

An open letter to South Africa from Dr Dan Matjila, CEO of PIC

Considering that so many column inches in the media have been dedicated to questioning my integrity and my competency as the Chief Executive Officer (CEO) of the Public Investment Corporation (PIC), I feel compelled to respond to what I regard to be unsubstantiated, malicious and spurious allegations being made against me.

Having spent many years working in investment management, my professional career has mostly been defined by two: logic and reason.

Therefore, in defending my name, please allow me to take a dispassionate, logical and reasoned view of the allegations being made against me.

I want to begin by stating what some media publications have been remiss in mentioning: the undeniably successful performance of the PIC over the period that I have been at the helm. Performance highlights for the financial year ended March 2018 include:

- Growth in assets under management to R2.083 trillion.
- PIC profit in 2018 was R417 million.
- Returns on investments over the last ten years for GEPF: 10.25%.
- Returns on investments during the previous ten years for the UIF: 9.23%.

Moreover, under my leadership, the PIC has consistently achieved clean audits – a rare phenomenon in the public sector.

To add context to what we do at the PIC, the Government Employees Pension Fund (GEPF) makes up 87.12% of the funds that the PIC manages. Other clients include the Unemployment Insurance Fund (UIF), Compensation Commissioner Fund (CC), Compensation Commissioner Pension Fund (CP) and Associated Institutions Pension Fund (AIPF).

Some of the reports carried in the media seem to infer that I - and I alone - determine which companies the PIC invests in or grants loans to. And that I personally manage the assets within the PIC's portfolio. This is plainly irrational.

PIC has established and stringent investment management and approval processes, which involve several investment professionals and committees. Governance regarding risk management within the PIC is a stringent process that complies with regulatory requirements and best global and industry practices. In addition to ensuring that the legislations, laws, regulations, policies and best practice standards are all met, the Risk and Compliance division ensures that Portfolio Managers manage the investment portfolios to the benefit of clients.

Moreover, some media reports have implied that the PIC invests as it pleases. Again, a gross inaccuracy. We operate within the mandates granted to us by our clients, that prescribe strict parameters from which we never deviate.

Unlisted Investments

Let me start with the assertion that I have been reckless by investing R70 billion in unlisted companies, with the inference being that loans have been granted to companies that were irregular and thus under or non-performing.

First, while delivering healthy financial returns on our investments is critical, contributing to the county's broader socio-economic development is also part and parcel of the PIC's mandate. Through investments made in companies owned by black entrepreneurs, the overarching theme for our unlisted investments is transformation and inclusive growth. Our focus in this regard, therefore, has been to invest in sectors that have the potential to encourage employment and development, whilst generating the requisite financial returns.

These sectors have included energy, healthcare and affordable housing and student accommodation. The results of our efforts during my tenure as CEO include, amongst others, the following:

- As many as 152 226 jobs created and sustained.
- The construction of 22 new hospitals, that supplied an additional 3 049 beds for our public health system.
- Some 45 349 affordable houses were constructed, as well as 11 900 student accommodation facilities.
- Support and finance made available to 785 SMEs.

The multiplier effect of all our unlisted investments concerning future development? Incalculable.

At the PIC, we also practise what we preach. Since 2007, we have led the way with transformation in asset management. Today black asset managers are responsible for the management of more than R100bn of assets from the PIC.

I'm proud to say that transformation is also evident throughout the PIC. The almost 400 employees at the Corporation fully represent the diverse demographics of South Africa, with the majority being youth who graduated from the country's previously marginalized universities.

Steinhoff

Let me now move to another contentious issue, the losses incurred through our investment in Steinhoff. Yes, they were significant and deeply regrettable. However, in defence of the allegation of ineptitude with regards to our exposure in Steinhoff from those who seem to have 20-20 vision in hindsight, the question posed should not be "Why was the PIC duped by Steinhoff? However, rather, "Who wasn't duped by Steinhoff?"

As a retail group with a global presence, Steinhoff was considered a sound investment and a darling of the JSE, as well as various other stock exchanges around the world. However, the fact remains that our exposure in Steinhoff represented less than 1% of the PICs assets under management, or one of over 300 securities in the PIC portfolio, so the loss was thoroughly cushioned. Most importantly, Steinhoff was a constituent in the index that the PIC tracks in line with its investment mandate.

VBS

As for my name being linked to the debacle that is VBS, this has to be the lowest of the low in allegations. The mere suggestion that I would accept a bribe – R5 million in cash is abhorrent to me.

This was the allegation made by one VBS executive, to another, before being relayed to Advocate Terry Motau SC, who along with Werksman’s Attorneys, authored the “Great Bank Heist” report on VBS.

Advocate Motau is on record as stating that he “Cannot make a definitive finding against me and that it warrants investigation.” I welcome any investigation regarding this allegation, which I consider to be a classic case of hearsay based on evidence of two people who according to the report are heavily implicated in malfeasance at VBS.

