

will have to slice off about 3% of your 7,75% payout for Sars. This would leave you with an after-tax yield — the equivalent of a normal dividend — of just under 5%. With it comes the steady, predictable, compounding annual growth in income that is property's biggest advantage. But if you're paying 40% tax, what are you doing at the retail end of the market anyway? You should be looking for somebody to advise you about investing directly into listed property funds.

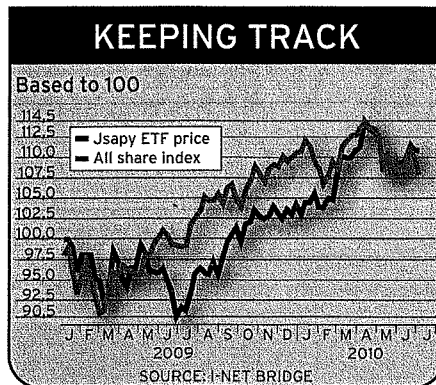
Proprax chairman Jeff Zidel says he plans to launch a second property ETF, Proprax¹⁰ as soon as Proprax has Financial Services Board and JSE approval to list it. "The Sapy index is top heavy, with three funds, Growthpoint, Redefine and Pangbourne making up half of it," says Zidel. "Proprax¹⁰ will track another index, the Jsapy equal weight index. Unlike Proprax, this index isn't weighted by each fund's market capitalisation. Each counter is given the same weight of 10%

of the index, regardless of market cap."

Theoretically, the price of an ETF needn't exactly follow the price of the collective funds (see graph), though Sanlam's Johann Hugo says it has tracked Sapy exactly in the latest quarter. In the US, institutional investors make a market out of the arbitrage any disparity offers. When ETFs are more expensive, they sell them and buy the underlying funds. When the ETF is cheaper than the funds, they sell the funds and buy ETFs.

Proprax investors have the right to redeem the actual property funds of the equivalent value, though only the institutions will have ETFs of enough value to be able to be issued with all 17 listed funds in their market cap proportions. But Zidel says Proprax wants to discourage such arbitrage, particularly while the market in Proprax is still being developed. So Proprax charges 7% of the value of the transaction as a redemption fee.

An ETF is the ideal entry into the



stock exchange. It behaves like an ordinary JSE counter without you having to do the research and tracking of its performance a single share needs. It is hoped you will become familiar with the underlying shares and eventually start investing directly in them. It's a lot easier to do that than financial advisers would like you to believe, particularly with the steadiness of property shares. **Ian Fife**

RESOURCE GENERATION

Stake in African ground

Initial trade in Resource Generation (Resgen), the ASX-listed coal and uranium company taking a secondary listing on the JSE this week, is likely to be slow.

It has no SA shareholders or board members and its mine is in the early stages of development. It warns in its prelisting statement that liquidity will be constrained until shares migrate from the Australian to the local share register. But whenever there are growth opportunities, they will be structured in a way that will improve liquidity.

The local listing is partly intended to raise awareness of the company, 90% of whose assets are in SA and the remainder in Australia and Cameroon. It has rights on two properties in the Waterberg, west of Lephalale, called the Boikarabelo project, where it plans to build an opencast coal mine producing about 3 Mt for export and 3 Mt for the domestic market by 2013. Expansion opportunities could bring production up to 15 Mt for domestic sale by 2018.

MD Paul Jury says Resgen has,

until now, maintained a small board to give it the flexibility to expand.

"One of the purposes for the JSE listing is to facilitate a more flexible funding platform for the Boikarabelo mine development... This may well include adding board members."

Resgen is one of several companies trying to develop coal reserves in the Waterberg, along with Exxaro Resources, Anglo Coal and Firestone Energy. Opportunities would expand if a third coal-

fired power station were to be built in the Waterberg, but Eskom is not committing itself until funding is more certain.

"While a third power station in the Waterberg would be advantageous to our plans, we have factored into our feasibility studies the absence of such a station in the short term and determined that our mine can still be viable," Jury says.

Developing coal mines in the Waterberg also face other constraints, such as water and logistics. Resgen is talking to various parties about rail routes, including through Richards Bay, Maputo, Durban and the Trans Kalahari project.

The Kalahari project, a proposed rail link going west to Walvis Bay, has been under discussion for years but little progress is evident. Jury says Resgen is independently surveying a potential route for the line. "This is a material funding commitment and from the results we hope to progress to a more concrete feasibility study. At that stage we will be able to better determine its viability for production."

While investors interested in the Waterberg coal deposits wait for share trading to quicken, they will have time to watch whether Resgen's management delivers on its promises. **Charlotte Mathews**

FACTS: RESOURCE GENERATION

- **Listed on the Australian Stock Exchange** since 2003, initially as a telecommunications business
- **Since 2008, has accumulated** coal and uranium properties in SA, Tasmania and Cameroon
- **In SA, it owns:**
 - 70% of Waterberg One Coal, with BEE partner Lukale Mining holding 30%
 - 74% of Ledjadja Coal, with Yakani Resources holding 21% and Shando Minerals 5%
- **Together these form the Boikarabelo project, with 1,9bn t of inferred coal resources.**

SOURCE: COMPANY WEBSITE, PRELISTING STATEMENT