



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

[www.amagp.co.za](http://www.amagp.co.za)



GEPF Watchdog - Waghond



## NEWSLETTER NO 18 of 2018

AMAGP – Association for Monitoring and Advocacy of Government Pensions  
BOT – Board of Trustees [of the GEPF]  
FSCA – Financial Sector Conduct Authority [previously the FSB]  
GEPF - Government Employees' Pension Fund  
PEO – Primary Executive Officer  
PIC – Public Investment Corporation  
PSA – Public Servants' Association  
ROI – return on investment  
SC – state capture  
SCF – Standing Committee on Finance  
SCOPA - Standing Committee on Public Accounts  
SOC – state owned company  
SOE – state owned entities

*There are 1 273 784 active members, 437 051 pensioners, and "R 1 67 trillion in assets under management". GEPF Advertisement for a Government Employees Pension Ombud. Rapport 4 February 2018.*

### The Editor's Word

The transparency of the PIC and our Fund is noteworthy because of its continued evasion of it. The most recent is using the transparent excuse of legal opinion not to provide detail.

Please visit the AMAGP website at least weekly, to remain current with the media

releases. Good stuff with meat, muscle, sinew, bone and no fat. The media use what they want from these releases but the factual approach and logical reasoning creates huge credibility and easy media use. Politicians use it too.

<http://www.gepf.gov.za/index.php/faq>

That is the address for the frequently asked questions brochure of the GEPF. You are in for a surprise when you critically assess the contents. As soon as you read in detail there are many loose ends: the long term decline in funding figures, horrible investment decisions, little evidence of monitoring investments, no transparency, allegations of mismanagement must have some basis, the continuing problems at the PIC, VBS fiasco, etc, etc. Lots of sizzle but no steak . . .

The size of the GEPF investments through the PIC on the JSE makes selling and buying difficult and intricate. Example, selling R5 billion shares in a company will skew the market, probably dropping the share price considerably without there being anything wrong with the company, probably generating a selling panic dropping the value even more. Liable to investigation for wrongdoing by various institutions. The same is true for buying billions of rands worth of shares. Keep this in mind when discussing PIC share dealing.

There have been recent rumours about the government actively plundering the Fund. The AMAGP followed this up immediately when it was contacted, and the rumour has been emphatically denied by the alleged source of the rumour. However, please refrain from any hasty action if you receive such malicious rumours. Contact the AMAGP for facts.

The ongoing state capture is monopolising the news and is overshadowing the PIC inquiry. The Matjila go/don't go thriller isn't finished yet: His departure will clear the field for freely provided evidence. We will hardly know what to watch, 7de Laan, Muvhango or the inquiries.

The PIC has increased its shareholding in MTN to 23,6% as of 27 November. Despite looming problems in Africa.

Editor

## NEWS NEWS NEWS

### Business Day

The DA's David Maynier applies under the Promotion of Access to Information Act for the asset manager to disclose assets worth R70bn

18 November 2018 Linda Ensor



David Maynier. Picture: BUSINESS DAY

The PIC is under pressure to release details of its unlisted investment portfolio valued at about R70bn. The transparency of the PIC's investments has become critical in view of some of its questionable investment decisions and the bid by embattled state-owned companies to dip into its reserves.

DA finance spokesperson David Maynier has applied to the PIC under the Promotion of Access to Information Act for the corporation to disclose its unlisted investment portfolio for 2017/18. It has disclosed these investments for the previous two years but has not in 2018.

The PIC's head of corporate affairs, Deon Botha, said the PIC will "in due course" make its unlisted investments public and insisted that the PIC supports the disclosure of its investments. "We believe that disclosure of

information should be made after the unlisted investments have gone through the valuation process, the clients have signed off on the valuations and consent to publish details of these investments has been granted by the client," the PIC said in a statement earlier in 2018.

Maynier said no provision has been made for hearings by parliament's finance committee on the PIC's 2017/18 annual report and financial statements. "There seems to have been an about-turn when it comes to greater transparency at the PIC," Maynier said. "The fact is that National Treasury is now opposing provisions that would promote greater transparency that are contained in my private member's bill."

The Treasury said during public hearings on the bills that it does not support the compulsory disclosure of investments. "The PIC as asset manager should not be compelled to disclose information about another entity, than to its clients that are also the asset owners without consent," Treasury said. This was also the view of the GEPIF and the PIC.

Maynier said that there should be detailed disclosure by the PIC about its investments, especially investments in the unlisted investment portfolio as this will serve as a major disincentive to "rent-seekers" with political influence who want to raid the PIC.

The nature of some of the investments made by the PIC will come under the scrutiny of the judicial commission of inquiry. The role of the PIC board will also be probed as well as internal matters such as the treatment of whistle-blowers and discrimination in remuneration policy.

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#### Comment

*It is always interesting to read about the desperate attempts to conceal possible wrongdoing, be it investments, non-compliance, etc. Using all kind of smoke and mirrors to postpone the inevitable only postpones the inevitable.*

#### Synopsis

**Lawyers advised us not to disclose investment info to Parly, says PIC**

21 November 2018 Lameez Omarjee, Fin24



Deputy Finance Minister Mondli Gungubele.  
Picture: Jabu Kumalo

The PIC has said it cannot share information on its investments with SCOPA as it may subject the investment manager to litigation.

