Bekker Investments
ASSURANCE, INSURANCE & INVESTMENT BROKERS

News from Paul's Desk

Offshore markets are going up nicely, but locally the JSE is going sideways.

The Rand is falling through the floor and anyone with overseas investments is having a party. As I have said in almost all of my monthly letters you are crazy if you do not have some or all of your investments offshore. SARS has a whole heap of new rules for people taking money out of the country. I have attached a brief of these new rules in this letter. SARS is also targeting trusts for compliance and has brought out a whole lot of new rules on the reporting of assets, beneficiaries, trustees, movement of money in and out, assets held, decisions made in the trust, etc, etc.

Once I have some finality and information of this, I will put it in my newsletter.

Inside this issue:

MONTHLY REVIEW | GLOBAL OVERVIEW

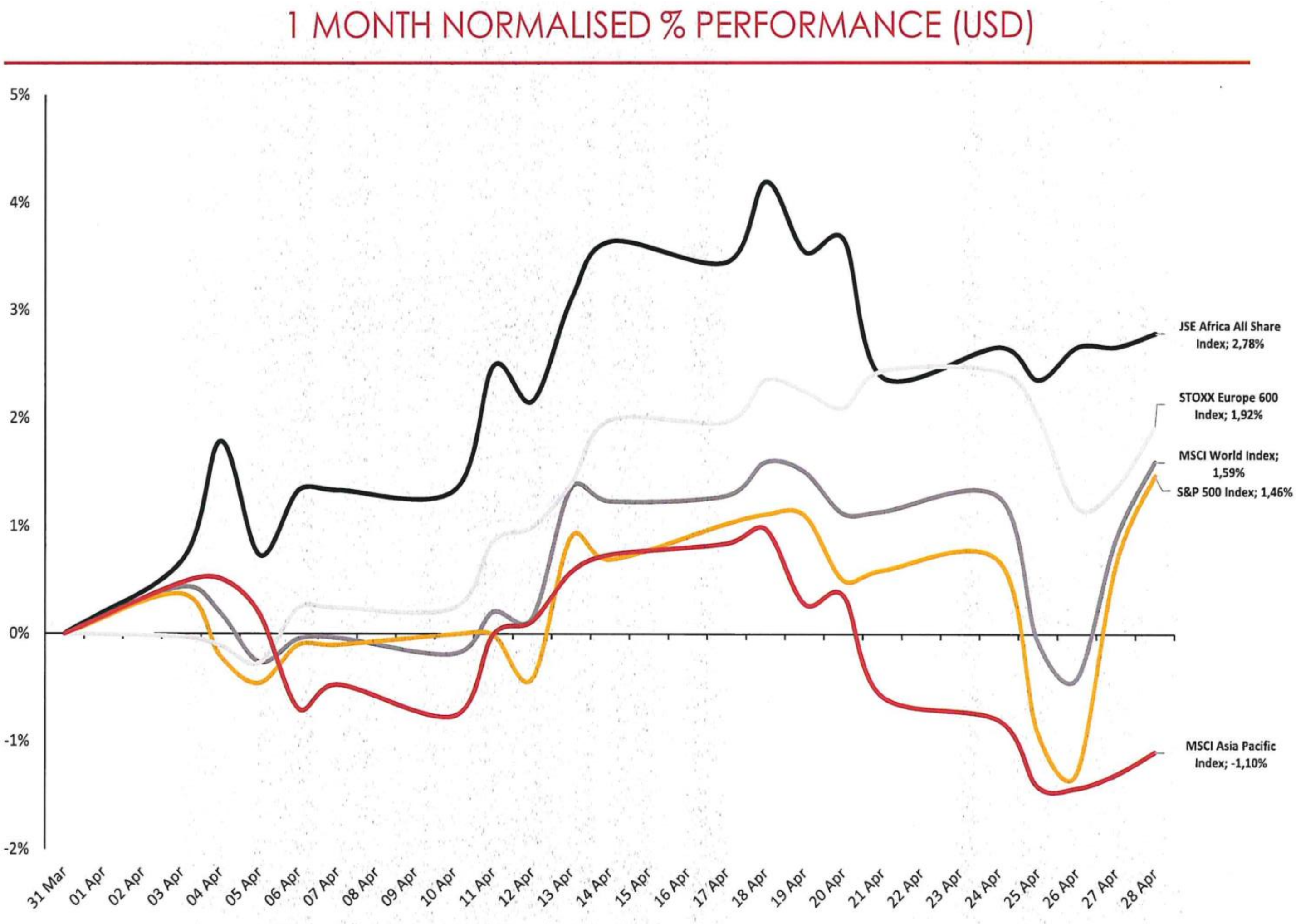
INTERNATIONAL INDICATORS	CLOSE	APR 2023	MAR 2023	YTD	12 MONTHS	2022
MSCI World	2835.93	1.59%	2.83%	8.96%	1.44%	-19.46%
MSCI Emerging Market	977.05	-1.34%	2.73%	2.16%	-9.21%	-22.37%
JP Morgan EMBI	789.50	0.50%	1.40%	2.76%	0.10%	-16.45%
Bloomberg Global Aggregate	461.35	0.44%	3.16%	3.46%	-2.31%	-16.25%
UNITED STATES						
S&P 500	4169.48	1.46%	3.51%	8.59%	0.91%	-19.44%
Dow Jones	34098.16	2.48%	1.89%	2.87%	3.40%	-8.78%
Nasdaq	12226.58	0.04%	6.69%	16.82%	-0.88%	-33.10%
Russell 2000	1768.99	-1.86%	-4.98%	0.44%	-5.10%	-21.56%
EUROPE						
Stoxx Euro 50	4,359.31	1.03%	1.81%	14.91%	14.63%	-11.74%
FTSE 100	7,870.57	3.13%	-3.10%	5.62%	4.32%	0.91%
DAX 30	15,922.38	1.88%	1.72%	14.36%	12.94%	-12.35%
CAC 40	7,491.50	2.31%	0.75%	15.72%	14.66%	-9.50%

ASIA	CLOSE	APR 2023	MAR 2023	YTD	12 MONTHS	2022
Nikkei 225	28856.44	2.91%	2.17%	10.58%	7.48%	-9.37%
S&P/ASX 200	7309.15	1.83%	-1.11%	3.84%	-1.69%	-5.45%
Hang Seng	19894.57	-2.48%	3.10%	0.57%	-5.67%	-15.46%
CSI 300	4029.09	-0.54%	-0.46%	4.07%	0.32%	-21.63%
SOUTH AFRICA						
All Share	78,218.37	2.78%	-2.10%	7.08%	7.98%	-0.90%
Africa Resource 20	68,999.72	4.18%	0.66%	-2.55%	-10.62%	-0.24%
Africa Industrial 25	106,036.9	3.00%	-1.00%	17.42%	32.22%	-5.39%
Africa Finance 15	15,694.92	1.29%	-6.36%	1.09%	-3.77%	4.91%
CURRENCIES						
GBP/USD	1.26	1.86%	2.62%	4.01%	-0.05%	-10.71%
EUR/USD	1.10	1.66%	2.50%	2.93%	4.50%	-5.85%
AUD/USD	0.66	-1.06%	-0.65%	-2.91%	-6.32%	-6.20%
USD/JPY	136.30	2.59%	-2.43%	3.95%	5.09%	13.94%

MONTHLY REVIEW | GLOBAL OVERVIEW

10 YEAR BOND YIELDS	CURRENT MONTH YIELD %	PREVIOUS MONTH YIELD (%)	PREVIOUS YEAR YIELD (%)
United States	3.42	3.47	2.93
United Kingdom	3.72	3.49	1.91
Germany	2.31	2.29	0.94
Japan	0.39	0.35	0.23
Australia	3.34	3.30	3.13
South Africa	11.39	11.06	10.37

GLOBAL INTEREST RATES	RATE
United States Fed Funds Rate	4.75% - 5.00%
European Central Bank Rate	3.50%
Bank of England Rate	4.25%
Bank of Japan rate	-0.10%
Reserve Bank of Australia Rate	3.60%
South Africa Prime Rate	11.25%


1 MONTH NORMALISED % PERFORMANCE (USD)
5%
4%
3%
2%
1%
0%
-1%
-2%
31 Mar
01 Apr
02 Apr
03 Apr
04 Apr
05 Apr
06 Apr
07 Apr
08 Apr
09 Apr
10 Apr
11 Apr
12 Apr
13 Apr
14 Apr
15 Apr
16 Apr
17 Apr
18 Apr
19 Apr
20 Apr
21 Apr
22 Apr
23 Apr
24 Apr
25 Apr
26 Apr
27 Apr
28 Apr
JSE Africa All Share Index; 2,78%
STOXX Europe 600 Index; 1,92%
MSCI World Index; 1,59%
S&P 500 Index; 1,46%
MSCI Asia Pacific Index; -1,10%

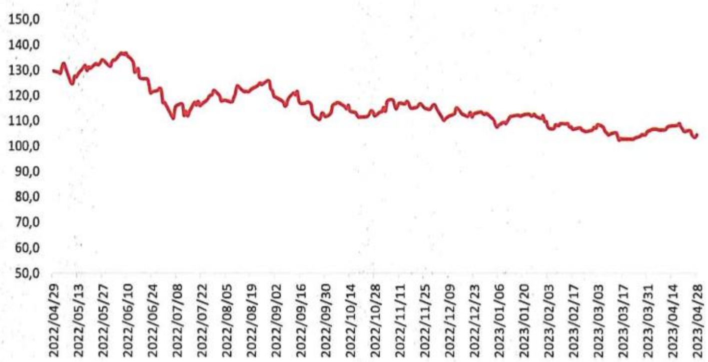
COMMODITIES

Commodities ended the month of April higher as a whole, with Coffee and Sugar leading the gains.

