



Selective Empowerment Investments 1

Newsletter

June 2022



INTRODUCTION

July is Nelson Mandela month. This gives us all the reminder and opportunity to recognise our individual power to make an impact and change our country for the better. A movement towards positive change begins with small steps. This is one of the many principles that the team at SEI1 strives to live by in order to make the company, our communities and country a better place with our small steps.

The last quarter has seen continuous challenges within the economy driven by both global and local events that have negatively impacted the country in various ways. Despite the challenges, there remains glimmers of hope that are encouraging such as eased Covid-19 restrictions meaning that certain sectors such as the tourism industry can fully recover.

The recovery of this and other industries should translate into positive gains not only for the company but the country as a whole as we move into the second half of 2022. At SEI1, June marked the end of the financial year which presented us with tough results. Despite this, we continue to press on with a revised strategy in which the team is ready to execute on in order to strengthen the business. Keeping in mind the many principles of Madiba, we are encouraged to take small positive steps - raising awareness and expanding the reach of Madiba's values of tolerance, dialogue, respect, unity and reconciliation; and embracing his qualities of humility, forgiveness, compassion and his dedication to the service of humanity.





This unfortunately has had undesirable effects on SEI1's listed portfolio, as highlighted on the investment section.

Notwithstanding the above, maintaining good communications with the shareholders remains SEI1's top priority. It has been communicated in the past newsletters that the SEI1 team makes use of WhatsApp groups to communicate with shareholders over and above the existing communication channels already in place that include the OTC Express Platform, the company website etc. Shareholders can also send an email to the company's scheme administrators, Singular Systems to enquire about any information relating to their shares, and or send an email directly to SEI1 for any enquiries relating to the company. Shareholders are encouraged to visit the company website as all shareholder correspondence and archived documents are published.



SHAREHOLDER ENGAGEMENT

The last quarter has been abuzz of activities with the SEI1 team preparing for the 2022 financial year-end. The quarter also coincided with an increase of the repo rate by 50 basis-point to 4.75%, the highest increase in six years. This follows consecutive 25 basis point increases in November 2021 and another in January 2022.

South Africa continues to experience unprecedented levels of load shedding, according to the Council of Scientific and Industrial Research (CSIR), as of the 1st of July, Eskom had already implemented controlled blackouts equal to more than 90% of the energy it shed for the whole of 2021.

FICA Verification of SEI1 Shareholders

One of the objectives of the Financial Intelligence Centre Act (FICA) is to ensure that financial institutions know whom they are doing business with. As is the case with SEI1, it is important that the company maintains the most up to date shareholder information for compliance and for effortless communication by both parties.





FICA Verification of SEI1 Shareholders (continued)

The scheme administrators from Singular Systems are continually conducting shareholder FICA verification. Should you wish to update your details and have these verified, please kindly follow the steps below:

- A. Kindly contact the SEI1 Trading Helpdesk for telephonic verification. You may contact us via 0102713902/sei@singularservices.co.za.
- B. Once telephonically verified, FICA verification documents will be sent to you via email or via SMS. These documents will ensure that your profile is FICA compliant and that you are registered on OTC Express. You may submit the FICA documents in the following ways:

- **Email:** sei@singularservices.co.za;
- **Post:** PO Box 1266, Bramley, 2018;
- **Hand delivery at the walk-in centre:** 25 Scott Street, Waverley, Johannesburg, 2090.

Kindly note that turn-around time for assessing client documents is approximately 3 to 5 working days.

Should any shareholders have any further questions, please contact SEI1 on 012 942 0038 or on the WhatsApp line 083 777 8725 and the team can assist you further.

B-BBEE Ownership

SEI1 is proud to be an empowerment investment holding company. With the B-BBEE affidavit expiring at the end of April 2022, the SEI1 team commenced on a process of obtaining a B-BBEE Ownership certificate.

