

Association for Monitoring and Advocacy of Government Pensions

(AMAGP)

NPO Registration No: 198-822



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 - Wag hond](#)

 [GEPF Forum](#)



NEWSLETTER NO 8 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 1.2 million active members, in excess of 450 000 pensioners and beneficiaries, and assets worth more than R1.61 trillion. GEPF is a defined benefit pension fund that was established in May 1996 when various public sector funds were consolidated. Our core business, which is governed by the Government Employees Pension Law (or GEP Law), as amended, is to manage and administer pensions and other benefits for government employees in South Africa.

<https://www.GEPF.gov.za/> dd 26 April 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 IN FACT!!

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 currently are. The very recent actuarial value will be included in due course.

You will note the lack of news about our Fund and lots of economic news about our Fund's investments. This is because there really is little news about our Fund to report, possibly because "they" know AMAGP will highlight any discrepancies, to be carried in many other media. And the economic news keeps you informed about the Fund's investments, many of which we would never be aware of.

Very little is known about our huge real estate portfolio and its ROI, except the addresses. Many shopping centres and office blocks.

However, keep in mind AMAGP is entirely volunteer and unpaid and the unpaid volunteers will in due course pass on to final pension. At some time AMAGP's activities will cease if YOU members and pensioners don't step forward to take over the reins

ELECTING THE BOARD OF TRUSTEES PENSIONER TRUSTEE

Each and every pensioner should vote for the pensioner's Trustee on the BOT. Keep in mind if you don't vote you can't complain about the BOT as you didn't exercise your right to vote for your representative.

Note the closing date for voting in the election is only 6 May 2022.

See the boxes below for details of the AMAGP candidate.

**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

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

**VERKIESING VAN
STAATSDIENSWERKNEMERS
PENSIENFONDS (GEPF)
PENSIENARIS TRUSTEE**

CHRISTO JOHANNES VAN DYK

STEM TOT 6 MEI 2022

01 Daar word tans gestem vir die verkiesing van 'n nuwe pensioenaris trustee op die GEPF Raad van Trustees. Stemme kan uitgebring word op 'n stembrief of aanlyn gedoen word.

STEMBRIEWE PER POS

Die verkiesingsagent EMCA, aangestel deur die GEPF, sal stembriewe pos aan pensioenarisse. Die posstelsel is nie meer betroubaar nie en heelwat van die stembriewe sal waarskynlik nie by ons pensioenarisse uitkom nie.

02

**BESOEK DIE FACEBOOKGROEP
"GEPF WATCHDOG"**

Die Facebookgroep behoort aan 'n nie-winsgewende organisasie AMAGP wat hulself daarmee bemoei om die volhoubaarheid van ons pensioenfonds te verseker.

03

**STEM DIREK OP INTERNET
"WWW.GEPF.EMCA.CO.ZA"**

Kies die opskrif gepf/Election Management Consulting Agency. Dan die opsie Voting Portal en volg die instruksies. Hou asseblief u ID nommer, Pensioenommer wat met CP, CPA of CPB begin en eposadres byderhand.

04

**KONTAK WILMA PIENAAR PER EPOS:
"WILMAPIENAAR205@GMAIL.COM"**

Meer informasie en skakels kan aan u gestuur word.

05

**AMAGP BEROEP ONS PENSIENARISSE OM ASSEBLIEF AKTIEF DEEL TE
NEEM OM ONS SWAARVERDIENDE SPAARGELD TE BESKERM.**

Boodskap vir GEPF pensioenarisse.

Baie van ons GEPF pensioenarisse het daarin geslaag om vir ons pensioenaris trustee te stem deur op hierdie skakel te klik. Op die tweede bladsy moet jy net seker maak dat jou ID nommer en selnommer korrek is voor jy op die Continue knoppie klik. MOENIE jou eposadres intik nie.

https://l.facebook.com/l.php?u=http%3A%2F%2Femca.dedicated.co.za%2F%3Ffbclid%3DlwAR28l-mX1lZzqs6Sq_cHDBFjxCQQ_bB1LNYvh0mbvshEcrJdtjnybo3zCzM&h=AT1JAT55b-8xqUE0EnlBZ9nNjnvqJuB1D2R...

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

Now for news from the media

The release of the actuarial valuation of our Fund quietly appeared on our Fund's website. No fanfare, no press release, no announcement, nothing. It allows one to wonder why the valuation wasn't made known to all as for the astoundingly sudden increase in the Fund's valuation a couple of months ago and then the very quiet decrease soon after. Hmmm. Allow me to be concerned.

The SAHRC filed a complaint against the PIC over the racist reaction to the ABSA CEO appointment. Good for them.

Caxton is expanding its business by acquiring more companies. It seems to be much more than the stationary that we think it is.

EOH, the technology group, is selling or non-core business to reduce debt. EOH still has a long way to go, however.

The article PIC and extraction is thoughtful reading. Read it carefully a second time.

Pick and Pay seem to be doing well in these depressed times, but we all have to eat. Good news.

Some news about the GEPF and divorce, and non pension interest. Of interest only to those that are divorcing.

MEDIA RELEASE 3/2022

26 April 2022

RELEASE OF ACTUARIAL VALUATION REPORT FOR THE GOVERNMENT EMPLOYEES PENSION FUND (GEPF)

The statutory actuarial valuation report on the GEPF, prepared by African Origins and Alexander Forbes as at 31 March 2021, has been released by the GEPF after a long delay.

