



Magnus Heystek: Zuma's "Nine Wasted Years" – the unvarnished truth

4th February 2019 by Alec Hogg

LONDON – President Cyril Ramaphosa was blunt in Davos. So was everyone else wearing the multicoloured scarf that makes Team SA members easy to spot. Their consistent message to would-be foreign investors was simple: Jacob Zuma had

trashed the place. But a new broom was busy sweeping. And although the mess created over nine years would take time to clear, the cleaners are determined and a brighter future awaits. So climb aboard the now and enjoy the benefits of being early to a new party. But with the ANC fighting its forthcoming election on a “unity” ticket, it was always likely that this rational message would be spun differently at home. And we should also not have been surprised to see Zuma resurfacing, much like his one-time Brazilian counterpart Lula da Silva did before the court incarcerated him for a dozen years. In this forceful piece, independently minded financial advisor Magnus Heystek lays out the facts. And by drawing on the experience of Futuregrowth’s Andrew Canter, reminds us of the conditions which prevailed while Zuma ruled. As for the King of Nkandla’s recent non mea culpa? Apart from self-justification ahead of his day of reckoning, it also emphasises how a nation which hands power to someone with a huge ego and narrow worldview is akin to encouraging kids to play with matches on a petrol station’s forecourt. High risk doesn’t begin to describe it. – Alec Hogg

By Magnus Heystek*

At least the citizens of ancient Rome only had to endure listening to emperor Nero’s fiddle for about 7 days while their city was burning. South Africans on the other hand have had to endure the sacking of a country, economically speaking, for almost ten years while former president Jacob Zuma graced our political stage, not playing a delicate instrument, but prancing around calling for someone to bring his machine gun.

And after all the destruction, the carnage and pillaging he has the audacity to be quoted on Timeslive as follows:

“

“I remain proud of much of what we and the country achieved over the past decade. Could we have done more? Yes. Could it have been better? Yes. Was it a wasted decade? No.”

Against almost ALL financial metrics the country under Zuma's ANC experienced a dramatic decline. The damage, in some instances, is irreversible. In most others, it will take a stupendous effort by government and private sector to reverse the damage to the vital organs of SA Inc.

As long-standing *Sunday Times* columnist and former colleague Barney Mthombothi wrote on Sunday:

“He wreaked so much havoc during his nine-year reign it doesn't bear thinking about”.



Magnus Heystek, Brenthurst Wealth

Were that so easy, and while certain formal sector economist employed by the large banks and asset management companies have done their level best to avoid thinking and speaking out about this, is an objective contemplation necessary to truly comprehend the extent of the damage done by Hurricane Jacob, the one-man wrecking ball.

Take your pick of vital signs: economic growth, foreign investment, unemployment, the currency, property values, government debt, budget deficit, performance of the JSE, retirement fund returns – they all show symptoms of a slow-moving financial tsunami gathering speed and spreading to all corners of our beautiful country.

Over the course of the past four years or so I have often dared to venture outside of the warm-fuzzy circle of sunshine financial journalism. You know the kind – the *alles sal regkom* – school.

For my sins I have been labelled as “negative”, “cynical”, ill-informed and the best of all a “financial pornographer” by a colleague in the investment world. My columns on other websites started to appear with a health warning: “The views in this article does not represent the views of XYZ...”.

The small grouping of economists and financial commentators who have, from time to time, raised warnings about our economic decline, are either self-employed or working for small asset management companies who don't do much business with government. I would include Mike Schussler, Dawie Roodt, Russell Lamberti and agricultural economist Fanie Brink in this grouping.

You will not find any worthwhile commentary from the financial behemoths: the Old Mutuals, the Sanlams, the Allan Grays and more. Criticisms of the ruling party is considered off-limits, possibly career-ending.

The Futuregrowth-saga

We saw some years ago how potentially career-ending criticism of the ANC's economic policies could be when Andrew Canter from Futuregrowth, owned by Old Mutual, announced that he was no longer willing to invest in six state-owned enterprises, including Eskom as a result of concerns about governance.



