Association for Monitoring and Advocacy of Government Pensions (AMAGP)

NPO Registration No: 198-822

SEMPER VIGILANS

The Association for Monitoring and Advocacy of Government Pensions: A volunteer independent group of pensioners and civil servants concerned about the long term viability of the GEPF and sustainability of its return on investments.

www.AMAGP.co.za

GEPF Watchdog - Waghond

GEPF Forum

NEWSLETTER NO 11 of 2021

AMAGP – Association for Monitoring and Advocacy of Government Pensions
BOT – Board of Trustees [of the GEPF]
FSCA – Financial Sector Conduct Authority [previously the FSB]
GEPF - Government Employees' Pension Fund
PIC – Public Investment Corporation
PSA – Public Servants' Association
ROI – return on investment
SCOF – Standing Committee on Finance
SCOPA - Standing Committee on Public Accounts
SOE – state owned entities

The Government Employees Pension Fund (GEPF) is Africa's largest pension fund. We have more than 1,2 million active members, in excess of 450 000 pensioners and beneficiaries, and assets worth more than R1,61 trillion. GEPF is a defined benefit pension fund that was established in May 1996 when various public sector funds were consolidated. Our core business, which is governed by the Government Employees Pension Law (or GEP Law), as amended, is to manage and administer pensions and other benefits for government employees in South Africa. https://www.GEPF.gov.za/ dd 4 August 2021

IMPORTANT – PLEASE READ AND ACT

Please not that membership of the Watchdog and Forum does not mean AMAGP too, you have to join AMAGP too. Please join urgently, it is free, we need your membership to make our voice stronger. The procedure is:

1. Go to the link, click and open the https://www.amagp.co.za/ page.
2. The link 'Membership Registrations' will be visible on the left side of the page, and 'Membership' top right of the page, klick on Afrikaans or English.
3. Complete the application and submit.
4. You are now a member of AMAGP and membership is gratis.

There are no obligations except to join and be concerned about your pension.
Thank you

The Editor's Word

Note. The Fund's investment values used in the newsletters, are from the 2019 GEPF Annual Report, said values probably 2018 terms as the figures in the Fund's AR are usually a year or more old.

We have about R231bn invested in Naspers, with its weird cross ownership with Prosus. Between these two's cross ownership they own 31% of Tencent, a very large and very profitable Chinese company, which provides most of Naspers' profits. The Chinese government has clamped down on similar Chinese companies in the past quarter, severely affecting profitability. It behoves our BOT and the PIC to assess the risks of the projected cross ownership and the Chinese government attitude towards Tencent, and act appropriately to prevent a massive impairment.

The Fund has at least 340 investments, loans, bonds, financial instruments, etc, excluding the unlisted investments it cringes from revealing, ranging from R79 000 to R368bn. This doesn't include any GEPF investments and properties included in the PIC Annual Report but not in the GEPF Annual Report

Anglo American evidently is paying a substantial dividend. Our Fund has about R65bn in Anglo, meaning the ROI is quite good. We do have good news about our investments too!

Keep in mind when reading about 'income support', 'grants', 'basic income grant', etc, that these grants and support can only be paid from tax on the economically active population. Which is decreasing every year, misspent, wasted, etc. We must be very careful of these 'government' initiatives, as once our pension has been absorbed in the bottomless 'government' pit to fund these initiatives it will never recover.

AfroCentric Investment Corporation has finalised its acquisition of Exeltis SA, a business that it will integrate into its Activo Health vertical. We have about R24mn in AfroCentric.

Now for news from the media

The ANC's economic head admits the ANC's economic interests and policy weren't to the advantage of the South African economy. And clearly states electricity [read Eskom] and state corruption as the main reasons for the poor state of the South African economy. Hmmm…

The Pretoria Rekord has an interesting piece on the civil unrest [no it wasn't riots] mirroring 'govt corruption', the 'government looting' now tending to be part of national identity…

Some news of some of our investments merging interests. Resilient REIT acquiring more of Lighthouse capital. Fascinating stuff, isn't it?

The state bank is still on the agenda, just raising its head again, with African Bank possibly being the basis of such a bank. I wonder if the 'government' knew this when it bailed out African Bank?

Of note is the Minister of Finance's briefing on planned changes to pension legislation, to include loans from pensions. Such legislation not really in the amendment bill stage yet, so it is going to take some time still. Of course, the GEPF and BOT will be involved irrespective of what they say. Keep in mind the GEP Law is separate from pensions legislation.

Tourism is set to languish for longer than lock downs, marginalising the industry with comeback going to take years to recover. The size of our exposure to this industry is unclear from the investments in the Annual Report. I believe many other countries have the same challenges.

A fresh view on property in the ravaged and damaged and high risk areas, and shopping malls. Many large property and mall owners are positive on restarting operations in the disaster area and expanding, according to their strategy and planning. This trust implies huge belief and trust in the economic future or our urban sprawl, which urban sprawls are much much larger than most of us realise or can visualise.

The GEPF merged with a shopping centre, if the news report is correct. Adding another property to our portfolio, I believe, is nearer to the facts.

Eskom is in the process of acquiring government supported financing, based on renewable power sources. Read more about it below.

China has a huge economy with South Africa exporting many billions to it. We have a sizable investment in Chinese tech, with good ROI. Ongoing regulatory challenges in China are influencing the expected ROI downwards.

MTN has a notable presence in Africa and the Middle East. It also is facing impairments due to various reasons, again influencing our ROI.

Lastly, the challenge for pensioners after Covid is that many who were ready to retire, were planning on retiring and should be retiring, may no longer be able to, due to their retirement funding being marginalised by the pandemic.

