Camissa Asset Management

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Altron: rewired for future growth

Mpendulo Ncongwane - Associate Analyst

"Following significant restructuring in recent years - moving away from manufacturing and spinning off Bytes Technology - Altron has become a more focused South African technology group. Guided by new management with strategic initiatives aimed at strengthening core businesses, Altron is paving the way for a stronger growth trajectory. We explore these initiatives, focusing on the largest profit contributors that have the potential to transform Altron's outlook."

Altron: rewired for future growth

A shift in momentum

Established in 1965, Altron has positioned itself as a pioneer in the local technology space, offering a broad range of products and services. These include:

- vehicle tracking and recovery through Netstar;
- information technology (IT) services for large public and private enterprises - to develop, manage, secure and maintain their IT systems;
- financial technology (FinTech), in the form of payment and collection systems for microlenders as well as card issuance and point of sale devices; and
- healthcare technology (HealthTech), incorporating automated billing, claim settlement and digitised patient management systems for doctors and private hospitals.

As *indicated below (left)*, Altron's FinTech division is the largest contributor to profits, followed by Netstar. Looking ahead, Altron aims to boost operating profits to R1.15 billion by 2026 (*below right*), a significant step up from R651 million in 2024.

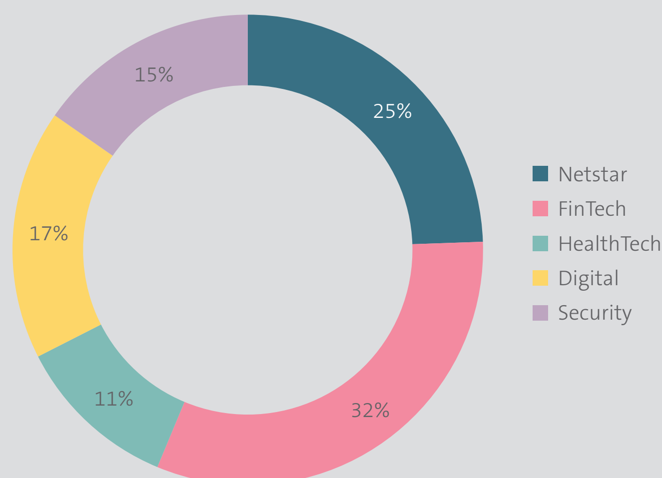
Steering Netstar in the right direction

Since inception in 1994, Netstar has established itself as a leader in providing vehicle telematics. It now serves close to two million subscribers (*charted on following page*). More than a million of these are South Africa-based, ranking Netstar in the top four SA vehicle trackers. Although Netstar's growth has lagged competitors such as Cartrack in the last decade, recent acceleration under new management has narrowed the competitor gap. Over the last five years, Netstar's subscriber growth has averaged a commendable 20% per annum.

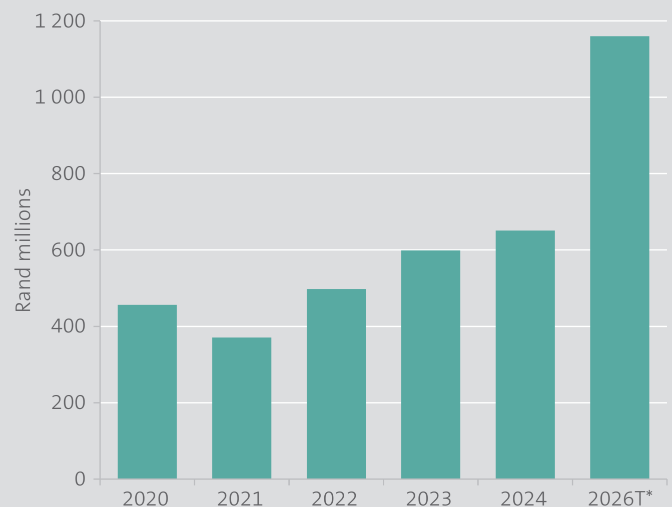
Beyond vehicle protection, telematics provides crucial insights for fleet management including real-time driver behaviour, vehicle location and fuel consumption. Netstar has assisted companies like Putco, the largest bus service in the country, improve safety and reduce claims against them. Netstar also provides Putco with security cameras and systems to monitor fuel theft and driver behaviour. Consequently, Putco has realised a 70% decrease in bus accidents and a 36% reduction in claims.

Among the key strategic changes implemented by Netstar management is the refinement of their dealership pre-fitment strategy. Historically, Netstar would pre-install vehicle tracking devices at dealerships, in anticipation of securing post-purchase subscriptions. This approach, which is costly upfront, is being improved upon by narrowing dealer partnerships, terminating unprofitable relationships and negotiating cost-sharing for

Contributions to Altron profit



Altron operating profits



*Altron profit targets
Note: based on profits from continuing operations
Source: Altron reports

pre-fitment. This has led to improvements in pre-fitment conversion rates from 33% to over 60%, with the goal being 70%.

Netstar has also focused on improving customer retention and reducing churn. By insourcing its retention call centre, the business now manages customer relationships directly, with a direct line of sight to address customer concerns and offer appropriate products and concessions. As a result, churn rates have dropped from 22% to 16% and the business remains committed to further reduction. Staff deployment has also been adjusted to enhance productivity. Skilled technicians now focus more on complex tasks and less experienced staff handle routine duties.

In addition, Netstar has continued to broaden its network of dealers and insurance partners, including a collaboration with WeBuyCars[1] that began in 2021. WeBuyCars dealerships now have on-site Netstar technicians, who can install tracking devices soon after vehicles are purchased, when the owner selects a Netstar tracking package.

In April 2024, Netstar launched the Global Fleet Bureau that provides advanced telematics solutions to enhance its fleet management offering. This has repositioned the fleet management business competitively within the industry. It provides real-time monitoring and AI-powered video analysis, enabling quicker vehicle recovery and dispatch responses.

With around 12 million vehicles on South African roads, and only four million subscribing to vehicle tracking, there remains significant potential for growth. Moreover, Netstar is pursuing international expansion, with Southeast Asia viewed as an attractive market.