This entailed making use of an independent B-BBEE verification service provider, Premier Verification to conduct an audit on the B-BBEE ownership of SEI1. Samples were selected and supporting documentation profiling race of our shareholders was provided to Premier Verification. SEI1 ownership remains a level 2 B-BBEE company, and the certificate is available on the company website. We are thankful to all shareholders who completed the link shares and those that were selected and provided feedback to the verification agency. The B-BBEE Ownership certificate is available on this link <https://seinvest.co.za/key-documents/>

Governance & Compliance

Status of CIPC Cases

SEI1 has received a motion of set-down for the liquidation matter which is being opposed and this matter is set to be heard by the 15th of August 2022. The legal counsel for both the CIPC and SEI1 continue to engage with the hope of finalising this and the director delinquency matter that relates largely to legacy matters i.e., pre-2018. The conclusion of the liquidation matter is particularly critical and important as this matter has had a negative impact on the business's ability to conclude on investment opportunities, which is a key objective of the Company. It is SEI1's hope that all points will be considered in both matters for the greater benefit of all stakeholders. Despite the cases being open, the legacy matters raised by the CIPC have been resolved as highlighted in the confirmatory affidavits presented to the courts for consideration. Feedback on the outcome will be communicated to all stakeholders.





INVESTMENTS OUTLOOK

Global Outlook

A World Bank Press release (<https://www.worldbank.org/en/news/press-release/2022/06/07/stagflation-risk-rises-amid-sharp-slowdown-in-growth-energy-markets>) highlights that the war in Ukraine is leading to higher inflation, tighter financial conditions, which is compounded by the damage from the Covid-19 pandemic. The Russian invasion of Ukraine has magnified the slowdown in the global economy, which is entering what could become a protracted period of feeble growth and elevated inflation. This raises the risk of stagflation, with potentially harmful consequences for middle- and low-income economies alike including South Africa.

Global growth is expected to slump from 5.7 percent in 2021 to 2.9 percent in 2022—significantly lower than 4.1 percent that was anticipated in January 2022. It is expected to hover around that pace over 2023-24, as the war in Ukraine disrupts activity, investment, and trade in the near term, pent-up demand fades, and fiscal and monetary policy accommodation is withdrawn. As a result of the damage from the pandemic and the war, the level of per capita income in developing economies this year will be nearly 5 percent below its pre-pandemic trend.

Global regions growth expectations are as follows:

- **East Asia and Pacific:** Growth is projected to decelerate to 4.4% in 2022 before increasing to 5.2% in 2023;
- **Europe and Central Asia:** The regional economy is expected to shrink by 2.9% in 2022 year before growing by 1.5% in 2023;
- **Latin America and the Caribbean:** Growth is projected to slow to 2.5% in 2022 and 1.9% in 2023;

- **Middle East and North Africa:** Growth is forecast to accelerate to 5.3% in 2022 before slowing to 3.6% in 2023;
- **South Asia:** Growth is projected to slow to 6.8% in 2022 and 5.8% in 2023; and
- **Sub-Saharan Africa:** Growth is forecast to moderate to 3.7% in 2022 and rise to 3.8% in 2023.

Global inflation is expected to moderate next year but it will likely remain above inflation targets in many economies. The report notes that if inflation remains elevated, a repeat of the resolution of the earlier stagflation episode could translate into a sharp global downturn along with financial crises in some emerging market and developing economies.

South African Outlook

According to the Reserve Bank's Full Quarterly Bulletin – No 304 – June 2022, South African gross domestic product (GDP) expanded by 1.9% in the first quarter of 2022, representing a second consecutive quarter of upward growth. The size of the economy is now at pre-pandemic levels, with real GDP slightly higher than what it was before the COVID-19 pandemic. The economic impact of the devastating floods in KwaZulu-Natal, which occurred in April, will only reflect in the GDP results due for release in September.

On the production side of the economy, eight of the ten industries recorded positive growth in the first quarter of 2022, with manufacturing the star performer. The sharp increase in manufacturing output was mainly driven by a rise in the production of petroleum and chemicals, food and beverages, and metals and machinery.





Mining output was lower, mainly due to a pullback in the production of platinum group metals, iron ore and gold. Construction saw its fourth consecutive quarter of contraction, with underwhelming results reported for residential buildings and construction works. Economic activity related to non-residential buildings, however, increased in the first quarter of 2022.

Annual consumer price inflation quickened to 6,5% in May from 5,9% in April and March, breaking through the upper limit of the South African Reserve Bank's monetary policy target range. This is the highest reading since January 2017 when the rate was 6,6%.

With SARB having a hawkish view on interest rates, there will be an impact on growth going forward due to access of funding.

SEI1 Investments Portfolio Summary as of 30 June 2022

The table below shows a summary of the total investment's portfolio for the last few quarters including the indicative share price of SEI1. This section also provides a snapshot of portfolio performance in the main categories as follows:

- Listed Investments;
- Semi-Listed Investments; and
- Unlisted Investments held via subsidiaries.