The purpose of the valuation is to investigate the financial soundness of the Fund in terms of the funding objectives of the Fund's funding policy. The report can be accessed by the following link:

<https://www.gepf.co.za/evaluation-report/>

In terms of Rule 19 of the GEP Law, there is an obligation to provide members with certain information relating to the Fund. The fiduciary health of the Fund is obviously of utmost importance to its members.

The AMAGP has been anxiously awaiting the release of the report and asks why the Board of Trustees released the report as late as six months after its submission by the actuary in November 2021, by placing it on its website in April 2022 and keeping quiet about it. This is not acceptable.

In discussing certain aspects of the valuation, reference is made to clause 1.14 of the report.

Some of the critical objectives of the valuation were:

- to determine whether the existing assets of the Fund are sufficient to cover the fund's liabilities accrued to the valuation date;
- to determine whether the funding level meets the minimum funding requirement as outlined in rule 7.2 of the Fund's rules and the requirements of the funding level policy adopted by the Fund.

Some of the important findings of the valuator were:

- The assets of the Fund were sufficient to cover the best estimated liabilities in full, with a funding level of 110% (up from 108% in 2018). The current position therefore meets the trustees' targeted minimum funding level of 90%.
- The Fund does not have sufficient assets to cover the recommended solvency reserve and other contingency reserves in full. Allowing for the full solvency reserve and other contingency reserves reflects a long-term funding level of 74,3% (down from 75,5% in 2018). R187 million are available to cover these reserves, implying that only some 20% of the recommended reserves are funded.

Although the minimum funding level is satisfactory, AMAGP is and has been concerned for quite some time, about the shortfall on the long-term funding level, which has been declining for a number of years now, being down with 1,2% since the previous valuation, the lowest ever. As a pension fund provides for the long term, this should obviously be of concern not only to pensioners and serving members, but to the Board of Trustees.

The actuarial valuation to have been conducted as at March 2020 was postponed, but estimates based on the outdated valuation as at March 2018 indicate that it was highly likely that the liabilities exceeded the assets by about R133 billion in March 2020, and that, therefore, the Fund had not been solvent at that stage. This "interim valuation" had never been made public by the GEPF. The favourable minimum funding level as at March 2021 was made possible by the decline in the annual growth of pension liabilities and an exceptional performance of the JSE, during 2020/21. This is unlikely to be repeated in 2022.

Already on 8 January 2020 AMAGP queried the insolvency of the Pension Fund. In this regard we refer to our statement of that date at the link provided below:

<https://www.amagp.co.za/media/amagpstatement8jan20ispensionfundsolvent.pdf>

The present actuarial report does nothing to allay our fears of two years ago.

The actuaries have for years recommended to the GEPF and the Minister of Finance that the government should increase its contributions to fund the shortfall. In the latest valuation, the valuator recommends that the required employer contribution rate be increased from the current 13,5% to 14,2%, by some R2,5 billion per annum.

In view of the GEPF's stated funding policy of striving towards a long term funding level of 100% or above, **it is the AMAGP's concerted opinion that it is high time for the government to increase the contribution rate, also in such a manner as to eradicate the accumulated shortfall.**

Finally, mention needs to be made of the updated actuarial interest factors in the report. This is of interest to the serving members. For the most part it has reduced since 2018. Will the GEPF implement these, and if so, from what date? The GEPF also must be reminded that it needs to consult with the trade unions before implementing these changes. The GEPF certainly would want to avoid a repetition of the scenario where the courts ruled against implementing these changes without proper consultation.

Adamus P Stemmet
Spokesperson AMAGP

MEDIAVRYSTELLING 3/2022

26 April 2022

VRYSTELLING VAN DIE AKTUARIËLE WAARDASIEVERSLAG VIR DIE REGERINGSWERKNEMERS PENSIOENFONDS (GEPF)

Die statutêre aktuariële waardasieverslag oor die Regeringswerknemers Pensioenfonds, voorberei deur African Origins en Alexander Forbes soos op 31 Maart 2021, is na 'n lang vertraging deur die GEPF vrygestel.

Die doel van die waardasie is om die finansiële gesondheid van die Fonds ingevolge die befondsingsdoelwitte van die Fonds se befondsingsbeleid te ondersoek.

Die verslag kan by die volgende skakel gevind word:

<https://www.gepf.co.za/evaluation-report/>

Ingevolge Reël 19 van die GEP-Wet is daar 'n verpligting om lede van sekere inligting met betrekking tot die Fonds te voorsien. Vanselfsprekend is die fidusiêre gesondheid van die Fonds van uiterste belang vir sy lede.

AMAGP het die vrystelling van die verslag gespanne afgewag en vra waarom die Raad van Trustees die verslag so laat as ses maande na die indiening daarvan deur die aktuaris in November 2021, vrystel, deur dit eers in April 2022 op sy webblad te plaas en boonop daarvoor te swyg. Dit is nie aanvaarbaar nie.

In die bespreking van bepaalde aspekte van die waardasie word na klousule 1.14 van die verslag verwys.