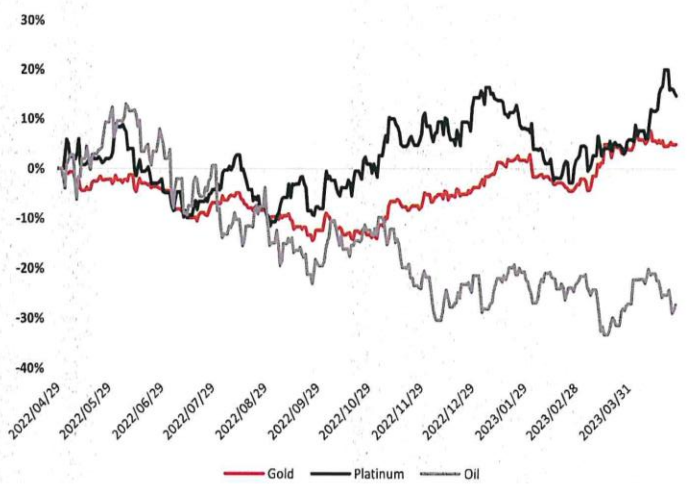
- The Bloomberg Commodity Index reached 104 at the end of April, the index tracks 23 commodities

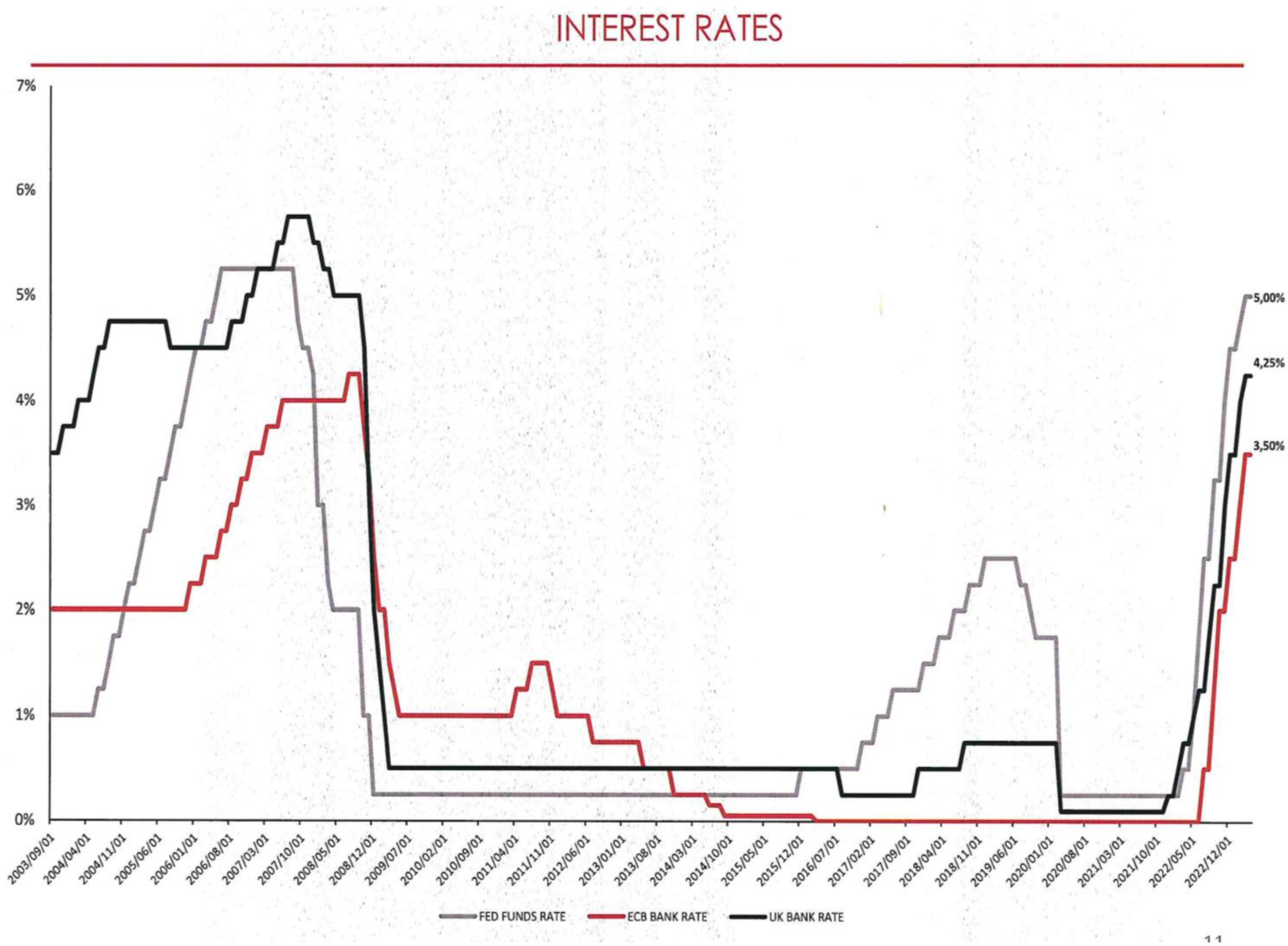
USD	CLOSE	APR 2023	MAR 2023	YTD	12 MONTHS	2022
Gold	1999.10	1.53%	7.20%	9.47%	4.57%	-0.13%
Platinum	1090.10	9.66%	4.04%	1.53%	16.02%	11.33%
Silver	1509.90	2.85%	4.53%	-16.02%	-34.55%	-5.97%
Palladium	387.00	-5.48%	-0.07%	1.56%	-11.95%	-14.63%
Copper	25.00	3.49%	15.24%	3.99%	8.50%	2.95%
Aluminium	2372.00	-0.45%	1.95%	0.96%	-21.86%	-16.18%
Oil Spot	79.54	-0.29%	-4.91%	-7.41%	-27.25%	10.45%
Coal	189.70	7.02%	-8.09%	-53.06%	-41.92%	138.30%
Natural Gas	2.41	8.75%	-19.33%	-46.15%	-66.73%	19.97%
Sugar	26.99	21.30%	0.77%	34.68%	39.48%	6.14%
Coffee	189.85	11.35%	-10.45%	13.48%	-14.69%	-26.01%
Wheat	633.75	-10.04%	-1.30%	-21.08%	-37.38%	2.62%
Corn	585.00	-8.02%	2.21%	-12.91%	-22.28%	22.58%

