



The numerous issues caused by Sasol's Lake Charles Chemicals Project (LCCP) have been extremely disappointing. The project has suffered a series of delays, cost overruns and start-up issues. The LCCP's cost estimate was revised upwards to \$12.6 - 12.9bn and earnings estimate revised downwards.

Further, Sasol identified control weaknesses at the LCCP which resulted in the delay of the release of their 2019 annual financial results, first in August and then again in September last year. Results of an independent review revealed that the primary responsibility for cost overruns lay with the former project management team. There were management changes during the fourth quarter of 2019 including the appointment of Fleetwood Grobler as the CEO. He has 30 years of experience at Sasol and overall, the changes were largely positive.

Recent financial results have been disappointing and it is clear that future returns from the Lake Charles Chemicals Project will be lower than initially expected. The company has also incurred debt in order to build LCCP and the balance sheet is currently stretched.

In the latter half of 2018 and the first half of 2019 when the share was above R400, Allan Gray sold 38% of their holding before news emerged of additional cost overruns and delays at LCCP.

Sasol now trades at R195 following the release of first half 2020 results. As a result, Allan Gray's investment team have gone back to their internal fundamental research to reassess their estimate of what the business is worth.

Allan Gray do acknowledge that the events over the past 12 months have increased the risks in holding Sasol today. However, the market's assessment of the risks facing the company appears too pessimistic. At the current share price, Allan Gray believe that the risks are priced in, and Sasol remains attractive to own relative to the broader market. Sasol continues to be a top 10 holding in their Funds.

## PW Harvey & Co Women's Lunch Talk

We hosted a women's lunch talk at our offices in February with Monene Watson, Chief Investment Officer for Old Mutual Multi-Manager, as guest speaker.

The presentation with the topic "Taking control of your finances" was well received by our clients who joined us. We thank Monene for her insightful presentation.



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**Microsoft** is no longer supporting **Windows 7**; security updates will no longer be available, and this will open up systems to hackers and security breaches. Computers are at a greater risk of viruses and malware, especially while logged onto internet banking and emails.

**All customers who have Windows 7 must upgrade to Windows 10.**

### TOP 10 MOST VALUABLE BRANDS

	<b>1</b> <span>← 1</span> 	
2020: \$220,791m <span>+17.5%</span> 2019: \$187,905m		
	<b>2</b> <span>↑ 3</span> 	
2020: \$159,722m <span>+11.9%</span> 2019: \$142,755m		
	<b>3</b> <span>↓ 2</span> 	
2020: \$140,524m <span>-8.5%</span> 2019: \$153,634m		
	<b>4</b> <span>← 4</span> 	
2020: \$117,072m <span>-2.1%</span> 2019: \$119,595m		
	<b>5</b> <span>← 5</span> 	
2020: \$94,494m <span>+3.5%</span> 2019: \$91,282m		
	<b>6</b> <span>↑ 8</span> 	
2020: \$80,791m <span>+1.2%</span> 2019: \$79,823m		
	<b>7</b> <span>← 7</span> 	
2020: \$79,804m <span>-4.1%</span> 2019: \$83,202m		
	<b>8</b> <span>↑ 11</span> 	
2020: \$77,520m <span>+14.2%</span> 2019: \$67,867m		
	<b>9</b> <span>↑ 14</span> 	
2020: \$69,041m <span>+19.8%</span> 2019: \$57,626m		
	<b>10</b> <span>↑ 12</span> 	
2020: \$65,084m <span>+4.5%</span> 2019: \$62,278m		

## This and That

- Monday 24 February 2020 - **JSE** falls 4.28% (the biggest drop since 2008), but that's not all, as the **S&P 500** comes off 3.35% and the **Dow Jones** drops 3.56% - most likely due to the **Coronavirus**.
- Sasol** announced that its half-year profits had plunged by 72%, largely because of its troubled Lake Charles Project. It will also not pay an interim dividend.
- US bank, **Wells Fargo** has agreed to pay a fine of \$3 billion. From 2002 to 2016, employees used fraud to meet impossible sales goals. They opened millions of accounts in customers' names without their knowledge, signed unwitting account holders up for credit cards and bill payment programs, created fake personal identification numbers, forged signatures and even secretly transferred customers' money.
- Warren Buffett**, the Berkshire Hathaway leader, became the longest-tenured CEO of an S&P 500 company. He has been at the helm since 1970.
- In the six months after its launch in July 2019, **Discovery Bank** has attracted 78 000 customers, with a collective 180 000 active accounts. Of these, 40% are high-income holders of black credit cards. They still have a long way to go to reach their target of 500 000 active accounts.
- As the world is under pressure, let's not forget that since 1989, China's economy has grown over 14 times, compared to the USA at 2.32 times and the Euro Zone 1.68 times.
- Cristiano Ronaldo** has over 200 million followers on Instagram which earns him around \$23 million per year.
- Grand Parade Investments has signed a binding offer to sell 100% of its interest in **Burger King** South Africa to Emerging Capital Partners for R670 million.
- Market information service **TimBukOne** reported that there are currently only 344 listed companies on the JSE - down more than 40% from the 601 listed in 2001.
- The Coega Development Corporation** has signed four new lease agreements with various organisations who will be investing R110 million, since March 2019.
- Starbucks** closes more than 2000 stores in China amid Coronavirus outbreak.
- China** minted three times as many new billionaires than the US in the past year. Beijing is the world's billionaire capital for the 5<sup>th</sup> year running, with 110 billionaires living there, ahead of New York with 98.

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