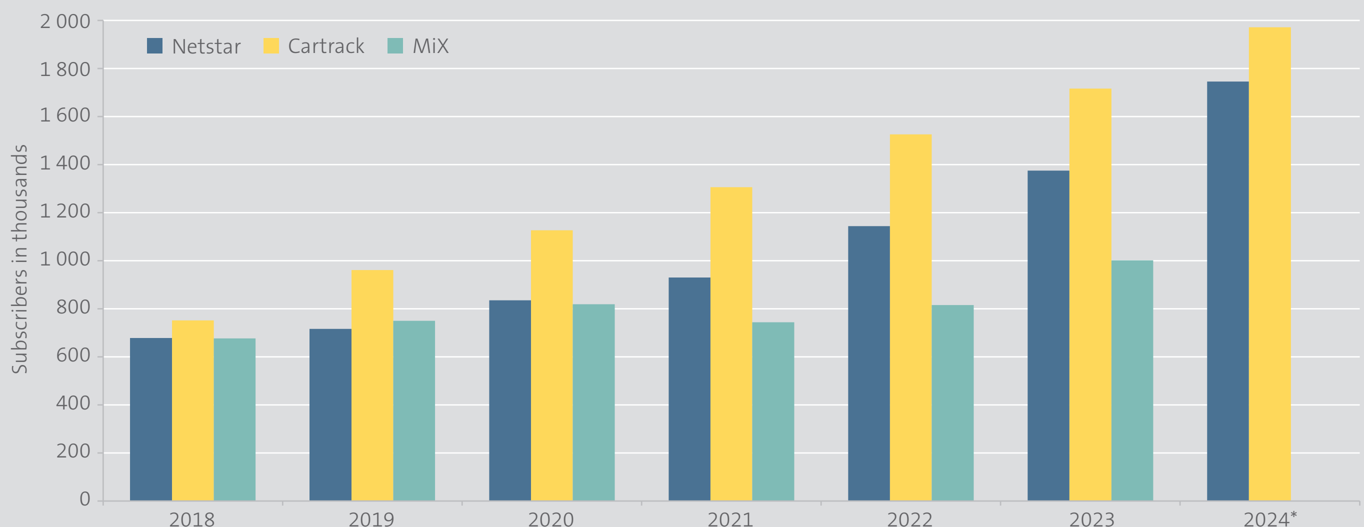
Rebooting the IT business

Altron's IT division, which houses several businesses that are major players within the South African IT services market, has experienced sluggish growth in recent years. These businesses deploy in-house expertise and third-party vendors to deliver integrated IT solutions for corporate clients.

An example of such an IT solution is the development of the Idea Trigger platform used to log and track idea generation for Vodacom staff. Following success in local operations, Vodacom extended the platform across the continent, with parent company, Vodafone, also implementing it. Vodacom has earned an additional R1 billion in revenue through the ideas generated from this platform.

[1] Currently, one of the fastest-growing used vehicle dealers in South Africa.

Subscriber numbers in vehicle telematics



*MiX subscriber numbers were not disclosed in 2024, post corporate action
Source: Company reports

Altron: rewired for future growth

Altron has also supported fast food restaurant chain, Hungry Lion, by providing a workforce management solution that streamlines staff scheduling to ensure effective allocation during peak and off-peak periods. As a result, Hungry Lion has reduced their overtime costs by 22%. Additionally, Altron partners with global tech giants, like Huawei, to provide cloud solutions to their clients.

Strategic steps taken to revitalise Altron's IT division include the appointment of new leadership that is, among other things, focused on materially improving the sales force. They have integrated the various IT businesses - Altron Managed Solutions, Systems Integration and Karabina - into a single unit, Altron Digital Business. The businesses were previously siloed, which resulted in duplication and an inefficient use of capabilities across businesses. This consolidation is intended to streamline operations, reducing skill and service overlaps and enabling the company to offer a more comprehensive and effective offering to customers.

Typically, IT businesses have high fixed costs due to extensive infrastructure, technology and talent requirements. Sustaining profitability therefore depends on maintaining high business volumes. While Altron's IT business has been vulnerable to the cyclical nature of the industry due to its low proportion of ongoing, long-term annuity revenue, the business is now focused on increasing the recurring revenue base by securing long-term customer contracts and improving cross-selling efforts. Altron plans to increase the number of customers buying three or more products from 20% to 50%, focusing specifically on its top 20 clients.

Furthermore, Altron has been consolidating their vendor base to reduce complexity and enable more targeted investment in technical capabilities. The business is also committed to steering clear of margin-eroding contracts moving forward, adopting a 'quality gate' process to screen out less lucrative opportunities.

FinTech targets micro finance market

Altron's FinTech division offers a range of solutions that include credit management tools for microlenders, point-of-sale equipment for banks and merchants, and printers used by the government in the production of smart IDs. This latter service is supported by Altron's security unit, which embeds encryption into ID cards, ensuring the protection of personal data.

The FinTech sector in South Africa and across the continent is set for considerable growth as a large portion of the local market, particularly small businesses, have limited access to traditional financial services.

One of Altron's core financial technology businesses focuses on providing microlenders with software solutions to formalise their operations. These solutions empower microlenders to:

- manage credit more effectively by conducting credit checks;
- enable more secure disbursements via direct deposits to customer accounts or through cards such as NuPay; and
- manage collections.

Altron generates income from transaction fees across the value chain. As the microlending sector grows and becomes more formalised, the FinTech business stands to benefit from client growth, particularly as microlenders open new branches. Altron is also aiming to boost market penetration by expanding the sales team and capitalising on word-of-mouth advertising, as clients experience the advantages of its solutions. By broadening the FinTech portfolio through exploring new opportunities and positioning the business to open space for those with limited access to financial services, Altron is actively creating other growth avenues within the business.

A promising path forward

A reinvigorated and focused Altron is pursuing ambitious growth objectives, exhibiting very positive trends to date. Through the strategic initiatives discussed pertaining to Netstar and the IT and FinTech businesses, substantial earnings growth can be realised. We believe the market has underappreciated the extent of these prospects and Altron is well positioned to deliver excellent shareholder returns. UP

Dollar General - at a discount

Nicholas Brown - Associate Analyst

"Following the opening of its first store in 1955, Dollar General has become the largest discount retailer in the United States by number of stores - now operating more than 20 000 small-box outlets. Its unique proposition at the outset was to sell all products for $1 or less. Today, most of Dollar General's products sell for less than $10, with approximately 17% still selling for $1 or lower, indicating that the original proposition continues to resonate with customers 70 years on."

Dollar General - at a discount

We discuss the low-cost business model that underpins Dollar General's low-price offering, recent challenges faced by the business and the path to improved financial performance.

Low-cost model, premium returns

Dollar General stores offer convenience and value to customers, providing a focused selection of national and private-label brands across a variety of categories. The main customer segment is the lower income individual or family, with an annual household income between $35 000 and $40 000. These customers prioritise affordability and consistently find this at Dollar General, thanks to their low-cost business model. The key components of this model include: low-cost store locations, large scale, narrow product breadth and low employee headcount per store.

Decentralised store locations and large scale

Dollar General's smaller format stores are primarily situated in rural towns across the US. The abundance of such towns has provided scope for Dollar General to rapidly expand - doubling its store count over the last 12 years (*charted below*). This store footprint contrasts with that of large format US retailers, such as Walmart and Kroger, that have a much smaller presence in rural areas. Their disproportionately large store sizes and product breadth work less well where catchment areas are smaller. Dollar General therefore faces lower competition in these decentralised, underserved areas with small communities seeking convenient local stores.