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Synopsis

ANC economic head admits that government has dropped the ball

Businesstech
Staff Writer
28 July 2021

South Africa's economy has been in a bad shape since 2015, with the situation made worse by the Covid-19 pandemic, says the ANC's head of economic transformation, Enoch Godongwana.

While the outlook for 2021 is largely positive, Godongwana says the ANC itself has admitted to 'dropping the ball' over the last 10 years. He told the SABC that two specific issues have been directly detrimental to the economy and are of the government's 'own making'.

> "The first one is the **electricity shortages**. It is unacceptable that we have had shortages since 2008 and we continue trying to fix Eskom and electricity supply."
>
> "The second issue has been the weakening of state institutions through various means – including **corruption**."

"So those issues we must admit have not helped the economy and therefore exacerbated unemployment and poverty issues. Those are the issues that have got to be tackled head-on moving forward."

Jobs and grants

Godongwana said that GDP growth does not on its own translate to large employment creation, so extraordinary measures are necessary.

He said that a large number of unemployed South Africans are youth between the ages of 15 and 24. This age group should be in the education system and there should be a focus on preparing these South Africans for the workforce.

Another large group of unemployed South Africans are graduates or have some tertiary education, so the focus should be on transitioning these people to a work environment.

In addition to this, Godongwana said that the rest of the country's unemployed population should also be assisted – including through income support.

However, he said that young people in South Africa cannot be condemned to 'perpetual dependence on grants' and that government needs to make sure that the youth are properly trained and that there is a transition from education to work.

"What that means is that whatever measures we introduce, we need to find ways of growing the economy to such an extent at we can absorb these people. We then need to look at the remainder of the population and cushion the impact on them."

He added that the R350 Covid-19 Social Relief of Distress (SRD) grant has been temporarily extended to give the government time to work on a 'new dispensation', with a proposal around grants and unemployment to be introduced within the next financial year.

Comment

Dropping the ball is a gross understatement, dear reader, this isn't something we, the citizens and taxpayers don't know already. But do you realise what this means? The 'government', being the ANC revolutionary movement, acknowledges that more effort was spent on enriching it at the cost of the economy [that means us]. This is clear from the downturn in our Fund's funds in the past ten years.

The 'extraordinary measures' mentioned is reason for concern, as is the 'income support'. Where will the funding be found? Then we have the unemployed who can only be employed if the economy grows.

Synopsis

Looting, unrest is mirroring 'govt corruption'

Pretoria Centurion Rekord
20 July 2021
Sinesipho Schrieber

The riots that rocked parts of KwaZulu-Natal and Gauteng could be simply the results of communities mimicking the government's corruption, a political analyst has said.

The past week's events have begged the question how the country came to witness masses looting and destroying infrastructure.

Political analyst and senior researcher fellow at the University of Pretoria, Tinyiko Maluleke, told Rekord the recent uprising was a result of a combination of social, economic, political ills which would likely take place again should structural policies not change.

Maluleke said the looting could also be seen as a result of communities mirroring the government's alleged behaviour of corruption affecting several departments.

An illustration of this was why the Commission of Inquiry of State Capture to investigate cases of organised looting of the state's funds by elite business people, state-owned-entities management officials, and politicians was established.

Maluleke said the government was confronted with the grave issue of corruption forming part of the nation's identity. "Looting is a bad thing but corruption is a form of looting also. If you put up a value system built around self-enrichment, quick buck, short cuts, provided that system becomes inculcated in the whole country, then the result is what we saw last week."

Maluleke also blamed political instability of the ANC to sparking the riots.

Comment

I think the article is clear enough. Dear reader, read the yellow highlight sentences at the top of the first page again. We can never rest in our watchfulness to keep our Fund safe from greedy looters and the 'government'. Interesting, the 'unrest' spilled over into Swaziland at the same time…

Synopsis

The South African M&A space

DealMakers Africa
30 July 2021

Lighthouse Capital has reached agreement with Wereldhave Retail France on the acquisition of a portfolio of four French retail shopping centres located in Le Havre, Rouen and Strasbourg for a cash consideration of c. €305 million.

Resilient REIT has released the results of its mandatory offer to Lighthouse Capital minority shareholders. The offer, a cash consideration of R7,13 per share, was accepted in respect of 4,117,083 Lighthouse shares, representing 0,33% of shares in issue. Following the implementation of the offer Resilient will hold 40,39% of Lighthouse shares in issue.

Comment

We have about R154mn in Lighthouse Capital and R1,8bn in Resilient. Fascinating to see who owns who, it seems Resilient might absorb Lighthouse in due time if it continues to increase its Lighthouse shareholding.
M&A – mergers and acquisitions

Synopsis

Mboweni wants to forge ahead with plans to establish a state bank

Bloomberg
BusinessTech
29 July 2021

Finance Minister Tito Mboweni wants to forge ahead with long-touted plans to establish a state bank and suggested the government take up the central bank's stake in African Bank Holdings Ltd, and use it as a building block for the new lender.

The state bank could play a crucial role in providing support to businesses and shake up the financial services industry, the Minister said in an interview on Wednesday.

African Bank is owned by the Reserve Bank, the GEPF and six of the nation's largest commercial lenders, which stepped in to save it with an equity injection when its owner, African Bank Investments Ltd, went into administration in 2014. It's undergone a revamp, offering more diverse services and additional digital products, and the time could be opportune for its existing shareholders to divest.

"The government would like to take up their shareholding of African Bank and use that license as a basis for the establishment of a state bank," Mboweni said. "It can enter those parts of the markets which have failed in providing banking and financial services to our people. I am really excited about it and I hope that we can really get it across the line."

Mboweni has previously said South Africa needs a new state bank to help support the emergence of Black agriculturists and Black industrialists.