Chair of the PIC, deputy finance minister Mondli Gungubele, notified chairperson of the committee Themba Godi in a letter dated November 20, a day before the scheduled meeting. According to DA MP David Maynier, committee members were notified this morning. One of the committee members was overheard asking why a legal opinion was needed for the day's meeting.

The PIC was meant to brief the committee to address governance concerns, according to emailed correspondence between the parties seen by Fin24. The committee requested information and documents on all the PIC's transactions, including listed and unlisted investments concluded in the last three years, the amounts of transactions concluded, transactional advisors and sponsors, and amounts paid by PIC to the transactional advisors and sponsors.

The PIC was also requested to disclose BEE consortiums in those transactions, and details of individuals or legal entities who participated in the consortium. The committee further requested information on transactions concluded with parties classified as prominent, influential persons, and details of individuals or companies funded by the PIC or who participated in PIC transactions more than once in the past three years.

#### **Client information 'confidential'**

But in the letter to Godi, Gungubele said the PIC sought legal advice to determine if it would be lawful and not in violation of any statute to disclose all information and

documents regarding the request. "I must indicate that this step was informed by a preliminary view that was held by our management that some of the information, if disclosed, may lead to the PIC being subjected to litigation from third parties, as it is clients' information that is confidential," the letter read.

Gungubele recognised that it was important for the PIC to "gain confidence" from stakeholders through being transparent and forthright with information, when required. "I have found myself unable to ignore the legal advice received," Gungubele said.

The PIC requested to deliberate with the committee on the matter.

At the start of the meeting, Godi explained that SCOPA had heard rumours of mismanagement at PIC, which was why the committee had requested the information.

Godi said the committee's main concern was to prevent mismanagement of public funds. SCOPA had requested the meeting as far back as June 2018, and still has not received the information from PIC, Godi said.

#### *Comment*

*Very convenient and a day before the SCOPA meeting too! It would be interesting to know who provided this 'legal opinion' and the basis of their 'opinion', ie the full disclosure of the facts and arguments the 'opinion' is based on. Normal, only 'some of the information' might be subject to confidentiality, but it seems when in doubt disclose nothing.*

#### *Synopsis*

##### **NATIONAL**

#### **SCOPA rejects legal opinion that PIC may refuse demands for information**

21 November 2018 Linda Ensor





Themba Godi, chairman of the standing committee on public accounts. Picture: Financial Mail

SCOPA has rejected the legal opinion obtained by the PIC advising it to refuse to divulge extensive information about its investments. On Wednesday, SCOPA instructed the PIC to hand over the information, including details of its listed and unlisted investments by next Wednesday.

A hearing by the committee on the information is expected to be held on December 6 and 7. PIC chair and deputy finance minister Mondli Gungubele said the PIC would abide by the committee's decision.

Gungubele, deputy chair Xolani Mkhwanazi and PIC CEO appeared before SCOPA on Wednesday to discuss the legal opinion and SCOPA's requests for information. Committee chair Themba Godi rejected the legal opinion, saying it was "weak and absolutely wrong".

He said it was not true that the commission of inquiry into the PIC trumped the work of a parliamentary committee as suggested by the legal opinion. "There is no way that what we want to do can be stopped by a commission of inquiry," Godi said. Godi said issues of confidentiality could be discussed on a case-by-case basis with him once the documentation had been handed over.

The committee is concerned with dealing with the governance issues at the PIC insofar as these have a bearing on prudent financial management. These governance issues have been highlighted in a series of media reports over the past few months.

PIC management took the preliminary view that some of the information, if disclosed, could lead to the PIC facing litigation from third parties as its clients' information was confidential. The legal opinion by Norton Rose Fulbright director Patrick Bracher was submitted to the SCOPA meeting on Wednesday. It noted that the commission of inquiry into the PIC would duplicate the matters that SCOPA proposed to deal with.

"In our opinion the authority of the commission and its obligation to do its work efficiently is more important than and trumps the inquiry by SCOPA," the legal opinion stated. It recommended that the PIC co-operate with

SCOPA on a confidential basis, but only after the commission had completed its work.

"It is not fair administrative justice for you to be required to appear before two separate bodies calling for the same documents, dealing with the same issues, requiring the same evidence and effectively subjecting the persons appearing to double jeopardy in the sense that they can be sanctioned or prejudiced by reason of having to give the same evidence on the same documents to different bodies on different occasions."

DA finance spokesperson David Maynier said he was "delighted" that Godi had stood firm and taken on the PIC, and that the information on the its listed and unlisted investments, which he had been trying for months to get disclosed, would at last be forthcoming. "The deputy minister of finance, Mondli Gungubele, and his team seem to have tried to use a bizarre last-minute legal opinion from a third-rate lawyer masquerading as senior counsel to try and avoid scrutiny by SCOPA," Maynier said.

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#### Comment

*I like the good English word obfuscation [yes it is in the dictionary]. Also parliament committees are at last using the teeth they were issued with and not leaving it next to the desk in a water glass. I believe we are going to see more of the committees taking a firm stance as the extent of corruption being investigated becomes ever clearer. There might even be a committee race to see which one is the most conscientious in its duties!*

#### Synopsis

##### Fin 24

### **PIC CEO Dan Matjila rejects 'unsubstantiated, malicious' claims**

25 Oct 2018 Janice Kew and Renee Bonorchis, Bloomberg

The CEO of the PIC has responded to a range of allegations made against him amid reports that he may face suspension. Matjila said he wanted to defend his name against "unsubstantiated, malicious and spurious allegations." His employment contract ends in December 2019 after 15 years at the PIC.