I also resolutely stand by my previous statement to the press in which I stated: “I emphatically reject any suggestion that I may have received R5m to facilitate further funding for VBS Mutual Bank. The portfolio management committee of the PIC turned down an application to put more money into VBS Mutual Bank, two days before VBS was placed under curatorship.”

Nepotism

Another allegation made against me is one of nepotism. According to some unknown (and I suspect disgruntled) whistle-blower at the PIC. He or she has been circulating anonymous emails, which infer that I used my position to arrange employment at the PIC for my son irregularly.

Not only is this utterly devoid of truth – it is malicious, spiteful and asinine.

Yes, there is a gentleman by the surname of Matjila who was appointed as a manager of a canteen at the office park where PIC once occupied with other corporates. However, the gentleman in question is not my son, and he is not related to me in any way or form.

The spuriousness of this allegation is such that if we follow this reasoning to its logical conclusion, it would mean that no one by the name of Kganyago can be employed at the Reserve Bank. Also, no one by the name of Maseko can ever be hired by Telkom. It’s an allegation so deficient in logic that it’s laughable.

Many agendas

The accusation of impropriety, that I advanced loans to a woman with whom I was allegedly romantically involved has already been debunked through legitimate investigative processes.

First, it saddens me greatly that a black businesswoman, Ms Pretty Louw, who was seeking investment for her company would have certain people immediately jump to the cynical, sexist and sensationalised conclusion that sexual favours played a role in granting her the financial assistance she sought.

These allegations would have been deeply insulting to the lady in question, and to me as a dedicated husband and father.

Second, it was repeatedly mentioned as part of this disproven allegation that I was pressurised by the then intelligence minister, Mr David Mahlobo, to invest in Ms Louw's company.

As the PIC CEO, I have on countless occasions been approached by many people of influence, bankers, financiers, businesspeople and politicians across the political spectrum - with requests to invest in various companies.

However, as very few of these recommendations have shown any merit from an investment point of view or have met our stringent compliance practices, the majority have not been considered by the PIC.

Managing the expectations of politicians and people of influence is a fine line that I continually have to negotiate – a tightrope if you will. Therefore, it is inevitable and logical that some individuals who have received a negative response to their suggestion would harbour disgruntlement and even enmity towards me.

I wish to categorically state, that I have never been partisan nor leaned towards any faction of a political party where it concerns my work.

The only masters I serve are the 1 273 125 active members of the GEPF and the 450 322 pensioners and beneficiaries who, after a lifetime of toil, deserve a secure, prosperous and dignified retirement for the rest of their lives. I am equally indebted to members workers and employers who continue to contribute towards UIF and CC, CP, as well as other clients who expect nothing more than return on their investments.

Competency

PIC's ability to deliver returns on the investments under my leadership has also been questioned. Please forgive my immodesty here, but if I lack regarding competency, or if my performance has in any way been under par, then why is it that as recently as 2016, I, the PIC has received accolades such as:

- CEM, a global benchmarking company, rated the PIC one of the best asset managers that has given the GEPF positive returns at a very low cost.
- Responsible Investor (RI): Commended for the Best Responsible Investing Report by an Asset Manager of Large Funds.
- European Magazine Awards: Best SOE - Africa European Magazine Awards: Best Corporate Governance - South African Business Leadership Awards: Africa Industry Personality of The Year.

- European Magazine Awards: Asset Management Firm of the Year - South Africa.

Up to this point, I have spent 15 years at the PIC, first as Chief Investment Officer for nine years, and four years as CEO. During my latter position, I have had the honour of working alongside three Deputy Ministers of Finance who were appointed chairpersons of the PIC. These are Mr Nhlanhla Nene, Mr Mcebisi Jonas, Mr. Sifiso Buthelezi and the current chair, the Mr Mondli Gungubele. I am grateful for their assistance and support over the last four years.

I also would like to thank all dedicated and committed employees at the PIC. Your dedication, diligence and commitment to serving our clients, who are our primary concern, is an inspiration to me.

I want to thank my family and friends who have stood by me and who continue to support me with so much faith and conviction during these trying times.

Finally, I am greatly encouraged that the South African legal system, in its inexorable quest for justice, has zero countenance for gossip, innuendo and hearsay. Also, I am eternally grateful that the McCarthyesque assertions that have been aimed at me – a rumour here, a whisper there, anonymous text messages and emails – will never be deciding factors in the challenges that I face.

I greatly welcome the Commission of Inquiry as instituted by President Cyril Ramaphosa, and believe the inquiry will present the PIC with a proper opportunity to present facts about its corporate governance standards, operations and investment decisions in order to restore public- and shareholder confidence in the institution.

I am 100% confident the stability and the security of the PIC will continue unabated.

I humbly thank you, for the opportunity of presenting my side of the story.

Sincerely,

Dr Dan Matjila

Chief Executive Officer of the Public Investment Corporation