Billionaire drops R90m project

Five years into a 25-year, groundbreaking biodiversity research project in the Karoo that cost R82m to set up, its billionaire main sponsor lost interest and, over breakfast one morning in January 2021, pulled the plug on it all. (He had shortly before hinted that he would rather have liked to use some of the R60m he’d invested in the Karoo project to buy a small hotel on a Greek island where he’d recently spent a happy holiday). With that, the project that enjoyed international recognition and had taken years to set up (with funding from inter alia the Development Bank’s Green Fund and the Global Environmental Facility of the World Bank) was instantly and irretrievably laid to waste, triggering a legal war of attrition that has been raging for the past year. This week, a summons was issued in which the project managers are claiming R79.7m in damages from their once most-favoured sponsor.

By Martin Weiz (Part One)

“... [the Parties] shall not make any oral or written defamatory or derogatory statements about the other parties to any third party [person], nor shall they solicit any third party to make such defamatory or derogatory statements [...] which are intended or reasonably likely to disparage the other party or otherwise degrade the other party’s reputation.”

When the same ‘Parties’ are then required to undertake to ‘engage in good faith, collegiately (sic) and collaboratively going forward’, you may safely assume those three worthy sentiments have been notably lacking between them.

All these classic clauses appear in a proposed settlement agreement drafted in May last year by Cape Town attorney Andy McPherson – of the firm Smith Tabata Buchanan Boyes (STBB) – on behalf of his billionaire client, one-time fund manager Timothy Allsop (Nedbank, Polaris Capital, Abax Investments). Allsop had some years back emigrated to Bath in England while a significant part of his fortune migrated to Mauritius. (“The political background is giving me the heebie-jeebies,” he explained in a letter. The ANC’s threatened Expropriation without Compensation was a particular concern.)

Before emigrating, Allsop set up a non-profit trust, the Tamarkin Trust, of which he was a trustee and which features prominently in the story we are about to relate. The other party who was supposed to sign the agreement – but chose not to – is medical doctor, environmental researcher and activist Dr Bool Smuts, in his personal capacity and as a trustee of the Landmark Foundation Trust.

In the story we are about to relate, before emigrating, Allsop set up a non-profit trust, the Tamarkin Trust, of which he was a trustee and which features prominently in the story we are about to relate. The other party who was supposed to sign the agreement – but chose not to – is medical doctor, environmental researcher and activist Dr Bool Smuts, in his personal capacity and as a trustee of the Landmark Foundation Trust.

In our reports on the baboon and porcupine case, some three years back emigrated to Bath in England while a significant part of his fortune migrated to Mauritius. (“The political background is giving me the heebie-jeebies,” he explained in a letter. The ANC’s threatened Expropriation without Compensation was a particular concern.)

Before emigrating, Allsop set up a non-profit trust, the Tamarkin Trust, of which he was a trustee and which features prominently in the story we are about to relate. The other party who was supposed to sign the agreement – but chose not to – is medical doctor, environmental researcher and activist Dr Bool Smuts, in his personal capacity and as a trustee of the Landmark Foundation Trust.

In our reports on the baboon and porcupine case, some three years back emigrated to Bath in England while a significant part of his fortune migrated to Mauritius. (“The political background is giving me the heebie-jeebies,” he explained in a letter. The ANC’s threatened Expropriation without Compensation was a particular concern.)

Before emigrating, Allsop set up a non-profit trust, the Tamarkin Trust, of which he was a trustee and which features prominently in the story we are about to relate. The other party who was supposed to sign the agreement – but chose not to – is medical doctor, environmental researcher and activist Dr Bool Smuts, in his personal capacity and as a trustee of the Landmark Foundation Trust.

In our reports on the baboon and porcupine case, some three years back emigrated to Bath in England while a significant part of his fortune migrated to Mauritius. (“The political background is giving me the heebie-jeebies,” he explained in a letter. The ANC’s threatened Expropriation without Compensation was a particular concern.)

