Jooste’s chum resurfaces

A TWK shareholder has demanded an independent forensic audit of the CTSE-listed former farming co-op because he believes one of Markus Jooste's Steinhoff intimates, Piet Ferreira, is up to the tricks similar to those exposed in South Africa’s biggest ever fraud. His suspicions were aroused after a member of the audit sub-committee of the TWK board issued four falsified FNB bank “guarantees” for an R11m company debt. FNB encouraged the shareholder to lay a charge of fraud against the TWK director, which has been done. That came on top of a massive increase in TWK’s profits and asset values - rubber stamped by Ferreira's central role as a director and chairman of the company’s audit committee.

By Martin Welz

The BizNews Shop

Alec Hogg reads RW Johnson’s Bestseller: How Long Will South Africa Survive?
Nicknamed the Golden State, California has for a long time been a major economic powerhouse. If California were an independent country, it would have the world’s fifth largest economy with a GDP of $2.7trn. San José, California’s third largest metropolitan city, had the third highest GDP per capita in the world, after Zurich and Oslo. Northern California, also known as Silicon Valley, is home to many of the world’s high technology and innovation companies, such as Apple, Google and Facebook. However, the Golden State’s shine has started to fade in the last few years. Tesla, an electric automaker that was established in California, announced at the end of 2021 that it would be moving its headquarters out of Silicon Valley. The company’s new headquarters will be in Austin, Texas. Tesla is not the only major corporation to leave California for greener pastures. Big-tech firms such as Hewlett Packard Enterprises and Oracle have exited California to open headquarters elsewhere in the US. Adobe, an artificial intelligence firm, and Moxie, an interactive platform for buying and selling high-technology equipment have followed suit. These are some examples of the 74 Californian businesses that have relocated to other states such as Texas, Arizona and Florida within the first six months of 2021. This is according to the Hoover Institution at Stanford University, which recently released its report ‘Why company headquarters are leaving California in unprecedented numbers’. The Hoover Institution also found the rate of companies leaving California has doubled compared to the three previous years. Since 2018, there have been 265 headquarters relocations out of California. But why are companies abandoning California? Some of the main reasons for the accelerating trend of firms leaving California include high tax rates, high labour costs and punitive regulations. In fact, California is one of the most highly taxed states. Second-highest tax burden The 2021 State Business Tax Climate Index

With South Africa at number 101 out of 141 countries for its burden of regulation, this cautionary tale of what happened in California is telling. If your view of California was one of laid-back, free-for-all, get-the-job-done business culture, read on for a major mind shift. When regulators’ actions can only be interpreted as hostile to business and the going gets weird, the weird (read innovative) and wonderful billion-dollar companies get going … as in leave for more conducive climes. The usual argument of avoiding comparison between high-income and low- to middle-income countries falls away here. It’s about the climate government creates and the body of research showing how minimal interference in the marketplace produces vibrant economies. We might not have a Tesla, Apple, Google and Facebook headquarters in many of our provinces, but we are the sixth highest rated in innovation in industrial enterprises and the fifth highest rate of innovation in service enterprises. Think Vodacom, Legal Aid, FNB, Metro Mind and SSG Consulting. Losing them is unthinkable. Or is it? – Chris Bateman

By Gerbrandt van Heerden

There are few similarities between the US state of California and South Africa, but one thing these territories have in common is their hostility to business.

Adv. Erin Richards and Bain whistleblower Athol Williams, the actions of Bain’s lawyers Baker McKenzie are in question. Did the global legal heavyweight justifiably shield its client from scrutiny, or criminal prosecution, by invoking legal privilege? All this while also being tasked with ‘independently’ and ‘transparently’ investigating Bain’s conduct at the South African Revenue Service? The report from Baker McKenzie’s investigation has never seen the light of day despite promises by Bain to the contrary and Williams’ best efforts. My guests discuss the limits of legal privilege arising from a scenario in which Baker McKenzie was alleged to be giving legal advice to Bain and investigating them at the same time. It’s a clear conflict of interest, but one that has been conveniently skipped over in the narrative Bain peddled. Take what Bain said in a 2018 statement versus what you will hear from Williams himself. Bain stated: “We hired global law firm Baker McKenzie to conduct an independent, forensic investigation. The work of Baker McKenzie identified almost 1,000 potentially relevant documents, which were immediately submitted, unfiltered, to the Commission. We also mandated Athol Williams, a respected academic, social advocate and Bain Alumnus, to provide his own opinion on the independence and adequacy of the investigation by Baker McKenzie.” The problem here is they refused to let Williams see that report and they also never made it public. One cannot be a player and a referee at the same time … at least not if you want any semblance of credibility to accompany such a public commitment that all the ills have been remedied. – Michael Appel

Adv. Erin Richards on how Bain’s lawyers invoked legal privilege

“Legal privilege protects from disclosure any documents between attorney and client that are produced either for the purpose of seeking legal advice or for preparing for contemplated litigation. Bain asked a law firm, Baker McKenzie, to do an external investigation of what had happened during its time at SARS between 2014 and 2015. As I understand it from Athol Williams’ testimony, that investigation was supposed to be open and transparent, and it was supposed to be overseen by Athol in the best interests of South Africa. What happened is that legal privilege was one of the reasons invoked that prevented full transparency during that negotiation process.”