#### Investment returns

In his letter, Matjila pointed to the government employees' fund return on investment of more than 10% over the past decade as well as PIC's "clean audits - a rare phenomenon in the public sector".

He started by addressing assertions that he's been reckless in investments of R70bn in unlisted companies as the PIC has sought to look for opportunities for "transformation and inclusive growth."

Matjila also tackled losses from PIC's investment in troubled retailer Steinhoff, any link he had to looting and the collapse of VBS Mutual Bank, an allegation of nepotism and he vehemently denied accusations that he was romantically involved with a woman to whom he gave loans.

*Comment*

*To be continued below.*



**AMABHUNGANE**

## **The PIC's 'Dr Dan' offers to go**

By Susan Comrie for amaBhungane • 21 November 2018

Dr Dan Matjila, the charismatic and controversial boss of the PIC, has offered to resign -- but effective in five months only.

Matjila made the unusual offer to resign earlier this month, a spokesperson for Finance Minister Tito Mboweni confirmed. "The Minister of Finance is aware of the intention of the CEO of the PIC to resign," spokesperson Jabulani Sikhakhane said on Tuesday.

The PIC board is currently dealing with Dan Matjila's intention, after which the board will seek minister's approval."

Matjila has not actually submitted his resignation, but merely proposed that he will do so at the end of January in terms of a plan that will see him remain in charge and actively engaged in handing over to a successor.

Under the plan, he will remain chief executive during a three-month notice period ending on 30 April 2019. He will also avail himself to assist the commission of inquiry. While this appears to secure Matjila's voluntary participation, it may also be interpreted as an attempt by him to remain in control of information flows to the commission while it goes about its work. The plan will also thwart calls for Matjila to step aside during the inquiry so that staff can volunteer information without fear of victimisation.

Ramaphosa suspended former South African Revenue Service commissioner Tom Moyane in March pending disciplinary proceedings and before the Nugent commission of inquiry into SARS started its work. SARS officials testified freely about Moyane.

Matjila has been with the PIC for 15 years and his contract is due to expire at the end of December 2019. However, it is understood he cited the ongoing investigations into the PIC -- which he has claimed are politically-motivated -- as the reason for his early exit.

**DM**

*Additional reporting by Stefaans Brümmer*

*Comment*

*To be continued below.*

*Synopsis*

## **PIC's Dan Matjila resigns with immediate effect**

Africa's largest asset manager's CEO wanted to delay his leaving for a few months but the board resolved to get rid of him now instead.

23 November 2018 - Carol Paton

The PIC's CEO Dan Matjila is to leave Africa's largest asset manager with immediate effect. "The PIC Board deliberated on the letter from the CEO expressing his intention to resign. The board resolved that in the interest of the PIC and the CEO, we accept his resignation with immediate effect," the PIC said in a statement late on Friday.

On Friday, the board said Matjila “has over the years in various capacities, served the PIC with dignity and distinction. He has played an integral role in fulfilling the PIC’s vision of meeting and exceeding our clients’ mandates. Under his leadership, the PIC has grown from strength to strength and has attracted dedicated and competent employees of world class calibre”.

Matjila’s conduct at the helm of the PIC is set to come under scrutiny when a presidential commission of inquiry, established in October, is to begin sitting. The commission is expected to complete its work by the end of March.

In an internal staff letter seen by Business Day, PIC chairperson Mondli Gungubele said executive director and CFO Matshepo More would be the acting CEO.

#### *Comment*

*The go/don’t go is over. Hopefully this is the first crack in the PIC non-disclosure dam.*

#### *Synopsis*

### **PIC inquiry to meet for the first time**

With a deadline of February for an interim report, the commission does not yet have premises or administrative staff

18 November 2018 Asha Speckman

The commission appointed to launch an inquiry into affairs at the PIC will hold its first meeting on Monday. The meeting comes weeks after President Cyril Ramaphosa announced the terms of reference and appointed retired judge Lex Mpati to head the commission.

It raises question marks over whether the commission can deliver its interim report by Ramaphosa’s deadline of 15 February 2019 and a final report by 15 April 2019. The parliament ends before elections in April or May next year.

The inquiry was first announced in July but its terms of reference were gazetted and published in October.

Mukoni Ratshitanga, spokesperson for the Department of Justice, which is spearheading logistical arrangements, confirmed the

meeting saying this will be the first internal meeting of the commission.

Mpati said last week that the commission is still without premises. “I understand that we will have a look at some options on Monday. The administrative staff has not been appointed yet so I don’t know when we’ll be up and running.” He said the list of witnesses has not yet been identified. “I mean we don’t have a secretariat yet so we haven’t issued invitations either,” he said.

Asked if the commission will be able to stick to the predetermined deadlines, Mpati said: “I wouldn’t know and I wouldn’t like to comment on that.” The judge said the delay is probably due to logistical arrangements between the relevant departments rather than from the Presidency.

Mpati is a past president of the Supreme Court of Appeal. He will be assisted by former SA Reserve Bank governor Gill Marcus and investment banker and asset manager Emmanuel Lediga.