Before emigrating, Allsop set up a non-profit trust, the Tamarkin Trust, of which he was a trustee and which features prominently in the story we are about to relate. The other party who was supposed to sign the agreement – but chose not to – is medical doctor, environmental researcher and activist Dr Bool Smuts, in his personal capacity and as a trustee of the Landmark Foundation Trust. BizNews readers have met him before in our reports on the baboon and porcupine case.
Part 2: A bitter legal war of attrition

A groundbreaking biodiversity research project in the Karoo that had cost R82m to set up, came to nought when, less than a quarter way in, its main sponsor, billionaire fund manager Tim Allsop lost interest. Over breakfast one morning in January 2021, he pulled the plug, triggering a legal war of attrition that has gone on for a year with no fewer than eight court applications brought by one or other of the parties. A letter Allsop wrote to his co-trustees in August 2018 shows that already then, his focus was shifting away from the research focus of Smuts and the Landmark Foundation. His focus was on finding a way to avoid the ANC’s threatened expropriation without compensation. This [Last?] week, a summons was issued in which the Landmark Foundation and Dr Bool Smuts (pictured on the right) are claiming R79.7m in damages from their once most-favoured sponsor.

By Martin Welz (Part Two)

As related in the first instalment that appeared yesterday, billionaire and one-time Microsoft founder Paul Allen is claiming $302m in damages from his once most-favoured sponsor.

He advanced the required R60m to his Tamarisk Trust that bought the farms and then, in turn, leased them to the Landmark Trust.

If you have not read the first instalment of the story, we suggest you do so now, here.

In an email letter to his Tamarisk Trust co-trustees, written in August 2018, Tim Allsop had lots of good things to say about the Landmark Foundation’s Shepherding Back biodiversity Project (SBBP). Some extracts:

“Tamarisk’s farm interest have come a long way since purchase in middle 2015, but Kroonholvoog, the 100% owned operating company […] has had such large capital spend requirements for building renovation, solar power water pumping equipment etc that it has not even been able to pay the lease. […] This is partly the result of start-up delays, massive stock losses due to predation in 2016/17. [30% of lambs were lost before weaning, as shepherding had still to be introduced.]”

“Notwithstanding the precarious state of finances, I am encouraged by the progress made in the use of shepherds to protect and drive the herd (note that not one animal has been lost to predation since shepherding began in early 2017). Moreover, it appears that the steady removal of fencing and trampling of the veld by the herd is having a positive effect on the veld condition. "Other contributors to Landmarks Shepherding back biodiversity project, (the Development Bank of SAs Green Fund and the World Bank) have both expressed their satisfaction – the latter pointing to the ‘relevance’ of the project.

"From my perspective, the concept of creating a vast rangeland with no fences, where game moves freely and in balance with a livestock herd to enhance biodiversity is an appealing story. The involvement of shepherds has been effective in nullifying predation losses and there has been employment creation and an up-skilling of these workers with a commen-

In December 2021, US inflation hit 7% - its highest since 1982! Prices are rising everywhere. Interest rates are moving upwards. Investors are starting to worry how this will impact stock markets globally. How do you preserve your wealth in a world of volatility and uncertainty?

We have the solution

Real estate is regarded as an inflation hedge – particularly medical commercial real estate in the US. Especially if your local currency is projected to depreciate over time.

Economic growth may come and go – but injury and disease are always with us. Demand for medical care never stops.

When we buy a medical office building on behalf of investors, we lock in interest rates on the debt, but we can increase rentals on lease renewals in line with inflation. The income stream grows in real terms, and the building appreciates in value during the investment period, delivering capital growth for you.

Join thousands of OrbVest investors around the world enjoying regular dividends in US dollars of between 7% and 9% per annum cash on cash and a potential IRR at the end of the investment period of 10% to 17%.

Medical real estate in the US is a resilient, growing sector. We make it simple for you to invest in it, so you can protect and grow your wealth.

ORBVEST SA (PTY) LTD is an authorized Financial Services Provider.

Download the free BizNews.com App

Click on the links below to download your own free BizNews.com App

Click on the links below to download your own free BizNews.com App
For the last two years, South Africa has been in a constant national state of disaster, granting the government extraordinary powers. Despite speculation that the world's longest lockdown would finally come to an end on Tuesday, 15 March, a short Tweet at 9am from the Co-operative Governance and Traditional Affairs Ministry put that notion to rest. The national state of disaster—which keeps several Covid-19 regulations in place—has been extended by yet another month. Prof. Dewald van Nierkerk, head of the African Centre for Disaster Studies at the North West University, believes it won't be the last extension. He admits that if anyone had told him three years ago that South Africa would be in a constant state of disaster for over 24 months, he would have called them a liar. I asked Van Nierkerk whether we are still in what could legally, or otherwise, be considered a state of disaster. No, is the simple answer. But nothing about how the government has managed Covid-19 has been simple, terribly logical, or transparent.