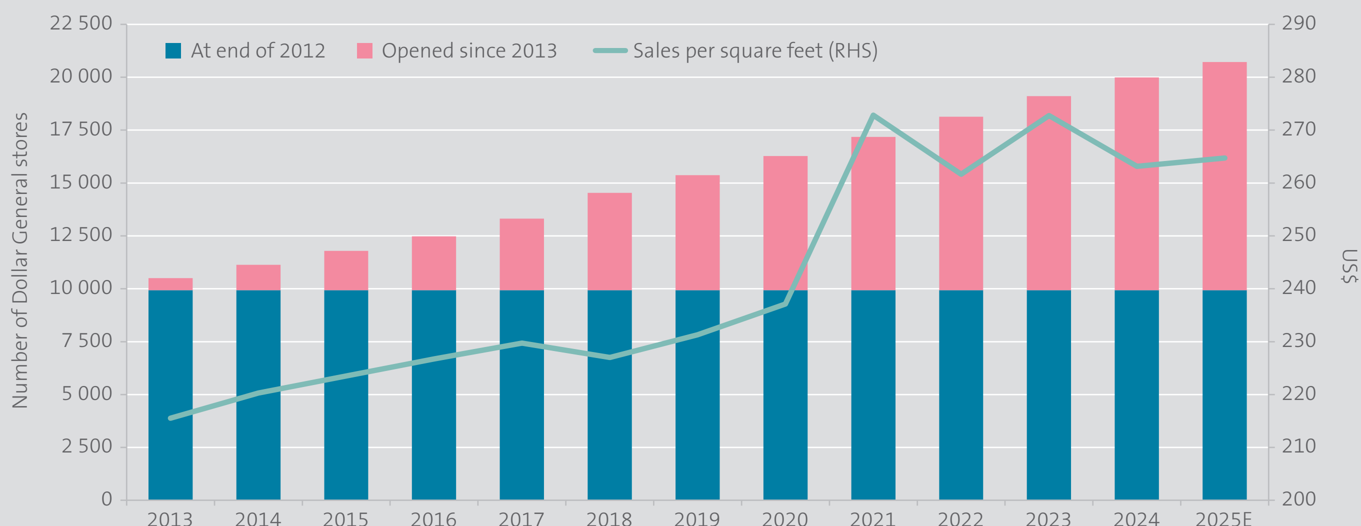
Although Dollar General does compete with independent, family-owned grocery stores, it maintains a cost advantage due to its large scale and bargaining power with suppliers. With the material increase in new stores, the business has continued to grow sales per square foot, as *shown below*. This is clear evidence of their success in identifying underserved areas where they can compete effectively.

Focused product range

Dollar General stores stock between 11 000 and 12 000 unique products, most of which are national brands from leading manufacturers, and some are private-label products. Approximately 80% of its stock is consumables including packaged food, fresh produce, snacks, and health and beauty products (*chart on following page*). The remaining stock categories include seasonal products (ie toys and holiday items), homeware (ie kitchen appliances, bedroom and bathroom soft goods) and apparel.

Only a few variations of each product are stocked, which, together with the scale from their high store count, ensures

Store base and sales efficiency



Note: all years shown here apply to the financial year thereof
Source: Company reports, Camissa Asset Management estimates

higher volumes with suppliers and therefore strong bargaining power and ultimately better pricing.

Low operating costs

Rent and labour are the main operating costs for Dollar General. Yet, rental costs in rural towns are lower than those in suburban and urban areas, and labour costs are also low as each store typically has only two or three employees on duty per shift - fulfilling checkout, packing, customer queries and other responsibilities. This structurally low-cost business model, the results of which are *evidenced on the next page*, supports low product prices. Growth of this high volume, low-cost model, together with careful cost management, has contributed to sustained profit growth and high shareholder returns.

Recent underperformance

Dollar General's performance deteriorated in the 2024 financial year. Over this period, its core low-income consumer segment has struggled with high inflation that has eroded discretionary incomes. Consumers are tending to buy fewer products per store visit and fewer non-consumables, which typically carry higher price points and gross margins. This has resulted in lower sales growth and contributed to a large decline in gross margin.

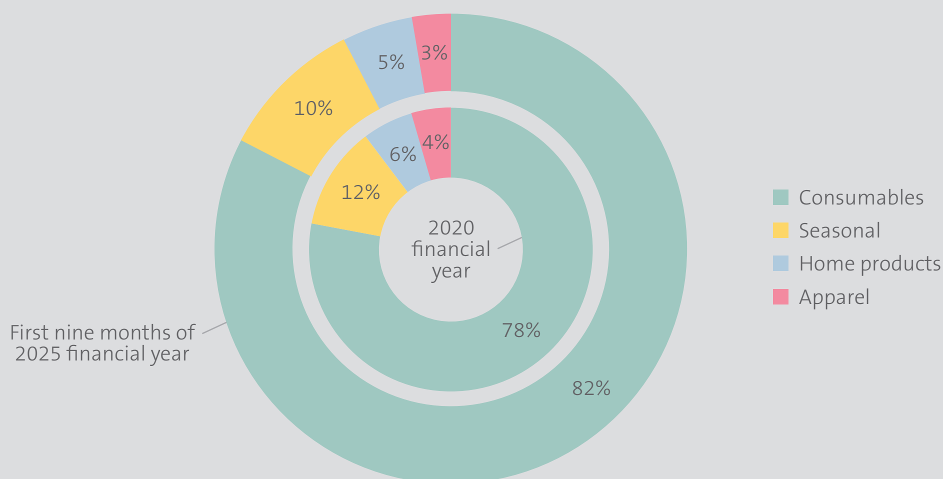
Additionally, lower than expected sales volumes indicate that warehouses have been overstocked. This has led to inefficiencies in the supply chain and delays in sorting, stock-picking and delivery to stores. The resulting deterioration in on-shelf product availability has further contributed to lower sales growth.

To alleviate warehouse overstocking, Dollar General had to lease 12 additional temporary storage facilities, incurring significantly higher rental and labour costs. Furthermore, to reduce this excess level of stock, the business has had to temporarily discount prices, which has reduced revenue generated per product sold and overall gross margins. A combination of lower consumer discretionary income and heightened in-store stock levels has also given rise to a drastic increase in theft, adversely effecting profitability for the business.

Recovery and prospects

An improving consumer environment in the US from real wage growth, as inflation is softer, is expected to lead to better sales volumes for Dollar General in the coming year. In addition, increased discretionary incomes should result in the reversal of the negative sales mix experience of late, with a greater proportion of higher-value, non-consumable products translating into increased gross margins.

Product sales mix for Dollar General



Source: Company reports

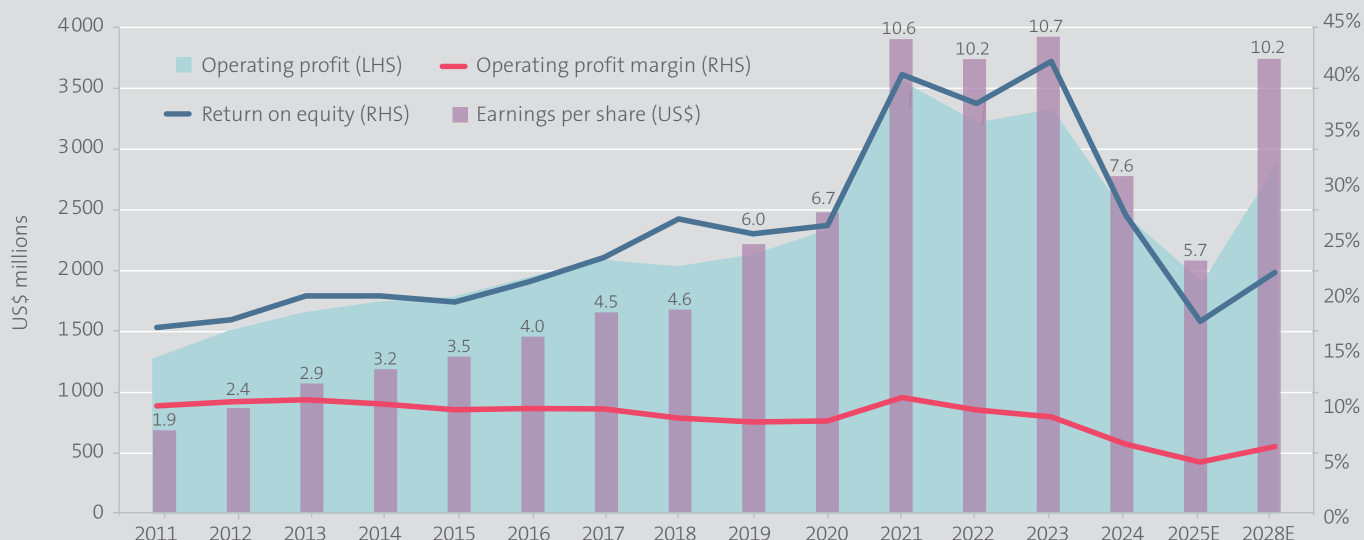
Dollar General - at a discount

Management has also embarked on a recently announced Back-to-Basics strategy, which incorporates three key pillars with the following respective objectives:

