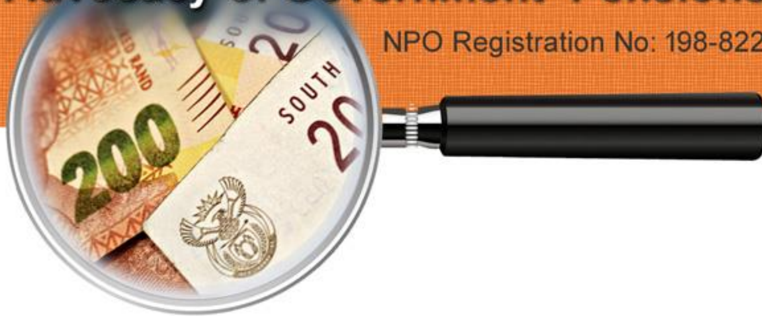

The Association for Monitoring and Advocacy of Government Pensions: A volunteer independent group of pensioners and civil servants concerned about the long term viability of the GEPF and sustainability of its return on investments.
www.AMAGP.co.za

NEWSLETTER NO 5 of 2022

AMAGP – Association for Monitoring and Advocacy of Government Pensions
AR – annual report
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 1.265 million active members, in excess of 473 312 pensioners and beneficiaries, and assets worth more than R2.09 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 14 February 2022.

We are the owners of the GEPF, and we have the right to expect 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. Take note of the single pensioner on the BOT, with the election coming up.

The AMAGP remains 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. **YOU**

The Editor's Word

Note. The Fund's investment values used in the newsletter are from the 2021 GEPF Annual Report. Such values are probably from about December 2020, making the data only a guide to what the value of our Fund's visible investments are.

If you want more information about the companies in the articles below, look them up on internet. Our Fund has indeed an impressive, diverse and complex spread of investments.

The upcoming BOT election

GEPF BOARD OF TRUSTEES
PENSIONERS' CANDIDATE
CHRISTO
VAN DYK
GOALS
Protect pensioners interest in investments
Address late payment of benefits
Advocate for improved benefits and service delivery
Assist the GEPF to realise its vision
WORK EXPERIENCE
Auditor-General South Africa (37 years)
Auditing and Financial Management
Analysis of Annual Reports and Financial Statements
Corporate Governance
Analysis of Financial Performance
BCom (Hons) UNISA
QE SAIGA 2007 Government Auditor

Adamus P Stemmet (AP)

In my personal capacity as a member of the GEPF and of AMAGP:

"AMAGP was established primarily to help ensure the long-term viability, growth and sustainability of the GEPF. Also, amongst others, to address and promote issues such as those raised in this stream of posts. Unfortunately though, AMAGP has relatively few signed-up members and hardly any finances with which to do so. Relatively few that is, when compared with the multitudes of GEPF pensioners.

The AMAGP followers on this and on the AMAGP Facebook page help by raising issues, but when it comes to addressing those issues, there seem to be few wiling to actively participate. Being a Facebook member or follower is vastly different from being an active AMAGP member.

AMAGP needs finances and it needs the active participation of GEPF pensioners from across the spectrum of government departments and with various types of expertise. Without funds they can do very little and without active members they can do even less. Their current funding is through a veritable trickle of voluntary donations from very few members.

Members of the management and admin teams, and their collaborators, are not even refunded for expenses, let alone paid for their services, which are provided freely and willingly.

AMAGP's Annual General Meeting will be held in a few months' time and AMAGP needs members to volunteer and be nominated to fill key positions. Failing this, AMAGP may cease to be as effective as it has been to date, and perhaps cease to exist at all.

Most of the current AMAGP management team are well over 70 years of age and mainly from one department (but thankfully with collaborators and advisors from several). These "old guys" would also like to sit back and enjoy their pensions while they still can, and some will soon be retiring, leaving critical positions to be filled.

This situation is as undesirable as it is untenable. AMAGP needs new, vibrant blood - people willing to do their best for themselves, their loved ones and thus the GEPF itself.

Whether AMAGP continues or not is up to its members but irrespective thereof, GEPF members, individually or in groups have the right, the privilege and, one would suggest, the duty, to take their issues to the GEPF directly or through the Pensioners' Representative on the Board of Trustees of the GEPF. They may, naturally, also contact

the Minister of Finance who has overall political accountability for the GEPF.

The Pensioners' Rep post will also be up for election and if GEPF members do not participate in the election, they can hardly complain later that their interests are not being effectively served. Decide for yourselves whether this is currently being done, and when the nominees are announced, do your "GEPF duty" and vote for the candidate you feel will best serve your best interests.