1 Year | Bloomberg Commodities Index



1 Year | Gold, Platinum, Oil




INTEREST RATES
7%
6%
5%
4%
3%
2%
1%
0%
5,00%
4,25%
3,50%
2003/09/01
2004/04/01
2004/11/01
2005/06/01
2006/01/01
2006/08/01
2007/03/01
2007/10/01
2008/05/01
2008/12/01
2009/07/01
2010/02/01
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2011/04/01
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2012/06/01
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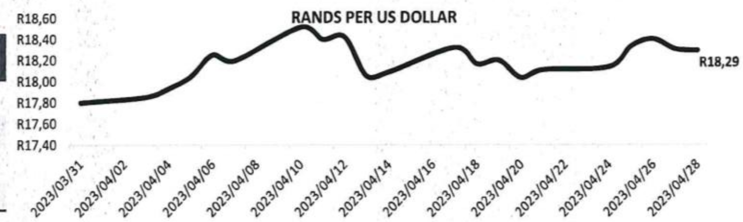
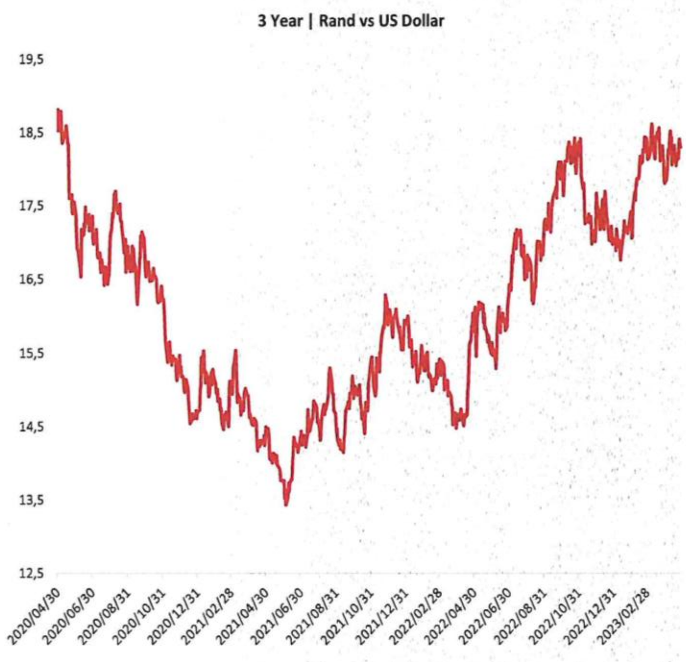
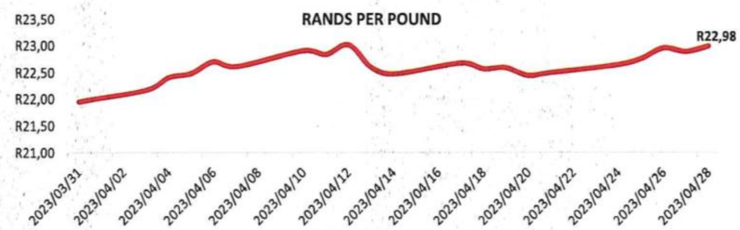
2013/08/01
2014/03/01
2014/10/01
2015/05/01
2015/12/01
2016/07/01
2017/02/01
2017/09/01
2018/04/01
2018/11/01
2019/06/01
2020/01/01
2020/08/01
2021/03/01
2021/10/01
2022/05/01
2022/12/01
FED FUNDS RATE
ECB BANK RATE
UK BANK RATE

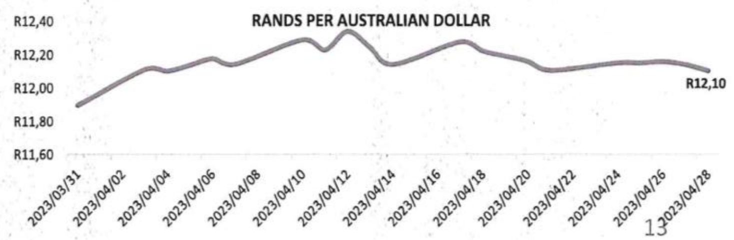
SOUTH AFRICAN RAND

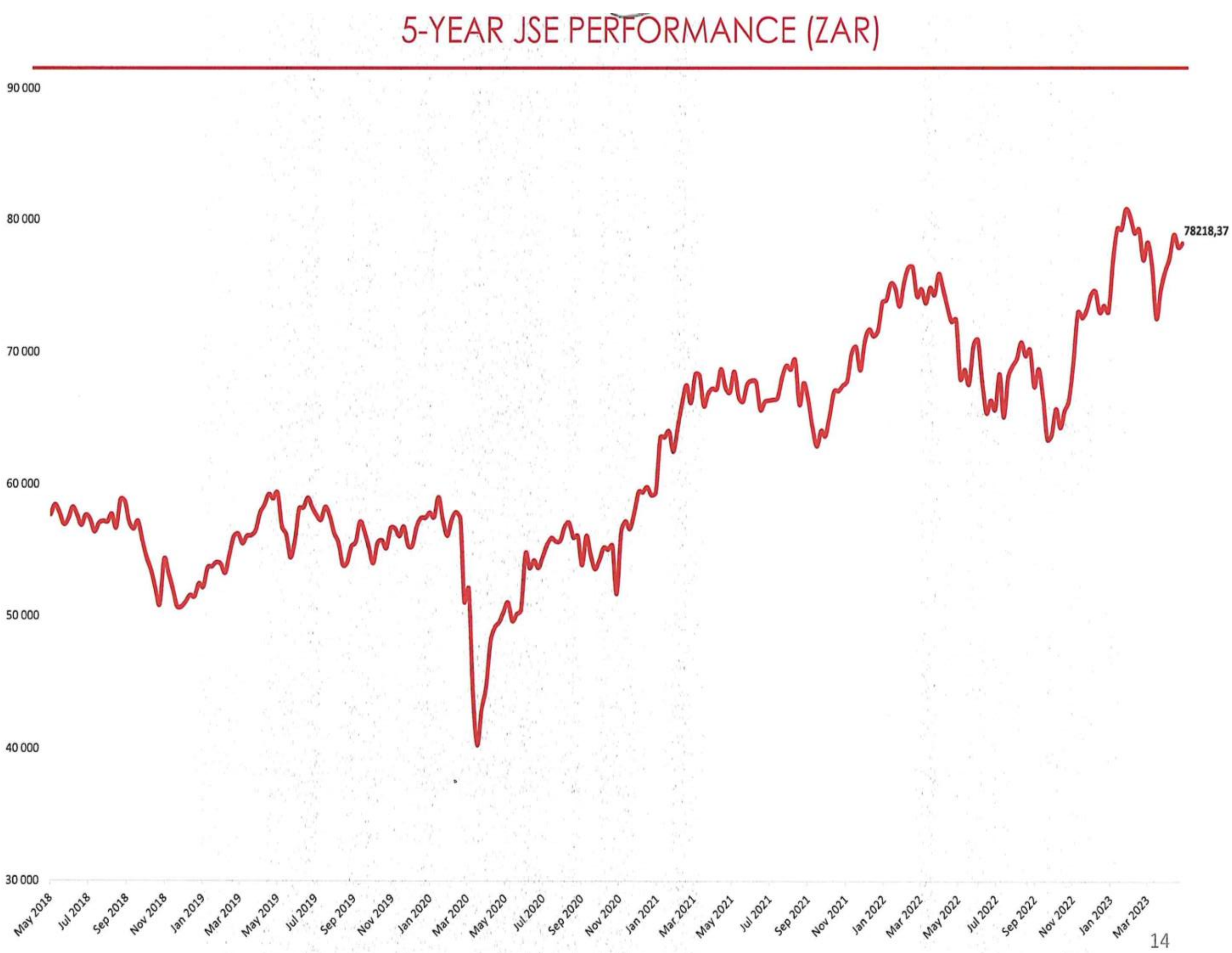
	CLOSING PRICE	APR 2023	MAR 2023	YTD	2022
S Dollar / ZAR	18.29	-2.78%	3.05%	-7.35%	-6.90%
uro/ ZAR	20.15	-4.45%	0.63%	-10.48%	-0.56%
ound / ZAR	22.98	-4.73%	0.56%	-11.51%	4.49%
J Dollar	12.10	-1.72%	3.70%	-4.20%	-0.28%