Sommige van die kritieke doelwitte van die waardasie was:

- om te bepaal of die bestaande bates van die Fonds voldoende is om die Fonds se opgehoopde laste tot die waardasiedatum te dek;
- om te bepaal of die befondsingsvlak aan die minimum befondsingsvereiste soos uiteengesit in reël 7.2 van die Fonds se Reëls, asook die vereistes van die befondsingsvlakbeleid wat deur die Fonds aanvaar is, voldoen.

Sommige van die mees belangrike bevindings van die waardeerder was:

- Die bates van die Fonds was voldoende om die bes geskatte laste ten volle te dek, teen 'n befondsingsvlak van 110% (teenoor 108% in 2018). Die huidige situasie voldoen dus aan die trustees se teiken van 'n minimum befondsingsvlak van 90%.
- Die Fonds beskik nie oor voldoende bates om die aanbevole solvensiereserwe en ander gebeurlikheidsreserwes ten volle te dek nie. Om vir die volle solvensiereserwe en ander gebeurlikheidsreserwes toe te laat reflekteer die Fonds 'n langtermyn befondsingsvlak van 74,3% (teenoor 75,5% in 2018). Om hierdie reserwes te dek is R187 miljoen beskikbaar, wat

impliseer dat **slegs sowat 20% van die aanbevole reserwes befonds is.**

Hoewel die minimum befondsingsvlak bevredigend is, is en was AMAGP 'n geruime tyd lank reeds bekommerd oor die tekort op die langtermynbefondsingsvlak, wat oor 'n aantal jare stelselmatig gedaal het en met die laaste daling van 1,2% sy laagste vlak ooit bereik het. Omdat 'n pensioenfonds vir die langtermyn voorsiening maak, behoort hierdie feit vanselfsprekend van groot bekommernis te wees vir nie net pensionarisse en dienende lede nie, maar ook vir die Raad van Trustees.

Die aktuariële waardasie onderneem te geword het soos in Maart 2020, is uitgestel, maar skattings gebaseer op die verouderde waardasie soos in Maart 2018, dui aan dat dit hoogs waarskynlik was dat die laste die bates in Maart 2021 met sowat R133 miljard oorskry het en dat die Fonds dus in daardie stadium nie solvent was nie. Hierdie "tussentydse waardasie" is nooit deur die GEPF openbaar gemaak nie. Die gunstige minimum befondsingsvlak soos in Maart 2021 is moontlik gemaak deur die afname in die jaarlikse groei van pensioenverpligtinge en 'n buitengewone prestasie op die JSE, gedurende 2020/21. Dit is onwaarskynlik dat dit weer in 2022 herhaal sal word.

AMAGP het reeds op 8 Januarie 2020 die insolvensie van die Pensioenfonds bevraagteken. In hierdie verband verwys ons na ons verklaring van daardie datum in die skakel hieronder:

<https://www.amagp.co.za/media/amagpstatement8jan20ispensionfunds solvent.pdf>

Die huidige aktuariële verslag doen niks om ons vrese van twee jaar gelede te besweer nie.

Die aktuarisse beveel oor die afgelope jare reeds aan die GEPF en Minister van Finansies aan dat die staat se bydraes om die tekort te befonds, verhoog moet word. In die nuutste waardasie beveel die waardeerder aan dat die vereiste bydraekoers van die huidige 13,5% na 14,2%, oftewel met sowat R2,5 miljard per jaar, verhoog word.

In die lig van die GEPF se verklaarde befondsingsbeleid van 'n strewe na 'n langtermynbefondsingsbeleid van 100% of

meer, is dit AMAGP se oortuigde mening dat dit hoog tyd is vir die regering om die bydraekers te verhoog, ook op so 'n manier dat die opgehoopde tekort uitgewis word.

Ten slotte behoort melding gemaak te word van die opgedateerde aktuariële rentefaktore in die verslag. Hierdie is vir die dienende lede van belang. In die geheel is dit sedert 2018 afgebring. Gaan die GEFP hierdie faktore inwerkingstel, en indien, vanaf watter datum? Die GEFP moet ook daaraan herinner word dat dit die vakbonde moet raadpleeg alvorens dit die veranderings inwerkingstel. Die GEFP sal sekerlik 'n herhaling van die scenario, waar die howe uitspraak gelewer het teen die implementering van sulke veranderinge sonder behoorlike raadpleging, wil vermy.

Adamus P Stemmet (AP)
Segsman AMAGP

Synopsis

SAHRC complaint filed against PIC - DA

PoliticsWeb
Cilliers Brink
4 April 2022

Cilliers Brink says corporation's reaction to new ABSA CEO was racist
DA to file HRC complaint against PIC over racist reaction to ABSA appointment

The DA will be filing a Human Rights Commission (HRC) complaint against the Public Investment Corporation (PIC) for what we believe to be a racist attack on the appointment of ABSA's new CEO, Arrie Rautenbach.

Last week the PIC suggested that Rautenbach is unsuitable to be the CEO of ABSA, not because he lacks expertise and qualifications, but because he is white.

This statement is racist, and its release an abuse of public power. The HRC complaint is an attempt to call the PIC and its management to account.

The DA rejects the categorisation of people by race, and the use of public power of such

categorisation in determining rights and obligations. We believe that apartheid injustices can be redressed without using apartheid-era racial categorisation.

If South Africa is to build a capable state and achieve high levels of economic growth, the policy of reserving positions in public and private institutions based on race and other immutable characteristics must be abandoned.