Stating such things as "something must be done" is of absolutely no use if no one actually does it! Similarly, saying "we need a body to represent us" indicates that AMAGP is being ignored or is considered of little value. I would differ from such viewpoints.

There is also an organisation called Pension Protect, which members can join against a set fee, to assist with legal issues. This organisation is not part of AMAGP but the two organisations work together where possible to achieve synergistic aims.

Thus, we need not sit on our hands bemoaning our lot and looking for assistance - there are ways of taking action! Airing a grievance, a proposal or a valid comment on Facebook does little more than elicit a stream of follow-on comments - unless decisive action ensues!

Over to us!"

Remember the most terrifying words you can ever hear: "we are from the government and we are here to help". Ronald Reagan 1986.

Good ROI is the golden thread running through the news below. I sincerely hope this will continue for the next decade or two.

Now for news from the media

PSG Group is unbundling and delisting. Most of us won't know what this means, but the article explains all, good for us.

The JSE continues to provide good ROI. Worth our investment there.

Some thoughts on not squandering the capital from your retirement funds, while enjoying them at the same time. Living your retirement comfortably while watching your expenses closely!

A long list of titbits about our Fund's investments, just to keep us all interested in letting the economic and financial bits in the news skip past us unnoticed.

Woolworths results aren't so exiting as they could be, but provide some good news. Especially the overseas businesses.

Murray & Roberts is a well-known South African brand, showing good returns in a difficult year, both here and abroad.

Cashbuild doesn't seem to be moving with the improved economy but is declaring a dividend.

Sibanye-Stillwater is doing well but might be facing some challenges. But still good ROI.

Synopsis

'End of an era' as PSG set to delist from JSE

Businesstech
Staff Writer
1 March 2022

PSG Group announced on 1 March 2022 that it intends to delist from the JSE.

The group said it intends to unbundle its stakes in PSG Konsult, Curro, Kaap Agri, CA&S and 25,1% of Stadio, whereafter it will repurchase all PSG Group shares held by its

shareholders – other than select shareholders including management, the founders and their immediate family members – for R23 per share in cash.

"This will unlock enormous value for PSG Group shareholders," PSG said. The combined value of the aforesaid unbundlings and the cash repurchase as at the close of business on Friday, 25 February 2022, amounted to approximately R114 per share, representing a 38,4% premium to the closing PSG Group share price at such date of R82,31.

This is the second value-unlock initiative recently undertaken by PSG Group management following the unbundling of Capitec.

PSG Group CEO, Piet Mouton said: "In all our engagements with shareholders over the past five years, a significant part of the conversations revolved around the discount at which we trade and what PSG Group can do to narrow such discount. In 2020, PSG Group unbundled Capitec, thereby unlocking R21bn of value for PSG Group shareholders. Despite this value unlock exercise, PSG Group continued to trade at a 30% discount."

Investment holding companies currently trade at substantial discounts to fair value with the average discount being more than 40%. This is not just an SA phenomenon, but globally the investment holding company vehicle appears to have fallen out of favour, with private equity funds and unit trusts taking preference, said Mouton.

In addition, investors seem to prefer to be directly invested in operational companies rather than through an investment holding entity, he added. "The simple fact is that the large investment holding company discounts negate one of the primary reasons to be listed, being one's ability to raise capital in the equity markets.

PSG Group said it believes the proposed transaction provides an eloquent solution to resolve the discount conundrum, given that shareholders receive a significant premium to the current share price.

In addition, by taking PSG Group private, it should significantly alleviate the regulatory compliance burden associated with being listed and allow management to focus on business.

"The companies which we are unbundling all have exceptional management teams, experienced boards, are well-capitalized, and have exciting growth prospects," Mouton said.
"We believe they will benefit from greater liquidity and their chances of being included in indices should improve significantly as a result of their larger free float. Furthermore, the founding shareholders have committed to retain their shares in these unbundled companies. Simply put, these companies are an intricate part of what made PSG Group, we believe in them and their prospects, and we intend to hold onto our direct shareholding going forward".

Chris Otto, one of the founders of PSG Group, said: "It is the end of an era for this iconic investment business that was started by the legendary Jannie Mouton and me in November 1995. However, our goal and that of management has always been to create value for our shareholders and the continued discount situation inhibits PSG Group to achieve this. I believe this is a bold move by current management but the right thing for shareholders".

The transaction is subject to, inter alia, shareholder and regulatory approvals. Once a final announcement is published and if there are no major delays, the transaction should be concluded towards the end of August 2022.