Andrew Canter, CIO at Futuregrowth.

I personally interviewed him on SAFM that evening and he was forthright, direct and very clear in his determination not to invest any more money into these SOE's. It's not our money, but that of our investors, he said very clearly.

Good for him, I quietly thought to myself. Here at last we had someone from corporate SA standing his ground.

Well, that didn't last very long. Two days later he retracted his comments and apologised to all and sundry for his misguided comments. I heard him on another radio station and I could not believe I was listening to the same person: he was meek and apologetic and stuttered his way through that interview. I seem to recall some full-page ads placed by Futurgrowth grovelling before the government, begging its forgiveness.

This is how Business Tech reported on this dramatic reversal:

“

Futuregrowth Asset Management has conceded that its public announcement to halt funding of state owned companies in SA attracted unanticipated attention, and led to a range of unfortunate and possibly damaging misinterpretations.

South Africa's largest private fixed-income money manager, announced at the end of last month that it had stopped lending money to six state companies because of governance and transparency concerns.

The company's decision was met with outcry from the state companies involved.

The funding suspension applies to Eskom, rail and ports operator Transnet, South African National Roads Agency, the Land Bank of South Africa, the Industrial Development Corporation of South Africa and the Development Bank of Southern Africa.

Futuregrowth CIO, Andrew Canter, said in a note on Thursday that the firm came to an investment decision that, as fiduciaries for investors' savings, "we could not provide additional finance to some of the largest SOEs without having deeper sight of, and comfort around, their governance, decision-making and independence".

He said that Futuregrowth further decided, with internal unanimity and no external discussions, that it should make its views public.

"Notwithstanding a range of good reasons for a speedy dissemination of our view, in light of the fallout we must frankly concede that a more measured approach of direct consultation with each SOE, before contemplating public comment, would have been a fairer process."

"I would like to personally apologise to each of the SOEs concerned, and their respective government Ministers, for my failure to ensure a fair, one-on-one engagement," Canter said.

Let me remind you who is chairman of Old Mutual, parent company of Futuregrowth: none other than former ANC finance minister Trevor Manuel.

Since then the state of affairs at our SOE's, especially Eskom, has deteriorated significantly. I wonder how much of your and my money remains invested in Eskom via Futuregrowth, or any other fixed-income fund manager in SA? Need I remind you, dear reader, that Eskom currently has debts in excess of R400bn.

Key variables

Let's have a look at some of the key economic variables over the period of time when Zuma's ANC was in power.

- SA's average growth rate since 2009 has barely exceeded 1.5% per annum to end 2017.
- The unemployment rate increased from 22.5% for 2008 to 27.5% for 2017.

- Total Public Debt as a percentage of nominal GDP ballooned from a low point of 26.5% in 2008 to exactly double that (53%) towards the end of 2017. SA's total debt is now close to R3trn, depending on the rand/dollar exchange rate. If the contingent liabilities of the State are included, the number rises to about 60%.
- Revenue collections are under considerable pressure. In December 2018 company income taxes were 6.6% lower than a year ago. Expect a grim 2019 Budget with an estimated budget deficit closer to 4.5% than 4%.
- Electricity prices ballooned 350% from 2008 to 2017.
- Per capita GDP declined from \$8,066 per annum in 2011 to \$6,268 per annum in 2017.
- Net SA FDI (Foreign Direct Investment) as percentage of GDP in 2010 = +22.7%. In 2017 it was a minus 29%.
- Government wages as % of GDP in 2007 = 10.5%. In 2018 it was 13.9%.
- Personal income taxes (as percentage of GDP): 2007 = 7.35%. In 2018 it was 9.81%.
- SA was the only OECD country in a recession during 2018.
- The SA economy is currently in its lowest growth trajectory since 1945.
- S&P Global Ratings and Fitch has reduced SA's credit rating to below investment grade. Junk status, in other words.
- Residential property market has been in a 10 year bear market. Prices have declined by 22% in real terms over this time. In the 3rd quarter of 2018 new mortgage applications dropped by 16%...and not a single word about this reported in our mainstream media.
- Average retirement funds have now not beaten inflation over 1, 3 and 5 years – soon 7 years.
- Annual average returns on the Johannesburg Stock Exchange have been last or second to last when compared to the S&P 500, MSCI World Index, MSCI Japan and MSCI Europe. Against its peer group – the MSCI Emerging Market – it has been lagging by almost 2% per annum since December 2015. Remember what happened in December 2015? The overnight sacking of Nhlanhla Nene as