Athol Williams on law firm Baker McKenzie’s responsibilities

“Bain had brought in Baker McKenzie, supposedly to conduct an independent investigation. This was how Bain had announced it in its press release and to the Nugent Commission. Soon after Bain had testified at the Nugent Commission, Bain wanted to show South Africa they were being open and transparent about what they discovered in this investigation, and they wanted to give assurances they would be transparent. In 2018, Bain contracted with me to provide oversight of the Baker McKenzie investigation. I would see McKenzie’s final findings, reports and I would write a report and then go to the Nugent Commission and give assurances that what was reported in the Baker McKenzie report actually was what was found:”

Richards on the conflict between representing Bain and also investigating them

“Baker McKenzie was advising Bain and preparing them for their appearances at the Nugent Commission. They were then simultaneously contracted to do this supposed transparent, external, independent investigation. Now let’s just look at how privilege can operate nefariously here. When Baker McKenzie was helping Bain prepare for the Commission, any documents that came to light during that process of preparation would legitimately be privileged from disclosure.”

Read the full article here

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Listen to the full interview

California 49th out 50, which means the Golden State has the second highest overall tax burden. Furthermore, in terms of economic freedom, California is beginning to falter.
State arms manufacturer Denel went from making hundreds of millions in profit a mere seven years ago to being technically insolvent today. Its electricity was recently disconnected by the City of Tshwane for being R2.4m in arrears. Once it was able to pay R300,000, the national key point's power was reconnected. But the situation is clearly untenable.

According to union UASA, the SOE hasn't been able to pay workers their full salaries for about two years and Denel owes R636m to staff and R900m to suppliers. The SOE finds itself in an incredibly dire position. Zondo's report even makes mention of the fact that it's unclear whether Denel can be saved at this stage or whether its shareholder, the government, has the will or finances to breathe life back into this crippled entity.

What helped push this state-owned entity to the brink of collapse was the 2015 capturing of its board by the Gupta enterprise, assisted to an extraordinary degree by former Public Enterprises minister Malusi Gigaba and his successor Lynne Brown. The Denel portion of the second tranche coming out of the State Capture Inquiry is hundreds of pages long but here is a summary I hope will provide some understanding of the Gupta's destructive and nefarious modus operandi.

If you missed the Transnet summary it can be read, watched and listened to here.
Investing in beaten-down US stocks

While warning that the easy money has been made, independent financial adviser Magnus Heystek shares what he has been doing recently... converting rand into hard currency to invest in beaten-down US stocks. In the fascinating podcast with BizNews founder Alec Hogg, he also revisits his property journey, explaining how mistakes that cost him big at his infamous Hartbeespoort Dam disaster helped him make excellent returns in other carefully selected areas. While Heystek is still keen on some property developments in SA, he warns that returns are likely to be modest and incomparable to the fortunes made during the 2002 to 2008 boom. – Alec Hogg

**On a bad property investment mistake**

"I’d like to see somebody who has been in the financial markets as long as I, not having made mistakes. We all make mistakes. This one was particularly bad in the sense that I did everything wrong as far as this investment was concerned. I was swayed by emotion, by the bull market that was punting by everyone. The newspapers, media, radio, seminars were all talking about building a property empire. I fell for it. I was persuaded by a family member who told me we were going to make a lot of money if we bought property, built a house and sold it or rented it. Of course, it was right at the top. Thousands of other South Africans are still paying the price for that. I hear people saying daily that they cannot sell their property and it’s quite true. It took me 13 years to sell that property, even though I put it on the market about eight years ago. The thing with property is - especially a stand that does not produce an income - you are liable for the rates, taxes, levies, and it can affect your credit record. This is just a lesson to the younger investors. Whenever there is a little upturn in the property market, there are people who go around saying: “Property is the way to make money and build an empire.” I’m saying, forget about it, it’s not, especially in South Africa with the macroeconomic environment we have."

**On past property boom markets**

"From 1977 to 1980, we had a commodity boom. The economy was growing at 6% and in that period, it was easy to make money. Then soon after the ‘94 elections, the property market was incredibly strong up to about 2008. A lot of people made a great deal of money, myself included. I bought in places like Danfenn despite being told it’s so far in the veld. We made some good money. However, in 2008, the rules changed as far as property is concerned. Property does well when the economy is growing very rapidly."

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**BizNews Power Hour with Alec Hogg**

The BizNews Power Hour, hosted by Alec Hogg, airs weeknights at 5:30pm on Cape Town’s Fine Music Radio (101.3FM) and in Johannesburg at 7pm on ChaiFM (101.9FM). You can also catch it on www.biznewsradio.com.

**BizNews Power Hour**

With the volatility in the US markets, we could probably all afford to snap up shares even with our mealy currency. But how do you get money offshore quickly and safely? We put that question and so many others to Arno van Helden, who is the Head of Shyft at Standard Bank. Arno guides us through the process to make sure we know exactly what we are doing if we want to play in the markets across the pond.

**BizNews Power Hour**

Among the innovations at the third BizNews Conference are informal ‘nightcap’ conversations – one featuring Rory Steyn, who spent five years as the head of Nelson Mandela’s security detail. Steyn shares his thoughts on South Africa’s most famous president, shares a constant observer’s insights into the current incumbent Ramaphosa and answers whether Rob Hersov is correct to claim right Mandela would vote for the DA were he alive today.