Comment

We have R 239mn in Curro, R197mn in PSG Konsult, R1,7bn in PSG and R7,4mn in Stadio. Looks like a lucrative unbundling to us at R 113/share.

Synopsis

PSG Group and the Great Value Unlock

2 March 2022

INCE|Community

By The Finance Ghost

This is one of the biggest news stories on the JSE in a while, as PSG Group has taken the ultimate step towards getting rid of the investment holding company discount that has plagued the company and so many others just like it.

That step is to collapse the holding company structure altogether. Yes, PSG is planning to unbundle almost all its assets and delist from the JSE. Those who bought PSG are smiling all the way to the bank, as the share price jumped over 30% in response to the news, before drifting lower over the course of the day to close 18,7% higher.

The assets to be unbundled are a 60,8% stake in PSG Konsult, a 63,6% stake in Curro, a 34,9% stake in Kaap Agri (subject to Zeder unbundling its stake in Kaap Agri), a 25,1% stake in Stadio and finally a 47% stake in CA&S, which will be separately listed on the JSE.

CA&S is the business you may not be familiar with. This is an FMCG business operating in several Southern African countries. It is listed on the Botswana Stock Exchange and 4AX in South Africa. A JSE listing would now be added to that list, which makes me wonder about whether the 4AX listing will be retained.

In addition to the unbundled assets, shareholders would receive R23 per PSG Group share. Based on closing prices for the underlying assets on 25 February 2022, the value of unbundled investments to be received per PSG share is R90,94. Adding the cash consideration of R23 takes this to a total pre-tax value of R113,94.

This number will change based on movements in the share prices of the underlying assets, so you can expect ongoing volatility in the PSG share price. It closed yesterday at R97,15.

The tax consequences can get technical on deals like this. The position for most shareholders is that the unbundling will not attract any tax. The R23 in cash will be treated as a dividend and subject to dividend withholding tax.

Assuming the final decision to proceed is made, the next step would be the issuance of a circular to shareholders.

Comment

Another view of the delisting. It all makes sense. The founding shareholders will retain their shares in the unbundled companies, demonstrating their belief in the continued profitability of those companies. Seems good for our shareholding in all those companies.

Synopsis

JSE declares record total dividend

Businesstech
Staff Writer
1 March 2022

The JSE has announced its results for the full year ended December 2021, showing a 3% growth in operating revenue to R2,52bn.

The record low interest rate environment did impact net profit, however, with headline earnings per share (HEPS) slipping 6% to 878,9 cents (2020: 936,7 cents per share).

Earnings before interest, tax, depreciation and amortisation (EBITDA) of R1,06bn matched the prior year while EBITDA margin was healthy at 41% (2020: 42%), the group said.

"The JSE has delivered robust performance under a challenging macro-economic and trading environment. Our resilience while

navigating an unfamiliar route through the pandemic has confirmed the value of the investments we have made in our technology platforms over an extended period," said Group CEO Dr Leila Fourie.

This performance was attributable to disciplined cost management, a positive contribution from JSE Investor Services (JIS) and a rebound in value traded in the second half of 2021.

Strong cash generated from operations has enabled the board to declare an ordinary dividend of 754 cents per share for 2021, an increase of 4% YoY, the group said. "Given that the group remains well capitalised with a healthy balance sheet that supports its regulatory capital requirements and growth strategy, the board has declared a special dividend of 100 cents per share," it said.

"Our core business model, centred around quality earnings and strong cash generation, continues to provide a solid foundation for growth. We are transforming in line with a changing marketplace. Our inorganic strategy is beginning to demonstrate the intended benefit of diversification. The JSE remains committed to accelerating organic and inorganic growth to unlock responsible value creation and shareholder returns," said Fourie.

"We have made strides in our diversification strategy and in improving the resilience of our technology and systems. A focus on execution, in addition to a few high-impact priorities, will underpin business activities in 2022. Our long-term strategic objectives are to grow and diversify revenue, invest in operational robustness and resilience, and further entrench sustainability in the business."

The group pointed to an average headcount of 519 (2020: 500): 408 at JSE (2020: 402) and 111 at JIS (2020: 98), as personnel expenses of R650mn, was up 8%, while technology costs climbed 5% to R337mn.

The JSE pointed to 25 company de-listings (2020: 20) largely through M&A and/or corporate action in the small to mid-cap space. Delistings outpace new listings across a majority of exchanges.

"The JSE continues to strengthen its operating resilience by investing in technology, latency and security, and our staff. The real-world stress tests of the past two years have proven the value of those investments. The business is well-positioned to deliver sustainable value for clients, employees, shareholders and the broader economy, remaining well capitalised and cash generative," said Fourie.

