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BOOK EXTRACT

GRADE 1 EXPORTS

Why SA's best are going — and what to do about it

By Bruce Whitfield

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May 26 - June 1, 2022

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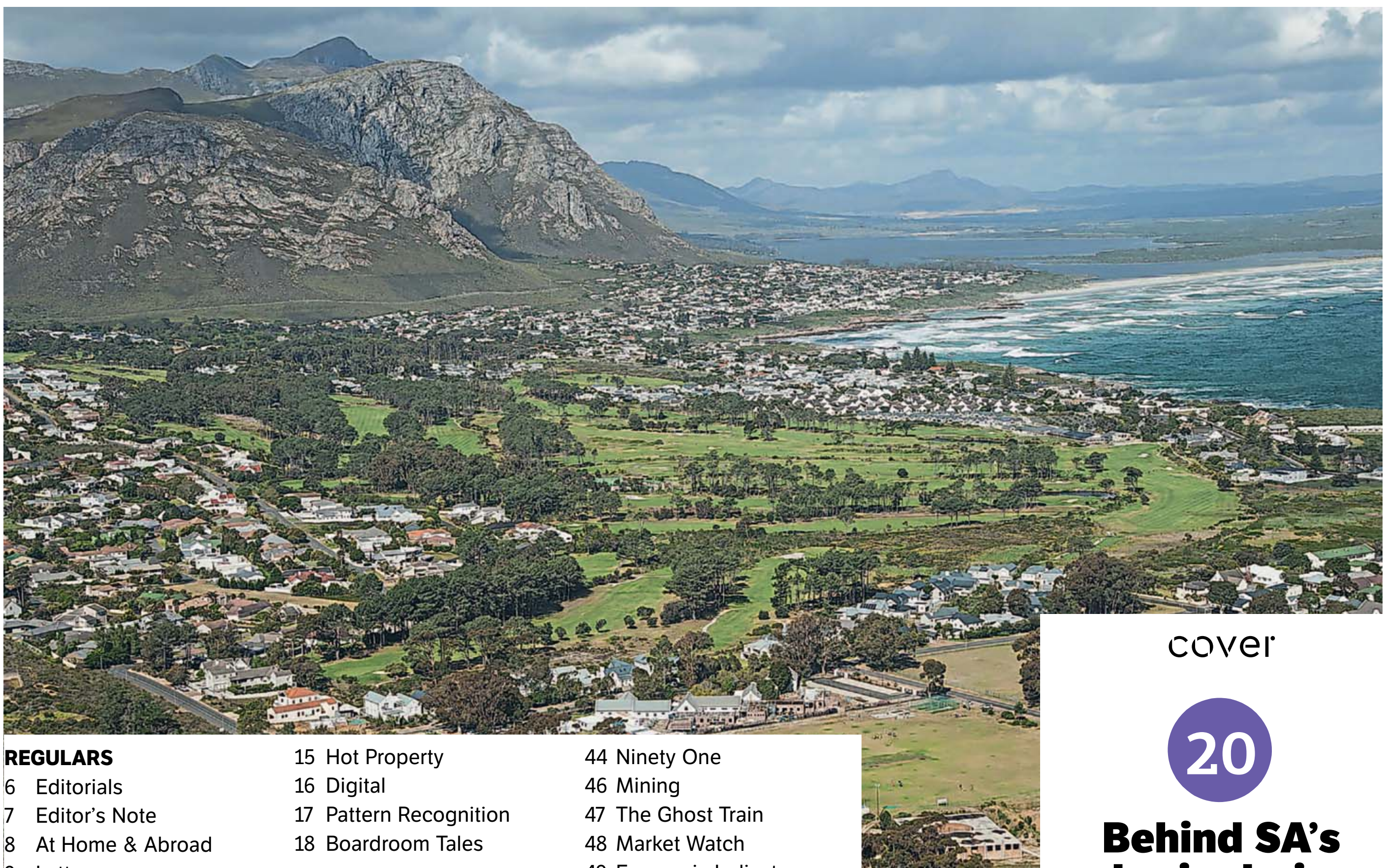

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TIME FOR STATE TO PLAY SCROOGE

The government says there's no way it will buckle to demands from public servants for 10% pay hikes — and it's no exaggeration to say the country's future depends on it sticking to this.

Unions representing 1.3-million public servants are pushing the 10% demand. But the government says it is willing only to extend for another year its R1,000 after-tax cash gratuity and a 1.5% "pay progression hike" tied to years of service.

"The state proposes that the current dispensation of cash gratuity for 2022/2023 should continue, as any cost on the baseline would significantly disrupt the tabled fiscal framework," it says.

It's a critical line in the sand, given that wages for civil servants already amount to R665bn and eat up almost a third of government spending. The unions' demands would require an extra R146bn over the next few years, cannibalising funds needed for service delivery.

But the unions aren't buying the government's line.

Reuben Maleka from the Public Servants Association responded: "We are not accepting the response of the employer … they must go and revise their budget and come back with something that can be acceptable."

But it's Maleka who is out of line.

Not only is a 10% hike out of kilter with the 5.9% inflation rate, the below-2% economic growth and the level of salary hikes in the private sector, this ambitious demand comes at a time when satisfaction with government services is at a low ebb.

Just 27 of 257 municipalities received clean audits last year. And, as former public service & administration minister Senzo Mchunu once admitted, one in three senior managers in the public service aren't qualified for the positions they hold.

If civil servants were shooting the lights out, it would be another conversation. But if their salaries were linked to performance, you'd think a 10% salary cut would be more appropriate.

Private sector companies are facing similar unrealistic demands, under bizarre pressure from cabinet ministers who should know better.

Last week, mineral resources & energy minister Gwede Mantashe underscored his credentials for retirement when he went so far as to threaten to revoke Sibanye-Stillwater's mining licence if it doesn't settle with its striking staff. It's outrageous overreach, even for a minister not known for impeccable judgment.

Miners at Sibanye have demanded a wage hike of R1,000 a month for the next three years. But the company has offered R800, going up to R850 in year four and R900 in year six, as well as a profit-share scheme.

After CEO Neal Froneman said Sibanye had enough cash to withstand the strike for years, Mantashe said his officials should look at revoking the licence "for a mine that doesn't want to mine but sits on the properties, so that we can give that property to companies that want to mine gold".

It's a wilful misreading of what Froneman said, and a dangerous indication of the government's readiness to strip mining rights — weeks after executives at the mining indaba stressed that companies need policy certainty to invest in the sector.

Reality has never been a welcome visitor for our political leaders, or our unionists. But SA has plenty to lose should it jettison the path of fiscal rationality. x

FAREWELL TO AN ECONOMIC COLOSSUS

Mike Schüssler, who died this week aged 60 after a short battle with throat cancer, made his career as an independent and lateral thinker.

He would trawl the data in Stats SA's annexures, transforming numbers into useful information that anyone might understand.

While in his early years he worked at Transnet, the Treasury, and SAA, in 2000 he went into consultancy, before founding economists.co.za in 2005.

Schüssler loved a debate, and his friend and fellow economist Dawie Roodt describes him as a formidable opponent with an astounding memory for data that others had long forgotten.

As it happens, Mike wasn't his real name at all. He was born Hans Ullrich Schüssler, to German parents in Egypt, but earned the nickname at university because of his resemblance to burly boxer Mike Schutte.

He had the rarest ability to decode economic jargon, scything through the noise to find the stories that really mattered He was rightly known as the "people's economist" — and will be deeply missed. x

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Writers: See bylines for writers.
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Graphics & statistics: Shaun Uthum.
Photographer: Freddy Mavunda.
Personal PA to the editor: Onica Buthelezi.
Office assistant: Nelson Dhlamini.

Editorial tel: Johannesburg (011) 280-5808/3000.
Cape Town: (021) 488-1700.

Group Sales & Marketing

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editor's note by Rob Rose

STALINGRAD, JOOSTE STYLE

Markus Jooste's legal papers, opposing Steinhoff's bid to claw back R870m in salary and bonuses, illustrate how he plans to fight a criminal case — if one ever comes

If retailer Steinhoff thought it'd be a slam dunk to claw back R870m in bonuses and pay from former CEO Markus Jooste, it must be sorely disappointed. Its case is simple: the board only agreed to fork over this mountain of cash to its boss between 2009 and 2017 because it believed the accounts were, you know, true.

This turned out to be a bigger swindle than sport, arts & culture minister Nathi Mthethwa's insistence that R22m is about what it costs to erect a flag.

As it turned out, Steinhoff's accounts were padded with "fictitious transactions" to the tune of R106bn, artificial money drip-fed into the company like poison over a decade.

It was a hustle to create artificial profits and assets, to make investors believe it was all unicorns and rainbows

So, in November 2020, Steinhoff lodged a claim against Jooste clawing back salaries and bonuses. Steinhoff's CEO Louis du Preez is an experienced and savvy corporate lawyer, so he probably knew Jooste wasn't going to roll over and say: "Of course – would you like repayment in bitcoin or Zapper?"

But the extent of Jooste's Stalingrad legal strategy – named after Russia's defence of the city against the Germans in 1942 by fighting every inch, in every room and every house – is still bracing. Former president Jacob Zuma must be envious.

In new legal papers filed on April 20, Jooste denied he was part of any wrongdoing, arguing at one point that he has "no knowledge of these allegations". It's the common theme, illustrating that he's unlikely to admit to even brushing his teeth in the absence of video footage and witnesses.

Even though Steinhoff spent 11 pages of its summons detailing the mechanics of the fraud, Jooste's response is a blunt one-liner: "These allegations are denied." In other words, prove it.

And he lodged a "special plea", arguing that Steinhoff's claim had "prescribed" as it related to payments before 2017, more than three years before the lawsuit began. Had Steinhoff exercised "reasonable care", he said, it could have "established the facts from which their claim arose" earlier.

This is some chutzpah, since the reason nobody knew about the schlenter before is that Jooste allegedly went to great lengths to hide it – it was only after PwC's findings were released in 2019 that the full horror emerged.

Already, last year, Jooste filed nine "exceptions" to Steinhoff's argument on the R870m claim. But in October, judge Matthew Francis largely batted them away, and ruled the case must go ahead.

When it begins, this case will be watched keenly for how Jooste responds to the specific claims of how this immense fraud was concocted.

For example, when it came to Steinhoff's property arm Hemisphere, the summons says properties were "sold", "bought" and "resold" by supposedly independent third parties (which really weren't). The point was to ensure the properties could be "revalued" after each deal, which led to "significant step-ups in [their] value".

It was the same with the shady "intangible asset transactions". Here, Steinhoff sold assets to "ostensibly, but not genuinely independent parties", which it would then repurchase for a higher amount. But after buying them back, Steinhoff would then recognise these inflated "intangible assets" in its accounts, artificially boosting profits and assets.

In truth, murky entities registered in Switzerland and elsewhere – such as Campion, run by Steinhoff's former European CEO – allegedly helped Jooste engineer these deals. It was a hustle to create artificial profits and assets, to make investors believe it was all unicorns and rainbows.

After PwC's investigation, Steinhoff "restated" its accounts, writing down the value of its intangible assets by a mindblowing €5.8bn for 2016, and halving its value for Hemisphere to €1.1bn.

And yet Jooste argued in his "exceptions to the plea" last year that the allegations "lack particularity, are confusing and, accordingly, are vague".

Francis rejected this, saying Jooste "requires detail and a level of particularity that goes far beyond what is reasonably required" to respond. In one instance, he said Jooste's "exceptions" were "over-technical and without merit".

But now, before this case can be argued on the merits, Jooste's special "prescription" plea will have to be decided.

You can see why the happiest people in this sordid saga, eyeing untold riches, are the lawyers.

As it is, this week Steinhoff asked for leave to appeal against Western Cape High Court judge Gcinikhaya Nuku's ruling on May 10, ordering the retailer to hand over the 7,000 page PwC forensic report to this publication and amaBhungane.

Steinhoff's lawyer Robert Driman argued Nuku erred in finding there was no "litigation privilege" attached to PWC's full forensic report.

The appeal is predictable, even if it's tilting at windmills. At some stage, that PwC report will emerge, and the only curiosity will be why the retailer fought so hard to suppress it, given that this is meant to be the "new, transparent Steinhoff".

Secrecy is never a great look. As Joseph Pulitzer, the former US publisher, put it: "There is not a crime, there is not a dodge, there is not a trick, there is not a swindle, there is not a vice which does not live by secrecy. Get these things out in the open." x

at home & abroad by Justice Malala

OUTSIDERS COULD STEAL ANC RACE

If the party's big 'umbutho' in December is like this year's Kentucky Derby, look out for those for whom the odds are 80-1

Not many readers of this column are into horseracing, so I will assume you don't know the names of Rich Strike or Sonny Leon from a bar of soap. The two are worth a bit of googling. In May they caused one of the most thrilling upsets in recent sports history.

At the beginning of May, few in the US horseracing fraternity gave a hoot about those two names.

Leon was a jockey who rode more than 1,100 races a year to make ends meet. He'd never won a major race.

And Rich Strike? The colt wasn't even supposed to be in the Kentucky Derby, one of the most prestigious horseracing events in the world. It was No 21 on the list — and the race takes only 20 competitors. The Associated Press reported that "if one of the 20 horses that qualified didn't scratch from the race before 9am Friday [May 6], Rich Strike's Derby plan would have ended".

By 8.45am there were no scratches. The owner dismissed the horse's security guard and prepared to take the animal home. Then, at 8.55am, one horse pulled out. And so, on Saturday May 7, a jockey who had had no major wins and a horse whose owner hadn't had a significant win in 10 years, entered the Kentucky Derby at 80-1. Meaning: no chance of winning; a write-off.

Then the impossible happened. At the halfway mark many of the horses, which had run the first half at record-breaking speeds, started tiring. Rich Strike pulled ahead — and Leon guided him to victory. If you had put just $2 on Rich Strike you would have got a return of $163.60.

I am thinking of Rich Strike today as I reflect that it is just six months to go to the ANC's elective conference in December. Are there any Rich Strikes in the field? Cyril Ramaphosa's 4½ years at the head of the organisation — and of the government — show us that he doesn't believe in Rich Strikes, in great upsets or great wins, but in steady, cumulative, even boring, work. He has slowly been closing the space for those who stand for state capture, both in the party and in the government.

In 2017 he told his supporters that his win meant they had won a beachhead. In military terms, a beachhead is "a temporary line created when a unit reaches a landing beach by sea and begins to defend the area as other reinforcements arrive". It is the Afrikaans *bietjie bietjie* and the Zulu *kancane kancane*. Small small.

That is what he has been doing — and it's working. His support is obvious in Mpumalanga, the Eastern Cape, Limpopo, the Northern Cape and the Western Cape.

Which means that his opponents have a hard task ahead of them. Former health minister and ANC treasurer-general Zweli Mkhize told a group of *amabutho* and *izinduna* (Zulu regiments and traditional leaders) at his son's wedding that he will do whatever he is requested to do by the ANC's structures. As we know, that is ANC-speak for "I'm running". But, as my colleague Sam Mkokeli wrote here last week, he is running on empty.

Which leaves Lindiwe Sisulu, the tourism minister who believes our judges are "house n*****s". Her campaign seems to be running out of gas too.

Is there a Rich Strike for the top job? In 2017 no-one would have said David Mabuza would switch allegiances, help Ramaphosa into office and win himself the deputy presidency. He was the Rich Strike of 2017. Keep an eye on him.

The big question is who will be in the top five of the party — and whether Ramaphosa's reformers will dominate the 80-member national executive committee.

For the past four years Ramaphosa's "new dawn", we are told, has been hostage to those in the party who are hostile to his renewal efforts.

There is just no indication that the Ramaphosa renewal agenda's candidates have the upper hand for any of the top positions. If the radical economic transformation faction ties up those positions, it will be curtains for Ramaphosa. That's OK, though. We have John Steenhuisen, Julius Malema, Herman Mashaba and that IFP fellow ready to take over in 2024. Don't write them off. x

123RF/marinat197

you said...

letters

Mkhize has only himself to blame

I agree with Sam Mkokeli's "Why Zweli Mkhize Stands No Chance in ANC Race" (*Opinion*, FM Online, May 19) for a number of reasons. And I am relieved.

Like so many in the ANC, Mkhize has become a disgrace, and the "dead man walking" epithet suits him perfectly. But it could so easily have been something different. For a time he was "the coming man" — until his apparent involvement as health minister in the Digital Vibes scandal rightly put paid to that.

AFP via Getty/Phill Magakoe

Mkhize is the author of his own fate and I have no sympathy, save for disappointment at what could have been. The real tragedy in all of this is just how low the bar has been set by the Hollow Man, Cyril Ramaphosa.

Mark Lowe Durban

Controversial decision: Do local poultry producers really need regular import tariff increases?
Gallo Images/Wilma den Hartigh

Why the push for increased poultry tariffs?

Two years ago, chicken importers boasted that they had signed the poultry master plan, brainchild of trade, industry & competition minister Ebrahim Patel.

It was a horrendous decision because the plan, among other things, is clearly aimed at increasing local poultry market share and reducing imports. This was to be achieved primarily by a combination of increased import tariffs and higher exports.

Thus far, the export programme has been a failure, and importers have been bombarded by a range of new tariffs and sharp increases in duties.

Their perennial enemies — the local manufacturers who produce a good product — have had to contend with numerous headwinds, the harshest being huge increases in feed prices. Yet they have increased turnover in the middle of a recession and also improved efficiencies.

Importers claim that local poultry has increased prices by a whopping 17% over the year to January 2022.

Astral Foods, by some distance the largest local producer, announced an 8% price increase for the year ended September 2021. And advertising material for products from the two largest local producers shows that individually quick-frozen mixed portions (representing about 60% of chicken sales) reflect a price increase of about 6%. So if the claimed 17% is accurate, much of it would have come from other sources.

Local poultry producers have clearly proved that, despite many obstacles, they don't need the regular import tariff increases that the government grants. They are hugely efficient and have maintained an entirely dominant market share. So why the need for the relentless pursuit of additional duties and tariffs, which certainly add to the costs of impoverished, hungry consumers?

D Wolpert Rivonia

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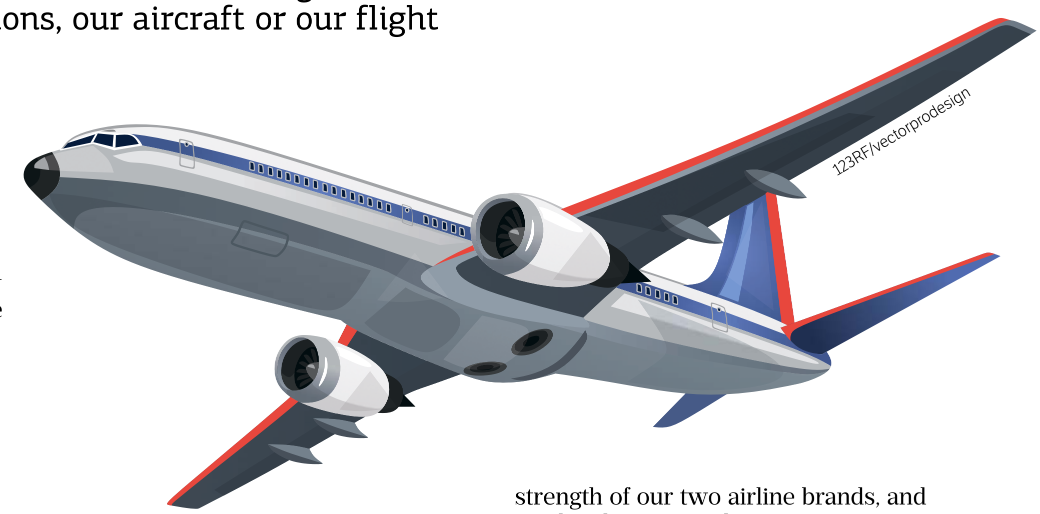
on my mind by Glenn Orsmond

COMAIR SLIPPED, BUT NOT ON SAFETY

It is important to note that the CAA made no negative findings on our flight operations, our aircraft or our flight technical standards



123RF/vectorprodesign

The FM penned a scathing critique of Comair in March, "How Comair made a bad situation worse", after our flights were temporarily suspended by the SA Civil Aviation Authority (CAA). It made for painful reading, but the magazine was right: airlines depend on the trust of their passengers, and this is as much about open and clear communications as it is about maintaining a spotless safety record.

We should have communicated more clearly and engaged directly with the media. We dropped the ball, and we will not repeat the mistake. Our customer communications were also not up to the standard our clients expect of us, and that we expect of ourselves. We have reviewed where we went wrong, and we will do better.

As the FM correctly mentioned, Comair had achieved 74 years of uninterrupted profits before air services were suspended in March 2020 because of the Covid lockdown. It went into business rescue in May 2020 and this process required reduction of costs.

Savings were achieved on staff headcount, staff costs, overheads and leases. We reduced our headcount from 2,200 pre-Covid to 1,200. No costs were cut relating to safety. We operate a safe, viable airline and no cost cutting will ever compromise this.

Aircraft maintenance is highly regulated and is performed and approved by the FAA (the US Federal Aviation Administration) and the EASA (European Union Aviation Safety Agency). Our maintenance provider is Lufthansa Technik, one of the most accredited in the world and offering the highest quality; it is also approved by SA's CAA.

We have a proud 75-year safety record, and will continue to maintain the highest levels of aircraft and passenger safety. This is non-negotiable and it is important to note that the CAA made no negative findings on our flight operations, our aircraft or our flight technical standards. To quote the CAA, the findings related to "change management risk assessment processes in our safety management system".

Aviation is a highly regulated industry, and for good reason. Regulators the world over take a highly precautionary approach and all airlines have suffered groundings at some point, normally where defects are discovered on specific aircraft types or engine types, which require inspections before groundings are lifted.

We treat every intervention by the CAA with the utmost seriousness. Nevertheless, when the CAA suspended kulula and British Airways flights in March its findings were more about administrative processes and risk assessments, not our aircraft, nor the skill of our pilots, nor our maintenance. At no point was any passenger's safety compromised, and the regulator made no findings that suggested this. While we accept the findings, we do not believe these justified the airline licence being suspended.

It is gratifying to note that daily sales immediately reverted to the normal pre-suspension levels once the CAA gave us the all-clear. This is an indicator of the strength of our two airline brands, and our loyal customer base.

Comair operates 38,000 flights a year with 20 jet aircraft. It carries more than 4-million passengers a year, and has about 40% of the domestic market, generating more than R5bn annually. Our pilots are well trained and superbly skilled, and our historical on-time performance is over 90%.

In short, while we have been through a tough period lately, which we did not handle well, Comair is a wonderful business.

We have excellent staff, a modern fleet, excellent maintenance, good sales and distribution channels, low operating costs and enjoy strong lender and investor support.

Comair is well funded and well positioned to take advantage of the recovery of travel markets. Globally, short-haul domestic travel is recovering rapidly from pre-Covid levels, and we see this happening now in SA.

This trend is good news for the travel industry in SA and it is critical that our airlines are able to play their role in supporting the recovery.

We at Comair have taken some hard lessons from this experience and we are grateful for the continued loyalty of our passengers. We are working hard to repay their trust. x

Orsmond is the CEO of Comair

HARTBEESPOORT DAM


Popular: Pecanwood Estate
Pam Golding Properties

The bug that saved Harties

An insect from Argentina is eating a prolific weed that has been destroying the dam's water flow and the lifestyle of the town's residents

Joan Muller

In 2017/2018 savvy buyers could snap up a R12m waterfront home in golf estate Pecanwood, on the banks of the Hartbeespoort Dam, for R4m.

At the time, prices had plummeted in many of the fancy estates which, over 10 to 15 years, had mushroomed in Hartbeespoort, the picturesque town set around the dam of the same name and flanked by the Magaliesberg. It is about an hour's drive north of Joburg.

The main reason for the town's property slump was the astonishing growth of the dam's water hyacinth. The invasive weed, which thrives in polluted water, had multiplied to such an extent that it covered about 50% of the dam's surface.

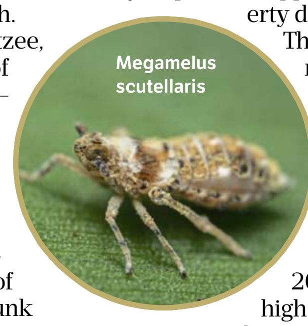
The plant's dense growth effectively choked aquatic life and restricted water flow, which encouraged excessive growth of algae. That in turn worsened the dam's already poor water quality. The dam has long suffered from high concentrations of phosphates and nitrates from industrial waste and domestic effluent coming from Pretoria and Joburg via the Crocodile River.

The upshot was increasingly unpleasant odours and growing health concerns that seriously dented the dam's attraction as a fishing, boating and watersports venue.

However, in late 2019 Rhodes University's Centre for Biological Control, with funding help from the department of forestry, fisheries & environment, introduced a unique rehabilitation project by releasing thousands of *Megamelus scutellaris* bugs in the area.

The insect, which is only 3mm long and was first found in Argentina, feeds exclusively on water hyacinth.

Prof Julie Coetzee, deputy director of the Centre for Biological Control, tells the FM that within three months of the bugs being released, water hyacinth coverage of the dam had shrunk from 50% to only 5%.



The project has been so successful that regrowth has been largely contained. However, Coetzee would like residents of Hartbeespoort to assist in efforts to breed the insect during the winter months in dedicated rearing stations.

The bug feeds in the spring, killing the plant before it can flower and spread new seeds. Coetzee says the goal is to help restore the dam's ecosystem to a more functional state. "By reducing hyacinth growth, more sunlight can penetrate the water and bring more oxygen to the dam, which in turn means fewer fish will die."

She hopes that complete eradication of the hyacinth will be achieved within a few years as the hyacinth's seed bank becomes exhausted. "That should have a huge positive knock-on effect on the dam's economy, especially its tourism industry," says Coetzee.

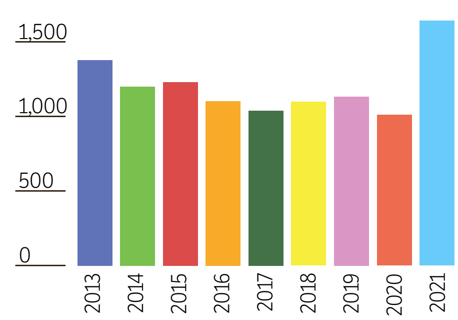
Latest housing data suggests that the dam's improved water quality has already had a positive ripple effect on property demand and prices.

The total number of residential sales (full and sectional title) in Hartbeespoort has jumped by 62.5% year on year, from 1,010 transactions in 2020 to a multiyear high of 1,642 in 2021.

That's according to online portal Property24.com, which sources data from the deeds office. Granted, last year's growth is off a low base as 2020 sales were stymied by pandemic-related trading restrictions and lockdowns. Still, last year's record sales

HOUSING SALES SURGE

Total number of transfers in Hartesbeespoort



Source: Property24.com/Deeds Office

fox

volumes were 45% higher than those recorded in 2019 and ahead of the previous peak in 2013 (see graph).

Selling prices in Hartbeespoort have also surged nearly 40% over the past three years, from an average R830,000 in 2019 to R1.2m year to date.

Erika van der Westhuizen, Pam Golding Properties' Hartbeespoort area principal, says the dam's improved water quality has had a positive affect on the housing market over the past two years.

"We've seen a huge uptick in the number of families relocating here for the area's lifestyle, security and great schools," she says.

Donna Nass, licensee for Seeff Hartbeespoort, says there has been a particularly strong inflow of buyers from Pretoria and Joburg who now use the town as a remote working base, or as a weekend getaway.