While many of the laws on the statute books today are based on the ANC's racial national agenda, the conduct of the PIC has gone beyond even these laws. The PIC is a creature of statute, and not a subcommittee of the ANC, and must act accordingly.

Comment

We have about R11,7bn in Absa. Makes one question the PIC's priorities, doesn't it?

Synopsis

Caxton: a deal-in-a-box

6 April 2022
INCE|Community
By The Finance Ghost



Caxton and CTP Publishers and Printers Limited (simply known as "Caxton" in the market) has announced a R90 million acquisition.

The company will buy the operations and properties of Amcor Cape Town Bag in Box and Pouching (that really is the name) and Amcor Port Elizabeth. These are part of the Amcor Flexibles South Africa business.

Transactions like these are quite complex to implement, as assets and operations are being carved out and sold as a going concern. This is far trickier than simply selling the shares in a company. I used to dread these kinds of deals in my advisory days!

The deal requires approval by the Competition Commission but is too small to require shareholder approval under JSE Listings Requirements. No competition-related issues are anticipated as the overlap with Caxton's existing business is limited.

The deal is being done in Caxton's subsidiary CTP Limited, which produces bag-in-a-box cartons for the wine industry. The strategic fit is that Amcor Cape Town produces bag-in-a-box bladders. The operations are located nearby each other as an added benefit, as you know that Capetonians think a 6km drive is a weekend excursion.

The Port Elizabeth operation services the automotive tyre industry with liners, so the operations have been located close to customers which makes perfect sense.

The Caxton group is expanding in the local packaging industry and is anticipating a solid bump to turnover from this acquisition alongside the organic growth being enjoyed in folding cartons and wet-glue beer label demand amongst other categories.

Right at the end of the announcement, Caxton reminds the market that it holds 34% in Mpact as a "prelude to an intended merger transaction" - watch this space. Caxton is already seeking competition approval before potentially making a move.

Comment

We have about R2,1mn in Caxton. Never thought Caxton is in more than just stationary.

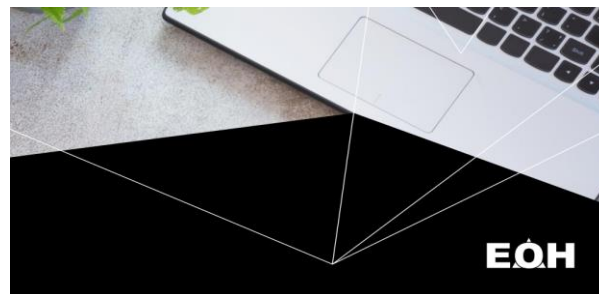
Synopsis

EOH plugs more debt holes

8 April 2022

INCE|Community

By The Finance Ghost



EOH rallied over 3% yesterday as the market continued to push the price higher off the back of momentum in selling assets and reducing debt, along with improved profitability in the underlying operations. Although those who bought in the past 30 days are really smiling, most other holders are still in the red.

The last announcement from EOH clarified that the company still needs to plug a hole of around R750mn for the settlement of the bridge finance facility in October 2022.

The latest news is that EOH will be selling its Network Solutions business and its stake in Hymax SA (both inside the iOCO division) to Seacom South Africa. Both operations are focused on the networking and voice segments of the telecommunications industry.

EOH doesn't have the balance sheet to support the ongoing investment required in these businesses. Seacom is a better owner of these businesses, as the company can support growth with the stated strategic objective of strengthening the enterprise offering.

The enterprise value for the deal is R144,9mn, which is a normalised EV/EBITDA multiple of 4.8x. The deal will take between three and five calendar months to implement, so the initial proceeds should be received before the bridging facility is due.

Speaking of proceeds, the first R115,9mn (80% of the price) is payable on closing. 20% will be held in escrow as security for payment of any warranty and indemnity claims, with half of the reserve released to EOH after six months. There is still the potential for the amount to be adjusted based on net debt and working capital.

The amount in escrow will help in negotiations with funders, but the reality is that the R750mn hole seems to be down to around

R634mn based on this deal. With a market cap of around R1bn, any capital raise that may be required to settle the bridging finance would be significantly dilutive.

The clock is ticking and EOH is certainly doing its best to bring the balance sheet to a sustainable level.

Comment

We have about R30,6mn in EOH. EOH seems to have a continuing fight with debt that refuses to go and bother another company.

Synopsis

The Public Investment Corporation and the philosophy of extraction

By Tim Cohen
Daily Maverick
10 Apr 2022

Honestly, I've just had it with the PIC. Last week, the PIC lashed out at Absa after the bank appointed a white CEO, Arrie Rautenbach.

Obviously, it's easy to be misunderstood here, so allow me to explain as carefully as I can what I understand and don't understand about the PIC's action.

What I do understand is that the PIC has a transformative agenda, which I personally support. The organisation is within its mandate to complain about the appointment of anyone for whatever reason, particularly since it's a shareholder in the company. That is its right.

By the way, it's not like Absa didn't try to find a black CEO; the bank did but the black CEO in question left them after a little more than a year. But the point is that Absa was not blind to the need to consider race in its appointment of a CEO. After Mminele's appointment backfired, there was the saga about Siphon Pityana, so there was one fiasco after another.

The PIC announced it was "downright disappointed" by the appointment of Rautenbach, but apparently the need for the bank to appoint someone trusted, internal and respected within the organisation in the context of these successive fiascos was all subsumed by the mere fact of his race.

