



# Selective Empowerment Investments 1

Newsletter  
September 2022





Despite the changes around us, we remain focussed on the blue ocean strategy developed for the business and the implementation thereof in order for us to meet the business strategic objectives.

SEI1 is happy to have concluded a new investment deal to develop Hoedspruit Shopping Centre in Hoedspruit, Limpopo, an investment that will create employment opportunities in that region and further strengthen the unlisted investment portfolio of SEI1.

In addition, SEI1 is happy to have joined the TopCo network and has been accredited by TopEmpowered, a position which we hope will provide us with additional investment opportunities, learn more [here](#). We hope that readers will find the newsletter insightful.

## INTRODUCTION

The quarter from 1 July 2022 – 30 September 2022 marked the first quarter of SEI1's financial year ("FY23"). Included in the last quarter was a celebration of unity, women and heritage marked by Nelson Mandela month in July, Women's month in August and Heritage month in September. The last quarter has provided us with an opportunity to reflect on how far we have come with respect to contributions to our communities, gender transformation while also reflecting on our heritage that allows us to look at diversity and inclusion from a different perspective.

There is a saying that the only thing that is constant is change. This is reflective of the current state of the local South African economy where once again we see continuous economic change both positive and negative impacting how we do business and how our portfolios perform.



## SHAREHOLDER ENGAGEMENT

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### FICA Verification of 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.

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 010 271 3902 [sei@singularservices.co.za](mailto: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](mailto: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 our 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 010 001 0082 or on the WhatsApp line 083 777 8725 and the team can assist you further.



Stakeholders are further reminded that we have provincial WhatsApp Groups where information is shared over and above the other formal channels, shareholders can send a message to 083 777 8725 and can be added to these WhatsApp groups.

### NEW OFFICE ADDRESS FOR SEI1

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After almost 9 years in Lougardia, Centurion, SEI1 has moved offices to Thornhill Office Park in Midrand. The move not only positions SEI1 closer to the investment & financial districts of Sandton and Waterfall, but the move also allows SEI1 to save on costs as the increased escalations at the old premises had resulted in high rental costs.

The new office address and contact number are shown below:

Ground Floor Building 17, Thornhill Office Park  
94 Bekker Road,  
Vorna Valley  
Midrand, Gauteng  
1686

Telephone: 010 001 0082



## GOVERNANCE & COMPLIANCE

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### Status of CIPC Liquidation Case & Director Delinquency

SEI1 received a motion of set-down for the liquidation matter relating to historical non-compliances (2013–2017) which had since been resolved. The liquidation matter was opposed and presented in the Pretoria High Court on the 5th of October 2022 and outcome of this hearing is pending. Shareholders will be notified of the hearing outcome as soon as this becomes available.

The matter pertaining to the historic director delinquency matter remains open and it is expected that this matter will be heard before the courts before the end of 2022.

The conclusion of both matters, more so, 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. SEI1 remains hopeful in concluding both matters.

### SEI1 INVESTMENTS OUTLOOK

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### Global Outlook

According to a report from McKinsey&Company, read it [here](#), global outlook has been revised up from initial forecasts for global economic growth in 2022 but there is a downward revision for the outlook for 2023.

Recent data shows that many key economies were more resilient than expected in mid-2022, with the impact of elevated energy prices and monetary tightening weighing on output in 2023. While growth was expected to be stable over the 2022/2023 period, the global expectation is that it will slow sharply.

Most global regions cite inflation as the main risk to growth on economic conditions in their home economies. Geopolitical instability and conflicts remain a top concern as well, most often cited as the greatest risk to global growth over the next 12 months.

Regional divergence in outlooks has emerged, as countries in Europe express deeper concerns over energy price volatility and more sombre views about their domestic economies. North America, on the other hand, global leaders are less negative about their countries' current economies than at the beginning of the year.

Regional differences also appear in the private sector, where concern on the cost increases that are most affecting their companies. In Europe most executives cite the impact of rising energy prices, while those in India and North America tend to point toward wage increases.



