

Reality Check on the Ground in SA.

Daniel's Perspective

15 June 2019

Daniel Malan

Managing Director & Chief Investment Officer

daniel@perspectiveim.co.za

This document reflects the personal views of its author as of the date indicated. The author reserves his right to change his views whenever the facts change, without notice. This document is for information purposes only and should not be used for any other purpose. The information contained herein does not constitute an offering of advisory services or an offer to sell or solicitation to buy any securities or related financial instruments in any jurisdiction.

Reality Check on the Ground in SA.

I was fortunate to have the time, energy as well as my family and colleagues' support to travel for research purposes in South Africa over the past month. I met with well over a hundred listed and unlisted businesses and businesspeople across many industries and sectors. It was an exhausting exercise but well worth it as I feel it helps me to put my finger on the pulse of our country, so to speak. I have learnt to put my trust in what I can see for myself and understand.

It is clearly far tougher out there on the ground than some people realise or acknowledge. Significant political and economic policy uncertainty has finally delivered its inevitable result – cutbacks in fixed capital investment, job creation, corporate and consumer spending. In a country with already high unemployment levels this is not funny at all.

And yet, time and time again, experienced businesspeople I met with spoke of opportunity in the midst of chaos. When one builds and runs a business over multiple decades it inevitably includes good times and not so good or even bad times. It seems there are some people who just know the importance of knuckling down and getting on with it in the midst of a storm. They make a plan, no matter what. As a businessman and an investor, I personally draw tremendous inspiration and courage from these wonderful people. It is always in the toughest times that true character shines through and the truly great businesses can grow their long-term market share and value.

Fixing South Africa is not yet a foregone conclusion and it will not be quick or easy. It took 10 years of horrific maladministration to get us to this point. Realistically it will take at least 10 years to firmly set us on a new course. There are finally a number of encouraging signs and the medicine we have to take as a country tastes terrible. The good news is that we are indeed taking our medicine - and this has always been the one and only path to healing on a long-term basis.

We have entered an ideal market environment for a contrarian investor with an ability to take a truly long-term view on a discerning basis.

Our work continues...