While about 77% of South African banks have access to a bank account, only about 14% of them are able to obtain loans from commercial lenders, with the remainder sourcing them from non-bank institutions or family and friends, according to FinMark Trust, a Johannesburg-based non-profit.

Access to finance remains a "definite challenge" in South Africa, particularly for start-ups and smaller businesses, where demand is greatest, according to a 2018 report by the Banking Association of South Africa.

It cited a study that showed a total of 44% of small businesses seek funding of up to R250 000, with a combined 73% seeking funding of up to R1mn, meanwhile, financiers mostly offer funding from R250 000 to R5mn, "pointing to a mismatch between funding demand and supply."

The central bank initiated the process of disposing of its stake in African Bank last year, and Mboweni said his deputy David Masondo is in talks on how it could be acquired with a view to setting up the new lender. "This matter has the strongest support of the president, so we have to proceed," he said.

"The South African Reserve Bank and the transaction advisers are assessing the expressions of interest received, and due to the nature of the process we cannot, at this stage, disclose who has registered an interest," it said in an emailed response to questions.

The government already owns Post Bank, which confines itself to taking deposits, and the Land & Agricultural Development Bank of South Africa, which mainly lends to farmers.

Comment

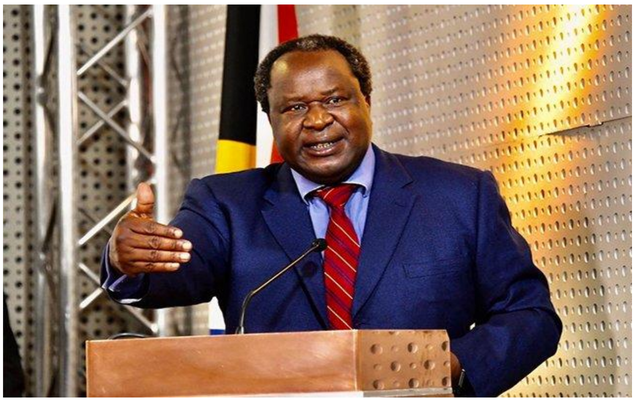
We have about R671mn in African Bank and more than R6,2bn in the Land Bank. The

Land Bank is known to be financially challenged. As to the Post Bank, well known to many old citizens as it used to be the closest or only bank in town, as well as many post offices closing down, its future might be uncertain.
The reference to the lack of 'access to finance' for businesses isn't a purely South African matter, it is internationally the same.
The state bank seems like a good idea, except for the source of funding, its alleged racial focus and the notoriety of SOE finances. If it happens, is the 'government' going to pay the Fund the full value of the investment, or will we be locked into another doubtful SOE?

Synopsis

Here's how South Africa's new retirement system could work

Staff Write
BusinessTech
30 July 2021



National Treasury is looking at a 'two-pot system' for withdrawals from pension funds as part of a proposed change to South Africa's retirement regulations. The change will see one third of funds being accessible before retirement and two thirds being locked into compulsory preservation for retirement.

"The approach is for a limited system of withdrawals together with mandatory preservation," Treasury director-general Ismail Momoniat told BusinessDay. "It will allow some form of withdrawal but then you will not be able to take out the rest of it before retirement. There has to be greater preservation."

Momoniat said the Treasury also wanted to make it compulsory for everyone who works to contribute to retirement savings – including contract workers such as Uber drivers.

South Africans are able to access their pension funds before retirement under existing regulations but face steep penalties for doing so.

Discussions ongoing

Finance Minister Tito Mboweni has called for South African workers to have access to a percentage of their retirement fund in times of difficulty. "It's a matter which has to do with making an allowance for workers to have access to a percentage of their retirement funds in these times of difficulty," he said. "It is a matter that has been discussed at Nedlac ad nauseum and I am now determined more than ever before, to ensure that the officials in the National Treasury and other relevant officials speed up this matter".

He argued that a worker should be able to access portions of their retirement funds "in these difficult times". The funds, he said, could, amongst other things, be used to settle bond repayments or "sort out whatever debt positions they might be in". "But I must warn at the same time that people must ensure that they use this facility for purposes of relief and also making better their own situation," said the minister.

The package will now be presented to Parliament as per legislative requirement.

"South Africa is a constitutional democracy, it is a law-governed society. There are procedures and processes which have to be followed when money is being appropriated for one purpose or the other. "To that extent, we have to approach Parliament as well, in one form or the other, in order for these appropriations to be fairly and fully within the legal system."

He said it was important to ensure that the package was funded within currently available resources. "We are not going to be going for borrowing, at all. I think that must be clear. This is not in any way going to include or increase our borrowing requirement. We will obviously make sure that, where needs be, in terms of the package of measures," he said.

Comment

There is a real need that could be met by borrowing from your future. How this might work is still some way down the road as the legislative process still has to be followed.
Also, the GEPF doesn't fall under the pensions act, but the BOT might decide to follow the example, requiring changes to the GEP Law and Rules.
The one single pension fund is hiding in the words of Momoniat of Treasury [compulsory to contribute]. You thought it had gone away? Think future, where will the 'government' get the money?

Synopsis

Economic relief: Tito Mboweni to give workers access to retirement funds

The South African
By Dan Meyer
28 July 2021

During a briefing to the media on Wednesday 28 July, Finance Minister Tito Mboweni announced that he is committed to implementing a scheme whereby worker will be able to access a portion of their retirement funds to help them through the financial difficulty resulting from the COVID-19 pandemic and recent riots and looting.

Mboweni unpacked the economic support package announced by the President on Sunday, saying that National Treasury has allocated over R27bn for the payment of the R350 social relief of distress (SRD) grant and is working hard to implement extra measures to assist the country's most vulnerable people.