## Potential Risk to economic growth over the next 12 months

|                                           | Asia-Pacific | Europe | North America | Other developing markets <sup>2</sup> | Greater China <sup>3</sup> |
|-------------------------------------------|--------------|--------|---------------|---------------------------------------|----------------------------|
| Inflation                                 | 68           | 56     | 55            | 53                                    | 26                         |
| Volatile energy prices                    | 30           | 62     | 23            | 19                                    | 23                         |
| Geopolitical instability and/or conflicts | 33           | 36     | 31            | 24                                    | 19                         |
| Rising interest rates                     | 24           | 27     | 37            | 18                                    | 10                         |
| Supply chain disruptions                  | 24           | 22     | 25            | 20                                    | 19                         |
| Labor shortages                           | 13           | 11     | 31            | 5                                     | 13                         |
| COVID-19 pandemic                         | 21           | 2      | 3             | 2                                     | 48                         |

On the global economy, the outlook varies significantly by region. Europe and North America offer a grim view of both current and future global conditions, whereas those in Greater China are primarily positive about the present and the future.

Overall, for the third quarter this year, geopolitical instability and conflicts remain the most-cited risk to global economic growth, and inflation remains the second-most-cited threat. In a change from June, volatile energy prices have superseded supply chain disruptions as the third-most-cited global risk.

### South Africa Outlook

According to the Reserve Bank of South Africa Outlook Report, real economic activity in South Africa contracted by 0.7% in the second quarter of 2022 following two successive quarters of expansion. The contraction in real gross domestic product (GDP) was broad-based, with activity declining in both the primary and secondary sectors and increasing, albeit at a slower pace, in the tertiary sector. Despite the contraction, the level of real GDP was still 1.4% higher in the first half of 2022 than in the corresponding period a year earlier, but 0.3% lower than the average level in 2019 before the onset of the coronavirus disease 2019 (COVID-19) pandemic.

The real output of the primary sector contracted by a further 5.1% in the second quarter of 2022, along with lower production in both the agricultural and mining sectors. The decrease in output in the agricultural sector emanated mainly from the lower production of animal products on the back of the outbreak of foot and mouth disease, and the sharp increase in input costs. The real output of the mining sector contracted further by 3.5%, marking a fourth successive contraction as production decreased across several subsectors.

The South African Reserve Bank hiked the repo rate, which affects the cost of borrowing, by another aggressive 75 basis points. The increase lifted the prime lending rate to 9.75%. The rate hike will result in a major impact on economic growth, even though the rate hike is to curtail inflation, the economic growth ramifications will be vast across many sectors who are still looking to recover from the COVID-19 impact.

Annual consumer inflation climbed from 4.6% in July 2021 and 7.8% in July 2022, before falling slightly to 7.6% in August. The Reserve Bank aims to keep inflation anchored between 3% and 6%, even as prices look to be falling, the rate of inflation is still uncomfortably high. South Africa's inflation is high, but not nearly as elevated as in some other economies.



## INVESTMENTS SUMMARY

The table below shows a summary of the total investment portfolio for the last few quarters including the indicative share price of SEI1:

The snapshot is split into the three main investment categories namely:

- 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:



| Investment Portfolio     | 31 December 2021 (unaudited) | 31 March 2022 (unaudited) | 30 June 2022 (unaudited) | 30 September 2022 (unaudited) |
|--------------------------|------------------------------|---------------------------|--------------------------|-------------------------------|
| Listed Investments       | R87 750 864                  | R89 774 152               | R78 863 635              | R66 430 688                   |
| Semi-Listed Investments  | R24 824 866                  | R26 176 905               | R24 085 972              | R22 913 308                   |
| Unlisted Investments     | R16 144 305                  | R16 144 305               | R17 273 659              | R29 334 200                   |
| <b>TOTAL INVESTMENTS</b> | <b>R128 720 035</b>          | <b>R132 095 362</b>       | <b>R120 223 265</b>      | <b>R118 678 196</b>           |

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

\*\*This total only includes investments and excludes other assets.

### 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:

|                          | 31 December 2021 (unaudited) | 31 March 2022 (unaudited) | 30 June 2022 (unaudited) | 30 September 2022 (unaudited) |
|--------------------------|------------------------------|---------------------------|--------------------------|-------------------------------|
| Indicative Share Price   | R0,79                        | R0,85                     | R0,81                    | R0,79                         |
| <b>TOTAL INVESTMENTS</b> | <b>138 802 534</b>           | <b>135 638 706</b>        | <b>135 638 706</b>       | <b>135 638 706</b>            |

\*Pricing data is delayed by a month due to timing of monthly reports.

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



## Listed Investments

SEI1 listed investment portfolio during the first quarter of the new financial year has been negatively impacted by the impact of electricity shortages and depreciation of the rand. In addition, there has been a downturn in commodity prices and contraction in the world economies, with most global regions currently undergoing a recession and slowing growth prospect due to fuel crisis mainly due to the war in Ukraine.