Comment

We have R839mn in the JSE. Good ROI

Synopsis

JSE Limited: a cash cow in a shrinking field

2 March 2022

INCE|Community

By The Finance Ghost

You may not be aware of this, but the JSE Limited is listed on the JSE.

It's no secret that the JSE is under pressure. The number of listings has fallen sharply (a situation that isn't unique to South Africa) and competition from other exchanges has heated up. In my view, this is especially true for A2X, which has created a viable competitor to the JSE in the secondary market (trading of shares vs. regulation of listed companies).

This pressure is clearly visible in the numbers for the year ended December 2021. Operating revenue increased just 3% and EBITDA was flat year-on-year, so expense growth is running ahead of revenue growth. There is some noise in those numbers, as the acquisition of JSE Investor Services is now fully consolidated.

Profitability was hurt by the record low interest rate environment, which saw finance income drop 27%. To give more context to this, operating revenue was R2,52bn and finance income was R146mn.

The finance income is generated on substantial cash reserves and regulatory capital, with the latter being required under the Financial Markets Act.

Net profit after tax fell 7% to R722mn. HEPS decreased 6% to 878,9 cents.

Despite this, the JSE has declared an ordinary dividend that is 4% higher than the previous year, coming in at 754 cents per share for 2021. The payout ratio has increased from 83% to 92%.

On top of his, there is a special dividend of 100 cents per share. This means that the company is paying out almost all profits generated last year, but doesn't want to give the impression that this will be the case every year. This is why companies call them "special" dividends as a messaging tool to shareholders.

The total dividend of 854 cents per share is a yield of 7% based on yesterday's share price. The JSE as a company is a classic cash cow, generating strong cash flows and paying nearly everything out to shareholders. Over the long-term of course, the bigger debate is around whether it can grow.

The share price is down more than 20% over the past 5 years.

Comment

A different view of the same JSE data, saying more or less the same.

Synopsis

Have you considered your retirement income and the impact of returns?

When drawing a regular income from your investments, it is worthwhile to allocate the capital to provide for the withdrawals to an income portfolio or conservative investment fund.

Moneyweb

2 March 2022
By Braam Bredenkamp - GraySwan Wealth

Image: AdobeStock

One of the biggest responsibilities of being a financial advisor is to identify and plan around manageable risks when working towards a specific goal with your clients.

Where a 'black swan' refers to an unpredictable or unforeseen event, typically one with extreme consequences, a 'gray swan' we like to think of as a manageable risk, something you can prepare for and plan around. One of these 'gray swans' is the 'sequence-of-returns-risk'.

A significant and sudden loss in capital is a material concern for any retiree. The loss of capital usually comes as a result of low or negative investment returns exacerbated by unsustainably high monthly or ongoing income withdrawals made from investors' savings.

There are many factors that impact the longevity of an investor's capital post-retirement:

- The amount of capital saved, i.e., the starting value at retirement;
- The ongoing performance and the volatility of the investment;
- The ongoing and ad-hoc withdrawals from the investment;
- Taxes applicable;
- Fees payable; and
- Life expectancy, to name a few.

We want to focus your attention on a factor not always well understood and planned for, called the 'sequence-of-returns risk', i.e., the impact that the sequence of returns and income withdrawals could have on an investor's retirement capital and ultimately the longevity thereof.

Sequence-of-returns risk

The order in which investment returns occur has no effect on an investor's outcome if the investor does not invest regularly (buy units) or withdraw regularly (sell units). When retired, an investor needs to sell units on a regular basis to provide recurring income, and as a result, the sequence of returns can have a material impact on the value of the investment capital.

If a high proportion of negative returns occur in the early years of retirement, it will have a lasting negative effect on the capital value and reduce the amount of income an investor can sustainably withdraw over their lifetime. This is called the sequence-of-returns risk.

In order to evaluate the impact of the sequence of returns risk, we address three basic questions:

1. What is the impact that the sequence of investment returns has on retirement capital and income?
2. Does it make a difference if the income is drawn proportionately from all asset classes invested in (i.e., growth assets such as equities and property and income assets such as money market instruments and bonds) as opposed to the income being drawn from a separate income-providing portfolio (mostly invested in income assets such as money market investments or bonds) explicitly created to cater for income needs, low volatility and a secondary focus on capital protection?
3. What is the impact of income escalations (i.e., an increase in the withdrawal rate) in years following a significant decrease in the market value of retirement fund savings?

Our findings

In a nutshell, the conclusion is this: when drawing a regular income from your investments, it is worthwhile to allocate the capital to provide for the withdrawals to an income portfolio or conservative investment fund.