Total Investments Summary for each quarter since the last financial year end to date are shown in the table below:



INVESTMENTS OUTLOOK

South African Outlook (continued)

Finance, real estate and business services, as well as trade, also made sizable positive contributions to GDP growth. Trade activity was buoyant in the first quarter of 2022, with positive results from wholesale, retail, motor trade, and catering and accommodation.

After a strong fourth quarter in 2021, agriculture growth was more subdued in the first quarter, of 2022 edging higher by 0,8%. The rise in the first quarter of 2022 was mainly underpinned by increased horticulture production. On the downside, both mining and construction contracted in the first quarter of 2022.





SEI1 Investments Portfolio Summary as of 30 June 2022 (continued)

Investment Portfolio	30 June 2021 (Audited)	31 December 2021 (unaudited)	31 March 2022 (unaudited)	30 June 2022 (unaudited)
Listed Investments	R95 292 066	R87 750 864	R89 774 152	R78 863 635
Semi-Listed Investments	R18 168 801	R24 824 866	R26 176 905	R24 085 972
Unlisted Investments*	R9 998 279	R16 144 305	R16 144 305	R17 273 659
TOTAL INVESTMENTS	R123 459 146	R128 720 035	R132 095 362	R120 223 265

*Unlisted investments are only measured at fair value at financial year end following a year end valuation by management.

Indicative Share Price for SEI1 Shares

SEI1 tracks its share price based on the Net Asset Value ('NAV'). The NAV is calculated as follows; Total Assets less Total Liabilities of SEI1 on a month-to-month basis. The indicative **unaudited share price** per SEI1 share is as follows:

	30 September 2021 (unaudited)	31 December 2021 (unaudited)	31 March 2022 (unaudited)	30 June 2022 (unaudited)
Indicative Share Price	R0,79	R0,85	R0,88	R0,78
Total Shares in Issue	138 802 534**	135 638 706	135 638 706	135 638 706

**Total shares in issue prior to Odd-lot offer effected in November 2021.

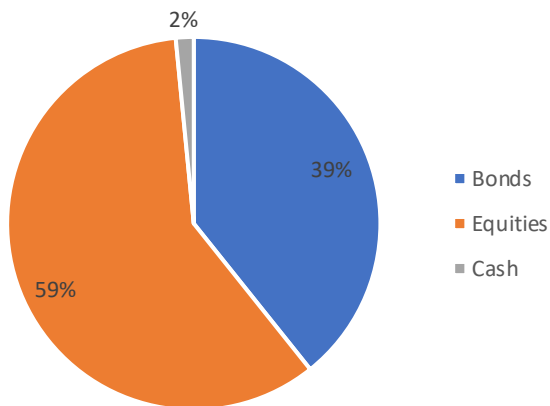




Listed Investments

The listed investment portfolio composition is as follows as at 30 June 2022

Listed Investments Composition



The equities are split as follows:

Equities Mix	
Basic Materials	19,50%
Consumer Goods	4,21%
Consumer Services	6,16%
Financials	15,97%
Industrials	2,18%
Technology	8,50%
Telecoms	2,66%
Total Equities	59,18%

As can be seen by the movements in the summary balance, the listed portfolio performance was fairly stable until the last quarter in SEI1's financial reporting period to 30 June 2022. The equities were slightly overweight on the basic materials (resources) equities to year end.

The listed portfolio was negatively impacted by the fluctuations in commodity prices in June 2022 coupled with extended load shedding, that impacted general performance across the board resulting in fair value losses but more severe of up to R5 million between May 2022 and June 2022 alone resulting in a significantly lower than expected final position. The sharp decline experienced in the last quarter to June 2022 also emphasizes the need for SEI1 to stabilise the investment portfolio through unlisted equities which is one of the key drivers of the revised investment strategy.

Semi-Listed Investments

This balance includes the BEE shares with MTN Zakhele Futhi, Phuthuma Nathi and Sasol Khanyisa investments that are all subject to lock-in periods. There have been significant fair value gains in this portfolio over the financial period to 30 June 2022. As with most equities on the listed portfolio, performance was affected by changes in the last quarter exacerbated by the general South African economy performance to 30 June 2022. As of July, Sasol has declared force majeure on petroleum products due to the delay of crude oil shipments, a move which is expected to have an impact on the share price of Sasol and hence affect the SEI1 listed and semi-listed investments due to the exposure. A detailed overview will be included in the investment report as part of the annual report for SEI1.





