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 12 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 entity

The Government Employees Pension Fund (GEPF) is Africa's largest pension fund. We have more than 1,2 mn 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 note that membership of the Watchdog and Forum does not mean membership of AMAGP, 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 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. You are now a member of AMAGP and membership is gratis. There are no obligations except to join, be concerned about your pension, and to offer your pro bono services.
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.

Interesting, the explosion at Medupi power station, just after it started working at full capacity…

Dear readers, you might not really realise it but AMAGP is managed by about six pensioners, who are all quite senior senior citizens. Doing it without any compensation of any kind, except for knowing that your/our pension fund is being better looked after.

Being senior senior citizens, it is a matter of time before the seniority catches up with them, we need to enlarge our capacity with more and younger concerned members and pensioners. We have been underwhelmed by offers of assistance thus far. We aren't talking doing anything full time, or anything arduous. We need more people, people. That means you…

Contact As Kleynhans at the Watchdog to offer your services.

Now for news from the media

The AMAGP press release below raises AMAGP concerns about Ayo once more, more specifically the seemingly lack of any action to recoup our investment. Exacerbated by the quietness we experience from the BOT.

The basic income grant is still in contention. Good or bad? You decide, as long as the Fund isn't looted to provide the grant.

A long article about SACTWU taking Survé to court about its investment in Ayo, with disturbing revelations about how the deal was structured. Even more disturbing that our deal with Ayo is structured the same way.

There is good ROI news from our investments in Telkom, Murray&Roberts and Royal Bafokeng.

On the other hand, our investment in Curro is facing some challenges indirectly caused by the lockdown.

The Steinhoff saga wending its laborious way through courts, but seems to be getting somewhere.

There are optimistic results from AdvTech, Nedbank, Master Drilling, showing some good returns.

We will have an acrimonious argument, fuelled by the alternative media, about how civil servants won't share in the envisaged pension withdrawal process. It is important to realise that nobody will be able to access any pension in the form of a loan or similar until amendment to pension fund legislation is approved, as for the GEPF. Note the media house shouting out how public servants are going to be excluded is a Survé one.

Finally, a statement by Treasury about the access to pension, confirming what we all know and the media will continue to exploit.

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Opsomming

VERKLARING F11/21
UITGEREIK NAMENS DIE VERENIGING VIR DIE MONITERING EN BEVORDERING VAN REGERINGSPENSIOENE (AMAGP)

Kaapstad
3 Augustus 2021

AMAGP SE GEREGVERDIGDE BEKOMMERNISSE GROEI DAAGLIKS

AYO-aandele nou R3,50 werd! Dus, geen dividende vir regeringswerknemers en – pensionarisse nie, en die dawerende stilte van die OBK oor die hantering van die Mpati-kommissie se kommer oor maatskappye wat bande met dr. Iqbal Survé het, is veral kommerwekkend.

As 'n apolitieke, nie-winsgewende en vrywillige vereniging van huidige en gepensioneerde regeringswerknemers, word die AMAGP toenemend bekommerd oor die volhoubaarheid van die Regeringswerknemerspensioenfonds (GEPF). Ons is ewe besorg oor die voortgaande stilte van die Openbare Beleggingskorporasie (OBK) en sy Raad van Trustees oor onlangse nadelige gebeure, waarby maatskappye wat bande met Iqbal Survé het, betrek word.

Die onlangse aankondiging dat AYO, ten spyte van ‘n 142% afname in winste van R160 miljoen tot ‘n verlies van R66 miljoen, nogtans sy dividende met 86% tot 65 sent per aandeel verhoog het, het tot baie kommer gelei. As een van die grootste aandeelhouers, sal die Survé-groep een van die grootste begunstigdes wees.

Hierdie aankondiging behoort sekerlik die OBK aan te gespoor het om sy pogings om die R4,3 miljard wat hy onder bedenklike omstandighede in AYO Technologies belê het, te verhaal. Maar het dit? Hulle stilte noop ons om ernstig te vermoed dat geen poging aangewend is om die geld te verhaal nie...

Besonderhede oor wat die OBK doen om die aanbevelings, wat die Mpati Kommissie van Ondersoek na ampsmisdrywe by die OBK in Maart verlede jaar ten opsigte van maatskappye met bande met Survé gemaak het, te implementeer, is nog nie verskaf nie. Waarom nie? AMAGP veroordeel hierdie duidelike gebrek aan deursigtige en oop kommunikasie in die sterkste moontlik terme.

Ons soek ‘n verduideliking ten opsigte hiervan van die Minister van Finansies, Tito Mboweni, en van Abel Sithole, die HUB van die OBK, wat meer as R2 triljoen van staatsdienspensioen- en regeringsgeld bestuur.

In Desember 2017, op aandrang van die vorige HUB, dr. Dan Matjila, het die OBK die hele privaat plasing van AYO Technology Solutions Ltd se R4,3 miljard in aandele in ‘n ooreenkoms geneem, wat die Mpati-kommissie bevind het prosesse verontagsaam het.

Daardie aandele, wat die OBK in 2017 vir R43 elk gekoop het, verkoop nou op die JSE vir R3,50, en AYO het nou na bewering ‘n markkapitalisering van slegs ongeveer R1 miljard. Die verlies vir die pensioenfonds en dus vir werkers en pensioenarisse, kan nou op ongeveer R4 miljard geraam word. Dit is regtig skokkend!

Terselfdertyd het dit duidelik geraak dat dr. Iqbal Survé, met wie hierdie maatskappy verbind is, besig is om die bates van die maatskappy so vinnig as moontlik te verkwis.

Terwyl winste daal, word groot dividende betaal aan maatskappye met Survé-bande, soos African Equity Empowerment Investments (AEEI), maar om een of ander rede swyg die OBK en die Regeringswerknemerspensioenfonds (GEPF) se Raad van Trustees. Daar is 'n ernstige gebrek aan goeie, oop en deursigtige, eerlike kommunikasie.

Onder ons bekommernisse is die volgende:

- **Met ‘n R4,3 miljard belegging in AYO, is die OBK klaarblyklik ‘n aandeelhouer en behoort ‘n ontvanger van dividende te wees. Tot nog toe is daar geen aanduiding dat dit gebeur nie. Kan Abel Sithole en sy hoëprofiel ampsgenote by die OBK asook die GEPF se Raad van Trustees dit verduidelik? Dit lyk of almal betaal word behalwe diegene wie se pensioenfondsbydraes per aftrekorder in die eerste plek hierdie lening moontlik maak.**
- **Daar is geen aanduiding dat die multimiljoenrandlening in 2013, om die Independent Media-nuusblaaie te koop, terugbetaal sal word nie.**
- **Daar is geen reaksie of respons van die regering, die OBK en die GEPF se raad van trustees, oor banke soos ABSA en FNB, ouditeure, regslui, en belangrike kliënte soos Sasol en BT Telecoms, se verbreking van bande met maatskappye met Iqbal Survé-bande nie, wat vrese vir finansiële verlies en skade aan hulle aansien, as redes verstrek.**
- **In oortreding van die beloftes van verantwoordbare en deursigtige bestuur, wat die land in 1994 ontvang het, gee die OBK geen besonderhede van wat hy doen om die volgende aanbevelings, deur die Mpati Kommissie van Ondersoek na ampsmisdrywe by die OBK bykans agtien maande gelede gemaak, te implementeer nie:**

*The **Sekunjalo** Group investments showed a marked disregard for PIC policy and standard operating procedures.*
Proper governance was absent or poor, and risk identification processes were downplayed by looking for risk mitigants to make sure the deals were approved.