- **Stores:** A higher staff headcount in stores, together with the training required to execute perpetual inventory management, is expected to reduce inventory offloading and packing times, supporting better on-shelf product availability and overall store cleanliness. The aim is higher sales. Moreover, management is removing self-checkout counters to mitigate theft and improve customer engagement and in-store experience. Considerable store growth opportunity has been identified and management estimate that they could open up to 12 000 stores over the long term, seeking to win market share while further strengthening scale and bargaining power.
- **Supply chain:** After stock volume is optimised, following their marked-down stock clearance, there should be a higher proportion of full price sales realised - increasing overall revenue and gross margin. The consequent closure of temporary warehousing will achieve cost savings on rental, labour and transport. In addition, the consolidation of stock into fewer warehouses, along with additional investment in warehouse automation for more efficient stock sorting and picking, is expected to support on-time and in-full delivery of orders to stores.
- **Merchandising:** A reduction of approximately 1 000 of the unique products on offer, plus consequent adjustments to store plans, should sharpen the focus of Dollar General's product offering – honing in on products that resonate with customers. This is anticipated to lead to higher sales per square foot of retail space.

Despite Dollar General encountering a period of lower profitability, the structural characteristics and economic advantages of its business model remain. Management has proven their ability to manage costs and expand store numbers, thereby achieving market share gains. We believe the current challenges are transitory and that the business has favourable future earnings growth prospects, from which our clients are positioned to benefit. UP

Dollar General profitability



Note: all years shown here apply to the financial year thereof
Source: Company reports, Camissa Asset Management estimates

Burberry is back on the block

Ammaarah Tarmahomed - Associate Analyst

Renowned for its iconic trench coats lined with a distinct checkered pattern, the luxury apparel brand, Burberry, is an unmistakable symbol of British style that has captivated the fashion industry for almost two centuries. We investigate Burberry's history of innovation, luxury positioning and outlook under new leadership.

Burberry is back on the block

Uniquely British luxury

In 1879, Thomas Burberry invented the gabardine - a revolutionary lightweight yet breathable, tearproof cloth - where the yarn is waterproofed before weaving. His design outcompeted the rubberised cotton coats available at the time and quickly gained popularity among prominent explorers and pioneers. This success sparked public interest and fostered a strong association with innovation, durability and sophistication.

Burberry's outerwear became a symbol of British identity when the company was commissioned by the armed forces to design 'trench' coats for World War I and II soldiers. The introduction of the nova check pattern on its coat linings became a defining brand feature that evolved into a fashion statement signalling British luxury, elegance and quality.

To further establish the image, Burberry invested in advertising campaigns that highlighted its heritage and craftsmanship, often featuring British icons and landscapes (*illustrated below*). In so doing, the brand reinforced a prestigious national identity and attracted the attention of international consumers seeking authentic British luxury apparel. Their marketing strategy evolved over time, from traditional print adverts in elite publications to high-profile celebrity endorsements and digital campaigns. Burberry's ability to adapt to changing consumer preferences and digital trends, while staying true to heritage, has been key to enduring relevance across generational audiences.

A diversified luxury global brand

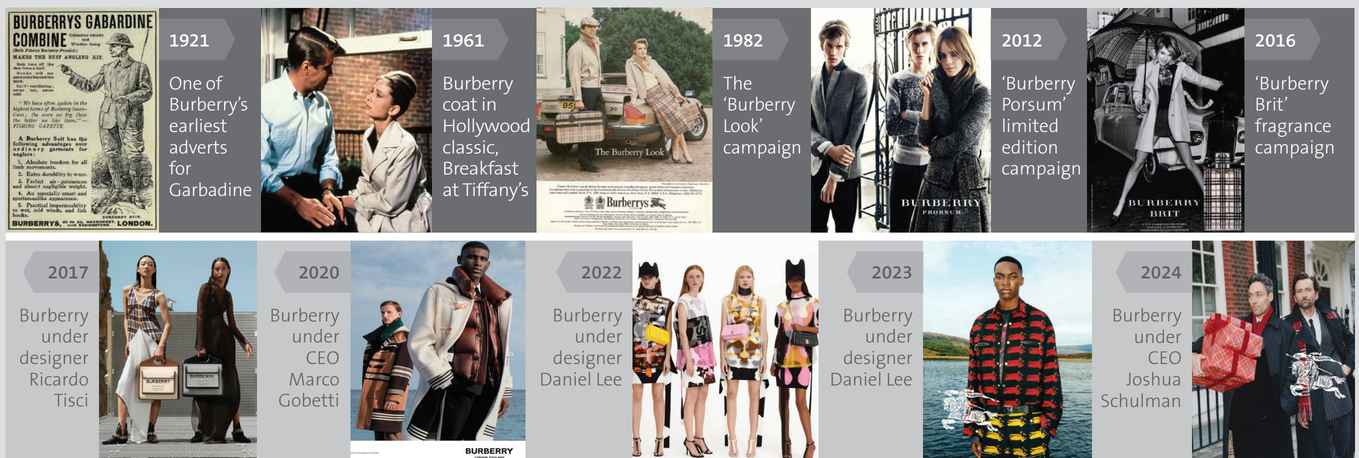
By the 1990s, one in five coats exported from the UK was a Burberry. This success prompted an expansion into fast-growing high-income Chinese cities, Beijing and Shanghai, where the brand capitalised on high-margin local sales and tourists seeking premium shopping destinations. Today, Burberry has high exposure to Asia Pacific (40% of sales), driven by strong demand from Chinese and Japanese shoppers.

Burberry boasts a well-diversified portfolio of luxury products, led by accessories[1] and a relatively equal split between men's and women's clothing, as *shown on the following page (left)*. The brand is positioned between premium and ultra-luxury competitors such as Hermes and Chanel (*following page right*), with strong outerwear dominance and a unique contemporary British aesthetic.

Burberry is vertically integrated in that it maintains strict control over design, production, marketing and direct sales. This allows for faster product lead-times and ensures superior quality and cost management, providing a long-term advantage

[1] Including scarves, hats, bags, shoes, belts, sunglasses and other wearables.

A history of Burberry advertisements



Source: Burberry, Camissa Asset Management research

over brands like Coach and Versace, which rely heavily on third-party manufacturers.

Skewed toward the lower end in luxury, Burberry's entry-level apparel garners price tags around the €3 000 mark - appealing to the aspirational consumer. These people pursue luxury purchases as a means of expressing status or a lifestyle image that might otherwise be unaffordable. The Burberry narrative of sophistication, style and success resonates deeply with these shoppers, cultivating strong brand loyalty and, ultimately, higher lifetime sales compared to ultra-wealthy customers.