"It's an easy commute to Pretoria in under an hour and to Joburg in just over an hour. And Lanseria Airport is only 30 minutes away," she says.

The biggest demand is in the R800,000-R1.5m range for sectional-title properties, while freehold homes in the area's prolific offering of gated estates sell mostly in the R2m-R4m range.

Asking prices for homes with all the bells and whistles in prime gated enclaves — including Pecanwood Estate, The Islands Estate, Birdwood Estate, Estate d'Afrique, Westlake Country & Safari Estate, K'shane Estate and Xanadu — range from R5m to R20m.

Graeme Peplar and Jano Booysen, who head the Chas Everitt franchise in Hartbeespoort, say the highest sales prices achieved in 2021, and again year to date, were in Pecanwood where two waterfront properties changed hands for R9.2m in 2021 and R12.6m more recently. x

ANOTHER WEEK

Reuters/Alexander Ermochenko

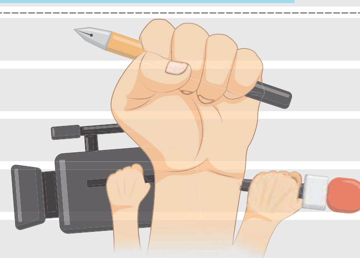
MARIUPOL MOURNERS Two people pay their respects at a cemetery outside Mariupol in Ukraine. These new graves are filled with the bodies of people who died in the settlement of Staryi Krym outside Mariupol. Ukrainian officials say they have also identified mass graves outside the city, which, they say, add to evidence of Russian war crimes against civilians. Their claims appear to be supported by photographs collected and analysed by US satellites

BY THE NUMBERS

WHERE THE PRESS IS THE MOST AND LEAST FREE

Countries ranking highest/lowest on the press freedom index in 2022

Rank	Country	Score	Rank change from 2013
1	Norway	92.65	+2
2	Denmark	90.27	+4
3	Sweden	88.84	+7
4	Estonia	88.83	+7
5	Finland	88.42	-4
35	SA	75.56	+17
176	Myanmar	25.03	-24
177	Turkmenistan	25.01	+1
178	Iran	23.22	-4
179	Eritrea	19.62	+1
180	North Korea	13.92	-1



Source: Statista

100=most free. Evaluated according to political context, legal framework, economic context, sociocultural context and safety

"Though not a court of law, it is difficult to challenge the credibility of the commission's procedures and its outcome."

Prof Dirk Kotzé of Unisa on the Zondo commission into state capture

TRENDING

A pox on these fearmongers

After a pandemic and war, the online world has a new scare story to frighten the children — and more than a few adults

Paul Ash

Monkeypox: 145 cases have been confirmed
CDC/Getty Images

● Anyone want to bet that the geopolitical experts currently flooding social media with their analyses of the Ukraine-Russia situation will pivot rapidly to new roles as monkeypox epidemiologists?

They had long since abandoned the sinking ship of the coronavirus, where, if general global apathy is anything to go by, there is nothing more to see, folks, so move on.

And with the Russian invasion now three months old – the social media equivalent of several lifetimes – and looking rather stalematey, it's time to find something new.

What better, then, than a good old lurid plague, complete with lesions, buboes and open sores? The World Health Organisation's (WHO) updates on the monkeypox outbreak have been sober and measured.

"Monkeypox is a viral zoonosis (a virus transmitted to humans from animals) with symptoms very similar to those seen in the past in smallpox patients, though it is clinically less severe."

The WHO goes on to say that the virus is spread "by close contact with lesions, body fluids, respiratory droplets and contaminated materials such as bedding".

At the time of writing there were 145 confirmed cases of monkeypox in 16 countries where the disease is not endemic – Australia, Europe and North America – with more suspected, and no deaths.

Never mind that the key words and phrases in the WHO updates include "self-limiting" and "clinically less severe", and that no-one seems to have caught the pox merely by travelling to one of the endemic areas in Africa – experts, helped by the media, are in a bit of a froth over three words: "Africa" and "bodily fluids".

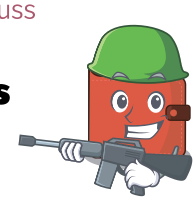
Bodily fluids. Africa. There, a nice full jerrycan of xenophobia, spiced up with – wait for it – lashings of homophobia.

If more people trusted the WHO, the world probably wouldn't be riding this plunging rocket ship of doom and hate. Too late for that. Meanwhile, hold tight until there's something else to be frightened about. **x**

DINNER PARTY INTEL...

The topics you have to be able to discuss this week

1. Soldiers spooking Moz



When Mozambique decided to pay its army in cash in March, 7,000 soldiers did not pitch for pay parade. Carta de Moçambique reports that these "ghost soldiers" were among the irregularities detected where children of former soldiers, generals, colonels and politicians were collecting salaries having never had a day's military training. Payments are now made electronically.

2. UP is no ET

UFOs are so last century. Unidentified flying objects are now "unexplained phenomena", one of which appeared in a previously classified video last week during a Pentagon briefing in the US Congress. The video showed an image of a spherical object speeding past a fighter jet. In the first congressional hearing in more than 50 years to focus on UFOs, or UP, Pentagon officials testified that they had no evidence of aliens landing on Earth.

3. Sound of silence

They have long been a vanishing brood. Rosmarie Trapp, a member of the singing family made famous by the musical *The Sound of Music*, died on May 13 aged 93. Trapp, who dropped the "von" from her name years ago, was the last surviving daughter of Georg and Maria von Trapp, the would-be nun who became a governess with the family.

DIAMONDS & DOGS BY JAMIE CARR

Transaction Capital

Getting into top gear

Transaction Capital deserves to throw itself a full-blooded knees-up to celebrate its 10th anniversary as a listed company, since it has proved to be a remarkably sure-footed performer in that time. Shareholders would have been enjoying trebles all round when the share price reached its half-century, and while there has been some profit taking since then, it's still an awfully long way from its lows around the R12 mark at the start of the pandemic.

Particularly impressive is the performance of WeBuyCars, in which Transaction Capital has upped its stake to 74.2%. The used-car market is flying on the back of consumers trading down from new vehicles, consumer desire to own a vehicle, and collapsing supply chains leading to delays in the supply of new vehicles, and WeBuyCars is expanding its footprint and hitting its target of selling 10,000 vehicles a month. It has expanded its e-commerce platform with online sales at about 30% of total sales, and take-up of finance and insurance products has grown to 17% of all sales.

SA Taxi suffered from decreased commuter activity during the pandemic, and it remains lower than pre-pandemic levels, but the company believes that its vertically integrated platform offering minibus taxi ownership, finance, insurance, maintenance and other services will underpin its long-term resilience.

Its Risk Services business is aiming to diversify into offering a range of digitally driven business services to a global client base.

Despite a subdued economic outlook, Transaction Capital is confident it can maintain its growth trajectory. x

McDonald's

Retreat from Moscow

The arrival of the Golden Arches in Moscow's Pushkin Square in 1990 was heralded as being emblematic of the triumph of liberal democracy over authoritarianism, putting an end to the drab Soviet era of borscht and endless grated carrot and allowing the ordinary Muscovite to taste the sunlit uplands of a Big Mac and fries.

It certainly wasn't fast food, given the queues of thousands waiting with Soviet patience to sample this wonder of the American dream, but it was a potent symbol of the end of the Cold War.

It was a potent symbol of the end of the Cold War

Tragically, with the benefit of hindsight, it becomes all too clear that Francis Fukuyama's declaration of the End of History was decidedly premature, and Putin's invasion of Ukraine left McDonald's, along with all other multinationals operating in Russia, wedged firmly on the horns of an impossible dilemma.

On the one hand you have the institutional loyalty to its 62,000 employees and its multiple local suppliers built up over 32 years, on the other you have the humanitarian and reputational imperative to do the right thing and pull out.

McDonald's closed its Russian outlets in March, and it has now announced that it is selling its business to Alexander Govor, its Siberian franchise partner, and taking a $1.4bn hit in the process. It will be removing the name, logo, branding and menu in what it describes as a "de-arching exercise", leaving Govor to operate the restaurants under a new brand.

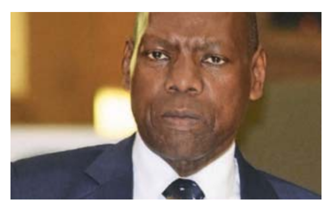
At least the deal protects the jobs of its employees, but it's a sad coda to a moment of optimism in a country that's going rapidly into reverse. x

good week

Finance minister **Enoch Godongwana** received a much-needed fillip last week when S&P put SA on a "positive" ratings watch, positioning the country for a possible upgrade.

Sure, the country is knee deep in junk status, and Eskom seems determined to ensure we never see beyond a 2% growth rate ever again. But still, this is a welcome endorsement of how well Godongwana's National Treasury is managing its budget, amid unprecedented pressure from everyone to throw money at whoever is asking for it.

bad week



The former health minister seems to have used his son's wedding last weekend as a de facto "launch" of his ANC presidential campaign to Cyril Ramaphosa.

But what would **Zweli Mkhize** bring to the table? It seems the sole qualification that has rallied his KwaZulu-Natal constituency behind him is that he is accused of being party to an irregular R150m contract.

Is a serious corruption allegation all it takes to be an ANC candidate? Is that a qualification in itself? If so, let's hope his campaign dies a merciful death.

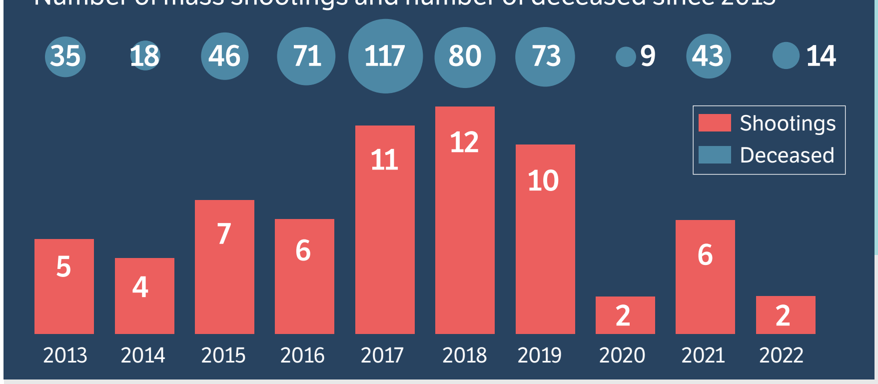
BY THE NUMBERS

MASS SHOOTINGS IN THE US

Number of US political killings 2012-2022: **450**

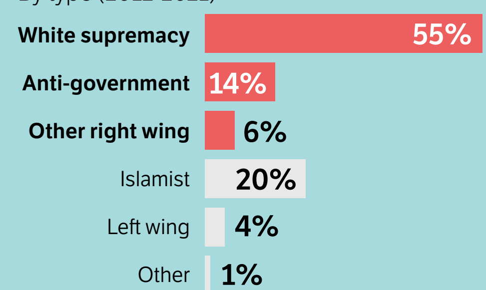
Combined right-wing murders: **75%**

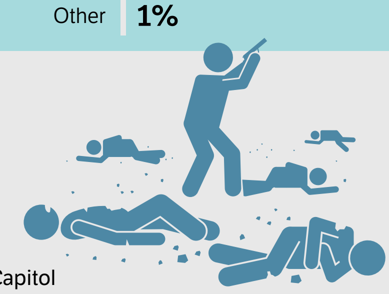
Number of mass shootings and number of deceased since 2013



Murders connected to political extremism

By type (2012-2021)

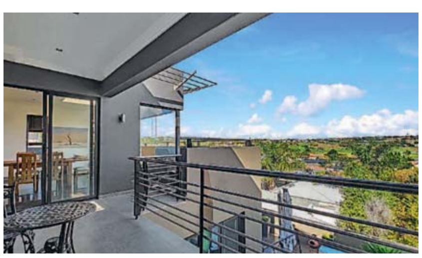




- This data shows the US political Right has a violence problem that has no equivalent on the Left
- The 10 victims in Buffalo this month are part of this toll
- The pattern extends to violence less severe than murder, like the January 6 2021 attack on the US Capitol
- Precise explanation for any one attack can be murky, involving a mixture of ideology, mental illness, gun access and more
- “Right-wing extremist violence is our biggest threat. The numbers don’t lie” — Jonathan Greenblatt, the head of the Anti-Defamation League

Sources: Statista, Anti-Defamation League and New York Times

HOT PROPERTY



WHERE: Eagle Canyon, West Rand
PRICE: R10.995m
WHO: Seeff

This contemporary three-storey house with views of the golf estate has open-plan living areas, a gourmet kitchen with a spacious scullery, four large bedrooms, all en suite, plus a fitted study and staff accommodation. Other features include a dedicated entertainment area with fitted bar and fridge that leads to a deck area and pool.

WHERE: Bedfordview, Joburg
PRICE: R13.5m
WHO: Sotheby’s International Realty

Set in a gated area of upper Bedfordview, this family home has four bedroom suites, including a master bedroom that comes with his and hers dressing rooms and a private balcony. Reception rooms include a lounge and dining room, an open-plan TV room, study, library and bar that lead to a garden pavilion and pool.

WHERE: Constantia, Cape Town
PRICE: R15.995m
WHO: Seeff

This four-bedroom home is set on a 2,600m² stand surrounded by lush vegetation and trees. The contemporary open-plan design allows for a seamless indoor/outdoor flow. It has a floating staircase, double-sided fireplace, teak flooring, floor-to-ceiling windows, entertainment/home cinema, wine cellar and two studies.

DIGITAL

In the driving seat: Dirk van der Walt, left, and his brother Faan
Freddy Mavunda

Driven by data

One of SA's biggest used-car dealers has changed the face of the business through digital information about what the country drives. But it would like more information

Justin Brown

Selling or buying cars today depends on data rather than just kicking tyres or a cursory look under the bonnet. Collecting that data "is paramount to our success", says Faan van der Walt, executive director of WeBuyCars, one of the biggest used-car dealers in SA.

Van der Walt would like more of that data and says dealers should be able to access that without breaching the Protection of Personal Information Act. It helps eliminate fraud too, he says.

WeBuyCars would like to access the salvage database and NaTIS intelligence to verify vehicle documents and avoid buying written-off vehicles. "But the government does not allow that," he says. The National Traffic Information System provides basic information on vehicles but won't give away the detailed stuff that Van der Walt would like. He has support from the SA Motor Body Repairers' Association, whose national director, Richard Green, says such information should be available in the interests of transparency and ethical standards.

Van der Walt tells the FM that the data helps WeBuyCars to correctly price vehicles and it has developed in-house technology to do this. "If someone approaches us to sell a vehicle, we can fairly accurately determine what to pay, and quickly. If you make the online application today, the money will be in your bank within less than two hours [after the deal is done]."

WeBuyCars launched its business-to-consumer e-commerce capabilities last year, and 18% of its total online sales were on this platform during its 2022 financial year, up from 5% in 2021. Overall, the company sold 30% of its vehicles via e-commerce during its 2022 year, down from 33% in 2021.

It bought about 11,000 vehicles in March, and acquired 60,046 during its 2022 financial year, a 38% increase from 2021, and it sold 58,520 in its 2022 financial year, up 41% from 2021. Because of this performance, WeBuyCars increased its headline earnings during the year ended March 2022 by 58% to R406m.

The start to the new financial year looks good too. In April, it bought 10,247 vehicles for about R1.5bn and sold 9,868 for about the same price.

Van der Walt, 47, is also the antithesis of the used-car salesman stereotype. No foot-on-the-bumper big talk, nor loud checked jacket and tie. Instead, he's casually conservative with an open-neck shirt and matching trousers. It figures: he was once a teacher.

He also stays close to his product. The FM interview was conducted in the company's Centurion offices, part of a warehouse full of second-hand cars. It's the second-largest of the 13 warehouses/showrooms WeBuyCars uses, of which the Dome in Joburg, once a huge entertainment venue, is the biggest.

WeBuyCars opened in March 2001 and has a staff of close to 2,500. Van der Walt began the business with his brother Dirk, a "big-picture thinker". "[Dirk] spends a lot of time thinking and reading books. I'm a focused person and task-driven. One of our business values is that tomorrow is not another day. So we always have a sense of urgency," he says.

WeBuyCars is expanding beyond SA by opening in Morocco. However, the market there "is extremely fragmented, and there is a low level of trust between consumers and car dealers". When Van der Walt visited Morocco, the largest car dealer he found had fewer than 40 vehicles in its showroom. He says there is an opportunity for WeBuyCars to consolidate the market in that country and benefit from economies of scale.

The company also turns over its stock quickly, he says. "The industry does well when it turns stock in 60 days; we do it in 20 days." It also services the "whole car park" rather than focusing on a particular vintage, brand or age.

Selecting and buying used cars is a tricky business, and between 4% and 6% of WeBuyCars' vehicles are sold at or below cost. "That is no different from any other dealership," he says of his company that has closed no branch or retrenched a single employee during the pandemic.

Last year, used-car dealers did well because chip shortages constrained new vehicle output, which pushed up second-hand car prices. "As a result, WeBuyCars made good profits. However, we are probably in for a rough ride for the rest of this year, with fuel prices escalating, interest rates increasing, and war happening," he says.

The flooding of the Toyota plant in Durban will also affect new car sales. "I have instructed the [WeBuyCars] IT department to exclude Toyotas from price cuts as I foresee the demand for Toyotas picking up," he says.

Transaction Capital last year increased its stake in WeBuyCars to 74.9% from 49.9% when it paid R1.6bn for the extra 25%. As a result, the Van der Walt brothers own 25.1% of a company valued at R6.4bn. ⌘

PATTERN RECOGNITION

Musk revs into the red zone

Tesla stock plunges as CEO's mind seems to be elsewhere

Toby Shapshak

It's hard to overlook the $400bn hit to Tesla's value since CEO Elon Musk disclosed on April 4 that he had bought 9.2% of Twitter shares for $2.9bn. The share price has plunged more than 40% since then; this "vaporising" of the formerly $1-trillion company "has called attention to the risks that the company faces", writes The New York Times (NYT).

"These include increasing competition, a dearth of new products, lawsuits accusing the company of racial discrimination and significant production problems at Tesla's factory in Shanghai, which it uses to supply Asia and Europe."

Musk's attempt to take over the "digital town square" is only part of Tesla's problems, which include the war in Ukraine, the still-strangled supply chain after Covid lockdowns and rising global inflation.

Tesla investors are rightly worried about the threats facing the electric vehicle (EV) company and its share of the US market as traditional carmakers catch up to it.

Tesla accounted for 75% of the EVs sold in the US in 2021, but, as the NYT points out, 95% of Tesla's total sales were racked up by just two models — the Model 3 sedan and Model Y SUV.

With such a large market share, Tesla has much to lose.

As the NYT adds: "It's an axiom in the car industry that new models fuel sales. And competition from the likes of Hyundai, Ford and Volkswagen is growing, offering drivers many more choices."

Tesla's newest model, the Cybertruck, is scheduled for 2023, having been delayed several times.

When Musk launched this futuristic bakkie, he was demonstrating how tough its windows were. When he threw a heavy metal ball at it, the windows unexpectedly crumbled. Musk exclaimed: "Oh my fucking God." He later said a cannonball had previously been flung at the window many times, weakening it and causing it to crack at the wrong moment.

It was such a Steve Jobs moment. What should have been a spectacular embarrassment just buffed Musk's reputation and his own "reality distortion field".

The eccentric Musk, who revealed on *Saturday Night Live* in May 2021 that he has Asperger's syndrome, a form of autism, has so far got away with such behaviour because Tesla has (mostly) delivered on its promises, despite many missed deadlines.

Musk's antics are getting more extreme. Last week he tweeted that he "will vote Republican" because the Democrats "have become the party of division & hate, so I can no longer support them".

He concluded: "Now, watch their dirty tricks campaign against me unfold. Political attacks on me will escalate dramatically in coming months."

Perhaps this is pre-emptive posturing, given that Tesla is facing a lawsuit by the department of fair employment & housing over racial discrimination and harassment at its Fremont factory in California, a Democrat-run state.

Such politicking may backfire, say analysts, who point out the next generation of car buyers might not be big admirers of Musk.

One of Tesla's biggest fans, analyst Daniel Ives at Wedbush Securities, lowered the firm's target price on Tesla, citing its problems in China.

Additionally, as Ives told the NYT: "There is just a feeling that the pilot on the plane is watching some Netflix show while you're going through a massive thunderstorm." ⌘

Shapshak is editor-in-chief of Stuff Studios and publisher of Scrolla.Africa

BOARDROOM TALES BY ANN CROTTY

Time to scrap share awards?

Using shares as a reward is not free to the company; if it were it could be used to pay workers too

What an own goal it would be. The idea that mineral resources & energy minister Gwede Mantashe might revoke Sibanye-Stillwater's right to mine if the company opted to run its current strike for a prolonged period is as chilling as it is unlikely.

Not that the government wouldn't have the right to do just that but, with Sibanye being the largest employer in SA's mining industry and a hefty contributor to the fiscus, it would come at a huge cost to the economy. The fact is, in cobbling together one of the world's largest mining groups, Sibanye CEO Neal Froneman has saved thousands of SA mining jobs that had been threatened by prolonged inept leadership.

Consider his audacious acquisition of Lonmin, which for decades had been so poorly managed that its shareholders were extremely happy with the astoundingly cheap one-for-one share swap offer.

Mantashe's ill-judged comment during a mini-plenary of the National Assembly was made in response to Froneman's ill-judged comment about the company having enough money to continue the strike for years.

Another of Froneman's recent comments, which didn't attract the same sort of response, is that the bulk of his controversial R300m remuneration package was in the form of shares and so was not a cost to the company. "The bigger part [R272m] is a long-term incentive and it's not a cost to the company. These are shares. This is a cost to shareholders."

Technically, in a narrow accounting policy sense, this is partly true. That's assuming the company issued shares to Froneman and had not previously bought those shares in the market with the intention of awarding them to the CEO and other executives.

123RF/Jakub Jirsak

And while it's partly true for shares awarded before 2020, any shares awarded after that financial year will, according to Sibanye's current remuneration policy, be cash settled. That cash settlement will be a cost to the company.

The liberal use of share-based awards in executive remuneration packages, fuelled by the pretence that they are sort of free, has been a major contributor to the growing income and wealth gap in the US and UK over the past 20 years. SA, which invariably follows the generous remuneration trends set by those two countries, is on a similar path.

If share awards were free to the company they would present an opportunity for dealing with the seemingly intractable worker demands at Sibanye — make up the gap with free shares.

But far from being free, shares are possibly the most expensive form of remuneration available to companies. It's not just the dilution of other shareholders' interests but that every share awarded to an executive comes with a (company) lifetime obligation of a dividend payment. It is the remuneration that keeps costing. Even if the executive sells the shares, dividends continue to be paid on them.

So, with regard to the just over 4-million shares Froneman was awarded in 2018 — worth R272m back in March but now only R184m — there is the not insignificant matter of the cost of dividends. Sibanye happens to be quite a generous dividend payer. In financial 2021 it paid a dividend of 479c a share, which could have added R19m to Froneman's wealth.

Things could be a lot worse. Consider how the aggrieved Steinhoff shareholders must feel. Several million shares were issued at almost nil cost to Markus Jooste during his tenure as CEO. When Steinhoff is eventually able to resume paying dividends, those shares, whoever owns them, will still have to be serviced.

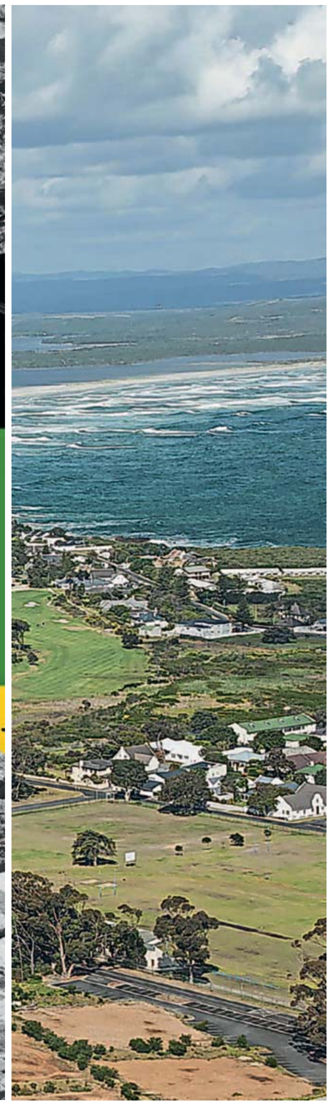
There is an additional difficulty with share-based awards. As Froneman said, these incentives are not well understood. That is because they tend to be immensely complex thanks entirely to remuneration consultants. It's difficult not to suspect the complexity is baked in to make it impossible for shareholders and other stakeholders to have a clear idea of the value of the remuneration that the executive stands to receive.

Perhaps it's time to scrap share-based awards and use only cash for short- and long-term incentives. Part of the performance metrics could include share price appreciation to deal with the need for alignment with shareholder interests. And there could be a requirement for top executives to use some of their cash to buy shares.

That won't happen, of course. There are too many vested interests in maintaining this murky and extremely generous system. x

FEATURES

An in-depth look at the hot button subjects of the day in SA and around the world



20

BEHIND SA'S BRAIN DRAIN

SA has lost loads of talent to international markets over the years. It has cost the country, economically and in terms of innovation

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'IMPLOSION IN MOTION'

The ANC's latest policy discussion documents are vague, lacking in coherence and consistency. It is perhaps not surprising

28

THE NEW BOOM TOWNS

The whale coast, with its beautiful beaches, wine farms and mountain trails, has emerged as SA's new wealth hotspot

30

NATHI'S 100m CLIMBDOWN

A public outcry has seen Nathi Mthethwa backtrack on his grand flag ambition. Symbolically, however, the flag continues to loom large

THE PEOPLE SA SHOULDN'T HAVE LET GO ...

SA has lost loads of talent to international markets over the years. It has cost the country, economically and in terms of innovation. But it's not just the sluggish local economy, poor governance and high levels of crime that are to blame. More advanced economies simply offer opportunities of scale that the local scene can't match

Bruce Whitfield

Clockwise: Trevor Noah, Patrick Soon-Shiong, Elon Musk, Vikesh Ramsunder and Roelof Botha

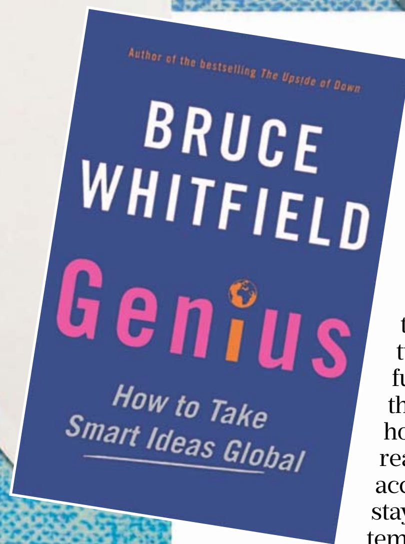
It was the influential 19th-century economist Thomas Malthus who said: "A great emigration implies unhappiness of some kind in the country." But often, it's simply that there is better opportunity elsewhere — as the SA-born entrepreneurs who moved overseas and subsequently made epic fortunes in the US can attest.

Take Elon Musk — the CEO of Tesla and SpaceX. In 2021, he became the world's richest person, thanks mostly to a surge in the value of shares in electric car company Tesla, with his wealth topping $300bn. Even today, after the hammering in US stocks this year, it remains at $212bn.