Mboweni Demands Fast Tracking of Retirement Fund Strategy

During his virtual briefing, Mboweni said that he is pushing to implement a mechanism through which workers can access some of their retirement funds, but said that somewhere along the line, his strategy has become stuck in administrative purgatory.

"The matter which seems to be stuck somewhere in the system, a matter which has to do with making an allowance for workers to have access to a percentage of their retirement funds in this time of difficulty," he said.

"It is a matter which has been discussed at length, and I am determined now more than ever before to ensure that officials at the National Treasury and other relevant bodies speed up this matter," he pledged.

'**Use Funds Responsibly'**

Mboweni said that when the opportunity to access retirement funds becomes available, those who choose to use the money must do so responsibly and only as a solution to urgent financial distress.

"A portion of the retirement fund, workers should be able to access, in order to maybe pay off bond repayments, or sort out whatever debt positions they may be in – but I must warn them at the same time that people must ensure that they use this facility for purposes of relief and making their own situations better," he said.

Comment

Whenever legislation allows this, the individual member will have to decide. All members receive a salary right now, however, not all members have the same financial challenges. To some this will solve their immediate problems, to some it will only increase their problems, depending on how responsible they use the 'loan' from the Fund. Whatever direction this takes, nothing is going to happen before legislation makes provision for such loans. And then only if the BOT decide to follow such legislation with changes to the GEPLaw.
More comment:

First
By Susan Voges:
EARLY ACCESS/WITHDRAWAL FROM YOUR PENSION FUND.

Everyone has heard and read the news where the Minister of Finance said he will push for the legislation to be approved which allows employees to make an early withdrawal from their pension fund.

This is just what he said - push to get legislation approved. That means there is no new legislation, no amendment to any existing legislation.

Once and if a new legislation in this regard is approved and stipulated in the Pension's Act, GEPF will investigate to see if it will be feasible or not. If decided to include such an amendment, then only will the GEP Law and Rules be updated and will the information be distributed on how it will work.

THIS IS NOT SOMETHING THAT WILL HAPPEN OVERNIGHT.

Please take note on the wording of the Minister's speech, he never said it is now approved.

Tweedens
Van die Waghond Fb blad:
Nuwe manier om begrotingsdruk te omseil, pensioentrekking het oa volgende gevolge:
1. Belasbaar so SARS sal waarskynlik 41% afskep. ook 15% BTW op bestedings. so staat is die grootste beneficiary!
2. Verminderde pensioenvoordeel wanneer jy uiteindelik bedank/aftree.
3. Impak op pensioenarisse - minder fondse om te belê; kleiner opbrengste; geen/kleiner verhogings.

Third
From the Watchdog Fb page:
What I do mind is when they retire and realise that they can't survive on what is left; there will be protests and demands for the government to fix it. Where will government look for a fix? To the rest who didn't make early withdrawal, and that I will mind because that is my retirement that they will be messing with.

Synopsis

FOR PSA MEMBERS: GENERAL 19/2021

30 July 2021

Update: Pension Fund Amendment Bill 30-2020

In terms of the Government Employees Pension Law and the Rules and Regulations governing the Government Employees Pension Fund (GEPF), provision is made for the payment of pensions and certain benefits to persons in the employ of the State.

The GEP Law and GEPF Rules make various references to instances where negotiation or consultation is required with the Minister and/or labour representatives in the Public Service Coordinating Bargaining Council (PSCBC) or employee organisations representing the Public Service, prior to any amendment being made to, ia, the benefit structure of the Fund.

The PSA is inundated with calls from members regarding early access to pension savings given the current economic crisis that was intensified by the COVID-19 pandemic. Government has tabled the Pension Fund Amendment Bill (B 30-2020) to the standing Committee on Finance. The Bill aims to allow pension fund members to obtain a loan, secured from a registered pension fund, to alleviate financial pressure during an emergency such as the COVID-19 pandemic. These proposed amendments must be subjected to negotiations at the level of the PSCBC. Only once parties at the level of the PSCBC agree to the proposed amendments, will such a decision be communicated to the GEPF Board of Trustees. The Board will have to consider and subsequently follow processes in this regard.

Members should, however, note that there are certain processes that need to unfold before any changes can be effected, including gazetting of the rules to comply with legislative requirements. These are tedious processes and will take time to effect.

The proposed amendments may assist as an emergency measure but could have devastating effects on an individual's ability to provide for old age. The GEPF is a defined-benefit fund, which means that the GEPF and the State as employer, guarantee that members will receive their benefits at retirement. These benefits are not based on the value of the fund at retirement but on the years of pensionable service and final salary calculations.

In view of the concerns and queries received from members the PSA will, however, table this matter at the PSCBC for discussion. Members will be informed of developments.
GENERAL MANAGER

Comment
I doubt the PSA can make it clearer than that. Members will have to wait until all members are satisfied with amendments to your Fund's

law before any loans might be available. By then the dire need, hopefully, might have faded.

Synopsis

Tourism industry fears the future, 10-year recovery predicted

Empty tables and chairs at an outdoor restaurant. Picture: Supplied

Mercury

By Nonhlanhla Nozizwe Hlatshwayo
29 July 2021

Due to the Covid-19 lockdown and restrictions, tourism businesses may take as long as 10 years to recover. This was the grim statement from the Federated Hospitality Association of Southern Africa (Fedhasa). The association said their members had seen plummeting revenue since the lockdown was introduced 18 months ago.

"The last festive season was a hard knock as there was a 20% decrease in the expected figures. Members had been reporting quite pleasant figures in April this year. Just when they were working on that, the level 4 (lockdown) hit when the travel ban was reintroduced, where our members reported between 0-5% occupancy," said Brett Tungay of Fedhasa in KwaZulu-Natal.