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**Click here to catch the live stream of the BizNews Power Hour, weekdays from 5:30 to 6:30pm.**

- How the Guptas hijacked arms manufacturer Denel
- Christo Wiese wins back dollar billionaire status
- In Hout Bay, the Seal Rescue Centre has to deal with the heart-breaking consequences of marine plastic debris and it is in this suburb that a local resident Regine le Roux has come up with an initiative to repurpose plastic bags and help with the local unemployment problem.
- According to the latest estimate by Rand Merchant Bank, 23,000 people leave South Africa each year but that figure is probably a lot higher as many leavers do not become part of official statistics. Andrew Rissik warns that South Africans should ensure that their decisions about cross-border investments or moves are not be clouded by emotion. He toldBizNews that about the pitfalls of cross-border investment decisions.
- Alec Hogg chats to ArcelorMittal CEO Kobus Verster about the company’s massive turnaround over the last year and a half; in a no-holds-barred interview Ranmore Fund Management founder Sean Peche slams the ‘gross injustice’ unfolding towards the South African savings market by Naspers/Prosus; and theFinancial Times has all the International business news you need to know.
Sean Peche slams Naspers/Prosus

K-based fund manager Sean Peche has had enough of the brutal value destruction taking place at JSE index heavyweights Naspers and Prosus. He has no emotional attachment or position in either company, however, he believes South African savers are being done a terrible injustice. Naspers and Prosus, by virtue of their size, make up a considerable portion of the JSE All Share Index. As a result, South African pensioners and savers – which would be invested in local passive indexes – have large exposure to the investment-holding giants. Numerous capital allocation mishaps and billions of dollars in value destruction, Peche is calling for a change in leadership at the helm of one of South Africa’s largest businesses. – Justin Rowe-Roberts

On Prosus’ investment into Delivery Hero

“This really is what brought this company to my attention because as I said, we don’t own shares in Naspers and we don’t own shares in Prosus. But every day in our morning meeting, we just have a quick look at what the worst and best performers were the previous day. Delivery Hero was the worst performer in the world index one day and the next it was in the bottom 10. So, I wondered whether Prosus had bought some shares in Delivery Hero. I had a look on Bloomberg and they bought 27 million shares last year, with the last tranche bought in October. It cost them €3.8bn. In fact, they were so keen on this company that they applied to the regulators so they could increase its holding above 25. Now, the other day Delivery Hero issued a trading update, and we are talking to the period end-December, bearing in mind they bought in October. The market was so disillusioned, the stock dropped 40% in two days and is now down 60% on its investment last year, with a R3.1bn loss. This is value destruction on a monumental scale and they are supposed to understand this business. You’ll recall they tried to buy Just Eat in 2019 for around €5bn. Let’s remember, in 2020, when we were all sitting at home ordering takeaways because we couldn’t go to restaurants, Delivery Hero lost €1.4bn. And now there is more competition, there are more apps and you can go out. It just puzzled me what the interest is in this food delivery. I just cannot believe people delivering burgers on bikes is somehow technology. It wasn’t a surprise to me; I find it staggering that it was a surprise to Prosus and I didn’t have a €3bn bet on this thing.”

If the discount is permanent, what is the bet with Naspers/Prosus

“Probably Tencent. And you have to ask: How can these contractual claimants, those parties who sold businesses to Steinhoff in return for Steinhoff paper, walk away with the lion’s share of Steinhoff’s R25bn recovery proposal. Steinhoff refers to its announcement earlier today that Settlement Effective Date for the purpose of the Global Settlement is 15 February 2022 and confirms that the following steps were taken today pursuant to the Global Settlement:

• payment or initiation of payment of EUR 66m to the Hemisphere International Properties BV; and
• payment of the settlement funds for the benefit of the Settlement Funds Recovery Foundation, which will hold the settlement funds for the benefit of Market Purchase Claimants and the SIHNV contractual claimants which will be distributed following the Bar Date; • payment and initiation of payment arrangements in respect of Steinhoff’s contribution to the costs of the ACGs as required under the Composition Plan; • payment of EU $66m to the Hemisphere Facility Agent for application in discharge of an equivalent amount of indebtedness of Hemisphere International Properties BV; and • payments of cash and initiation of transfers of Pepkor Holdings Limited shares to the SIHPL contractual claimants that are required to be paid or transferred on or around Settlement Effective Date.

On the non-Tencent part of the portfolio

“It is staggering. I mean $4.7bn for Billdesk; they had $37m profit and those are unaudited accounts, so that’s 130 times earnings. Just to put it into perspective, that almost five $5bn is a third of the $14.6bn that they raised from selling 2% of Tencent last year. If you sell Tencent and use those proceeds to buy something at 130 times earnings, on unaudited accounts. If I’d known that, I would have said, “Listen, just keep your money in Tencent and we’ll take our chances with the Chinese Government and the VIE structures.” This is not a new market. We have an analyst who lives in India. They are way ahead of everybody else in terms of online payments, via apps and all the rest. In fact, the government is involved. So, I think the chances for profitability are far lower.”

