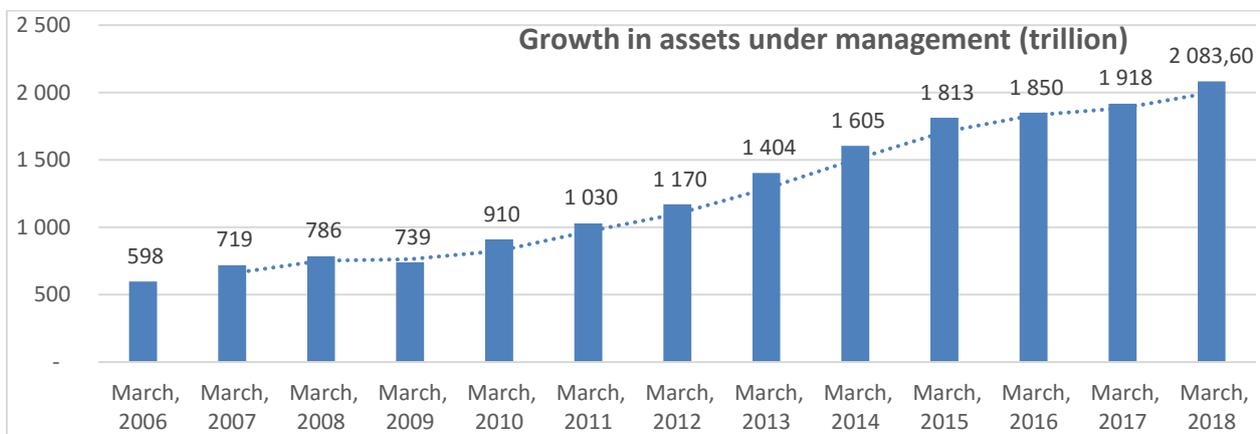


MEDIA RELEASE

PIC tables its annual report, records growth in asset under management

- Assets under Management (AuM) grows to R2.08 trillion in 2018, representing a growth rate of 8.6%.
- A total of R18.55 billion approved for Private Equity (PE), Impact Investing (II) and Unlisted Properties. Underpinned by fundamental in-house research, most of these investments were in healthcare, manufacturing and energy projects among others.
- Investment in the rest of Africa continues to grow, with USD 876 million approved for investments in the rest of the continent.
- Over R100 billion allocated to black asset managers.
- 152,226 jobs created and sustained.

PRETORIA – 1 October 2018: The Public Investment Corporation (PIC) tabled its annual report for the financial year ending 31 March 2018, recorded a growth in assets under management (AuM) and declared dividend to the shareholder. The tabling of the annual report is a requirement in terms of the Public Finance Management Act No 1 of 1999. The AuM grew to R2.08 trillion from R1.918 trillion in the 2016/17 financial year, representing a growth rate of 8.6%. The growth is a continuation of a positive trend that goes many years back.



Client's performance over a 10-year period

The PIC invests on behalf of South African public sector clients. Amongst these are, the Government Employees Pension Fund (GEPF) – a defined benefit pension fund for government employees, which is guaranteed by the government, Unemployment Insurance Fund – a short-term unemployment insurance with contributions from employers and the Compensation Commissioners Fund, a Fund that caters for employees injured on duty. Individual clients' portfolios have also grown over the years.

CLIENT	% OF AUM	10 YEAR AUM CARG GROWTH
Government Employees Pension Fund	87.72%	CPI + 5%
Unemployment Insurance Fund	7.03%	CPI + 16%
Compensation Commissioners Fund	1.93%	CPI + 13%
Compensation Commissioner Pension Fund	0.96%	CPI + 4%
Associated Institutions Pension Fund	0.77%	3.2% (winding)
Various Other Clients	1.59%	Cash Returns
TOTAL	100%	

PIC Chief Executive Officer, Dr Daniel Matjila said, “We are pleased with the performance of the entire PIC portfolio, which was by all accounts brilliant, given that the year under review was riddled with domestic and global economic and political challenges. The growth of the economy correlates to growth of our AuM and whatever happens in the economy has a way of affecting our portfolio. However, through prudent investment decision making, underpinned by diversification, risk management, thorough investment process and application of world class ESG practices, we have been able to make returns for our clients.”