finance minister by Zuma. On cue capital starting flowing out of the local market.

- Since then more than R400bn has left our equity and bond markets.

So contemplate we must, because most South Africans have been engulfed by the financial tsunami unleashed by the Zuma years. Poverty is increasingly visible on every street-corner, in declining car and retail sales, in empty rugby and soccer stadiums, in dwindling golf and bowling memberships. The list is almost endless.

- **Magnus Heystek is a director of Brenthurst Wealth.**

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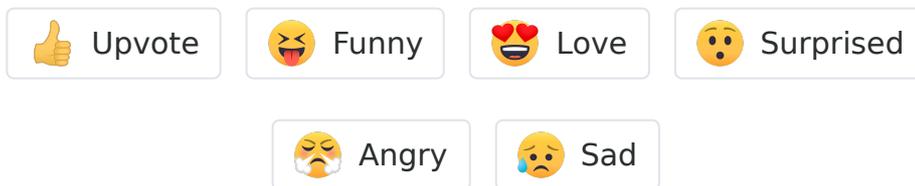


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Tim Bester • 3 days ago

The misrepresentation that all of the economic destruction we have suffered was Zuma's fault is false and sickening. He was elected, supported and defended by the ANC alliance all the way. The corruption and looting started way back with the arms deal, travelgate, Hitachi/Chancellor house, Bosasa and, and...

Your article mentions the ANC once and it is "Zuma's ANC". Sorry Magnus, there is no "Zuma's ANC" there is just one ANC, replete with the revolutionary ideology of dead white men like Marx, Engels and Lenin, cadre deployment and still struggling to do anything right.

You are perpetuating precisely the type of virtue signalling and political correctness demanded of Andrew Canter and got Chris Hart fired.

It is the ANC dammit...Zuma was just its agent.

23  |  • Reply • Share >



Stewart Wood  Tim Bester • 3 days ago

Indeed - and how many times has the ANC told us that it operates always as a 'collective'. Believe it!

12  |  • Reply • Share >



Optimist  Stewart Wood • 3 days ago

Anyone saw the ANC's response to the US, UK, Netherlands, Germany and Switzerland's concern on corruption" - "The ANC has noted with deep concern the interference by the Western imperialist forces like the USA, UK, Germany, Netherlands and Switzerland into the affairs of South Africa. South Africa is a sovereign state and has always respected the laws of these imperialist countries," the party said.

"The ANC condemns this dramatic holier-than-thou stance of these former colonisers and we would not like to relate to them on the history of master-slave

relations."

Wow - that's just a kick in the teeth after a successful Davos.

It feels like another way to say - "(corrupt) business as normal". I was a bit caught up but think sadly there is no intention of changing

16 ^ | v • Reply • Share >



The Navigator → Optimist

• 2 days ago

So SA's leaders go to Davos, spends considerable taxpayers' money to sell the country as an investment destination, then all come back home and the ruling party. on behalf of the State, tells the potential investors (= saviours) to eff off, the ruling party wants to stay corrupt.

2 ^ | v • Reply • Share >



zackie → The Navigator • a day ago

will the mafia change and become honest why must the anc who are 100 times worse in crimes

1 ^ | v • Reply • Share >



Ingrid Denzin → Optimist

• 3 days ago

Yes I saw that and the ANC still expects these countries to invest here.

