



Our Weekly Paid Newsletter

Richard Cluver Predicts

In our 37th year of service to the investing public of South Africa



Volume: 37 - Issue: 48

13 December 2024

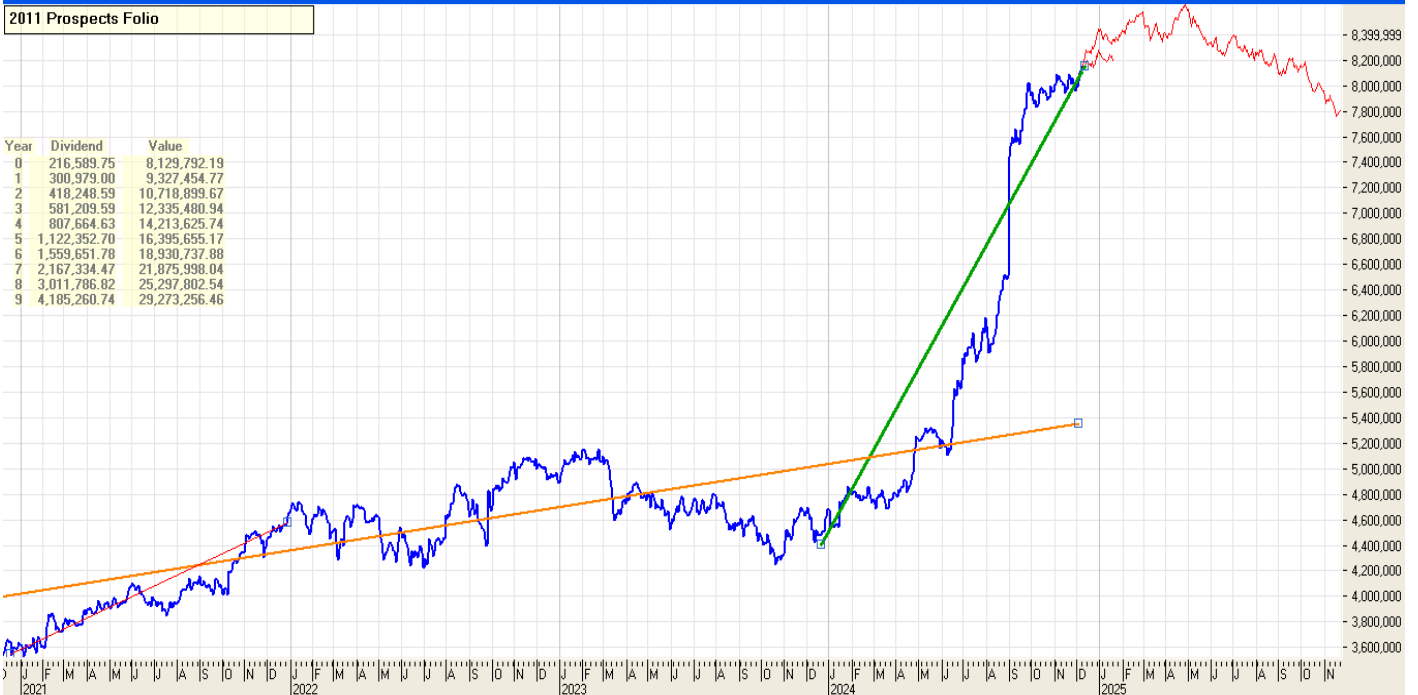
As 2024 winds down to its close ...and most readers have less time than usual for reading columns like mine.... I thought it necessary to keep this one short. So I thought you would like best to see the performance of the Prospects Portfolio which so many of you ardently follow.

So let's start by noting that 2024 gave the portfolio it's best-ever performance year....and it is showing no sign of slowing. That green trend line drawn from mid-December last year until the present describes growth of 87.6 percent.

2011 Prospects Folio

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Year	Dividend	Value
0	216,589.75	8,129,792.19
1	300,979.00	9,327,454.77
2	418,248.59	10,718,899.67
3	581,209.59	12,335,480.94
4	807,664.63	14,213,625.74
5	1,122,352.70	16,395,655.17
6	1,559,651.78	18,930,737.88
7	2,167,334.47	21,875,998.04
8	3,011,786.82	25,297,802.54
9	4,185,260.74	29,273,256.46



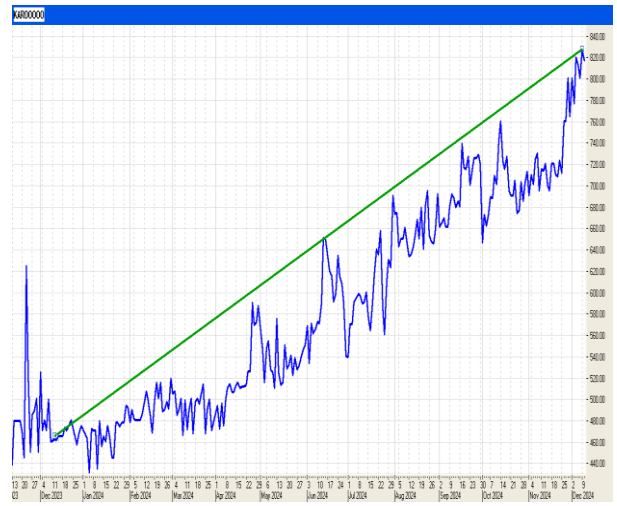
That has to be some kind of record. Moreover, if you consider ShareFinder's AI projection in red, the portfolio is likely to peak at the end of April with a value then of over R8.6-million.