What it means: Dysfunctional societies lose a disproportionate number of skills, and fail to replace them. Often, these societies see immigration as a threat to jobs rather than an opportunity for growth

Last year, Time magazine named Musk its Person of the Year — an odd choice, given the scientists who helped alleviate the worst effects of the most serious pandemic in a century by creating vaccines in record time. But the editors' choice, as they say, is final.

Being named Time's Person of the Year is a rare accolade for a business leader, but not unprecedented. Carmaker Walter Chrysler, for example, was awarded the accolade in 1928. More recently, Facebook co-founder Mark Zuckerberg cracked the nod in 2010, Microsoft's Bill Gates in 2005, Amazon's Jeff Bezos in 1999, and Intel founder



Andy Grove in 1997.

Musk has spoken about being bullied at school and has no fond memories of his time growing up in SA. Seeking to avoid conscription, he packed in his studies at the University of Pretoria to build a life in the US.

Since co-founding and then selling PayPal, he has developed a list of audacious projects, including The Boring Company, which is digging tunnels in California for electric-powered, high-speed transport; Tesla, which is revolutionising battery-powered cars; and SpaceX, which won a $2.9bn Nasa contract to land astronauts on the moon.

Investment bank Morgan Stanley has already forecast that Musk will become the world's first dollar trillionaire.


Tesla electric vehicle: The company is owned by SA-born Elon Musk
Bloomberg/SeongJoon Cho

There is also still significant potential in 20-year-old SpaceX. Analyst Adam Jones says it has challenged "any preconceived notion of what was possible and the time frame possible, in terms of rockets, launch vehicles and supporting infrastructure".

While Musk no doubt would have succeeded at whatever he turned his hand to in SA, the opportunity to scale ideas that shape the future is harder in an environment that is less accommodating, even hostile, to commercial success. The reality is that he wouldn't have accomplished what he has if he'd stayed in SA, which lacks the ecosystem to support such grand ideas.

Which isn't to say others haven't made a global name for themselves from within these borders. Cape Town-born Mark Shuttleworth, for example, is still regarded as SA's most successful tech entrepreneur.

After graduating from the University of Cape Town (UCT), he started Thawte Consulting in 1995, which became one of the biggest online providers of digital certificates, used to prove websites are secure.

In 1999, Shuttleworth sold Thawte to US internet company Verisign for $575m in shares. He had the good sense to cash in before the dot-com bubble burst — a move that made him more than $700m, by Bloomberg's estimate.

He then formed Africa-focused technology venture capital arm, HBD — short for Here Be Dragons. Though he later moved to the Isle of Man for tax reasons, he started open-source programming project Ubuntu in 2004, and founded Canonical to explore business prospects arising from it.

Each day, there are 3-million downloads of Canonical's software and 50-million downloads of its security updates. Canonical makes its money from about 800 paying customers, including Netflix, Tesla and Deutsche Telekom.

Musk and Shuttleworth are both entrepreneurs who would surely have made a difference to SA, had they remained — not least because of their tax contributions.

'Do more' to curb the drain

It's true that societies lose people all the time for many reasons — but dysfunctional societies lose a disproportionate number of skills, and fail to replace them through either immigration or training. Often, these societies become hostile to immigration and see it as a threat to domestic jobs rather than as an opportunity for growth.

That skills shortage is increasingly apparent in SA. It has worsened as the global economy reopens after successive waves of Covid, offering new opportunities to skilled workers to transfer their skills elsewhere.

Former US president Barack Obama, himself the son of a Kenyan immigrant to the US, said in 2018 that talented young Africans should drive change at home rather than emigrating.

"If we have African leaders, governments and institutions which are creating a platform for success and opportunity, then you will increasingly get more talent wanting to stay," Obama said.

Imagine what Musk could have contributed to SA. In 2021, he revealed he would be paying $11bn in taxes in the US. That's R165bn — a third of the total R528bn collected in personal income tax in SA in 2021, half the R346bn in VAT payments and just shy of the R214bn all local companies paid in tax.

That would have made Musk the fifth-biggest line item in SA's tax arena.

But that's only the start of it. His companies would also pay tax on their profits, while the people they employ would be making a PAYE contribution and paying other taxes, including VAT and fuel levies.

It's a moot point, of course, as Musk left the country long before becoming economically active. But it's an illustration of what's at stake when we lose talented entrepreneurs.

There are many other examples.

Take the owner of the LA Times and San Diego Tribune newspapers, Gqeberha-born Dr Patrick Soon-Shiong, who Forbes magazine estimates to be worth more than $7.5bn.

The transplant surgeon made his fortune from creating blockbuster cancer drug Abraxane and the sales of his companies American Pharmaceutical Partners in 2008 and Abraxis BioScience in 2010 for $9.1bn. He has registered more than 230 patents worldwide and is the founder of NantWorks, a network of health care, biotech and artificial intelligence start-ups. He took his latest cancer drug-maker NantKwest public in 2015, and followed with biotech start-up NantHealth in 2016.

Soon-Shiong, who also teaches at the University of California and Imperial College of London, has published more than 100 scientific papers during his medical career.

But unlike most emigrants, who become immersed in their new geography, Soon-Shiong has been investing in medical technologies in SA. In late 2021, NantWorks signed a collaboration agreement with the Council for Scientific & Industrial Research and the SA Medical Research Council to trans-

The LA Times newspaper: Owned by Gqeberha-born Dr Patrick Soon-Shiong Bloomberg/Patrick T Fallon

SA on the world stage

Dreamers, doers and super-achievers

A picture of success

The last place you'd expect to see an animation powerhouse making blockbuster movies is an old farm on the edge of suburban Tokai, Cape Town. But that's where you'll find **Triggerfish**, a tiny animation studio that has grown into a multinational venture, collaborating with the likes of Disney and Netflix.

Triggerfish's break came when it was commissioned to produce animation for *Takalani Sesame*, the SA version of *Sesame Street*, in 1998. So happy were the US owners of the show that Triggerfish started doing work for their country's version too.

Its projects have grown in scale, budget and reach.

With the emergence of digital computer-generated imagery in the 2000s, Triggerfish began producing its own work rather than doing only third-party contract work. Its first full-length movie, *Adventures in Zambezia*, earned $34m at the box office.

Triggerfish was nominated for an Oscar for its 2016 adaptation of Roald Dahl's *Revolting Rhymes* and has won multiple awards, including for adaptations of popular Julia Donaldson stories *The Gruffalo* and *Stick Man*.

Tracking upwards

Zak Calisto created Cartrack in 2004 in response to the steep rise in vehicle crimes in SA. Eighteen years on, the company is owned by Karooooo, a firm headquartered in Singapore with a primary listing on the Nasdaq and a secondary one on the JSE.

The spelling of **Karooooo**, with five Os, is deliberate. Calisto loves the place, but Karoo.com was taken. Instead, he registered seven names, from Karoo with one extra O all the way to Karoo with nine Os, so that it doesn't matter how many Os you type, you end up at the same website.

The firm has 1.5-million subscribers across 23 countries, with 78,000 businesses as its clients. It uses data from devices installed on vehicles to give owners real-time analytics.

The decision to move to Singapore was multifaceted: "It is a triple-A country," Calisto says — critical since it's cheaper for companies in countries with high sovereign ratings to raise capital.

Agri-AI

Ten years ago, farmers needed sturdy boots and a broad-brimmed hat to walk the fields to get a sense of soil conditions, plant health and likely crop yield. Now, they can do it from their office thanks to local drone-mapping business **Aerobotics**.

The company, started by James Paterson and Benji Meltzer in 2014, uses artificial intelligence, drones and robotics to track the health of farming operations. That includes identifying when plants are sick, tracking pests and providing analytics to manage yields.

Aerobotics is also building the largest pro-

fer biologic manufacturing technology for Covid, cancer vaccines and next-generation, cell-based immunotherapies to SA. The idea is to ensure SA becomes a scientific and medical hub for Africa.

NantWorks has said it will invest in large-scale manufacturing facilities and a biologics manufacturing campus in the Western Cape and begin the transfer of technology, know-how and materials for DNA, RNA, vaccine platforms and cell therapy.

This year, Soon-Shiong opened the centre for epidemic response & innovation at Stellenbosch University, and he is helping establish institutes for infectious disease and cancer at UCT and his alma mater, Wits University.

The finance experts who left

SA has long been acknowledged for having a world-class financial sector — something that's evident in the heights some of our exported individuals have reached.

Long before Musk made the journey across the Atlantic, theoretical physicist Emanuel Derman left SA and established himself in America in the late 1960s.

Derman, who wrote about the connections between physics and finance in *My Life as a Quant*, developed ground-breaking models on interest rate modelling. He ended up at Columbia University in New York, where he became the director of its programme on financial engineering.

There's also Ron Dembo, who graduated with a BSc in chemical engineering from Wits in 1969 and went on to get his PhD in the US. He taught at Yale and became visiting professor at the Massachusetts Institute of Technology, in addition to creating Algorithmics, a Toronto-based risk management software business advising financial institutions.

Algorithmics employed more than 850 people in 23 offices worldwide and served scores of clients, including 25 of the 30 biggest banks in the world. In January 2005, Dembo sold the company to the Fitch Group for $175m; six years later IBM snapped it up for nearly twice that.

His latest venture, Toronto-based Riskthinking.AI, tackles one of the biggest issues facing companies today: measuring climate-related financial risk.

In the case of Derman and Dembo — who both left SA before the end of apartheid — no amount of domestic incentive would have held them back, as their skills were in demand worldwide, especially in North America.

More recently, there's Sequoia Capital, one of the oldest and most successful venture capital firms in Silicon Valley, which appointed SA-born Roelof Botha as its boss in April.

Botha is the son of economist Roelof Botha and grandson of former foreign

prietary data set of trees and citrus fruit in the world, and has mapped 81-million trees. It has offices in 18 countries, including the US, Australia and Portugal.

Going up

Civil engineer Justin Coetzee used to catch the train to work from Bellville station in Cape Town. But he became frustrated with how erratic the service was, and how badly information was communicated.

This made no sense: the rail operator had to know where each train was, so why couldn't customers get that information on their phones?

So he set up **GoMetro**, a cloud-based service that makes transport systems more efficient. The GoMetro platform supports all types of public transport including rail, bus, minibus, metered taxis and freight.

SA was an early adopter and in 2018, 90% of the company's sales were local. But in 2019, when public expenditure in SA fell off a cliff, GoMetro learnt an important lesson: not to be too dependent on a single client or jurisdiction.

As a result, Coetzee began focusing on the private sector, while also looking for business abroad. Today more than 80% of GoMetro's sales are from outside SA, including the US, Latin America and the UK.

Sporting success

Unless you're a competitive motocross or mountain bike rider, odds are you won't have heard of **Leatt Corp**. It sold $22.1m worth of protective gear in 2021 — mostly body armour to protect riders from serious falls as well as neck braces and helmets.

It all started in 2001. The weekend after Dr Chris Leatt's son took up motocross, he saw a friend die in a crash. He immediately designed a neck brace which would provide protection while being practical for riders to wear.

In 2004, he sold his first Leatt-branded neck brace in SA. He has now sold more than 1-million — and counting. The Cape Town-based company manufactures in China and sells 98% of its products in the US market.

Leatt Corp trades on the OTCQB venture market board in the US, which is used by companies not quite ready for a Nasdaq listing. But it has built up an enviable financial track record, teeing it up for a possible public listing.

Safety first

Where better to test the strength of security gate systems than in SA, a place notorious for the ingenuity of its criminals? It has given birth to a range of security industry leaders, among them Trellidor.

Initially called L&L Metal Finishing, the firm was started in 1976 by Leon Pallace. It was inspired by the old-fashioned lift cages in old buildings at the time.

In the 1980s, Pallace designed a trellis-style security gate and called it the Trellidor. It proved so popular that, by 1996, the firm had expanded beyond SA into Australia, Israel, the UK, Portugal, Zimbabwe, Namibia and elsewhere.

Today, it exports its security gates all over the world, including to the London Underground, where its Trellidor Trojan 3 EMESC T3000 gate is rated as the most secure in the world. **x** affairs minister Pik Botha. In 2008, he was ranked 22nd on the Forbes Midas List, an annual ranking of venture capital professionals. By 2021 he was ninth.

Botha graduated with a BSc in actuarial science, economics and statistics from UCT in 1996, and briefly worked as a business analyst at McKinsey in Joburg before moving to the US, where he earned an MBA from Stanford. At the same time, he teamed up with Musk and became director of corporate development for PayPal. By 2001, he was CFO.

PayPal went public in 2002, only to be bought out by Meg Whitman in October that year.

Botha joined Sequoia Capital in January 2003 and is part of the team that today counts Apple and Google among its most successful venture capital investments.

There are others. David Frankel, for example, is co-founder of Founder Collective, a seed-stage venture capital fund with offices in New York and Boston. The Wits-trained electrical engineer won a Fulbright scholarship to study in the US and earned his MBA with distinction from Harvard. He was a co-founder of Internet Solutions and remains on the board of Rand Merchant Investment Holdings.

Probably the most famous deliberate exporter of human talent was SAB-Miller, which sent its world-class business model, as well as more than 100 of its smartest executives, to new markets for more than 15 years. This ensured that the firm, which began life as SA Breweries in Joburg in 1896, ultimately became the second-biggest brewer in the world.

It was so well-regarded that AB InBev paid $106bn to buy it in 2016.

The upside is that most of the SAB executives who went overseas at some point have returned home. In terms of inculcating a work ethic, and giving people a chance at international exposure, SABMiller was a global leader.

It is a model that JSE-listed Spar has sought to emulate after buying troubled businesses in other parts of the world. Its Irish business, which also operates in the south of England, has been a solid performer, but the operations in Switzerland and Poland needed help. The local group installed senior SA executives in both — which has led to a turnaround.

Why people leave

Many of these stories have more to do with the US luring people away than anyone fleeing SA. Emigrants have travelled across the globe for generations and the US economy has created more wealth than anywhere else for most of the past century.

America's success in drawing talent is summed up by Financial Times economics writer Alan Beattie in his 2011 book, *False Economy*. In it, he compares the fortunes of the US and Argentina in the early stages of their development in the 19th century.

The difference came in the paths they took to shaping their future. Generations of young Europeans, eager to find their fortunes in the new world, made a choice to either head to the pampas or the prairies. And while America boomed, Argentina lurched from crisis to crisis — political, economic and social — for more than 200 years.

What is more worrying is the anecdotal evidence of younger South Africans looking to globalise their future

Beattie argues it has something to do with the way in which the respective countries' modern founders chose to set them up. "On the face of it, the economies of the two countries looked similar: agrarian nations pushing the frontiers of their settlement westwards into a wilderness of temperate grasslands," he writes. "In both, the frontier rancher — the gaucho and the cowboy — was elevated to a symbol of courage, independence and endurance. But closer up, there were big disparities in the way this happened. America chose a path that parcelled out new land to individuals and families; Argentina delivered it to the hands of a few rich landowners."

While Argentina preserved the rigid hierarchies imported from Europe, the US broke with this, putting greater emphasis on the power of the individual to craft his or her destiny. In short: "America favoured squatters; Argentina backed landlords," Beattie writes.

In SA, it's an important topic, as we've seen a steady drain of senior leaders from JSE-listed companies in recent years. Critics speak of both push and pull factors.

Last year, former Clicks CEO Vikesh Ramsunder left to run a business in Australia, months after members of the EFF damaged stores in response to a controversial shampoo advert, and after the July riots that resulted in damage of about R750m to more than 50 Clicks stores in KwaZulu-Natal.

What is more worrying is the anecdotal evidence of younger South Africans looking to globalise their future. SA's policymakers need to find a way to incentivise its brightest and best to stay.

Sovereign Trust consultant Ralph Wichtmann points to political instability, safety and security, education, a volatile currency and a lack of job opportunities in SA as some of the main reasons for emigration.

This outflow then damages the country's social fabric, while eroding its skills base and intellectual capability to tackle some of its most intractable problems.

Had the likes of Adrian Gore, Brian Joffe or Michiel le Roux followed some of their university classmates overseas, rather than stay and create Discovery, Bidvest and Capitec, there would be fewer job opportunities and considerably less innovation locally.

While the government studiously avoids answering direct questions on emigration patterns, there is plenty of data, most notably in the SA Revenue Service's tax statistics, which show the skills base is shrinking as professionals emigrate.

Of course, not everyone who leaves is a Musk, but many of those who choose to take their skills elsewhere are well-educated and would be valuable contributors to society.

In 2020, a quarter of the 2,500 Pro-

fessional Provident Society clients who stopped using the company's services cited emigration as the reason for doing so. And official tax statistics showed in 2019 and 2020 that about 9,000 people who earned more than R750,000 a year either saw their wages drop or left the country. This is the group that pays up to a third of all personal income tax in SA.

It's a trend that has the National Treasury worried.

Personal income tax makes up about 38% of all tax collected in SA, while higher income earners are among the most significant contributors to VAT through their purchasing habits and property duties. They also contribute heavily to local government revenue by paying rates for municipal services, and are more likely to create a business that employs others.

Today, this money is needed more than ever. During the lost decade of the Jacob Zuma years, the tax base grew by about 500,000 people, while the number of people on grants expanded by 2-million people — from 16-million to 18-million.

Yet the number of people declaring income of more than R1.5m a year, at which the marginal tax rate of 45% kicks in, is expected to shrink unless the economy grows.

The proliferation in private schools offering A-level qualifications and Cambridge-accredited curricula suggests parents who are planning to send children out of the country for tertiary education. Equally, the scale at which emigration advisory firms advertise their services suggests that sector is thriving. These companies reported a spike in inquiries after the state's failure to contain the July 2021 riots.

A July 2021 BrandMapp survey reported 27% of taxpaying South Africans said they were definitely planning to emigrate within five years, while just 30% were optimistic about the country's future. The biggest reasons for leaving: safety, governance and their own future prosperity, as well as that of the country.

Here, the signs also aren't auspicious. A study by New World Wealth and AfrAsia Bank shows a significant reduction in the number of dollar millionaires living in SA.

This is not all due to emigration: some of those just cracking the $1m net-worth level would drop out depending on the exchange rate. But between 2017 and 2020, the number of dollar millionaires in SA fell by 8,600 to about 35,000, or 20%.

It's clear the government needs to do more to encourage its top earners to stay.

Not just a one-way street

It must be pointed out that because immigration is a natural feeder for entrepreneurship, SA has gained from it too. Many of SA's wealthiest families are descendants of immigrants.

Germany-born Ernest Oppenheimer arrived in SA from Britain as a 22-year-old to work as a diamond buyer in Kimberley for Dunkelsbuhler & Co in 1902. A serial overachiever, he became mayor of Kimberley a decade after arriving and, by 1917, had started Anglo American with funding from JPMorgan.

He was succeeded by his son Harry and, later, his grandson Nicky.

The Oppenheimers are still domiciled in SA and, like many other wealthy families, including the Motsepes and Ruperts, made significant contributions to the Solidarity Fund to bridge gaps in government efforts to deal with Covid.

But the reality is that capital goes where the opportunities are.

In 2021, the family office for Nicky Oppenheimer and his son Jonathan (who is partly based in the US) set up an outpost in Singapore to boost its Asia exposure. This is precisely what Karoooooo's Zak Calisto has done too.

It's also true that while some of our most skilled South Africans have headed overseas, it is often because of a specific opportunity. Among them is classically trained opera singer Pretty Yende, who has graced global stages to critical acclaim. And comedian Trevor Noah, who took over *The Daily Show* in the US from Jon Stewart.

Pretty Yende: Has graced global stages to critical acclaim
Gallo Images / AFP / Stephane de Sakutin

When attempting to break into overseas markets, Noah shared a London agent with Loyiso Gola and Conrad Koch. Gola has managed to crack the UK comedy scene, while Koch is increasingly focused on globalising his ventriloquism with his Chester Missing character.

Koch tested the waters at the Just for Laughs Comedy Festival in Montreal, then toured small Canadian fringe festivals. He describes the response as "explosively good".

"The SA market is very small, and the money to be made globally is ridiculous. The only other ventriloquist on Earth who I know of who does anything close to what I do, combining current affairs with ventriloquism, is Jeff Dunham. Dunham allegedly makes $25m a year — I would be crazy not to give it a shot," he says.

In Koch's case, as in so many, it's not that SA is driving people out so much as bigger opportunities are luring them elsewhere. In other words, where possible, SA's policymakers need to ensure the country becomes synonymous with opportunity, rather than obstacles. ✘

Soon to be Missing from SA? Comedian Conrad Koch

This is an edited extract from Whitfield's *Genius: How to Take Smart Ideas Global* (Pan MacMillan)

INSIDE THE ANC'S 'IMPLOSION IN MOTION'

The party's latest policy discussion documents are vague, lacking in coherence and consistency. It is perhaps not surprising, given how factional battles seem to have displaced policy in the ANC's priorities

Carien du Plessis

More than two years of lockdowns, money woes and bickering over who should "step aside" have left the ANC somewhat dishevelled. And it's showing, if the party's long-awaited policy discussion documents are anything to go by.

The documents, released on Friday, are set to take centre stage at the ANC's July policy conference, after first being discussed by branches. The final policy positions will be adopted at the elective conference in December.

But they lack coherence and consistency. "It's like I'm seeing organisational implosion in motion," says Susan Booysen, emeritus professor at Wits University and author of *Precarious Power: Compliance and Discontent Under Ramaphosa's ANC*.

In Booysen's view, the papers give the impression that the party is lacking in vision and is desperately looking to find one. Such is the ANC's dominance, however, that people will still vote for it at present, and leaders will remain in place, even if the party isn't sure what it stands for, she says.

While the policy documents reference the ANC's "existential crisis" at least five times, they do also offer the promise of a "renewal commission". But that body is only set to come up with a vision for the party by 2032 — by which time some analysts predict the ANC will have found itself sharing power in a coalition government.

While any obituary for the party may be premature, it is clear from the documents that it fears its "very character as a people's movement and agent for change is under mortal threat". This, it says, is because its leaders have lost touch with the needs of ordinary people.

A special edition of the ANC's *Umrabulo* magazine, featuring 10 policy discussion documents, was introduced by long-serving party policy head Jeff Radebe at a brief event at Luthuli House on Friday.

Asked by economist Duma Gqubule about hard copies of the documents (these are usually made available by the party), Radebe flashed his phone and reassured Gqubule that "the documents are there" on the ANC's website. "They were only finalised at the [national working committee meeting] this past Monday," he apologised.

The 10 documents cover topics from the internal state of the ANC to the policies it would see the government implement. They include papers on how it envisages fixing the economy, as well as its position on peace and stability, international relations, and social welfare and development.

For Gqubule, the content is disappointing. For example, in the paper titled "Social Transformation" there aren't really any new or big ideas, he tells the FM. Instead, a large part of the document is a reflection on the party's policy proposals at its 2017 Nasrec conference. It's also largely a cut-and-paste from the websites of five government departments dealing with social transformation issues, he says.

Gqubule also complains that there are no new proposals on how to implement a basic income grant, even though President Cyril Ramaphosa himself last year hinted at the possibility of such a grant being introduced.

"The ANC's economic transformation committee called for [a basic income grant], and [the party is] now ignoring it," Gqubule says.

The document, at most, asks ANC members to consider the usefulness of the basic income grant.

"Is the basic income grant a solution to help address high levels of unemployment and poverty?" it asks, after stating on just the previous page that such a grant would cushion those in the 18-59 age group from poverty and hunger.

Gqubule says it is his experience that directors-general tend to crowd out many of the commissions where policy proposals are discussed. "There

is no voice for ordinary ANC people and it's just shocking," he says.

The document on economic transformation is similarly void of substance. "There is nothing about unemployment, poverty and inequality at all," he says.

Ultimately, though, Gqubule believes the policy documents don't matter all that much, because "all the ANC resolutions are just suggestions" that are hardly ever implemented.

The party admits as much in the discussion documents, where it asks what more it should do "to develop its organisational capacity, skills and resources" to monitor the implementation of conference resolutions.

In the past, there have been complaints that ANC members lack the technical know-how to draw up policy proposals — hence the involvement of bureaucrats. But an increased focus on its online political school and Facebook and Zoom discussions throughout the lockdown doesn't seem to have borne any fruit.

An ANC national executive committee (NEC) member, speaking on condition of anonymity, tells the FM the write-ups in the different documents vary in quality, with some of the drafters better able to capture the nub of committee discussions than others. Likening coalition governments to "a crowd of drunkards in a beer hall", for example, is something that should not have made it into the final document, he says.

Though NEC members are supposed to go through the documents before they are finalised and suggest changes, this doesn't always happen. "The final draft, that's when they see it the first time," he admits.

As it is, policy is not exactly top of mind: ANC leaders themselves acknowledge it is leadership battles that dominate the party now.

"The policy space is there, but it is very small. It seems to be taking 20%-30% of the time," the NEC member says. "As to whether it will give us credible policies, who knows. I'm not saying there aren't any policy discussions, but it is not what is dominant in our conversations at the moment."

It marks a shift in priorities. In 2007, when attention was focused on the standoff between then president Thabo Mbeki and his ultimate successor, Jacob Zuma, 70% of the party's discussion was still about policy, he says.

Now, in a frank admission, the NEC member explains most party leaders want to be in power for the sake of being in power, and to control resources and patronage, rather than to implement policies. "We have reached a point where we have vote-seeking candidates rather than policy-seeking candidates," he says.

We have reached a point where we have vote-seeking candidates rather than policy-seeking candidates

ANC NEC member

This has already played out at party conferences. The Eastern Cape gathering, for example, had to be extended after leadership squabbles almost collapsed the conference. Yet, despite the extension, no resolutions on policy were produced.

But as Unisa political science professor Dirk Kotzé remarked in an article for academic website The Conversation in 2017, policy discussions can themselves be a proxy for leadership tussles.

In 2007, for example, Mbeki was regarded as the neoliberal presidential candidate while Zuma was pro-poor and pro-worker. A decade later, at Nasrec, support for "radical economic transformation" (and opposition to "white monopoly capital") indicated support for Nkosazana Dlamini Zuma, while Ramaphosa's supporters spoke of fighting state capture and implementing "radical socioeconomic transformation".

It means the dominance of certain positions at the smaller policy conferences leading up to the national elective conference has become an early test of strength for different leadership slates.

The four policy conferences before 2017 gave "a very good indication of what the policy resolutions [would] be at the national conferences that follow", Kotzé writes. But the ANC was so divided by 2017 that the policy conference had no clear outcome.

As a result, the big policy battles — such as those about land expropriation without compensation and the nationalisation of the Reserve Bank — were kicked forward to the elective conference that year, where the ultimate decisions ended up being a clumsy compromise.

Five years on, neither the land nor the Bank resolutions have been implemented. The ANC didn't get enough support in parliament to push through its proposal on expropriation without compensation, while there wasn't enough money for the nationalisation of the Bank, it says in the latest policy discussion documents. It also flags a fear that "private speculators who have been lobbying" for Bank nationalisation would "make massive financial gains from the process at the expense of SA".

This year, the policy battles could be less fierce as Ramaphosa may run uncontested for the party presidency, while his opponents aim to crowd out the positions lower down. But lockdowns mean there hasn't been a proper physical gathering to test how successfully he has consolidated power.

The party didn't have its midterm national general council, originally set for mid-2020, so Ramaphosa's detractors could see the policy conference as an opportunity to test their support.