Retail investors to receive compensation

Retail investors that held Steinhoff shares up to the close of business on 5 December 2017 can now apply to receive compensation. The amount of compensation will be based on the date Steinhoff shares were purchased and sold. It will be a fraction of the value of one’s shares prior to doomsday but it’s better than nothing. Be warned, the process is cumbersome. Investors have until midnight on 15 May to submit a claim. Steinhoff has initiated payments to contractual claimants; those parties who sold businesses to Steinhoff in return for Steinhoff paper, which essentially turned out to be monopoly money. These contractual claimants, including the likes of Christo Wiese, will make up the lion’s share of Steinhoff’s R25bn global settlement proposal. Steinhoff has noted that all pending legal proceedings have been withdrawn, and management will now focus on the operational assets within the stable while reducing debt to acceptable levels. – Justin Rowe-Roberts

Steinhoff International Holdings NV (“SIHNV” or the “Company”, together with its subsidiaries, “Steinhoff” or the “Steinhoff Group”) and the former South African holding company of the Steinhoff Group, Steinhoff International Holdings Proprietary Limited (“SIHPL”), provide the following update on Steinhoff’s settlement of pending litigation proceedings pursuant to SIHNV’s Dutch law composition plan (“Composition Plan”), SIHPL’s South African law s155 scheme proposal (“S155 Proposal”) and related contractual arrangements (“Global Settlement”).

Steinhoff refers to its announcement earlier today that Settlement Effective Date for the purpose of the Global Settlement is 15 February 2022 and confirms that the following steps were taken today pursuant to the Global Settlement:

• payment of the settlement funds required under the Composition Plan and the S155 Proposal to Stichting Steinhoff Recovery Foundation, which will hold the settlement funds for the benefit of Market Purchase Claimants and the SIHNV contractual claimants which will be distributed following the Bar Date; • payment and initiation of payment arrangements in respect of Steinhoff’s contribution to the costs of the ACGs as required under the Composition Plan; • payment of €66m to the Hemisphere Facility Agent for application in discharge of an equivalent amount of indebtedness of Hemisphere International Properties BV; and • payments of cash and initiation of transfers of Pepkor Holdings Limited shares to the SIHPL contractual claimants that are required to be paid or transferred on or around Settlement Effective Date.

Read the full article here

Listen to the full interview

Invest to Inspire
Trudeau and protesting truckers

You don't mess with truckers. Love 'em or hate 'em, they get a job done. They're the subject of a hilarious spoof by SLR this week in an imaginary telephone chat between the Canadian PM and the World Economic Forum head honcho. The truckers angrily believe Covid-19 vaccine mandates threaten their livelihoods and freedom and literally became a danger to shipping (i.e. land-based goods, the lifeblood of US/Canadian trade). Leaders of both countries were on their knees in frustration witnessing truck-choked key arterial highways, creating tinder for anti-government protests in both countries and copy-cat blockages elsewhere.

Trudeau eventually liberally applied his upper arm macaroni - narrowly escaped the torm of redneck, tattooed brekers, he loves how they put hypocritical, out-of-touch political leaders on the spot. Who doesn’t love a spot of political discomfort for out-of-touch elitist leaders? Leaders are unsure of whether SLR is a closet truck driver who writes books or a writer who drives trucks.

- Chris Bateman

By Simon Lincoln Reader

[ACTUAL TRANSCRIPT OF CALL BETWEEN KLAUS SCHWARZ, FOUNDER AND EXECUTIVE CHAIRMAN, WEF, AND JUSTIN TRUDEAU, PRIME MINISTER, CANADA]

SCHWARZ: "Troodough! Vut ze " are you doin zero?!

TRUDEAU: "Oh hi there, Your Excellency Lord High Chancellor, what I am doing? I was just by myself, planning on doing some kneeling just now as there are some cameras out...

SCHWARZ (Interrupts): "I am very much in pained to vutch you being completely outmuscled and outludised by viz smellly unvashed truck peoples! Remember ven you vzreachin ethils kode of konduct last two years? I tell you ven: if you vant to korruption, DO QVIELLY, same advice I am offer to ANC in Zousa Afrika (zey not listen eizer… is not problem because Davos guaranteed to selling 500 tiktik to impoverished governments departments for highest tier price includes food and drinking even ven forum is only on internet – duh!). Anyways vez voz P.A. Ye, yez, you are such disappointment. Ozer leaders doin EKZACTLY vot I am telling zem. Lust week, I sneek into Merika to check up on zat Valter Mitty Prime Minister in Vite Haus, and I see J Jill, sorry, quotation mit fingers, 'Doctor', Jill Biden playing aeroplane aeroplane viz ze spoons for feeding the President ze warm milk. Zee, my plan is work. He kontroll by ze younger, former WEF leader graduates – my children. Now, speaking of children, KRUSH VE TRUCKERS! KRUSH ZEM LIKE YOUR REAL FATHER KRUSH VE HOMOSEXUAL IN HAVANA!"

Alright, boys, that's enough already. I personally don't think Fidel Castro is Justin Trudeau's real father ... I'm more inclined to suspect it was Josef Frrtzl. Whatever the case may be, I believe the late poet Reimando Arenas – whose autobiography Before Night Falls documents the human rights abuses committed against gays and lesbians by Castro's regime – is looking down from the heavens none too impressed with Canada.

Yesterday, Trudeau unleashed a state of emergency on that country, accusing Freedom Convoy participants of terrorism. These powers extend beyond the usual emergency prescriptions and cheerfully venture into sweeping financial grabs. They are the type of things you would impose should ISIS or Al-Qaeda blitz a city like Montreal, but Trudeau prefers to have tea with, then pay those sorts of people lots of money, as is the case of Omar Khadr, whom he awarded $10.5m for killing a US Army sergeant in Afghanistan.