Due diligence reports highlighting issues around independence of Board members, policies to be implemented etc. were not followed up by the PIC to ensure implementation post the deal being approved and monies having flowed.

*The "close relationship" between Dr Matjila and **Dr Survé** created top down pressures that the deal teams experienced to get the requisite approvals.*

*Board members within the **Sekunjalo** Group of companies are not independent. Some board members are related to **Dr Survé**, are long-serving employees, long- time friends, or are non-executive directors on other **Sekunjalo** Group company boards, and dominate the board seats in those companies. Independent non- executive directors are in the minority on the boards of AEEI and AYO.*

*In the light of the above, the Commission recommends that the PIC must conduct a forensic review of all the processes involved in all transactions entered into with the **Sekunjalo** Group, and ensure that the PIC obtains company registration numbers of every entity in the **Sekunjalo** Group, to be able to conduct a forensic investigation as to the flow of monies out of and into the Group.*

*It is further recommended that the PIC must ensure that all pre- and post- conditions for all investments made, not just those in the **Sekunjalo** Group, have been fully met and implemented, and that effective processes and systems are in place to properly monitor investments post disbursement.*
Steps must be taken to recover all monies with interest due to the PIC, especially where personal or other sureties were a precondition to approval of the investment.

*The PIC must also determine the future role, if any, of the PIC in all of the transactions with the **Sekunjalo** Group, to protect the interests of the PIC and its client; and review all aspects of the transactions entered into with the **Sekunjalo** Group to determine whether any laws or regulations have been broken.*

It is also recommended that the PIC reviews its internal processes, including its standard operating procedures, together with the DOA, to determine responsibility and culpability, and to consider whether there are grounds for disciplinary, criminal and/or civil legal action against any PIC employees or Board members, current or previous.

*The Commission recommends that the Regulatory and Other Authorities should consider whether any laws and/or regulations have been broken by either the PIC and/or the **Sekunjalo** Group; determine what legal steps, if any, should be taken to address any such violations; and assess whether the movement of funds between accounts, as indicated above, was intended to mislead/defraud investors and/or regulators.*

AMAGP baseer sy oortuiging, naamlik dat huidige regeringswerknemers en staatsdienspensionarisse nooit 'n voordeel sal ontvang uit die geld wat die vorige HUB van die OBK, Dan Matjila, in maatskappye met Survé-bande belê het nie, op die volgende faktore, wat alreeds in die openbare domein is en nie ontken is nie:

- Sekunjalo Independent Media (SIM) het feitlik van die begin van die oorname in 2013 begin geld verloor.

- Volgens die dokumente wat in die OBK se likwidasiesaak by die Kaapse Hooggeregshof ingedien is, is SIM tegnies insolvent en nie in staat om sy dag-tot-dag finansiële verpligtinge na te kom nie.

- Om hierdie rede is al SIM en die African News Agency (ANA) se personeel na AYO se betaalstaat geskuif; gevolglik het die ANA-bestuur en die meeste verslaggewers bedank, wat die finansiële lewensvatbaarheid van die maatskappy bevraagteken.

- Diep verontrustend in hierdie opsig, is die 'Project Wave'-getuienis voor die Zondo-kommissie, dat ANA 'n klandestiene R20 miljoen van 'n SSA-fonds vir onderduimse bedrywighede ontvang het om die belange van die Zuma-faksie van die ANC te bevorder. ‘n Mens wonder of hierdie inkomste aan SARS verklaar is?

- In April verlede jaar het Takudzwa Hove, die HUB van SIM, bekendgemaak dat SIM die salarisse van senior nuuskamerpersoneel met 40%, en mediesefondsbydraes aan maatskappypensionarisse met 50%, sny.

- Verder toon onlangse syfers, voorsien deur die Audit Bureau of Circulation (ABC), ‘n massiewe afname in die daaglikse sirkulasiesyfers van al hierdie nuusblaaie, wat op ‘n verlies aan ondersteuning deur lesers en adverteerders dui. Waarom? Sien hulle die waarheid beter raak as die OBK en die GEPF se Raad van Trustees? 'n Mens moet nooit die kennis van adverteerders en mense wat vir jou maatskappy werk, onderskat nie. Hulle is nie so oningelig soos sommige mense en organisasies wil glo nie!

- Op 1 Julie is die hele voorblad van die *Cape Times* gewy aan die 100ste herdenking van die Kommunistiese Party van China, nogtans het daardie uitgawe slegs een volbladsy-advertensie van Loot – ‘n maatskappy met bande met Survé – bevat. Ten spyte daarvan het Survé by die Mpati-kommissie onder eed getuig dat, terwyl hy weier om die oorspronklike OBK-lening waarmee hy die Independent Media-nuusblaaie gekoop het, terug te betaal, hy nietemin die lenings van sy staatsbeheerde befondsers in China (waar mediavryheid nie bestaan nie) gediens het. By ‘n vergadering van die Parlementêre Staande Komitee oor Finansies in Mei 2021, het dit bekend geword dat, met opgelope rente, die wanbetaling-skuld op hierdie lening nou ‘n miljard rand oorskry, en nóg by daardie vergadering nóg daarna het Survé enige aanduiding gegee dat hy van plan is om die lening terug te betaal.

- Diep verontrustend is die manier waarop aan Suid-Afrikaanse media ‘n slegte naam gegee is deur die vals nuusberigte in Iqbal Survé se nuusblaaie, wat beweer dat ‘n 48-jarige vrou geboorte geskenk het aan 'n Guinness Book-rekordgetal van tien babas. Regoor die wêreld het groot nuusagentskappe soos die BBC, CNN en Al Jazeera, tereg verklaar dat dit ‘n skelmstreek is.

Dit is nie waarvoor regeringswerknemers en -pensionarisse wil hê hulle lewenslange spaargeld aangewend moet word nie.

Wanneer sal hierdie duidelik doelbewuste stilte deur die OBK gebreek word? Hoe lank nog sal die Minister van Finansies voortgaan om as die handlanger van dr. Iqbal Survé op te tree en ondersteuning te gee aan sy konkelarye?