This should ensure that the capital to provide the long-term investment growth can do so unhindered by regular withdrawals on top of the short-term market movements.

From a retirement-funding point of view, the risk of poor initial market performance and its impact on the longevity of the capital can be managed to a certain extent, by utilising a separate low-risk income-providing portfolio to draw income from.

This income-providing portfolio should at least provide a return in line with inflation and the income withdrawal rates should not exceed inflation, where possible.

The voluntary increase of income withdrawals can also have a significant impact on the longevity of the capital – should the initial years produce poor returns, and no income is withdrawn from the balanced investment fund, the portfolio should remain funded for longer if the income increase is only applied after years with positive real-returns.

The investor's unique set of circumstances and parameters could have as much, if not more of an impact on the final value of a retirement fund. Therefore, to provide for sufficient funding, an individualised analysis at retirement and post-retirement is essential. This analysis should ideally be performed at least annually and by a qualified financial advisor professionally trained to address the following aspects:

- Portfolio selection. The portfolio chosen should target real growth within the acceptable risk tolerance of the investor.
- Income drawdown rates. The income drawdown should preferably fall within the Association of Savings and Investments of South Africa's recommended drawdown rates.
- Income escalations. Should ideally only be taken after years where there were positive real returns, and when absolutely necessary.

If you require assistance with your retirement planning and the review of your living annuities or other income-producing investments, please contact your qualified financial advisor.

Comment

It is wise to have several financial advisors, qualified ones, not your good friend's advice, to help you plan and maintain your retirement funds

TITBITS

Ince/Connect
The Finance Ghost

2 March

With its share price down more than 25% this year, **Barloworld** has put out a statement on its Russian business, Vostochnaya Technica. This business contributed 20% of Barloworld's revenue from continuing operations in the year ended September 2021.

Barloworld doesn't have excess cash in Russia and has sufficient funding for the business. Customer payments don't go through banks currently barred from SWIFT. Customer contracts are executed with reference to USD and settled in the Ruble equivalent. There is obviously huge uncertainty here, which some may see as an opportunity. The share price is on a key support level, below which there is a long way down.
We have R3,1bn in Barloworld.

Aspen has completed the sale of a portfolio of six products to Acino Pharma AG, a Swiss company. The deal value was R1,8bn plus the cost of related inventory. Aspen will be pleased to see that number land in the bank account.
We have about R10,2 in Aspen.

Tharisa continues to drive its ESG initiatives around energy efficiency in its operations. The latest news is that Tharisa is testing three Liebherr mining machines with more efficient engines and fuel systems. The company has committed to reducing its carbon footprint by 30% by 2030.
We have about R6,2mn in Tharisa.

The Takeover Special Committee received notice in January 2022 of an intention by a consortium to seek a review of the Takeover Regulation Panel (TRP) ruling granting an exemption from a mandatory offer to be made to **Tongaat Hulett** shareholders. A final decision is expected to be made on 8 March.
We have about R224,4mn in Tongaat.

3 March

Sibanye-Stillwater released a strongly worded statement in response to the media campaign launched by Appian Capital. Appian is making noise about a lawsuit over the termination of the Santa Rita deal, which Sibanye walked away from in January due to geotechnical events at the underlying operations. Sibanye is confident that if Appian launches legal proceedings in the English High Court, they will be defended successfully. This is an unwelcome distraction for the company.
We have about R29bn in Sibanye.

Vivo Energy, currently under offer that is subject to regulatory approvals, released its results for the year ended December 2021. The company distributes and retails Shell and Engen-branded fuels and lubricants. Revenue grew 22%, EBITDA increased 23% and attributable net income shot up by 70%.
We have about R10mn in Vivo.

AECI released its results for the year ended December 2021, reflecting 8% growth in revenue and 27% growth in HEPS. A final cash dividend of 505 cents has been declared, taking the total FY21 dividend to 685 cents. The group generated 41% of its revenue outside South Africa.
We have about R1,3bn in AECI.

Mustek has released results for the six months ended December 2021. Revenue increased 12,5%, gross profit margin improved from 13,9% to 16,2% and the net impact is a 17,3% jump in HEPS to 237,09 cents. The gross margin expansion stems from supply shortages of IT hardware and the resultant pricing power for suppliers. The group expects this to continue well into 2023. The share price closed 2,99% higher for the day at R15,14 per share.
We have about R4mn in Mustek.

4 March

Sanlam posted a tasty 4% rally after releasing a trading statement for the year ended December 2021. HEPS is expected to increase by between 22% and 32% to between 420 and 455 cents. The result has been driven by more favourable equity markets, an improved result from Santam and some unpleasant credit exposures in the comparable period that did not repeat in 2021.
We have about R377mn in SANLAM.