Heritage is an irreplicable moat

Built on the invention of the trench coat, Burberry's military heritage adds historical authenticity, which cannot be replicated. It represents an identity that Prada or Versace cannot imitate. The brand's legacy acts as a long-term competitive advantage and ensures continued relevance in the global luxury industry. Although fashion trends change, Burberry's iconic trench coat and other outerwear remain timeless essentials, guaranteeing strong demand across generations.

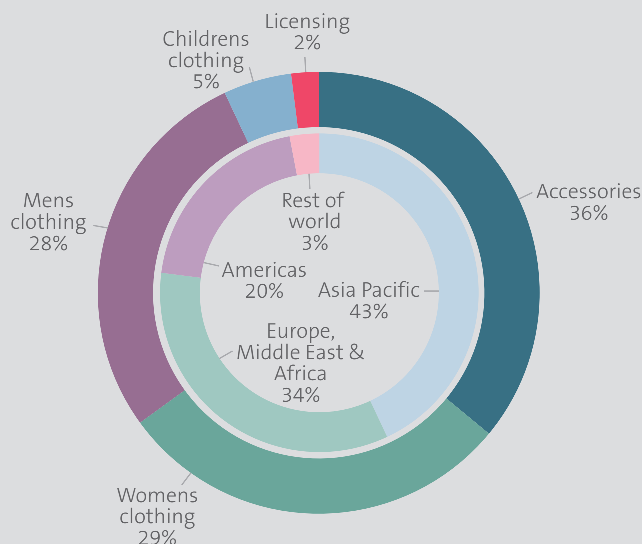
Burberry cultivated a loyal customer base by blending classic British culture with modern innovations to appeal to older customers seeking tradition and younger audiences drawn to trendy yet timeless products. By investing early in digital retail with the first-ever livestreamed interactive fashion show on Twitter in 2010, Burberry transformed into a contemporary lifestyle brand. In the process, it created urgency, aspiration and exclusivity, while modernising the brand image to appeal to a younger demographic.

Brand concerns create compelling investment opportunity

Under new leadership in 2017, Burberry sought to elevate its position and improve profitability through higher pricing and exclusive offerings. Despite design developments, it continued to increase price points without corresponding improvements in innovation, quality or product appeal. Several creative director appointments brought significant shifts in style and brand perception. This is evident (*previous chart*) in the refined, elevated designs from Riccardo Tisci, versus the bold, contemporary aesthetic of Daniel Lee - aimed at attracting younger, more fashion-conscious consumers. However, inconsistent product imagery, an over-extension into low-authority categories like bags and shoes, and over-pricing has contributed to the dilution of Burberry's brand equity.

An array of disparate products that seemed disconnected from Burberry's core identity, combined with incoherent marketing campaigns, have led to fragmented brand perception across its

Burberry sales mix 2024



Luxury positioning

Source: Burberry, Camissa Asset Management research

Burberry is back on the block

operating markets. Sales and profits decreased significantly in 2024 as the brand fell out of favour with consumers, particularly in the key Asian markets. After downgrading profit estimates for three consecutive quarters, cash balances dwindled. At the same time, the company's CEO stepped down, causing market uncertainty about the brand's prospects.

Burberry's share price subsequently plummeted by more than 70% from 2019 peaks (*indicated below*), which relegated the British heritage stock from the FTSE 100 Index for the first time in its listed history. This provided an opportunity to purchase shares in a company with strong brand heritage, trading at a massive discount to luxury comparatives.

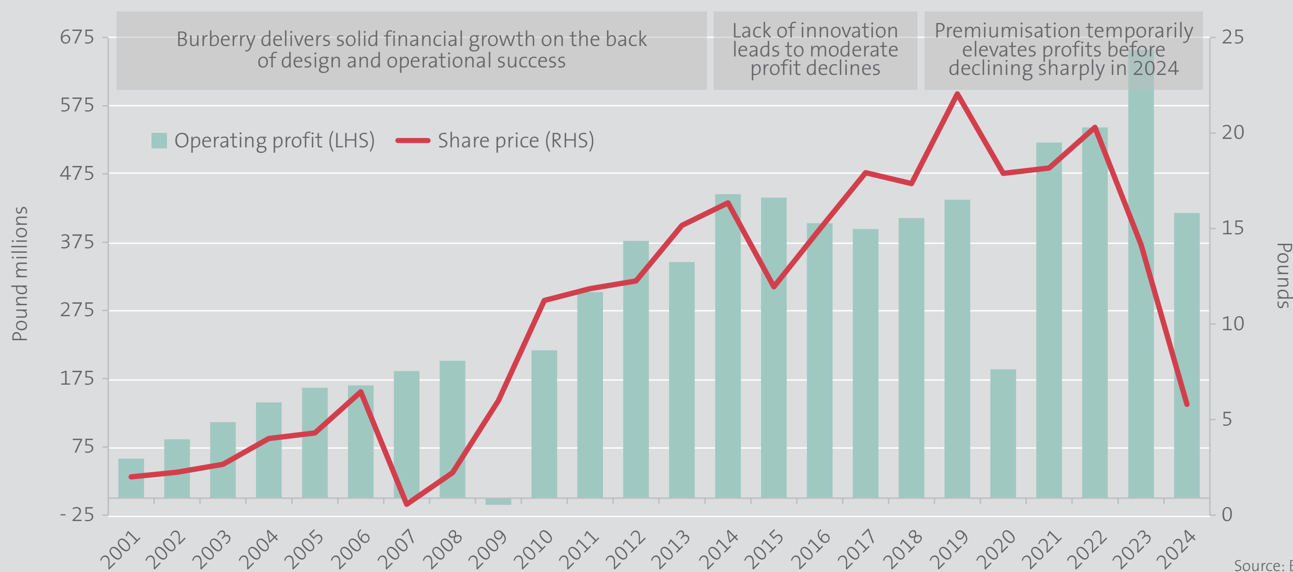
Burberry's long history of robust cash generation, combined with high and stable returns on equity underscores its fundamental attractions. Additionally, the business's low debt levels enable a nimble balance sheet and allow for investment to reinvigorate the brand.

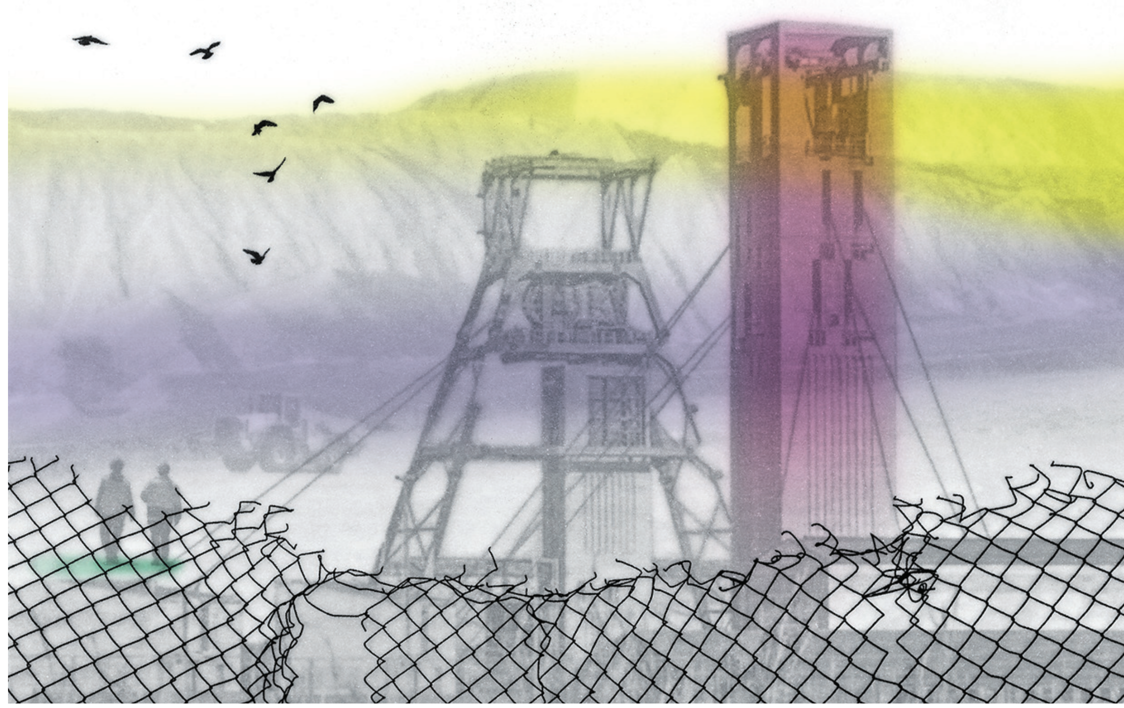
Category authority in outerwear and scarves

