VERKLARING

18 DESEMBER 2017

**Bekommernis oor die saam gevoegde risiko van beleggings by die GEPF**

Die bestuurspraktyk en die voldoende kennis van risikobestuur en aanvullende ander praktyke wat tans deur die Trustees van GEPF toegepas word, het opnuut weer na die STEINHOF debakel onder die soeklig gekom.

Die inligting verkry uit die Jaarverslag van die GEPF toon dat lg. bykans 10% van die uitgifte kapitaal van STEINHOFF besit wat op sy beurt ongeveer sowat R28 miljard op daardie datum werd was. In ag genome dat wat die aandeelprys van STEINHOFF op 15 Desember 2017 was, die papier verlies vir die GEPF van die STEINHOFF belegging nou R25 miljard oorskry.

Om hierdie in perspektief te plaas, hierdie verlies is bykans 38% van die totale inkomste van bydraers (van werknemers en werkgewers) wat die Fonds vir die jaar einde 31 Maart 2017 ontvang het. Die verlies maak ook uit ŉ 40% van die totale aanpassings van waarde (afwaarts aangepas tot omtrent R60 miljard) vir jaareinde 31 Maart 2017.

Hierdie verlies is besonder beduidend vir die GEPF.

Daar is egter individueel en kollektief, ander besondere beduidende toegepaste risiko’s binne die beleggingsportefeulje van die GEPF.

‘n Uitstekende voorbeeld is die belegging van R162 miljard in NASPERS teen 31 Maart 2017.Hierdie belegging maak deel uit van 16% van die uitgifte aandele na NASPERS, nieteenstaande gesien uit ‘n korporatiewe bestuuroogpunt en as gevolg van die kapitaalstruktuur van NSAPERS, die beheer in die hande van bestuur van NASPERS is. Die gemiddelde waarde soos op 31 Maart 2017 in die NASPERS belegging is 24% waarde van ‘n primêre noterings-belegging op die Beurs (JSE).

Hierdie belegging is beduidend en beslis ‘n riskante profiel.

Gesien die NASPERS situasie, is dit duidelik in die lig van die omvang van die GEPF, dit onveilig is om die oorgrote van die belegging van die Fonds in die RSA te belê sonder om die risiko profiel van die GEPF in gevaar te stel, soos nou duidelik gedemonstreer is. Die toekomstige aftreevoordele van pensioenarisse en lede is blootgestel aan onaanvaarbare vlakke van risiko en sal op hierdie onaanvaarbare vlak bly tensy regstellende optrede plaasvind.

As in gedagte gehou word dat bladsy twee van die 2017 Jaarverslag van die GEPF deel van sy missie en onder sy hofie “integriteit” meld dat hy “not misrepresent or withhold information to which our stakeholders are entitled”, vra die GEPF MG die volgende vrae m.b.t. die bestuur van berekende risiko. Daar word verwag dat eerlike en gedetailleerde antwoorde in terme van sy beleid hierbo genoem, sal voorsien:

* Aanvaar die Trustees van GEPF dat dit hulle mandaat is om bo alles die belange van hulle lede en pensioenarisse te beskerm, dat die Trustees met die fonds tot hulle beskikking nie die primêre instrument is om die groei van die RSA ekonomie te stimuleer nie. Hierdie fonds sal dus ook nie gebruik word om politieke oogmerke te bedien nie.
* Hoe sal ‘n berekende risiko soos tans met die NASPERS belegging van GEPF en ander beleggings genoem in die Jaarverslag, geregverdig word en waarom is die geleentheid toegelaat om so te ontwikkel.
* Is daar ‘n plan om die beduidende risiko in die beleggings portefeulje van die GEPF te verminder en indien wel voorsien besonderhede en indien nie WAAROM nie.
* Waarom is die vlakke van oorsese beleggings in die verlede nie verhoog nie.
* Is die vlakke van oorsese beleggings verhoog relatief tot dit wat gegeld het op 31 Maart 2017, en indien wel, wat is parameters en tydskale.
* Is daar bo-limiete van blootstelling van individuele beleggings deur die GEPF in terme van bedrag, % eienaarskap, en/of die verhouding van belegging totale of sub-totale. Indien wel, watter limiete bestaan en hoe gereeld word herbalansering gedoen?

