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How will history judge businesses that disinvested from South African assets through end 2017?

A major commodity business just announced that they completed their strategic repositioning to *"exit our Eskom-tied coal assets"* through the sale of a coal deposit *"well-positioned"* next to the Kusile power station being brought into production. The consideration is R850mn and the vendors are paying in cash and in full.

The general flavour of the formal announcement comes across as if they helped the South African mining industry with regards to sustainable transformation. This is probably true.

But, given recent developments in our country, I wonder if this positive sentiment will in fact still be shared inside their boardroom. Management has led this company to a major strategic repositioning out of South African mining assets, at a time of low commodity prices and above-average political uncertainty, during which the valuations for these assets was almost certain to be low.

All of a sudden, with Cyril Ramaphosa expected to lead the charge on corruption and the wholesale restructuring of the Eskom board in early 2018, the playing field has changed completely.

It's not a foregone conclusion yet, but even on long odds, if the South African economy turns around in a meaningful way on a 10 to 20 year view I think it is fair to conclude that the leadership of companies that divested from South African assets up to the end of 2017 will have lots to answer for to their stakeholders in the fullness of time.

I continue to look for signs that the successful contrarian, counter-cyclical capital allocation policies of this business will be fully restored.

Our work continues...

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