Northern KZN businessman and resort owner, Musa Myeni, said it had been a downward spiral since the announcement of the lockdown. "In 2020 we had bookings up until December and when the lockdown was announced, we had to pay back deposits and we lost about R12 million," he said.

Myeni said it would be difficult to bounce back given the level 4 lockdown and the recent unrest. "During the unrest we've had to tighten security measures when already money was not coming in. During that time we saw people gathering for political reasons where we saw no social distancing taking place, and the government did nothing about it. This shows you that our government is not serious about the regulations they put in place because it only applies in certain areas," he said.

Durban businessman Max Mqadi of Max's Lifestyle called on the government to speed up the vaccination roll-out. "The only way out of this and back to normal is if the government can get on with vaccinations. The sad reality is that when businesses finally open up, they will be opening up with credit," he said.

On a positive note for the industry, hotel management software provider RoomRaccoon said past trends revealed hope for the industry's future. "RoomRaccoon statistics during and following the second wave of Covid-19 infections in the country showed that bookings for accommodation businesses nearly doubled in December, February, March, April and May 2021, with up to 60% of rooms booked in these months, well above the benchmark of 30%," they stated.

Comment

I have no idea to what extent the Fund is invested in the hospitality industry, but we certainly are. Covid's assault on the hospitality industry influences the ROI on these investments.

Synopsis

South Africa property, retail firms bet on townships despite unrest

Nqobile Dludla
29 July 2021
Reuters

Recent unrest in South Africa damaged hundreds of businesses but property developers and retailers say they remain committed to the fast-growing consumer markets of its predominantly Black townships.

At least 161 shopping malls, 11 warehouses and eight factories suffered heavy damage, sites that include tenants such as grocery chains Shoprite and Walmart majority-owned Massmart.

The hardest hit areas included Durban's uMlazi and Johannesburg's Soweto and Alexandra townships in KwaZulu-Natal and the economic heartland of Gauteng.

Exemplar REITail had five of its 27 malls damaged, including three which are expected to take up to four months to return to normal operations, CEO Jason McCormick told Reuters. Yet McCormick said the company remained committed to not only repairs, but the development of another 30 malls in the pipeline.

"What happened was tantamount to a black swan event. I don't think anyone ever foresaw the extent of this ever happening," McCormick said at one of the group's malls in Johannesburg. McCormick's views reflected those expressed by six other CEO and executives of listed property companies and two retailers interviewed by Reuters.

Vukile Property Fund, for example, will repair its damaged Daveyton Mall in Johannesburg, one of the first township malls, and will forge ahead with a R90mn upgrade of the site, CEO Laurence Rapp said. "It's one of our most successful malls in the portfolio in terms of all its trading densities and trading statistics," Rapp said, adding that the current book value of the six damaged properties is around R2,8-3bn.

Real estate developers and retailers have spent the last two decades targeting rising consumer spending by the Black middle class in areas that were disadvantaged for decades under white minority rule. For such communities, the benefits include jobs and the convenience of having shops nearby, eliminating the cost of travelling to other towns, and these developments in turn attract other retailers and services such as banks.

Fraym, a U.S.-based company which analyses data on communities across the world, in 2019 identified South Africa's townships as the biggest and fastest-growing retail market over the previous 10 years.

Leon Kok, chief operating officer at Redefine Properties, the second-biggest listed property firm in South Africa, said the company was committed to maintaining its presence but opening new shopping centres at this point was unlikely, not due to the unrest but rather to the pandemic's impact on the economy.

The companies said, where security and risk mitigation measures are not strong enough to fight lawlessness, they ensure that they have adequate insurance cover to manage the risk.

Cost of Doing Business

Dipula Income Fund's damaged malls will take about four to eight months to rebuild at an estimated cost of R250-300mn, CEO Izak Petersen told Reuters.

Arrowhead Properties' Montclair Mall in the port city of Durban will take three to six months to be up and running, with the damage estimated at R30-50mn, Chief Investment Officer Alon Kirkel told Reuters.

Although the scale of the looting and damage was unexpected, Ninety One Portfolio Manager Ann-Maree Tippoo said this type of unrest was already priced in and the risk return profile of these investments were reasonably well understood by property firms. "So the commitment to these types of assets and areas will remain because the return profile is quite astounding compared to other retail assets," Tippoo told Reuters.

Vukile's Rapp said: "For us it's a cost of doing business in these areas but the returns are really, really good. So, therefore, you accept the cost, the risk, for the return."

Still, some players may delay further investment beyond repairing damage pending economic growth, cautioned Sasfin senior equity analyst Alec Abraham.

Reporting by Nqobile Dludla; editing by MacDonald Dzirutwe and Jason Neely

Comment

A fresh view of trust in the economy. I agree with the sentiments of these CEO, they are investing in the future, not whining about the present. The ROI from these properties seem set on continuing.
We have about R2,2bn in Vukile Property Fund, about R7bn in Redefine Properties, about R800mn in Dipula Income, about R400mn in Arrowhead Properties.

Synopsis

Government pension fund acquisition of Menlyn Maine shopping centre gets green light

29 July 2021
By Timeslive

Menlyn Maine shopping centre in Tshwane. ***Image:*** *Twitter/@DilonaNaicker*

The Competition Tribunal has approved the merger between the GEPF and Menlyn Maine Investment Holdings.

Through this transaction, the GEPF, represented by the PIC, acquires sole control over MMIH’s undivided share of Redevelopment Erf 3 and its share of the rental enterprise known as Central Square, Menlyn Maine, which comprises a retail component, a gymnasium, office space, and retail/business premises, the tribunal said in a statement.

The tribunal found the merger does not raise any competition or public interest concerns and approved the transaction without conditions.