There is a trust deficit between society and government that makes us almost incapable of accepting that what is proposed is for the common good. Who's getting a cut? Who stands to benefit? Which cadre is getting rich? These cynical—although not completely unwarranted questions—persist. It didn't take long for the Democratic Alliance and other opposition parties, civil society organisations and NGOs to announce their intention to legally challenge the extension.

The DA tweeted, “The extension of the National State of Disaster is nothing but a power grab in order to continue to give ANC comrades easy access to Covid-19 funds, and to trample upon Constitutional rights.” Van Nierkerk points out that this legislation has been challenged numerous times and has proven rather robust before the courts. — Michael Appel

Prof. Dewald van Nierkerk reacts to extension announcement “I don't think it should come as a big surprise to any of us. The state of disaster has been extended so many times before, and the reason given is that the Covid-19 regulations must stay in place. Since the previous call for the discontinuation of the state of disaster, we haven't seen the government move significantly on putting these regulations under any other legislation. That is the main reason why we find ourselves in this position once again.”

On whether we’re technically still in a disaster “If we look at the definition of a disaster, which would govern the state of disaster, we cannot justify why we find ourselves in a state of disaster; not if we apply the letter of the law. The difficult portion is the risk associated with the Covid-19 pandemic. We still need to manage an unknown future and, in order to do that, the Disaster Management Act as it has always been very progressive in the sense that it allows us to be more proactive than reactive in our actions.”

On Ramaphosa’s recent statements he’d like to end the State of Disaster “They started talking about the transition out of the state of disaster towards the end of last year. If they developed new regulations under the Health Act, it gave them at least a three-month period of consultation. That is the normal period under the Health Act. It can be fast-tracked. I think government had ample time to put these measures in place. I believe the process must just run its course. But as we have seen with government, there’s a fair amount of feet dragging happening and we consult until death... with the wrong groups sometimes.”

On ever expecting it would be extended so often “I would never have thought we would be in this situation. When we drafted the Disaster Management Act, the discussion was about our worst-case scenario and we had to promulgate a state of disaster. This discussion was held at all three levels of government. The focus was on drought at the time. We looked at if we could not do what was required on a national level within three months, to extend it on a month-to-month basis, up to probably six months maximum. Never in my wildest dreams would I have imagined it would be used for the extension on a month-to-month basis 22 months later.”

STATE OF DISASTER EXTENDED... AND UNLIKELY TO BE THE LAST

The swift reaction by the tactical teams and SAPS are investigating the incident.

The offensives managed to get away; a fuel tanker and bakkie were impounded. The Hawks and the SAPS are investigating the incident. The swift reaction by the tactical teams averted disruption in the security of supply to the Gauteng market and any potential environmental damage,” said Phillips. That the pipeline is continually under siege from criminals is not an overly dramatic notion. As Phillips points out, there have been three attacks on Transnet Pipelines’ infrastructure in the past week. “The pipeline is classified as essential infrastructure; therefore, tampering or colluding to tamper is a Schedule 5 offence in terms of the Criminal Matters Amendment Act, Act 18 of 2015. The dedicated team from the Hawks, SAPS Crime Intelligence, State Security Agency, the National Prosecuting Authority and local SAPS services will ensure any offender will be charged and prosecuted as per the act,” she said. De Beer owns several filling stations in and around Harrismith and explained the problem of syndicates selling diesel below market rates is well known in the industry. Meanwhile, Transnet has appealed to petroleum retailers and the public to “refrain from buying fuel from unregistered traders”.