Already they have taken a position on the party's step-aside rule, according to which those charged with crimes should vacate their positions in the party as well as in government. While the ANC has been able to suspend those unwilling to do the former, the latter has proved to be a somewhat more complex matter due to labour laws.

Still, the policy discussions aren't entirely devoid of content.

"Strengthening Economic Recovery and Reconstruction to Build an Inclusive Economy", for example, suggests big departures from some of the party's current positions. These include changes to the model of state-owned enterprises, less red tape for private business and changes in the way electricity is provided.

Though there are differences of opinion in the party on these issues, battles around them have yet to be waged in the open. It is possible that some in the party are still analysing the contents. Or, perhaps, it's a sign that they've finally stopped caring. ✘

BEHIND THE HERMANUS BOOM

Joan Muller

The whale coast, with its beautiful beaches, wine farms and mountain trails, has emerged as SA's new wealth hotspot

In demand: Hermanus is SA's fastest-growing hotspot for high net worth individuals
Pam Golding Properties

It's no secret that SA's housing market has experienced a mini-boom over the past two years, fuelled by historically low interest rates and pandemic-induced changes to the way in which people live and work.

But there's been a particularly interesting shift in home-buying patterns among SA's cash flush. That's evident from "The Africa Wealth Report 2022", published recently by migration specialist Henley & Partners and wealth intelligence firm New World Wealth.

The report provides a comprehensive 10-year review of the luxury sector in Africa, including spending and investment trends among the continent's high net worth individuals (HNWIs).

"Knowing where affluent individuals live, understanding their spending habits and being aware of their preferences is critically important to the providers of wealth management and luxury services," New World Wealth head of research Andrew Amoils tells the FM.

As Amoils points out, millionaires tend to be extremely mobile, and the areas they choose to migrate to gain a notable economic advantage. Well-heeled residents do, after all, come with significant investment and spending power.

Though the fortunes of SA's HNWIs – those with net assets worth $1m or more – fell by 12% over the 10 years to end-2021, the country still ranks as the richest in Africa when it comes to total private wealth.

SA clocks in at $651bn, more than double second-placed Egypt's $307bn and nearly triple third-placed Nigeria's $228bn. However, Mauritius is Africa's fastest-growing wealth hub, with the balance sheets of the Indian Ocean island's well-off residents ballooning by 74% over the decade.

SA is also still home to twice as many millionaires (39,300) as any other African country, and it ranks 28th in the world by this measure, ahead of countries such as Turkey, Argentina, Malaysia and Thailand, among others.

Amoils ascribes the drop in the value of SA's wealthiest to a declining rand – from R8.10/$ at end-2011 to R15.90/$ at end-2021 – sluggish property prices in dollar terms, and ongoing emigration.

About 4,500 HNWIs have left SA over the past decade. Moreover, only five of a total of 15 SA-born billionaires still live in the country.

The key question is, where are the millionaires and billionaires who haven't left SA shores choosing to live these days?

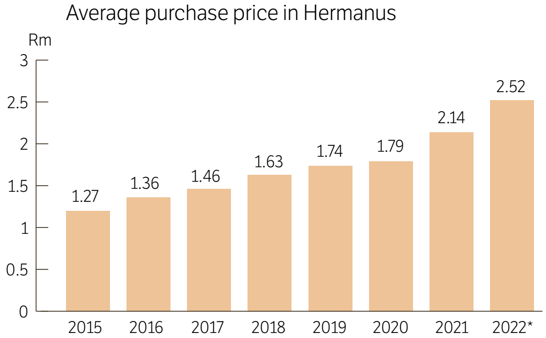
Joburg still reigns supreme as SA's (and Africa's) prime hotspot, in terms of both total wealth and number of HNWI residents. The city's well-to-do residents typically congregate in Sandhurst, Hyde Park and Westcliff, according to the report.

Cape Town is placed second, with Clifton, Bantry Bay, Fresnaye, Llandudno, Camps Bay, Bishopscourt and Constantia singled out as the most prestigious areas in which to own a trophy home.

Joburg has also been the biggest loser in terms of declining wealth, with the value of the city's private fortunes dwindling by 25% in dollar terms over the past decade – no doubt on the back of ongoing emi-

PRICE SPIKE

Average purchase price in Hermanus



* January - April 2022 Source: Lightstone

gration and, more recently, semigration to other parts of SA.

The same trend is evident in inland cities such as Pretoria and Bloemfontein, where wealth has shrunk by 18% and 14% respectively over the decade. Even Cape Town has seen a 10% drop in wealth in that time.

In stark contrast, smaller towns along the western and southern Cape coast, as well as in the Cape winelands, have seen a wealth explosion in recent years.

The adoption of work-from-home policies has clearly accelerated the migration to smaller coastal areas, with many city dwellers exchanging the frenetic pace of big centres for a more relaxed lifestyle in scenic surrounds.

In fact, the wealth of the whale coast — notably Hermanus — has surged 32% over the past decade, making it SA's fastest-growing moneyed hotspot (see graph). According to the report, this has been driven by a particularly strong influx of wealthy homebuyers.

The Cape winelands towns of Paarl, Franschhoek and Stellenbosch rank as the second-fastest-growing wealth hub in SA. The so-called golden triangle notched up 20% growth, followed by the Garden Route — Plettenberg Bay, in particular — at 18%.

Incidentally, Plett is SA's third-most prominent location — after Joburg and Cape Town — for opulent mansions, with a tally of more than 150 residential properties valued at R20m-plus.

Umhlanga and Ballito, on the north coast of KwaZulu-Natal (KZN), have also recorded positive wealth growth over the past decade, albeit at a much lower rate of 2%.

Other up-and-coming (mostly coastal) towns to which the rich are increasingly migrating include Rooi Els, Betty's Bay, Wilderness, George, Knysna, Nature's Valley, Keurboomstrand and Mossel Bay in the Western and southern Cape, Kenton-on-Sea in the Eastern Cape and Zinkwazi Beach on KZN's north coast.

SA's NEW WEALTH HOTSPOTS

Area	Wealth growth rate (2011 - 2021)*	Number of HNWI ($1m+) at Dec 2021
Winners		
1. Cape whale coast	32%	900
2. Paarl, Franschhoek & Stellenbosch	20%	3,200
3. Garden Route	18%	2,800
4. Durban & Umhlanga	2%	3,700
Losers		
1. Joburg	- 25%	16,000
2. Pretoria	- 18%	2,600
3. Bloemfontein	- 14%	100
4. Sunshine coast	- 13%	300

* Growth rate calculated from US$ Source: The Africa Wealth Report 2022

MOST DESIRABLE SUBURBS

Top 10 sales achieved in Hermanus (Jan 2021 - April 2022)

	Location	Price
1.	10th Street, Voëlklip	R26.5m
2.	Main Street, Kwaaiwater	R15.95m
3.	Fernkloof Golf Estate (Lakewod Village)	R15.2m
4.	10th Street, Voëlklip	R15m
5.	Fernkloof Golf Estate (Hillside Village)	R14.35m
6.	Main Street, Kwaaiwater	R13.5m
7.	Fernkloof Golf Estate (Lakewood Village)	R13.3m
8.	Fernkloof Golf Estate (Prestwick Village)	R13.3m
9.	Fernkloof Golf Estate (Lakewood Village)	R13m
10.	Fernkloof Golf Estate (Lakewood Village)	R13m

Source: Lightstone

What makes Hermanus so particularly appealing?

The pretty coastal enclave has traditionally been regarded as a retirement and second-home destination, especially among wealthy Afrikaners. But there's been a noticeable shift in buyer demographics, says Annien Borg, Pam Golding Properties MD for the Boland and Overberg regions.

She refers to statistics from data analytics group Lightstone, which show that, traditionally, only 23% of property owners in Hermanus were aged 18-49, while 37% were in the 50-64 bracket. The remaining 40% were older than 65. However, in the 12 months to April, 51% of property buyers in the area were aged 18-49, while the proportion of mature and retired buyers shrank to 32% and 17% respectively.

Borg says there's no doubt that the widespread adoption of remote working, coupled with the ongoing semigration trend from Gauteng, has lured more younger buyers with schoolgoing children to Hermanus.

Key attractions for new entrants include a less frenetic lifestyle, less time spent in traffic, well-maintained road and other municipal infrastructure and a low crime rate. The influx of more permanent residents in recent years has also boosted the town's commercial sector.

"Hermanus has become the capital of the Overstrand, and people no longer have to travel over the mountain for special products or services," says Borg. "Yet the town is only a 90-minute drive away from Cape Town International Airport."

Paul Kruger, licensee for Seeff Hermanus, agrees that the town is luring a much broader spectrum of buyers than has traditionally been the case.

Hermanus has excellent infrastructure, including good state and private schools, retail outlets such as the regional Whale Coast Shopping Mall, as well as various medical, sport and recreational facilities.

In addition, he says, it boasts a cosmopolitan lifestyle, offering a warm sea, attractive beaches and many restaurants, cafés, coffee shops and hotels overlooking Walker Bay, as well as easy access to top wine farms.

"Hermanus is also regarded as one of the best land-based whale spotting areas in the world," Kruger adds.

The town has various housing price brackets, he says. Sought-after gated estates include Fernkloof Golf Estate, Hemel en Aarde Estate — set among the vineyards of the Hemel-en-Aarde Valley — and Benguela Cove Wine Estate on the Bot River lagoon.

Popular suburbs where standalone properties can be had roughly for R3m-R30m include Westcliff, Voëlklip, Kwaaiwater and Onrus.

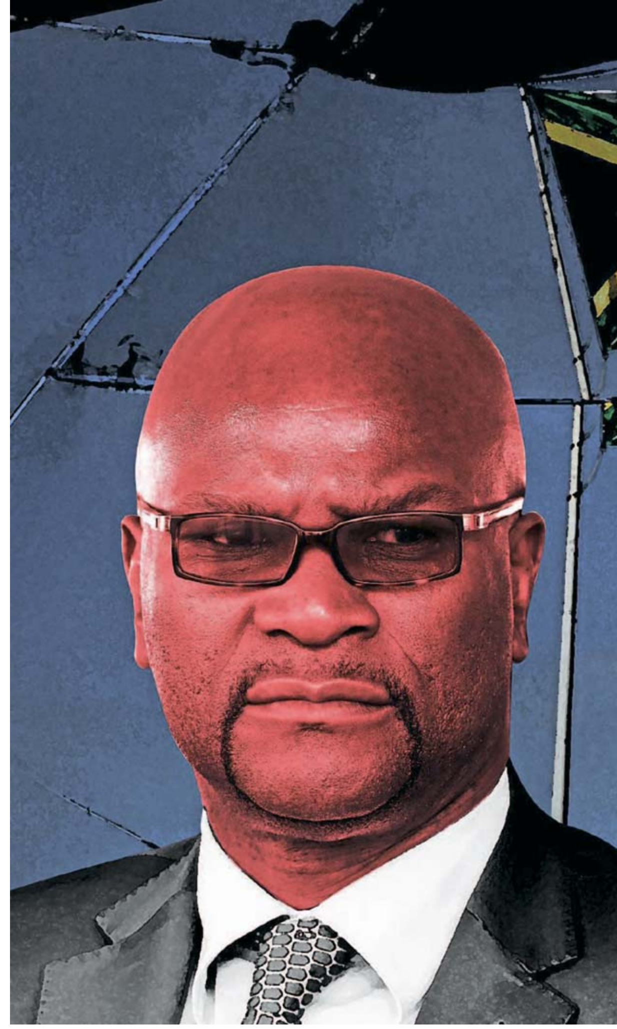
According to Kruger, the highest price achieved to date in Hermanus was in 2018, when Seeff sold Marigold Cottage in Voëlklip for a record R35m.

However, Brett Sparg, MD of Lew Geffen Sotheby's International Realty in Hermanus, says the town's resurgence as a wealth hotspot and remote working destination has put pressure on housing supply and prices. "We are now starting to see stock shortages across a range of areas and price brackets," he says.

The surge of new residents flocking to Hermanus in recent years is clear from Lightstone's housing data, which shows that average house prices in Hermanus have spiked by a staggering 45% over the past three years — from R1.74m in 2019 to R2.521m in the year to date (see graph).

Last year, residential property sales volumes reached a four-year high of 29,233 — nearly double the 15,157 recorded in 2019 and just slightly below 2017's peak of 34,201. **x**

NATHI'S 100m CLIMBDOWN



A public outcry has made Nathi Mthethwa backtrack on his grand flag ambition. Symbolically, however, the flag continues to loom large — as an indicator of just how out of touch the government is

Chris Roper

Yet another sad, sad day in SA. This is why we can't have nice things. I've just learnt that, because of an outcry by the usual interfering citizens and sanctimonious do-gooders who plague the country, we won't be getting our glorious R22m giant flag. What an opportunity missed!

All the great countries of the world have erected symbols expressing the enormous regard in which their governments hold their people. In Turkmenistan, good ol' Gurbanguly "Never met a horse I didn't like" Berdymukhamedov – president from 2006 to 2022 and now succeeded in suspicious circumstances by his son – has a huge monument in Ashgabat, the capital city. It features him sitting astride his golden horse, and is described by Wikipedia as being cast in bronze and covered in 24ct gold leaf. It soars over 20m from the ground and is perched on a massive outcrop of white marble cliff.

In North Korea, they have giant, 20m bronze statues of Kim Il-sung and Kim Jong-il.

Perhaps we should have asked the North Koreans to build our big flagpole. That country did, after all, build Africa's tallest statue, the almost 50m African Renaissance Monument in Dakar, Senegal, at a cost of about $27m.

I've seen that statue, and it really is a jarring, inappropriate intrusion on the skyline. I can't beat this description from the Public Delivery arts site: "The monument portrays a man with a bare, ripped torso, holding an infant in one arm and guiding a woman with the other hand. The baby points ahead to signify the wonderful future. The woman extends her arm behind in a gesture to acknowledge the troubled past as her hair and the scant, gossamer-like dress are swept back by the wind."

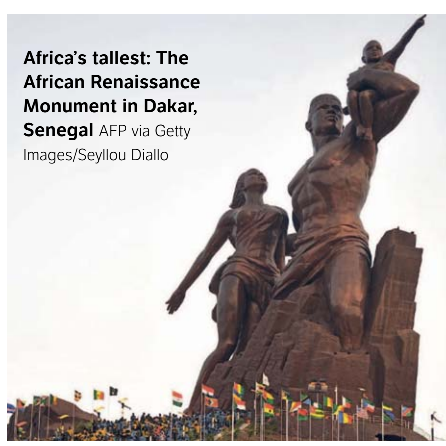
And to prove that not much has changed in the way governments bent on putting propaganda before people miss the picture, here's some criticism of the Senegalese president at the time, which our own sports, arts & culture minister Nathi Mthethwa might take to heart. "He's gone senile. Spending all this money when our education system is in crisis, when our infrastructure is crumbling, it's outrageous."

And to think we could have joined this illustrious list with our 100m flagpole. Alas.

I know what you're thinking. Do we really need another monument to vanity, avarice, greed and the death of our democratic dream? Don't we already have thousands of kilometres of destroyed railway lines, for example? Surely that's the perfect symbol, the rusted, plundered rails like diseased veins flowing into the towns and stations that stand in for the body parts of our broken body politic, infecting our country with a gangrenous economic breakdown?

Don't we already have the perfect symbol in Tshwane's HM Pitje Stadium, built at a cost of R140m, never used, and now going to cost Gauteng sports, arts, culture & recreation a whopping R84m to demolish? Or, as the Daily Maverick precisely notes, R84,961,596.71. Now that is a lovely, lovely symbol of our country.

Personality cult: People bow before statues of North Korea's Kim Il-sung and Kim Jong-il AFP via Getty Images/Kim Won Jin



Africa's tallest: The African Renaissance Monument in Dakar, Senegal AFP via Getty Images/Seyllou Diallo

Sunday Times/Sandile Ndlovu; 123RF/ bondsza; krsprs

Around the world, your more sophisticated corrupt official tends to go the route of overcharging, then building a hugely inferior product for citizens to use, and skimming the profits. Not here! No — we don't even bother pretending that citizens are getting something to use. Build, demolish, tender. The cycle of (ANC) life.

Even better, like much of our public infrastructure — we mentioned the railways earlier — the stadium has already been practically destroyed by scavengers and looters. Or, as the DA's spokesperson for sports, arts, culture & recreation in Gauteng, Kingsol Chabalala, puts it: "Bear in mind that the R84.9m in question here is not even part of rebuilding the stadium, but a budget to only demolish a structure that is already on its knees."

He also said the only visible sign that the stadium ever existed "is a crumbling cement grandstand. Bricks, iron, wood, seats, lights and even the goalposts have been stolen."

But as we know, the mainscream™ media loves to exaggerate. "The Gauteng department of infrastructure development's spokesperson Bongiwe Gambu claimed that the estimated cost of the demolition project was only R26.8m and not R84.9m, as alleged by Chabalala," Daily Maverick reports.

Only R26.8m to demolish an already pillaged stadium! Why, that's only a little more expensive than a big flag.

If you're looking for a peculiarly SA perspective on this idea that you can get some reasonable, cost-effective corruption-cum-incompetence if you shop around, look no further than TimesLIVE's story on what other large flags cost. It turns out that Mthethwa, champion of the poor and bargain-basement demagogue, is getting our nation a bit of a bargain. Which I assume is what we said about Medupi power station, before its initial cost estimate of R56bn-R80bn ran to what Eskom now expects to be R135bn.

Saudi Arabia's 171m flagpole, the largest in the world, cost R79m; Tajikistan's Dushanbe flagpole, the second-largest at 165m, cost about R55m; the third-largest, at 162m in Azerbaijan, cost a huge R380m. Our R22m is peanuts by comparison — though mind you, so is its size, at a mere 100m.

Given the truly shattering impotence our government has displayed over the years, and accepting that a phallic flagpole is a way to inject some sort of tumescence into its flabby performance, all I can say is: Minister, you're going to need a bigger flagpole.

As Twitter user Rustum Kozain angrily put it: "What pisses me off even more than a wasted R22m is the total lack of imagination. I mean, a big fucking flag pole and a big fucking flag. That's all. The minister and a bunch of apparatchiks googled a bit and saw a big-ass flag in the US and said: That's it! Let's do this!"

I agree. What's truly annoying is that our government apparently thinks we're all patriotic idiots who will forget about state capture if we have a big enough flag to marvel at.

You can clearly see this tendency of our government to take its citizens for fools in Mthethwa's media release, which reluctantly backs down from the project and tries to spin it as a victory.

"Over the past few days the minister of sport, arts & culture has followed and taken note of public discourse that has unfolded in respect of the envisaged monumental flag. The diversity of voices around this important heritage project are a welcome celebration of our country's vibrant constitutional democracy and the freedoms that must be upheld beyond posterity. It also bodes well for one of the pillars of social cohesion which is an active citizenry. In upholding these [sic] ethos and the inalienable rights of citizens to be heard, the minister of sport, arts & culture has directed his department to review the process related to the monumental flag in its totality."

Leaving aside the puzzling hubris of wanting our democratic values to last "beyond posterity" — ie, actually outlive all future generations of South Africans — it is just such patronising garbage. Are we supposed to believe that this was all a clever democratic intervention to galvanise us into becoming a more active citizenry?

No, minister, the truth is that you've given us yet another symbol of just how out of touch the governing party is with its citizens, and how little it cares. The beautiful thing about your giant flag is that you didn't even need to build it. It is a symbol that will endure. x

Up in flames: Firefighters try to extinguish a fire at UCT's Jagger Library on April 18 2021. AFP via Getty Images/Rodger Bosch

FORGED IN FIRE

Two particular fires in SA over the past year have captured the public imagination and evoked images of entropy, neglect and dysfunction. But fire has played a more terrifying, less symbolic, role throughout the country's history

Matthew Blackman

Land, corruption, racism, xenophobia, failing institutions ... are all said to be at the root of SA's problems. And all have arguably been underscored by a particular element of fear: fire.

As the flames from parliament licked high on January 2, the country's problems were illuminated for all to see. But fire has played a part throughout SA's history, from the scorched-earth policies of the colonial period right through to the terror of accidental shack fires in the townships – themselves a legacy of apartheid's spatial planning policies.

In what is in many ways one of the founding documents of SA, Sol Plaatje's novel *Mhudi* begins with Mzilikazi's 1832 invasion into the lands of the Tswana-speaking Baralong. According to Plaatje, working from Tswana oral history, Mzilikazi's forces massacred the Baralong at their capital, Kunana. When the fleeing survivors looked back, they saw the fire of their houses "licking the air in a reddish glow that almost turned the night into day".

This practice of burning settlements was one that the British, in particular, used across Southern Africa. In the sixth frontier war (1834-1835), when Col Harry Smith invaded Xhosa territory, his advance could be traced for miles by the plumes of smoke from the farms and homesteads his troops set alight. Forty-odd years on, by the time of the last frontier war, the practice was still very much in use. When the British, with their Mfengu conscripts, drove Xhosa paramount chief Sarhili from his Great Place at Holela, they famously burnt it to the ground.

Cecil John Rhodes would go on to take these methods to what is now Zimbabwe. From the start of the colonial interventions there, fire was an important tactic of terror and war. In the First Chimurenga of 1896, when the Ndebele and Shona rose against Rhodes's white troops, fire was used extensively.

Rhodes, who had by then stepped down as prime minister of the Cape, had joined the war north of the Limpopo. As one Captain Arthur Jarvis noted, he and Rhodes accompanied a patrol that burnt crops – a policy that ultimately forced the Ndebele to sue for peace.

Ironically, 1896 would see Rhodes's own house at Groote Schuur burn down – an event probably witnessed by at least one of the heirs to the Ndebele throne. In 1893, chief Lobengula's sons had been captured and

sent to Cape Town, where at least one of them was put to work in the Groote Schuur gardens. Unlike so many of the homesteads of Rhodesia and the Eastern Cape, however, Groote Schuur *did* arise phoenix-like from the ashes, with the help of the architect Herbert Baker.

The scorched-earth practices that had largely been used to suppress the black populations of Southern Africa were subsequently adopted to win the war against the Boers.

As Richard Steyn recounts in *Milner – Last of the Empire Builders*, his recent biography of Alfred Milner, British troops under Gen Herbert Kitchener began burning farms as a method of suppressing the Boers. While doing this they herded women, children, and black servants and labourers into concentration camps.

The policy would become one of the great crimes against humanity of the early 20th century. But in reality, many of these practices had been prevalent throughout Britain's involvement in SA.

However, fire wasn't only used against the Boers. On capturing Joburg, British troops sought out the house of the writer and vocal war critic Olive Schreiner. She had moved to the Cape shortly before the war for health reasons, but had left her books and papers in Joburg. Among them was a large manuscript she had been working on since the 1880s, titled *Woman and Labour*. The troops ransacked her house and set fire to her library, burning this one of her life's works. (She would rewrite it in a much-reduced form, publishing it in 1911. It went on to become one of the "bibles" of the suffragette movement.)

One month later, Schreiner rose to speak at a "peace meeting" at the Metropolitan Hall on Cape Town's Burg Street, where she memorably stated: "Every farmhouse which the British soldiers are burning is a torch lighting the British Empire to its doom."

The burning of writers' houses would continue during apartheid, when a small liberal saboteur cell known as the African Resistance Movement (ARM), founded by the writer Randolph Vigne, among others, was uncovered.

The ARM's membership was exposed in 1964, after student leader Adrian Leftwich was detained by the infamous Special Branch following a dawn raid on his flat. Vigne, however, couldn't be found.

For several days, newspaper headlines confirmed that a citywide search was on. Without a clue as to where he had disappeared, the Special Branch firebombed Vigne's house. As it turned out, Vigne had slipped onto a Norwegian boat under a false identity and was on his way to Canada; his wife and children were, by sheer luck, in Port Elizabeth (Gqeberha) when the house was set alight.

As the resistance to apartheid grew, fire was one of the few weapons at the disposal of the anti-apartheid activist. Molotov cocktails were used against the police and military in the townships. But it was the "necklace", a tyre filled with petrol and placed around the neck of a victim – often, or allegedly, an *impimpi*, or collaborator – that captured the world's attention.

Like the concentration camp of the SA War, the necklace became the gruesome symbol of a country once again at war with itself.

Former Anglican archbishop Desmond Tutu, in particular, abhorred the use of the necklace. In 1985, at a funeral in Duduza, 45km east of Joburg, a supposed *impimpi* was identified by the crowd. When they began to beat the man and douse him in petrol, the diminutive cleric charged into the throng.

Tutu reached the man just as a tyre was being placed around his neck. The man was saved after a distraught Tutu convinced the crowd not to set him alight. When the man had been driven away by bishop Simeon Nkoane, Tutu returned to the podium, lecturing the crowd on "the need to use righteous and just means for a righteous and just struggle".

What it means:
From the scorched-earth policies of the colonialists to the burning of writers' homes and the terror of the shack fire today, fire has played a role in SA's history

With the demise of apartheid came the end of the use of fire as a means and a symbol of war, terror and resistance. But it has very much become a symbol of something else: the shack fire, particularly over winter, is now a constant and tragic reminder of the failures of the post-apartheid government to build housing and infrastructure, and unwind the spatial legacy of apartheid.

The two most famous fires over the past year have, however, offered new symbolic dimensions.

The wildfire that set alight the roof of the Jagger Library reading room at the University of Cape Town (UCT) became one of the most public national disasters to play out over real time in the media. The building, which held the library's rare and special collections, was gutted: more than 85,000 items were destroyed, and the African Studies collection in particular was devastated.

The fire seems to have been started by the "malicious act" of a driver throwing something out of a car. But pine trees and debris behind the university are said to have helped the fire spread, and dried leaves in the gutters are thought to have caused the roof to catch flame.

Sadly, UCT is said to have been aware for many years that these were potential fire hazards.

The loss of the library was a tragedy – but the story itself played into various social and national narratives of entropy, disregard and failure.

The burning of parliament on January 2 would be heavily doused in the same narratives – though that story is far more peculiar.

The details remain unclear. It appears that alleged arsonist Zandile Mafe entered parliament on January 1 by crawling into the building with a jacket over his head. Once inside he spent 30 hours wandering around inside the national key point, activating multiple alarms before setting a pile of boxes alight.

A subsequent city of Cape Town report suggested several lapses: sprinklers had not been serviced as they should have been, fire doors had been latched open and parliament's fire alarm did not go off at the fire department

According to the state, Mafe made several demands in an affidavit – including that President Cyril Ramaphosa resign, and that Janusz Walus, the murderer of struggle leader Chris Hani, be released from prison.

However, Mafe's advocate, Dali Mpofu, has denied that his client made any such demands, claiming instead that the state has simply attempted to create sensation. And, he has said, the state's attempts to paint his client as mentally ill are simply a ruse to cover its embarrassment at the National Assembly being gutted.

Whatever the underlying truth of the story, the burning of parliament has been painted as perhaps the most pronounced symptom of the sickness of the state.

Fires are often believed to be restorative or cathartic – out of the ashes the phoenix arises. In the SA context, however, this seems wholly untrue. Here, fire has not only been a symbol and tactic of terror; it is now a symptom of our dysfunctionality. ✖

NO ROOM AT THE MORGUE

Harare's public funeral parlours have exceeded their capacity — the result, it seems, of the government's underinvestment in public services and infrastructure

Chris Muronzi

Under pressure: Funeral parlour workers prepare to bury a Covid victim in Harare

Getty Images/Tafadzwa Ufumeli

A hearse reverses slowly into the mortuary parking lot at Sally Mugabe Central Hospital, about 100m from the entrance to Zimbabwe's main referral hospital. The stench of decomposition wafts through the air, an unpleasant reception for visitors to the facility.