Comment

We already have two properties in Menlyn, known only by erf no. I doubt that this is a merger as the first paragraph states. And why would the Competition Tribunal have to approve what, to me, looks like a normal sale?

Synopsis

Eskom races to tap cheaper funding

2 August 2021
Carol Paton

The logo of state power utility Eskom on Cape Town's Koeberg nuclear power plant. REUTERS/MIKE HUTCHINGS

SA has less than 100 days to get a “just energy transition” plan in place if it is to access the window of opportunity presented by concessional climate financing or lose out to other countries, says Eskom CEO André de Ruyter.

A just energy transition refers to the movement away from carbon-intensive energy generation towards clean technologies such as solar PV and wind, but done in such a way that communities and workers in the coal economy are not left behind to face misery in ghost towns.

Although the idea of accessing concessional finance for Eskom has been around for more than two years, there has been no movement on it by the government. An expert presidential task team formulated proposals in March 2019.

De Ruyter, who set out the beginnings of Eskom’s vision for an energy transition at a meeting of the Presidential Climate Commission on Friday, said SA needed to get a plan in place by the time COP26, the UN climate summit, meets in November.

Eskom hopes to raise R150bn to fund the transition from multilateral lenders, including the World Bank, German and French government development finance institutions and the New Development Bank, which have all expressed interest in Eskom’s proposals.

Concessional climate financing will be linked to a faster retirement of Eskom’s coal fleet than envisaged at present and the expansion of the national grid to enable the connection of Eskom and private sector renewable energy projects.

"This is an exciting offer by these lender governments and we are very optimistic that there is very substantial money being put forward." "The opportunity is SA's to lose, before other countries take advantage," said De Ruyter at the commission meeting.

The proposal under discussion involves a "multi-tranche, multiyear facility by a multi-lender syndicate" that will provide funding on a "pay for performance" basis. "It is important that we accelerate the drive to conclude this by COP26. We have 97 days to put such a transaction together. Government will be required to ensure all processes are expedited," he said.

However, the Treasury, which would have to be integrally involved in the transaction, has over the past two years been lukewarm on concessional climate financing. In reply to questions on Sunday, the Treasury said it supported the spirit of the Eskom proposal.

"The Treasury supports the transition of the electricity sector and a shift to alternate clean energy combined with appropriate investments in upgrading the grid infrastructure and adequate support measures for vulnerable workers and communities." However, "the pace and scale of the transition will be important and will have to be carefully managed taking into account the overall financial viability of Eskom", it said.

De Ruyter's just transition transaction is a more modest version of the one proposed to Ramaphosa and the Treasury by the expert task team two years ago. In that version, part of the intention was to reduce Eskom's debt burden by shifting this into a special purpose vehicle and exchanging expensive finance for cheaper concessional options.

The Treasury has shied away from a big Eskom debt solution, such as taking a large chunk of debt onto the sovereign balance sheet, and has opted instead for annual transfers. The February budget allocated R31,7bn of support to Eskom.

The resolution of Eskom's financial position must tackle several fundamental concerns, which includes: tariff increases that earned a reasonable return; cost savings; the unbundling of Eskom into three separate entities; and the restructuring and/or reduction of debt to manageable levels, it said.

Comment

Eskom realises the necessity of renewable power sources, which 'government' doesn't seem to support. The funding window makes sense, comparing the cost of renewable power with that of traditional coal, with all the corruption inherent in it.

By Adamus P Stemmet

As long as De Ruyter is there, investments will be safe. As soon as he leaves the looting will begin. Therefore, no workers' and pensioners' money please. Remember the R94,5bn still "invested" by GEPF in ESKOM? Dividends?

Synopsis

China

2 August 2021
INCE|Community
Chris Gilmour

The Chinese crackdown continues. Sun Dawu, a vocal businessman and critic of the Chinese Communist Party (CCP), was sentenced to 18 years in prison for "provoking quarrels, assembling people to attack state agencies and illegal occupation of agricultural land". Sun Dawu runs one of the country's largest private agricultural businesses in the northern province of Hebei.

The CCP broadened its crackdown on Chinese businesses that don't adhere to its edicts. The latest target is the private education sector, which the CCP has decreed can only be operated on a not-for-profit basis. Foreign investment into the sector will be restricted, no new licences can be issued and teaching hours will be strictly limited.

This follows hard on the heels of the crackdown on the Chinese tech sector, which has been going on for some time now. Tencent bore the main brunt of the impact last week. Year to date, its share price has fallen by around one-third since the crackdown and by around one-sixth during the worst of last week's rout. The company is hastily upgrading its WeChat platform to comply with the latest regulations from the CCP.

International investors are becoming understandably wary of investing in Chinese companies. America's financial markets' watchdog, the Securities & Exchange Commission (SEC) has halted registrations for Chinese corporates seeking to list on US stock markets. Reuters reports that the SEC wants to put in place new guidance on disclosures to investors of the risks around a possible fresh regulatory crackdown by Chinese authorities.

Yale University professor Stephen S Roach has long been an optimist on the Chinese economy but now he has serious doubts. In an article for Project Syndicate last week, he says "I have frequently raised concerns about the excesses of fear-driven precautionary saving as a major impediment to consumer-led Chinese rebalancing. But the authorities' recent moves against the tech sector could be a tipping point. Without entrepreneurial energy, the creative juices of China's New Economy will be sapped, along with hopes for a long-promised surge of indigenous innovation. This type of behaviour on the part of the CCP is wholly consistent with that of a fearful regime; fearful that it is losing its grip on power. It all stems from its inability to generate real, sustainable consumer-driven growth.