Newly appointed CEO, Joshua Schulman, an industry veteran known for successful turnarounds at Coach, Michael Kors and Jimmy Choo, is leading a strategic repositioning at Burberry. He has refined product lines and lowered prices in categories like leather bags and shoes, while prioritising outerwear and scarves as core products. This will be complemented by premium cashmere, leather, suede and special edition variations to attract prestige price points. The aim is to reaffirm Burberry's authority in trenchcoats and rainwear, while emphasising heritage with origins in protective wear. The reintroduction of classic designs that highlight Burberry's iconic check, neutral colour palette and timeless aesthetic has already improved desirability and market perception.

Since Schulman's appointment and subsequent positive strategy shift, Burberry's share price has more than doubled. While Burberry's classic British heritage remains its most valuable asset, the brand's future will depend on being able to harmonise tradition, innovation and accessibility to retain and grow the customer base.

Burberry's financial history





Witwatersrand's underground liabilities

Ntokozo Magagula - Associate Analyst

"The rich history of the Witwatersrand was built on gold mining, which is rapidly declining now that the bulk of its gold has been extracted. This sunset period is burdened by the enormous challenge of dealing with excess underground water. Decades of gold mining in this region have resulted in a complex and costly environmental threat and, as gold mining operations wind down, the outstanding liability remains significant."

Witwatersrand's underground liabilities

We outline this issue to conclude that, given how little airtime it receives, the market and the public seems to significantly underestimate the problem.

Water in the way of gold

Since gold was first extracted in 1886, the Witwatersrand Basin has produced more than 30% of all the gold ever mined. The formation of this basin took place over 360 million years, with crustal plate movements from the north and west forming a basin-like setting. Roughly three billion years ago, violent storms smashed up gold bearing mountains and deposited boulders, sand, clay and gold into the basin. Over time, this basin was buried by eroded material, lava and dolomites forming the world's largest gold deposit.

The western section of the basin retains a layer of dolomitic rock - a unique geological characteristic for a gold mineral deposit. Dolomite is unusual in that it absorbs enormous quantities of rainwater and then gradually dissolves, creating porous cavities and compartments that store vast amounts of underground water. The gold-bearing ore body lies underneath these dolomitic formations. Eventually, the water stored in the dolomite permeates the rock, flowing into the mining areas below. To access and extract the gold, mining companies must pump out the water using a complex method that adds significant costs to mining operations.

Pumping up costs

Extracting the underground water requires a complex underground system to channel the water to a central collection point, from where it is then pumped to the surface. Thereafter, the water is treated to remove contaminants and used as drinking water and for operational purposes, reducing the need for mining companies to draw on municipal water.

Water extraction costs for the surviving West Wits mines are between 5-10% of the total operational costs of the mines. Deeper mines face higher pumping costs than shallower ones, due to the higher energy requirements to pump from greater depths. As a result of the long mining history in this region and the depth of the gold deposits, these mines are the world's deepest. For example, Mponeng mine, which extends five kilometres below the surface.

Calling for cautious mine closure

Once a mine reaches the end of its life, the relevant mining company must initiate a complex closure process involving decommissioning, rehabilitation and long-term monitoring.

South Africa's National Environmental Management Act (NEMA) of 1998, holds mining companies responsible for the environmental impact of their extraction activities. NEMA mandates mining companies to establish financial provisions to cover the costs of closure, via the establishment of a rehabilitation fund, which is built up throughout the operating life of the respective mine. The size of the fund depends on the anticipated cost of environmental repair once a mine closes operations. This fund can only be accessed for the purposes of paying rehabilitation and other ongoing costs, once a closure certificate is issued. Thereafter, the mining company is absolved of any further environmental liabilities. The Department of Mineral Resources and Energy (DMRE) issues the certificate once it is satisfied that the law has been fully complied with, and it can confirm that there are no major remaining public objections. The department is, however, cautious about granting closure certificates prematurely, as any unresolved environmental issues would then become the government's responsibility.

Environmental concerns include potential safety hazards for active neighbouring mines and the long-term risk of acid mine drainage (AMD)[1], which can contaminate important water sources, exacerbating ongoing water scarcity issues in Gauteng.

Last men standing

As mines in the Witwatersrand became deeper, mining costs rose and accessible deposits were depleted. Declining profitability caused many mines to close. A few major players have remained active, namely Sibanye Stillwater (Sibanye), Harmony Gold (Harmony) and Gold Fields. AngloGold no longer operates in the region, following the sale of its last South African mine (Mponeng) to Harmony Gold in 2020.

As *illustrated on the following page*, the mining companies' operations in West Wits are geologically interconnected. The

[1] AMD occurs when underground water comes into contact with acid and sulphur-bearing rocks that are unearthed during the mining process. This creates toxic water that flows to nearby river systems, posing health and environmental risks.

only distinction lies in the legal ownership boundaries held by the different mining companies.

The challenges of water management in this region vary depending on the geological characteristics of each mining site. Most of Sibanye's operations lie to the north and within the dolomite rock formation (including the Kloof, Cooke 4 and Driefontein mines), suggesting a far greater underground water issue for them. Sibanye's Driefontein mine has 10 years' life-of-mine remaining based on reserves, while Mponeng has 20 years. Sibanye is therefore likely to encounter difficulties in obtaining a closure certificate due to the flooding risks posed to neighbouring Mponeng, which will still be operational after Driefontein is closed.