2 ^ | v • Reply • Share >



disqus_hiF7NvKYKq → Ingrid

Denzin • 2 days ago

In reality what the the world is actually doing now for its citizens is heeding the Australian travel advisory as SA one of the most dangerous places to travel to - and live in. And what the international investing community is doing is playing lip service to investing as they know SA in its current condition and format is a major risk for any investor as it slides to the "status" of its neighbour Zimbabwe. SA will not attract a cent of foreign investment

nor will its tourist numbers increase until it actually structures, behaves and functions as a stable civilised and secure democracy with lower risks.

2 ^ | v • Reply • Share >



Ingrid Denzin → Stewart Wood

• 3 days ago

Yes it collects all your money and you get nothing back.

1 ^ | v • Reply • Share >



Gemma Tell → Stewart Wood • 2 days ago

The 'hive' mind.

^ | v • Reply • Share >



Geoff Smiles → Tim Bester • 2 days ago

Agreed, but the anc hides behind jz783 and vice versa. Now that even more anc cockroaches (with apologies for the insult to the insect variety) a senior anc official (I forget who) said recently that those anc cadres revealed by Bosaso / Zondo and other commissions, acted as individuals and not on behalf of the anc. Imho, the anc makes the mafia look like raw amateurs.

7 ^ | v • Reply • Share >



dirkschelling • 3 days ago

Why is Zuma not in jail?

10 ^ | v • Reply • Share >



The Navigator → dirkschelling • 2 days ago

That alone is sufficient proof that the ANC is defending corruption.

5 ^ | v • Reply • Share >



focuscat_za • 3 days ago

The absolute frightener is that half of the ANC want Zuma back and the other half bends with the wind!

7 ^ | v • Reply • Share >



Geoff Smiles → focuscat_za • 2 days ago

This is easy to explain: the anc is a collective of unprincipled opportunists, where absolutely anything is permissible, no matter how immoral or illegal.

2 ^ | v • Reply • Share >



Andrew Canter • 3 days ago

Despite the BizNews report in 9/2016 that "Canter Recants" (admittedly, a cute alliteration), we never did recant nor back-peddle: On August 31, 2016 we said we would not lend client funds to SOEs until we could conclude governance reviews and, in fact, we've kept that promise. The Futuregrowth team engaged in governance assessments of 4 SOEs, and published our detailed findings publicly (still on our website): Landbank, DBSA, and IDC were all assessed and cleared-for-funding by the end of 2016... and SANRAL was assessed but not formally cleared by early 2017. We never completed full reviews of Transnet nor Eskom, and we have not advanced a single Rand of investor funds to either of these entities since mid-2016. My apology in 9/2016 was simply a recognition that we had inadvertently 'ambushed' the 6 SOEs without fair warning... and we could have caused liquidity problems for some of them. As CIO I took responsibility for that action, but the FG team was already engaged in deep (on-site, face-to-face) governance reviews and negotiations (on behalf of all investors) to improve governance standards and practices of the SOEs. Importantly, those SOEs also agreed to much improved public reporting on governance related issues (e.g. on websites, SENs announcements, annual reports). The Futuregrowth team did its work independently and diligently without political (or shareholder) intervention.

That all said, I agree with the thrust of your argument that analysts in South Africa face enormous pressure from (for example) corporate bullies who don't like "sell" recommendations (and will, embargo 'non-compliant' analysts from meetings), or from their financial-services shareholders who are more keen to protect their corporate relationships (and revenue streams) than to tolerate independent views. No group, body, exchange nor regulation defends analytical independence in SA and that is a deep flaw in the ability of markets to play their oversight role to deter corporate mis-behaviour: I offer you the the evidence of Steinhoff, ABIL, et al.

In Futuregrowth's case, while our majority shareholder publicly stated that they "distanced" themselves from our 08/2016 stance, as a fiduciary asset manager we answer to a higher-authority: Pension Fund and Unit Trust investors.