State of Disaster extended. AGAIN

By Michael Appel

L ast week, we interviewed BizNews community member Emile de Beer who went to the site of a massive diesel spill near Verkykerskop in the Free State after a Transnet block valve chamber was damaged by criminals. Tens of thousands of litres of diesel poured out of the high-pressure multi-product pipeline into the surrounding farmland, ultimately seeping into the Meul River near Harrismith. De Beer says, to his knowledge, this is the second incident of criminality taking place at the same block valve. He explains criminals arrive with a fuel tanker, jack up the concrete lid of the block valve and insert wooden stents to enable them to connect a pipe to the valve. As it’s a highly pressured pipeline, things often go wrong and this is one such example. Transnet Pipelines’ Michelle Phillips, said in a statement their focus over the coming days will be containment and recovery of the product after which rehabilitation will begin. “The emergency response teams are still busy with the recovery and containment of diesel in the Meul River, near Verkykerskop, en route to Warden. The teams have placed preventative booms downstream from the incident site and absorbent booms along the river. The adverse weather conditions are hampering operations but the teams are confident that the strategically placed absorbents and booms will prevent the further spread of diesel.” De Beer, who kindly shared his images with BizNews, pointed out that the environmental damage could be extensive as the Meul River flows into the Wilge River, a tributary of the Vaal River. “Farmers use that water for irrigation. So, everybody has been affected by this. Hopefully, this can be cleared up quickly and efficiently. But I think there is so much diesel that has already gone into the river that you cannot get all of it. It’s not nice to see,” said De Beer.

If this incident wasn’t bad enough, in the early hours of Saturday morning last week, three days after criminals hit the pipeline near Harrismith, another attempt to siphon diesel from Transnet’s pipeline was detected, this time in Koozulu-Natal. “Alertness from the tactical response teams prevented theft in progress on the multi-product pipeline between Durban and Heidelberg, in the Mooi River area. While the
Koeberg has disgraced itself – Kenny

E
evry bit of hard evidence points to two things when it comes to grinding the wheels of public service to a halt in South Africa: if it’s not corruption, it’s incompetence. Koeberg, a marvel of smooth electricity generation owing to strict international regulations eliminating corruption, shut down Unit 2 in January and will only have it back up and running in midwinter. The reasons why illustrate that the moment any maintenance or repairs are required – or a tender is involved – it opens the door for potential corruption and things go sideways. If corruption wasn’t to blame, then it’s pure ineptitude. Koeberg didn’t do the most rudimentary preparation to enable the foreign tenderer to do its work, hence the delay. Globally, this is routine maintenance work. But we couldn’t even do the basics. Add the Ukrainian War choking global oil and diesel supplies and ... well, we’ll just have to keep our own home fires burning come winter. Story courtesy of the Daily Friend. – Chris Bateman

By Andrew Kenny
Koeberg has disgraced itself. It has just shown almost unbelievable incompetence, as if its senior management does not know what it is doing.

I must emphasise that this blunder presents no danger at all, either to Koeberg workers or to the local public. This is not a safety matter but it is an operational matter, and it hurts all the more since Koeberg up to now has had a good operational record.

It is the best power station in South Africa and, where the coal stations have been failing all the time, resulting in blackout after blackout (sorry! load-shedding after load-shedding), Koeberg has been quietly producing large amounts of cheap, clean, reliable electricity. It still promises to do so but it has stumbled badly.

Koeberg has two units of 960 MW each. On 18 January 2022, Unit 2 went down for maintenance and refuelling (which takes place every 18 months), and also a big modification: the replacement of its three steam generators (SG) with new ones. The replacement was decided upon in 2010. Koeberg had 12 years to prepare for this routine modification, which has been done on many similar nuclear reactors round the world.

When the French contractor, Framatome, arrived on site, they found Koeberg had not made one of the most obvious preparations. Framatome was horrified. So, the replacement has been postponed until the next outage.

Koeberg has two units of 960 MW each. On 18 January 2022, Unit 2 went down for maintenance and refuelling (which takes place every 18 months), and also a big modification:

A boundary sign on Melkbosstrand beach outside the Koeberg nuclear power station, operated by Eskom Holdings SOC Ltd, in Cape Town, South Africa. Photographer: Dwayne Senior/Bloomberg

GOLDEN VISA PORTUGAL

A last chance for an exceptional investment opportunity at €350k

Brought to you exclusively by Sable International – a singular qualifying investment for the Golden Visa in the Rebello luxury hotel in Porto. The latest venture from experienced property developers with a proven track record of success.

Speak to our team, the Golden Visa market leaders, to find out how our services of wealth management, foreign exchange, tax and accounting, immigration and nationality all work together to provide you with an exceptional experience from start to finish.

No hidden costs
No transfer duties and taxes
Hands-off investment

The minimum investment amount will be raised to €500k in a few months, so it is essential to seize this phenomenal investment opportunity while it is still available.