If the PIC were any old fund manager in SA, that would be entirely its decision. But it's not. The PIC does not compete with the rest of the industry for clients. It gets its clients by government fiat as the legislated fund manager of the pensions of state employees. Even if it did have to compete for clients, its position would be forgivable if its actual performance was better than the industry's.

But it's not. Read the annual report. Some funds outperformed, some did okay. But the big one is the GEPF, which is about 90% of assets under management, and the largest portion of that is the listed investment portfolio, which underperformed by 0,65% over the past year.

This is not a big underperformance, and that tells you something about the PIC; it's so huge, it's like a forced index fund. In fact, I'm not sure why it doesn't just invest in an index fund; when you are that large, it's almost impossible to outperform the market, or underperform it, and you would save a huge amount on fees.

The real problem is the PIC's unlisted portfolio, and that is really where we can determine the actual investing skill of the PIC, and it will surprise nobody that it's just completely useless, as the Mpati Commission has highlighted, dishing out huge amounts of money on wild ideas so long as the race of the client checks the box.

So here is what I don't understand about the PIC's criticism of Absa.

First, the organisation is outraged about the appointment of a white guy. Fair enough. But where is that outrage when it comes to being stiffed by its own clients? Just one of many examples: the PIC lent Iqbal Survé about R1bn to buy the Independent Newspapers Group, which by common acknowledgment hasn't been paid back. So why has the PIC not perfected its claim? Why not reclaim the

asset and let some other black investor give it a shot?

Why does it seem to be completely indifferent about being stolen from, particularly given that the money being stolen belongs to pensions of state employees? We are told there are court cases, which we all know will never actually happen because, at root, the PIC doesn't apparently care. And how do we know that? Because surely being stolen from is worthy of an angry press release or two? But we haven't seen any of those press releases. Not a single one. Or, as it happens, an actual court case.

Second, if the PIC is so outraged about Absa appointing a white guy, why is it supporting the takeover of Tongaat Hulett by not only a white guy, but a foreigner, whose family is involved, by some accounts, in stifling the South African tax authorities?

The overarching point here is that there is a big cleavage in SA society, and it has less to do with race than people imagine. There are gazillions of fabulous, successful black businesspeople in SA. The difference lies elsewhere: it vests in a philosophy of extraction versus a philosophy of creation. The philosophy of extraction puts race first. The philosophy of creation puts the customer first.

And the problem with the philosophy of extraction is that eventually you run out of money to extract. Just ask the employees of Denel, who didn't get paid in full, again, this month. Denel was once a hugely renowned player in the defence industry. Then it became an institution of extraction. Then the money ran out. **DM168**

Comment

The PIC is an SOE that profits from the GEPF, as the GEPF pays millions for all the asset managers it employs, as well as turning a profit for the state for the investment it does for the GEPF, RAF, UIF Fund, etc.

Note the reference to underperformance and the unlisted portfolio,

Note the reference to loans not paid back, court cases not taking place, and money only being extracted but never repaid.

Comment by Adamus Stemmet:

Whilst it is possible for other investors to run out of money this will never happen to the PIC. ...

The losers? The helpless, voteless members of the Government Employees Pension Fund.

This is the type of asset manager to which our pension fund's Board of Trustees entrust our money. Have you seen any reaction to the findings and recommendations of the Mpati Commission?

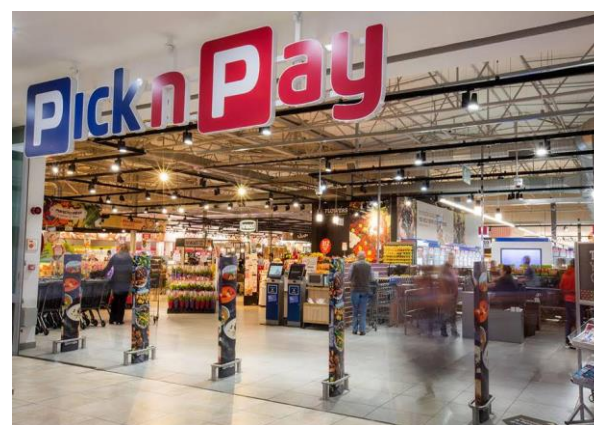
Synopsis

A Boone for Pick n Pay

7 April 2022

INCE|Community

By The Finance Ghost



You're familiar with the saying "the bane of my life" but you may not be aware that the opposite is a "boon" - and recently appointed Pick n Pay CEO Pieter Boone seems to be enjoying his early days with the company, as the latest results look pretty good. His surname is different by one letter (and some Dutch pronunciation), but the resemblance appears to be apt.

Pick n Pay closed over 6% higher after releasing a trading update for the 52-week period ended 27 February 2022. Many retailers report based on weeks rather than calendar months, so the end of the period can be on a strange-looking day.

Pick n Pay is the closest competitor to Shoprite in terms of having a wide footprint that caters to all LSMs. There are formats ranging from hypermarkets at one end to forecourt convenience stores at the other.

Pick n Pay also has an excellent and fast-growing clothing business (up 21% in this period and 11,7% on a two-year CAGR) and has seen great success in the Boxer format. Checkers gets all the credit for Sixty60 but Pick n Pay's online offer (ASAP! and the traditional online formats) has achieved a two-year CAGR of 72,5%.