Speaking of **Santam**, that company also released its results for the year ended December 2021. The share price closed 8% higher as the company declared an ordinary dividend of 790 cents and a special dividend of 800 cents. HEPS was vastly higher at 2495 cents vs. 905 cents the year before. The reputational damage suffered during the pandemic doesn't seem to have had much impact, with gross written premium growth of 5%.
We have about R1,5bn in SANTAM.

FirstRand also jumped nicely, with a 4,3% gain in response to results for the six months ended December 2021. Return on Equity (ROE) is the key metric, with a 20,1% return in the middle of the group's targeted range of 18% to 22%. This is a strong return and is the reason why the group trades at a substantial premium to book value. Notably, the credit loss ratio fell from 1,46% to 0,61%, helping to drive a 43% increase in normalised earnings. FirstRand has declared an interim dividend of 157 cents per share, up 43% in line with earnings.
We have about R46bn in Firstrand.

Grindrod released results for the year ended December 2021, reflecting a swing in profitability from a headline loss of 24,8 cents in 2020 to HEPS of 92,2 cents in 2021. There were record mineral volumes at the ports and Grindrod Bank put in a solid but cautious performance. The car carrier business has been disposed of and the sale of the fuel carrier business has moved forward. Grindrod sold its Grindrod Shipping shares, generating R338mn in the process. The major remaining headache is the KZN north coast property portfolio in the private equity business. Grindrod has declared a final dividend of 20, cents per share.
We have about R329,2mn in Grindrod.

Mondi also released annual results for 2021, with a drop in the share price of 5,8% reflecting the underlying exposure to Russia rather than these results. Mondi sourced 12% of group revenue and 20% of underlying EBITDA from Russia in 2021, so the market has panicked. Focusing on the 2021 result, return on capital employed increased to 16,9% and profit before tax was up 28%. Net debt to underlying EBITDA of 1.2x is evidence of a strong balance sheet, which supports an 8% increase in the full year dividend to 65 Euro cents per share.
We have about R8,9bn in Mondi.

African Rainbow Minerals released results for the six months to December 2021. Despite HEPS falling by 27%, the interim dividend of R12 per share is 20% higher than the comparable period. The ferrous and platinum businesses saw sharp decreases in earnings, while the much smaller coal business swung from a loss into a profit. Net cash improved from R8,2bn to over R11bn.
We have about R5,2bn in ARM.

Exxaro's results for the year ended December 2021 reflect revenue growth of 13% and an increase in HEPS of a whopping 58%. Despite this, the final dividend of 1175 cents per share is 5,5% lower than in the comparable period. Dividends for the full year tell a different story, up 72% vs. the prior period at 3,252 cents per share. That's a yield on yesterday's closing price of 14,8%!
We have about R 9,3bn in Exxaro.

Heriot REIT and **Safari Investments RSA** have laid the foundation for a merger between the companies. Heriot currently holds 32,2% of Safari and the parties approached the Competition Commission for a merger approval even though there hasn't been a merger. The approval has been granted, so Heriot has cleared that hurdle in advance of any potential move being made on Safari.
We have about R15mn in Safari.

Trencor Limited has updated its trading statement related to the year ended December 2021. The company originally expected to make a small loss, but the updated guidance reflects a swing into profitability. After posting a headline loss in 2020 of 22 cents per share, the company expects HEPS of between 3 and 4 cents for 2021.
We have about R18,9mn in Trencor.

Comment

Some titbits to keep you up to date on where we are invested and what is happening to our investments.

Synopsis

Woolworths won't miss 2021

3 March 2022
INCE|Community
By The Finance Ghost

Woolworths has released results for the 26 weeks to 26 December 2021. The share price rallied 6% despite a fair share of negative commentary on Twitter.

In the introduction to the SENS announcement, Woolworths discloses the movements in seven measures of income and profitability and every single one is negative. Turnover and concession sales have fallen 2,1% and headline earnings per share (HEPS) is down 35,6%. Adjusted HEPS fell by 16,3%.

On the plus side, a net debt position of R6,8bn has improved substantially into a net cash position of R258mn. This gives Woolworths breathing room to fight back. There's also an interim dividend of 80,5 cents per share, despite the obvious pressures on the business.

The surprising dividend news is that David Jones has declared a special dividend of AUD90 million to Woolworths, which will be used to reduce debt in South Africa. After years of that hurtful relationship, David Jones is finally buying flowers to say sorry. This would've helped in Woolworths' decision to pay an interim dividend.