Unlisted Investments

The unlisted investment consists of three investments that have been restructured in the current financial period in Ara Indigenous, Riverside Properties and Zama Finance. These will be measured at fair value at year end for audit purposes.

Spotlight on Riverside Properties – Unlisted Debt Investment

As part of the unlisted investment strategy, SEI1 made a debt-funded investment to Riverside Properties during the financial period ended to 30 June 2022. Riverside Properties is an upcoming property development company that develops retail space in rural and semi-rural locations.

The model is such that the key tenant in developments is Shoprite through their Usave stores. SEI1 entered into an agreement to collaborate with Riverside Properties and develop more retail space in identified areas that will be occupied by Shoprite – Usave.

One of Shoprite Holdings' key growth strategies in SA is to rollout several Usave stores in order to penetrate the markets deeper and bring convenience to areas that although aren't accessible, have a more concentrated population.

Usave is a hard discounter and offers a limited assortment of products, including its own Ubrand range which consists of 225 products across almost all categories, from toiletries and cleaning products to pasta, canned foods, fruit, condiments etc

- Townships and rural villages have always served as retail and consumer markets, this strategy allows Shoprite a larger footprint with direct access to more clients
- Consumers also gain through reduced travel times, the convenience of being closer to shops comparably cheaper goods.

SEI1 has the option to develop up to 5 sites in partnership with Riverside Properties that would be occupied by Shoprite – Usave. The development of the first site commenced in August 2021 and after a few construction delays, the first store has been completed with Shoprite taking occupation of the store and the store expected to commence trading in July 2022. The pictures on the [following page](#) show the progress to date of the first developed site in Borakalalo – A village outside Zeerust, North-West.

Unlisted Investment Pipeline

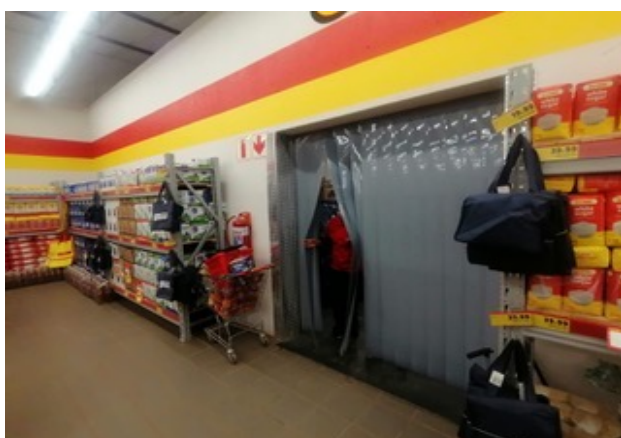
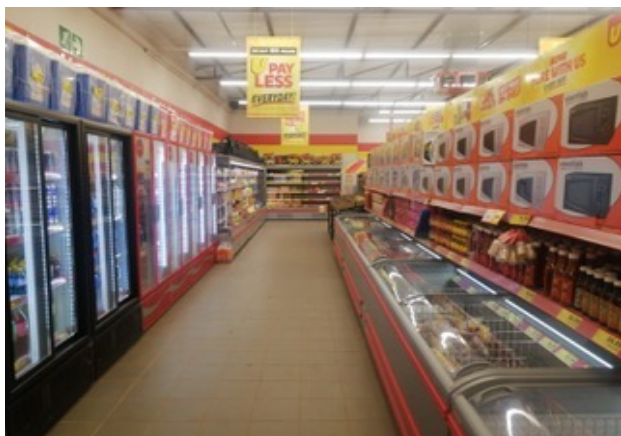
To stabilize the fluctuations within the listed investment portfolio, SEI1 has identified several unlisted investment opportunities that it seeks to conclude within the first quarter of the new financial year. SEI1 has engaged several financial institutions to leverage the existing portfolio to participate in the investment opportunities identified. The outcome of the liquidation matter will have a significant impact on the conclusion of these deals and the team remains hopeful that the Company will be able to close on these investment opportunities.





Unlisted Investments

Spotlight on Riverside Properties – Unlisted Debt Investment (continued)



Pictures from the first development where the site is now being occupied by Usave in the North West Province.