The share price story over the past year gives a clear indication of where the action has been. Pick n Pay is down 1,3% and Shoprite is up nearly 58%. This would've been a textbook example of a pairs trade, where you take a long view on one stock and a short view on the other. In a trade like that, you short the "loser" to fund the long position that you take on the "winner" - and if you get it the right way around, you make a huge return. Get it wrong and the opposite applies of course!

In this 52-week period, group sales increased 5,2%. The South African business achieved sales growth of 5,1% and like-for-like sales were up 4,4%, so new stores growth was 0,7% (there were 138 new stores opened in this period). The Rest of Africa business performed nicely, with sales up 5,6% in ZAR

In an unusual step, Pick n Pay has disclosed its group sales growth in each quarter of the year. Whenever companies bring in new disclosure like this, it's usually to tell a specific story. In this case, the story relates to revenue cadence, which is the momentum in revenue growth by looking at quarterly growth numbers. Although they are year-on-year growth numbers, an increasing rate (positive cadence) tells you that things are picking up.

The growth rates were: Q1 +9.0%; Q2 -0,7%; Q3 +4,9%; Q4 +7,4%.

Q2 was hammered by the civil unrest and the loss of the liquor trade, so that was a horrible trading period. The market would've taken a lot of heart from Q1 and especially Q4, which I suspect helped the rally.

The R870mn in damage to stock and assets has been recovered from insurance. The estimated R1,8bn of lost sales is still being dealt with as part of business interruption claims which remain open, with interim payments of R145mn received from insurers thus far. This interim payment couldn't be

recognised in earnings under accounting rules, so Pick n Pay has presented two sets of HEPS numbers.

Strategically, the company is planning to "differentiate" the stores which hopefully means continuing to improve the Select supermarkets that compete with Checkers' FreshX formats. You don't have to ask too many friends before you find out that Checkers is winning that battle. Of course, it's never too late for Pick n Pay to claw back some market share.

Unsurprisingly, the continued development of the Boxer business gets a mention as well. This is a great business by any measure.

Comment

We have about R3,7bn in Pick and Pay. Good news.

Synopsis

TITBITS

Ince/Connect
The Finance Ghost

31 March

We finally have some clarity on the **Royal Bafokeng Platinum** situation. The Takeover Regulation Panel (TRP) has ruled that no mandatory offer is required to Royal Bafokeng Platinum shareholders. This is good news for Northam shareholders, as the offer may have ended up being at a high price based on the deal with Royal Bafokeng Holdings for the initial strategic stake. Shareholders in Royal Bafokeng Platinum can now consider the Impala offer without worrying about whether an offer from Northam may be forthcoming. *We have about R3,9bn in RBP and R39,2bn Implats.*

Vukile Property Fund has updated its earnings guidance for the year ending 31 March 2022. The company expects funds from operations (FFO) of between 130 and 135 cents per share. The dividend pay-out ratio will be between 75% and 80% of FFO. The share price closed 4,5% higher yesterday at R14,18.

We have about R964,6mn in Vukile.

South32 has announced a delay to the expected closing date of the acquisition of an additional stake in Mozal Aluminium. The deal is expected to be completed before the end of 2022, with the original expectation being for it to close in the second quarter this year.

We have about R329,5mn in South32.

Rebosis is in the process of selling a large portfolio to Ulricraft, a special purpose vehicle linked to **Vunani**. The due diligence phase has been completed and the deal was almost slashed in half as a result. The buyer still needs to raise the funding for the transaction and Rebosis has opted not to send out a circular to shareholders until the funding has been secured by Ulricraft. Ulricraft has until 22 April 2022 to raise the funding so the circular will hopefully be sent out by the end of April.

We have about R34,8mn in Rebosis.

Trencor has released financials for the year ended December 2021. The operating loss has improved but is still in the red, with a loss of R3mn this year vs. R43mn in 2020. Net profit has swung into the green, with a R4 million profit vs. a loss of R20mn in the prior year. Headline earnings per share is 3 cents and there is no dividend. The net asset value per share is R6,97 and the share price is R4,51.

We have about R18,9mn in Trencor.

4 April

Sanlam's acquisition of the group risk and retail life business from Alexander Forbes has met all conditions and will be implemented effective 31 March 2022. R100mn in cash will change hands, of which 50% is deferred and payable in two equal annual instalments. For Sanlam, this strengthens the group's position in the group risk and retail life insurance markets. For Alexander Forbes, this marks the exit of the insurance business and a focus on the stated strategy of an advice-led and capital-light model.

We have about R17,3bn in Sanlam.

The **US dollar liquidity in Nigeria** is deteriorating. Last week, **Nampak** noted a concern around this issue and the share price took a knock in response, as Nampak's balance sheet is still fragile and the company needs to be able to repatriate profits to South Africa. The latest news around this theme is

that JSE-listed property funds **Hyprop** and **Attacq** have extended the longstop date to implement the sale of the Ikeja City Mall to 30 June 2022. They are moving forward with filings to competition authorities in the meantime.

We have about R260mn in Nampak, R864mn in Hyprop and R446mn in Attacq,

Zeder has announced that the disposal of The Logistics Group has been completed. R1,35bn was received by Zeder on 31 March 2022 and there are additional earn-out payments of R218mn that would be received in cash if the conditions are met. These are related to extensions or renewals of agreements and Zeder hopes to receive this cash in the current financial year. There is no certainty over the remaining number being achieved.

