    - Can be a fixed fee e.g. 0.50%pa, or performance fee (manager shares in outperformance of the benchmark) or a mixture of both fixed and performance. Need to get detail on fees charged to different current clients and relevant benchmarks and watermarks.
    - Useful to look at historical fee income and performance relative to benchmarks
        - ... but will have to make assumptions on likelihood of being replicated.
    - For performance fees need to make assumptions as to alpha going to be achieved going forward.
    - Need assumptions as to asset growth: both client flows and market movements.
    - Need to make assumptions about costs and cost inflation.
    - Main cost will be employee costs. Are these costs performance based? If so need to model this.
    - Need to know the split between fixed and variable costs. As the firm grows the fixed costs remain broadly the same but variable costs need to be modelled.
    - Need to make assumptions about dividend payout ratios. What have these been in the past?
    - Need to make assumption as to tax rate payable by firm
    - … which will be determined both by where it is incorporated and where it operates

- Can use this to construct a dividend discount model.
- Need to create model of cash flows to calculate earnings and dividends going into the future so you can discount the dividends to obtain a value of the firm.
- Need to determine a discount rate to use to discount cash flows. Maybe use long bond yield plus a margin for risk.
- Main asset that you are buying is current employees (analysts/fund managers) expertise and experience. Valuation is dependent on them not leaving. What contracts/incentives are there in place? Difficult to value this.
- If performance fees are in use, may want to stress test the profitability of the firm over periods of underperformance. How many years can the firm underperform its benchmark and remain in business. Are there high watermarks to contend with?
- May want to stress test the build-up of funds under management, both from a market return point of view and also from a client cash flow point of view.
- Need to know markets perception of firm:
    - Is the firm highly regarded by investors?
    - Is it an employer of choice for investment professionals?
- Will clients still continue to accept these levels of fees? When is the next manager mandate renewal? Has recent performance been satisfactory enough for existing clients to retain INT?
- Should the "brand value" (if any) of INT be valued, or regarded as a "margin of safety" buffer and not be valued?
- Would need to allow for any once-off costs incurred when buying the firm such as streamlining the admin with the SA business, legal fees etc.
- When looking at the value of INT to XYZ what allowance should be made for the assets that XYZ may bring to the table?

END OF EXAMINERS' REPORT