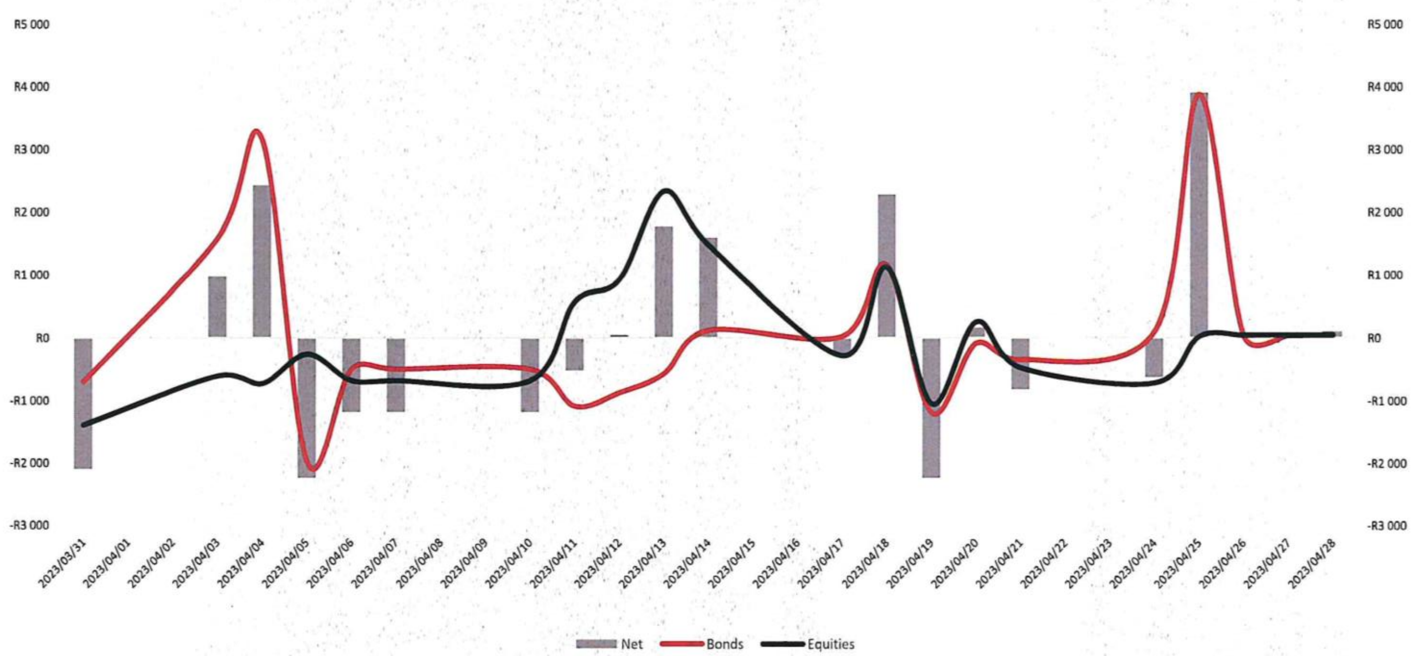


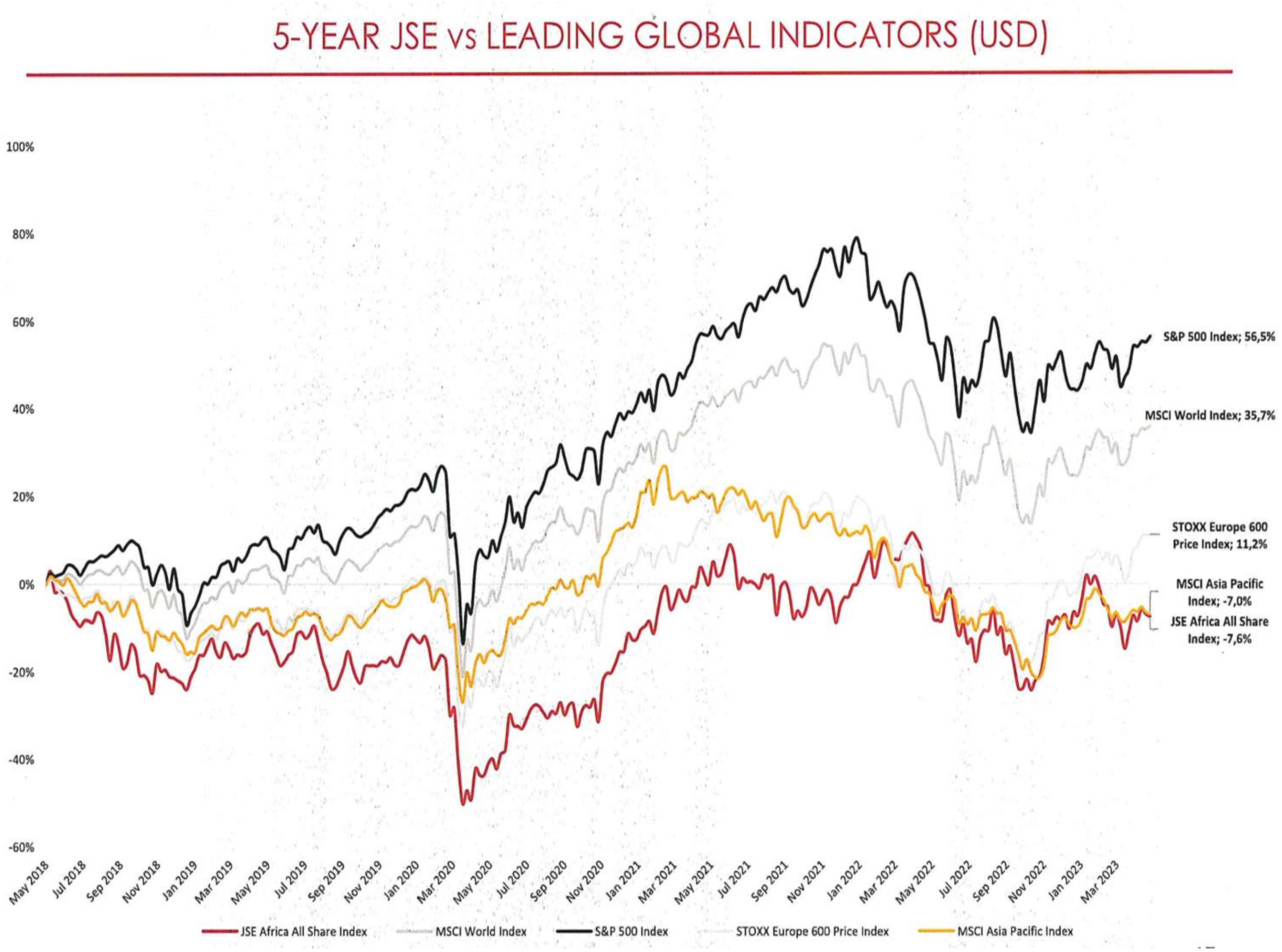



5-YEAR JSE PERFORMANCE (ZAR)
90 000
80 000
70 000
60 000
50 000
40 000
30 000
78218,37
May 2018
Jul 2018
Sep 2018
Nov 2018
Jan 2019
Mar 2019
May 2019
Jul 2019
Sep 2019
Nov 2019
Jan 2020
Mar 2020
May 2020
Jul 2020
Sep 2020
Nov 2020
Jan 2021
Mar 2021
May 2021
Jul 2021
Sep 2021
Nov 2021
Jan 2022
Mar 2022
May 2022
Jul 2022
Sep 2022
Nov 2022
Jan 2023
Mar 2023

INTERNATIONAL FLOWS

	LAST PRICE	1 MONTH	YEAR-TO-DATE	1 YEAR
SA Equity Sales to Foreigners	46.84	-13582.59	-31413.39	-151631.45
SA Bond Sales to Foreigners	54.70	-72535.09	-151155.46	-333694.04
Net	**101.57**	**-86117.68**	**-182568.84**	**-485325.49**




5-YEAR JSE vs LEADING GLOBAL INDICATORS (USD)
100%
80%
60%
40%
20%
0%
-20%
-40%
-60%
May 2018
Jul 2018
Sep 2018
Nov 2018
Jan 2019
Mar 2019
May 2019
Jul 2019
Sep 2019
Nov 2019
Jan 2020
Mar 2020
May 2020
Jul 2020
Sep 2020
Nov 2020
Jan 2021
Mar 2021
May 2021
Jul 2021
Sep 2021
Nov 2021
Jan 2022
Mar 2022
May 2022
Jul 2022
Sep 2022
Nov 2022
Jan 2023
Mar 2023
S&P 500 Index; 56,5%
MSCI World Index; 35,7%
STOXX Europe 600 Price Index; 11,2%
MSCI Asia Pacific Index; -7,0%
JSE Africa All Share Index; -7,6%
JSE Africa All Share Index
MSCI World Index
S&P 500 Index
STOXX Europe 600 Price Index
MSCI Asia Pacific Index

NEW SARS TAX CLEARANCE PROCESS EXPLAINED.

Last month, the South African Revenue Service (SARS) implemented new changes to the tax clearance process for individual cross-border capital flows.

FNB provided a notice that clearly explained the tax clearance process changes and why it was necessary.

These changes are essentially system enhancements to align the tax clearance processes and make compliance easier.

In February 2020, the Finance Minister announced a move from exchange controls to capital flow management measures to regulate cross-border capital flows.

He also announced that emigration as an exchange control concept would be phased out over 12 months.

This modernisation process aimed to treat all South African individuals the same, regardless of where they live. Emigration was ultimately phased out in March 2021.

SARS has now implemented further system changes to align the tax clearance processes applicable to the foreign investment and emigration allowances.

Part of these changes includes adjusting the definition of what it means to be tax compliant and will focus on continuous tax compliance enhancements.

The ‘Approval of International Transfer’ (AIT) replaces the existing ‘Emigration’ and ‘Foreign Investment Allowance’ (FIA) application types.