Geoff Smalles → Andrew Canter • 2 days ago

Andrew, for what it might be worth, I think your announcement in Aug/Sept 2016 was very brave and gave much hope to a multitude of gatvol South Africans that, at long last, at least one representative of "big business" had gathered up sufficient courage to say to the anc "no more !". I think your subsequent "apology" was viewed, by the many to whom you had shortly before given much hope, as a major disappointment, forced upon you by a bullying (but cowardly) Old Mutual.

Perhaps, from the inside, the facts are different, but the perception remains that OM is a not-so-shining example of a Corporate SA that continues to stand on the sidelines as idle observers, while jz783 and his anc stole / continue to steal SA blind.

Perceptions of OM are not enhanced by the fact that its chairman was/is a full-on anc cadre !

6 ^ | v • Reply • Share >



Peter Latham → Andrew Canter • 2 days ago

Andrew, are you saying that the following, written by Magnus Heystek, is untrue? Yes or no?: he was meek and apologetic and stuttered his way through that interview. I seem to recall some full-page ads placed by Futurgrowth grovelling before the government, begging its forgiveness. This is how Business Tech reported on this dramatic reversal:

"Futuregrowth Asset Management has conceded that its public announcement to halt funding of state owned companies in SA attracted unanticipated attention, and led to a range of unfortunate and possibly damaging misinterpretations".

4 ^ | v • Reply • Share >



Andrew Canter → Peter Latham
• 2 days ago

Thanks Peter. My apology was appropriately sincere and contrite -- but I would refute "grovelling" or "stuttering" (I guess the audio is still online somewhere). Further, we placed no ads, but I issued a press release. We did not apologise for suspending funding nor retract that

stance, but we apologised for the surprise-factor and unintended consequences. At the time I said we needed to "calm the waters" as the analytical team was getting into the hard work of governance analysis of some SOEs, and all the noise was not helpful to that effort. By the way, our work was really useful and informative, and ended up published on our website. The team also wrote a report "SOE Governance Unmasked" about our findings... it is also on our website. It's never pleasant to have to publicly apologise, but I felt we'd done a disservice to the SOEs involved by not giving them fair warning of our position and pending announcement.

4 ^ | v • Reply • Share >



Peter Latham → Andrew Canter
• 2 days ago

Andrew I also downloaded "SOE Governance Unmasked" - from a brief scan it looks good. Thanks. For those who are interested it can be downloaded at:

<http://www.futuregrowth.co....>

2 ^ | v • Reply • Share >



Peter Latham → Andrew Canter
• 2 days ago

Andrew, thanks for taking the time to respond and in a very erudite fashion. It is good to know both sides of the issue and to get clarity.

1 ^ | v • Reply • Share >



Andrew Canter → Peter Latham
• 2 days ago

thank you peter for the dialogue.

1 ^ | v • Reply • Share >



Overlord_of_the_Peanut_Gallery → Andrew Canter
• 2 days ago

Don't feel alone, you're far from the only SA business with small ones.

2 ^ | v • Reply • Share >



The Navigator → Andrew Canter • 2 days ago

Too late. Your credibility is shot through. You didn't think this through in the first place, didn't separate the concepts of allegiance and loyalty

separate the concepts of allegiance and loyalty from the facts of the state of the State. No use to apologise for changing sides.

^ | v • Reply • Share >



Sam van den Berg • 3 days ago

Stop blaming Zuma. **Blame the ANC that put him there and kept him there.** If the ANC had any honour, it would disband. As for Ramapokker, who as Zuma's deputy, was blind and deaf to what his Number One was up to

5 ^ | v • Reply • Share >



MP3 • 3 days ago

Busy BEEs have been busy, the whole damn hive has been at the honey trough...

5 ^ | v • Reply • Share >



Nicole Stuart • 2 days ago

The dishonesty reaches way back. I know personally of a case in 1997 of the ANC requiring a bribe of R1 800 000 in order to sign a contract worth R12 million. We all know of the massive Arms Deal bribes of that time strenuously denied by the ANC, of course, which resulted in \$5,4 billion purchase of arms which we did not need and are now largely out of commission, because there are no big bribes available from maintenance

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