Get in touch for an obligation-free consultation
im@sableinternational.com
+27 (0) 21 657 1584

NO TRANSFER DUTIES AND TAXES

NO HIDDEN COSTS

HANDS-OFF INVESTMENT

THE MINIMUM INVESTMENT AMOUNT WILL BE RAISED TO €500K IN A FEW MONTHS, SO IT IS ESSENTIAL TO SEIZE THIS PHENOMENAL INVESTMENT OPPORTUNITY WHILE IT IS STILL AVAILABLE.
I n this Fireside Chat, Dirk van der Walt discusses the rise of WeBuyCars, his disdain for school and his love of literature.

Dirk van der Walt on the rise of WeBuyCars

“My brother Faan bought and sold vehicles 22 years ago while he was still at school. Buying bargains listed in junk mail was a completely different world back then. People would advertise their vehicles in the local newspapers and buy and sell vehicles amongst themselves. Faan started bargain hunting and buying those vehicles. Then he went to college and continued doing that. By the time he left college, he had an accumulated capital of R65,000. At that stage, I was studying marketing and communication management and had my day job. I lost that job and Faan said: “Come work with me for the last two months before I leave for the UK, and we’ll see what happens.” That first month, I earned twice what I earned at the previous business because the synergy between what we were doing worked out very well. Faan and his wife left for the UK and surprised me with a bit of cash to carry on the business. For the following two years, I was on my own. During that time, the market changed completely. The queue at the junk mail for people buying parrots or furniture or whatever became very long and the competition increased. Many people lost their jobs, took packages, and everybody was trying to do what we do. We needed to swiftly change tactics and that was when we started advertising what we were doing.”

On why many Afrikaners have become hugely successful entrepreneurs post-1994

“Afrikaners had a mindset of fighting for security. My father went into the civil service and he was told by his mentors that you can’t get promoted. After a while, they want not to get promoted. After a while, they want to know why. Then you ask them how many books they’ve read.”

On Benjamin Zander’s notion of becoming passionate communicators, leaders and performers

“We now have more than nine branches and six more opening within a year and a half. So, it’s really a different story now. I played the Benjamin Zander video to the salespeople. It is curious that you mention Benjamin Zander because I was trying to show them what it’s like when someone is on fire, when someone has passion, spark and a bit of flair. I said to the salespeople: ‘See if you can somehow get a little bit of that, to live, to have passion.’ That is why I believe it’s important to spend time with people and to impart energy, give them something and a little warmth. You cannot be everything to everybody. There will always be a couple of people who stay behind and do not get promoted. After a while, they want to know why. Then you ask them how many books they’ve read.”

SA’s applaud Helen Zille’s 2024 strategy

By Sharidyn Rogers

H elen Zille, federal chairperson of the DA was a keynote speaker at the BizNews conference in the Drakensberg at the beginning of March 2022. She discussed South African politics and the war of ideologies within the ANC and the country as a whole.

Zille, never a shrinking violet, told delegates that trying to paint a picture of where South Africa is going politically in a 20-minute talk, is “a hell of a tall order.” However, rather than having a crystal ball, she says her duty is to spot trends, to see where the forces are driving our society, and then try to move those forces in the right direction.

“We certainly aren’t victims of history, we shape history.” But it is good to understand where the forces driving our society are leading it and then it’s crucial to know where you have to put your lever and position your fulcrum to move it in the right direction. She went on to quote the Greek mathematician Archimedes who said, “Give me a lever long enough and the country as a whole. There will always be a couple of people who stay behind and do not get promoted. After a while, they want to know why. Then you ask them how many books they’ve read.”

On staying out of debt

“The most important mindset at WeBuyCars and how we came into existence in the first place was we were absolutely [petrified] of debt because my father had always been in debt. For that reason, we made a principal decision to never get into debt and we never did. Initially, Faan started with a motorbike. I can’t remember the exact amount he bought it for. We started small and it went organically from there. Faan can tell you every single unit up until the point where it split into two units and then more and more. Halfway through the lifetime of the business, we were still driving the 1987 Toyota Corolla 1.6. Wonderful car, by the way.”

On Benjamin Zander’s notion of becoming passionate communicators, leaders and performers

“We now have more than nine branches and six more opening within a year and a half. So, it’s really a different story now. I played the Benjamin Zander video to the salespeople. It is curious that you mention Benjamin Zander because I was trying to show them what it’s like when someone is on fire, when someone has passion, spark and a bit of flair. I said to the salespeople: ‘See if you can somehow get a little bit of that, to live, to have passion.’ That is why I believe it’s important to spend time with people and to impart energy, give them something and a little warmth. You cannot be everything to everybody. There will always be a couple of people who stay behind and do not get promoted. After a while, they want to know why. Then you ask them how many books they’ve read.”