## Semi-listed Investments

There has been share price growth of over R4.4 million (22.6%) from FY21 to FY22, with the portfolio being impacted significantly in June 2022, due to economic pressures in South Africa, especially the electricity crisis.

The growth is mainly contributed to the fair value gains by the following for FY 2022:

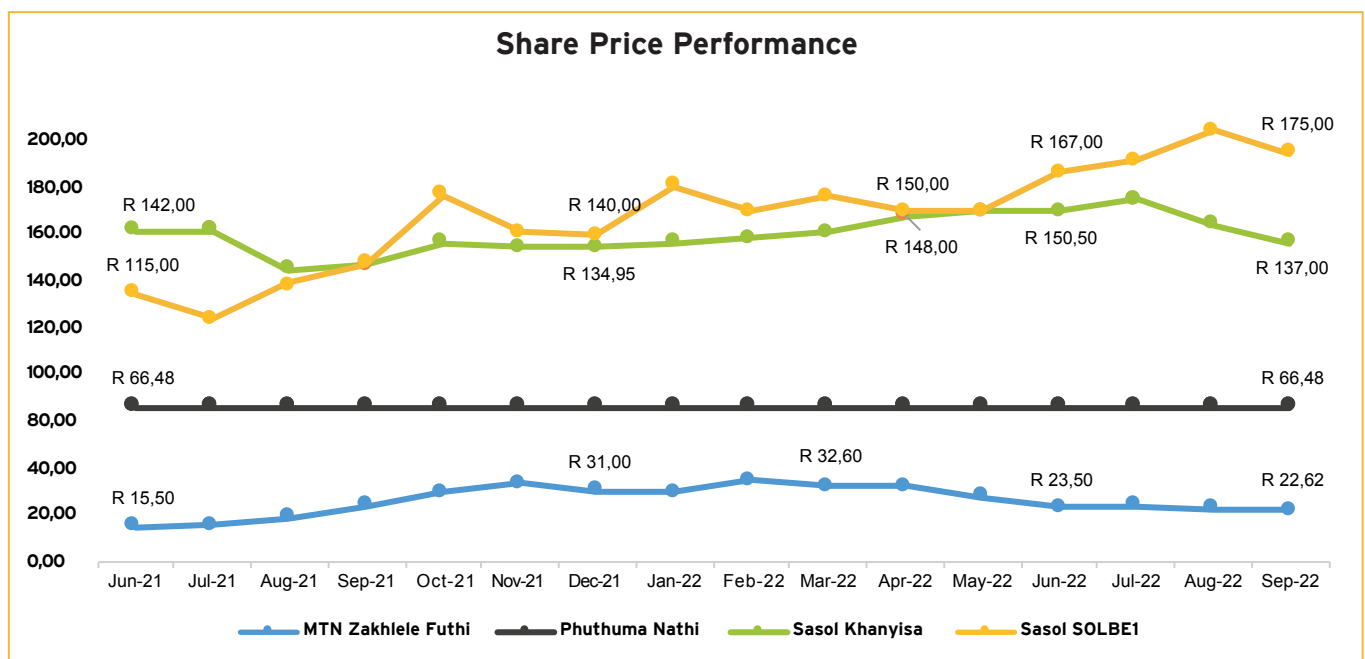
- The best performing share has been MTN Zakhele Futhi, with a growth of c.51.6%.
- Sasol SOLBE1 share price has grown by 45.2%; and
- Phuthuma Nathi grown slightly by 6.0%, over the same period.

In the current financial year (FY23), in the first quarter the semi-listed portfolio has declined by 4.9%. This was mainly due to the decline in Phuthuma Nathi by 9.0% in the first three months. Decline in the share price was mainly due to the share trading upwards for an anticipated dividends of R22.22 per share declared in September. Post the pay-out of the dividends, there was a decline in the share price.

## Unlisted Investments

The Board implemented a strategy to balance the portfolio by moving away from listed investments to unlisted investments, as this will provide greater stability in the portfolio, as there will be less impact on the portfolio by global external factors. The unlisted investment portfolio consists of four investments that have been restructured in the current financial period in Ara Indigenous, Riverside Properties, Zama Finance, and Hoedspruit Shopping Centre held through Hebrides Investments. These unlisted investments are measured at fair value at year end and are amended during the financial year for any movements in the balances. This quarter, SEI1 concluded an investment in Hoedspruit Shopping Centre.

