



Our Weekly Paid Newsletter

Richard Cluver Predicts

In our 36th year of service to the investing public of South Africa



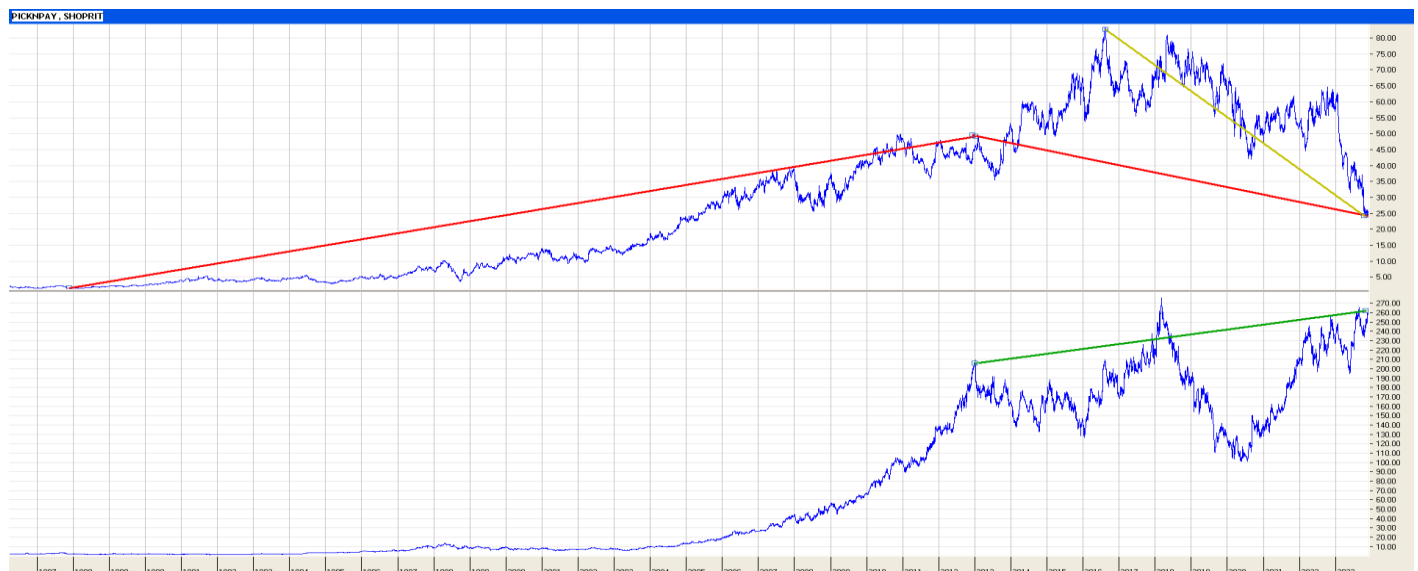
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One of the small investor's most useful analytical tools is one's own lived experience of interpersonal dealings. It usually beats the most sophisticated computer-based systems.

Thus, for example, years ago I overheard my wife and her friends talking about their good experiences of shopping at Shoprite-Checkers at a time when, to the best of my knowledge everyone shopped at Pick n Pay. I did my homework and swapped long-held Pick n Pay shares for Shoprite.

Initially, the move seemed a mistake but in the long-term it was the smart thing to do as the following graph illustrates. Overall from that point Pick n Pay declined at -6.5 percent annually while Shoprite added 2.3 percent annually. Had I waited a bit, that decline would have become precipitous at a compound 15.7 percent as defined by the yellow line.



I mention this experience because after years of exemplary service, I have recently had some truly appalling experiences from MTN. A year ago I signed up for a replacement cell phone. MTN immediately began billing me and for three months offered weekly excuses for not delivering the phone. Eventually the branch admitted it did not have stocks of the phone and, while offering no apology, eventually reversed the payments.

Wiser this time, I went back on Saturday to our local MTN branch where three staff members were in the process of helping two customers. Thinking it would be just a few minutes before one of them became free to attend to me, I opted to wait....and wait....and wait.