Listen to the full interview
FOLLOWING THE BUDGET SPEECH IN FEBRUARY, THE SA RESERVE BANK SIGNIFICANTLY AMENDED THE OFFSHORE ALLOCATION LIMITS FOR RETIREMENT FUNDS. UNTIL THIS ANNOUNCEMENT, RETIREMENT FUNDS WERE ONLY PERMITTED TO INVEST UP TO 30% OF THEIR ASSETS IN OFFSHORE MARKETS WITH AN ADDITIONAL 10% PERMITTED FOR INVESTMENT IN AFRICA. FOLLOWING THE LATEST AMENDMENT, RETIREMENT FUNDS ARE NOW PERMITTED TO INVEST UP TO 45% IN OFFSHORE MARKETS. THE NEW 45% LIMIT IS ALSO NOT CONSTRAINED BY SEPARATE LIMITS FOR AFRICA, THUS ALL 45% CAN BE INVESTED OUTSIDE THE AFRICAN CONTINENT.

As shown below, there has been a gradual relaxation of foreign exchange controls since 1995 with the latest change being one of the most material increases on record. Retirement Funds now have an additional 15% to invest offshore if they so choose.

Accordingly, what are the potential implications that we, at Corion, think will have the biggest effect on the local investment landscape?

Firstly, it’s important to note that not all funds will be impacted equally. Some funds are designed to consume very little risk and are averse to being exposed to currency volatility. These are generally the more conservative, low equity and income focused funds. By contrast, the funds that are focused more on long-term capital growth, which are the majority of South African funds, will be impacted significantly. We believe the five most material consequences for the local retirement savings industry are:

1. Improved Diversification
   Having access to more investment options will lead to better investment outcomes. Investors will be in a better position to diversify away from South African idiosyncratic risks. They will also have greater access to companies, sectors and strategies that are not prevalent in South Africa – investments that can complement the resource dominant characteristics of the South African market. Improved diversification should, in theory, result in investors having a greater probability of meeting their long-term investment objectives.

2. Changes to a fund’s strategic asset allocation and benchmarks
   The first step in portfolio construction is generally, the decision on the long-term strategic asset allocation. Essentially, this is the long-term weighting to the different major asset classes that provides the greatest probability of meeting a fund’s investment objectives.

   Given that the offshore restrictions have significantly changed, it is obvious that the outcome of the models previously used to decide the long-term mix of assets may no longer be valid. We suspect that many actuaries and investment professionals across the country are frantically pounding their keyboards, running new models, and seeing the degree to which a new broader investment universe will change their long-term strategic allocations to the main asset classes.

3. A potential rotation out of local funds
   Given the size of the retirement fund industry – estimated to be approximately five trillion rand – it is reasonable to assume around R150 billion to R300 billion of capital would leave South Africa. This is a material amount and the implications for local funds are immense. It is expected that local equity funds will be the main funder of this flow. This means that many fund managers in South Africa are likely to net sellers of local equities over the period whilst they realign their funds.

4. Greater dispersion of investment returns
   Due to most investment professionals believing that a fund focusing on long-term capital growth required at least a 30% offshore allocation, there has been very little difference between such managers’ offshore allocations. Research at Corion shows that most funds in the ASISA Multi Asset High Equity Category have allocations of between 25% and 30%. In other words, they have very similar offshore exposure.

20 YEARS OF DECODING THE INVESTMENT LANDSCAPE

COVERING THE FULL SPECTRUM OF MULTISTRATEGY INVESTMENTS TO HELP MEET YOUR GOALS

CORION CAPITAL

Contact Corion to find out more

Corion Capital (Pty) Ltd Registration | Number 2001/003716/07
An Authorised Financial Services Provider | FSP No. 44523
Rand resilient despite global turmoil

Brought to you by Brenthurst Wealth

One of the biggest mysteries of the war in Ukraine is the rand’s surprising resilience at a time that all the odds appear stacked against it. Some three weeks into a war that has the potential to upset global security and markets, the local currency has held up really well, trading largely between R15.00 – R15.50 to the US dollar.

The relative strength of the rand should give South African investors reason to cheer if you’re looking to get your rands into offshore accounts or assets. Any opportunity to make the currency count in your favour is a good one.