Impact of investments and transformation

The PIC is a long-term investor and its investment strategy seeks to invest in sectors that catalyse inclusive economic growth over the medium and long term. Extensive research has been conducted to identify sectors of the economy, which could have high impact and there is a plan to accelerate investments in these sectors in the succeeding financial years. During the year, R9.5 billion was approved for Impact Investments, R5.8 billion for Unlisted Properties and R3.25 billion for investing in Private Equity and Structured Investments Products. Amongst others, through unlisted investments, the PIC has so far created and sustained 152,226 jobs; contributed 2,654.25 megawatts through its investments in renewable energy; funded 22 low fee hospitals and contributed to 3,049 hospital beds; contributed to the provision of over 11 thousand beds for students; and financed and supported 785 small and medium enterprises.

Transformation

The PIC remains firmly committed to driving transformation and inclusivity through investments it makes. Over the past nine years, the PIC has been allocating a portion of its listed equity portfolio for management

by black asset managers. Started in 2009, the broad-based black economic empowerment (B-BBEE) development manager programme aims to transform the asset management industry by increasing participation of black owners and the number of black investment professionals (particularly blackwomen) in the industry.

Through this programme, the PIC increased allocations to black asset managers and holding the traditional, large, established firms accountable to transformation targets within their businesses. At inception, R64 billion was allocated across 18 mandates in the domestic listed equity and listed property asset classes. At that time, seven of these mandates were managed by black-owned and over 80% of the assets allocated to established firms. Much has changed things then. The programme is bearing the desired fruits. During the 2017/18 financial year, externalised assets had increased to R171.2 billion through market movement and additional flows. At 31 March 2018, R103.4 billion, which is approximately 60% of externalised assets were managed by black-owned firms across domestic asset classes. Furthermore, over 85% of procurement spent was directed towards level 4 or better BEE companies, whilst approximately 98% of brokerage business (trading on the stock exchanges) was directed towards transformed stockbrokers who are 51% and above owned by black people.

“Transformation can only be achieved through deliberate and conscious actions. We can achieve much more to transform the asset management industry if those who are charged with the responsibility to allocating capital take transformation seriously. Those acting as trustees and members of investment committees equally have the responsibility to drive transformation. They should make transformation a standing agenda in their meetings and insist on allocation of assets to black asset managers. If they do, we can achieve transformation at an accelerated pace. Transformation is necessary for this country to realise inclusive growth. We are especially grateful to our clients, the GEPPF, UIF and CC for leading by example and granting us progressive mandates to allocate funds black asset managers,” said Dr Matjila.

PIC graduate programme, known internally as the PICeeds, turned 10 during the year under review. Hundred and thirty (130) students have gone through this programme, which affords them on-job training and experience in different aspects of asset management industry for a period of two years. Most importantly, 73% of these students have been retained by the PIC, with the rest finding employment within the industry. The PIC runs a Chartered Accountants (CA) programme, which has been accredited by the South Institute of Chartered Accounts. All the students participating in the CA programme have successfully completed their training and accredited by the Institute.

Shareholder activism

The PIC accelerated its shareholder activism programme, engaging companies on pertinent issues around environmental, social and governance. Key engagement issues during the financial year were around remuneration policies, independence of directors, amongst others. The PIC had 212 engagements with listed companies and 81 with unlisted companies. In the same period, the PIC exercised 3268 proxy voting in listed investee companies and 182 in the unlisted companies. Of these, 3040 were for proposed resolutions, 402 against and 8 abstained. Some of the issues that the PIC voted against include, approval of share scheme; non-executive directors fees; capital structure; reappointment of auditors; re-election of directors; implementation of remuneration policy; appointment of audit committee members; and approval

of remuneration policy. The PIC will continue to engage with respective companies on specific issues against which it voted, so as to ensure best practices in these companies.

“We believe that through constructive engagement, we can ensure that environmental, social and governance issues are addressed at investee companies. ESG considerations are an essential ingredient to the long term success of investee companies. However, at the centre of all these is governance. Where governance fails, nothing else will stand. It is through adherence to ESG principles that we will be in a position to realise the United Nations’ 17 sustainable development goals and inclusive growth,” said Dr Matjila.

The PIC will continue to accelerate its investment efforts during the 2018/19 financial year to generate alpha for its clients, contribute to generation of social returns, whilst driving transformation in the sectors where it invests.

The full copy of the PIC’s annual report is available on <https://www.pic.gov.za/wp-content/uploads/2018/09/Public-Investment-Corporation-Integrated-Annual-Report-2018.pdf>

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Issued by

Sekgoela Sekgoela

Tel: (012) 742 3413

Email: Sekgoela.sekgoela@pic.gov.za