



NAPTOSA – NORTH WEST

287 Kloppe Street, Protea Park,
Rustenburg, 0299
Tel: (014) 533 0257 / 0260
Fax: (014) 533 0263 / 086 552 9097
E-mail: inforw@naptosa.org.za

Connect with Us On.



@NaptosaNW



@naptosanorthwest

MEDIA RELEASE

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NAPTOSA STATEMENT: REACTION TO GEPF STATEMENT ON SUSPENSION OF PIC OFFICIALS

NAPTOSA has noted the GEPF's statement that they are perturbed by the suspension of two officials of the Public Investment Corporation (PIC), following allegations that they flouted governance and approval processes with respect to the investment in Ayo Technology Solutions.

As much as NAPTOSA is also perturbed by this development, we are even more troubled by the GEPF itself. In a statement late last year on the appointment of an acting CEO of the PIC, NAPTOSA touched on the oversight role of the GEPF, as the PIC's biggest client, and expressed the view that we expect the GEPF to be absolutely vigilant in tracking the investments of the PIC on their behalf.

According to the GEPF the PIC had assured it on numerous occasions that the correct governance processes had been followed in the Ayo transaction, which creates the impression that the GEPF must somehow have been uncomfortable with certain aspects of the transaction, just as it had been with Steinhoff.

We understand that it has not yet been proven that governance and approval processes in the PIC had been flouted in respect of the Ayo transaction – the PIC's internal process or the Commission of Inquiry into the PIC will establish this – but should it prove to be true, then the GEPF would need to acknowledge that its monitoring and oversight of how the PIC is transacting with GEPF funds has clearly failed.

Both the Steinhoff debacle and the Ayo transaction occurred in 2017 and although the GEPF claims that they continually heighten their monitoring of the PIC, we trust that no further surprises await us.

Whether the fact that the GEPF views this latest incident as "a serious breach of trust" between the PIC and itself, will have any consequences, remains to be seen. In the meantime NAPTOSA calls on the GEPF to announce to its members what practical oversight measures - not just regular meetings or correspondence – it will be implementing to ensure that they are in full agreement, and comfortable, with future PIC transactions on its behalf, because clearly more is needed than what is currently in place.

Despite our criticism of the GEPF, which is mainly a call to greater awareness and oversight of the investments that the PIC is handling on its behalf, we urge members not to get carried away with reports sensationalizing evidence placed before the Commission of Inquiry into the PIC (e.g. "Government pensions could be on shaky ground"). According to the GEPF, the overall performance of the PIC as an asset manager remains positive and in line with agreed criteria between the two organizations. On the GEPF website it is indicated that for the 2017/2018 financial year the return on investments was 8,5%, exceeding inflation for the same period. It must always be remembered that the PIC is the largest investor on the JSE and is therefore investing in a broad spectrum of stocks and shares. Whilst some investments may yield good results, others may perform poorly.

What NAPTOSA, however, does not want to see is that due diligence and approved investment processes are spurned to benefit certain individuals or companies. If this is to be proved through the work of the Commission of Enquiry, we will demand that those involved be dealt with severely.

Duly Signed.

TSHWANELO MMUTLANA
CHIEF EXECUTIVE OFFICER