Meanwhile, the regime feels the need to show the mighty Chinese tech giants who is in control and if that comes at the expense of lower earnings from these companies, so be it.

Comment

Naspers/Prosus is a R231bn investment, 81% of the ROI from Naspers is its Tencent shareholding. The BOT, I trust, is aware of the risk and is taking steps for the GEPF and PIC to manage it.

Synopsis

Behind the Chinese crackdown on tech companies

Moneyweb
By Adriaan Kruger
3 Aug 2021

Tech companies have a lot of influence and power. Image: Qilai Shen/Bloomberg

Last week was a week of great anxiety for SA investors. Naspers and Prosus, together the biggest local companies on the JSE and with disproportionate weightings in indices and investor portfolios, fell sharply following a crackdown by the Chinese government on the operations of big technology companies.

The share price of Tencent, one of the largest tech companies in the world and one of the two biggest in China, fell by 40% within days. “We can categorise this as a crash,” says Peter Armitage, founder and CEO of stockbroking and investment firm Anchor Capital.

“Due to the dominance of Tencent in the valuation of Naspers, Naspers fell to only R2 500 [last] week, down about 20%, compared to its all-time high of R4 000,” says Armitage. “The Anchor valuation models show that Tencent composes 81% of the net asset value [NAV] of Naspers,” he adds, leaving one with the impression that Naspers (and Prosus) shareholders should be happy that they only suffered losses of 20%.

Expert insight

That Naspers and Prosus are so important in the investing environment in SA makes the changes in legislation and regulation in China very important, motivating Anchor to solicit the services of an expert on investment matters and Chinese regulatory issues to explain the thinking behind the latest moves by the Chinese government.

SA investors are clearly very interested in the topic, with 700 people attending the online presentation hosted by Anchor.

Lillian Li can be accepted as an expert on Chinese technology shares. Born and raised in China, living and working in Europe and the

US, with a background in economics and venture capital, she is perfectly positioned to explain the thinking behind the latest crackdown by the Chinese government on the tech sector.

Crackdown impact

The crackdown was huge or seemed huge. Within weeks, different Chinese government agencies issued fines, enacted new regulations, and restricted the operations of many technology companies.

Says Li: “Mere days after Didi Global’s $4,4 billion IPO [initial public offering] on the Nasdaq, their apps were removed from online stores at the behest of the Cybersecurity Administration of China. The reason cited was violations of personal data collection.”

Tencent was caught up in the furore. The company had to suspend new subscriptions to its popular WeChat app when Chinese authorities raised concerns over security of users’ information.

China playing catch-up

Li notes that private companies are strong in developing countries, while the state and state institutions are often weak. “If we were to use the US and Europe’s regulation systems as benchmarks, China lags in rudimentary law-making and implementation.”

“There’s catching up to do for Chinese law and regulators to reach parity with established western practices,” says Li, explaining that last week’s announcements suddenly caused havoc.

Balancing act

Li stresses that Chinese authorities are not set on breaking companies down. “They don’t destroy a company, they let it restructure and it is allowed to carry on. The aim is to put a company on a path that is more sustainable for consumers and ensure a sustainable industry and business environment.”

“It might lead to value destruction in the short term but create more value over the long term. It is not a power play, it is to protect consumers,” says Li.

In all, says Li, the recent crackdown is effectively to catch up on legislation and regulation that already exists elsewhere.

Outlook

“I’m positive about the long term, but cautious in the short term. The intent with regulation is not to kill innovation, but to redraw the boundaries within which private companies can operate to maximise their profits.”

She says the end result that the Chinese government is hoping for is to force companies to become more innovative and sustainable over the longer term.

That should serve the interest of investors too.

Comment

Adding this review from Li doesn’t make me feel better about the short to medium term risk of our investments in China through Naspers and, I’m sure, other companies too. It also doesn’t pay to dispose of stock with good ROI at the first indication of risk without due diligence. I’m sure the next GEPF Annual Report will vaguely refer to this without real detail, or am I just being cynical?

Synopsis

MTN dials down the risks

3 August 2021
INCE|Community
by The Finance Ghost

MTN has been on the radar of many investors recently, despite telecoms companies not necessarily being great investments in recent years.

MTN is a growth story beyond the borders of South Africa. Much of this story is in Africa, where the company has suffered terribly at the hands of Nigerian regulators. To make it worse, MTN has historically been unable to repatriate funds from Nigeria due to foreign currency constraints in that country.

MTN Nigeria released results late last week, noting EBITDA growth of 27,6% despite mobile subscribers decreasing significantly due to regulatory restrictions.

MTN Group intends to sell-down part of the Nigerian investment, which means the Nigerian business is building a head office and appointing Nigerians to key executive roles. In the meantime, MTN is managing to repatriate cash from Nigeria. R4bn was received in the six months to June 2021 and a further R0,7bn since 30 June.

Unfortunately, there are still issues in other jurisdictions. Impairment losses related to MTN Yemen have impacted the latest period. Other non-cash losses are related to MTN Syria.

A further risk is that MTN Dubai and MTN Afghanistan have been locked in a civil court battle with representatives of American service members and civilians who allege that MTN paid protection money to the Taliban in Afghanistan. The latest update on that is that the US judge has recommended to the district judge that the case be dismissed, as the court lacks jurisdiction (MTN does not operate in the US) and the complaint does not allege any conduct that violated the Anti-Terrorism Act.

Although MTN's Headline Earnings Per Share (HEPS) is expected to be 5%-15% lower than the comparable period, the good news about Nigeria and the court case was enough to send the share price 5,6% higher.

MTN is up over 70% year-to-date.

Comment

Our investment in MTN is about R42bn and MTN Nigeria about R1,45bn. MTN in other countries aren't listed separately in the GEPF AR and might be included in the MTN Group. Good and bad news for our ROI.