Two hours later, sweating profusely because of a 40-degree heat wave and a failed air-conditioning system, I was feeling as if I had somehow been transported to the Department of Home Affairs when one operative was finally ready to serve me.

But the pain did not end there. Though I had taken the precaution of doing some online research and had thus narrowed my decision-making to just two potential phones, it would be hours more before I had to leave with an only partially upgraded phone because it was time for the staff to go home.

Everyone was very friendly and polite. It was just that everything took so long to process. I stepped into the MTN shop at 11.30 AM and finally had to leave at 4pm. It has, furthermore taken a week of visits to my bank, to helpful friends and many hours of myself fiddling with installation procedures which would challenge most literate adults.

It might well be that my experiences relate to just one badly-managed branch. But it was enough to send me to the drawing board because the shares figure in a few portfolios I oversee. And the results were enough to raise my alarm.

So I fired off this column to MTN to MTN Group President and CEO Ralph Mupita for comment. Readers might, meanwhile like to compare my experience with the following graph of MTN's recent share market movement. Note that MTN came out of the Covid Crash in 2020 like a race horse out of the starting gate at an annualized growth rate of 173 percent until the date of my own problems of a non-delivered cell phone. Since then MTN has been falling at a compound annual average rate of 41 percent. Does the investing public know something about MTN that is not in the published statements?

The JSE Top 40 Index, meanwhile, rose far more sedately at a compound annual rate of 31.3 percent until the war on inflation began taking markets downward everywhere in the world since January this year. The index has, however, been falling at less than half the MTN's 41 percent rate of decline, at compound 18.8 percent:



On the face of it, one should sell MTN before the loss is too great. It is important to note, however, that MTN last year achieved a 19 percent return on shareholders' equity which is in line with an industry average of 20 percent and, though income per share has grown at 21 percent a year over the past five, over the same period dividends have been falling which, to me, is a deeply worrying sign.

Furthermore, though market comment suggests that the shares at least rate a "Hold," uncertainties about the company's ability to remit profits from its West African operations coupled with significant

forex losses relating to currency volatility in many of its African operations, are enough to convince me to stay away!

Happily I do not personally own MTN shares, but I have recommended selling it in the few portfolios I oversee.

The month ahead:

New York's SP500: I correctly predicted continuing gains until late December followed by a dip to mid-January and that view remains unchanged though the weaker phase now seems a little closer.

Nasdaq: I correctly predicted continued gains until a brief seasonal pause which I expect to get under way now until the 11th followed by an up-tick until year-end with a seasonal retreat from December 14 to January 5 or so and then further gains until the end of January.

London's Footsie: I correctly predicted another brief recovery until Christmas ahead of a very cruel January.

France's Cac 40: I correctly warned that the market was peaking and though another brief up-tick is possible from the 19th to year-end, it will likely be followed by three months of declines.

Hong Kong's Hangsen: I correctly predicted that the long-term decline since January is likely to continue until the end of March when a long-recovery is likely to start.

Japan's Nikkei: I wrongly saw a last-gasp up-tick but now I see weakness until May.

Australia's All Ordinaries: I correctly predicted further gains with the market now likely to peak in early January followed by losses until mid-March.

JSE Top 40 Index: I correctly gains until mid-February followed by fresh weakness until June.

ShareFinder JSE Blue Chip Index: I correctly warned that the recovery was over and now I see a retreat until mid-January when the trend is likely to turn positive again until July.

Rand/Dollar: I correctly predicted brief weakness until year-end within an overall strengthening trend likely to last all next year.

Rand/Euro: Ditto the Euro. I correctly predicted the start of a long recovery beginning December 6 and lasting to early March.

The Predicts accuracy rate on a running average basis since January 2001 has been 87.09 percent. For the past 12 months it has been 91.5 percent.

SCOTUS to weigh in on what income means

Morning Brew

In America, two things are certain: taxes and people going to court to pay less of them. The Supreme Court is currently hearing arguments in Moore v. US, one of the most important tax cases in recent history.