An important change to the process is the additional information SARS now requires as part of the AIT, including confirmation of the following:

- Statements of assets and liabilities must be split between foreign and local.
- Tax status (resident or non-resident).
- Are you a beneficiary of a trust (foreign or local)?
- Do you have a shareholding (directly or indirectly) in any legal entity of 20% or more (foreign or local)?
- Have you made a loan to a trust (local or foreign)?

Previously, the FIA of R10 million required the completion of a SARS FIA001 Form. This would generate a Tax Compliance Status (TCS) PIN for foreign investment.

Emigrants followed a similar process but would be issued a TCS PIN for emigration. This has now been consolidated into a single clearance process, the AIT.

The above changes apply to the tax clearance process, and it is important to note that no changes have been made on the Exchange Control side.

The allowances applicable to South African resident individuals, as well as emigrants, remain unchanged.

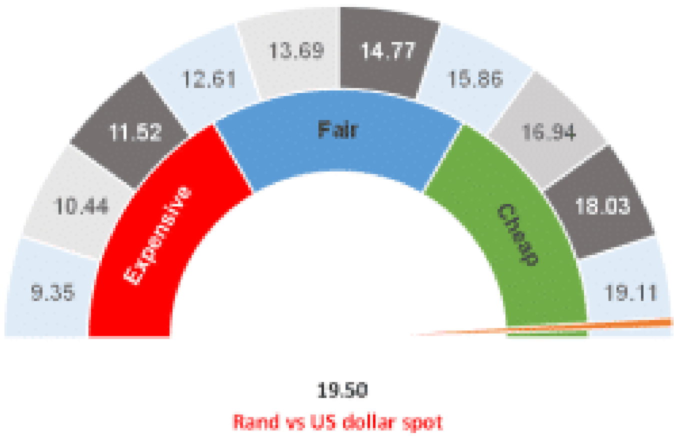
- The R1 million Single Discretionary Allowance is available annually to all South African resident individuals 18 years and older. It is only available to emigrants in the calendar year they leave South Africa.
- Any further capital transfers for residents or emigrants require tax clearance in terms of the AIT process. SARB approval is also required for applications of more than R10 million.

The new process applies to new applications and does not impact tax clearances that have already been issued.

Source: Daily Investor

ANCHOR RAND VIEW: FIXED INCOME AND CURRENCY UPDATE

Rand vs the US dollar



Source: Anchor

This past week has been a horrible time for investors to own most South African (SA) assets. Years of mismanagement of our state resources, economic policies that erode growth and short-sighted foreign policy have converged as a crisis for the rand and the country. Perhaps the most significant cost of SA being booted out of the World Government Bond Index when we lost our last investment grade rating in 2020 was that the liquidity of SA financial assets has been declining. As a result, we find that what was once considered a relatively manageable trade for bond and currency markets can now result in rather stark swings in market prices. In such an environment, there can be greater opportunities but also periods of greater risk.

The accusation by the US that SA has supplied arms to Russia was perhaps, in retrospect, not as surprising as it should have been. SA's allegiances have been apparent to anyone who cared to pay attention. Nevertheless, we were perhaps most surprised by the market reaction. The cost of insuring against the credit risk of local debt has barely moved. In fact, the cost is less than it was in November 2022. We are not seeing the market lose further faith from the already low levels of confidence that it had in SA. Instead, we are seeing concerns around the SA Reserve Bank's (SARB) ability to hike rates, coupled with potentially significant portfolio flows in an increasingly illiquid market.

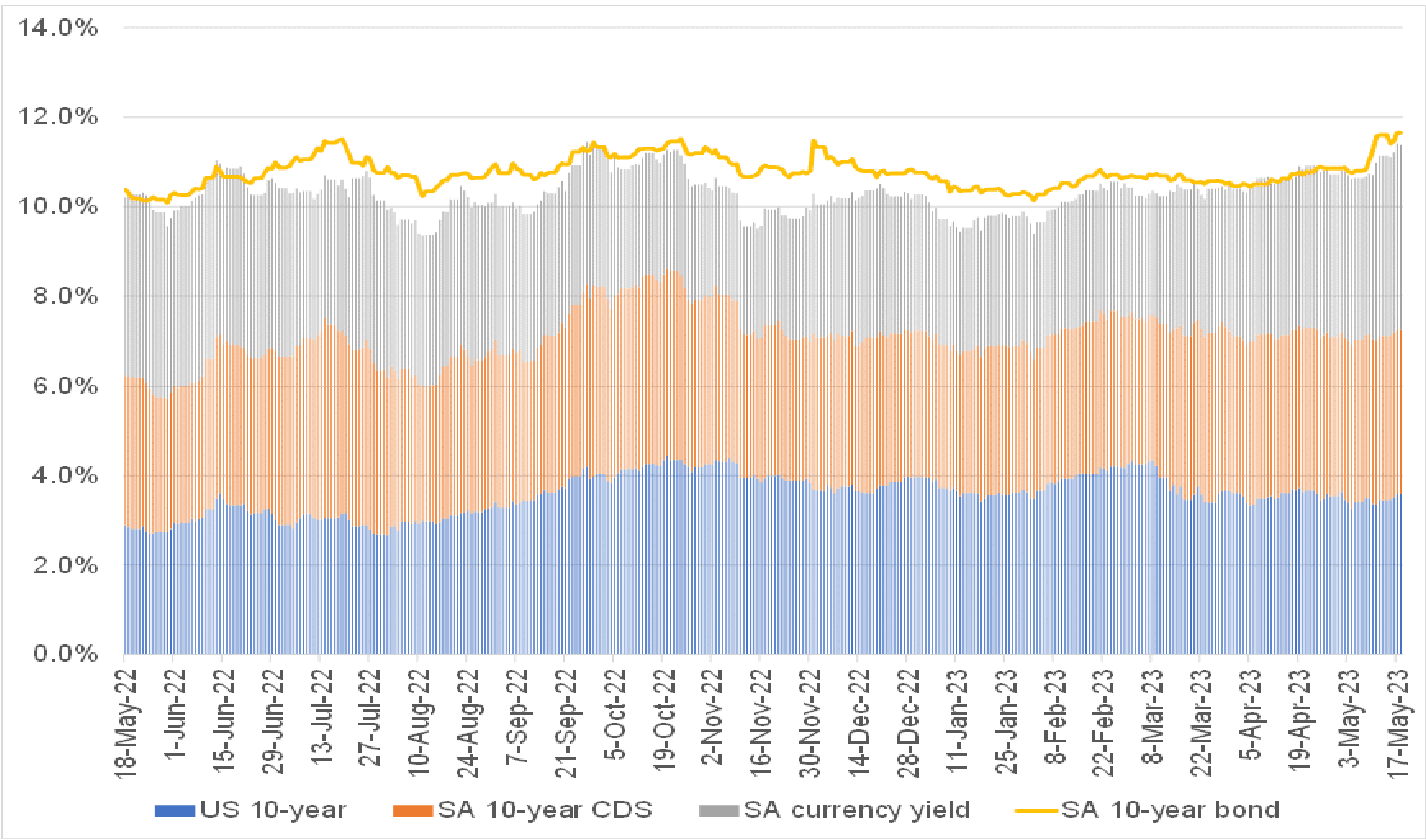
The cost of SA credit insurance over the past ten years

Source: Anchor, Thomson Reuters

We have seen the market price in a further 1% of domestic interest rate hikes (with a 0.5% rate hike on 25 May and the remainder at subsequent meetings) at a time when the country's growth is zero or quite likely slightly negative. SA is one of the very few countries with an economy smaller than before the COVID-19 pandemic. The SARB is walking a tightrope between raising interest rates too much and allowing inflation to rise. Unfortunately, the current circumstances suggest that it will have no choice in the matter. Anchor's base view is that interest rates will be hiked by 0.5% at next week's SARB's Monetary Policy Committee (MPC) meeting. This will see the prime rate increase to 11.75%, which is extortionate, in our view. The price of our foreign policy, our economic policy and failing state resources is that borrowers will have to pay almost 1% of the value of their mortgages as interest every month. Businesses will close, and jobs will be lost.

Anchor looks at the fair value of bonds as the summation of the yield on the US 10-year bond (blue in *Figure 3* below), the cost of credit insurance for SA (orange) and the differential between short-term monetary policy rates between SA and the US (grey).

