



CMEFS WEEKLY INVESTMENT NEWS

28-08-2020

Hello and welcome to this week's edition of Investment News.

Before we go into this week's discussion, let's see how the CMEFS Flexible fund has done for the year thus far as compared to the All Share Index (ALSI)

Fund	Last week Thursday	This week Thursday
ALSI	-1.14%	-0.90%
CMEFS Flexible Fund	+0.39%	+0.53%

A very short newsletter this week as we are very busy looking at what opportunities might be presenting themselves as we now (at last) start to come out of (at least the first wave) of this pandemic.

This is going to involve a whole lot of in-depth and time-consuming research, but we believe it will be well worth it in so far as balancing the risk/return equation in so far as our many clients are concerned.

In line with this, we are also having to develop our computer software programs further as well as add to the available reports.

Again, this being very time-consuming.

This is keeping in theme with the newsletter published this week where with crises (and there is no doubt this is where the world finds itself right now) comes opportunity.

And it is this opportunity that we are busy seeking out.

So for this week and in the weeks to follow, we are going to focus more on the opportunities that will be presenting themselves rather than on the problems (of which there are many) which we can identify.

As I have so often said over the last number of weeks, from a SA economic perspective, nothing can happen without energy.

I was fortunate enough to be able to be invited to a webinar during which the Eskom CEO Andre de Ruyter was able to speak directly to attendees about just exactly what is happening at Eskom from EVERY perspective, as well as what is going to happen, again from EVERY perspective.

The very good news is, again to borrow from the newsletter itself, yes, things are bad at Eskom, but they are bad and getting better and certainly not getting worse under Andre's stewardship.

I was also delighted to hear from him directly that contrary to popular opinion (yes me included), Eskom has many incredible and amazingly skilled people on board who are highly motivated to turn the ship around and are doing so as we speak.

Further, Andre confirmed that there will most certainly be further load-shedding going forward, but with the essential difference being that these loads are going to be shed to prevent such recurrences in the future as opposed to simple lack of maintenance as has been the case in the past.

So indeed, from a load shedding point of view, things are bad, but getting better.

In so far as time frames are concerned, Andre said to expect load shedding (for preventative maintenance purposes) all the way through to September/October next year, but after then, when the Independent Power Producers start to come online in earnest, with Eskom's help and encouragement rather than as has happened in the past, Eskom's obstructive behavior in this regard, load shedding should thereafter simply be a bad memory.

On the "negative" side, we are going to pay a whole lot more for energy than we currently are.

This is not because of Eskom's debt, over-staffing, or because of any inefficiencies in this regard, it seems that we have been enjoying (when compared by world standards) unbelievably cheap energy but at the cost of Eskom getting itself into the situation it now finds itself.

So yes, we are going to struggle energy-wise for the next twelve months or so, but there will be an end to this towards the end of the next year.

Further to this, Eskom is also going to ensure that there is sufficient excess energy to cater for future economic growth expectations beyond what we have become accustomed to in the past.

All in all, I was extremely impressed by Andre and it was clear to me that he had a very firm grasp of what needed to be done going forward, and it was also clear to me that he was confident in his ability as well as in the ability of his teams, to get what needed to be done, done within the time frames expected.

I hope you enjoyed the read.

Until next time then, do take good care of yourselves.

Kind regards, Nine, Charles, and all of us at CMEFS.