"This smell is nothing out here," says Paul Chatikobo, a nattily dressed undertaker, looking up from his phone. "It's intolerable inside."

Chatikobo is waiting to collect a body for an out-of-town burial. It's work that he's been doing for more than six years.

"The situation inside public mortuaries is bad," he tells the FM. "The problems are the one here and those at Parirenyatwa and Chitungwiza hospitals ... Bodies are stacked up [one] on top of the other on shelves. Sometimes on the floor too."

Parirenyatwa is the second-largest referral hospital in Zimbabwe; Chitungwiza is just outside Harare.

Back in December, Chitungwiza spokesperson Audrey Tasaranarwo acknowledged the troubles facing the facility, which was built to house 42 bodies. She tells the FM the capacity issue was resolved once private undertakers started taking the bodies of their clients directly to their own facilities.

"This has helped us decongest our mortuary," she says. "We are left with a few bodies."

Parirenyatwa, too, has been full beyond its intended capacity. Its mortuary can accommodate about 50 bodies, but was holding upwards of 200 in December. (Spokesperson Linos Dhire did not provide the FM with an update.) And the facility at Sally Mugabe, which has space for about 60 bodies, is said to contain three to four times more than that.

All told, undertakers and medical professionals the FM spoke to believe Harare's three government facilities are holding about 500 bodies — way more than the 150-odd they were designed for.

"The mortuary is always above its prescribed capacity," Sally Mugabe's acting CEO Christoper Pasi recently told Al Jazeera. "Remember, the infrastructure was built a long time ago for a smaller Harare, and the city has grown exponentially. We are working on plans to expand our holding capacity."

Still, until additional capacity comes online for the city of 3-million people, the stench is likely to remain.

"Bodies are not frozen in morgues," Pasi says. "They are chilled to a certain temperature. Once the capacity is exceeded, it affects the distribution of temperature in the mortuary, and hence the odours."

According to Pasi, the economic straits facing Zimbabwean households, together with family differences, can result in a delay in relatives collecting bodies from public mortuaries, congesting the already strained facilities.

But other medical professionals have pointed to staffing issues. Parirenyatwa's Dhire, for example, has previously noted how a shortage of forensic pathologists has contributed to the mortuary backlog.

That's a long-standing problem. In 2020, deputy home affairs minister Mike Madiro told MPs there were just two forensic pathologists in Harare and one in Bulawayo. In March, the Zimbabwe College of Pathologists put the number of specialist forensic pathologists servicing the country at two, according to a report in DailyNews.

Now, prominent Zimbabweans have started raising concerns about the state of the country's mortuaries.

"Harare hospital mortuary needs urgent attention," popular comedian Comic Pastor (real name Prosper Ngomashi) wrote on Facebook after visiting the Sally Mugabe mortuary recently.

"I have been to other funeral homes and I didn't even realise that there were dead bodies on the premises," he tells the FM. But at Sally Mugabe, he says, he was greeted by the unmistakable smell.

For political scientist Rashweat Mukundu, it's an indictment of the government — the result of poor planning and underinvestment in society. And poor Zimbabweans are bearing the brunt.

"There have been decades of underinvestment in public service infrastructure such as water, health and education, among other areas, and what we are seeing is the result of that, and of the lack of keeping up with population growth in major urban centres. We have seen Zimbabwe's urban settlement planning ... collapsing," Mukundu tells the FM. "It's a ... tragedy of underinvestment, poor infrastructure upgrading and corruption."

The health ministry did not respond to the FM's request for comment. x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TOP TRADED STOCKS ON EASYEQUITIES

May 16 - May 23 2022

TOP 5 JSE BUYS
Value of shares bought

Sibanye-Stillwater
R9.66m

Sasol
R9.17m

Naspers
R7.60m

Thungela Resources
R6.06m

EC10
R4.62m

TOP 5 AMERICAN BUYS
Value of shares bought

Tesla
$435,260

Upside Holdings
$151,193

Apple
$124,962

Nio
$91,041

Jd.com
$62,913

TOP 5 AUSTRALIAN BUYS
Value of shares bought

Core Lithium
$25,909

Tietto Minerals
$16,154

Lake Resources
$12,343

Hawsons Iron
$10,437

Whitehaven Coal
$9,151

Esther Mukumbo

Sweat the spending details

In tough times, we need to use every money-saving trick in the book

A recent FNB report shows that middle-income earners who make between R15,000 and just over R40,000 a month spend 80% of their income within just five days of receiving it.

This means, says FNB, that many depend on loans and credit cards to make it to the next payday.

Raj Makanjee, CEO of FNB Retail, says: "The trend also points to a continued culture of consumption, leaving consumers with little to start saving and investing for financial independence."

The report drives home just how distressed SA's increasingly few jobholders are, due in part to the impact of Covid, which has cut incomes and, in some cases, forced people out of work. So, what options are available to the average South African to survive financially?

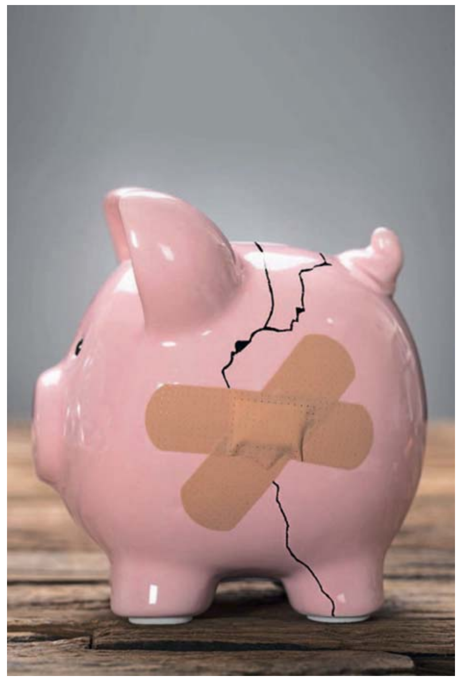
Financial wellness is about managing current needs while trying to secure your financial future, but this is a tug-of-war due to rising prices for food and transport and the interest rate hikes that have pushed up the cost of debt. In this balancing act there are a few things you need to consider.

Inaction is not an option — no-one is coming to save us, especially not with youth unemployment the highest it has ever been.

If you are falling behind on repayments to lenders, pick up the phone or go to the branch to make payment arrangements as soon as possible. Banks are usually open to such arrangements if your accounts are no more than three months in arrears.

Reshuffle your budget in times of financial stress. If the president can reshuffle his cabinet, you can certainly relook at your debt obligations. Be honest. In the short to medium term, adjusting expenses is the quickest way to survive while looking for additional income.

Delay big-ticket purchases, and don't go into debt to fund them. Become intentional about food shopping: be on the lookout for specials from retailers. In the case of doctor visits, retailers such as Dis-Chem offer online consultations, which are cheaper than going to a GP's rooms.



Use your support structures in the form of loved ones and stokvels. There is an estimated R50bn invested in these uniquely SA savings clubs and this might be a good time to seek their assistance. Pool resources: as a family, buy in bulk and support each other. Navigating a rough patch is far easier with the support of loved ones.

Look for opportunities to grow your side hustle. Sell your skills on online portals and platforms such as Fiverr, and sell unwanted things lying about the house that could fetch additional income.

Last, try to avoid more debt if you are already under financial pressure. The only certainty at this point is that rates are going up. x

Mukumbo is a financial literacy enthusiast and investor

Simon Brown

The insurance balancing act

Take out too large a policy too soon in life and you're probably wasting money, but start too late and it may cost you dearly

I wrote last month about how I self-insure most of my possessions, but not my health. This is simply because health-care costs can get very large very quickly. This said, I do still try to shop around for better deals, and recently encountered an eye-opener in this regard.

About 20 years ago I took out a dread disease policy, and have been paying for it every month since. Fortunately I haven't had to claim, but 20 years of increasing premiums (and benefits) mean it has become a large monthly debit, so I called around to get competitive prices.

The shock was that starting a new policy would double my monthly premium. A pause, and it made sense. I am 20 years older, and hence a higher risk, for which I must pay a higher premium. Sure, the provider also has my 20 years of premiums, but that's insurance – you pay hoping you never have to claim.

But this did get me thinking about when to take out a policy. Maybe 20 years ago for me was a decade too early, but leaving it until now would equally have been too late, due to the higher premiums. Some simple maths says somewhere in the middle would have worked best.

The way to manage this is to consider your risk profile. I have a high instance of dread disease in my family, but even so, I could maybe have waited a decade, saved the first 10 years of premiums and then paid a higher premium for the rest of the policy's life. The maths works in my favour if I did this, but it would have left me uninsured during my 30s, while the monthly fee still wasn't too bad. It's a tricky balancing act. But sometimes it is easier to spot the problem.

One issue is life policies. First, a life policy must be a pure life policy, no fancy investment thingy rolled into it and then layered in exorbitant fee structures. If I want investments, I'll buy them; I don't need them tagged onto my life policy.

Here the issue is whether you really need one, and if so, how large it has to be. I met somebody a few years ago who had a life policy but no dependants. He had no need for it, so the monthly premiums were an absolute waste of money.

In the case of my dread disease policy, if my younger self had been struck by such, the policy would certainly have helped, as my own savings would not have been sufficient. And as my risk increases with age, I actually save by having started earlier.

At the end of the day health and life insurance are important and a lot cheaper when you're younger – but make sure whatever policy you have in place is the right fit for your personal needs. ✖

BROKERS' NOTES

What the smart money is doing

Peter Armitage, CEO at Anchor Capital

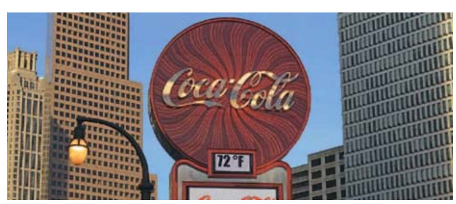
BUY: Absa Group

SA banks are still trading at very cheap valuation levels. They have shown strong growth and a steady recovery after the pandemic, both better than expected. The traditional four commercial banks entered the pandemic at very low p:e multiples and continue to trade there. Absa, for instance, is trading at a forward p:e of about 6. It is unusual to buy a growing company, not to say a bank, at these low multiples. ✖

SELL: Coca-Cola (US)

There is a basket of companies, mainly consumer staples, whose share prices haven't adjusted to the current market reality. This reality includes a steep sell-off in the US equity market. Coca-Cola, for example, is trading at its highest price in about a decade. There is nothing wrong with the company's management, but Coca-Cola shares, together with some peers in this space, behave like there has been no market crash. At a p:e of 26, the stock is quite expensive. ✖

Absa: It's a buy



Coca-Cola: It's a sell

IN GOOD FAITH BY CARMEL RICKARD

A MATTER OF TRUST(S)

Nedbank has been given a bloody nose by the appeal court, after it was found to have misinterpreted disclosure requirements under Fica

Retired judge Kees van Dijkhorst may have been bested during the infamous Delmas treason trial over which he presided nearly 30 years ago, but he has now emerged the victor in a rather different court case.

The Delmas treason trial, involving a gruelling 437 court days and spread over four years, was one of the longest in SA history. Eventually, Van Dijkhorst found 11 defendants guilty, handing them sentences of between five and 11 years. The following year, however, the appeal court in Bloemfontein overturned all the convictions.

Now that same court has handed Van Dijkhorst a victory, this time in a personal matter.

The case involves an interpretation of banking law, with Van Dijkhorst going head-to-head with Nedbank.

Behind the new decision lie two limited liability private companies, both of which had banking accounts with Nedbank for decades, and of which Van Dijkhorst has been the sole director since their incorporation.

He holds one preference share in both the companies. In addition, four trusts, named after his four daughters, hold one preference share each, as well as ordinary shares in the two companies. The retired judge is the sole trustee of the trusts and represents them and himself at shareholders' meetings of the companies.

In 2016, Nedbank asked for particular information about the companies, claiming this was needed to comply with the Financial Intelligence Centre Act (Fica). Among other documents, the bank said it wanted copies of the trust deeds of the four trusts. This led to a major dispute between the companies and Nedbank, as the companies, through Van Dijkhorst, claimed the law did not in fact require the information Nedbank sought, and that the request amounted to an unjustifiable intrusion on the trusts' privacy rights.

Nedbank's view was that the four trusts each held 25% of the issued shares in the two companies, the threshold at which they would have to provide the requested documentation under Fica. The companies, however, said the bank was wrong, and that each trust held only 22% of the shares.

Eventually, when no settlement of the dispute could be reached, the companies instructed Nedbank to close their bank accounts and transfer all the funds to various Absa accounts.

This Nedbank refused to do, saying that because the companies hadn't complied with its Fica request, the accounts were now "restricted" and the proceeds could not be touched.

Eventually, the company representative provided Nedbank with the final outstanding documents, the accounts were closed and the funds transferred. The companies then sued Nedbank for not immediately following their instructions, and claimed compensation plus punitive interest for the funds held inaccessibly.

The high court obliged with an order to pay, and Nedbank then appealed.

Seeking compensation

Five appeal court judges have now agreed that Nedbank misinterpreted the law on Fica requirements and took five months to give effect to the instruction to close the accounts.

As to the question of interest payment, the court said it is recognised "without question" that a party, deprived of the use of their capital for a period of time, suffers a loss and does not need to establish special proof of the damages.

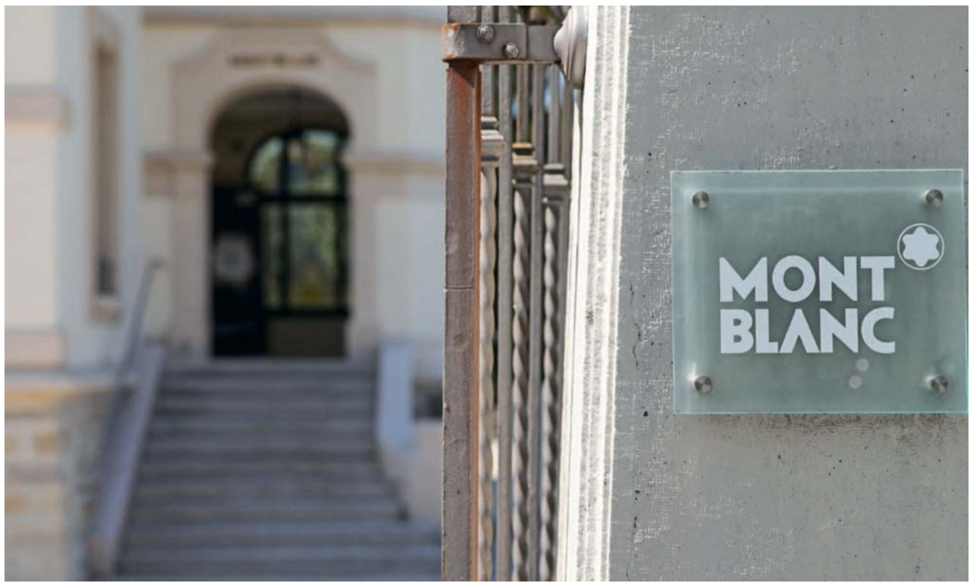
Nedbank claimed it had to restrict the funds or be exposed to criminal sanctions. However, the court held that the bank was incorrect in its view of the matter: there was no lawful justification for Nedbank to restrict the accounts and the court ordered that it pay the companies the interest claimed: R181,000 as compensation, plus interest at 10.25% from July 2017 until payment in full.

Van Dijkhorst is described by Gilbert Marcus, one of the legal team representing the Delmas trial accused, as "precise, cold, authoritarian and clever", but he has another side. He is the author of *Die Hof Verdaag*, a popular anthology of amusing court stories collected during his life on the bench. Presumably the Nedbank case will make it into the next volume. **x**

123RF/honksantima

investing

Analysis and coverage of SA's top companies and investments - the guide to where your money should be



RICHEMONT

A 24k gold opportunity?

Rupert the Bear's downbeat outlook cast a pall over Richemont's fabulous results. But the market may have overreacted

Marc Hasenfuss

Nuance beats numbers in these jittery markets. Just ask the shell-shocked shareholders in Swiss luxury group Richemont.

The group's numbers for the year to end-March were glittering and its balance sheet could withstand a hit from a tank. But off-the-cuff comments by chair Johann Rupert about a possible delay in the recovery in locked-down China really spooked sentiment.

When Rupert — who earned the moniker "Rupert the Bear" for his party-pooping views in the heady days ahead of the financial crisis in 2008 — even hints at a bearish view, the market usually takes heed.

Still, it was clear the stomach-churning 13% plunge in Richemont's share price last Friday irked a few people. At its investor presentation, Morgan Stanley analyst Edouard Aubin suggested the main disappointment for the market was the "lack of operating leverage" for Richemont's key jewellery division. "You should be posting record-high sales density at your stores today. How come you're not getting more operating leverage?"

For the record, Richemont posted net profits of just over €2bn — which lagged market estimates of €2.75bn. There was further alarm that costs were up sharply.

Richemont FD Burkhart Grund bristled: "I am a bit troubled by the question … because I don't understand what you mean. The lack of operating leverage? The jewellery businesses are very significant business … They've crossed the €11bn mark in sales today and they have a 34.3% operating contribution [operating margin], up from 31% a year ago. Now, where is the lack of operating leverage on that?"

He added for good measure: "Now, I think there [are] overblown expectations that have definitely not been fuelled by us."

Grund gave a detailed breakdown of Richemont's expenses. The overall expenses:sales ratio sat at 41.4% in the first half, but shifted up markedly in the second half. "You can do the maths, it's all out there. In the second half, it was 48.2%. How shocking, 6.8 percentage points higher on sales."

He estimated that just over half the overall increase was due to higher communication spend — which rose 81%. Then there were selling and distribution expenses, as well as a €70m charge for the impairment Richemont took on its Russian assets.

Grund somewhat sarcastically summarised: "So that explains 90% of the worry, or the miss, or however you want to qualify it. Now, we all know how the game goes, right? I mean, we have reported earnings of €3.4bn … we add stuff back in … I can do you the maths. I'm very easily at €3.6bn or €3.7bn or in that range. Let's not kid ourselves, we have invested in our business."

Rupert even interjected: "You all feel a little bit sore about it."

Rupert did point out that to grow dividends 15% a year Richemont needed to retain more in its business and generate certain operating profits. "To get those operating profits, we need to build brand equity. That's my job. We paid €310m for Van Cleef & Arpels, and that will have free cash flow of over €1bn this year."

Still, back to his views on China. "It's from reports that I got from friends of mine in China … entrepreneurs and people who are plugged into the society. They really cautioned me against making the assumption that post the economy opening up or the lockdown stopping that we will see the same bounce-back as before in China … and in the US and Europe and Japan."

Investors, he said, should take a very broad view. "One of the biggest pictures

Johann Rupert: Investors should take a very broad view
Bloomberg/Alberto Bernasconi

you can have is to have a look at the number of ships that are lying offshore, not only in China but in LA and all over. I have friends in the shipping business, and we have a real supply chain problem. Try to book a container today, you can't. The prices have rocketed dramatically. I'm just glad we're in nonperishable luxury goods. I would hate to be in fast fashion."

But, said Rupert: "We must expect that China's re-emergence after lockdown will not be as dramatic ... That's all I said.

"Please, folks, because we as humans try to over-extrapolate. If things go down we think they're going to hell. If things go up, we always overextend the trend, it's humanity."

China's harsh Covid lockdowns mean that 40% of Richemont's network in China is closed in the country's biggest and most commercially relevant cities.

Greg Katzenellenbogen, a senior portfolio manager at Sanlam Private Wealth, says worries over China's recovery are justified. "When Shanghai starts to come out of lockdown, we could see other parts of China, like Beijing, locked down in an absolute zero-tolerance Covid policy."

Yet Richemont's primary growth market in the past financial year was the US, where there was a noticeable trend of millennials and members of Generation X buying luxury items. Sales in the Americas surged 79% and now account for 22% of total group sales — putting the region on a par with Richemont's traditional market in Europe.

But Katzenellenbogen worries that higher inflation in the US might curb spontaneous luxury buys by its new, younger clientele. He also believes that the prolonged process to restructure Richemont's online sales is weighing on sentiment.

While Richemont has a large bag of cash — €5.2bn at the end of March — further losses from online retail ventures might start to fray shareholders' patience.

Officially, Richemont's discussions about closer collaboration with its "luxury new retail" partners, Farfetch and Alibaba, continue. With the share price of Farfetch, in particular, hard hit recently, the atmosphere for deal-making may be less conducive than when talks started last year. Rupert called the discussions "very, very complex" but said the effort to build digital pipelines had "advanced enormously".

"I know it's important that we do it ... Do you know what our annual expenditure in leases is? It's in the accounts." The answer is €1.1bn, which is certainly enough of an incentive to build a compelling online retail presence.

Rupert argued that if Richemont succeeds online, "we'll be able to turn quite a big percentage of our fixed costs into variable costs. Now, that's the play. I prefer businesses with higher variable costs and lower fixed costs."

He urged shareholders not to worry about the online endeavours. "It's not going to explode, and it's not going to increase in cost." Clearly, Richemont's chair has also become impatient with negotiations. "We do it, or we drop it now, OK? So that both sides can understand that this is not another three or six months."

At the end of March Richemont's online channels saw a 27% jump in sales to about €2.8bn. Operating losses were pretty much unchanged at €210m, but the earnings before interest, taxes, depreciation and amortisation loss narrowed by a third to €24m. Importantly, online fashion retailer Yoox Net-a-Porter reached break-even before an exceptional reward pay-

Richemont
BUY
Target price: **R278.92**
Potential upside: **86.9%**
* Based on analysts' consensus forecast

Kering (EU)
BUY
Target price: **€749.79**
Potential upside: **69%**
* Based on analysts' consensus forecast

LVMH (EU)
BUY
Target price: **€789.10**
Potential upside: **43.7%**
* Based on analysts' consensus forecast

ment and accounting for the start-up costs of the Alibaba joint venture.

Yet further cash drains from the online initiative might increasingly bug shareholders as cash-flush Richemont is capable of making a sizeable acquisition to bolster its core business in jewellery, and bulk up the less profitable watchmaking business.

Katzenellenbogen says shareholders have waited a long time for Richemont to do something with its cash pile. "Obviously Mr Rupert will never overpay for an acquisition, but there could now be opportunities to buy another luxury business at a more reasonable multiple."

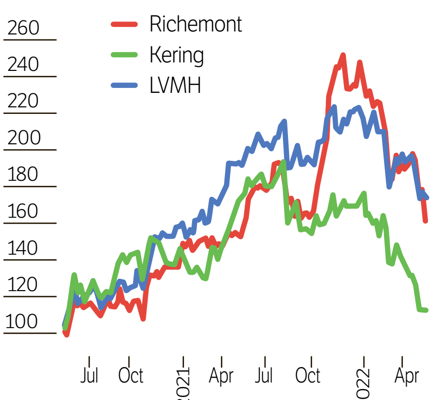
Yet Rupert once again poured cold water on persistent market mutterings that it will merge with Gucci-owner Kering to form a luxury brands conglomerate capable of taking on market leader LVMH. "François [Kering CEO François-Henri Pinault], he's not for sale, and neither of us are for sale. So, the party that wants to buy everybody now knows we're not for sale."

The bottom line is that Richemont is a strong, cash-flow generative business with several strategic options to hand, and there will be a temptation to snap up shares given its year-to-date fall of almost 38%.

For now, it might be prudent to stay on the sidelines and maybe capitalise later on further price weakness. That said, bear one of Rupert's parting shots in mind: "I don't know when the madness is going to end, but we've budgeted for it, if I can give you that assurance. I'm a lot happier than I was five years ago before we started cleaning up the watch business." x

LOSING LUSTRE

Richemont vs Kering vs LVMH – weekly
Based to 100



Source: Infront

NASPERS/PROSUS

Can Bob van Dijk rekindle the love?

There's not much going right for Naspers. But all options are on the table after its market savaging

Ann Crotty

● If you feel bad about the 46% tumble in your Prosus investment this year, consider that in early January CEO Bob van Dijk bought $8.8m worth of Prosus shares at just under €72 each. This week those shares are trading at about €45, reducing his five-month investment to just $5.5m. Group finance director Basil Sgourdos hasn't suffered as badly on his March purchase of 20,000 Prosus shares at €56.17, but it's still early days.

Then there are all the currently worthless share options they've been awarded over the past few years. And let's not forget the 57.9-million Prosus shares repurchased since August 2021. The average cost for those shares was €72.70, which meant a €4.2bn investment for Prosus. It's now worth €2.6bn.

It is something of an understatement to say things have not been going well for Prosus these past 12 months. It seems to be under fire from every angle. Global politics, recession and a downward reassessment of the attraction of loss-making tech companies with presumed long-term potential have combined into a vice-like grip on Prosus.

But Zaid Paruk, portfolio manager and analyst at Aeon Investment Management, says there may be some good news on the horizon. He believes that because of the extreme pressures it's under, the Prosus executive team is now fully focused on reducing the gaping discount between the group's investments and its share price.

"In a recent engagement with them we got the impression everything is on the table, all investments are up for deliberation in terms of unlocking value," Paruk tells the FM. Instead of looking to expansion, the team is focusing on ways to reduce the discount, which remains at about 60%. Paruk believes there are some easy wins on this front, such as unbundling or selling off the shares in China's second-biggest e-commerce company, JD.com, that it received from Tencent earlier this year. A sale of its 40% stake in Swiggy, an Indian online delivery platform, would also be reasonably easy, as would a similar action at Delivery Hero and Ctrip. Paruk says it's unclear how committed the executives are to an unbundling strategy but it's encouraging to know it's on the table.

Protea Capital Management CEO Jean Pierre Verster believes a dismantling of Prosus is on the cards and that it's just a matter of time.

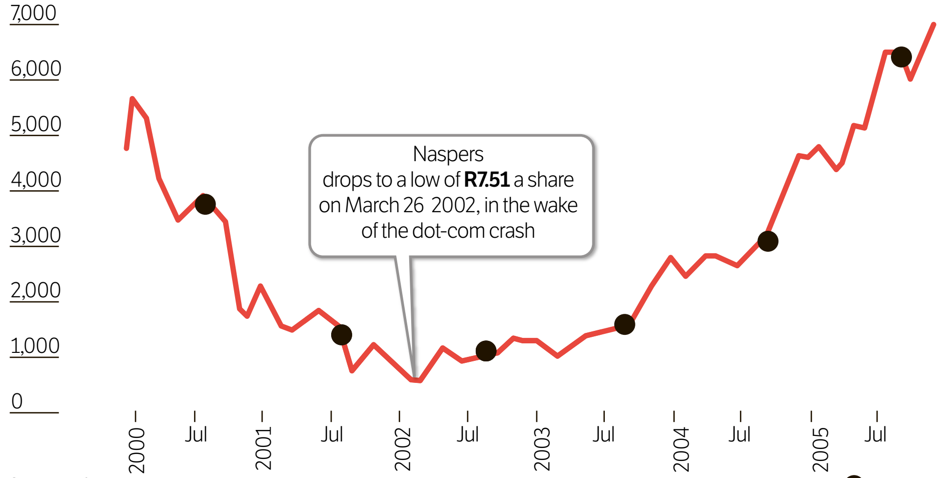
"Their capital allocation over the past few years has been poor and it's increasingly difficult to justify its continuation as an operating holding company." Unbundling the listed investments and bulking up unlisted ones through mergers would produce some good salvage value for Prosus shareholders, he reckons.