The question you might well be asking is why the rand has held up so well and how long this may continue. With the rand, who really knows, but there are a few sparks of hope that some stability can be expected for a reasonable period of time.

In short, now presents a good time to divert further funds offshore.

It’s not just about the ZAR

While the Russian currency has all but collapsed – potentially sparking an emerging market currency crisis – the euro was as much as 4% weaker against the US dollar at one point.

The rand, however, has held its own helped by several factors. As always, strong commodity prices buoy the currency, and the war in Ukraine has led to gold topping $2,000 an ounce, while palladium and platinum have been shooting out the lights. Even coal briefly spiked above $400 from levels of $220 – $230 a week earlier.

Of course, we’ve also had to contend with the price of oil jumping to new highs that threaten to accelerate the already alarming rate of consumer inflation. Thankfully, being located at the bottom end of the continent removes any immediate danger of war and has presented South Africa as an alternative source for crucial supplies of resources like coal.

All these factors have conspired to support the rand at a time that we might have felt particularly vulnerable.

Risks going forward

The recent strength doesn’t mean it will be plain sailing going forward. Many risks remain for the rand, ranging from the ever-present danger posed by Covid-19 to whether the US economy can maintain its momentum considering its changing fiscal position.

Political headwinds remain a constant threat to South Africa’s stability, with clear action resulting from the Zondo Commission investigation needed to show that government is serious about eradicating corruption. Not to mention the current load shedding debacle. As shown by events in Ukraine, unexpected geopolitical tensions will continue to be a threat to the rand, leaving SA at the mercy of many uncontrollable factors.

The so-called risk discount is one we must learn to live with and take advantage of when tensions and risks elsewhere give us a bit of a breather. For the time being that is the case, which is good news for investors looking to move money offshore.

How to take advantage

Shares that typically perform well when the rand is strong are SA bonds, retail shares, banks and listed property.

Commodities although can be viewed as a risky, cyclical asset class but of which SA is a large producer, will benefit from the demand for commodities from a global perspective. This could make the rand stronger for longer especially on the backdrop of Covid-19 constraints.

With the rand trading around the R16.40 level towards the end of November, the timing to take more money offshore at current levels is ideal. Not only is the rand strong but the recent offshore correction in markets is most definitely perceived as a buying opportunity.

The recent change of Regulation 28 which governs pensionable monies, from an offshore allowance perspective lifted from 30% to 45% as per the recent SA budget also presents a great opportunity for investors to increase their portfolio holdings and diversify their portfolios further.

Ukraine: impact on financial markets

Content by Overberg Asset Management

The full-scale Russian invasion has taken most political analysts by surprise. The consensus view had been that Putin was all bluster to gain concessions from NATO. When the invasion began on 24th February, most analysts believed the war would be over very quickly. They were wrong again and also wrong about the ferocity of sanctions and the amount of self-sanctioning by the private sector.

Putin himself must have been surprised by the level of broad-based international opposition and disappointed by the slow progress of his military.

Who would have thought that Switzerland would give up its sacred neutrality to join the united front against Putin’s actions? In the face of the terrible humanitarian cost, the fightback against Putin’s regime is encouraging, but it also means the outlook becomes more uncertain and the less Putin gets his own way the more dangerous he becomes.

The humanitarian cost is enormous, especially for civilians. The direct economic cost, provided the war does not spread geographically, will be limited to Russia and Ukraine. The two economies are relatively small. Russia lies 13th in the world in terms of its GDP while Ukraine is in 57th position.

Russia only accounts for 4% of the euro area’s exports and less than 1% and 0.5% of exports from the UK and US. Indirectly, the impact of state and self-sanctions is far greater due to surging oil, gas, industrial and agricultural commodity prices. Surging energy and commodity prices will cause inflation, already a problem for central banks, to climb even higher, curtailing household spending and lifting production costs for companies.

Central banks, which had been on track to lift monetary policy, will now be more reluctant to do so due to the war’s effect on economic growth.

How will the Russia-Ukraine war impact financial markets?

The impact will vary by region. The Russian market will suffer the most, reflecting the ferocity of sanctions, which include exclusion from the SWIFT payment system and sanctioning of Russia’s central bank, which means it cannot access its foreign reserves. Central bank sanctions have hitherto only been directed at North Korea, Venezuela and Iran, and have never ended well. Russia has ordered its banks to prevent foreigners from transacting in Russian securities. Russia’s MOEX stock index has been closed since the invasion but the declines in Russian global depositary receipts indicate an 80% market slump since the invasion began.