Adamus P Stemmet

Kommentaar

Die Ayo katastrofe kry nie einde nie, dit sloer sleepvoetend voort, blykbaar sonder wesenlike aandag van ons verteenwoordigers van die Fonds en OBK. Terwyl die lening nie terugbetaal word nie, gee die lener die geleende kapitaal kwisting uit as dividende aan ander gedeeltes van sy besigheid. Ek is bevrees daar is net een voorspelling, ons geld gaan nooit terugkom nie. The geleende geld gaan waarskynlik saam met die lener mettertyd ‘n heenkome buite Suid-Afrika kry.

The English version is on the last three pages.

Synopsis

Government taking steps towards basic income grant for South Africa: Minister

BusinessTech
Staff Writer
5 August 2021

Social Development Minister Lindiwe Zulu says that South Africa’s special R350 Covid-19 Social Relief of Distress (SRD) grant should help open the way to the introduction of a basic income grant in the country.

The previous SRD grant expired on 30 April 2021 and this means that all those who had previously applied must re-apply again, Zulu said.

Move toward permanent income grant

Zulu said that the Covid-19 relief measures were estimated to have reduced the number of households with incomes below the food poverty line from 20,6% to 18,8%, and a reduction in inequality from 0,644 to 0,613.

Research showed that most recipients used the money to buy food, she said. “We have also highlighted that the Special Covid-19 SRD grant should ideally be a stepping stone to a basic income grant.

“We are currently working on the policy aspects surrounding this, including the implementation and resource mobilisation aspects related to this grant, working with various stakeholders through a series of consultations and will provide updates on same accordingly.”

During the first iteration of the SRD grant, Zulu said that almost 10 million applications were received with just over six million approved for payment at a cost of R24bn. An additional R15bn was paid as top-up for a period of six months to all grant types.

The President announced the reintroduction of the R350 Social Relief of Distress (SRD) grant on 25 July. He said that the government is also currently investigating the feasibility of introducing a basic income grant in South Africa.

Cosatu has also called for the introduction of a basic income grant as part of a response to the massive socioeconomic fallout from the riots in KZN and Gauteng.

“In responding to the crisis, the South African government has no choice but to abandon its austerity framework and choose an expansionary fiscal policy framework,” Cosatu said. “This moment calls for a change of mindset and an acknowledgement of the fact that the current unemployment and poverty levels are not sustainable.”

Comment

So many unanswered questions, so many lusting after tax money. These grants may create a society existing on grants, people not ever having to work. The funding for the grants has to compete with other tax money priorities; let’s ensure it doesn’t come from our Fund.

Synopsis

SACTWU drags Iqbal Survé to court for Indy mns accreditation

Dewald van Rensburg
Amabungane
10 Aug 2021

Iqbal Survé's Sekunjalo Independent Media is in court, fighting off a union-owned co-investor's bid to reclaim R300mn. Sekunjalo claims it doesn't owe them, or its major creditor the Public Investment Corporation, anything.

The South African Clothing and Textile Workers' Union was one of the major funders of Sekunjalo's takeover of Independent Media in 2013.

In April 2019, the investment arm of the South African Clothing and Textile Workers Union (SACTWU) hit Sekunjalo Independent Media (SIM) with a R295,6mn claim for failing to repay debts related to the buyout of Independent Media in 2013.

SIM is the company through which Survé controls the newspaper group, while SACTWU Investments Group (SIG) is one of the minority shareholders of SIM that gave Survé R150mn to fund the 2013 takeover. With interest, this debt has doubled and constitutes 15% of the union company's assets.

One of the larger funders, the PIC, has also launched a separate liquidation application.

SIM was due to repay the debt and interest by 14 August 2020, subject to SIG being entitled to demand immediate repayment in the case of a "default event".

On 8 April 2019, SACTWU's lawyers wrote to SIM, calling up the loan and citing the admissions made by Survé at the Mpati commission of inquiry into the affairs of the PIC that Independent Media had failed to repay its multi-billion Rand debt to both the PIC and the GEPF.

SIM disputed the claim, but it has already taken more than two years for the case to get to court, in part because SIM resisted disclosing internal documents that might help SACTWU prove its claim. In December last year, SACTWU was finally forced to launch a separate court case to compel SIM to disclose information.

Things came to a head with a court date set for 5 May this year for SIG's application to force SIM to hand over documents, not for the actual claim.

Days before going to court, SIM came forward with most of the outstanding information sought and the parties abruptly settled the dispute around documents. This had the effect of keeping evidently sensitive information about the ailing Independent Media group out of court and consequently out of the public eye.

From the court papers that have been filed in the Western Cape High Court, Survé's company comes across as cynically exploiting the trust or naivety of its partners to sidestep the R300mn debt.

Taken for a ride?

SIM's pleadings in response to SIG's claim seem to lay bare how Survé ran circles around SACTWU, allegedly getting the union to sign away its entire R300m debt and 8% shareholding in SIM in exchange for shares in another Survé company, Sagarmatha Technologies, that turned out to be practically worthless.

Even if the debt still existed, Kriel signed a separate subordination agreement putting the debt at the back of a queue of very significant creditors, meaning that the debt will almost certainly never have to be repaid.

What's more, SIM claims that Africa's largest asset manager and custodian of all civil servants' pensions, the PIC, fell into the exact same trap. It is unambiguously SIM's position that it owes the PIC nothing whatsoever, because it too signed up for Sagarmatha shares in exchange for the moneys owed.

This might explain why the PIC liquidation application has seemingly languished since November 2019, although the PIC would not be drawn on this when contacted by amaBhungane. In response to detailed questions the PIC simply replied that "this matter is indeed before the court".

In the SACTWU case, the union's claim is based on a "default event" that occurred when SIM missed a repayment to the PIC. SIM's first defence was that it didn't have to repay a non-existent loan.

To understand how SACTWU and the PIC allegedly signed away hundreds of mns of rands belonging to workers and pensioners, we have to return to 2017.

The Sagarmatha gambit

By 2017, it was clear that Independent Media was struggling and that SIM would not be able to repay the loans raised to fund the takeover.

But Survé's Sekunjalo group was paving the way for an audacious plan to expand its technology business and rescue its media business with several billion Rands in new funding from the PIC, then still controlled by Survé's friend Dan Matjila.

Survé was going to list two companies on the JSE: Ayo Technology Solutions and Sagarmatha.

In the case of Ayo, R4,3bn was successfully raised from the PIC in a rushed process circumventing key safeguards and waiving protections to secure some part of the investment. Ayo did list, but while the PIC paid R43 per share they are now trading at R3,50. There is a court process underway where the PIC is trying to recoup pensioners' money.