One analyst, who did not want to be named, cautioned against any positive unbundling developments. "The last time this management team told the market they were considering all options in an attempt to reduce the discount, they created Prosus and followed that up with a pointlessly complex cross-holding structure. So I'm a bit sceptical."

Bob van Dijk: Bought $8.8m worth of Prosus shares in January
Bloomberg/Dwayne Senior

BACK IN THE BEGINNING...

Naspers share price – monthly



Source: Infront

Whatever hopes Prosus management might have had for some short-term relief from China were dashed by the recent worse-than-expected quarterly results from Tencent, which revealed the slowest turnover growth since its listing in 2004. Net profit was down by a staggering 51% against the same period in 2021. And forget about encouraging noises; if anything, Tencent management seemed intent on discouraging any hope that things would pick up in the near term.

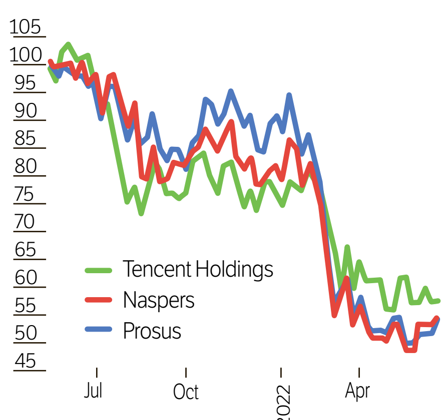
Its reticence is somewhat surprising. A few days before the results were released, the Chinese government had held a special symposium on the digital economy at which Liu He, one of the vice-premiers of China, said government would support the "healthy development of the platform economy and private sector". Within days analysts at JPMorgan U-turned on their previous robust description of China's tech sector as "uninvestable". They were now upping their rating of the seven biggest internet firms, including Tencent, from "underweight" to "overweight".

But Tencent executives warned analysts there would be a time lag before government support would translate into a real impact on the business. Even then, not everyone is persuaded it will have much of an effect. Certainly the good old days of unrestrained growth are gone.

In an interview with SupChina newsletter, veteran China analyst Rui Ma said the government has prioritised building a highly digitalised society, so has no intention of killing the industry. But she added: "The government also believes that private enterprises need to be reined in by regulations and higher socio-political-economic objectives than just financial returns. In their minds, they need to balance these two forces, which they believe to be complementary and necessary, instead of choosing one over the other."

NOSEDIVE

Tencent Holdings vs Naspers vs Prosus
Weekly – based to 100



Source: Infront

Tencent chief Pony Ma seems in step with this sort of government approach, so he might be hesitant to flaunt results that contradict it.

But it's not just the government's tightening grip on the tech sector; its determination to stick with a zero Covid approach has dealt a huge blow to economic growth, making it unlikely that China will get close to the government's 5.5% growth target for this year.

Then there's the news about Prosus's valuable cash-generating Russian investment Avito, the biggest online classifieds business in that country. After holding out for three months Prosus has succumbed to pressure and decided to look for an "appropriate" buyer for the business.

Initially, when the world presumed Russia would have completed its Ukrainian campaign within weeks, Van Dijk told analysts Prosus would continue to run Avito, as it was not subject to sanctions. He said it provided a valued service for many ordinary Russians and employed 4,000 people "who are our people".

A few weeks later, with pressure mounting, Prosus announced it would cease all involvement in its Russian operations. "Avito will operate as an independent Russian entity run by a local management team and governed by its own board of directors," said Prosus. Though it was not going to invest further or seek to benefit economically, Prosus would hold onto its 99% stake.

In mid-May Oleksii Makeiev, Ukraine's special envoy on sanctions, wrote to Van Dijk and Naspers chair Koos Bekker, urging them to sell Avito. Prosus said it would not abandon its 4,000 employees. Days later, however, it announced a U-turn. After completion of an operational separation, "Prosus has now decided to exit the Russian business. We have started the search for an appropriate buyer for our shares in Avito."

Prosus has not said why it changed its

mind. It could be it that it realised the war might be a drawn-out affair.

And it could be that the Ukrainian PR Army, a group of Ukrainian volunteers determined to use their communication skills to fight the Russians, showed no signs of letting up in their campaign against Prosus and any other Western companies operating in Russia. Its most recent media project in the Prosus campaign is a chilling juxtaposition of the Ukrainian war against the Chelsea flower show which, the PR Army highlighted, is being sponsored by Bekker's UK country estate.

As with every other Western company that has publicly undertaken to sell its Russian operations, there is the concern the only buyers with funds are Russian oligarchs. There is also the possibility that this pressurised virtue-signalling is all about buying time in the hope the war will be resolved before any sale is finalised.

The PR Army's Alex Kuprienk is aware of these dangers. In Prosus's case he tells the FM: "Even just their statement makes Russia more toxic and unacceptable for Western investors." He is also hoping that in the meantime efforts will be made to moderate the Avito sites, which the PR Army says are supporting the Russian war effort.

So all in all a difficult time for Prosus and for Naspers — probably as bad as Naspers has experienced since 2001, when the dotcom crash dealt it a near-death blow.

But remember how it bounced back from that? **x**

Prosus
BUY
Target price: **R1,443.51**
Potential upside: **104.7%**
* Based on analysts' consensus forecast

Tencent
BUY
Target price: **HK$470.23**
Potential upside: **39.1%**
* Based on analysts' consensus forecast

Naspers
BUY
Target price: **R2,928.95**
Potential upside: **98.3%**
* Based on analysts' consensus forecast

NINETY ONE

Getting it in the neck

Ninety One, no stranger to rough markets, has taken a beating of late. But its founder and CEO remains bullish

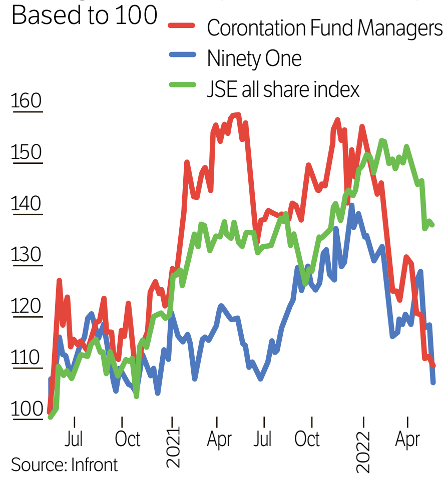
Jaco Visser

● Market turmoil, driven by Russia's war, rising inflation and a sell-off in developed-market equities, hasn't left fund manager Ninety One unscathed. Yet despite a less than rosy outlook for upcoming revenue growth (derived from management and performance fees), its expansion plans remain bullish.

PLUCKY

JSE all share index vs Coronation Fund Managers vs Ninety One Plc – weekly

Based to 100



Source: Infront

"Our top concern is the markets, which are very volatile," CEO Hendrik du Toit tells the FM. "It is difficult to give clients the high alphas [above-market returns] they expect. [And] investors may become more afraid and invest in cash."

With below-inflation returns on cash and subsequent meagre fees, fund managers suffer when investors flee into cash holdings at times of volatility and market fears.

"No-one knows how long this war will continue," Du Toit says, "or to what extent it will influence investors' perceptions of emerging markets in the near term."

As a proxy of emerging-market stocks, the MSCI emerging markets index has slumped 16.1% since the beginning of the year, though it has done fractionally better than the MSCI world index, down 18.6%.

Lower performance fees are already starting to hurt — no less in Ninety One's own share price, which has had a torrid few weeks. The fees fell 31% to £31.1m in the year to end-March from a year earlier. On the flipside, and thanks to strong fund inflows during the fiscal year, asset management fees rose 13% to £632.8m.

That's despite the fact that Ninety One's average fee rate — what it charges investors — is down. As a percentage of assets under management (AUM), fee rates slid to 45.7 basis points (BPS) from 46.8BPS. This compares with an average fee rate of about 69BPS at competitor Coronation Fund Managers, which had R625bn under management at end-March, compared with Ninety One's £143.9bn, or almost R2-trillion. This shows the benefits of scale. CFO Kim McFarland said in the results presentation that management and performance fees will be under pressure this fiscal year.

Yet AUM grew 10% from the year before. Of the £13bn's worth of change in assets, £5bn was attributable to new inflows and £8bn to market and forex changes. Managing these funds cost 9% more, at £433.5m, driven by a 9% jump in salaries and a 10% increase in other business expenses. This compares with the UK's 7% inflation rate for March and SA's 6.1% for the same month. This left the company with an after-tax profit of £205.3m, or 33% higher than the previous book year.

In contrast, Coronation's average AUM grew 8% to R646bn, though the group saw outflows equal to 2% of its AUM. The group this week posted a 22% drop in half-year headline earnings, to 199.1c a share, with fund management earnings down 12% to 214.8c. It cut the dividend by a similar margin, to 214c a share.

While Ninety One has deep roots in SA and the UK, it's not exactly a household name in other markets. Du Toit is placing his bets on China and the US. "China isn't uninvestable," he says. The company has

Hendrik du Toit

about 50 people in Hong Kong and now aims to tackle the mainland.

But the US market, arguably the most sophisticated investment market in the world, will probably be a harder nut to crack. Still, "this is where the big prize is", says Du Toit.

Ninety One already manages about £11.1bn in North American assets. This geography had the second-highest net inflows of £1.55bn last year — just shy of the £1.8bn inflows from the client group in Africa (mostly SA). Du Toit is banking on Ninety One's in-house expertise to tackle the US market, where passive retail investing, together with cheap investment platform trading, has blossomed over the past decade. Wealthier clients with an appetite for value stocks will probably be in the company's sights. "Last year you only needed to buy five stocks [in the US]," he says, referring to growth-driven equities such as Amazon, Meta and Microsoft. "The world is changing right in front of our eyes."

In addition, Du Toit expects the thematic turn to sustainable investing to pay off. Nazmeera Moola, former head of SA investments at Ninety One, was appointed as the fund manager's chief sustainability officer in November. "This movie has just started," Du Toit says.

However, new fund inflows may come under pressure this year. Rudi de Cöning, equity analyst at M&G Investments, tells the FM: "Flows are likely to be challenged, given the bearish sentiment. But this affects the entire investment sector, as market participants aim to lock in returns — a treacherous undertaking in volatile markets, as many miss the recovery. Looking across market cycles, Ninety One has a proven ability to deliver alpha and to attract flows."

Meyrick Barker, equity analyst at Camissa Asset Management (formerly Kagiso Asset Management), shares this outlook: "Investors often respond emotively to market moves and typically become cautious during periods of market stress, resulting in fewer flows being invested into the market."

In the meantime, investors in Ninety One can cash in on rising dividends: the group declared a dividend of 7.7p per share, raising its full-year payout 16% to 14.6p, or equal to 76% of adjusted earnings per share. This compares with Coronation's dividend policy of 75% of headline earnings. However, says McFarland, a fixed payout policy is still not on the cards for Ninety One. "We won't sit and defend the dividend."

But with the market mood as sour as it is, what is the point of buying a company so leveraged to poor sentiment? Ninety One's share price had dropped 23.4% by May 23, since the beginning of the year, though that compares well with Coronation's 29.5% slump. Compared with the 2.2% dip in the FTSE/JSE mid-cap index, however, it's a grim showing.

But, says Barker: "One of the attractions of the business model is that it offers a broad array of investment solutions. In any market condition, Ninety One is often able to present potential clients with an investment strategy that is performing well."

Ninety One is trading at a historic p:e of 10.3, with a dividend yield of 6.7% on May 20. In comparison, Coronation trades at a p:e of 7.7 and dividend yield of 12.5%.

"With its full-year results, Ninety One is trading on a very attractive p:e given the stock's quality in diversification and client-centricity," says De Cöning. ✘

MINING

Gold in them thar hills

Little Pan African Resources is aiming for the big time with a play on Sudan's new gold rush

David McKay

The shoes of Pan African Resources' COO melted shortly after he stepped out to inspect the firm's recently acquired exploration prospect in Sudan.

"The temperatures outside were running at about 50°C. The soles of his shoes literally fell off," says the firm's CEO of eight years, Cobus Loots. Scrolling through his smartphone gallery, Loots shows a scene consisting of sky, an expanse of sand and some dark, ragged hills in the distance. "There's nothing around," says Loots. Except tons of gold, it should be added.

Despite years of political upheaval, Sudan ranks as Africa's third-largest gold producer by dint of a thriving artisanal sector. It produced 90t last year. Orca Gold founder Rick Clark, who recently sold the firm's Sudan project to Perseus Mining for A$230m, describes Sudan as having "the largest gold rush Africa has ever seen". That's saying something, considering the phenomena of the Witwatersrand, and now West Africa, where billions of dollars in mergers & acquisitions (M&A) have changed hands in the past decade.

Pan African plans to spend $7m in its first three years exploring Sudan for gold. It's an important step out in strategy for the firm, whose day-to-day efforts are on matters such as its Elikhulu tailings retreatment plant in Mpumalanga. For every ton of slag Elikhulu sieves, Pan African gets a minuscule 0.3g of gold.

That's about as far as you can get from the abundance offered in Sudan, but for Loots and Co it makes for low-cost production at a time when the firm's peer group is rowing against inflation.

"The company has 30% of its ounces coming from dump retreatment operations with all-in sustaining costs below $1,000 an ounce. That's very defensive," says Simon Hudson-Peacock, an analyst for S2 Research.

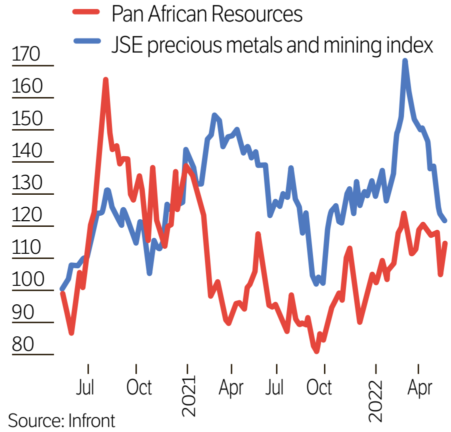
Even without a contribution from Sudan, Pan African is on track to double production in the next seven to eight years with 20 years of declared reserves to do it, excluding recently acquired options over other tailings projects. "The others don't and can't," adds Hudson-Peacock. Pan African is competing against the likes of SA's Harmony Gold and Egyptian miner Centamin.

Shares in Pan African are 11% higher this year in Joburg compared with declines of 15.5% for AngloGold Ashanti and a steep 22% fall for DRDGold, which also processes gold tailings deposits in Joburg. Centamin is 6.5% weaker year to date.

PLUCKY

Pan African Resources vs JSE precious metals and mining index – weekly

Based to 100



Source: Infront

Loots agrees that inflation is the headline concern this year, even if most of Pan African's assets are competitive on the cost curve. "Electricity is a big one; so are steel and fuel which are up about 30%," he says. He acknowledges that a recently announced cost-cutting programme at Barberton gold mines could see Pan African running to stand still. Yet that may be enough to outpace competitors in a sector suddenly losing its lustre.

Arnold van Graan, an analyst at Nedbank CIB, is negative on gold stocks, and not just because of inflation. "The gold sector faces several challenges that could weigh on operational performance and margins. These include regressions in safety statistics, ongoing pandemic-related disruptions, skills shortages and logistical challenges."

Investors ought to take profits and come back when valuations are depressed, he says — though with a caveat. Relative to their international rivals, JSE-listed gold producers are cheap, which may revive the M&A excitement of early 2021 when the tittle-tattle was that Sibanye-Stillwater was seeking a merger with AngloGold Ashanti or Gold Fields, or both.

Loots says Pan African is "always looking out" for potential M&A, but the focus is on low capital expenditure brownfields expansion at its Evander and Barberton gold mines; the latter is one of the oldest operating gold mines in SA. It's a tricky asset, but the geology keeps on giving. At Evander, Pan African is extending through 8 Shaft in a project that will yield 65,000oz of new gold a year at a capital cost of about R800m. This compares with the roughly R1.2bn it initially intended to spend at Egoli, another Evander extension project, and which will now be developed on a more gradual basis.

"We believe the Evander mine and Egoli project — both conventional underground operations — will raise the company's operational risk profile. However, this is balanced with its surface portfolio and in time this could be expanded with the optionality at Mintails and the Blyvoor assets," says Van Graan.

For blue-sky potential, Pan African is kicking the tyres at some of SA's forgotten gold tailings deposits west of Joburg, though they're not "forgotten" for nothing. One that Loots is running the rule over — Mintails near Carletonville — has a troubled social, environmental and ownership history, and is in liquidation. Yet despite its controversial past, it contains an estimated 533,000oz of gold that Pan African thinks could be mined over 12 years. A feasibility study is due for presentation to shareholders in weeks. Loots won't say what Pan African found, but he sounds positive.

There are also gold tailings at Blyvoor, once an important asset in the Randgold & Exploration stable.

Loots signed an option agreement over the property in December. It's scoped to produce 25,000oz-30,000oz per year over 15 years. A decision on proceeding with Blyvoor is due in December.

These tailings deposits potentially add about 100,000oz and would take the company towards 400,000oz per year.

Hamburg-headquartered bank Berenberg said in a note in February that the Mintails assets alone had an NAV of about $131m. Incorporating Mintails, Pan African shares could be worth 30p a share. In London, the stock is trading at 21.5p. ✖

Fat and lean at the grocer

123RF/littleartvector

It's not often that Pick n Pay releases a solid result. As the eternal second-fiddle player to Shoprite, its share price tends to trade in sideways channels without a clear bull or bear trend. This makes it fun for swing traders and disappointing for investors.

In contrast, Shoprite is the master of bull and bear channels. The strategy either goes well or particularly badly and the market tends to overreact to both. The share price was on a charge from 2015 to 2018 as the market fell in love with the growth story in Africa. That story later reversed horribly, taking Shoprite's share price back down to 2011 levels even before the pandemic. But those who bought Shoprite in the depths of 2020 are laughing now, having doubled their money even after the recent sell-off.

Still, with deals such as the acquisition of Massmart's Cambridge business, which suffers substantial losses, one hopes that Shoprite isn't losing strategic focus.

The market seemed to see the latest Pick n Pay result coming, with the share price rallying from about R44.50 to almost R60 in April alone. That's a face-ripper of 35% that would've inflicted pain on short sellers who didn't jump out of the way in time.

There's a (relatively) new CEO, a (brand) new strategic plan and an old reality at play here: in grocery retail, and especially when times are tough, you need clear offerings that resonate with customers.

In a move that is long overdue, Pick n Pay plans to clearly differentiate the stores so that consumers know what to expect.

It's not exactly rocket science, let's be honest. Shoprite has demonstrated the value of this approach with the Checkers banner.

Stores aimed at lower-income consumers need to have tighter ranges on the shelves. Consumers want value more than they want choice, so focusing on a limited range helps the retailer negotiate the best rebates from suppliers. These rebates are based on volumes and create a flywheel effect when a retailer can push high volumes thanks to lower pricing. There's usually a significant focus on private label (or house brands) as well, as this enables the retailer to extract the maximum margin from a low selling price.

In contrast, stores that compete with Woolworths Food need to have wider ranges and a focus on fresh and healthy foods. Instead of shelves packed high with baked beans, there are sushi counters and coffee shops.

This is clearly a different shopping experience to lower-income grocery stores, which is why the branding should be different.

Pick n Pay has done itself a disservice in recent years by having the same branding on the Constantia store as on the rather crummy neighbourhood shop.

Though both strategies can deliver attractive store-level operating margins, a successful premium store enjoys the highest margins as the product mix is so favourable. This is why Shoprite has pushed the Checkers strategy and why Pick n Pay needs to do better in that space.

From an investment perspective, grocery stores trading at sensible valuations are defensive. Grocery stores trading at unusually high valuations are in as much trouble as anyone else – ask any Walmart or Target shareholder. In the past week, Target lost nearly 30% of its value practically overnight, with Walmart falling more than 20%.

Our local grocers have fared much better in 2022 than their global peers, though your money would still have been better off reducing your debt than being in these shares.

At the time of writing, Shoprite is down 2.2% this year and Pick n Pay is up 4.4%. Spar is down 11% and has reached a 52-week low.

My only long position in the sector is in Spar, a play on Poland coming right and the share price bouncing. For all the wrong reasons, there are now many more mouths to feed in Poland and I find it hard to believe that Spar's Piotr i Pawel business isn't getting a slice of that.

The next earnings release is due on June 8 and covers the six months to March. I expect it to reflect year-on-year pressure in Build it, a terrific performance in Tops, an average performance in local grocery and hopefully an uptick in Poland. The UK and Switzerland should have continued a positive trend.

Only time will tell how the Spar thesis pans out, but my entry point was after the sharp sell-off in November, so I'm in with a chance.

In every sector, entry price makes all the difference. x

market watch by Marc Hasenfuss

123RF/Elnur Amikishiyev

Still angling for the premier league

I have played sports all my life. It's a competitive thing. I never harboured great ambitions outside the immediate contest, but sport is still a good outlet for releasing pressure (and picking up exotic injuries to illustrate the many war stories).

I must confess, though, that surrendering a 6-3 lead in the third-set tie-break in the club champ doubles tennis tournament on Saturday will have me tossing and turning at 3am for a few weeks. It would have been an upset for the ages. After being thrashed 6-2 in the first set, we snatched the second set and literally had our much more fancied opponents up against the fence. Some of the return lobs had so much hang time that I could even work up a long string of expletives before crouching to smash the ball back. Sadly, we rushed the finish, and the match somehow slipped away.

I can't believe Premier will find it worth retaining its JSE listing

Gutted as I am, there is still strong determination to make my fortune in the premier league. A recent column referred to my scary positions in Premier Fishing & Brands (and Choppies Enterprises). Readers might have noticed a huge, and uncharacteristic, spike in trading volume in Premier recently. Last week it advised that asset management company 3 Laws Capital had built up a stake of 29.49%. I would presume — though at the time of writing there was no confirmatory notice — that the Government Employees Pension Fund (GEPF) was a seller of its shares. 3 Laws Capital is aligned to Iqbal Survé's Sekunjalo Holdings, which is the largest shareholder in African Equity Empowerment Investments (AEEI), which in turn is the biggest shareholder in Premier.

If I tally things up, AEEI and 3 Laws now speak for over 85% of Premier, which raises questions over the rationale for keeping such a tightly controlled company on the JSE. Now, I presume 3 Laws paid 50c-60c for its Premier shares, and I wonder what convinced the GEPF to bail out at this paltry price. Readers might remember that when Premier listed in 2017, its private placement at 450c a share was four times oversubscribed. The company had an initial market value well clear of R1bn, compared with R160m at present, and the funds raised at listing now dwarf its market capitalisation.

My rationale for investing in Premier — as opposed to doing the sensible thing by hooking up with reliable profit-spinners like Sea Harvest or Oceana — was the deep-value catch. Clearly the GEPF sees this differently. But the last time I looked, Premier held cash of R91m — which is equivalent to 36c a share (or more than 50% of the current share price). Then, the ungeared balance sheet also shows a loan to group companies of R105m, which I think is an arrangement between Premier and AEEI. That loan, which I'm sure AEEI could settle, is worth another 40c a share. So over 75c a share of Premier's value lies in nonoperational assets, meaning that the market in effect is valuing the company's squid, south coast lobster, pelagic and abalone farming operations at negative value. That's harsh.

Squid game

In the interim period the lobster business alone turned revenue of R87m into profit before tax of nearly R30m. The squid business, which is large in Premier's life, was down after lower catch rates. But I expect the R3.3m interim contribution to be a lot fatter for the full year. The standout figure is the NAV for the abalone farming business, which is shown at over R320m — exactly double Premier's market value and double the value accorded to the large squid segment.

This shows how much Premier has invested in growing production in this export niche. With the abalone segment showing revenue of R21m and profit before tax of R1.2m, it's clear this potential is still to flow through to Premier's bottom line. Premier states its NAV at R757m, or 291c a share. Stripping out intangibles and goodwill I get a "hard" NAV of 257c a share. I can't believe Premier will find it worth retaining its JSE listing.

Large acquisitions seem unlikely, and, in any event, the company would be mad to try to raise capital with the sunken share price. With such a small free float, a premium-priced offer to the few remaining minority shareholders still aboard Premier will hardly stress the bank accounts of AEEI and 3 Laws. I know what buyout price I'm angling for. x

economic indicators

AFRICA TOP STOCKS (EXCL SA)

Company	Country	Market Cap ($ 000s)	Price	Total Return Ytd
MTN Nigeria	Nigeria	12,527.10	255.50	26.75
Dangote Cement	Nigeria	12,187.48	299.90	16.73
Itissalat Al-Maghrib	Morocco	11,198.60	128.00	-8.21
Attijariwafa Bank	Morocco	9,662.01	449.95	-7.61
BUA Cement	Nigeria	6,045.57	74.25	2.91
Nictus Holdings Namibia	Namibia	5,827.41	1.75	0.00
BCP	Morocco	5,169.66	255.00	-9.25
Com Int Bank (CIB)	Egypt	4,563.15	42.10	-20.55
LafargeHolcim Maroc	Morocco	4,358.87	1,880.00	-15.32
Bmce Bank	Morocco	4,031.94	196.50	4.52

DIVIDENDS & DISTRIBUTIONS

F - Final S - Special I - Interim

Company		Amount (ZARc)	Trade by	Payable
Altron Ltd.	F	23.00	May 31	Jun 6
Dipula Income Fund Ltd.	I	61.97	May 31	Jun 6
Dipula Income Fund Ltd.	I	42.22	May 31	Jun 6
Oasis Crescent Property Fund	F	41.89	May 31	Jun 6
Pick n Pay Stores Ltd.	F	185.35	May 31	Jun 6
Raubex Group Ltd.	F	54.00	May 31	Jun 6
Redefine Properties Ltd.	I	23.69	May 31	Jun 6
Afrimat Ltd.	F	146.00	Jun 7	Jun 13
Astral Foods Ltd.	I	790.00	Jun 7	Jun 13

ECONOMIC INDICATORS

		Latest	Month ago
Inflation (% change y/y)			
Consumer price index	Apr	5.90	5.90
Producer price index	Mar	11.90	10.50
Credit Aggregates (% change y/y)			
Claims on the domestic private sector	Mar	5.89	3.62
Total loans and advances	Mar	6.23	4.61
Total domestic credit extension	Mar	9.12	6.48
Industry (% change y/y)			
New passenger car sales	Apr	12.86	27.23
New commercial vehicle sales	Apr	-10.95	-0.04
Retail sales	Mar	1.30	-0.90
Wholesale sales	Mar	2.60	7.20
Manufacturing production	Mar	-0.80	0.70
Mining production	Mar	-9.30	-5.80
Mineral sales	Mar	6.60	6.80
Trade (Rbn)			
Imports	Mar	139.96	130.45
Exports	Mar	185.82	141.94
Trade balance	Mar	45.86	11.50
Gold & Forex Reserves ($bn)			
Gold reserves	Apr	7.72	7.78
SDR holdings	Apr	6.34	6.52
Forex reserves	Apr	46.22	43.86
Gross reserves	Apr	60.28	58.16
Net reserves (International Liquidity Position)	Apr	54.63	55.39

INTEREST RATES

Short-term interest rates (%)

	May 20	Month ago	Year ago
Prime	8.25	7.75	7.00
NCD*	4.53	4.38	3.68
Repo	4.75	4.25	3.50
Jibar*	4.88	4.38	3.68
Sabor†	4.29	4.18	3.53

* 3months † Overnight rate

Bond yields (%)

	May 20	Month ago	Year ago
R186	8.185	8.175	7.340
R213	10.035	10.115	9.420
R214	10.865	10.920	10.735
R2030	9.735	9.870	9.035
R209	10.590	10.635	10.345

COMMODITY PRICES

	May 19	Week ago	Year ago	12-mth low	12-mth high
Precious metals ($/oz)					
Gold	1,842	1,826	1,868	1,727	2,050
Gold (R/oz)	29,178	29,483	26,357	25,048	31,370
Platinum	953	933	1,191	904	1,200
Palladium	1,990	1,862	2,863	1,588	3,149
Silver	21.89	20.76	27.77	20.76	28.31
Base Metals ($/t)					
Aluminium	2,826	2,686	2,403	2,305	3,984
Copper	9,286	9,018	10,115	8,776	10,729
Nickel	26,100	27,575	17,680	16,780	48,241
Lead	2,032	2,073	2,202	2,032	2,511
Tin	33,850	33,825	32,476	31,147	50,000
Zinc	3,647	3,540	2,969	2,832	4,528
Energy					
Brent ($/bbl)	111	107	67	65	129
WTI ($/bbl)	109	105	63	62	125
Agriculture (R/t)					
White maize	4,576	4,560	3,214	2,937	4,769
Yellow maize	4,700	4,714	3,337	3,097	4,905
Wheat	8,308	7,945	5,233	4,945	8,409
Sunflower	10,776	10,411	8,914	8,021	12,824
Soya	8,967	9,024	7,383	6,850	9,739

EXCHANGE RATES

	May 20	Month ago	Year ago	12-mth low	12-mth high
Developed Markets — Rand per foreign currency unit					
US dollar	15.85	15.05	13.99	13.42	16.37
Euro	16.73	16.34	17.11	15.66	18.48
UK pound	19.74	19.67	19.86	18.78	21.79
Japan yen (100)	12.37	11.77	12.87	11.45	14.41
Canada dollar	12.34	12.05	11.61	11.11	12.83
Switzerland franc	16.25	15.87	15.60	14.92	17.67
Australia dollar	11.15	11.22	10.87	10.38	11.65
Emerging Markets — Foreign currency unit per rand					
Brazil real	0.31	0.31	0.38	0.39	0.29
China yuan	0.42	0.43	0.46	0.39	0.48
India rupee	4.92	5.07	5.22	5.43	4.57
Russia ruble	3.81	5.08	5.25	10.29	3.61
Nigerian naira	26.29	27.66	29.68	25.05	30.93
Mozambique metical	4.10	4.32	4.29	4.81	3.95
Botswana pula	0.77	0.79	0.77	0.72	0.80

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PROFILE DATA
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SHAREHOLDER MEETINGS

Company	Date	Type	Place
ADvTECH Ltd.	May 26	AGM	Electronic participation
Grindrod Shipping Holdings Ltd.	May 26	AGM	Electronic participation
Homechoice International plc	May 26	AGM	Electronic participation
Capitec Bank Holdings Ltd.	May 27	AGM	Stellenbosch
Nedbank Group Ltd.	May 27	AGM	Electronic Participation
Old Mutual Ltd.	May 27	AGM	Electronic participation

jse top stocks

Market Cap — Market Capitalisation. **YTD** — Year to Date. **TRI** — Total Return Index. **HEPS** — Headline Earnings per Share. **Trailing HEPS** — HEPS at the time of the most recent annual results presentation. **EST. forward HEPS** — HEPS as estimated by analysis as at next annual results presentation. * — all companies quoted in rand. **Div Yield** — Dividend Yield as at most recent annual results. **Forward Div Yield** — Dividend yield as at next annual results. **Three-year average RoE** — three-year average Return on Equity. **Forward RoE** — Return on Equity as at next annual results.

