



## CMEFS WEEKLY INVESTMENT NEWS

04-09-2020

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	-0.90%	-2.14%
CMEFS Flexible Fund	+0.53%	+0.68%

I suppose that is Murphy's Law at its best.

Only last week I wrote about how positive I was about Eskom's ability to come right around a year from now under Andre de Ruyter's capable stewardship when load-shedding returned with a vengeance this week!

I know that I did say that load-shedding was not set to go away any time soon, but I must also say that I did not expect that we would so quickly get to level 4.

I also have to wonder if Andre expected this based on his demeanor when he addressed the webinar audience.

Maybe the infrastructure is in a somewhat worse state of repair than what he has been led to believe it to be.

That being said, however, even if this were the case, I do not doubt that he will achieve the goals he has set himself.

It might just take a little longer than he thought.

And right in the middle of all of this load-shedding, we get hit with the news that next year Eskom is going to be charging 15% more for their electricity – this against a current inflation rate of 3.2%.

That is an increase of nearly 5X the current inflation rate.

Yes, I do know that they need to play “catch-up”, but this is going to hurt, and it won’t be the last of such increases apparently.

It seems there will be a similar increase in the year to follow and then maybe another such increase in the year to follow again.

As a business person, I have more than a passing interest in the cost of and reliability of energy provided.

In the “old” offices we managed to keep going by purchasing, at great cost, two generators to keep things going whilst the lights were off.

In the new office, we installed a much larger generator at an even greater cost based on previous experience, which generator has been put to very good use.

However, the purchase of the generator is not the end of it.

It needs to be serviced and maintained which in itself is not cheap, and when it runs it burns diesel which is also not cheap.

We have for example just topped up our generator with more than R4 000 worth of fuel as a result of the recent load-shedding.

That is just money down the drain, as the ‘saving” in electricity not billed as a result of the load-shedding does not even nearly cover the cost of running the generator.

However, we are one of the “lucky” ones in that we DO have a generator, but there are literally thousands of small businesses out there who basically just grind to a halt during such times.

The cost to the economy must be huge, and I have to wonder just how many small businesses will be able to survive the triple whammy effect of the virus, load-shedding, and an increased energy cost of 15%pa for the next three to four years or so?

And it is this combination that has seen me looking a lot more closely at alternative energy sources, such as solar, but again, it is not cheap.

By way of an example, one of the estimates we got (a pretty accurate one I think) if I remember correctly came in somewhere between R400 000 and R500 000.

And then that was still not a “total disconnect from the grid” situation.

More money will need to be spent to do that.

We, like all small to medium businesses, are facing some really tough challenges going forward and will need to make some difficult decisions to continue to prevail in the years to come, but this we must and will do.

But again, as also discussed last week, where there are challenges, so too are there opportunities, and these opportunities are being actively sought out by us.

And find them we will, and when they are found, we will happily share them with you so that you, too might benefit from such opportunities should it be possible for you to do so.

We also continue to look for investment opportunities for our clients to be able to provide enhanced returns in this low yield environment, but without taking on too much risk.

We already have several ideas we are road testing thoroughly before considering implementing them.

And yes, we are also exploring new product options as we are not the only ones needing to come up with new ideas.

The very many product providers need to do the same as the environment becomes more challenging and they are developing some very interesting products.

Watch this space.

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.