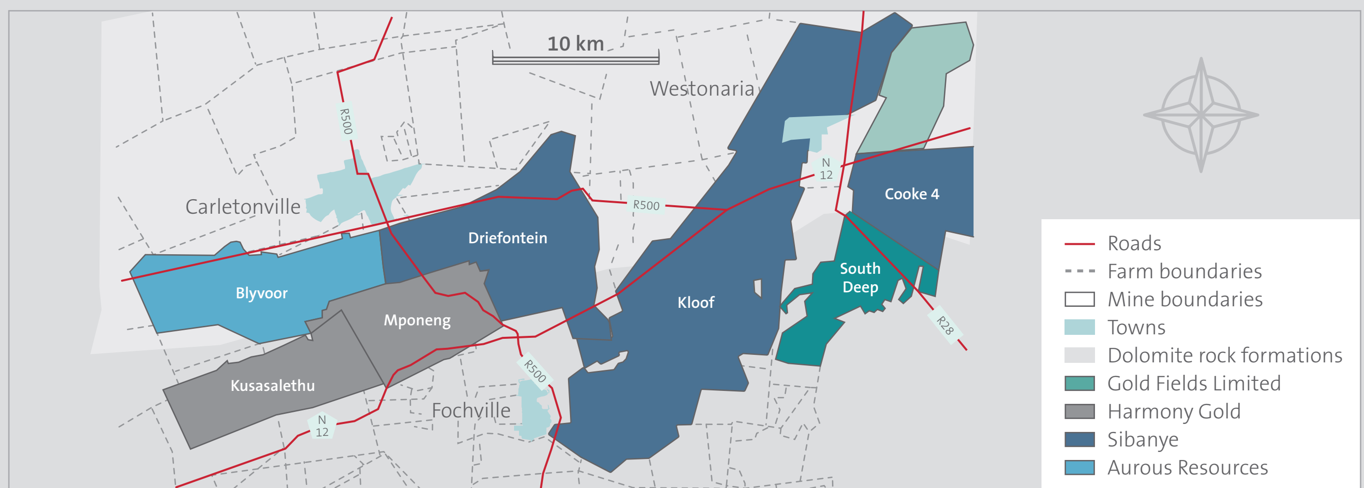
While outside the dolomite zone, the Mponeng and Kusasalethu mines are vulnerable to flooding from the water-logged Blyvoor and Driefontein mines. When Harmony acquired Mponeng in 2020, it took on an additional liability to mitigate this risk by also acquiring a water management company, Covalent, to actively pump water from Blyvoor to safeguard Mponeng operations for the next 15 years. We believe that as these gold companies are faced with such water ingress issues, their liabilities do not fully provide for the full cost of care and maintenance post mine closure.

Zero closure as Sibanye battles Gold Fields

Sibanye has been embroiled in a legal dispute with the DMRE since 2016, to obtain a closure certificate for its Cooke 4/Ezulwini shaft, which was operational for 55 years. Located in the west of the Wits region, this mining shaft faces severe water ingress, requiring the extraction of over 20 million litres of water a day. Initially, Sibanye wanted to stop all pumping activities and allow the mine to fill with water. However, the active neighbouring South Deep mine (owned by Gold Fields, with an 85-year lifespan based on reserves) opposed the closure certificate. Gold Fields argued that the mines are separated only by a seal that could fail due to water pressure if water extraction stops. This would result in the flooding of the South Deep mine with massive economic damages and potential loss of lives.

In May 2023, the Supreme Court sided with Gold Fields, instructing Sibanye to continue with water extraction at their Cooke 4 shaft to ensure the safety of South Deep's operations. Consequently, Sibanye faces mounting care and maintenance expenses, primarily attributed to water management. This includes the significant cost of electricity required for deep shaft water extraction, making it increasingly difficult for Sibanye to manage rising costs amid escalating electricity tariffs.

Mining operations in the Witwatersrand region



Source: Goldfields financial reports, Camissa Asset Management

Witwatersrand's underground liabilities

Furthermore, without a closure certificate, Sibanye cannot access their rehabilitation fund to help defray these mounting expenses. Since 2017, it has spent approximately R4 billion in care and maintenance costs for the inactive shaft. As *charted below*, the Cooke 4 mine no longer generates revenue, therefore costs are borne by other active (high-cost) gold operations. These have been operating at a loss over the past six years, with the care and maintenance costs contributing to the loss-making position, leading to significant cash flow strain.

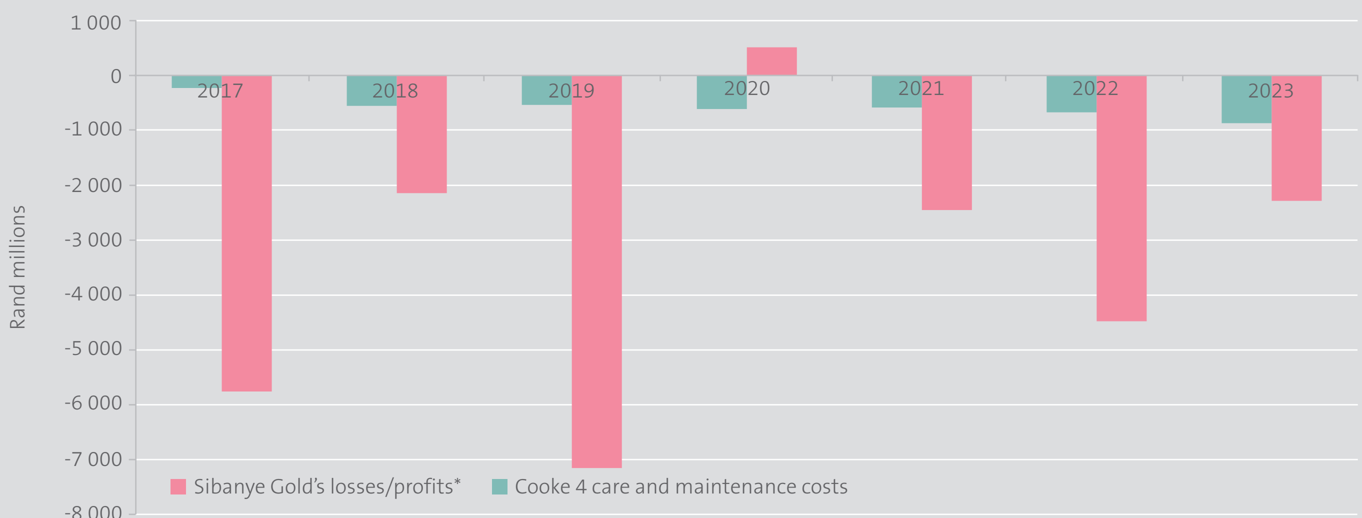
Over the next eight years, more of Sibanye's gold operations will face a similar fate to Cooke 4 as their West Wits operations come to an end. This will amount to a heavy financial liability, which will be added to Sibanye's extremely strained balance sheet.

Financial, environmental and safety implications

The persistent and complex challenge of managing underground water in the Witwatersrand region carries substantial financial, environmental and safety implications. The Sibanye Stillwater case highlights the difficulties and costs associated with mine closure within this unique geological context. The interconnectedness of mining operations adds enormous complications with risks to neighbouring mines.