We have about R332,2mn in Zeder.

In an excellent display of timing an exit at the right point in the cycle, the CEO of **Grindrod Shipping** is retiring after more than 14 years of service to the company. The existing CFO will also serve as interim CEO, having been with Grindrod since 2010. It's not always a guarantee that interim CEOs get the long-term job (evidenced by Absa last week), so keep an eye on this one to see how it plays out.

We have about R28,4mn Grindrod Shipping.

Gold producer **Pan African Resources** has announced the initiation of phase one of a share buyback programme for up to R50mn of ordinary shares. The board believes that the current share price is undervaluing the company, so buybacks are a classic tool used in these circumstances to send that signal to the market and hopefully reward shareholders who stick around with higher growth in headline earnings per share (HEPS) as there will be fewer shares in issue. Given the market cap of around R9,7bn, this is a very small repurchase programme. The company is just tipping its toes in the water here.

We have about R546,5mn in Pan African.

PPC investors will be interested to note that Value Capital Partners has bought more shares. This takes the shareholding in PPC to 15,05% of total issued ordinary shares.

We have about R44,3mn in PPC.

5 April

Moving to local news, **PSG Konsult** has released a trading statement for the year ended 28 February 2022. HEPS will be between 69,2 cents and 70,2 cents, which is 33% to 35% higher than the 52,2 cents in the prior year. Most importantly, HEPS is over 40% higher! than the pre-Covid year. The share price closed at R13,20, a Price/Earnings multiple of just under 19x. *We have about R197,8mn in PSG.*

Pan African Resources is undertaking a small share buyback programme. This has already kicked off and there will be further announcements on the JSE as and when shares are repurchased. *We have about R546,5mn in Pan African Resources.*

Tharisa announced last week that it had exercised its farm-in option to take its stake in Karo Mining Holdings to 66.3%. Karo Holdings has an indirect 85% interest in the Karo Platinum Project in Zimbabwe. In a subsequent update, Tharisa has announced the appointment of Bernard Pryor as Managing Director of Karo Mining Holdings. This is another good step in the journey of this project, as Pryor comes with extensive experience including being the Head of Business Development at Anglo American (amongst other prior roles). *We have about R6,2mn in Tharisa.*

As a final note on director changes, Alex Pickard of Ivanhoe Mines has been appointed to the board of **Renegen**. This is based on the strategic equity investment made by Ivanhoe in the company. *We have about R247,6mn in Renegen.*

6 April

MTN saw flames yesterday with a 7% drop and no SENS announcement in sight. The cool kids with Bloomberg terminals (I'm not one of them) knew what was going on before anyone else did, as headlines flashed about SIM card registrations in Nigeria. Any SIM cards not linked to a National Identity Number have now been barred - 75 million of them! Of course, this hits MTN's business in the short term. I would argue that these people still need cellphones and so many of the barred customers will return. The MTN Nigeria share price actually increased by nearly 1%, so perhaps the locals know something we don't.

A core difference between investors in MTN Nigeria vs. MTN Group is that the former aren't worried about repatriation of funds. This is becoming a concern again in Nigeria and may have been a contributor to a souring of sentiment towards MTN yesterday. *We have about R44,8bn in MTN of which R2bn is MTN Nigeria.*

Spear REIT has released a trading statement for the year ended February 2022. The distribution per share will be between 67,51 cents and 69,25 cents, representing an increase of between 15% and nearly 18%. The pay-out ratio is expected to increase from 80% in the previous financial year to between 85% and 90%. The pay-out ratio increase is a major contributor to the growth in the distribution, as distributable income per share is only up by between 6% and 7% vs. the prior year. This is testament to how well Spear's portfolio has done at a time when the REIT industry was bouncing all over the place. At the midpoint of the guidance, Spear is trading on a yield of around 8%. That's genuinely impressive for a small property fund. *We have about R12mn in Spear.*

In other property news, **Octodec** has provided dividend guidance for the six months to 28 February. Although distributable income per share isn't expected to differ by more than 15% vs. the comparable period, there is an anticipated dividend of 50 cents per share. In the comparable period, there was no dividend declared. On an annualised basis (always a dangerous approach so be careful reading too much into this), the forward yield is around 11,8%. *We have about R73,5mn in Octodec.*

Heriot REIT and related parties now hold 33,1% of Safari Investments. This is just below the threshold for a mandatory offer (35%). Heriot describes the Safari portfolio as "complementary" - read into that what you will. *We have about R15,7 in Safari.*

Hulamin has been trading under cautionary since 14 October 2021 and another renewal has been issued. At this rate, it looks like the company is feeling inspired by how long the State of Emergency was. Shareholders are anxiously awaiting information on what the company is busy negotiating. *We have about R8,9mn in Hulamin.*

8 April

Accelerate Property Fund has agreed to dispose of the Leaping Frog Shopping Centre in Fourways. The value at 30 September 2021 was R140,3mn and the agreed price is R130mn, so that's not ideal. The yield on the selling price is 8,8%. Accelerate will use the proceeds to reduce debt and has the option to repurchase 50% of the property once its redevelopment by the new owner is complete. This goes some way towards explaining the discounted price.

We have about R61mn in Accelerate.