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#### *Comment*

*Speculation. I wonder if Commission’s activities were delayed awaiting the departure of the PIC CEO, to allow more freedom of disclosure by PIC staff?*

*I trust the members of the Commission have in the meanwhile been studying the appropriate legislation, reports, consulting, etc so they can ask the right questions of the right people.*

*The AMAGP letter below is quite able to explain itself. It indicates the thoroughness of AMAGP inputs to maintain and improve our Fund, and the expertise and know-how of our members*

19 Oct 2018

### **TO WHOM IT MAY CONCERN**

#### **ISSUES FOR CONSIDERATION BY MEMBERS OF PARLIAMENT REGARDING THE QUESTIONABLE:**

- ☐ INVESTMENTS MADE BY PIC AND/OR
- ☐ OVERSIGHT BY GEFP BOARD OF TRUSTEES

### **RESUMÉ**

1. AMAGP's mission is to monitor the GEPF in order to verify that the pension funds are secured "--to safeguard retirement benefits through diligent administration and prudent investment(s)--".

2. AMAGP's concern stems from the GEPF/PIC joint statement (dated 11 Aug 2018) against the backdrop of what we have identified as what we consider as serious neglect of full disclosures on investments.

3. Whereas the Oct 2017 report focussed more on SOEs, the AMAGP Management was guided by other damaging impacts this time round.

4. AMAGP compiled a Loss Register with a strong focus on investments/projects which have caused (and are about to cause) grave losses to pensioners savings, but also reputational damages to GEPF and the PIC.

### **SCOPE OF THIS REPORT**

5. This report addresses the following issues:

- ☐ Erin Energy
- ☐ Iqbal Survè-related enterprises.
- ☐ VBS Venda Bank,
- ☐ Harith General Partners, Mr Tsepo Mahloele, PAIDF and Lebashe,
- ☐ Abraaj Investment Management Limited (AIML),
- ☐ ESKOM,
- ☐ Isibaya Investments.

### **LEGAL FRAMEWORK**

6. The GEPF Law and Rules were promulgated under proclamation 21 in 1996, a unique law for the Government Employees Pension Fund. It is often referred to as a "defined benefit fund".

7. The Public Investment Corporation (PIC) on the other hand, is mandated by the GEPF Board of Trustees (BOTs) to manage investments on behalf of GEPF. The mandate is aligned to an Investment Policy Statement (IPS). The PIC is considered a SOE, and operates within the jurisdiction of its own law viz "The Public Investment Corporation Act of 2004." The PIC resorts under the jurisdiction (oversight) of the "Financial Services Conduct Authority". (Previously known as Financial Services Board).

### **STEWARDSHIP OF FUNDS BY PIC**

8. GEPF Funds belong to the members of the fund and must be efficiently invested on the members' behalf for maximum yield and sustainability. Actuarial specialists calculated how the pension fund should be managed in order to ensure long-term sustainability.

9. Government implements the policy of "Broad Based Black Economic Empowerment" bmo the PIC. In 1995, the PIC also established the Isibaya Fund for Socially Responsible Investments targeting 'Economic Growth Transformations' for previously disadvantaged groups (Ref: WIKIPEDIA under PIC History section).

10. The Minister of Finance approves the IPS of the GEPF. As this guides the GEPF mandate to the PIC, one can fairly make a deduction that the IPS is prone to articulations in order to suit the needs of the PIC's goals and objectives, and to facilitate its developmental role as an SOE.

11. GEPF receives R66 Bn+ from both Government employees, and from Government Departments (employer's contribution as part of service benefits) annually. Once received, these assets are under the stewardship of GEPF. Such assets and growth from investments form the basis for GEPF's funding capabilities, and for new investments.

12. According to an old colloquialism, "Possession is 99% of the Law!" Within the referred legal framework as indicated in Paragraphs 6 and 7 *supra*, such a brash statement or attitude cannot be valid, especially when Billions and more than R1 Trillion are at stake.

13. If the thinking of senior decision-makers is that Government may employ GEPF funds at will for the government's development projects (with high risks of losses), then they are overstepping their legal authorities and ruthlessly placing the members' fund at risk.

14. The consideration that the government does guarantee pension benefits is cold comfort and unacceptable; where will the Government find R 84 Bn yearly to satisfy the needs of pensioners and beneficiaries, whilst Government debt exceeds over 55% of GDP, and the State can hardly help to service internal and external guarantees on bonds, loans and miscellaneous credit instruments?.



## OBSERVATIONS BY AMAGP

15. Notwithstanding the (optimistic, selective and self-praising) Annual Reports by the PIC and GEFP over the last decade, AMAGP is sceptical.

16. A retired Government auditor, (one of our collaborators), analysed GEFP Annual Reports (over the past ten years), and drafted his assessment of cash flow (and sustainability). Please view it at Link <<http://www.amagp.co.za/amagpprojectgepfcashflowv3.pdf>>.

17. Our collaborator's analysis offers an alternative and sobering insight to that of the GEFP and PIC.

18. One of AMAGP's main concerns about GEFP and PIC Annual Reports is the serious lack of disclosures (in AR'S stated as one of GEFP's values). When asking detailed questions of GEFP and PIC, AMAGP experienced uncooperative and dismissive conduct.

19. Confidentiality or a lack of transparency can result in conditions conducive to irregular conduct or corruption; AMAGP is very concerned that, notwithstanding all the malfeasance reported in the media regarding investments done on the GEFP's behalf, GEFP itself has not reported any corruption-related cases to the Hawks, ito the PRECCA Act.