Given the apparent lack of public analysis and quantification of these material liabilities, we believe they are significantly underestimated in the market valuations of the companies with remaining gold mining operations in the West Wits region. UP

Sibanye's mounting maintenance costs



*These profits/losses are inclusive of the care and maintenance costs for the Cooke 4 shaft
Source: Sibanye Stillwater financial reports

Camissa Asset Management Funds

Performance to 31 December 2024	1 year	3 years[1]	5 years[1]	10 years[1]	15 years[1]	Since launch[1]	Launch	TER[2] 1-year	TER[2] 3-years	TC[3] 1-year	TC[3] 3-years
Unit trust funds[4]											
Equity Alpha Fund	14.5%	6.4%	10.3%	8.8%	10.8%	14.9%	Apr-04	1.50%	1.57%	0.28%	0.29%
SA Equity General funds mean	13.9%	8.0%	10.3%	6.5%	9.1%	11.7%					
Outperformance	0.6%	-1.6%	0.0%	2.3%	1.7%	3.2%					
SA Equity Fund	14.2%	-	-	-	-	8.3%	Sep-22	1.49%	-	0.36%	-
SA Equity SA General funds mean	12.3%					11.3%					
Outperformance	1.9%					-3.0%					
Global Equity Feeder Fund	7.4%	6.1%	8.1%	-	-	7.9%	Nov-19	1.87%	1.88%	0.19%	0.19%
FTSE World Index (ZAR)	22.0%	12.7%	17.7%			16.8%					
Outperformance	-14.6%	-6.6%	-9.6%			-8.9%					
Balanced Fund	14.7%	8.5%	9.8%	8.5%	-	9.5%	May-11	1.51%	1.51%	0.21%	0.23%
SA Multi Asset High Equity funds mean	13.3%	8.2%	9.9%	7.3%		8.7%					
Outperformance	1.4%	0.3%	-0.1%	1.2%		0.8%					
SA Balanced Fund	14.6%	-	-	-	-	12.3%	Aug-23	2.18%	-	0.89%	-
SA Multi Asset SA High Equity funds mean	12.0%					11.0%					
Outperformance	2.6%					1.3%					
Protector Fund	17.5%	9.4%	9.9%	8.6%	8.3%	9.9%	Dec-02	1.51%	1.53%	0.16%	0.17%
CPI + 4%	6.9%	9.1%	8.8%	9.2%	9.5%	10.0%					
Outperformance	10.6%	0.3%	1.1%	-0.6%	-1.2%	-0.1%					
Stable Fund	20.0%	11.2%	10.2%	9.0%	-	9.3%	May-11	1.47%	1.47%	0.21%	0.21%
CPI + 2%	5.0%	7.1%	6.8%	6.5%		6.2%					
Outperformance	15.0%	4.1%	3.4%	2.5%		3.1%					
Institutional funds[5]											
Managed Equity Fund	16.1%	7.5%	10.9%	8.7%	11.0%	11.5%	Sep-06				
FTSE/JSE Capped SWIX Index	13.4%	8.5%	10.3%	7.5%	10.8%	10.8%					
Outperformance	2.7%	-1.0%	0.6%	1.2%	0.2%	0.7%					
Domestic Balanced Fund	18.6%	9.4%	11.2%	9.2%	10.1%	9.6%	May-07				
Peer median[6]	15.0%	9.7%	10.3%	7.8%	10.0%	9.2%					
Outperformance	3.6%	-0.3%	0.9%	1.4%	0.1%	0.4%					
Global Balanced Fund	16.3%	9.9%	11.3%	9.9%	-	10.7%	Jul-13				
Peer median[7]	14.5%	9.6%	11.1%	8.7%		9.8%					
Outperformance	1.8%	0.3%	0.2%	1.2%		0.9%					
Bond Fund	21.9%	11.3%	10.7%	9.6%	9.6%	9.1%	May-07				
BESA All Bond Index	17.2%	10.3%	9.6%	8.7%	9.1%	8.6%					
Outperformance	4.7%	1.0%	1.1%	0.9%	0.5%	0.5%					
Money Market Fund	10.1%	8.9%	7.8%	8.1%	7.4%	7.9%	Jan-04				
Alexander Forbes STeFI Composite Index	8.5%	7.2%	6.2%	6.7%	6.4%	7.1%					
Outperformance	1.6%	1.7%	1.6%	1.4%	1.0%	0.8%					
Shariah unit trust funds[4]											
Islamic Equity Fund	6.7%	2.6%	9.4%	7.9%	9.4%	10.4%	Jul-09	1.51%	1.50%	0.12%	0.15%
SA Equity General funds mean	13.9%	8.0%	10.3%	6.5%	9.1%	10.1%					
Outperformance	-7.2%	-5.4%	-0.9%	1.4%	0.3%	0.3%					
Islamic Global Equity Feeder Fund	-0.3%	1.7%	6.4%	-	-	7.7%	Jan-19	1.82%	1.81%	0.11%	0.11%
Global Equity General funds mean	16.3%	9.0%	13.7%			15.2%					
Outperformance	-16.6%	-7.3%	-7.3%			-7.5%					
Islamic Balanced Fund	5.8%	3.9%	9.0%	7.2%	-	7.7%	May-11	1.51%	1.50%	0.08%	0.10%
SA Multi Asset High Equity funds mean	13.3%	8.2%	9.9%	7.3%		8.7%					
Outperformance	-7.5%	-4.3%	-0.9%	-0.1%		-1.0%					
Islamic High Yield Fund	12.2%	8.2%	8.2%	-	-	8.0%	Mar-19	0.58%	0.58%	0.01%	0.03%
Short-term Fixed Interest Index (STeFI)	8.5%	7.2%	6.2%			6.3%					
Outperformance	3.7%	1.0%	2.0%			1.7%					

Highest and lowest monthly fund performance	1 year High	1 year Low	3 years High	3 years Low	5 years High	5 years Low	10 years High	10 years Low	15 years High	15 years Low	Since launch High	Since launch Low
Equity Alpha Fund	5.7%	-4.1%	11.7%	-5.4%	12.6%	-21.6%	12.6%	-21.6%	12.6%	-21.6%	12.6%	-21.6%
SA Equity Fund	5.6%	-4.5%	-	-	-	-	-	-	-	-	15.5%	-5.9%
Global Equity Feeder Fund	4.5%	-7.5%	14.5%	-7.5%	14.5%	-8.2%	-	-	-	-	18.1%	-15.6%
Balanced Fund	4.5%	-1.7%	9.5%	-4.5%	9.5%	-15.7%	9.5%	-15.7%	-	-	9.5%	-15.7%
SA Balanced Fund	8.8%	-3.4%	-	-	-	-	-	-	-	-	5.4%	-3.4%
Protector Fund	4.7%	-1.0%	7.6%	-3.7%	7.6%	-13.9%	7.6%	-13.9%	7.6%	-13.9%	9.5%	-13.9%
Stable Fund	4.8%	-1.1%	7.1%	-4.4%	7.1%	-11.4%	7.1%	-11.4%	-	-	7.1%	-11.4%
Islamic Equity Fund	5.6%	-3.7%	7.4%	-8.9%	9.6%	-14.3%	9.6%	-14.3%	9.6%	-14.3%	9.6%	-14.3%
Islamic Global Equity Feeder Fund	4.1%	-6.7%	14.6%	-7.8%	-	-	-	-	-	-	14.6%	-8.4%
Islamic Balanced Fund	4.0%	-2.2%	5.3%	-6.2%	8.0%	-9.3%	8.0%	-9.3%	-	-	8.2%	-9.3%
Islamic High Yield Fund	1.9%	-0.4%	2.7%	-2.4%	-	-	-	-	-	-	2.7%	-2.4%

Footnotes and disclaimer follow overleaf.

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Footnote: [1]Annualised (ie the average annual return over the given time period); [2]TER (total expense ratio) = % of average NAV of portfolio incurred as charges, levies and fees in the management of the portfolio for rolling one and three-year periods to 31 December 2024. [3]Transaction costs (TC) are unavoidable costs incurred in administering the financial products offered by Camissa Collective Investments and impact financial product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER. This is also calculated on rolling one and three-year periods to 31 December 2024. [4]Source: Morningstar; net of all costs incurred within the fund and measured using NAV prices with income distributions reinvested; [5]Source: Camissa Asset Management; gross of management fees; [6]Median return of Alexander Forbes SA Manager Watch: BIV Survey; [7]Median return of Alexander Forbes Global Large Manager Watch.

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