Below is an illustration of the share price movements from 1 July 2021 to 30 September 2022



## New Investment Spotlight - Hoedspruit Shopping Centre

### Overview

|                          |                                  |
|--------------------------|----------------------------------|
| Investee Company         | Hoedspruit Shopping Centre (SPV) |
| Sector                   | Property                         |
| Sub-Sector               | Construction                     |
| Location                 | Hoedspruit                       |
| Business Type            | Property Development             |
| SEI1 Equity investment   | 30%                              |
| <b>Transaction Value</b> | <b>R126 million</b>              |

SEI1 invested in a new shopping centre special purpose vehicle (SPV) in Hoedspruit, alongside Bruce Kirchmann Construction ("BKC"). The investment is valued at R8m for 30% of the equity in the SPV that holds the shopping centre.

The total transaction value for the construction of the mall is R126m, with Grindrod Bank providing R97m debt and BKC contributing c.R21m for the other equity component, to complete the transaction. BKC was founded over 15 years ago and has completed various projects ranging in contracts values from R10m to R120m. The company has the personnel with knowledge and experience to deliver commercial, industrial, retail, residential and specialist projects.

Hoedspruit Shopping Centre is a planned construction project in the town of Hoedspruit. This town falls under the Maruleng Local Municipality. Hoedspruit is a gateway for tourists who visit game reserves in the area and a gateway to the Kruger National Park. Formal towns near Hoedspruit include Hazyview, Phalaborwa and Tzaneen, while Acornhoek and Bushbuckridge are rural towns that serve surrounding rural communities.

The shopping centre will be offering c.80% National shops with c.20% being locals. Key anchor tenants for this project has been confirmed.

The completion of the mall is anticipated to be in the second quarter of 2023. SEI1 is proud to make an investment which will create various employment opportunities in the communities in Hoedspruit, including construction workers and employees in the various outlets in the shopping centre post the completion of the project.



## HR MATTERS

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### **Is South Africa ready for a Four (4) day work week?**

Many companies around the world, and in South Africa, are exploring the concept of a four-day work week, which has piqued SEI1's interest. However, we are aware that in order to implement the model effectively, it is crucial to understand all aspects before making a decision.

We've done the research for you, so you don't have to!

### **How does it work?**

By working a four-day work week, employees have the opportunity to work one day less per week but still receive their full salary and benefits. Basically, you are paid for your output rather than your hours worked.

### **Why the interest?**

The model is appealing to both employers and employees because it promotes work-life balance, increases motivation, and increases productivity. Also, employees can devote more time to their personal, family, and lifestyle priorities during their one-day off, resulting in better mental and physical well-being.

### **Who will adopt it?**

According to the South African Reward Association, South Africa is not ready to handle such a large-scale reward system, so employers are advised to test the waters before committing. However, smaller and medium-sized tech companies are more likely to adopt this practice early.

### **How does it compare to working from home (WFH)?**

WFH will remain the most popular option for employers because of its flexibility. As WFH becomes more prevalent, workers (especially skilled workers) will look for employers who offer both four-day week and WFH.





## Is this an effective way to attract and retain employees?

According to the South African Reward Association, flexible work practices are associated with higher worker engagement, so employers should consider them part of their employee value proposition.

It can differentiate them from the competition by attracting in-demand and self-motivated candidates who will deliver results whether they work four or five days a week. It will also help retain those who appreciate the flexibility it provides.

## What do employers need to consider?

Companies need to consider the model's impact on operational continuity and customer engagement. By doing so, they will be able to provide service during peak hours without experiencing lapses in service.

"In addition to structured communication, effective change management, and collaborative corrective measures, this requires a high level of engagement with employees." South African Reward Association adds.

## Assessing rewards

By carefully planning, employers can highlight the four-day work week as a key part of their total reward strategy. Companies should also engage their reward specialists or consultants for further guidance on how to align their leave, overtime, salary, and benefits structure with this new way of working.





## 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).



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# IMPUMELELO TOP EMPOWERMENT

## CERTIFIED COMPANY

### Top Empowered Company 2022

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### SELECTIVE EMPOWERMENT INVESTMENTS 1

IN RECOGNITION OF THEIR COMMITMENT TO TRANSFORMATION FOR THE YEAR 2022

*"Impumelelo provides a showcase of this emerging sector, assisting both local and overseas companies in choosing areas of profitable investment. I have no hesitation in supporting its aims and believe that this directory will become a key reference work for South African businesses and industry in the future." – N R Mandela*



**Ralf Fletcher**

Chief Executive Officer

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