A mere three months after Ayo, the listing of Sagarmatha was being pushed through with a target of raising R7,5bn from investors. As with Ayo, it was very likely that the "investors" were in fact mainly the PIC, led by Matjila.

Both listings were effusively promoted by Independent Media, but when subjected to outside scrutiny, it was clear that the companies were not worth nearly what they claimed. They intended to use the money principally to bail out, buy or subsidise other Survé companies.

In the case of the Sagarmatha listing, the intention was to pay off all SIM and Independent Media's debt and also buy out minority shareholders, including the PIC and SACTWU. This would be done by giving everyone Sagarmatha shares.

The PIC would in effect be giving Survé money and forgiving his debts to the PIC in exchange for the shares, which were given an extraordinary pre-listing valuation, as amaBhungane revealed here.

Kriel defended SIG's acceptance of Sagarmatha shares in exchange for the money it is owed and the 8% of SIM it owns.

According to him, the union accepted the value attached to the shares by SIM itself: "SACTWU did not conduct an independent evaluation or independent due diligence. It relied on the representations of value made to it, as subsequently confirmed by independent expert opinion of the value of the share price," he told amaBhungane in written replies.

The "expert opinion" Kriel is referring to is one complied by a California company called Redwood Valuation Partners, and included in Sagarmatha's pre-listing documentation. As amaBhungane has previously reported, this opinion was based on questionable "financial and non-financial information and assumptions made by management".

Sign on the dotted line

Crucially, both SACTWU (via SIG) and the PIC allegedly entered into two agreements with SIM in the run-up to the listing. One was the "Share and Claims Sale Agreement" and the other was a “Subordination Agreement”.

The Share and Claims deal was the one that would transform SIG's R300mn loan into Sagarmatha shares. In the case of the PIC, more than R1,5bn consisting of debts and shares would disappear, to be replaced with Sagarmatha shares.

Kriel, who also heads the union's investment company, now claims he and his co-directors never actually signed the agreement – seemingly an opportunistic argument. Copies attached to the court papers show that Kriel and his SACTWU colleagues did initial every single page, including the bottom corner of the final signature page. They also all signed a board resolution approving the agreement on 22 November 2017.

But no one actually signed the proverbial dotted line on the last page of the document as the designated representative of SACTWU. It might have been an oversight, but the Union has tried to exploit it as best it can in its court papers, stating: "No director of the Plaintiff executed the sale agreement and accordingly the sale agreement was not concluded and it did not take effect."

Even though the agreement was expressly tied to the listing of Sagarmatha, it never expressly said that the listing had to succeed. Instead, the "effective date" is the day the JSE approves it and a notice is published on the stock exchange's news service SENS. That happened on 28 March 2018.

The Sagarmatha listing was aborted after the JSE withdrew its approval, based on technical shortcomings in meeting the listing requirements.

SACTWU is now trying to argue its way around this apparently shoddy drafting: "On a proper construction or alternatively by virtue of a tacit term to the sale agreement, if the listing… did not occur on or about 6 April 2018, the Effective Date of the sale agreement would be deemed not to have occurred and the sale agreement would be regarded as being of no force or effect," SIG's claim states.

A R300-mn phone call

Even if the SACTWU (and PIC) debt still exists, SIM argued that it cannot be made to repay it thanks to a remarkable subordination agreement SACTWU signed (as did the PIC allegedly).

Apart from SACTWU and the PIC, SIM has a major creditor in the form of a Chinese consortium called Interacom. It is owed just shy of R1bn which, due to the subordination agreements, ranks above the other funders' debts.

If the PIC really is bound by an agreement like this, it could be another explanation for its **half-hearted liquidation application**: It would not receive any dividend from a liquidation.

According to SACTWU's court papers, it only took a phone call from Takudzwa Hove, the chief operations officer of Independent, to convince Kriel that the agreement was both necessary and harmless. Hove, according to SACTWU, emphasised: "The subordination agreement would in any event lapse and be of no further force or effect, one week after the date on which Sagarmatha was scheduled to be listed on the JSE exchange."

This, of course, didn't happen.

According to SACTWU, using the subordination agreement to repudiate debts at this point "exhibits bad faith, constitutes unconscionable conduct on the part of the First Defendant and would result in gross injustice or gross iniquity to the Plaintiff".

The problem for SACTWU and Kriel is that the explicit terms of the agreement clearly opened the Union to precisely this kind of danger. It doesn't once mention the listing of Sagarmatha. Instead, it records that the subordination "shall remain in force and effect for so long only as the liabilities of the Company, as fairly valued, exceed its assets, as fairly valued".

That means the subordination remains in place until SIM's hopeless insolvency is reversed – a very unlikely prospect after the Sagarmatha listing got scuppered. Had the listing gone ahead, the subordination really would have disappeared anyway, but only because the debt itself would have been swopped for shares.

As a further defence, he points out that a far larger and more sophisticated investor made the same mistake. "The GEPF was the other significant loan creditor of SIM. There was certainly no indication from SIM that the GEPF had refused to sign its identical subordination agreement. It has only subsequently transpired that the GEPF has put in issue the validity of the execution of the subordination agreement executed on its behalf by [PIC's] former CEO."

Considering the dire state of SIM's finances, SACTWU may be hoping that the PIC doesn't beat it to the punch to try to reclaim its substantially larger claim on Iqbal Survé's shrinking pockets.

Comment

If there really are two agreements (‘Share and Claims Sale Agreement’ and ‘Subordination Agreement)’, and our good friend in the investment industry, the PIC, signed similar documents, which I suspect is why the liquidation proceedings are so quiet, we are facing another impairment of about R 1,5 bn.

Synopsis

Telkom reaches an inflection point

5 August 2021
INCE|Community
By The Finance Ghost

Telkom has given an update for the quarter ended June 2021, the first three months of the financial year for the company.

Although it includes the lockdown, this has a different impact for a telecoms company. While many companies are posting massive earnings recoveries vs. the comparable period in 2020, the telecoms businesses have a tougher time of things because the lockdown period was marked by people working from home and consuming data.

Telkom's revenue is only 3,5% higher year-on-year, driven by the mobile business. The fixed line business is essentially in terminal decline (down 5,6% this quarter), which is masking the impressive things that Telkom is doing in the mobile space.

For example, mobile data revenue is up 11,1% and the number of mobile broadband customers is up by 30,9%. There are now 16,1 million active mobile customers. Overall, mobile revenue grew 13%.

The remote working trend is clearly visible in fibre to the home customer numbers, which grew by 32%. There are now more homes connected by fibre than by copper, a key inflection point for Telkom.

The revenue mix and strong cost controls are having a positive impact on EBITDA margin, which expanded from 25% to 25,9%. This helped drive group EBITDA higher by 7,3%.

To give context to the overall margin, the EBITDA margin in the mobile business is 28,4%. As mobile grows faster than the rest of the business, the EBITDA margin should increase further.