20. Due to pressure from a variety of organisations and associates, some investigations have been approved into the PIC (and most likely GEFP), of which the most important will be the Commission of Inquiry ordered by the State President recently.

## CONCLUSION

21. The GEFP and its BoT have demonstrated an unwillingness to disclose information of concern to AMAGP's request on behalf of fund members.

22. AMAGP is of the opinion that the GEFP and its BoT therefore be held to account for their decisions and performance before parliament, which includes that the decisions made by the Trustees, especially in managing the contribution-levels, has a far more

profound impact on the funding level, than the retarded S A economy!

23. AMAGP is particularly concerned about the apparent lack of oversight by the BoT of the PIC's investment of GEFP funds in developmental programmes instead of investments suited to the sustainment and growth.

24. AMAGP has a sincere appreciation towards MPs for their very strong support iro efforts at Standing Committees to hold GEFP and PIC executive leaders accountable for any actions contrary to their legal or mandated missions.

Kind regards,

**A. VAN DRIEL**  
**AMAGP NATIONAL EXECUTIVE.**

Enclosure: Annexure on Issues dd 8 Oct 2018.

*Comment*

*The covering letter above has been included as is. Distributed widely AFAIK. Contact the AMAGP for the attachments, be warned, they are thorough!*

*Synopsis*



Daily Maverick

## VBS bank heist: EFF's family ties and moneyed connections



Pauli Van Wyk

1 week ago





Original Photo: Economic Freedom Fighters (EFF) leader Julius Malema addresses the crowds during the party's 5th birthday celebrations at Sisa Dukashe Stadium, Mdantsane on 28 July 2018 in East London. (Photo by Gallo Images/City Press/Tebogo Letsie)

EFF President Julius Malema and his "corruption-busting" political party directly benefited from the VBS Mutual bank heist, a Scorpio investigation has found. Scorpio traced the flow of illicit VBS funds through three fronts that also dished out money to the EFF. Over R1,8-million of the same illicit VBS funds were used to prop up the EFF, Scorpio has found. Stripped to its essence, a company officially owned by Floyd Shivambu's brother made questionable payments to a company owned by Malema's cousin. Both these companies operated like slush funds that dispersed money.

This is a story of how the constituency Malema claims to fight for – the poor, the young and the vulnerable – was robbed to feed the EFF leader's private and political interests.

Scorpio's investigation found that the EFF received over R1,8-million in illicit VBS funds flowing through two fronts. An additional R430 000 was also paid in three tranches towards a luxury Sandown property where Malema used to stay as early as 2012 – a property that has recently ostensibly been bought by and registered under the EFF's name.

The EFF and its president Julius Malema benefited from the VBS Mutual Bank heist through a crude scheme run in a similar manner to the On Point Engineering corruption debacle of 2012. At the time, Malema was charged with money laundering, racketeering, fraud and corruption when he allegedly used proxies and fronts to siphon illicit money gained through fraudulent state contracts to himself and his family.

The funds flowing from VBS were channelled to Malema, his family and the political party he founded in 2014 in exactly the same On Point-style way. In written answers to Scorpio, Malema denied all wrongdoing. EFF spokesperson Mbuyiseni Ndlozi, too, carefully denied knowledge of illicit VBS funds propping up the party.

Reacting to Scorpio's questions over whether the EFF leadership is aware that at least R430 000 in illicit VBS funds were pumped into the Sandown property, Ndlozi said: "It is not true, at least not for EFF purposes."

Scorpio's investigation highlights Brian Shivambu, the brother of EFF deputy president Floyd Shivambu, and Matsobane Phaleng, Malema's cousin, as the two main fronts for the EFF and Malema. Brian Shivambu and Phaleng were purportedly in control of two companies used as conduits for the illicit VBS funds: Brian Shivambu is the director of Sgameka Trading Pty Ltd and Phaleng the director of Mahuna Investments Pty Ltd. Brian Shivambu did not react to questions posed and Phaleng was unreachable.

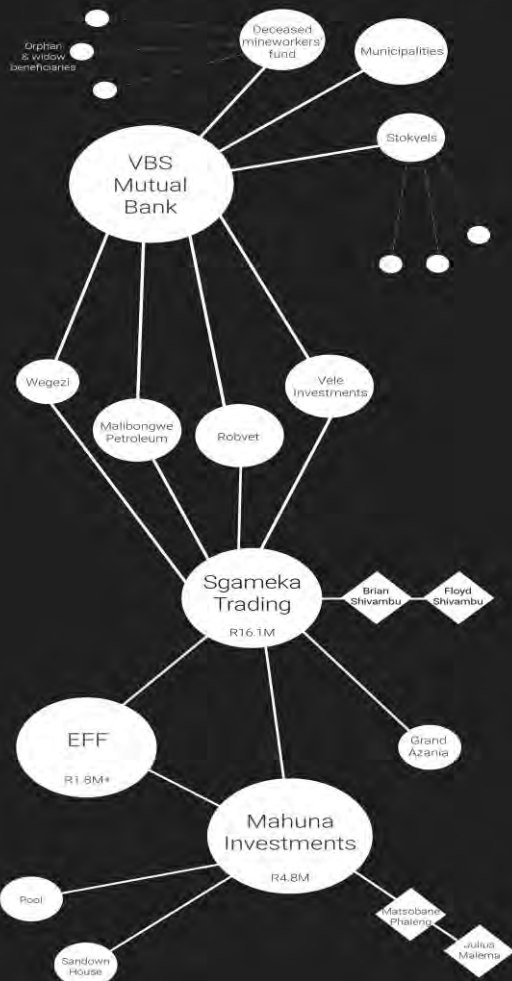
Last month Brian Shivambu was fingered as a primary receiver of R16,1-million in illicit VBS funds in an investigation sanctioned by the Reserve Bank and conducted by Adv Terry Motau and law firm Werksmans. A leaked Whatsapp discussion between VBS kingpin Tshifhiwa Matodzi and a bank manager described Sgameka as an "extremely strategic account".