The lawsuit, which could cost the US trillions of dollars in revenue, invalidate big swaths of the current [tax system](#), and doom the possibility of a billionaire tax, hinges on a couple suing the US over \$14,729.

How we got here: In 2018, due to changes to the tax law implemented the prior year, Charles and Kathleen Moore paid nearly \$15,000 as a one-time repatriation tax on profits held overseas. Now, the Moores are suing the federal government, claiming that they didn't receive any profit from their investment and, therefore, can't be taxed. Two lower courts have ruled against them.

Now, the Supreme Court will decide the fate of the US tax code as we know it based on what exactly counts as income, specifically, whether or not income has to be "realized," or received, to be taxed under the 16th Amendment.

What this means for the tax code

While the Moores contend that the tax they paid was unconstitutional, a lot of longstanding business tax rules would get swept away if they triumph—so many, in fact, that former Republican Speaker of the House Paul Ryan (who helped write the 2017 tax law being challenged) said that if the Moores win, it would "effectively eliminate a third of the tax code."

Experts worry that beyond [upending](#) the system and costing the US tax dollars, a decision in favor of the Moores could also open the government to more litigation over the 2017 tax law, which the DOJ estimates would cost the US \$340 billion in tax revenue over the next decade.

Over in the West Wing, President Biden favors using a [so-called billionaire's minimum tax](#) to help lessen the federal deficit. But if SCOTUS rules for the Moores, any proposed tax on unrealized capital gains—which are the investments that make billionaires, well, billionaires—would be impossible.

Looking ahead...the court will likely deliver its decision this summer just as the presidential election campaign heats up.

ANC Veterans' League VP resigns

Ordinary South Africans have endured much since the ANC brought misrule to South Africa, but with the passing of the National Health Bill which will force our readers to continue paying medical aid tariffs while condemned to receive ALL medical care through

the State, I believe this crosses the Rubicon.

Getting rid of the ANC and undoing legislation like this is now surely a top priority for EVERY South African. As the following letter makes clear, even its most senior veterans now obviously agree! The full transcript of Mavuso Msimang's resignation letter is published below:

"Dear Secretary General

Letter of resignation

It is with profound sadness that I inform you of my decision to terminate my membership of the African National Congress (ANC). I have served the organisation loyally and diligently for over six decades.

For several years now, the ANC has been wracked by endemic corruption, with devastating consequences on the governance of the country and the lives of poor people, of whom there continue to be so many.

Of course, the ANC did not invent corruption. We inherited a state that was morally bankrupt and that was built on the most profound forms of corruption. When we took over government in 1994, we had the moral high ground, and the conviction that we would be able to root out the old-boy networks that had benefited from, and strangled, the apartheid economy.

Yet, three decades later, the ANC's own track record of corruption is a cause of great shame. The corruption we once decried is now part of our movement's DNA. This has had dire consequences for the most vulnerable members of our society.

Over four million people live in shacks that are euphemistically referred to as 'informal settlements'. And in every town, there are people whom we call beggars, who collect at traffic lights and in town squares. They are not beggars of course, for that is not their identity. They are human beings who have been forced to sacrifice their dignity in part because of my party's successive failures. We are an organisation that purports to create a better life for all.

A new black middle class has grown and developed, which is commendable. However, this middle class is leaving behind people who die before ambulances can reach them, or perish in the hallways of overflowing, under-resourced public hospitals.

As ANC leaders publicly proclaim ownership of obscenely wealthy homesteads and other possessions and send their children to the best schools in the land, there are still many South Africans whose children continue to be exposed to the risk of dropping into pit latrines in poorly equipped public schools and dying horrendous and humiliating deaths. There are children in rural areas who miss classes when streams and rivers are in flood because there are no bridges.