Trudeau is given a free pass by much of the world’s liberal commentariat, probably because he wears socks decorated with the symbols of Ramadan and sneers at or insults anyone he deems racist, despite having blacked-up in the old Kiwi polish more times than he – by his own admission – can remember. Despite having a series of odd jobs, including being a nightclub bouncer, Justin Trudeau's life has been one of exceptional privilege. It’s unlikely he's ever met a trucker.

The liberal commentariat, which in Canada's case is not owned but more strategically leased by Trudeau's government, really has done itself a mischief here. The vast majority of people are armed with qualifications, who've exited institutions where the prospect of a 'worker uprising' has been romantically encouraged. But in the face of an actual worker uprising, truckers in Canada have been met with ad hominem smears, 99.9% of which are demonstrably false, betraying the kind of fake leftist today's education standard demands its subjects build their lives upon.

This is how cool ends lands, not with a sudden bang but rather a series of desperate but no less breathtaking power snatches, like leaks from a container of acid.

How governments reacted to Covid-19

In this rationally argued treatise, the author says that the reaction of governments to Covid-19 has been to respond with panic and a one-size-fits-all, over-the-top 'solution' that has done far more harm than good. It's a bit like drilling down on the special cause of cyclical events as the data emerges and examining excess death history, the 'experts' have responded to the common cause, thus creating huge collateral damage to the financial and physical wellbeing of us all. It’s written by a smart and successful entrepreneur who himself – being in the more vulnerable upper age bracket – narrowly escaped death from the virus. Among the sledghammer-like responses he’s so critical of was heavy lockdown, blanket vaccination, and mask-wearing. As events and emerging data are increasingly downplaying these, it did little to mitigate viral spread. The data on age-related deaths strongly backs his thesis.

- Chris Bateman

By Ted Black

In early May 2020, in a piece on how the virus of misinformation leads to mismanagement, I linked it to the world's strange, panicked reaction to the Covid-19 virus, noting that UK numbers told us “people above age 65 never account for less than 85% of all deaths. The number at last count was 87%. That raises a question. Why couldn’t the rest of the population have gone to work? The worst that could happen is you die – but, based on evidence so far, probably won’t.”

Being among those in life’s departure lounge, it was tempting the fates. Six months later, this nasty virus struck my wife, thankfully not too badly, then me. With pneumonia, a burst lung and stressed heart, Death called me to the boarding gate.

However, highly competent doctors and warm, caring medical and nursing staff in Plett Mediclinic bumped me off for a later flight. We both caught the latest version of it a year later but it was no worse than a bad cold or mild flu. So, thankfully we didn’t croak. Even at my age you have a more than 99% chance of survival if you don’t eat and drink too much of the wrong stuff, or have a life-threatening illness. But if it hasn’t been as deadly as the fear mongers claimed it would be, the virus sure has hit the world with deafening, surrounding sound.

On that topic, Noise – A Flaw in Human Judgement is Nobel prize winner Daniel Kahneman’s latest co-authored book. After his 50-year focus on bias and its effect on decisions, now it’s ‘Noise’. He calls it unwanted variability caused by people and systems.

In law, judges’ rulings differ on similar cases. Medicus differs when they diagnose and treat illness. Decisions on issues in common made by government, business leaders and ‘the science’ all vary. He calls that system noise. It interferes with the flow of information and makes it tough for anyone bombarded by countless opinions and few, if any facts, to decide how to act in a way where gain exceeds costs. It’s especially hard to do in a crisis. You don’t have much time to think.

Kahneman says only a statistical approach helps. The trouble is we shy away from what we think is complex maths. It's his Statistical Process Control Chart (SPC Chart), one of the most important discoveries in management. Without grasping its true purpose, most managers view it as one of a bunch of tools used in process improvement programmes like Six Sigma and Lean. With most big, top-down change efforts, CEOs hire consulting firms to jamb them into their employees thinking that quick-fix training and brainwashing with the latest fad will improve a company’s health.
C

ounterpoint Value Fund manager Piet Viljoen shares his strategy on how to protect and build wealth during inflationary periods. Many money managers have not dealt with such macroeconomic headwinds, given that the last time inflation was this entrenched and sticky was over 40 years ago. Piet is sticking to his knitting, buying undervalued businesses and investing in commodity companies where the supply-demand imbalances are causing prices to skyrocket. The Counterpoint Value Fund is built on a ‘bundle of twigs’. Each twig is fragile and subject to volatility in its own right; however, when bunched together in a portfolio, is strong. - Justin Rowe-Roberts

Piet Viljoen on inflation being entrenched

The most important part of managing money in this environment is to try and protect your portfolio against inflation. ‘That is probably your main driver right now, as you point out, inflation is entrenched. We have the highest inflation level with us over 40 years and it’s eroding the purchasing power of your wealth.’

On oil being the primary driver of inflation

‘Inflation is the annual price increase, so if the price of oil goes up to $100 and stays there for a period – say for more than a year – then inflation will go zero. It’s not only the price increase itself that matters, but the rate at which it increases over time. But yes, oil has been going up for the past 12 months since the pandemic-related lows of negative $40 a barrel in March 2020 and has been going up consistently. It has affected the inflation numbers. But it is not only oil, it’s also labour. People have to pay more to employ people, especially in developed markets and the supply chains are constrained.’