Now consider the orange line which represents the mean of the portfolio price since the inception of the portfolio in January 2011, that's 14 years of growth at compound 16.5 percent a year. Furthermore, if you calculate the growth from an original R1-million investment to the current value of R8 132 550, you would arrive at an average of 18.5 percent a year....and that is even before you add in the current dividend yield of 2.9 percent to arrive at a Total Return number of 21.4 percent.

As a point of reference, the JSE All Share Index has averaged 7.3 percent over the same period while South Africa's favourite unit trust, the Satrix 40 managed has achieved an average of 7.6 percent for those who re-invested all dividends.

Why has the Prospects Portfolio so consistently outperformed? It's quite simple really: If you want your money safely invested, the best place is in blue chip companies.

It's sometimes possible to do better in the short-term if you are a smart stock-picker. Witness Karoo – graphed on the right - which over the past 12 months has managed compound 79.1 percent. But if you compare the numbers, it still would have better just to have sat in the Prospects Portfolio. Demonstrably, if you want both safety and consistent growth over many years, there can be no better choice than Blue Chip companies.



That, furthermore, is why you should make sure not to miss reading my Prospects newsletter next Wednesday when I will detail one of my most exciting developments ever!

The month ahead:

New York's SP500: I correctly predicted gains followed by the onset of weakness starting around now and lasting until early January.

Nasdaq: I correctly gains ending around now followed by declines until about January 8. Thereafter I see a sideways trend until June and then prolonged weakness.

London's Footsie: I also correctly predicted a continuation of the recovery which began in mid-November and, notwithstanding much volatility, an overall recovery continuing until August at least.

France's Cac 40: Noting that events around the fall of the Government had temporarily boosted confidence, I correctly predicted that weakness would resume this week until early January when a long recovery is likely to continue perhaps as long as next September.

HongKong's Hangsen: I correctly projected the start of a recovery which I expected to last into the second week of December followed by weakness to late January when four months of gains should start.

Japan's Nikkei: I correctly predicted a brief recovery to month-end all within a long decline far into 2025.

Australia's All Ordinaries: I correctly saw declines until late December followed by gains until January 17 and then volatile declines to mid-February.

JSE Top 40 Index: I correctly saw brief gains to mid-month followed by weakness which I expect to last until mid-year.

ShareFinder JSE Blue Chip Index: I correctly predicted weakness which I now see lasting to mid-January followed by gains until July.

Rand/Dollar: I correctly predicted a long-term recovery resuming.

Rand/Euro: I correctly predicted a resumption of the recovery lasting until the end of February when another three months of weakness seems likely.

The Predicts accuracy rate on a running average basis since January 2002 has been 87.46 percent. For the past 12 months it has been 95.04 percent.

Inflation, rates, banks

Tim Cohen

Editor at Large

Libelous insult made by the chairman of the Road Accident Fund

Dear Minister Creecy,

I'm a journalist currently working for two publications, Daily Maverick and Currency. I've devoted decades of my life to this job I love. But a recent interaction with Collins Letsoalo, the head of the Road Accident Fund (RAF), an organisation that falls under your auspices, has left me angry, bewildered and concerned for the organisation's future. That is serious because the RAF ostensibly compensates people who have lost loved ones or people who have to live out their lives injured or maimed.

The circumstances are as such: I occasionally chat with Songezo Zibi, who was my predecessor as editor of Business Day and whom I've known for some years now. Following his election to Parliament, Zibi assumed the chair of the Standing Committee on Public Accounts (Scopa), a crucial institute of Parliament. During one of our conversations, Zibi mentioned — just in passing — that the RAF had appeared before Scopa and that one of the things that came up was that the fund had more than doubled its investment income to just more than R700-million. Honestly, we were just shooting the breeze.

But this figure intrigued me; it is extraordinary. How does an organisation which has huge claims against it from injured motor accident victims and deceased estates manage to more than double its investment income in a single year? Why would that be happening? I decided to check the circumstances of the increase, so I downloaded the most recent annual report and, sure enough, the RAF says on page six that its investment income rose by 145% from R286-million to R702-million.

But the annual report is sparse with details to support this statement. The report reads: "Investment Income is higher compared to the budget. The favourable variance is due to cash holdings being higher than projected over the period." But that is not an explanation; it is a description. At this point, honestly, I was not overly suspicious about this figure, just interested.