Anchor's fair yield on SA 10-year debt



Source: Anchor, Thomson Reuters

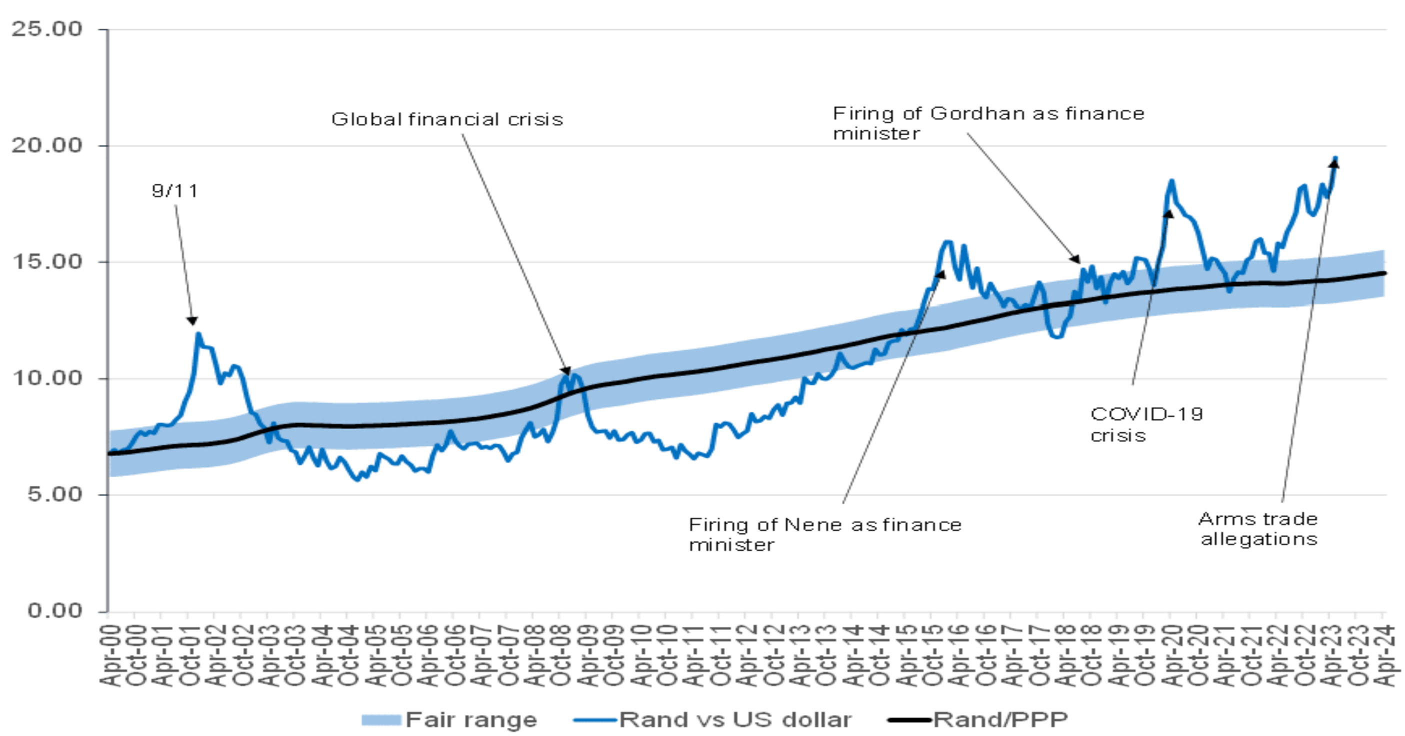
Based on *Figure 3*, local 10-year bonds are trading at 11.65% while our fair value is closer to 11.37%. Bonds are probably trading at fair to slightly cheap levels right now. The moves we have seen over the past week are about widening the grey bar in *Figure 3* as markets price in additional interest rate hikes. More importantly, the market pricing is appropriate for the level of risk in SA bonds. The market is a little oversold at the moment, but we do not see a catalyst that will bring any of these three components massively lower in the next month. A slight recovery is expected, but the most likely scenario is that SA bonds bounce around current levels for a while. We think there will be gradual gains as rate-hiking expectations calm down toward a sensible level.

It has been a difficult and tiresome journey for bond yields. However, the prospect of earning a running yield of close to 1% per month on the Anchor BCI Bond Fund makes sense. Over the longer term, we expect loadshedding to decline (as the private sector ramps up generation capacity), economic growth to rebound (jobs were created last quarter [1Q23] even with loadshedding), and the conciliatory tone from the government sounds like some foreign policy lessons have been learned. SA has certainly bungled. Nevertheless, we believe that SA is still quite far from being dead and buried.

Looking at the rand, the local unit has weakened dramatically in response to SA's own goals and is trading at around R19.50/US$1 as we write this note on the morning of 18 May. Wow!!! This level of the rand vs US dollar exchange rate would have been unthinkable just one week ago. Market participants are pushing the domestic currency one way at the moment – they want a weaker rand and a sizeable rate hike from the SARB on 25 May. They will force the SARB's hand at a time that foreigners are reducing their holdings of our bonds. We stated that we do not see an immediate catalyst for bonds to recover massively, and this comment can be extended to the rand. We also said that we see a local bond market recovery over the medium term – this, too, can be extended to the rand.

The currency is sentiment-driven, and sentiment towards SA is currently quite negative. The SARB is one of the few bastions of excellence left in the country, and we believe that a 0.5% rate hike will calm markets. It is becoming increasingly expensive for traders to short the rand, meaning that short positions will likely be closed out soon, spurring some rand strength. The currency is significantly oversold, yet the negative sentiment will probably keep it that way for a while. Over the longer term, there are some prospects for a recovery of sorts (as we have outlined for bonds), but over the short term, it is difficult to see the rand trade much below its current levels. We, therefore, advise taking a phased approach towards externalising one's wealth. Today is as good a day as any to start, but do not rush it, as investors may see a stronger rand at future dates.

Actual rand/US$ vs rand PPP model



Source: Thomson Reuters, Anchor

Source: By Nolan Wapenaar, co- Chief investment Officer

Rand vs Dollar

1978
Rand vs Dollar
0.78c

President: John Vorster

1981
Rand vs Dollar
0.79c

President: Marais Viljoen

1984
Rand vs Dollar
R1.20

President: P.W.Botha

1989
Rand vs Dollar
R 2.33

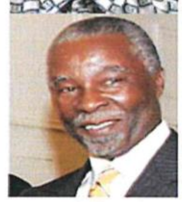
President: F.W. de Klerk

1994
Rand vs Dollar
R 3.42

President: N Mandela

1999
Rand vs Dollar
R 6.15

President: T Mbeki

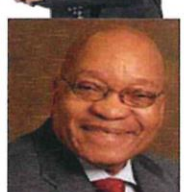


2008
Rand vs Dollar
R 7.99

President: K Motlanthe

2009
Rand vs Dollar
R 10.32

President: J Zuma



2018
Rand vs Dollar
R 13.73

President: C Ramaphosa

TODAY **R 19.33**

Political research note

An independent analyst's view

NEDBANK
PRIVATE WEALTH

This political research note was prepared by JP Landman in his personal capacity. Landman is an independent political and economic analyst, and the opinions expressed in this article are his own and do not reflect the views of Nedbank Group.

19 May 2023

Coalitions

Since the 2021 local government elections, several municipalities have been governed by coalitions. It has not been a happy experience. Johannesburg recently had its eighth mayor elected in eight years. In Tshwane, Ekurhuleni and Nelson Mandela Bay power has been bouncing around between the major parties like ping-pong balls.

Position, power, and patronage determined the formation of the councils, and governance fell by the wayside. It was and is about who will govern, not how they will govern.

The term of the current parliament comes to an end in May 2024, and a national election must then be held. (The Constitution allows for some postponement.) Currently, opinion polls and by-election results indicate that we may face a situation where no single party will have 50% plus one, leading to a coalition government at national level. In the light of what has been happening in municipalities, this possibility fills many people with horror.

National numbers

Elections are a numbers game. Currently, opinion polls put the African National Congress (ANC) in the mid-forties, the Democratic Alliance (DA) in the mid-twenties, the Economic Freedom Fighters (EFF) below 15% and the Inkatha Freedom Party (IFP) and ActionSA at between 4% to 5% each. Each of the three major parties are roughly twice the size of the next one.

A massive shift would have to occur for the DA to become the biggest party (the premise of the 'Moonshot Pact'), for the EFF to overtake the DA, and for the IFP or ActionSA to overtake the EFF. The overwhelming probability is that the ANC will still be the biggest party after the next election, followed by the DA and the EFF.

Several new parties have created much excitement. The test is how many votes they could garner. In the 2019 national elections 48 parties registered but only 14 made it to the National Assembly. Of those 14, four parties (the ANC, DA, EFF and IFP) garnered 92% of the vote and 10 shared the remainder. Many small parties feature in the South African political landscape and every election has seen newly formed parties.