On which sectors to be overweight in an inflationary environment

‘The historical data on that is quite mixed. It is clear energy is a definite hedge against inflation; in almost all inflationary periods in the past, it’s been the best performing sector. I think your strategy should be to invest in assets where the supply is constrained or limited because those companies that supply these assets will have the pricing power to some extent. So, one has to look at the supply situation for different products and commodities and where the supply is limited. I believe you’ve got a good chance of finding inflation-beating prospects.’

On where to be positioned in the market

‘In the last 10 to 15 years, this generation of fund managers has become used to buying quality companies that can control the price. Companies can pass on pricing to their customers because of the brand they have, because of the distribution power they have and because of the dis/inflationary period we’ve been living in. These companies’ margins are widening and widening. The market has been buying these companies up, causing their share prices to increase. Those are exactly the sort of businesses that will not protect against inflation going forward because of the impact on margins inflation will have. In other words, inflation will start eroding their margins and these companies might be able to pass on some of their pricing to consumers, but a large portion will be eaten up by increased input costs. Those are the sort of companies one should avoid. One should gravitate towards companies where for environmental, social and governance reasons – or other reasons – they are not allowed to expand their supply of the products they produce and where there is definitely a lot of demand. Think of steel and copper used in electricity generation in the drive to net-zero emissions. Steel and copper are very important. Iron ore and building infrastructure, this whole ‘build back better’ theme that seems to be topical post-Covid-19. There will be a strong push towards infrastructure spending, and all of those types of companies are constrained from expanding and have been for quite a while. So, to the extent that the world will need more of the product, it just won’t be available and to get that product, you are going to have to pay up.’

On what to do when a stock nears its fair value

‘Well, there is only one action and that’s to pay up.’

B

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INVESTING or RAISING CAPITAL GET IN TOUCH
Aveng analysis – patience is a virtue

By Justin Rowe-Roberts

Construction survivor Aveng posted a worse-than-expected earnings guidance, which caused its share price to dive 17% in a single trading day. Analysts and investors were spooked by the headline earnings figure, the primary measure of performance for Aveng, but there’s more than meets the eye. Long story short, there is a lot of noise in the numbers. In financial years 2020 and 2021, there were corporate actions that led to shares in issue increasing (rights issue) and decreasing (share consolidation). During all of this, subsidiaries were categorised from discontinuing to continuing, which further complicates matters. The accounting treatment for all of the above is far from straightforward. Lastly, restructuring and advisory fees on the above corporate actions may need to be factored in, too.

The sole reason for the 17% dive was because headline earnings per share is expected to be between 12c and 15c. The huge provisions that were reported, which were very conservative given all the uncertainties the coronavirus brought about in its infancy, have reversed into profits. This is the start of the interest rate hike cycle. Central banks globally are struggling to cope with inflation, which has been driven by excessive money printing and loose monetary policy, combined with supply chain disruptions owing to the pandemic. The banks share prices reflect this positive outlook (higher interest rate environment).

Nedbank's earnings guidance of R24 (using the midpoint of earnings guidance) are only 12.7% below pre-Covid-19 earnings (R27.50). With dividends reinstated following the interim results, Nedbank shareholders should be looking forward to receiving around an R8 final dividend if the dividend payout ratio remains consistent with pre-pandemic levels. The big question is whether one can extrapolate Nedbank's earnings beat to other banks. All have similar operations, at least the core retail units. It'll be interesting to note the performance of the banks' assets management and investment banking arms, as we've seen bumper profits from these divisions by international peers. Although the business reforms are made, it could pave the way for consolidation is almost complete, head office costs – which remain hefty – have room to bring down debt further. Given that Trident has become profitable and this is not a 'fire-self' scenario, management should be able to fetch a market-related value for this asset. The two core business units remain Moolmans and Australasian operation McConnell Dowell.

Trident is not in the company's future plans, evidenced by page three of Aveng's latest annual report. "Our strategy is to be an international infrastructure resources and contract mining group operating in selected markets and capitalising on the expertise and experience of McConnell Dowell and Moolmans. The core businesses, McConnell Dowell and Moolmans, represent the Group's future. Both are on a path of profitable long-term growth, with strong order books sustained by sound growth prospects in their markets."

The bull case for Aveng is in the hands of next week's interim results, which will be telling. McConnell Dowell has grown a strong order book but is still dealing with legacy issues. Moolmans continues to benefit from strong commodity prices and the net positive effect of this on mining capital expenditure will be a tailwind for the business. Given all the restructuring efforts and that group consolidation is almost complete, head office costs – which remain hefty – have room to come down significantly. There are also huge tax losses from previous years.

Patience is a virtue. The full interim results may provide us with a more detailed understanding of the numbers.

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Nedbank earnings, financial sector health

By Justin Rowe-Roberts

The financial sector has been one of the best-performing equity asset classes in the past 12 months, buoyed by a stronger than expected economic recovery. In the last quarter, owing to two 25bps hikes at the previous two Monetary Policy Committee meetings. This has increased the repo rate to 4%, which has a direct knock-on effect on the prime lending rate, the interest rate at which banks lend to customers with good credit scores. The prime lending rate in South Africa currently stands at 7.5%. These interest rates are core to banks profitability. On the 18 November 2021, the day South African Reserve Bank chairman Lesetja Kganyago, I spoke to banking analyst Kokkie Kooymann and the lending rates effects on the business, and he had this to say: Just a quick calculation. I took Absa as an example. If we take just a 25-basis point hike in interest rates, it means excessive earnings growth without anything else after tax will be 12% higher. It is simple: the Reserve Bank hikes interest rates by 25 basis points, Absa's earnings will be 12% higher. However, it doesn't quite happen that way because the cost of funding also increases, so you can see how high-interest rates improve the top line. Usually, why banks do better is because the funding costs lag. You first get the revenue impact and then the cost impact coming through. And then, a large part of the balance sheet of banks' funding that doesn't re-price. Just think of your mortgage lending that re-prices, on the business.