BCX is not doing so well, unfortunately. The business has seen revenue drop by 4,9%, as IT investments have been sluggish by corporates. BCX has an annuity revenue mix of between 70% and 75% which helps cushion this impact. Another struggling business is Openserve, with revenue 1,4% down on the comparable period.

Telkom's share price is up 37% year-to-date but is down nearly 60% from the peak in mid-2019. Still, every dog has its day and this dog's tail is wagging at the moment.

Comment

Our shareholding in Telkom is about R4,5bn. The ROI seems good and Telkom seems to be an exception on the norm of non- and underperforming SOE.

Synopsis

Royal Bafokeng joins the dividend party

4 August 2021
INCE|Community
The Finance Ghost

Like all the PGM miners at the moment, Royal Bafokeng has reported bumper earnings.

Interim headline earnings per share (HEPS) jumped to 1,831,9 cents per share from 335,3 cents per share in the first six months of 2020. On an annualised basis and expressed in simpler terms, that's around R36,60 of annual earnings vs. a share price of R106.

Royal Bafokeng is trading on an annualised P/E multiple of under 3x, which makes it look very cheap among the PGM houses.

The PGM houses have benefitted hugely from a record rand basket pricing environment and an easier operating reality as Covid disruptions tapered off vs. last year. Having said that, Royal Bafokeng has pointed to the prospect of an improved second half from an operational perspective, as there were still numerous challenges in the first half.

A dividend of R5,35 per share has been declared, which will be paid on 30 August. Despite this, the share price fell -8,5%. No, I don't understand that either.

Comment

Our shareholding is about R370mn. Another good performer.

Synopsis

Murray & Roberts wins North American mining contracts

4 August 2021
INCE|Community
By The Finance Ghost

Construction giant Murray & Roberts has announced that its mining platform has been awarded two contracts to the value of R1,2bn.

The first is in Utah and the client is part of the Rio Tinto group. The contract has a value of $70m and there is opportunity for the scope on this project to increase, which obviously means there could be further revenue.

The second contract is with BHP Canada for the completion of Phase 1 of the Jansen Potash project. The value of the entire project is $170m and a works order has been received to proceed with the first work package to the value of $12m. Once again, there is the prospect of further contractual awards here.

Murray & Roberts notes in the announcement that North America has experienced a prolonged Covid-19 impact in the mining industry, resulting in short-term order book pressure for engineering and contracting companies. The company is encouraged by the return of mining investment to the region.

Although the share price closed -1,7% lower on the day, the year-to-date share price performance is an impressive 22,7%.

Comment

The ROI is looking good, with our shareholding in Murray & Roberts about R1,3bn.

Synopsis

Curro's earnings get the red pen

4 August 2021
INCE|Community
By The Finance Ghost

A few years ago, Curro was the poster child for JSE growth stocks. Trading at eye-watering multiples and with great promises of growth to address the poor quality of education in South Africa, investors piled in.

It's been a horrible few years since then, although much of that can be attributed to silly valuations rather than poor implementation by Curro. It isn't so easy to roll out a large number of schools and the market didn't recognise that.

Education is also a tricky sector, as pricing power for basic education is somewhat limited. Good government schools still exist and Curro cannot afford to price itself too far above these levels. At the other end of the spectrum, prestigious schools are able to command a substantial fee premium that Curro is forced to stay well clear of.

This means Curro is stuck in the middle, much like Spar in the retail sector. The South African middle class has been under a great deal of economic pressure and this has made life more difficult for both those companies.

To add to Curro's challenges, input costs are typically increasing well above inflation. The business is at the mercy of the likes of Eskom and municipalities. When coupled with lack of pricing power, this squeezes operating margins.

To counter this, Curro must fill its existing facilities. Much like in an airline, the revenue from putting bums on the final few seats drops straight to the bottom line. The core strategy is thus to increase the value of the existing footprint, such as through filling high schools.

There's merit to this argument, as schools take years to establish and the high school is typically filled with kids who started in the lower grades.

The latest from Curro is a decrease in headline earnings per share of between 44,6% and 52,5%. This is for the six months to June 2021, so the base is the worst of lockdown in the six months to June 2020. The irony is that Curro did well in that period, as fees were still being charged but the facilities were closed which came with substantial cost savings.

Although learner numbers grew 7% and revenue increased 12%, the R1,5bn rights offer in September 2020 increased the number of shares in issue by 42%. R1,1bn of that cash was used to reduce debt, which obviously improved the balance sheet but didn't achieve a return on capital in line with the operations, hence the dilutive impact on headline earnings per share.

Ancillary revenue is lower than the comparable periods in 2019 and 2020, while bad debts and fee discounts are higher than in pre-Covid times. That middle class squeeze is no joke. Nonetheless, Curro is on track to spend R1,1bn in capex this year.

The share price is up 18% year-to-date but is still down nearly 50% from pre-Covid levels.

Comment

The learning and development industry will weather the downturn but it is going to take time. Skills development levies will have dropped due to tax relief, going out of business, less funding for training, etc. ROI is going to be low, if any.
We have about R515mn invested in Curro.

Synopsis

Steinhoff settlement offer gets shareholders singing

2021-08-12
INCE|Community
The Finance Ghost

When it comes to high-risk turnaround plays, one never knows when big moves could happen. Unfortunately, that applies in both directions. It's not unusual to see 15% - 20% moves in a single day.

It's been a painful few months for Steinhoff shareholders. To give you an idea, Steinhoff closed 23% higher yesterday and I'm still 7% down. It's a tiny portion of my portfolio (as the super risky stuff should be), but I'm still hopefully that I'll get into the green and eventually get some reward for a couple of new grey hairs.

Steinhoff is trying to settle its dispute with creditors before it can go about repairing its balance sheet. The underlying operations are doing rather well, which is why there's decent potential for a major upward move in the share price if the litigation can be settled.

Unfortunately for the company, things haven't been going well on the legal front. A ruling against Steinhoff on a Companies Act technicality sent the company back to the negotiating table with creditors. To be fair, the previous proposed settlement was favourable towards those who were closest to the management team and frankly had the best possible chance of knowing what nonsense was going on.

Other claimants, including the founders of Tekkie Town, have fought bravely for a decent settlement offer that reflects the significant value destruction they have suffered.

Steinhoff has decided to add a further R3,2bn to the settlement pot, taking the total to nearly R25bn. The most important news is that Hamilton, the litigation-funding company in Ireland, has given its support to the revised settlement offer. Support has also been received from several other important parties.

The settlement has moved from EUR969m to EUR1,426bn - a significant jump.

There's still a substantial legal process to be followed and not all creditors have agreed to this. Still, the market cheered Steinhoff's progress. The risks remain high for shareholders in Steinhoff.