Delving deeper into the details, we see that sales momentum improved in the last six weeks of the period, with sales up 3,5% in constant currency terms. This is the all-important Black Friday and festive season period, which was helped along by the lifting of restrictions in Australia.

Online sales grew 22,4% and now contribute 13,7% to group turnover.

In Fashion, Beauty and Home (FBH) in South Africa, online sales grew 19.2% and contributed 4,4% of sales. In Food, online sales increased by a whopping 55,8%, contributing 3,1% of sales. In David Jones, online increased 44,2% and contributed 28,1% to sales. In Country Road, online sales increased 3,6% and contributed 33,8% to sales.

FBH reduced its footprint by 6,1%, a deliberate strategy to rationalise the footprint and improve trading densities. Turnover and concession sales increased 4,7% in comparable stores and inflation was 5,4%, so volumes declined. When taking into account the decrease in space, sales in this segment only increased by 4,2%.

The good news story in FBH is that gross margins increased by 40bps to 46,3%, as the group focused on full-price sales. I'm starting to wonder if there is a rebellion being staged against Black Friday by listed clothing retailers, as the narrative over this trading period has been similar in other companies as well.

Woolworths Food, a business that has played a key role in preventing higher emigration from South Africa, could only grow turnover by 3,8% over the full period and 5,8% in the last six weeks. Compared to the same period in 2019, sales have grown by a total of 15,2%.

David Jones may have returned cash to Woolworths but sales went in the wrong direction, down 9,2% for the full period but up 3,2% in the final six weeks (and up 7,7% adjusting for the shift in Boxing Day sales).

Country Road saw its sales drop 3,1% over the period. They were up 1,7% in the last six weeks. Trading space decreased by 7,4% and adjusted operating profit fell by 48,9%, a horrible result reflecting the lockdowns in Australia.

Woolworths will be very happy to see the back of this period. Covid lockdowns are hopefully a thing of the past, not least of all because the world has much bigger problems right now.

Online clearly remains a substantial growth area and trading space rationalisation is likely to continue. The key line to watch is gross

profit, as a higher proportion of online sales can put pressure on margins.

Comment

We have about R7,5bn in Woolies. Bet you didn't know about the businesses in Australia!

Synopsis

Murray & Roberts swings back to profitability

3 March 2022

INCE|Community

By The Finance Ghost

Murray & Roberts has released its results for the six months ended December 2021. The market seemed to enjoy them, as the share price closed more than 3% higher.

The order book of R61,1bn is marginally higher than a year ago, although near orders (preferred bidder status) have dropped from R19,9bn to R12,8bn and so has the Category 1 project pipeline (tenders submitted with reasonable chance to secure), down from R94,7bn to R74,3bn.

Revenue from continuing operations has increased nicely from R10,8bn to R13,3bn, a jump of 23%. Thanks to the benefits of operating leverage, EBITDA has skyrocketed from R117 million to R337 million.

This has had a major impact, in that the group has swung from red to green. Attributable earnings came in at R55mn vs. a R167mn loss in the comparable period. HEPS from continuing operations was 29 cents vs. a loss of 8 cents in the comparable period.

The company does not pay interim dividends and this period was no exception. A dividend will be considered after the financial year. With an improvement in net cash from R0,3bn to R0,9bn, the balance sheet is on the right path and that is obviously supportive of dividends. Notably, the group does expect some cash pressure in the second half due to expected delays in project payments.

Over the next three years, the group expects revenue and earnings to be driven by its mining business as well as the energy, resources & infrastructure platform. The group also hopes that renewable energy spending in South Africa could see the power, industrial & water platform return to profitability. This is based on active engagements with independent power producers who have been shortlisted for projects.

Although construction peer WBHO has had a torrid time in Australia, Murray & Roberts seems to be doing just fine there. Australia is continuing to invest in resources and infrastructure development, which benefits the energy, resources & infrastructure platform. An acquisition by that platform in the US market is also looking promising.

Locally, Murray & Roberts has interesting competencies in the water sector and our country is in desperate need of investment in that space, which is the company is hoping will drive the order book.

As a final nugget of information, Murray & Roberts holds a 50% stake in the Bombela Concession Company. Yes, the Gautrain! The train had around 20 000 passengers per day in February vs. 16 000 per day in December, as staff return to offices and air travel picks up.

Comment

We have about R980mn in M&R. Good returns especially abroad.

Synopsis

Cashbuild's negative sales momentum continues

3 March 2022

INCE|Community

By The Finance Ghost

Cashbuild released its interim results for the six months ended 26 December 2021. The company operated 317 stores by the end of the period, including 54 P&L Hardware stores. Customers range from DIY enthusiasts through to contractors and farmers.