COMPANY	CLOSING PRICE (MONDAY) (c)	MARKET CAP (Rm)	SHARE PRICE RETURN YTD (%)	TRI RETURN YTD (%)	P:E	FORWARD P:E	TRAILING HEPS (*)	EST. FORWARD HEPS (*)	DIVIDEND YIELD (%)	FORWARD DIVIDEND YIELD (%)	3-YEAR AVERAGE RoE (%)	PUCSP	VIEW	PEG RATIO
BHP Group Ltd.	53200	2,693,156	12.33	17.37	9.55	7.85	5570.86	6777.17	9.83	11.18	19.55	64719.85	HOLD	0.06
British American Tobacco plc	68542	1,683,815	15.90	17.92	10.65	10.11	6438.51	6780.95	6.39	6.65	10.84	72187.51	BUY	0.32
Prosus N.V.	74165	1,537,918	-43.64	-43.64	13.70	18.71	5414.13	3964.54	0.33	0.22	14.81	54307.88	BUY	0.24
Anheuser-Busch InBev SA/NV	86468	1,502,110	-13.23	-12.42	23.96	16.97	3608.76	5093.89	0.97	1.65	7.61	122052.55	BUY	0.15
Glencore plc	10124	1,476,707	24.59	26.97	13.16	6.33	769.08	1599.20	3.34	3.56	-1.18	21051.57	BUY	0.06
Anglo American plc	72344	967,657	12.17	16.20	6.99	8.40	10353.00	8610.22	5.95	5.80	19.47	60165.95	BUY	0.15
Compagnie Financière Richemont SA	15036	784,879	-36.80	-36.80	23.17	1.70	648.95	8866.67	2.44	26.26	7.69	205438.36	BUY	0.99
Naspers Ltd.	156561	681,840	-37.66	-37.66	11.08	11.56	14129.38	13542.72	0.42	0.41	17.86	150060.47	BUY	0.06
Anglo American Platinum Ltd.	160000	424,468	-11.29	-6.22	5.33	7.40	30042.00	21619.03	7.44	9.13	48.81	115140.29	HOLD	0.05
FirstRand Ltd.	6810	382,006	10.88	13.17	12.10	11.44	563.00	595.19	4.55	5.21	16.50	7199.33	HOLD	1.49
MTN Group Ltd.	16800	316,557	-2.35	-0.82	17.02	13.34	987.00	1259.23	1.79	2.76	15.29	21433.69	BUY	0.15
Standard Bank Group Ltd.	16246	272,628	13.04	16.31	10.33	8.83	1573.00	1839.30	5.36	7.07	10.61	18996.40	BUY	1.47
Vodacom Group Ltd.	14605	268,128	8.35	8.35	14.42	12.96	1013.00	1127.04	5.82	5.76	19.10	16249.24	HOLD	7.22
Capitec Bank Holdings Ltd.	212600	246,828	4.47	6.42	29.12	22.53	7300.00	9434.49	1.71	2.25	21.04	274763.24	HOLD	1.30
Sasol Ltd.	39055	245,749	46.97	46.97	10.98	7.67	3558.00	5094.87	NA	4.25	-16.58	55924.76	BUY	0.19
South32 Ltd.	5241	243,407	11.51	14.31	11.54	6.71	454.11	781.50	3.92	9.49	0.32	NA	BUY	0.02
Impala Platinum Holdings Ltd.	20602	175,125	-5.69	-3.54	4.61	5.01	4470.00	4109.06	8.37	9.88	25.07	NA	BUY	-0.06
Kumba Iron Ore Ltd.	52675	169,659	15.94	21.98	5.08	7.23	10365.00	7284.30	19.59	12.23	55.84	37018.86	SELL	0.15
Gold Fields Ltd.	18284	162,979	6.80	7.99	12.36	10.65	1479.00	1716.47	2.57	2.63	15.19	21219.76	HOLD	0.13
Absa Group Ltd.	16839	142,753	7.45	10.34	7.84	6.70	2147.10	2511.43	4.66	7.89	10.13	19696.34	BUY	0.29
Mondi plc	29383	142,670	-25.25	-23.19	10.82	9.56	2716.20	3072.46	3.76	4.92	16.28	33236.88	BUY	1.95
Sanlam Ltd.	6406	142,660	7.12	12.36	14.61	12.18	438.40	525.86	5.21	6.20	8.87	7683.91	BUY	-12.06
Sibanye Stillwater Ltd.	4814	136,226	-2.00	0.82	3.78	3.39	1272.00	1419.97	9.95	10.32	28.75	NA	BUY	-0.02
Shoprite Holdings Ltd.	20864	123,377	-0.17	0.79	20.85	19.14	1000.75	1089.96	2.81	2.94	18.49	22723.81	BUY	8.99
AngloGold Ashanti Ltd.	27988	117,085	-13.51	-13.00	12.97	8.84	2157.88	3166.40	1.09	2.10	13.87	41068.65	BUY	0.07
Nedbank Group Ltd.	21294	108,919	19.34	23.27	8.84	7.62	2410.00	2794.46	5.59	7.75	9.32	24690.92	BUY	0.66
Bid Corporation Ltd.	32197	107,990	-2.43	-1.50	27.87	20.94	1155.40	1537.91	2.17	2.25	9.89	42856.33	BUY	80.93
Discovery Ltd.	14127	94,504	-2.30	-2.30	20.98	13.61	673.50	1038.28	NA	1.10	7.39	21778.36	BUY	0.12
Pepkor Holdings Ltd.	2023	74,998	-8.25	-6.53	14.94	13.87	135.40	145.85	2.18	2.66	2.28	2179.17	NA	0.43
Exxaro Resources Ltd.	21304	74,416	37.18	45.02	4.57	3.97	4660.00	5363.33	15.26	13.99	25.11	NA	BUY	0.08
Remgro Ltd.	14021	74,202	6.11	6.47	16.39	11.57	855.50	1212.10	0.78	1.84	6.01	19865.34	BUY	4.27
Northam Platinum Holdings Ltd.	18286	72,525	-12.30	-12.30	6.00	5.22	3049.50	3501.85	NA	8.54	20.59	20998.46	BUY	0.01
Aspen Pharmacare Holdings Ltd.	15727	70,926	-28.46	-28.46	11.15	8.83	1410.50	1781.29	1.67	2.00	8.66	19861.30	BUY	1.29
Clicks Group Ltd.	28997	70,744	-9.19	-8.11	32.58	29.38	890.00	987.07	1.82	2.18	36.77	32159.70	HOLD	2.83
The Bidvest Group Ltd.	20358	69,273	6.72	8.53	14.59	11.68	1395.40	1742.95	3.39	3.54	9.43	25428.55	BUY	0.89
Investec plc	9500	66,128	8.61	8.61	8.77	7.39	1083.00	1284.99	5.36	5.79	13.24	11271.81	BUY	0.45
Reinet Investments SCA	31488	61,698	6.93	6.93	9.36	8.39	3363.00	3751.56	1.37	1.38	2.75	35126.08	BUY	-0.13
MultiChoice Group Ltd.	13063	57,805	7.20	7.20	46.65	14.42	280.00	906.12	4.33	5.13	16.30	NA	BUY	0.22
NEPI Rockcastle S.A.	9432	57,440	-12.09	-9.48	16.08	12.52	586.44	753.35	6.23	8.00	3.91	12116.42	BUY	0.54
Old Mutual Ltd.	1217	57,303	-8.36	-4.65	7.43	7.05	163.80	172.70	5.95	7.90	5.37	1283.10	BUY	-0.90
Woolworths Holdings Ltd.	5339	56,171	2.55	4.04	18.97	14.02	281.50	380.86	2.74	3.94	13.91	7223.49	BUY	0.78
African Rainbow Minerals Ltd.	24862	55,857	9.16	13.75	4.15	4.69	5988.00	5297.00	12.87	13.26	23.71	NA	HOLD	0.05
Mr Price Group Ltd.	20252	52,016	1.09	1.09	17.12	15.41	1183.20	1314.16	3.68	4.29	29.15	22493.47	HOLD	17.21
Mediclinic International plc	6985	51,496	1.54	1.54	21.31	14.09	327.84	495.80	NA	2.29	-3.76	10563.49	BUY	-1.39
Growthpoint Properties Ltd.	1369	46,967	-11.62	-7.87	8.97	8.68	152.69	157.70	8.88	9.89	0.35	1413.89	BUY	0.57
The Foschini Group Ltd.	14110	46,708	14.43	16.03	20.92	13.47	674.60	1047.49	1.20	3.81	7.77	21909.37	BUY	-1.27
Royal Bafokeng Platinum Ltd.	15553	45,156	-1.24	2.09	6.69	7.16	2324.60	2171.69	6.88	10.05	15.01	14529.96	HOLD	0.01
Rand Merchant Investment Holdings Ltd.	2812	43,074	14.22	-34.51	-528.57	7.45	-5.32	377.67	0.48	NA	11.59	NA	BUY	37.28
Quilter plc	2387	39,102	-24.77	-22.71	30.10	15.53	79.29	153.72	4.74	NA	6.87	4627.69	BUY	1.69
Distell Group Holdings Ltd.	17190	38,351	0.64	0.64	19.63	15.82	875.80	1086.57	NA	NA	8.50	21327.03	HOLD	0.65
Vivo Energy plc	2819	35,715	-1.09	-1.09	17.33	14.57	162.69	193.42	3.07	3.39	15.65	3351.45	HOLD	1.44
Thungela Resources Ltd.	26186	35,695	203.54	227.39	3.93	2.24	6657.00	11680.66	6.87	56.36	37.56	NA	BUY	NA
Harmony Gold Mining Company Ltd.	5699	35,136	-10.39	-9.87	10.92	8.14	522.00	700.07	1.18	0.64	0.42	7643.05	HOLD	0.09
Santam Ltd.	28632	32,964	4.61	10.53	11.48	11.99	2495.00	2388.79	4.27	4.81	16.97	27413.20	BUY	0.29
Sappi Ltd.	5709	32,564	20.21	20.21	5.33	5.75	1070.12	993.05	NA	1.88	1.07	5297.86	BUY	-0.45
Transaction Capital Ltd.	4356	31,412	-6.42	-6.42	29.53	20.74	147.50	210.00	1.52	2.12	13.05	6201.72	BUY	0.66
Investec Ltd.	9664	29,998	9.69	9.69	8.92	7.84	1083.00	1233.24	5.27	NA	13.24	11004.65	BUY	0.45
Dis-Chem Pharmacies Ltd.	3434	29,535	-1.94	-1.94	34.62	25.47	99.20	134.82	1.16	1.53	25.58	4666.92	HOLD	5.07
Redefine Properties Ltd.	416	29,338	-8.37	-8.37	4.40	7.00	94.63	59.40	20.15	13.22	-9.98	NA	BUY	-0.39
The SPAR Group Ltd.	14904	28,705	-10.76	-10.76	12.46	11.35	1196.20	1313.37	5.48	4.30	26.71	16363.84	HOLD	3.54
Textainer Group Holdings Ltd.	49100	28,494	-15.24	-14.65	5.93	NA	8285.54	NA	1.57	NA	8.49	NA	NA	0.06
Ninety One plc	4563	28,410	-21.71	-21.71	10.76	NA	424.21	NA	6.47	NA	74.79	NA	NA	0.66
Life Healthcare Group Holdings Ltd.	1858	27,263	-21.40	-21.40	16.72	12.58	111.10	147.69	1.35	3.04	8.76	2469.89	BUY	1.73
Montauk Renewables Inc.	19150	27,004	21.97	21.97	-103.20	NA	-185.57	NA	NA	NA	0.20	NA	NA	0.52
Pick n Pay Stores Ltd.	5385	26,572	3.66	3.66	20.51	15.11	262.59	356.34	4.11	5.01	33.65	7307.51	BUY	6.43
Capital & Counties Properties PLC	3085	26,262	-13.99	-13.99	28.63	110.76	107.75	27.85	0.99	NA	-16.90	797.49	BUY	0.17

jse top stocks

P:E — Price:Earnings ratio as at most recent annual results, **Forward P:E** — Price:Earnings ratio as at next annual results. **View** — Consensus Buy/Hold/Sell recommendations. **PEG Ratio** — Price:Earnings to Growth ratio as at most recent annual results. **All information provided by ProfileData (www.profile.co.za).The Financialmail undertakes to transmit the information as accurately as possible and is confident it is correct, but is not able to warrant its accuracy.**

COMPANY	CL OSING PRICE (MONDAY) (c)	MARKET CAP (Rm)	SHARE PRICE RETURN YTD (%)	TRI RETURN YTD (%)	P:E	FORWARD P:E	TRAILING HEPS (*)	EST. FORWARD HEPS (*)	DIVIDEND YIELD (%)	FORWARD DIVIDEND YIELD (%)	3-YEAR AVER-AGE RoE (%)	PUCSP	VIEW	PEG RATIO
Sirius Real Estate Ltd.	2202	25,811	-27.04	-27.04	28.49	18.91	77.30	116.42	3.14	NA	15.30	3316.44	BUY	0.76
Tiger Brands Ltd.	13900	25,806	-23.42	-21.29	12.33	9.77	1127.30	1422.57	5.94	6.31	14.69	17540.76	HOLD	-1.10
Hammerson Plc	539	24,870	-24.83	-24.35	18.94	15.22	28.46	35.42	1.47	NA	-29.18	670.85	SELL	-4.49
Momentum Metropolitan Holdings Ltd.	1550	23,211	-18.76	-17.14	23.34	5.98	66.40	259.26	3.23	8.64	4.67	6051.91	BUY	-1.75
Telkom SA SOC Ltd.	4513	23,068	-16.83	-16.83	7.67	8.20	588.70	550.17	NA	1.20	6.37	4217.60	HOLD	0.18
Sasol Ltd.	14050	22,246	0.36	0.36	NA	NA	3558.00	NA	NA	NA	-16.58	NA	NA	NA
AVI Ltd.	6378	21,430	-14.15	-12.01	12.28	11.97	519.50	532.98	6.98	8.33	37.18	6543.54	BUY	6.97
Truworths International Ltd.	5117	21,370	-2.59	2.69	8.13	8.07	629.60	634.44	8.17	8.56	8.41	5156.37	BUY	-2.48
Netcare Ltd.	1455	20,939	-8.72	-6.54	21.78	15.97	66.80	91.10	3.71	4.12	11.47	1984.38	HOLD	0.06
Resilient REIT Ltd.	5306	20,931	-11.57	-8.16	12.39	11.05	428.13	480.35	8.53	8.94	0.01	5953.19	HOLD	-0.13
PSG Group Ltd.	9149	20,427	1.75	1.75	2.59	41.97	3537.00	218.00	NA	NA	61.09	NA	BUY	0.02
Bytes Technology Group plc	8466	20,275	-28.44	-28.44	34.42	NA	245.94	NA	0.48	NA	119.02	NA	NA	NA
Italtile Ltd.	1495	19,759	-11.01	-9.03	10.18	NA	146.90	NA	3.95	NA	22.72	NA	NA	0.71
Barloworld Ltd.	9734	19,489	-36.64	-30.04	8.53	7.75	1141.80	1256.09	4.78	5.61	7.10	10708.30	BUY	0.06
Motus Holdings Ltd.	10715	19,103	-0.86	1.95	7.40	7.16	1448.00	1496.46	4.95	5.71	11.71	11073.60	BUY	0.13
PSG Konsult Ltd.	1269	16,895	-6.69	-5.20	18.21	NA	69.70	NA	2.52	NA	20.47	NA	NA	1.32
Alphamin Resources Corp.	1258	15,884	0.64	2.72	13.15	NA	95.69	NA	2.94	NA	6.47	NA	NA	0.14
Equites Property Fund Ltd.	1941	15,073	-15.05	-15.05	15.03	11.32	129.10	171.40	8.40	8.60	8.10	2576.99	BUY	-7.50
Omnia Holdings Ltd.	8668	14,653	35.52	35.52	16.64	8.66	521.00	1001.19	2.31	5.98	3.30	16656.96	BUY	0.29
Hosken Consolidated Investments Ltd.	16810	14,393	131.83	131.83	15.29	NA	1099.57	NA	NA	NA	-9.27	NA	NA	-5.66
Irongate Group	2115	14,331	9.30	9.30	12.62	NA	167.62	NA	4.74	NA	16.66	NA	NA	0.13
Fortress REIT Ltd.	1181	14,073	-6.71	-6.71	11.68	15.11	101.08	78.18	6.33	6.91	-4.91	913.46	BUY	0.14
MAS P.L.C.	1907	13,628	-10.47	-8.33	14.24	14.11	133.89	135.12	7.78	6.27	4.29	1924.50	BUY	0.05
Ninety One Ltd.	4502	13,510	-21.35	-21.35	10.61	NA	424.21	NA	6.55	NA	74.79	NA	NA	0.66
Coronation Fund Managers Ltd.	3714	12,992	-30.55	-30.55	7.61	NA	487.90	NA	12.65	NA	63.55	NA	NA	2.69

Catalyst for prosperity

Structural reforms are welcome, but there's still too much red tape

● SA has been underspending on infrastructure since the early 1980s. Infrastructure investment has faced numerous challenges including low levels of government support, a poor project pipeline and a lack of both government and investor capability and capacity.

To address this backlog, the government should be spending at least 30% of its GDP by 2030 on infrastructure to promote inclusive growth, according to the National Development Plan.

"Our woefully inadequate investment in critical infrastructure such as energy, rail, road, ports and housing has been one of the contributing factors to poor economic growth in SA," says Simon Howie, co-head of SA & fixed income at Ninety One. "With better infrastructure comes inclusive growth and prosperity as well as global competitiveness, which SA dearly needs."

Since taking office, President Cyril Ramaphosa has pushed for greater infrastructure investment and backed up his commitments with the establishment of the Investment & Infrastructure Office, which later become known as Infrastructure SA, in the office of the president. He was also instrumental in the establishment of the Infrastructure Fund and hosts annual investment conferences. Despite these moves, infrastructure investment keeps falling.

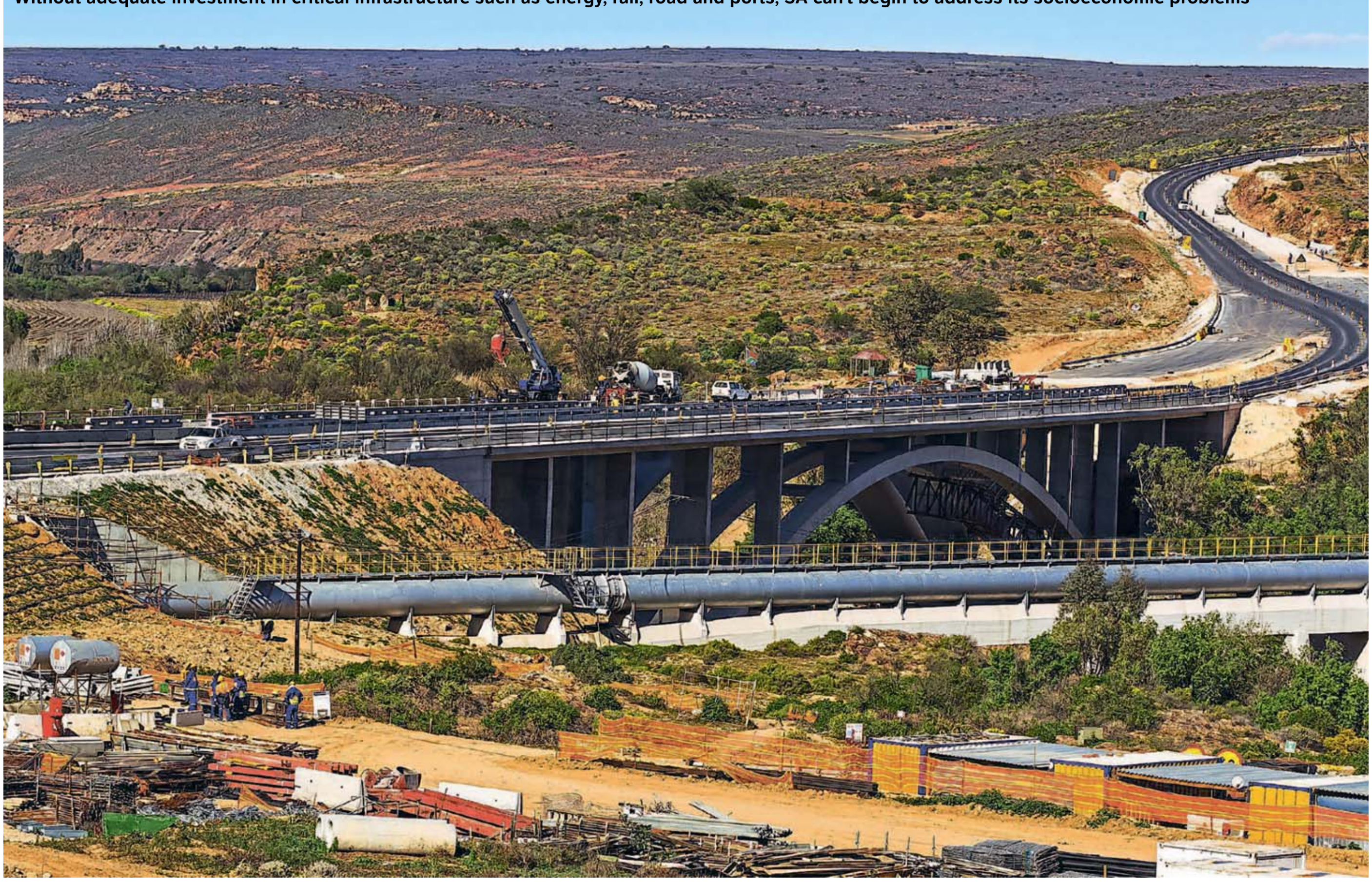
What it means: Private sector investment is vital to building infrastructure, but lack of policy certainty is limiting its potential success

One of the main obstacles to investment has been a lack of structural reforms. To overcome this bottleneck, Operation Vulindlela, a joint initiative of the presidency and the National Treasury, was established to accelerate their implementation of structural reforms required to attract investment. Operation Vulindlela says it has achieved eight of its initial 26 priorities, according to a recently published update on its progress (see table).

Among the successes, says the report, are the lifting of the embedded generation ceiling, the successful completion of the spectrum auction to improve network quality and reduce the cost of data, the release of bid windows 5 and 6 of the renewable energy programme, and the publication of the revised critical skills list for the first time since 2014.

However, while Operation Vulindlela has done excellent work, Business Unity SA (Busa) CEO Cas Coovadia says the challenge is that Operation Vulindlela is not mandated to ensure different departments in government use the reforms to implement necessary ac-

Without adequate investment in critical infrastructure such as energy, rail, road and ports, SA can't begin to address its socioeconomic problems



123RF/geoffsp

EIGHT OF 26 PRIORITIES ACHIEVED

1 Raise licensing threshold for embedded generation
2 Enable municipalities to procure power from IPPs
3 Complete spectrum auction
4 Revive water quality monitoring system
5 Corporatise Transport National Ports Authority
6 Finalise white paper on national rail policy
7 Publish revised critical skills list
8 Implement e-visa system in 14 countries

tions to enable the private sector to drive business through it. He points to the embedded generation ceiling as one example.

"We welcomed the announcement by Ramaphosa of the raising of the ceiling to 100MW. However, private sector generators of power are still being hampered by inappropriate processes and regulations in Nersa [National Energy Regulator of SA] which make it difficult to act on the reform. We find similar issues with the critical skills list and other reforms."

Coovadia says the issue is the capability and commitment of government departments to clear red tape hampering business leveraging off the reforms. He says Busa is in discussion with the government on how it can help unlock implementation and cut red tape to attract investment, grow the economy and create sustainable jobs, which is the only way for SA to solve its severe socioeconomic problems.

While a focus on infrastructure in and of itself is not the silver bullet to addressing the country's socioeconomic problems, it is the catalyst, says Chris Campbell, CEO of industry association Consulting Engineers SA (Cesa). "If our roads and rail are in good condition, we can transport goods and people to places to business more efficiently. To grow our economy, we need sustainable power and water supplies that will support agriculture, tourism and industry."