Adv Motau and the Werksman's report, named *The Great Bank Heist*, only highlighted first-tier receivers of the illicit VBS funds and therefore did not mention or, in some instances investigate, Phaleng, the EFF or Malema.

Scorpio's analysis, however, shows that Brian Shivambu and Phaleng derived very little personal benefit from the illicit VBS funds flowing into their purported companies. Sgameka and Mahuna appear to be mere slush funds which had no legitimate income, did not operate like a normal business bank account and paid no taxes and paid no staff.

# THE EFF-ING GREAT BANK HEIST

How South Africa's radical, anti-capitalist "vanguard of the workers" was propped up with over R1,8m robbed from vulnerable investors of VBS Mutual Bank. VBS-money partially funded the EFF's 2017 anniversary party and helped buy a R5,6m house in Sandown, Johannesburg, where Cc Julius Malema stayed...and renovated the pool.



The fronts and proxies funnelling illicit VBS funds towards the EFF and Malema

Last month Scorpio wrote that the EFF received around R1,3-million in illicit VBS funds and that Sgameka paid about R10-million into Floyd Shivambu's account. The information was based on a PEPS report (politically exposed persons) compiled by investigators. Upon further scrutiny of the evidence, it is clear that the income streams were more complex. Scorpio found more illicit VBS funds than initially mentioned earmarked for the EFF.

Scorpio's analysis further shows that Floyd Shivambu received funds flowing from Sgameka as well as funds seemingly flowing through at least one front Scorpio has traced so far. Shivambu denied all wrongdoing.

## Why VBS funds flowing into and out of Sgameka are proceeds of crime

One primary beneficiary of the illicit VBS funds is Sgameka Trading Pty Ltd, a company purportedly owned and managed by Brian Shivambu. He did not react to Scorpio's questions. He did, however, claim to have only received money from Vele. Scorpio's investigation will show this was a crude lie.

Other factors read together with Sgameka's bank accounts as well as interviews with key sources, suggest that Sgameka operated as a front and a slush fund for the EFF and select EFF leaders.

## The illicit money flows out of Sgameka

Bank statements show that as quickly as Sgameka received these proceeds of crime, the money was moved mainly to the accounts of the EFF, Grand Azania Pty Ltd and Phaleng's Mahuna Investments. Sgameka was used as a conduit for illicit VBS funds.

Since February money has only flowed out of Sgameka. The company did not receive funds from any other income stream other than from various fraudulent VBS schemes. The entire money flow into Sgameka is therefore compromised and illegal.

## The illicit VBS funds to Mahuna, through Sgameka

The director of Mahuna and the purported owner, is Malema's cousin Matsobane Phaleng. According to Malema he and Phaleng are "not close", *Mail and Guardian* recorded. An analysis of the Mahuna account, however, shows it is, like Sgameka, merely a slush fund with no proper income, expenses or any tax paid. Our analysis, coupled with information from sources, suggests Phaleng was merely a front and conduit for Malema and the EFF.

## How the EFF benefited from illicit funds flowing through Mahuna and Sgameka

Between July and August 2017, another R600 000 earmarked for the EFF flowed from Mahuna into different bank accounts. There are more funds flowing from Mahuna earmarked for the EFF, sources said. These do not form part of the current investigation.

In total, Scorpio has traced over R1.8-million in illicit VBS funds flowing from Sgameka and Mahuna in order to prop up the EFF.

### **Illicit VBS funds allocated to the Sandown property at address 49a Edward Rubenstein, through Mahuna:**

As early as 2012, Malema rented a property at 49a Edward Rubenstein, Sandown, Johannesburg. According to the neighbours of 49a Edward Rubenstein, Malema lived on the property until fairly recently. According to Malema, he lives in Goodwood, Cape Town at the moment.

Deed documents Scorpio shows that around June 2017, the property was transferred to the name of the "Economic Freedom Fighters". The purchase price was R5 250 000. The origin of funds paid towards the house so far, and the total of such payments, are unknown at this stage.

When questioned about the origin of the funds for the Sandown property he utilised for personal benefit, Malema deflected, saying "The EFF will answer that one".

The EFF did not.

When Scorpio prodded Mbuyiseni over the matter, he replied through Whatsapp that "we took a loan from one of the financial institutions". Asked whether the house is allocated to Malema to live in, Mbuyiseni said "no".

Scorpio's analysis further suggests that additional illicit VBS funds were utilised to fund Malema's lifestyle and flowed towards his family and children. This has been confirmed by key sources.