Nedbank Group CEO Mike Brown during the company's 50th anniversary listing on the JSE on August 28, 2019 in Sandton. (Photo by Gallo Images/Business Day/Freddie Mavunda)
Andrew Goodhead is travelling to the upcoming BizNews Conference in the Drakensberg by riding all the way from Cape Town on his solar-powered e-bike. BizNews founder Alec Hogg caught up with Goodhead to find out more about this adventure.

Andrew Goodhead on travelling to the BizNews conference on an e-bike

“I really enjoy BizNews. I have always wanted to attend the conference, and it was on a long day at work that I decided it was time to go, but I needed an exciting way of getting there. I love cycling and tour cycling is my passion. It’s quite a phenomenal opportunity to go slow enough to experience the surroundings but fast enough to get there. Tour cycling is a big thing. It involves carrying all your equipment on your bike, almost like hiking, but you’re on the bicycle.”

En route, charging the e-bike with a solar panel

“I’ll be pedalling the whole way, but I’ll have some assistance. I’m going to be riding an e-bike with a difference; I’ll be towing a solar panel behind me, which will charge the battery as I ride, make it a bit faster and that will give the sort of off-grid e-bike experience. You do get petrol-powered assistance. They are known as the old mopeds, but this is a battery-powered electric bicycle. A standard e-bike lasts about 30–40 km until the battery drains. I’m going to be cycling 220–230 km per day. I don’t have the time to wait for the batteries to charge, and there isn’t a grid to plug it into in the middle of the Karoo, so I’ll be carrying the charging capacity in the form of solar panels.”

On speed

“I can travel up to about 50 km/h. At speed, my legs start spinning but I’ll try to maintain a speed of about 25–30 km. That would put me on the saddle for about eight hours a day; if I go any slower, the sun will set before I get to my bed. I haven’t done that much training but I have done a lot of cycling in my life, cycling to work every day and sometimes on weekends.”

On accommodation with the BizNews tribe

“I will be staying with BizNews community members. The BizNews tribe has been very generous in offering accommodation. I think they will be more grateful for me having a hot shower than me.”

On exploring bridges, road surfaces and SA mountain passes

“I’ll be sure to listen to the BizNews Power Hour as that is a routine in my life anyway and it will keep me going. Then South Africa is a beautiful place with beautiful people. I want to take in the scenery, chat with all the people I meet en route and take special note of some features along the way. I’m a civil engineer and find bridges quite fascinating, so both the bridges and the road surface will be of particular interest to me … and my bum. There is an old technique called dry packing whereby they don’t use any cement, it’s just the friction of the rocks. Unfortunately, it’s a phenomenal art, which we’ve lost. There’s an entire website dedicated to the mountain passes of South Africa with their historic write-up and I will be passing through a few. One of the big ones is the Ouëberg Pass from the Tankwa Karoo up into Sutherland. It’s a big hill, I’m excited to just slog it out.”

On the usage of the solar charging capacity

“I’ll be towing 2.5 square metres of solar panel, which means that the collection capacity will give me about 360 watts at peak performance.”
What sets Ingwe’s projects apart

Ingwe Estate offers exclusive secluded, off the grid living in a haven of secure wilderness. Alec Hogg chats to Inex Developments director Morgan Morris for more on the Southern Cape project.

Morgan Morris on Ingwe Projects’ offering
“Ingwe is a 100-hectare site. It’s got rural conservation rights, which is quite unusual for any part of the country, especially the Western Cape. On a very limited scale, it allows us to develop a site and secure it with its rights for 30 plots. The whole idea is that we conserve as much as possible without interfering with the natural landscape. By and large, the type of buyer who comes forward is looking for exactly what we’re offering; off the grid, the silence of a mountainous environment, surrounded by greenery and birdlife and even the fauna and flora we have around the estate. That is who we are catering to. We’re hoping for people’s uptake on this because it is what they’re looking for as opposed to the big city life.”

On cultivating basic supplies within reach
"From the low point of entry into Plettenberg Bay, Ingwe is 12 km away. Big supermarkets like Pick n Pay and Checkers are 12 km away. However, convenience shopping – the basics, bread and milk – is about 2 km away. With the permaculture and all the growing we’re going to be doing on the farm, there is no need to buy tomatoes, potatoes, onions, etc. We are going extensively into permaculture so that there is self-sustainability and, of course, our water is natural and we have plenty of it.”

On security
“We are surrounded by a perennial stream-stroke river, which we have dammed and that forms a border on the north and northeast sides. On the east and southeast sides, we have a jungle forest and we are electrifying right around the perimeter. There will be one security entrance, in and out and we will have cameras. We will have guards but we’ll leave that up to the homeowners to decide. We are also willing to install cameras in strategic positions. It’s incredibly difficult to get onto our land. You’ve got to be somebody living on the estate or something that lives in the trees to enter. With the security we are putting in, it’s going to make it almost impossible.”