People Matters

The SEI1 HR team strives to add value to related stakeholders through the provision of thought leadership pieces to assist stakeholders strategically. Below is a short piece from the HR team that we hope you will enjoy.

Employers are feeling the pressure amid the Great Resignation!

The Great Resignation is an ongoing economic trend in which employees have voluntarily resigned from their jobs, beginning in early 2021, due to wage stagnation amid the rising cost of living, job dissatisfaction, safety concerns of the Covid-19 pandemic, and the desire to work for companies with better remote-working policies.

The pressure on salaries also presents a new challenge to employers as they look to retain and attract talent while remaining competitive. This comes amid the continuing effects of the Covid-19 pandemic that has prompted millions of workers locally and abroad to rethink work and its role in their lives.

Old Mutual's Remchannel April 2022 Salary and Wage Survey indicated that South African employers intend to give average wage increases of 5.4% in the next 12-month period. However, this will be below the inflation rate and will put pressure on finding new ways to keep employees happy in the face of record-high labour turnover.

It is also noted that salary budgets are no longer sufficient to meet evolving employee demands – this is common across most industries.

The rising costs linked to escalating inflation – exacerbated by increasing fuel prices and food shortages due to the Russia-Ukraine war have created a perfect storm for employers as workers return to the office. The South African Reserve Bank increased the repo rate by 50 basis points in May, the steepest increase since 2016, taking the bank's key rate to 4.75%. The prediction for an overall average lift to payroll is 5.24% on a total guaranteed package basis across industry sectors for the next 12 months. By comparison, South Africa's benchmark consumer price index (CPI) held steady at 5.9% in April, according to Stats SA. The historical average CPI for 2021 of 4.5% presented a more positive view in terms of the differential. Still, reward professionals need to be guided by the current information, which shows a worsening gap between increases and CPI.

According to the survey, 36.4% of the labour turnover is a result of resignations over the past 12 months. Resignations continue to be at the highest level of all the termination categories we have seen over the past 10 years, despite the pandemic and the economic uncertainty. The total sample of employees numbered more than 618 000 people. This means that, at an average turnover rate of 17.7%, just under 40 000 employees resigned from 82 companies. The situation is untenable, and it will force employers to reconsider their employee value proposition (EVP) and retention policies if they are to keep their brightest staff.





People Matters (continued)

The attraction and retention of critical skills are businesses' most difficult challenges. The survey found that human-resource professionals have experienced the highest turnover, and the impact on this crucial business function could be why the resignations are at a high percentage. Sales and marketing professionals were second in line, which could be attributed to the greater focus on marketing to ensure organisational growth.

Article adapted from the Remchannel HR Quarterly available on <https://www.oldmutual.co.za/corporate/our-capabilities/remchannel/human-resources-quarterly/>

CSI Initiatives

Making a sustainable contribution to the communities within which SE11 operates

SE11 recognises that it has a fundamental responsibility to assist disadvantaged communities by contributing to the social and economic development of the country. The Covid-19 pandemic and the restrictive lockdowns impacted small businesses greatly and caused job losses. In light of this, SE11 wanted to lend a hand to those in need by donating excess school shoes and inventory from our 2021 CSI drive and inventory from Seboka Distributors – a former subsidiary of Selective Empowerment Investments 1 Limited, which was liquidated in August 2021.

Through the CSI partner, Thekvest Group, SE11 has been able to provide the school shoes to Chaneng Primary School, Rustenburg (North-West).

The SE11 team also visited Victory Pre-School, Olievenhoutbosch (Gauteng) and realised the school required study material for the young kids and our staff came through and donated all school and reading books, in addition to the sanitisers, dishwashing liquid, fabric softener, pine gel, face masks, schoolbooks and reading material.

Chaneng Primary School, Rustenburg





CSI Initiatives (continued)

Victory Pre-School, Olievenhoutbosch



SEI1 MD & HR at the handover of donated items.

In Conclusion

SEI1 would like to thank all stakeholders for the continued feedback and support that allows the business to improve on its processes to ensure that all stakeholders needs are managed accordingly. We would like to encourage all stakeholders to continuously engage with the team at SEI1 and scheme administrators, Singular Systems, on all the relevant platforms (SEI1 Website, OTC Express Platform, SEI1 WhatsApp Groups, SEI1 Facebook & LinkedIn Pages).