The biggest question in South African electoral politics concerns the millions of eligible voters who have increasingly chosen to stay away on voting day. Will they vote this time round? If yes, for whom will they vote? We simply do not know and will have to wait for the votes to be counted.

A comeback?

Could the ANC still clear the 50% hurdle? Two factors could make this happen.

1 First there is load-shedding. Our proprietary research, shared with clients, indicate that sufficient renewable power and storage is set to come online over the next year to alleviate (not terminate) load-shedding. Almost all this new capacity is being built by the private sector, which is no doubt in a hurry to connect to the grid (these projects all have access to the grid). An alleviation of load-shedding may work in favour of the ruling party. If the election is postponed, it will benefit the ANC more.

2 The second factor is the social-grant system. The social-distress relief grant of R350 per month, which 10 million people currently receive, is scheduled to end on 31 March 2024. The chances of the grant being terminated two months before an election are absolutely zero. It is more probable that the grant will be made

permanent, dolled up a bit and its name changed to 'basic income grant'. It will infuriate both the left and the right, but it may encourage a lot of voters to, once again, entrust their votes to the ANC.

Whether these two factors can negate the anger of the populace at load-shedding, increasingly dysfunctional municipalities and ever more news of corruption remains to be seen. Again, we will have to wait for the votes to be counted.

Forming a coalition

Let's now turn to the possibility that the ANC does not get to 50% plus one, necessitating a coalition government at national level.

During April, the three main parties of the centre, the IFP, the DA and the ANC, all showed their hands on coalitions.

The IFP's Mkhuleko Hlengwa, chair of Parliament's Select Committee on Public Accounts (Scopa), succinctly summarised the IFP's position. Their core values for a coalition are democracy, equality, social justice, economic development, and honest leadership. Going beyond those five values, he added: 'It is essential that we create an environment and an engagement of parties that can work successfully should the electorate not give one political party a 50% majority in 2024.' So not just values, but also an inclusive style of politics. Very important in an election year.

Also in April, the ANC outlined a framework on local government coalitions, which will presumably apply to the national level too. The framework states: 'Coalition partners must also commit to shared values – stability, accountability, ethics and integrity, community participation, good governance, respect for the Constitution and the rule of law, social justice and equity, human dignity, non-racialism and non-sexism.' These values do not seem too far removed from those of the IFP. On paper at least, values will not be a big problem.

The ANC framework also listed several principles on which a coalition should be based. Ten days later, though, these principles were roundly ignored in the election of the Johannesburg mayor. ANC members, activists and supporters have their work cut out for them to get their party to stick to its adopted framework.

DA leader John Steenhuisen, in his re-election acceptance speech on 2 April, did not refer to specific values, but put the focus on who would be included and excluded in a coalition – the 'Moonshot Pact'. He was very clear: the EFF is the DA's public enemy number one, and no grouping or party that has 'tethered itself' to the ANC would be welcome in the 'Moonshot' coalition. It's a very rigid stance, and he may have painted himself and his party into a corner. Here too, members, supporters and activists will have to work to get their party out of that corner. However, most DA members would agree with the values listed by the IFP as well as the more detailed list of the ANC.

The ANC's first stop for a coalition partner will probably be the IFP and some of the other smaller parties. If between them they can make 50% plus one, that will be the government. If they cannot reach the threshold, the ANC would have to cast their net wider.

A grand coalition

Irrespective of whether there is a 50% plus one outcome, 2024 is an ideal opportunity to establish a coalition of the democratic centre.

It is clear from the above that the three parties can find sufficient common ground to work together. The real moonshot would be uniting the middle in a grand coalition that would have the support of 70% or more of the voters.

It will provide the stability, social cohesion, and unity of purpose to get the job of proper governance done. By now it should be clear that to realise the promise of the Constitution, political stability, a very capable state, and a national will are required. All will be well served by a grand coalition.

We have seen repeatedly that the vast majority of South Africans are not extremists. They all want the same outcome: a society with much less unemployment, inequality, violence, and crime. A society where the dignity of all people is manifested in every person's everyday life. If the values and the goals can be agreed on (which the parties of the centre do), differences of opinion on how to get there are surmountable.

So what?

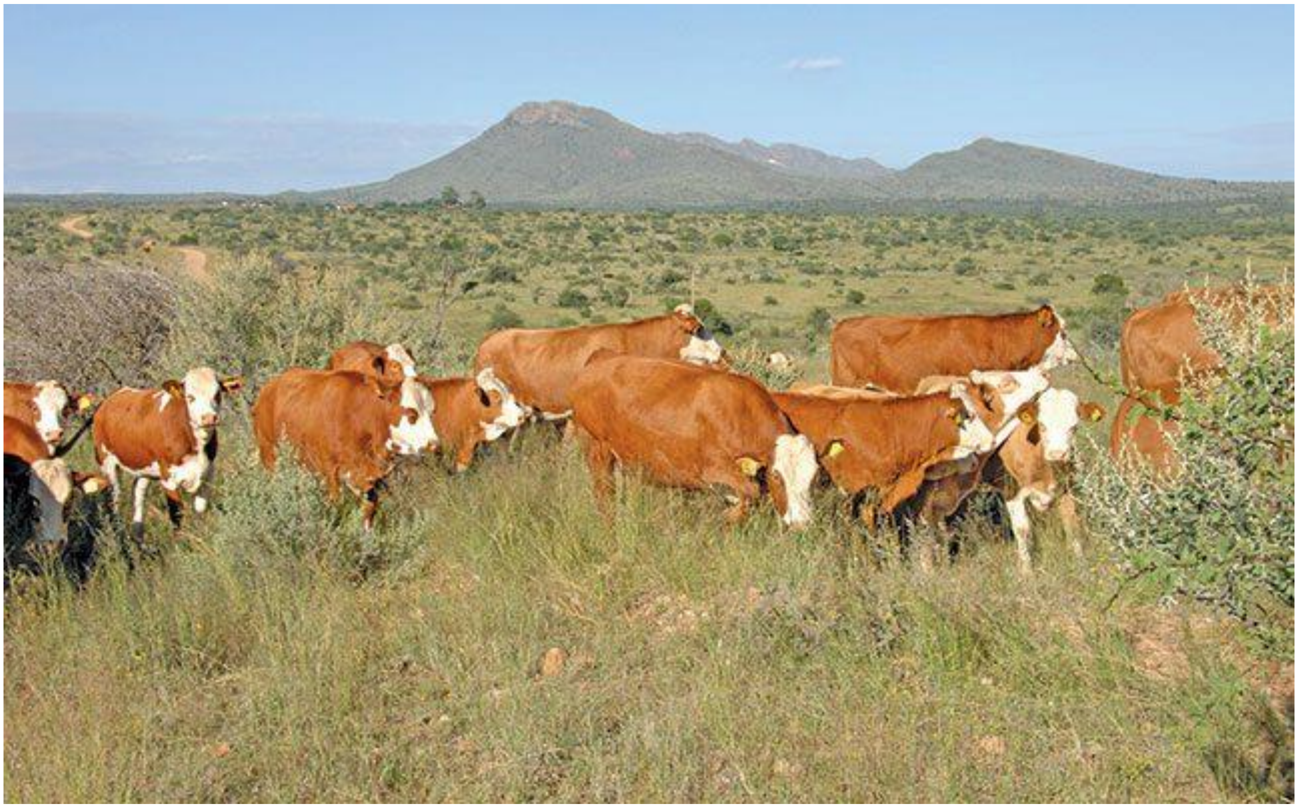
- We run the risk of South Africa's democracy being delegitimised by the instability and failure in local government, and more broadly, by the failure to restore the dignity of all citizens as promised by the Constitution.
- The country is in many ways where it was in the late 1980s – it again requires a political initiative to get out of the quagmire and set out on a new trajectory.
- A grand coalition of the parties of the middle may be the launchpad for such a new beginning.

JP Landman
Political analyst

Source: Nedbank Private Wealth – JP Landman, Political Analyst

WHY MANY FIRST-GENERATION FAMILY AGRIBUSINESSES DON'T SURVIVE THEIR FOUNDERS.

Lack of succession planning is one of the key reasons why so many family agribusinesses fail to last, writes Trevor Dickinson. Very few businesses that are simply 'handed over' in an informal manner will survive.



Some farmers who won't 'let go' undermine their sons or daughters by not giving them enough guidance to run the operation. fw archive

Photo: FW Archive

Approximately 70% of all family businesses are either sold or liquidated after the death or retirement of their founders. The failure of these businesses beyond the tenure of their founders has serious social and economic consequences.