Synopsis

Covid-19 threatens to create a lost generation of retirees

MoneyWeb
By Jonathan Faurie
3 Aug 2021

Image: Shutterstock

South Africa's tough economic climate over several years, coupled with the financial pressure put on households by the Covid-19 pandemic, is threatening to create a lost generation, who will not be able to retire because they simply could not save enough during this period.

With the protracted recovery from the pandemic, and that most of those who are saving for retirement find themselves part of the sandwich generation (where they must financially support children as well as ageing parents), is there a focus on survival at the expense of saving for a period that is far in the future?

The current reality

The 2020 Sanlam Benchmarks Survey, a snapshot of retirement vehicles across the country, paints a worrisome picture when it comes to current saving towards retirement. It indicates that 80% local retirement fund members have experienced a reduction in their annual salary increase and/or their net income.

In addition, some of these people took a forced sabbatical or went through a retrenchment process during the pandemic.

There is, however, a glimmer of hope within the pressures the pandemic is exerting on those saving for retirement. The survey points out that millennials are well versed in managing the balancing act of spending money on education and making their children's needs a priority as well as saving for retirement.

Discretionary spending

Moneyweb asked Kobus Klein, a certified financial planner at Kainos, if the public really is compromising on saving towards retirement. "With disposal income dwindling, retirement saving is an expense that has been shifted to the sidelines and possibly for at least three to five years, while our economy takes time to recover," he says. "It is indeed an unaffordable luxury for those not on company retirement funds with compulsory retirement contributions."

He adds: "Even with company retirement funds, employees on structured packages and funds are changing to lower percentage contributions and lower pensionable income structures."

Lost generation?

It is becoming clear that we may inadvertently be heading towards the creation of a lost generation of South Africans who simply will not be able to retire comfortably.

He notes that with financial service providers allowing premium holiday periods of up to a year with no contributions, there is an opportunity lost on both contributions and allowable tax deductions. Klein adds that because of these losses, many consumers would see contributing to something that is a far distance objective as a luxury.

Surviving the pandemic

Klein points out that the public focus is on survival, and with the sandwich generation, it is about providing for their children and parents first, long before planning for their retirement. Covid could not have come at a worse time, exponentially increasing the problem due to loss of employment for children and early enforced retirement for the sandwich generation.

"A significant focus needs to be made on compulsory funding vehicles," he says. "I believe the way forward is for government to make recommendations around mandatory funds for all companies with employees. I would add the compulsory preservation of funds to the mix to mitigate the enormous fund losses with tax negatives and compound growth losses, when the retirement compound growth link is interrupted with resignations and retrenchments."

He adds that the outlook for compulsory and voluntary savings was already abysmal. "I believe it requires a combined effort between government, private business and the financial services profession to make a concerted effort to reinvigorate the savings culture with innovative ideas, products and regulations to boost retirement savings," Klein says.

To avoid the creation of a lost generation of South Africans who cannot retire, innovation will need to be brought into the market. This is something South Africans are known for. There is a glimmer of hope at the end of the tunnel.

Comment

The new generation description – sandwich; the generation taking care of parents and children. Realise the impact on your pension when you want to retire but still have children and parents to support. And you possibly have borrowed some of your pension already, if the GEPF allows that.
Note the possible solution to concern-free retirement is mandatory funds for all employees.

THE GEPF WATCHDOG/WAGHOND FACEBOOK PAGE

The GEPF Watchdog/Waghond Facebook page is the social media platform of the non-profit organisation "The Association for the Monitoring and Advocacy of Government Pensions" (AMAGP). The AMAGP has only one agenda point – safeguarding the GEPF against looting and mismanagement.

Most of our GEPF members are content with the fact that pensioners still get their monthly pension (and some increases annually), and they are convinced by GEPF newsletters and ambitious briefings by the GEPF Board of Trustees that our Pension Fund is in a superb condition. There is, however, another side to the coin! The AMAGP newsletters tell a different story.

Our Facebook and AMAGP are together more than 57 000 members and continually growing, but this isn't enough. However, this continued growth confirms the ever increasing concern pension fund members and pensioners have about the future of their pensions.

As a member of the GEPF (working or retired), this Facebook page will keep you updated about any developments affecting the health of YOUR Pension Fund. It also provides you with the opportunity to participate in the debate and raise issues of concern. Although it is not part of the core business of this page, you may also raise matters regarding the day to day management of your pension administration, which we will gladly refer to the Government Pensions Administration Agency (GPAA). Please read the articles that are posted on the wall, BUT also re" and "Files". You can get further information on our website – there is no reason to be in the dark regarding our/your Pension Fund, and what you must do as a member.

This page will only have any value for you if you join the AMAGP. Note there are no membership fees. You don't have to do any work for the AMAGP if you do not wish to do so – BUT your membership will add one more voice to AMAGP convince the government our pensions remain ours, not theirs to misuse. You can complete the online registration form under "Announcements" (English and Afrikaans) at the top of the Facebook page, or you can visit our website at www.AMAGP.co.za, and complete the online application form that you will find under "Membership". There are also registration forms in English and Afrikaans that you can print, complete and return to us under "Files" on the Facebook page.

The AMAGP does not want any GEPF member to leave the Fund, because it still is the best pension fund in the RSA – BUT, we as members and owners of the Fund have to protect it against abuse.

Welcome to our page – please help us to get thousands more GEPF members to join this page and the AMAGP, so that we will have the required bargaining power. **We are the owners of the GEPF**, and we have the right and the power to force the GEPF Board of Trustees, and the PIC, to manage and invest OUR money in a responsible and profitable way. To the advantages of members and pensioners, not looters and mismanagers!