Ons verwys ook na die reuse bedrae wat in Staatsbeheerde Instansies bele is. Tans beloop hierdie beleggings volgens die jaarverslag van 2017, R135 biljoen. Van hierdie bedrag word R86 biljoen deur Eskom alleen geskuld. Die blootstelling van die GEPF aan hierdie instansies alleen toon ‘n toename van R10 biljoen. Die toename van blootstelling aan Eskom alleen is dus ongeveer 12% nieteenstaande die ongelooflike swak bestuur aldaar die afgelope paar jaar. Selfs die Minister van Finansies beskou Eskom al as ‘n risiko van die RSA ekonomie.

U idees oor die voordeel vir die fonds van hierdie SbI-beleggings wat op die oog af sonder beduidende voordeel van die fonds is, sal waardeer word.

Dringende terugvoer in verband met bg. sake sal waardeer word.

**STATEMENT**

**18 DECEMBER 2017**

**Concern about concentration risk present in GEPF investments**

Following the ongoing fallout regarding Steinhoff, very serious concern has been expressed on the adequacy of the risk management policies and practices applied by the Trustees of the GEPF.

From the information available in the Annual Report of the GEPF for 2017, the GEPF held about 10% of the issued share capital of Steinhoff, with a fair value of about R28 billion at that date. Taking into account the share price of Steinhoff on 15 December 2017, the paper loss for the GEPF on the Steinhoff investment is now in excess of R25 billion.

To put this in perspective, this loss amounts to about 38% of the total contribution income (from the employers and employees) the Fund received in the year to 31 March 2017. The loss also amounts to an equivalent of about 40% of the total adjustments to fair value (a downward adjustment of about R60 billion) for the year ended 31 March 2017.

The extent of the loss is very, very significant to the GEPF.

There remain however, individually or collectively, other more significant concentration risks in the investment portfolio of the GEPF.

As the prime example of this is the investment in Naspers with a fair value of about R162 billion at 31 March 2017. This investment comprises 16% of the issued shares of Naspers, notwithstanding from a corporate governance perspective that due to the capital structure of Naspers, control resides in a special class of a relatively small number of shares controlled, among others, by office bearers of the company. The fair value, at 31 March 2017, of the investment in Naspers alone amounts to about 24% of the total fair value of investments with a primary listing on the JSE.

This is clearly a very significant, and objectively speaking, excessive, risk profile.

Extrapolating from the Naspers situation, it is clear in general that, due to relative size of the GEPF, it is too big to only invest the bulk of its funds in South Africa, without very detrimentally affecting the risk profile of the GEPF overall, as has now been demonstrated. The future retirement livelihood of members and pensioners have consequently been subjected to an unacceptable level of risk, and which will remain at this unacceptable level, or even increase, unless corrective action is taken.

Bearing in mind that the GEPF, on the second page of its 2017 Annual Report as part of its Mission and under the heading of Integrity, states that it will “Not misrepresent or withhold information to which our stakeholders are entitled”, the GEPF Monitoring Group wishes to ask the following detailed questions relating to the management of concentration risk, and to which it expects an honest and detailed answer consistent with the stated policy of the GEPF as quoted above.

* Is it accepted by the Trustees of the GEPF that their mandate is, above all, to protect the interests of members and pensioners, that the GEPF and the funds at its disposal is not a primary instrument responsible for the growth of the South African economy and which funds should not be deployed to satisfy political goals, however praiseworthy these may be?
* How can a concentration risk, such as present in the investment in Naspers by the GEPF, as well as in the case of other investments clearly evident from the 2017 Annual Report, possibly be justified, and how is it possible that this situation was allowed to develop?
* Is there a plan to reduce the extent of concentration risk present in the investment portfolio of the GEPF? If so, what are the details? If not, why not?
* Why was the level of investments made abroad not substantially increased some years ago already?
* Has the level of investments made abroad been increased relative to that pertaining at 31 March 2017, and if so, what are the parameters and time scales?
* Are there any upper limits on individual investment exposure by the GEPF (in terms of amount, % ownership and/or the proportion of investment totals or sub totals)? If so, what are these limits? Further, if indeed so, how often does rebalancing take place?

We also wish to refer to the huge amounts invested in State Owned Enterprises. The exposure of the GEPF in the form of Local Bills and Bonds to SOE’Ss amounts to about R136 billion, according to the Annual Report at 31 March 2017. Of this amount, almost R86 billion is owing by Eskom alone. The exposure of the GEPF to these entities alone increased by almost R10 billion (an increase in exposure to Eskom on a fair value basis of about 12%), notwithstanding the clear failure in corporate governance at this entity over a number of years.

Your views on the benefit to the pension fund of these investments which appears to be without apparent benefit will be appreciated.

Urgent detailed feedback regarding these very important questions will be appreciated please.