On the cost of purchasing a plot
“We have the plot and plan [model]. Regarding purchasing internally, plots are between R2.5 and R6m, with 360-degree views from the sea to the mountain range in the north and then south towards Plettenberg. Once the purchaser designs the house with the architect, we cost it and the process is very easy. We have got five top builders from George through to Saint Francis and PE who will quote, based on what we have already put forward, which is a bill of quantities from the architect. The buyer selects their builder of choice; somebody they like and want to work with. We project manage that process. My partner, Craig Young, is going to live on the estate while this – together with the civil works and the road infrastructure – is carried out. The value they get is really what it’s all about: peace and quiet, off-grid living, uninterrupted electricity, water and air that is pure, the birds singing you awake in the morning and putting you to sleep at night. This is the quality of life people look for. But over and above that, we are self-sustainable. There are mountain-bike rides, walks, dams to paddle in and swim. There is a clubhouse with sporting facilities, tennis, squash, lap pools, a gym, and a yoga and Pilates studios. The whole infrastructure is part of the levies. The food programme we’re rolling out is done by professional people who are getting seeds that are unaltered. Anything that is over will be sold or given away. The lifestyle of bringing up children here, of having just 29 neighbours, is quite special. A lot of people long for this type of life.”

On what sets Ingwe projects apart
“Through Covid-19, people realised they can work from home. Every one of our homes will cater for working from home. It is not that easy to get the zoning we’ve got and the rights we have in place. We aim to keep as much as possible untouched. There are golf estates, with 180-degree views. But I have my doubts as to whether they have the rights we have and are off-grid. We want to attract those buyers who need the security of knowing they have electricity 24/7; that they have a concierge service able to take them to the airport, pick them up, take them out at night if they want to have a few drinks with friends, pick them up, clean their house etc.”

Listen to the full interview
Linebooker changing logistics industry

Linebooker, South Africa’s leading freight platform, is changing the logistics industry. To date Linebooker has signed up some of the biggest names in the country’s economy as customers and transporters.

Linebooker’s cloud-based freight matching platform allows customers to connect with all the top transport companies in SA (481 transport companies and 15,455 trucks, fully vetted and approved). Customers can manage their current transport providers with efficient technology, or request fixed-lane rates, via the Linebooker platform with service level agreements in place (SLAs). Linebooker’s bidding platform supplements this with on-demand booking of trucks within 30 minutes.

Customers to date have improved their business efficiency in four areas:

- 30% savings in managing transport operations and administration using technology
- Significantly improved vehicle supply during seasonal periods = 99.3% with high volumes
- Significantly reduced lane rates
- Data and reporting visibility

Access to over 15,455+ trucks, offering four tech solutions to choose from or use in combination. This technology has allowed customers to save money on their logistics costs, streamline their load allocations, and facilitates complete transparency. It also allows them to monitor and manage their load status anytime. Businesses can choose from the following options or a combination of them:

1. **Procurement and tender platform:**
   - Procurement teams can run an effective tender request for proposal (RFP) process to the current 481+ fully vetted and approved transporters on the system. Reduce procurement time and effort and enhance competition!

2. **Allocation platform:**
   - Use the tailor made tech platform for your business, formatting the platform to suit your requirements and easily manage your current transporter base. All your transport data is transparent and at your fingertips!

3. **Bidding platform:**
   - Use the Linebooker bidding platform to quickly send load requests to all the vetted and approved transporters on the platform – 15,455+ plus trucks. Find and book trucks in 30 minutes. This is a great option for spot freight tendering!

4. **Outsourced operations:**
   - Linebooker handles and manages all load executions, from pick up to delivery, service level agreements, insurance, route updates, and admin and payments to transporters. No more multiple vendor payments!

Linebooker’s technology allows customers to manage their entire supply chain from planning to execution. 274+ blue chip customers, mega farmers and mining, large and small companies 481+ of SA’s top Transport companies – fully vetted and approved 15,455+ trucks available 98% year-round truck availability 14% average savings delivered to customers

**Procurement and tender platform**
- Procurement teams can run a tender process to 480 plus of the top transport companies in SA, fully vetted and pre-approved, in record time. Search the Linebooker database and select the best vetted and pre-approved transport service providers per route to invite to your tender process.

**Allocation platform**
- Linebooker’s technology can be set to incorporate your current base of transporters. It will convert your business’ logistics operations immediately onto a tech platform to create transparency, streamline transport operations and save money and time. It minimises risks by allowing you to plan and allocate loads efficiently to your selected transporters.

For instance, plan and allocate 100 loads in 10 minutes according to your selection criteria. All details related to the load, including its details, are kept in real-time. You can also choose to let the Linebooker team oversee all operations, risks and payments according to your service level requirements (SLA).

**Bidding platform**
- Use the original Linebooker bidding platform to send load requests to 15,455 plus trucks and book trucks in 30 min from load request. Reduce your transport spend by around 14% and limit facing vehicle supply issues. Linebooker manages all operations, insurance risks and payments to transporters and you always get the lowest market rate available.

**Outsourced operations**
- Linebooker has a fully-fledged operations team and handles all load executions, from pick up to delivery as per service level agreements, insurance, admin and payments to transporters.

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www.linebooker.com