How does it come about that raw sewage flows into the uMngeni River and into the sea, polluting eThekweni beaches that have been a traditional holiday destination for black people from inland provinces, some of whom used to travel from as far north as Limpopo, Northwest, Mpumalanga, etc? For what earthly reason did the Gauteng Department of Health think that frail, elderly, and very vulnerable people should be sent into ill-equipped, ill-prepared and ill-funded houses under the guise of unqualified NGOs resulting in the death of some 160 people as happened in the Esidimeni Life scandal?

Businesses are failing, downsizing or simply deciding not to invest anymore in our country where the environment has become entirely disabling for them. As a result, thousands of jobs are being lost at a time when the unemployment rate rages north of 32 percent and 60 percent for persons

aged between 15 and 24 years. Inexplicably, you have ministers who attack the very private sector the President is inviting to be an essential “part of a social compact in a programme to rebuild our economy and enable higher growth”.

You do not need to dig too deeply to discover that most of the country’s failures are linked to corruption somewhere in the system: a tender that should never have been awarded, a job that should have gone to a better qualified, more deserving and less factionally-aligned person. This is happening on the watch of the ANC government.

An Eskom brought to its knees by high-level corruption and sabotage has literally rendered the nation powerless and all too often left it in the dark. Transnet’s mismanagement has derailed its freight haulage system. In consequence, road transporters who have stepped into the breach sometimes have to wait in 40km-long queues, while belching noxious gases into the atmosphere, because ports are congested. The resulting demurrage charges are inevitably, ultimately borne by the consumer. And the worst may yet happen: ships simply avoiding our ports and discharging their cargo in better-run ports elsewhere.

The litany of economic and social woes – crime, unemployment, destitution – associated with my beloved African National Congress is not only embarrassing, but also defies enumeration.

It is a matter of public record that for over a decade I have added my voice to many others that have consistently decried and disapproved of corruption and its harmful by-products of nepotism and incompetence. The response of the leadership to this constructive censure has, at best, been a shoulder shrug and a promise to do something about it; at worst those who seek change by raising voices endure slurs, or are met with downright hostility.

Despite the failures of the ANC and the manifold malfeasances referred-to above, I am heartened that the South African spirit is alive and well. It is evident in the entrepreneurs found in every township and community who manage to survive despite the barriers. You see it when you look at organisations like Gift of the Givers, which has become a global force for good. It is demonstrated in the creative talent of a new generation that is earning accolades on stages in every genre from opera to photography and comedy. And who cannot notice the wonder of Amapiano, whose pioneers are generating joy and resources with their uniquely South African outlook?

Alas, despite these and other glimmering flashes of positivity, the ANC is on the verge of losing power. This is not because Ezulweni Investments, a small company from Newcastle, got a writ of attachment against the ANC for R150 million, and the high court sheriff has been to Luthuli House to attach immovable property. It is because, as its own pollsters have warned, the ANC is currently falling significantly short of securing outright victory during next year’s elections. This dramatic decline in the organisation’s popularity is attributable to widely held perceptions that its members and ‘deployees’ are corrupt, that the organisation has a high tolerance threshold for venality, and that the deployment of unsuitable people accounts for the government’s deplorable levels of service to the public.

To address these societal perceptions, the ANC Veterans’ League, in a resolution passed at its conference and in decisions subsequently taken at the league’s successive National Executive Committee meetings, urged the leadership of the organisation to ensure that members who have been accused of criminality or recommended for referral to criminal justice institutions by commissions set up to investigate corruption, should not be allowed to continue in office. The Veterans’ League specifically recommended that such individuals be considered ineligible for nomination to represent the ANC in the 2024 national and provincial elections. Unfortunately, the ANC NEC has shown no urgency to deal with this matter.

Consequently, I have come to the realisation that my time and energies would be better spent elsewhere. Even as I painfully sever ties with my once glorious organisation, I shall continue to keep a vigil over any and all matters pertaining to governance in the country.

It is not easy to leave an organisation that continues to be home to some of the most dedicated individuals I have had the good fortune, honour and privilege to call comrades. But it is time to go.

Sincere regards,

Mavuso Msimang

Citizen of South Africa

6 December 2023”