The liquidation of a family agribusiness constitutes a loss not only to the proprietary family, which often has most of its assets tied up in the farm, but also to the employees and surrounding community, whose economic well-being depends on the survival of the business.

One of the most significant factors determining the continuity of the family agribusiness from one generation to the next is whether the succession process is planned.

Succession planning means making the preparations necessary to ensure the harmony of the family and the continuity of the family agribusiness through to the next generation. These preparations must be thought of in terms of the future needs of both the business and the family.

First-generation family agribusinesses are heavily dependent on the founders, not only for their leadership and drive but also for their connections and technical know-how. Failure to plan for succession needlessly deprives the business of these crucial managerial assets.

In addition, if succession planning is avoided, the founder’s unexpected death can force a major upheaval in the pattern of authority and ownership distribution. In this situation, conflict among the founder’s heirs often becomes so intense that they are unable to make the strategic decisions needed to ensure the future of the family agribusiness.

Failure to plan for succession will also threaten the family’s financial well-being by leaving many thorny estate issues unanswered, and a distressed sale of the family farm is often the result. Yet in spite of all the rational reasons for planning the founder’s succession, leadership succession is seldom planned in family businesses.

While much has been said about the high incidence and detrimental effects of the failure to plan succession, little attention is given to the issue of why planning is often avoided.

This three-part series of articles will provide insights into the critical forces that interfere with succession planning in first-generation family businesses:

- Ambivalence toward succession planning.
- Different perspectives on succession: the attitudes of the founder, family, managers and owners.
- Mobilising the succession planning process.

This first article’s main argument is that each of the constituencies that make up the family business experiences ambivalent feelings about the inevitable succession transition.

This ambivalence prevents key decision-makers from engaging constructively in planning the exit of the founder. One of the underlying premises is that gaining awareness of the reasons for resistance among the various constituencies is an important first step toward mobilising the planning process.

Ambivalence toward succession planning

The succession transition imposes a wide variety of significant changes on the family agribusiness: family relationships need to be realigned, traditional patterns of influence have to be redistributed, and longstanding management and ownership structures must give way to new structures.

To further complicate matters, the timing of the succession transition tends to coincide with life-cycle changes in the family as well as changes in the family business’s markets and products.

People in family agribusiness adopt different ways of coping with their ambivalence toward succession planning. One common response is to compromise opposing feelings by enacting a number of self-defeating behaviours.

For example, consider the case of a first-generation family agribusiness owner who chooses his oldest child to be his successor but undermines his or her authority by refusing to give the child the training and guidance needed to perform competently in the top position.

Nominating his child as the successor addresses the founder's desire to 'do something about the continuity problem'. But passively sabotaging the child's professional development placates the founder's need to remain in control of the family agribusiness.

These behaviours prevent any real movement toward the design of a feasible succession plan. Another way in which people attempt to cope with their ambivalent feelings toward succession is by projecting the side of ambivalence that they feel least comfortable with onto others.

In succession planning, such splitting tends to occur across generational lines, with the older generation becoming the sole advocate of change. In these situations, each group enacts an opposing side of the ambivalence; together, they prevent the system as a whole from making any progress in planning for the future.

Consider the case of a founder who is repeatedly badgered by his oldest child about the absence of a succession plan. With every attack, the founder becomes increasingly defensive and moves to reassert his control over the family agribusiness by procrastinating further.

As the conflict escalates, the child becomes increasingly unaware of some of his or her own misgivings about the future (for instance, any doubts that the child might have about his or her ability to perform competently in the top position or fear of the father's death).

Likewise, the founder loses sight of his reservations about preserving the status quo; for example, his secret yearning to retire from the day-to-day operational management. The result of the struggle is that the two cancel each other out. Unless each of the critical actors comes to terms with the side of the ambivalence that is being denied, it will be difficult to reach the level of co-operation needed for planning to take place.

The next article in this series will focus on understanding the different perspectives of the various stakeholders in the family agribusiness system and how these affect the succession process. The final article in the series suggests a number of interventions that can help to loosen the resistance toward succession planning.

Source: Trevor Dickinson is CEO of Family Legacies, a family business consulting company.

MARKET INDICATORS AS AT 30 September 2022

	DY %	P/E Ratio	1 Month %*	12 Months %*
FTSE/JSE All Share Index	4.4	10.4	-4.1	3.5
FTSE/JSE Resource Index	6.8	6.4	1.7	13.7
FTSE/JSE Industrial Index	4.0	8.9	-6.4	-3.4
FTSE/JSE Financial Index	5.1	9.2	-6.0	-2.0
FTSE/JSE SA Quoted Property Index	10.6	9.5	-6.3	-8.7
ALBI BEASSA Bond Index			-2.1	1.5
STeFI Money Market Index			0.5	4.6
MSCI World Emerging Markets (R)			-6.9	-14.1
MSCI World Emerging Markets ($)			-11.7	-28.1
MSCI World Index (R)			-4.3	-3.5
MSCI World Index (US$)			-9.3	-19.2

*Total return index percentage change

Economic Indicators		Latest Data	Previous Year
Exchange Rates			
Rand/US$	September-22	18.1	15.1
Rand/UK Pound	September-22	20.2	20.3
Rand/Euro	September-22	17.7	17.4
Rand/Aus$	September-22	11.6	10.9
Commodity Prices			
Gold Price (US$)	September- 22	1 660.9	1 726.5
Gold Price (R)	September- 22	30 150.5	26 349.2
Oil Price (US$)	September- 22	85.1	78.3
Interest Rates			
Prime Overdraft	September- 22	9.8%	7.0%
3-Month NCD Rate	September -22	6.0%	3.7%
R186 Long-bond Yield	September- 22	9.4%	7.6%
Inflation			
CPI (y-o-y)	September- 22	7.5%	5.0%
Real Economy			
GDP Growth (y-o-y)	June–22	0.5%	19.4%
HCE Growth (y-o-y) (Household Consumption Expenditure)	June–22	1.9%	24.0%
Household Consumption Expenditure (HCE) Growth (y-oy)			
Gross Fixed Capital Formation (GFCF) Growth (Y-O-Y)	June – 22	4.3%	16.0%
Manufacturing Production (y-o-y) (seasonally adjusted)	August – 22	0.7%	1.3%
Balance of Payment			
Trade Balance (cumulative 12-month)	August– 22	$7.2	$42.3
Current Account (% of GDP)	June– 22	-1.3%	4.7%
Forex Reserves (incl. gold)	September- 22	$1 058.8	$865.1

Sources: JSE, Iris, I-Net

Fund	Year To Date Performances 1st Jan to 31st December 2023	30 April 2023
Allan Gray Balanced	6.86%	3.08%
Allan Gray Stable	5.66%	2.16%
Coronation Balanced Plus	6.99%	1.71%
Investec Managed	7.70%	2.38%
Prudential Balanced	6.33%	2.10%
Prudential Inflation Plus	4.90%	1.37%

Skybound Capital Funds
South Africa

Fund	Year To Date Performances 1st Jan to 31st December 2023	Current Performances as at 30 April 2023
The Apello Fund	3.38 %	0.76%
The Azacus Fund	3.32%	0.74%

Skybound Capital Funds
INTERNATIONAL - GBP

	Year To Date Performances 1st Jan to 31st Dec 2023	Current Performances as at 30 April 2023
Prism Income	1.1%	0.37%
Prism Income Australian	0.50%	0.26%
The Willow Tree	0.39%	0.22%

WHAT A JOKE

PADDY AND MURPHY

Paddy and Murphy are sipping their Starbucks when a truck goes past loaded with rolls of lawn.
"I'm going to do that when I win the lottery," says Paddy.
"Do what?" asks Murphy.
"Send my lawn out to be mowed."

Paddy is doing some roofing for Murphy. He nears the top of the ladder and starts shaking and feeling dizzy.
He calls down to Murphy: "I tink I will ave to go home. I've gone all giddy, and I feel sick."
Murphy asks: "Have you got vertigo?"
Paddy replies: "No, I only live around the corner."

Paddy and Murphy are working on building site. A slate falls off the roof and slices off Paddy's ear.
Murphy finds it and says, "is this yours, Paddy.
"No," says Paddy. "Mine had a pencil behind it."

Paddy took two stuffed dogs to the antiques roadshow.
"Oh," said the organiser. "This is a very rare breed. Do you have any idea what they would fetch if they were in good condition?"
"Sticks," said Paddy.


HAVE YOU SEEN THIS DOG?
Now you have. Have a GOOD day.
Have a great day
Have a great day
Have a great day
Have a great day
Have a great day
Have a great day
Have a great day
Have a great day
Have a great day

Paul Bekker

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