People are having to pay up for these products thanks to inflationary pressure, with selling price inflation running at 8,8% in December 2021.

One would think that the riots were a net positive for the group given the opportunity to sell building materials for rebuilds, but one would be wrong. It's taken a long time to reopen all the stores and get over the associated disruptions. Revenue fell by 12% in this period. I'm up nearly 12,5% in my Cashbuild position anyway, despite the sales pressure.

This negative impact was cushioned ever so slightly by an increase in gross profit margin from 26,4% to 26,6%, so gross profit fell by 11%. Despite a significant drop in operating expenses, operating profit still fell by 14%.

The impact on HEPS is even larger, down 27% from the prior period.

The group paid a final dividend despite this environment, contributing to a 33% drop in cash. Insurance payments related to looted stores have not yet been received. These will obviously help significantly with the balance sheet.

The momentum into the period since year-end hasn't been pretty, as is expected when lapping such a substantial revenue base. Revenue for the six weeks since 26 December is down 10% year-on-year.

Nevertheless, Cashbuild has declared an interim dividend of 587 cents per share. This is an interim dividend yield of 2,15% on yesterday's closing price.

The share price is up nearly 7,3% this year and down almost 10,9% in the past 12 months.

Comment

We have about R478mn in Cashbuild. Good returns in a bad year.

Synopsis

Sibanye-Stillwater: huge profits, but risks have emerged

4 March 2022
INCE|Community
By The Finance Ghost

Sibanye isn't a company for investors with weak stomachs. Moves of over 4% in a single day are common. Of course, the longer-term story is what really matters.

Timing is everything in mining stocks. Here's a crazy statistic: Sibanye is down around 2% in the past year and is up more than 200% over the past 5 years. It gets even more silly over 3 years, with a share price jump of around 375%.

To give an idea of the importance of cycles, the South African Platinum Group Metals (PGM) operations generated adjusted EBITDA of R51,6bn in 2021, four times higher than the total acquisition cost of the assets!

The reason for the immense volatility in the share price is that the underlying commodities are also volatile, especially PGM. Gold also

does its fair share of jumping around. Due to the fixed costs involved in mining, a move in the commodity price is amplified into a larger move in profitability and hence the share price.

Sibanye is making moves in its so-called "green metals" strategy, with several transactions in metals like lithium and nickel. Sibanye also invested in a significant minority stake in an Australian tailings company, as part of its strategy to have mining and tailings operations.

In the six months to 31 December 2021, profit attributable to owners of Sibanye increased by 13% and headline earnings increased by 27%. There was a wonderful 88% increase in free cash flow, which has supported a full year dividend yield of 9,8%.

A decrease in average basket prices for PGM drove a significant drop in adjusted EBITDA margin for this six months vs. the preceding six months. Adjusted EBITDA margin dropped from 66% to 54%, as all-in sustaining cost increased at a time when metal prices decreased. This is a comparison of consecutive periods, not latter half of 2021 vs. the latter half of 2020.

The group ended 2021 with R11,5bn in net cash. Seeing low levels of debt in such a cyclical business is always comforting for shareholders. It hasn't always been that way for Sibanye, as the group took on substantial debt when it executed multiple risky deals earlier in the cycle. They worked out beautifully in the end.

The group has refinanced $1,2bn of the debt raised at the time of the Stillwater acquisition, achieving significantly better terms in the process.

It certainly hasn't all been a bed of roses this year. The company experienced an abnormally high fatality rate, which makes for very sad reading. The US PGM operations experienced a rail collision safety incident in June 2021, which impacted production.

Other issues have come to the fore in recent days. There are media reports that strike action could be coming at Sibanye's gold operations. There's also noise around the potential legal action from Appian Capital, linked to Sibanye walking away from a deal for Brazilian assets that experienced a geotechnical event while the deal was being finalised. Sibanye is confident that Appian doesn't have a case.

Sibanye has declared a dividend of 187 cents per share. The total dividend for the 2021 calendar year was 479 cents, a payout ratio of 35% of normalised earnings.

Yesterday's closing price was R72,03 per share.

Comment

We have about R29bn in Sibanye. Another good ROI.

THE GEPF WATCHDOG/WAGHOND FACEBOOK PAGE

Welcome to our page.
Please help us to get thousands more GEPF members to join this page and the AMAGP, so we have the required bargaining power. **We are the owners of the GEPF**, and we have the right to expect 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!

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 GEPF Annual Reports 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 58 000 members and continually growing, but this isn't enough. However, the

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".

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.

VRYWARING

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