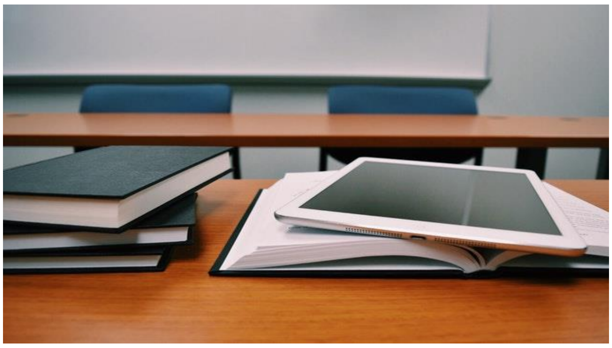
Comment

There is light at the end of the tunnel, but not the light we would like to have. At least there is some progress, in the meantime there are still dividends from Steinhoff.

Synopsis

AdvTech's business model is working

12 August 2021
INCE|Community
The Finance Ghost



I hold shares in AdvTech because I like the tertiary model combined with primary and high schools that have strong brands and thus better pricing power at the more expensive end of the market.

For those exact reasons, I'm not a shareholder in Curro, as I have concerns about the company getting squeezed in a situation of rising input costs and limited pricing power in the mid-market. The recent results from both companies have given support to my thesis.

AdvTech has released a trading statement confirming that all divisions have delivered an increase in operating profit. Importantly, this includes the more marginal sides of the business (schools in the rest of Africa as well as the resourcing business in South Africa).

The education divisions (school and tertiary levels) are enjoying growth in number of students and solid overall cost controls. AdvTech has improved its collection of fees, reflecting improved economic conditions.

A reduction in borrowings and lower cost of debt have also contributed to earnings growth.

On a normalised earnings per share basis, which strips out profit on disposal of land and buildings, earnings are up by between 28% and 33% for the six months to June 2021. Headline earnings per share (HEPS) growth is higher because of normalisation adjustments in the prior period, expected to be between 34% and 39% higher.

This takes interim HEPS to between 53,6 and 55,6 cents per share. Annualising this result implies full year earnings around R1,10 per share, an implied P/E of 14x.

Education businesses aren't the cheapest on the JSE and aren't a guarantee of success for investors either. Over 5 years, the AdvTech share price is slightly negative. Year-to-date though, AdvTech is up over 56%.

Curro is only up around 18% year-to-date. It's tertiary cousin that it unbundled, Stadio, has nearly matched AdvTech with a year-to-date return of almost 54%. In this environment, tertiary education via correspondence is a model that works.

Comment

More good news about our investments. We have about R750mn invested in AdvTech.

Synopsis

Nedbank's core lending business leads a recovery

12 August 2021
INCE|Community
The Finance Ghost

After two trading statements relating to the six months to June 2021, Nedbank has released its full interim results.

Net interest income climbed 7% and impairments dropped by 59%, so the net impact on its income from lending activities was obviously highly positive. The bank's core lending business grew its income (net of impairments) by 85%.

Nedbank notes that demand for retail credit (borrowings by individuals) was strong in this ultra-low interest rate environment, while demand for corporate loans was muted. Companies used excess cash to repay debt, thereby deleveraging their balance sheets and reducing risk.

Interestingly, non-interest revenue (referred to as NIR - a key driver of shareholder returns) dropped by 8%. This encompasses all the non-lending income in the group, like trading income or advisory fees. As these services are typically capital-light and don't carry significant risk of impairments, they have been key to banking returns throughout the pandemic.

The drop in NIR was driven by a sharp decrease in net trading income, down from R2,7bn to nearly R1,9bn. There were some positive impacts on other NIR lines, but not enough to offset the drop in trading income. This has been a common theme in banks worldwide, as the base last year includes a period of extreme market volatility and heightened trading activity, which is great news for trading operations in banks.

The net effect is that 43% of Nedbank's operating income for the period was contributed by NIR, with the rest coming from the lending business. Operating income grew 29% overall.

Operating expenses only grew by 6%, so the net impact on profit from operations was a massive jump from R2bn to R5,8bn for the six months. This allowed Nedbank to declare an interim dividend of 433 cents per share, an annualised yield of 4,8% based on yesterday's closing price.

Nedbank's interim headline earnings remain 24% below the levels achieved in the comparable period in 2019. There's still a long recovery road to travel for the green bank.

Comment

We have about R250bn in Nedbank in total. Another good return.

Synopsis

Master Drilling's results aren't boring

12 August 2021

INCE|Community

The Finance Ghost

Master Drilling supplies the mining, infrastructure and energy sectors. The company operates in approximately 23 countries, a diversified model which helped limit the pain in the 2020 financial year to a 17% decrease in revenue. Despite the pressure, the company managed to decrease its gearing ratio (a measure of debt) from 22,5% to 10,3% during that financial year.

This company has frustrated value investors many times over, with great promise of future growth that often leads to disappointment. Over 5 years, the share price is down more than 42%. Year-to-date, it's down nearly 3% despite value stocks doing incredibly well.

Of course, this could mean that Master Drilling is an opportunity. The company is involved in the mining sector, which is experiencing an upswing of note. If that continues, it will be a strong driver of revenue. The same is true for the infrastructure and energy sectors.

Master Drilling has been investing in new business areas, with corporate activity this year including investments in a 40% stake in AVA Solutions (a data-driven mining fleet management business) and a 25% stake in A&R Group (a hardware and software business focused on mining safety).

The latest news from the company is a trading statement for the six months to June 2021. Headline earnings per share (HEPS) will be 59,2% - 69,2% higher than the comparable period in 2020 and 10,7% - 17,6% higher than the comparable period in 2019.

Both these ranges are based on results as reported in ZAR, with the USD as an important currency for the group due to global operations.

Based on an expected HEPS range of between 84,9 and 90,2 ZAR cents per share for the interim period, the annualised Price/Earnings (P/E) ratio is around 4,7x.

Comment

Only about R2mn invested in this company, but the dividends are always welcome.

Synopsis

Public servants whose savings are under the GEPF will be excluded from the withdrawal process.

Pension showdown looms as public servants are excluded from their funds

IOL

By Siphelele Dludla
12 August 2021

ANOTHER showdown between the government and public sector unions is looming over the exclusion of public servants from early access to a portion of their retirement funds.

The government announced yesterday that it would allow financially-struggling workers to dip into their pension funds from next year in a bid to mitigate against the impact of the Covid-19 pandemic on household incomes.

However, public servants whose savings are under the GEPF will be excluded from the withdrawal process.

The National Treasury yesterday gave more details about the approach and planned timelines concerning the proposal to allow for pre-retirement withdrawals from the retirement funds.

Treasury said any consideration for early access would require legislative and fund-rule amendments as the current law and policy prohibits any pre-retirement access to retirement savings, unless an employee resigns or is retrenched.