Balwin will hopefully avoid the "head office curse" that investors like to joke about in the market - a superstition that buying a new head office brings trouble. Balwin is buying a nearly 3 000m² 6-star green rated office near Melrose Arch for R125,8mn, so investing 7,5% of the market cap in a head office building isn't a good start. Here's the worst part: the entire purchase price is being funded by a loan. I asked around on Twitter and the response to this deal was incredibly negative.

We have about R66mn in Balwin.

An update to the **Basil Read** business rescue plan has been released. There are three remaining contracts in the defects liability period, ending in the next few months. The aggregate contingent liability for construction guarantees has been reduced to R72,8mn from R1,1bn at the beginning of the rescue proceedings. No progress has been made on selling non-core assets and the company cannot release financial results for the six months to December 2021.

We have about R3,5mn in Basil Read.

If you are a **Textainer Group** shareholder, you should note that there has been a change in the treatment of dividends. They will now be classified as taxable income rather than non-taxable returns of capital. Brokers will need to get this right from a tax perspective, but it may be worth speaking to your broker if you have a chunky position in the company.

We have about R1,3bn in Textainer.

9 April

British American Tobacco is busy implementing its share buyback programme, so you can expect to see announcements about the number of shares bought and the

price paid. For example, the company bought 460 000 shares on 5 April for a volume-weighted average price of 3199,6821 pence per share. The relevance to shareholders is that as the number of shares in issue decreases, there are fewer investors sharing in the pie. This helps drive dividends per share and headline earnings per share (HEPS).

We have about R26,9bn in BAT.

Comment

Some titbits to keep you up to date on what we are invested in and how much. Of course, nothing on the unlisted investments as the PIC is shy [embarrassed?] about the lack or ROI there.

Synopsis

Dealing with GEPF pension interest upon divorce

Moneyweb

14 April 2022

By Tian Ebersohn - PSG Wealth Pretoria-East



Image: Moneyweb

The GEPF Member Guide sets out how pension interest is dealt with upon divorce of one of its members.

What is "pension interest", and why is it so important that the retirement fund clauses are correctly drafted?

For purposes of the GEPF, the Divorce Act 70 of 1979 defines pension interest as "the benefits to which a member would have been entitled to in terms of the rules of the fund if his/her membership had terminated, due to resignation, at date of divorce".

It often happens that the retirement fund clauses in divorce settlement agreements are

poorly drafted, resulting in the rejection of a claim by the fund's administrators. Once a divorce settlement agreement is made an order of the court, the only remedy to rectify the agreement is to approach the courts to amend or vary the wording. These court applications are extremely expensive and time-consuming. Ensure that careful consideration goes into the choice of attorney in matters of divorce.

The clean break principle

Previously the parties at divorce could agree regarding the division of the pension interest, but the non-member spouse could not access the benefits until the member spouse exited the fund. The non-member spouse also could not lay claim to any investment growth on their allotted portion.

This all changed with the introduction by the Pension Funds Amendment Act, 2007 of the so-called clean break principle. With effect from 13 September 2007, a non-member spouse had immediate access to the pension interest benefit awarded to them in terms of the divorce order. The non-member spouse also received all future investment growth on their portion.

The GEPF, which is not subject to the Pension Funds Act, was amended on 14 December 2011 to allow for the clean break principle.

Options available to the non-member spouse when receiving their portion of the pension interest

The pension fund administrator will grant the non-member spouse the option to either receive the benefit in cash or have it transferred to an approved retirement fund. The non-member spouse would be required to complete a so-called "choice" form to convey the decision to the GEPF.

Taxation of pension interest allocations

The date of the divorce order payment/deductions from the fund determines the tax implications, and it is therefore important that parties to a divorce action obtain professional advice.

Divorces granted before 13 September 2007 would result in the member spouse having to pay the tax on the withdrawal of the pension interest by the non-member spouse. Divorces granted after 13 September 2007 on the other hand would result in the non-member spouse having to pay the tax on the withdrawal. It is important to note that the pre-1998 tax-free amount would apply to the non-member spouse's share of the benefit proportionately irrespective if a cash award is taken or whether the full amount is transferred to an approved fund.

Divorce debt

The current GEPF Member's Guide still includes the so-called divorce debt on page 24. Previously when a member got divorced, the GEPF would subject a member to a debt model in a divorce settlement. The debt model was treated as the GEPF having made an interest-bearing loan to the member equal to the amount paid to the non-member spouse in the divorce settlement or court order.

The divorce debt model resulted in an amount of interest on the loan which was then deducted from the member's pension interest upon resignation, death, or retirement. This resulted in GEPF members being treated differently than private sector pension fund members as far as divorce is concerned.

A new dispensation was introduced and from 22 May 2020 all members who have a legal divorce claim against their pension will be subject to a service reduction model.

According to the "Latest News" section on the official GEPF website the amendment will be treated as follows:

"The amendment now ensures that rather than creating a debt, there will be an adjustment to the member's pensionable service following the payment of a divorce settlement by the GEPF. This means that the benefit that will be paid to the member upon retirement will now be decreased by reducing the members' years of pensionable service to take into account the pension interest of the member that was given to the spouse upon divorce".

The new dispensation allows for a much more just and equitable treatment of divorce pay-

outs. Please take note, however, that the Member's Guide has not been updated to include the new treatment and this could result in confusion for members.

Comment

Of interest to the divorcees, sounds too technical to me. Might be easier to remain married.

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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. 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. 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.

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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