The market now trades on a trailing price-earnings multiple of less than 1x. However, depending on how the war ends, Russia may be ejected from world equity indices such as the MSCI World index and for ESG reasons, global investors will shun the market. As a result, investors should not assume that the impact will taper off sharply as it did in 2014 after the Crimea invasion.

US and Pacific Asia equities will suffer the least direct impact from the crisis. Europe is the most at risk due to its dependence on Russian oil and gas. Around 25% of Europe’s oil and 40% of its gas needs are met by Russian supplies. Europe’s banks are also the most exposed to Russia. Due to its proximity, the UK is also affected although not as badly as the euro area. Europe will incur the greatest cost from the flood of Ukrainian refugees, which according to United Nations estimates already number over 2 million, with most destined for European countries. However, for investors there is a silver lining to these elevated risks.

The ECB will be more reluctant than other central banks in removing pandemic-era monetary stimulus. The region’s governments are also likely to resume pandemic-era fiscal stimulus to shore up the economic impact of the crisis.

In 2014, when Russia invaded Crimea, emerging markets were the worst affected. The outlook now is very different, especially for commodity dependent economies like South Africa. The national budget’s commodity windfall enjoyed in FY 2022 is on track to be repeated in the current financial year. Generally, emerging market currencies are undervalued. EM central banks are ahead of their developed market counterparts in lifting interest rates to address rising inflation and local currency emerging market bond yields already trade at wide spreads relative to US Treasury bonds, making them less prone to global risk aversion.

There is considerable uncertainty over the extent and duration of the military crisis in Ukraine.
Discovering Shackleton’s lost ship

The discovery of the wreck of the Endurance, the ship of the explorer, Sir Ernest Shackleton that sank in the icy waters of the Weddell Sea in 1915, is a major milestone in the history of exploration. It was crushed by ice and sank to 10,000 feet below sea level and lay there unseen but not forgotten. And if you haven’t seen the video of the ship that had been found, it is definitely worth a viewing. The expedition was made possible by a South African ice breaker, the SA Agulhas II, which set off from Cape Town in early February with the Endurance22 Expedition team on board. The SA Agulhas is managed by African Marine Solutions, (AMSOL) on behalf of the Department of Forestry, Fisheries and the Environment. Also on board is Professor Annie Bekker from Stellenbosch University. BizNews tracked her down on the day that the crew were on their way to the burial place of Shackleton at South Georgia, and she managed through written questions and voice notes to tell us about South Africa’s involvement in the expedition. – Linda van Tilburg

SA Agulhas II, 10 years in the making

“I am professor at the Department of Mechanical and Mechatronics Engineering at Stellenbosch University. My involvement in the Endurance 22 expedition is that I’m a researcher, and actually, for the past 10 years, myself and my group and collaborators at Aalto University in Finland have been studying the full-scale responses of the SA Agulhas II ship. So, this is how the ship is vibrating, how it bends, how it shakes and how its structure interacts with the environment. So, for us it is very interesting to join an expedition where the vessel is really used in potentially challenging ice conditions and of course, also traversing this the Southern Ocean and to really get an idea of the limit loads or the highest loads that the vessel might see in her lifetime. In other words, in parallel with the great search that was taking place, there was also a full science team. We looked at the vessel responses and other researchers were investigating things like the sea ice, the weather and also really assisting them, the ship with navigating through the local ice conditions. So, our team was not explicitly involved in finding or searching for the wreck.”

How did South Africa become involved?

“Since the SA Agulhas was contracted along with the crew from AMSOL for this charter, South Africa has been involved from the onset. In our science team, we are five South Africans. It is myself, and two other engineers from Stellenbosch University. They are James-John Matthee and Ben Skyn, and then also from the South African Weather Service, we have Carla Ramjukadh and Marc de Vos who were working with us. The other South Africans involved, include South African helicopter pilots from Ultimate HELI and then also people from White Desert who typically do tourism and logistics in Antarctica. So, they were also with us and supporting the expedition.

So, what was it like to be part of this historic moment? Well, about 10 years ago in March, this was when the SA Agulhas II, was just about to be completed with her build, and she was undergoing her first sea trials and ice trials in the Baltic Sea in Finland; it was the first time that I became involved with the vessel.”

Listen to the full interview