"It is expected that the earliest that any changes would become effective for a new withdrawal mechanism is 2022," it said. "However, the withdrawal process will not cover the GEPF, as it is not regulated under the Pension Funds Act, and hence no Covid-related withdrawals will be allowed."

The Treasury said that even before the advent of Covid-19, the government had recognised that many members may need to access part of their savings in particular unexpected circumstances.

It said the government had been engaging with trade unions, retirement funds, regulators and other stakeholders to discuss how to increase savings and improve preservation and allow limited withdrawals, without creating liquidity and investment risks.

However, the country's largest labour federation, Cosatu, yesterday vowed that it would push back against the snubbing of public servants in the process.

Cosatu spokesperson Sizwe Pamla said they were not surprised by the Treasury's move as it was part of an ongoing "provocation of workers" which began with the unilateral wage freeze. Pamla said a decision like this was "scape-goating workers" for all the wrongdoings and corruption within the government.

"Our position is that this is unacceptable and outrageous. We are not going to listen to them," Pamla said.

Comment

Interesting that all other pension funds can wait for next year but not the GEPF. Note the sensational heading and all the rest is just about what the 'government' still intends to do about all the other pension funds!

Synopsis

RMB holdings to buy in Inscape Education Group

13 August 2021
DealMakers
by Marylou Greig

RMB Holdings' private equity arm RMB Corvest has acquired a 49% stake in the Inscape Education Group, a South African registered private higher education institution. The increasing demand for quality education services locally places the company, which operates five campuses in three provinces, in a high growth sector with good fundamentals to support continued growth. Financial details were undisclosed.

Comment

Our investment in RMB Holdings is about R8,3bn. This adds to the articles abut Curro and AdvTech.

Synopsis

MEDIA STATEMENT
PROCESS AND APPROACH TO PRESERVATION AND ACCESS TO RETIREMENT SAVINGS

In response to the many media queries, National Treasury wishes to provide more details on the approach and planned timelines concerning the proposal to allow for greater preservation with limited pre-retirement withdrawals from retirement funds.

Even before the advent of COVID-19, the government recognised that many members may need to access part of their savings in particular unexpected circumstances.

It is for this reason that the Minister of Finance noted in the 2020 Medium Term Budget Policy Statement (MTBPS) and 2021 Budget that consideration is being given to allow limited pre-retirement withdrawals from retirement funds under certain conditions, provided that this is accompanied by mandatory preservation upon resignation from a job.

The government has been engaging with trade unions, retirement funds, regulators and other stakeholders to discuss how to increase savings and improve preservation and allow limited withdrawals, without creating liquidity and investment risks.

Any consideration for early access will require legislative and fund-rule amendments because the current law and policy prohibits any pre-retirement access to retirement savings unless an employee resigns or is retrenched.

It is expected that the earliest that any changes would become effective for a new withdrawal mechanism is 2022.

HOWEVER, THE WITHDRAWAL PROCESS WILL NOT COVER THE GEPF, AS IT IS NOT REGULATED UNDER THE PENSION FUND ACT, AND HENCE NO COVID-RELATED WITHDRAWALS WILL BE ALLOWED.

Retirement funds are primarily designed to encourage individuals to save while working to finance consumption later during retirement. Redesigning the retirement system to allow for limited withdrawals with mandatory preservation is complex and requires thorough consultations.

Government has been working on a more structured two-bucket system that will enable the restructuring of future contributions. One bucket is to be preserved until retirement, and the second bucket will allow for pre-retirement access during emergencies or extra-ordinary circumstances.

Whilst these measures cover pension and provident funds, a harmonised approach on withdrawals is also being considered for retirement annuities.

Implementing any new system allowing limited withdrawals with preservation will take time because, in addition to prior consultation, legislative and fund rule amendments have to be done and fund administrators will also have to change their systems.

Design work and consultation are ongoing, further announcements and the public release of the proposed measures for public comment and consideration will be made shortly, before or at the 2021 MTBPS. It is envisaged that the necessary legislative amendments will be introduced in Parliament thereafter.

Members of retirement funds are advised NOT to contact their retirement funds to withdraw funds (unless retiring, resigning or retrenched), as these retirement funds are legally not empowered to allow pre-retirement withdrawals until the law is enacted.

It is expected that any changes to the law would only become effective next year at the earliest, and some of the medium-term provisions may take even longer to take effect.

The government remains committed to encouraging South Africans to save more, both for their retirement and for shorter periods before retirement.

Issued by National Treasury
Date: 11 August 2021
Enquiries: Media@treasury.gov.za

Comment

This as clear as you can get. Nothing is going to happen this year; next year's legislation will reveal all.

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 and press releases 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".

We remain in dire need of dedicated persons to share in the burden of AMAGP. People who aren't afraid to work for the common good of members and beneficiaries of the Fund.

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!

STATEMENT F11/21
ISSUED ON BEHALF OF THE ASSOCIATION FOR THE MONITORING AND ADVOCACY OF GOVERNMENT PENSIONS (AMAGP)

Cape Town
3 August 2021

AMAGP'S LEGITIMATE CONCERNS GROW BY THE DAY

AYO shares are now worth R3.50! Therefore no dividends for government employees and pensioners, and the deafening silence from the Public Investment Corporation (PIC), on addressing the Mpati Commission of Inquiry's concerns about Iqbal Survé-linked companies, is particularly concerning.

AMAGP, as an apolitical, non-profit and voluntary association of current and pensioned government employees is becoming more seriously concerned about the sustainability of the Government Employees Pension Fund (GEPF). We are equally concerned about the on-going silence of the PIC and its board of trustees regarding recent adverse events involving Iqbal Survé-linked companies.

Despite suffering a 142% decline in profits, from R160 mn to a loss of R66 mn, the recent announcement by AYO that it nevertheless increased its dividends by 86% to 65 cents a share, caused a lot of concern. As one of the biggest shareholders, the Survé group will be one of the biggest beneficiaries. This announcement should surely have prompted the PIC to increase its efforts to recover the R4.3bn it invested under questionable circumstances in AYO Technologies. But did it? Their silence prompts us to seriously suspect that no attempt was made to recover the money. Details of what the PIC is doing to implement the recommendations, made in March last year by the Mpati Commission of Inquiry into malfeasance at the

PIC, regarding Survé-linked companies, have not been provided. Why not? AMAGP condemns in the strongest possible terms this clear lack of transparent and open communication.