### **Did the EFF leadership know?**

There is no evidence to suggest that Mpofu was aware of the origin of the funds flowing to the Sandown property. There is no further evidence to suggest that the EFF leadership – with the exception of Malema and Floyd Shivambu who from the investigation were clearly aware of proxies used to funnel money – knew the party and themselves were beneficiaries of illicit VBS funds. **DM**

### **Comment**

*The lengthy Daily Maverick report has been shortened considerably and is well worth*

*reading. It seems the VBS indirectly also funded the EFF and its leaders' lifestyle. It should be well worth while for SARS to insist on audited accounts for the mentioned companies, as it seems they did not declare or pay tax on their millions in income. As well as following up the receivers of the money the companies paid out to see if they paid income tax appropriately.*

### **Synopsis**

## **Iqbal Surve fails to make debt repayment to PIC**

Tough market conditions blamed for Independent Media's failure to repay R253m loan that matured in August  
Business Day 2 November 2018 by Carol Paton



Iqbal Surve. Picture: Trevor Samson  
*Image:*

Independent Media did not meet its obligation to the PIC to repay its R253m loan in August, as was required by the loan agreement, a reply to a parliamentary question has revealed. The PIC made both a loan to Independent Media, and a direct investment in the company in 2013 to facilitate its purchase by Iqbal Surve's Sekunjalo. In total, R888m was made available. The loan matured on August 2018 and now stands at R408m.

The PIC's investment in Independent Media was controversial since its inception as there has been much doubt over whether it would yield a return for the GEPIF. As the PIC's investments in unlisted companies were not disclosed at the time, there were scant details made available of the transaction.

In a reply to a question from DA MP David Maynier, finance minister Tito Mboweni confirmed on Thursday that the PIC loan has not been settled. "A couple of years of difficult



market conditions have put immense strain on the performance of print-media companies in SA. Cumulatively in the past two years, the total returns of [Business Day owner] Tiso Blackstar Group are down 78.22% and that of Caxton and CTP Publishers Limited 39.81%.

"Independent News and Media (INMSA) is not different from these listed print-media companies. Due to difficult trading conditions, the loan that INMSA had to settle during August 2018, has thus not been settled. The PIC is in discussions with INMSA on the way forward to resolve this matter," reads the reply.

The funding by the PIC of private equity transactions, especially those where transformation of the ownership of the economy is part of the merits of the transaction, are fiercely lobbied for by politically connected individuals, making decisions on which investments to back highly contentious.

#### *Comment*

*No mention of part repayment either. Are we again seeing a total loss in ROI due to poor decisions and management?*

#### *Synopsis*

City Press

**Business**

### **Ayo banks R227 million in interest after controversial PIC investment**

*Dewald van Rensburg 2018-11-20*

**Company's announcement of 'significant revenue and profit growth' is deceptive**

Ayo Technology Solutions banked about R227 million in interest by the end of August from the controversial R4.3 billion investment it got from the PIC late last year. Now it is paying out R100 million in dividends, despite virtually all its profits stemming simply from the interest earned on the PIC money.

The company released its annual financial statements last week with a press release celebrating "significant revenue and profit growth". Its profits shot up 390% from R40 million to R196 million for the financial year to the end of August.

However, this was due to "investment revenue" of R227 million in the financial year. This appears to simply be eight months' worth of interest on the PIC money sitting in the bank.

If the interest earned on the PIC money up to the end of August is annualised, it comes to an interest rate of 8%.

That is equivalent to the interest anyone would earn on a short-term fixed deposit in a savings account. Without the interest from the PIC cash, Ayo's underlying financial results are actually pretty dismal.

Despite strong growth in the company's operating revenue of 33% to R639 million, it would have had a loss if not for the interest.

Ayo said that this is not a fair reflection of their performance. The company incurred significant once-off costs in relation to its listing on the JSE and also "reinvestment into infrastructure, new business development and pre-contract operational requirements to secure new business", said spokesperson Lauren Leonard.

If all these expenses are left out of the equation Ayo actually had "significant operational profit", she said. The R100 million dividend will at least see the PIC recoup a small part of its cash as it owns 29% of the company.

#### **THE PIC'S INVESTMENT**

The PIC's investment in Ayo in December was mired in controversy as the PIC bought shares at a price that many observers said bore no relationship to the actual value of the company.

In April, based on internal PIC documents that show its own staff fretting about the price they were paying, City Press first reported on the PIC's seemingly irrational willingness to pump billions into Ayo.

The main stated purpose of the cash injection was to allow Ayo to buy 30% of British Telecom SA from Ayo's own parent company African Equity Empowerment Investments (AEEI).



This deal stalled a few months later, leaving Ayo with the entire R4.3 billion in its bank account.

The PIC insisted that it needed “downside protection” in the form of a put option – a kind of insurance contract that would allow the PIC to sell its shares at a predetermined price if the Ayo share price fell below a specified level. The state-owned asset manager has confirmed that it did in fact recently conclude such an agreement, but it would not reveal details of the deal.

#### Survé keeps AYO shares alive

Survé has been the most active buyer of shares in Ayo for at least three months, which helps explain the share’s seeming imperviousness to any market news.

Since a major deal to acquire a stake in British Telecom SA fell through in August, the share price mostly hovered at about R25.

At the same time, Survé’s Sekunjalo and his financial service company 3 Laws Capital bought tiny numbers of shares in August, September and last month, according to month-end data from the JSE.

By buying the share price, Survé’s trades could, however, be helping Ayo avoid the triggering of a “downside protection agreement” that protects the PIC investment in Ayo against further losses.