So, I sent an email to the RAF asking about the increase, why it happened and why an organisation that has seen unpaid claims increase massively over the years is also managing to increase its investment income. The organisation now has 440,000 outstanding claims against it! Its "finalised claims" have decreased every year, bar one, for the past three years and have fallen from 260,000 to a meagre 63,000. For the first time, the number of claims registered is higher than the number of claims resolved. This just screams at you: This. Is. A. Crisis.

Source: RAF annual report 2023/24

Anyway, to try to find out more, I sent a respectful email, asking very briefly for an explanation as to why the increase in investment income had occurred. This is the response I got back: "The RAF's financial results were presented on a public platform where journalists were invited to ask

questions on the 16th of September this year. The CEO spent an ample amount of time indulging questions from journalists. It's now more than two months since that press briefing. The RAF has no further comment on the financial results.”

WTF!? So obviously, now I was much more suspicious. There was nothing in the 16 September press conference that addressed the investment income issue in any detail. But when an organisation refuses to answer a question and, furthermore, offers the arrogant and insulting response that it has “indulged” questions on the topic, then you basically know it is trying to hide something.

Anyway, there was further interaction and, eventually, the RAF press officer invited me to attend a press conference given by Letsoalo and his team to address a different issue — but normally the press are free to ask other questions. I have to say, the press conference was just outrageous. Letsoalo was unsettled to the point of paranoia about the role lawyers play in the functioning of the RAF. Clearly, the RAF's interaction with law firms is at an all-time low.

But this is well documented. Personal injury lawyers, as representatives of the injured or deceased, are obviously incentivised to try to extract from the RAF the maximum compensation for their clients. But that's life; that's how contested claims work all over the world. This is an adversarial process, but name-calling, repeatedly referring to the racial make-up of law firms, itemising by name how much law firms have been paid — how is this supposed to improve the necessary relationship between the parties? They don't need to love each other, but they do need to work with each other. Anyway, I think it's rich for someone earning R1-million a month to complain bitterly about how much lawyers get paid.

But the relationship is not actually the main problem, personal injury lawyers tell me. The problem is that the RAF just ignores legal claims, especially the large ones. The result is that lawyers are forced to issue summons and, when that is ignored, too, they are forced to apply for default judgments. And the fact that default judgments have exploded, and that just getting a court date can now take six years, is testimony to that fact. To my mind, it's obvious that the decrease in settlements is a direct consequence of the RAF's decision to scrap panel attorneys.

But far from acknowledging the RAF's involvement and its own complicity in its demonstrably disastrous management of the fund's mandate, the organisation is clearly attempting to garner public support on the basis that it is defending the public from what it sees as greedy lawyers. During this long press conference, Letsoalo said: “We are battle-ready. We'll battle them and they must know that. There are no two ways about it. We are going to fight this thing. For the benefit of all South Africans.”

He continued: “They will do everything. They will throw propaganda at us. They'll throw professors at us. They'll throw editors at us, and we know those editors, by the way, by name. We will name and shame them at the right time. We'll even tell them how much they got. So, there is nothing we don't know. We are watching you, quite closely.”

What concerns me is this part of the statement: “We'll even tell them how much they got.” When discussing my question, which he refused to answer again, he described me personally as “being part of this whole drive”. Obviously I have a recording and the transcript, if you would like to listen to it and read it.

Can I just say, this is in effect a claim that I am taking bribes to support these awful attorneys he seems to hate so much, or, to put it another way, the chosen representatives of injured and deceased South Africans. I am not. I have never taken bribes. I've been a reporter for years and nobody has ever made that claim. The claim is not just defamatory, it's frankly outrageous, especially for someone who is essentially a de facto representative of the state.

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December 13, 2024

Page 4 ©2024 ShareFinder International

Published by ShareFinder International

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Over the years as a journalist, I've had to endure hundreds of insults and slights. As a politician, I imagine you will understand. This is part of the job. Normally, I just issue the appropriate expletive and move on.

But, you know, I'm sick of it now. Casual defamation is getting out of hand in South Africa. And accusing a journalist of taking a bribe without the smallest, tiniest, weeniest shred of evidence is a pretty serious form of defamation. Can I be clear; this is not about me. The threat was made not only to me but to all the journalists present. It is transparently an attempt to restrict reporting on the RAF's deleterious performance through intimidation and misinformation.

I would still like to know if the ministry knows why the fund, which is in effect bankrupt, is holding so much cash. There is obviously a sensitivity here. Is the cash run-up caused by deliberate non-payment? Who has the RAF appointed to manage the money? What are they being paid? These are all critical questions which the public, and the ministry for that matter, needs to know.

So, I am writing to say this: if an apology and retraction is not issued within a reasonable time, I will be forced to seriously consider taking legal action against the department and the fund.

Good investing

Tim Cohen

Editor-at-large

Tim Cohen blogs at timcohen.co.za