The slow pace at which infrastructure projects are rolled out in SA is frequently blamed on a lack of state capacity.

"The biggest challenge we have is trying to get sufficient service delivery to rural areas where municipalities have no technical people to ensure efficient service delivery," says Campbell.

The government tried to learn lessons from more developed countries and outsourced many services, in the process losing internal skills capacity. This, coupled with cadre deployment, has had consequences, says Campbell. And these consequences have manifested in the insufficient maintenance of infrastructure, which has threatened its sustainability.

State capacity will not be rebuilt easily, he says. "What we need to be doing is building sufficient capacity in the state so that there are enough competent people acting as custodians of public infrastructure. The remaining capacity can be acquired from the private sector. Cesa members, for instance, can play a pivotal role in complementing this capacity."

The district development model being explored is a positive step towards addressing this lack of capacity, says Campbell. The model aims to put together several municipalities and manage the service delivery on a districtwide basis.

Despite the progress made by Operation Vulindlela, and Ramaphosa's commitment to fast-tracking infrastructure investment, the reality is that bottlenecks and blockages persist. There is political will, but that will is divided by politics, says Campbell. "People tend to disagree most from a factional perspective rather than on the basis of what is good for the country — and national interest then becomes the loser."

The state's constrained fiscal situation means that private sector investment is essential to help fund infrastructure projects. However, a lack of political and policy certainty is inhibiting private sector investment, says Campbell.

Vuyo Ntoi, co-MD of African Infrastructure Investment Managers (AIIM), says infrastructure is an attractive asset class for the likes of pension funds, which look for stable, long-term investments. He believes the right moves are being made at both Infrastructure SA and the Infrastructure Fund.

"Infrastructure SA is capacitating itself and has recruited a number of retired public-private partnership specialists to help it establish a pipeline of projects," says Ntoi.

SA's biggest challenge has traditionally been in implementing infrastructure projects. "The country needs to focus on more manageable and smaller projects rolled out in bite-sized chunks," says Ntoi. "The government also needs to relax its local content rules in instances where it is not possible to meet these requirements."

Campbell agrees with this

The country needs to focus on more manageable and smaller projects rolled out in bite-sized chunks

Vuyo Ntoi

assessment, adding that the country needs to focus on a few carefully selected projects, and deliver these efficiently to build better confidence in our abilities. "We did it before in preparation for the 2010 Soccer World Cup and we can do it again."

Private power offers opportunities

The most recent round of load-shedding by Eskom was a reminder of just how critical well-functioning and properly maintained infrastructure is to society. With Eskom stuck in a debt spiral, and coal power no longer desirable or sustainable in the future, a new solution to address SA's power challenges is clearly long overdue.

Both business and industry welcomed the government's easing of requirements for private power in 2021. A deregulated power sector is an enormous opportunity for SA and brings the country more in line with global best practice, says Daniel Zinman, head of power & renewables at RMB.

"Renewable energy generation is an essential component of the future power plans for countries across the globe, and SA, with its excellent solar and wind resources, is no exception. However, as we transition away from coal-generated electricity, there is a significant gap that needs to be filled. The problem is compounded by the reliability of supply issues."

Ultimately, renewable energy is cheaper to produce in SA than new thermal sources.

He believes the emerging private power sector could potentially own a larger share of the power market than government sector power procurement programmes if certain challenges such as transmission and grid constraints, red tape, and access to municipal distribution grids can be met.

"While SA may not be able to deliver a surplus of renewable energy in the medium term, renewables are a sought-after part of the overall energy mix, and can offer competitively priced power," says Zinman.

SA's renewable energy independent power producer procurement programme (REIPPPP) has seen a 67% average decline in electricity prices since its inception. "Bid window 5 of the REIPPPP featured some of the most competitive bidding between banks that I've ever seen," says Zinman. "The bid was nearly four times oversubscribed, which points to the pent-up demand in the market."

This bodes well for the private power sector: there are multiple, permitted, shovel-ready projects looking for creditworthy offtakers.

Bid window 5 of the REIPPPP featured some of the most competitive bidding between banks that I've ever seen

Daniel Zinman

Banks have a major role to play in facilitating an independent renewable energy industry, he says, from acting in an advisory capacity to funding IPPs and corporates looking to generate their own power, as well as gearing the equity in these projects.

Convergence of commercial and developmental investment

There was a time when one could draw a clear distinction between two categories of credit investors – those seeking to make an impact, such as development finance institutions, and those seeking to achieve good returns, like banks or fund managers.

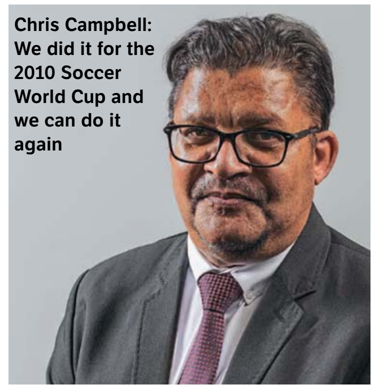
However, as sustainability and environmental, social and governance considerations become increasingly important, we're witnessing a convergence of development credit and commercial credit, particularly in infrastructure, says Howie.

"As the focus on climate and the road to net zero intensifies, so too is the imperative for pension funds to extend their focus beyond the narrow parameters of risk and return to a broader remit incorporating risk, return and impact. It has also become apparent the return on developmental lending is higher than expected, due mainly to a lower loss experience."

Given the enormous backlog of infrastructure spending, Howie says the convergence of commercial and developmental investment comes at a perfect time.

The primary constraint – and thus need – is debt funding, and that is where the biggest opportunity lies. "Most infrastructure projects are owned by the government or larger corporates, so there are limited opportunities for equity investing. But almost every project needs debt. In addition, even

Chris Campbell: We did it for the 2010 Soccer World Cup and we can do it again



where equity is available, credit makes up the bulk of funding in most projects," he says.

Howie says there is a growing recognition that debt can be sensibly deployed into physical assets at scale while contributing to SA's future growth – and without sacrificing returns. "Infrastructure investments can deliver uncorrelated and attractive risk-adjusted returns, while channelling capital into the real economy to support growth and deliver a measurable impact."

There is no question that the funding needs are enormous and will require both commercial and developmental lenders. "On the commercial side, banks will not be enough and fund managers and asset owners are critically important if we are to achieve the required investment," he says.

The convergence of commercial and developmental objectives comes at a perfect time, he says. SA has a deep savings pool, which, if channelled effectively, would not only be able to achieve commercial returns, but also dent unemployment and meaningfully address inequality and poverty.

"To succeed, we will need there to be a collective effort between the government, asset owners, asset consultants and the investment management industry," says Howie. ✘

Written by Lynette Dicey
Advertising executive: Cris Stock

NEW WORLD, NEW CHALLENGE

Marketers are spending more across social media and online channels in a post-Covid environment

Jeremy Maggs

Despite the economic difficulties of the past two years, brands are now rebalancing their marketing efforts after widespread pullbacks in 2020, especially with respect to traditional mass-reach channels.

That is the encouraging takeout from the newly released 2022 "Global Annual Marketing Report" compiled by information, data and market measurement firm Nielsen.

The report says brand awareness and customer acquisition remain top objectives, and marketers continue to increase their spending across social media and online channels (display and video) as consumers' media behaviour evolves.

The study says the prevalence of consumer choice and access means traditional sources of brand awareness or equity are less apparent than before the pandemic because of reduced visibility. With consumers shopping less at physical stores, the frequency of seeing a product on a shelf has declined.

A local marketing operative in the fast-moving consumer goods space concurs: "Over the past two years there has been a seismic shift to online shopping, where convenience trumps brand loyalty. 'Get it to me cheap and quickly' seems to be the new mantra. Brands have a new job in telling people who they are, what they do and what they stand for."

The challenge is how to grow and entrench brand awareness in a changed operating environment.

Nielsen says marketing strategy and tactics need to be aligned with proper performance indicators, and brands need to stay constantly top of mind with consumers across the platforms and channels where they spend their time. "Many traditional sources of brand equity have become less visible in recent years. The increased pressure on nonmarketing sources of equity elevates the importance of marketing in preserving a brand's health."

The survey also suggests brands need to use the mass reach capabilities of digital channels. "Linear television is, on average, one of the most effective channels for driving long-term sales lift, but next-generation channels like online video are growing in their ability to engage wide audiences and can help round out well-balanced and holistic marketing strategies."

Brands will be spending more money on marketing for the rest of the year. WPP's GroupM expects a solid year for the ad market in 2022, forecasting global growth of 9.7%; in select digital channels, the planned increase will be as high as 53%.

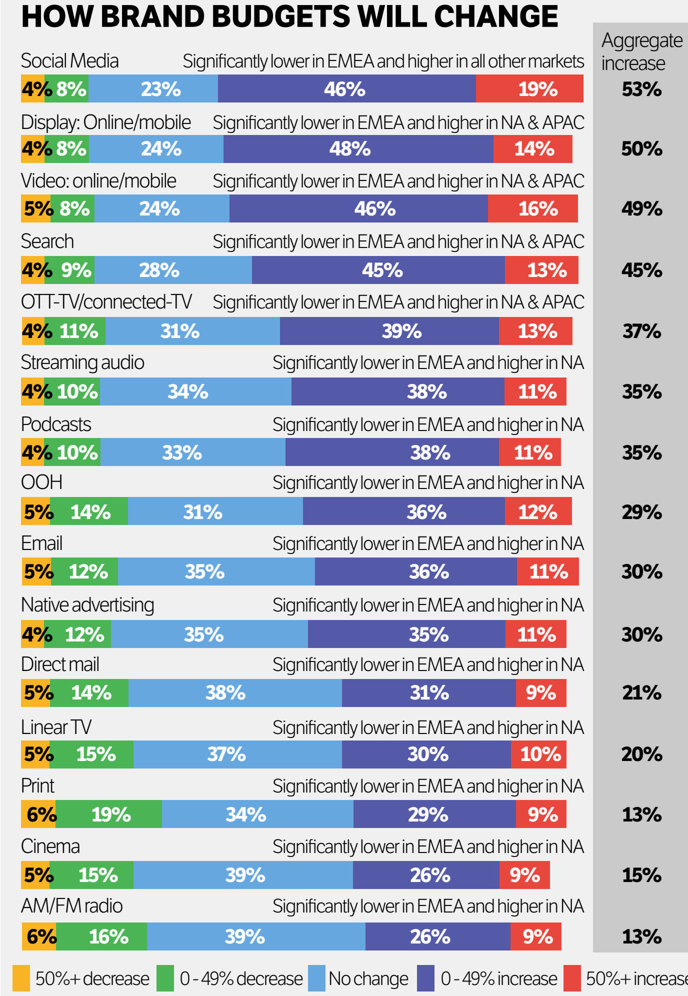
Nielsen says consumer behaviour is no longer just in flux — it has changed. "As it always has been, data is a guiding light. But that data should be plugged into scalable marketing solutions that brands of all sizes can use to approach decisions with precision to arrive at dependable, growth-driving outcomes."

Today, amid media fragmentation, brands need to use an array of channels to reach the widest audiences. That, says Nielsen, is also changing the approach to measurement, which needs to become what the report terms un-siloed.

"Consumer journeys have never been siloed but increasing media fragmentation amplifies the need for holistic measurement. Globally, marketers are confident in ROI [return on investment] measurement across select channels, but their confidence in full-funnel ROI measurement stands at just 54%. Marketers understand the need for audience data, yet they struggle with varying aspects of their data strategies, citing notable challenges with data access, identity resolution and being able to derive actionable insights."

Nielsen says consumers want more than just a product or service from brands, and purpose-driven initiatives are proving their weight in ROI. Global marketers say their brands emphasise purpose, but Nielsen data shows 55% of consumers are not convinced that brands are fostering true progress. x

HOW BRAND BUDGETS WILL CHANGE



Percentages represent responses to this question: How do you expect your budgets to change in the next 12 months for each of the following paid media channels?
Note: The data may not sum to 100% because the charts do not display data for "not applicable", "prefer not to say" and "don't know"

Source: Neilsen global annual marketing report 2022

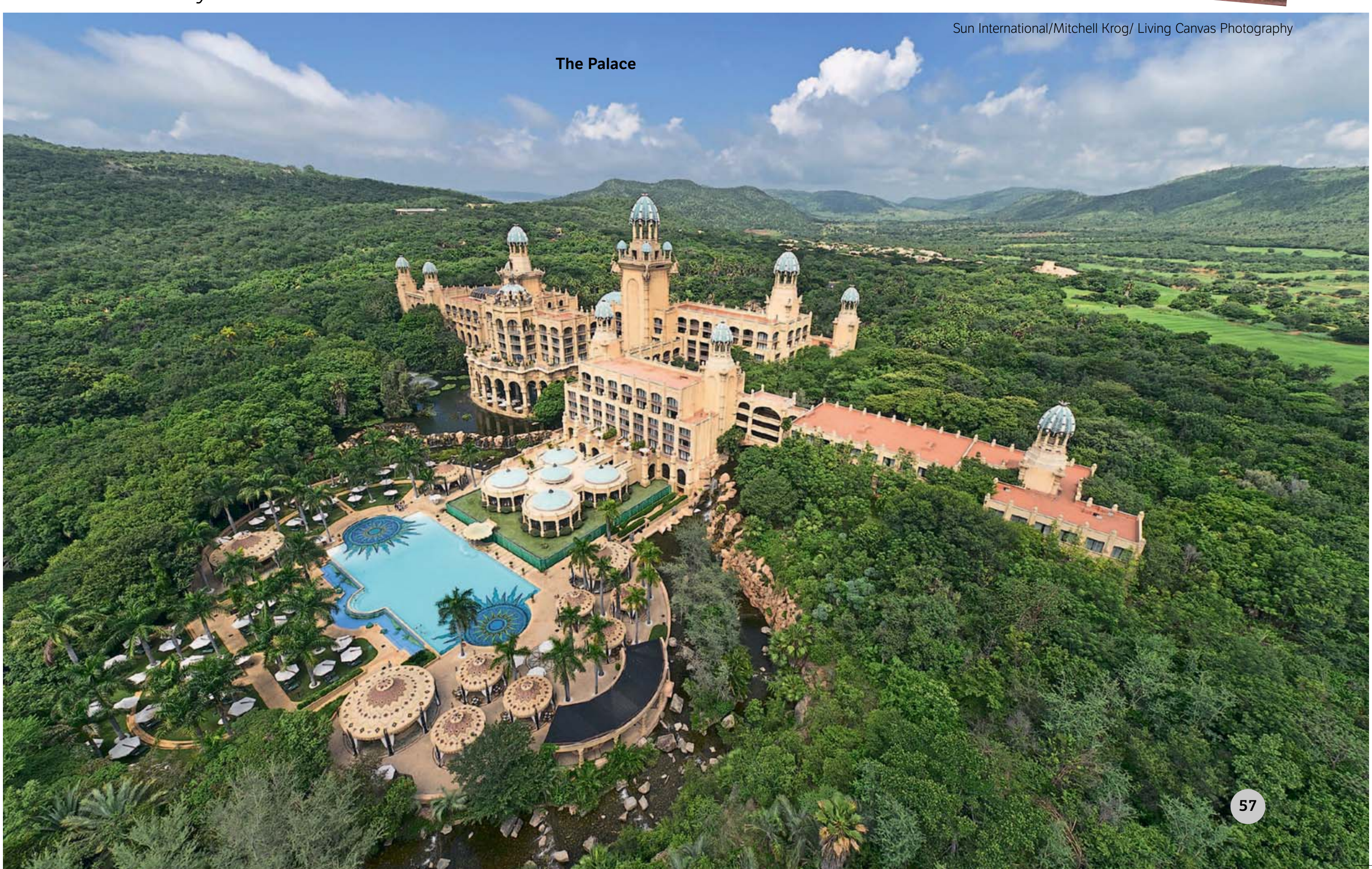
life

TRAVEL

TAKING THE SIN OUT OF SUN CITY

Can Sun City — the original home of sleazy glamour during the apartheid era — revamp itself as a family destination? **Adele Shevel**

The famous extravaganzas
Sunday Times/Elizabeth Sejake



Sun International/Mitchell Krog/ Living Canvas Photography

The Palace

Pilanesberg National Park
Sun International

The Soho Hotel
Sun International

Since Sol Kerzner opened its doors in 1979, Sun City has loomed large in SA's tourist landscape.

In the decade after, it was a bold, glamorous and over-the-top entertainment spot for locals who wanted to gamble, watch extravaganzas or escape the repressive domestic climate.

From the start, it was mired in controversy. There were questions over how Kerzner got approval to build Sun City in (notionally independent) Bophuthatswana, where gambling was legal. And there was anger in some quarters that several superstars, including Queen, Frank Sinatra and Rod Stewart, ignored the cultural boycott to perform there.

But Kerzner rode it out: Sun City, built in a volcanic crater, remained the definitive playground for wealthier white South Africans of that era. The resort, surrounded by arid landscape, was fake — but it was fun.

After democracy, and the legalisation of gambling in the rest of SA, the gold-tassled rug was pulled out from under Sun City. The resort needed a new raison d'être.

Its owner, Sun International, has now spent the best part of five years — and R1bn — trying to reinvent the resort.

Where it was once a "mini Vegas" with topless dancers, adult movies, superstars and gambling, it is now targeting families, business conventions and adventure sports adrenaline-seekers. It still wants the gamblers, of course, but its slot machines and tables are less ubiquitous, tucked away in dark corners as a reminder of its lurid past.

It's still popular, though. It attracted 300,000 visitors in its first year in 1979. This had trebled to 1,033,992 in 2019, before Covid arrived and played havoc with those numbers.

But its attraction today is less obvious, its niche less clear.

For years, it was a place where people drove en masse to see superstars such as Frank Sinatra and Tina Turner, or watch beauty competitions. The first \$1m golf tournament, held there in 1981, was won by American Johnny Miller.

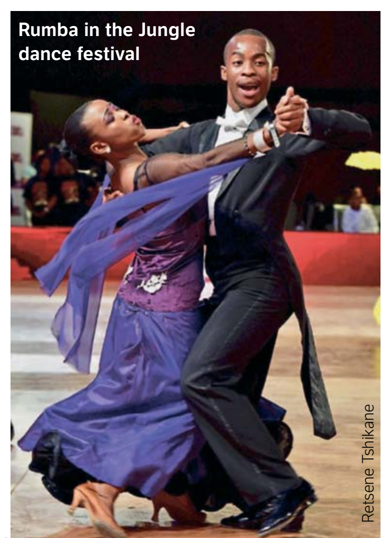
But now, the monorail that used to transport day visitors from the parking area to the entertainment centre stands dormant. It looms over the parking area as a reminder of a different time.

That monorail is expensive to run and needs new technology, so Sun International's executives are debating what to do with it.

It's also 30 years this year since Sun City opened The Palace of The Lost City, an imaginary version of an ancient African kingdom. The Palace is also being refurbished, and is due to reopen at the end of

Hold 'em or fold 'em?
Sunday Times/Elizabeth Sejake

Yvonne Chaka Chaka performs at the Sun City Superbowl
Sun International/Cathy Pinnock



Rumba in the Jungle dance festival
Retsene Tshikane

Idols SA
Sowetan/Bafana Mahlangu

Jerry Springer hosted the Miss World pageant at Sun City in 2012
Peter Morey

Tom Jones, 2010
Puxley Makgatho

Nedbank Golf Challenge

Sun International

Aerial view of Cabanas and lake

Sun International

October. A spa will open at The Palace in November; it's also getting a gym.

From sleaze to timeshare

"We're maintaining the legacy of The Palace but bringing it up to modern-day standards," says Sun International COO Graham Wood.

In 1996, the water park, as well as the first phase of the Sun City Vacation Club, opened as part of the Lost City.

If there's one part of the resort that still resonates, it's the Vacation Club, which operates on a hugely popular timeshare model.

Wood says that at least 46 weekends of the year, it's close to full thanks to the timeshare model. The Vacation Club also brings people to the restaurants and the Valley of Waves.

In August next year, the Vacation Club plans to open a third phase of the timeshare, with 48 new three-bedroom villas and 10 four-bed villas. And in 2025, more units will be added.

But don't think that Sun City has turned into a timeshare resort: there are 382 timeshare units against 1,300 hotel rooms across the sprawling complex.

Wood says it's all part of the plan to position it more as a resort destination, rather than a casino destination.

"[We're] positioning Sun City as a multifaceted destination for conferencing, for families, for casino gamblers, sports enthusiasts, and with wildlife in the Pilanesberg next door," he says.

Perhaps. But Sun City is still about as divorced from reality as ever, though in a slightly different way.

Mid-morning on a recent Thursday, I lay in the sun at the Valley of Waves on the constructed beach, reading messages on my phone about load-shedding happening back home in Joburg.

But here at Sun City, there's perpetual sunshine and electricity.

At the Valley of Waves there are water slides, a lazy river with a tube ride, a maze, sweet shops and restaurants. Every half-hour, big waves emerge from the end of the pool (thanks, wave machine), attracting the body surfers.

Upstairs, while the kids play in the pools below, is the Royal Baths adult swimming pool, with a cocktail bar.

But getting to Sun City isn't any easier than it used to be. It's a 2½-hour drive from Joburg through the dry bushveld of North West, but the potholes are a problem (the route through Rustenburg is apparently far easier).

Back to profitability

In March 2020, due to Covid, Sun City shut its doors for the first time in four decades. After it reopened, 2021 was a break-even year, and this year it is expected to rebound to profitability.

Was this the toughest Sun City has had it?

No, says Wood. The toughest years were in the early 1990s, when it was overstaffed, and not properly positioned as a resort. Casinos were popping up in Joburg and Pretoria, and people no longer had to schlep to Sun City to gamble.

After it was restructured, Wood says, Sun City had a good run until about 2012, when growth plateaued.

Now, again, Sun City needs to confront its flaws. The original hotel, once the pride of the resort, looks tired and overdue for a facelift.

Wood says depending on investment, Sun International may look to refurbish it.

Ideally, he says, Sun City attracts more residents, to reduce the dependence on day visitors. "If we add another 260 timeshare units, that's another 1,000 people — we're also looking to add to our sports facilities," he says.

The resort has always had golf and tennis, of course, but the new plan is to appeal to football, netball and rugby enthusiasts.

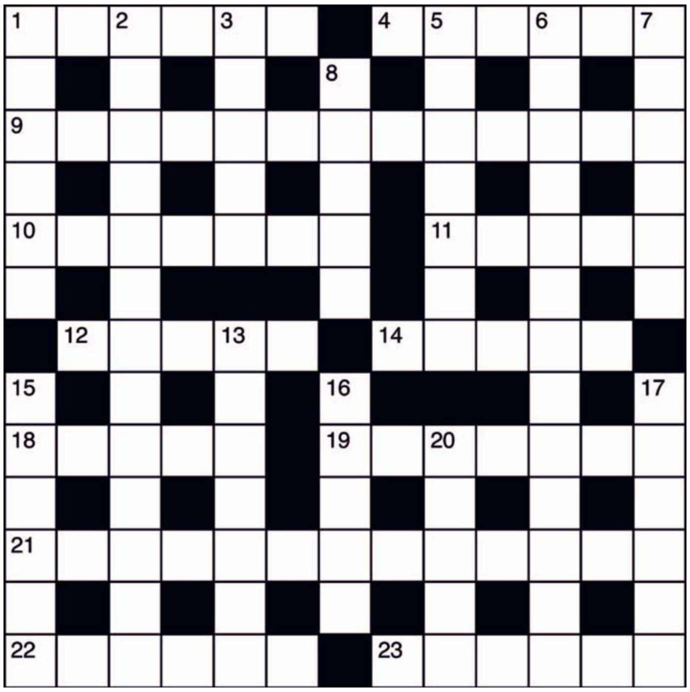
Plans are afoot to open a sports campus to start targeting other sports.

Wood says: "The one thing we have there is land." But how it chooses to use this space depends on "how the economy unfolds in the next two to three years". ■

Valley of the Waves

Sun International

crossword Cryptic No 174



ACROSS

1 A man of the cloth (6)
4 Showing variations in texture, like mended clothing (6)
9 Forebodings before emotional feelings? (13)
10 Go in for the competition again (2-5)
11 Article by me may be developed into variations (5)
12 As patterns they often need to be filled in (5)
14 Distort the remainder, we hear (5)
18 District without hills, lacking beauty (5)
19 Shocking rows before Edward is defeated (7)
21 Drill manuals? (8-5)
22 Make things more difficult for the plumber? (6)
23 Harmony in sound, maybe? Not quite (6)

DOWN

1 Take one's leave of French section (6)
2 Old Testament philosophy involving the interchange of seers? (2,3,3,2,3)
3 Carry out a put-up job — that's straight (5)
5 Give me a term to make a piece of electrical apparatus (7)
6 Talks over sanctions having broken down (13)
7 They lack initiative, though they are positive in their assertions (3-3)
8 Begin to make an involuntary movement (5)
13 Restrict the movements of Maclean somehow (7)
15 Don't contract to provide a sumptuous feast (6)
16 Part of Alberta was hopelessly flooded (5)
17 No pretentious air is raised by the inventor (6)
20 Hood for a bird (5)

SOLUTION No 173

Across:
1 Phrenologist; 7 Madly; 8 Tuner; 9 Mat; 10 Thatchers; 11 Uphill; 12 Sandra; 15 Aftermath; 17 Act; 18 Often; 19 Piton; 21 Unreasonable.

Down:
1 Perambulator; 2 Nod; 3 Layman; 4 Gate-crash; 5 Sense; 6 Press attache; 7 Match; 10 Tolerance; 13 Drawn; 14 Campus; 16 Titan; 20 Tin.

backstory

Tamra Capstick-Dale

MD: Corporate Image

What's your one top tip for doing a deal?
Do very careful research on your counter-part before negotiations start. Be clear about what you'll give and stick to it. Don't be afraid to walk away.

What was your first job?
Serving cocktails in a bar.

How much was your first pay cheque, and how did you spend it?
R250 a month. I saved most of it and spent it on a gap year abroad.

What is the one thing you wish somebody had told you when you were starting out?
Not everyone is honest, so try to not let it upset you too much.

If you could fix only one thing in SA, what would it be?
Corruption definitely. Apathy and too much patience. The skills flight needs urgent attention.

What's the most interesting thing about you that people don't know?
I collect antique maps and orthodox icons, and I love to fish. I read Russian (badly).

What's the worst investment mistake you've made?
We did a deal to sell our company in 2000. It was a giant mistake and we very nearly lost the company. We clawed it back from the brink.

What's the best investment you've ever made? And how much of it was due to luck?
Buying property abroad has been good to me. Not much of it was luck, though I did manage to buy my first one in Westminster just as the 2008 global financial crisis hit, which meant I bought low.

What is the hardest life lesson you've learnt?
Life is very short. You don't know how short until you lose someone close to you very suddenly.

What do you consider the most overrated virtue?
Humility.

What is something you would go back and tell your younger self that would impress them?
The hard work will pay off. Ethics will count. And you can actually do everything you want if you try hard enough.

Was there ever a point at which you wanted to trade it all in for a different career? And if so, what would that career be?
Yes, definitely. I always wanted to run a marlin fishing charter business in the Bahamas.

If you were President Cyril Ramaphosa, what would you change, or do, tomorrow?
I'd start by getting out of the way. There's too much regulation and red tape of every variety in our country, and we have an in-capable state. Then I'd start firing people who clearly are in jobs beyond their com-petence. Cadre deployment has to go, and fast.