We seek elucidation in this regard from the Minister of Finance, Tito Mboweni and from Abel Sithole, the CEO of the PIC which manages more than R2 trillion in civil servant pensions and government money. In December 2017 at the behest of the former CEO, Dr Dan Matjila, the PIC took all of AYO Technology Solutions Ltd.'s R4.3bn private placement of shares in a deal which the Mpati Commission found to have been a flouted process. Those shares, bought by the PIC in 2017 for R43 each, are now selling on the JSE for R3.50, and AYO currently allegedly has a market capitalisation of only about R1bn. The loss to the pension fund, and thus of workers and pensioners, can now reasonably be estimated at about R4bn. This is truly shocking!

At the same time it has become obvious that Iqbal Survé, to whom this company is linked, is dissipating the assets of the company as fast as possible.

Huge dividends are being paid to Survé-linked companies such as African Equity Empowerment Investments (AEEI) while profits plummet. But, for some reason, the PIC and the Government Employees Pension Fund (GEPF) board of trustees still remain silent. Good, open and transparent, honest communication is seriously lacking.

Among our concerns:

- With a R4.3bn investment in AYO, the PIC is manifestly a shareholder and should be a recipient of dividends. As yet there is no indication of this happening. Can Abel Sithole and his high-profile associates at the PIC, as well as the GEPF Board of Trustees, explain this? It seems that everyone is being paid except those whose stop order pension fund contributions made this loan possible in the first place.

- No indication that the 2013 multi-mn rand loan, to buy the Independent Media newspapers, will be repaid.

- No reaction or response from government, the PIC and GEPF Board of Trustees as banks such as ABSA and FNB, auditors, lawyers and major clients, such as Sasol and BT Telecoms, cut ties with Iqbal Survé-linked companies, citing fears of financial loss and reputational damage.

- In transgression of the promises the country received in 1994 of accountable and transparent governance, the PIC does not provide details of what it is doing to implement the following recommendations made by the Mpati Commission regarding the PIC, almost eighteen months ago:

The Sekunjalo Group investments showed a marked disregard for PIC policy and standard operating procedures.

Proper governance was absent or poor, and risk identification processes were downplayed by looking for risk mitigants to make sure the deals were approved.

Due diligence reports highlighting issues around independence of Board members, policies to be implemented etc. were not followed up by the PIC to ensure implementation post the deal being approved and monies having flowed.

The "close relationship" between Dr Matjila and Dr Survé created top down pressures that the deal teams experienced to get the requisite approvals. Board members within the Sekunjalo Group of companies are not independent. Some board members are related to Dr Survé, are long-serving employees, long-time friends, or are non-executive directors on other Sekunjalo Group company boards, and dominate the board seats in those companies. Independent non-executive directors are in the minority on the boards of AEEI and AYO.

In the light of the above, the Commission recommends that the PIC must conduct a forensic review of all the processes involved in all transactions entered into with the Sekunjalo Group, and ensure that the PIC obtains company registration numbers of every entity in the Sekunjalo Group, to be able to conduct a forensic investigation as to the flow of monies out of and into the Group.

It is further recommended that the PIC must ensure that all pre- and post-conditions for all investments made, not just those in the Sekunjalo Group, have been fully met and implemented, and that effective processes and systems are in place to properly monitor investments post-disbursement. Steps must be taken to recover all monies with interest due to the PIC, especially where personal or other sureties were a precondition to approval of the investment.

The PIC must also determine the future role, if any, of the PIC in all of the transactions with the Sekunjalo Group, to protect the interests of the PIC and its client; and review all aspects of the transactions entered into with the Sekunjalo Group to determine whether any laws or regulations have been broken.

It is also recommended that the PIC reviews its internal processes, including its standard operating procedures, together with the DoA, to determine responsibility and culpability, and to consider whether there are grounds for disciplinary, criminal and/or civil legal action against any PIC employees or Board members, current or previous.

The Commission recommends that the Regulatory and Other Authorities should consider whether any laws and/or regulations have been broken by either the PIC and/or the Sekunjalo Group; determine what legal steps, if any, should be taken to address any such violations; and assess whether the movement of funds between accounts, as indicated above, was intended to mislead/defraud investors and/or regulators.

AMAGP bases its belief that current government employees and civil service pensioners will never receive a return on the monies invested in Survé-linked companies by former PIC CEO Dan Matjila on the following factors which are already in the public domain and have not been denied:

- Sekunjalo Independent Media (SIM) started losing money virtually from the beginning of the 2013 takeover.

- According to documents filed at the Cape High Court in the PIC's liquidation case, SIM is technically insolvent and unable to meet its day-to-day financial obligations.

- For this reason, all SIM and African News Agency (ANA) staff have been moved onto the AYO payroll and, as a result, the ANA management and most reporters resigned, making the financial viability of the company questionable.

- What is deeply disturbing in this regard is the 'Project Wave' evidence before the Zondo Commission that ANA received a clandestine R20 mn from an SSA slush fund to promote the interests of the Zuma faction of the ANC. One wonders whether this income was declared to SARS?

- In April last year, Takudzwa Hove, the COO of SIM, made it known that SIM was slashing the salaries of senior newsroom staff by 40% and was cutting medical aid contributions to company pensioners by 50%.

- Furthermore, recent figures supplied by the Audit Bureau of Circulation (ABC) show a massive decline in the daily circulation figures of all these newspapers, indicating a loss of support by readers and advertisers. Why? Do they see the truth much better than the PIC and GEPF Board of Trustees? One must never underestimate the knowledge of advertisers and people working for your company. They are not as clueless as some people and organisations want to believe!

- On 1 July the entire front page of the Cape Times was devoted to the 100th anniversary of the Communist Party of China, yet that edition contained only one full-page advertisement -- for Loot, a Survé-linked company... Despite this, Survé testified under oath at the Mpati Commission that, while he was refusing to repay the original PIC loan with which he bought the Independent Media newspapers, he was nevertheless servicing the loans of his state-controlled funders in China where media freedom does not exist. At a meeting of Parliament's Standing Committee on Finance in May 2021, it became known that, with accumulated interest, the default debt on this loan now exceeded abn rand. Neither at that meeting nor subsequently, has Survé given any indication that he intends to repay this loan.

- What is deeply disturbing is the way in which South African media have been brought into disrepute by the fake news articles in Iqbal Survé's newspapers, claiming that a 48-year-old woman had given birth to a Guinness Book record number of ten babies. Around the world major news agencies, such as the BBC, CNN and Al Jazeera, have justifiably claimed this to be a hoax.

- This is not what government workers and pensioners want their life savings to be used for.

When will this clearly intentional silence by the PIC be broken, and will the Minister of Finance continue to pander to, and provide support for the machinations of Dr Iqbal Survé?

Comment

The Ayo catastrophe doesn't end, it is dragging on endlessly, evidently without our representatives at the Fund and PIC paying real attention to it. While the loan isn't being serviced, the lender is dishing out the borrowed capital royally as dividends to other of his businesses. I'm afraid there is only one end to this, our money is never going to return. The loan and the lender will probably end up outside South Africa in due course.