The PIC invested R4.3 billion in Ayo and has already lost R1.8 billion of that, based on the current share price of R25. The PIC confirmed that it had reached a downside protection agreement, but not with Ayo. The agreement is with the sponsors of Ayo’s listing on the JSE – PSG Capital. PIC spokesperson Deon Botha said: “The details thereof cannot be disclosed as this is bound by a confidentiality agreement.”

When first approached in September for comment on these purchases, Survé told City Press that the Sekunjalo Group “sees Ayo as an attractive long-term investment”.

Despite Sekunjalo, which is Survé, having an indirect 30% share in Ayo, Survé pointed to the tiny direct interest it has acquired, saying that his group “has a very small shareholding in Ayo and sees good value at the current levels”.

“Sekunjalo wants to increase its shareholding since Ayo, as the largest black information and communications technology company, should have good prospects over the next decade, especially with BEE being an imperative in the industry.” – Dewald van Rensburg

#### THE AYO EFFECT

Ayo’s cash-heavy balance sheet has had a knock-on effect for its major shareholder, AEEI, which is in turn majority-owned by Iqbal Survé.

AEEI also announced its financial results last week – an astonishing R5 billion profit, which is a 946% improvement on last year. All of that is, however, due to a “gain on deemed disposal of subsidiaries” of R6 billion related to the fact that the company’s shareholding in Ayo, and its bloated PIC-funded bank accounts, fell to below 50%.

AEEI put out a press release celebrating its “excellent results” and “healthy” increase in profits. The company did significantly improve its revenue from its operations, but the accounting for Ayo was the only reason the company had higher profits.

Comparing like for like, AEEI actually had a terrible year with headline earnings falling 75%. Headline earnings is an accounting concept that strips out exceptional items unrelated to a company’s day-to-day operations – like the Ayo effect. Nevertheless, AEEI declared a dividend of R59 million last week, which will be largely covered by the cash it is getting from its share in the Ayo dividend.

#### Comment

*A colleague of mine was the mess officer of a territorial unit, and was complimented by the auditor on his ‘creative bookkeeping’. This report on Ayo reminds me of the term.*

*I wonder if Deon Botha really believes the ‘confidentiality agreement’ exists – it seems to be a standard clause in all PIC investments. Except of course when you consult the JSE or the relevant company, they don’t seem to mind revealing the details.*

# The GEFP AMAGP: Invitation

GEFP members, either still working or pensioned, are cordially invited to join the GEFP Monitoring Group/AMAGP. We always need members and co-workers, all contributing to the cause and, of course, it is in their own interest.

Soos meeste staatsdienspensioenarisse is u waarskynlik afhanklik van u maandelikse pensioen vir die gehalte van u lewe. Agv die swak toestand van regering in die RSA, die aanloklikheid en omvang van ons Fonds asook staatskaping [nog nie heeltemal weg nie], ontstaan die vraag hoe volhoubaar die pensioen is en gaan bly, dws hoe lank gaan ons nog die volle pensioen bly kry. Ons by die AMAGP se oorwoë mening is dat daar wel gevare is en dat ons, die aandeelhouders van die pensioenfonds, dringend hieraan aandag moet gee. Verontagsaming hiervan kan lei tot 'n soortgelyke situasie as dit waarin Spoorweg pensioenarisse hulle steeds bevind. Om die rede versoek ons dat u ons ondersteun. Sluit aan by die AMAGP, 'n vrywillige organisasie, bestaande uit staatsdienswerknemers en -pensioenarisse, met die doel om ons Fonds te beskerm.

Contact any one of the following:

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If you are interested in becoming a member of the organisation, please complete a membership application to be found on the FB page or on the website.

**Semper Vigilans!**

## CONCLUSION

***To reflect about...***

Dear Reader,

1. The AMAGP endeavours to ensure the sustainability of the GEFP to the benefit of current and future members of the GEFP. We want many more members for logical reasons – to provide the 'voting power' to ensure the GEFP Trustees carry out their assigned roles.

2. The MG was established in 2016 as a voluntary organisation and, as the AMAGP, will remain so for the foreseeable future. The AMAGP maintains good relations with the GEFP Trustees as well as the PIC. The AMAGP is also in continuous communication with other stakeholders and interested parties to ensure the widest possible concern for our current and future pensioners. This increasingly includes members of parliament on all sides of the political spectrum, as soon as they realise their voter's pension is endangered.

3. Although until recently [about 2013] the GEFP performed satisfactory in its endeavour to provide sustainable pension benefits to pensioners and future beneficiaries, SC and its resultant tentacles started reaching out to the GEFP and PIC and created alarm. The blatant SC leading inevitably to degrading our democracy and the resultant downgrade in international financial grading still threatens our GEFP's sustained viability, including those very same politicians who eventually want to retire on pension. As SC recedes other dangers threaten our Fund, such as the non-performing SOE and bankrupt municipalities that the government wants to use our Fund to fund.

4. The financial woes of ESKOM, SAA and other SOE [PETROSA, PRASA, Transnet, etc] feature largely, making looting the GEFP very attractive.

5. In conclusion dear reader, decide if you want to risk the retirement you are excited about, to be similar to other departed and failed pension funds, or are you prepared to become a paid up member of the AMAGP? Litigation and court interdicts are expensive, although we haven't gone that far yet.

**Comments, articles and recommendations about and for the newsletter are welcome. No anonymous submissions will be accepted; however, names may be withheld on request.**

Please submit to: [editorgepfm@gmail.co.za](mailto:editorgepfm@gmail.co.za)

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