KGORI CAPITAL

INVEST WITH PRIDE

KGORI INSIGHTS

Quarter ended September 2020

2020 | Botswana's leading citizen-owned and run Asset Management firm

Who We Are:

Kgori Capital is a proudly Botswana business that invests responsibly on behalf of our clients with **PRIDE**. We remain grounded and passionate about long-term performance and impact.

PRESENTING OUR 2020 Q3 KGORI CAPITAL INSIGHTS

Dear Colleagues, Clients, and Friends of Kgori Capital,

I hope our third quarter 2020 Kgori Capital Insights find you and your loved ones well as the year continues to wind towards a close. I am proud to have yet another opportunity to share with you some key developments for Q3 2020.

Since its outbreak at the end of 2019, countries all around the world continue to feel the social and economic impact of the COVID-19 pandemic. Unprecedented is the word that we have all heard many times recently as a result of the pandemic. We have had to adjust and change the way we do things. At Kgori Capital, we have remained steadfast in serving Botswana and her people with PRIDE – at a distance, and yet never distant.

I am excited to share that, in our continued efforts to embed a stronger culture of Environmental, Social and Governance (ESG) integration practices into local businesses, Kgori Capital received a stellar scorecard from the annual Principles for Responsible Investing (PRI) Assessment Report. The strong scorecard is a testament to best practice and high standards in the ESG space by Kgori Capital, particularly in the areas of Strategy and Governance, Listed Equity and Fixed Income, in which Kgori Capital excelled and received A grades. As a business, we are proud to be recognised in this regard.

Colleagues, Clients and Friends, this issue gives an in-depth look into the current outlook on the global and local markets. The outbreak of the pandemic continues to be at the centre of global conversations as the world continues to keep a close eye on the developments.

Looking ahead, as a proudly Botswana business, we remain rooted in supporting the growth and development of our Nation. We remain positive and optimistic about the future of Kgori Capital and that of Botswana. I wish to take this opportunity to encourage you to remain active partners in the fight against the spread of COVID-19. We all have an important role to play in the fight against the pandemic.

I hope you enjoy our latest edition of the Insights.

Thank you!

Best,

Kennedy Melamu
Chairman

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Quarter ended September 2020

Kgori at a glance:

- Botswana's leading citizen owned and run Asset Management firm
- Botswana based investment management firm with global reach
- Employer of choice
- Unrivalled team skills
- Employee-owned and client-focused

The Kgori Brand:

- Invest with Pride – for Botswana
- Always on the lookout – Awareness
- Grounded, trustworthy
- Always learning… Growing

Building investment solutions for the real development needs of our country

Milestones We Are Proud of:

In August 2020, we received a stellar scorecard in the most recent Principles for Responsible Investing (PRI) Assessment Report. We are a proud signatory of PRI, a United Nations supported initiative that works to promote the incorporation of ESG into investment decision-making.

INVEST WITH PRIDE

01

MARKET INSIGHTS: GLOBAL MARKET REVIEW

Alphonse Ndzinge, CFA
Managing Director

Alphonse Ndzinge, CFA

Managing Director

MARKET INSIGHTS: GLOBAL MARKET REVIEW

- **Q3 2020 market performance followed a similar trend as Q2 2020, with local assets significantly underperforming global markets;**
- **Economic data has generally responded well to the vast fiscal and monetary policy introduced across the world; and**
- **The major risks to our outlook include a second wave of virus infections and the US elections in November.**

MARKET REVIEW

The COVID-19 pandemic continued to dominate global headlines in the third quarter (Q3) of 2020, with many countries battling a second wave of infections amid the ongoing re-opening of economies. Q3 2020 market performance followed a similar trend as Q2 2020 with local assets significantly underperforming global markets.

Locally, equities lost 1.2% as the COVID-19 pandemic and consequent containment measures severely weakened investor sentiment across the board. Bonds returned 1.1% for the period driven by coupon returns as yields were mostly unchanged (meaning prices were flat).

Globally, the rebound in global economies gathered momentum in Q3 2020, driving the MSCI All Country World Index (ACWI) to rally 8.3%, bringing its year to date return to 1.8%. Share prices rose largely on the back of expectations of ongoing government and central bank policy support. These will continue to drive the global recovery coupled with some promising developments on the COVID-19 pandemic vaccine front.

In terms of geography, US stocks performed well, with the bellwether S&P 500 Index climbing a further 9.6% for the quarter. Share markets were also higher in China (+12.6%) and Japan (+4.6%) but fell in the UK (-4.0%) and Europe (-0.7%). For the top performer China, domestic Q2 GDP growth rebounded to 3.2% year-on-year, after a fall of -6.8% in Q1 2020, and was stronger than expected. Q2 2020 earnings results were also ahead of expectations, notably in the e-commerce sector.

Government bond yields were mixed. The US 10-year yield finished at 0.68%, three basis points (bps) higher, with the UK 10-year yield six points higher at 0.23%. Additionally, the German 10-year yield fell by 7bps, finishing at -0.52%, while Italy's yield fell by 39bps and Spain's by 22bps.

MARKET PERFORMANCE TO 30 SEPTEMBER 2020 (LOCAL CURRENCY)

Market (as at 30 September 2020)	3 months (%)	12 months (%)
Global		
MSCI World	8.24%	11.01%
MSCI World (Dev mkts only)	8.05%	11.01%
MSCI Emerging mkts	9.65%	10.84%
MSCI Dev. Ex US & Canada	4.88%	0.99%
Citi World Government Bond Index	2.94%	6.77%
South Africa		
SWIX	-0.32%	-2.12%
ALSI	0.72%	2.10%
CAPI	1.54%	1.05%
ALBI	1.45%	3.58%
Americas		
Dow Jones	8.22%	5.70%
S&P 500	8.93%	15.14%
NASDAQ	11.23%	41.06%
Mex IPC	-0.15%	-11.28%
IBOVESPA	-0.48%	-9.68%
Europe		
Eurostoxx	-0.70%	-8.02%
Stoxx Europe 600	0.72%	-5.62%
DAX	3.65%	2.68%
FTSE 100	-4.02%	-17.97%
CAC 40	-2.03%	-13.41%
SMI	1.49%	4.41%
INEX 35	-6.63%	-24.67%
Asia		
NIKKEI	4.58%	8.52%
Shanghai Shenzen CSI300	11.22%	22.73%
Shanghai Stock Exchange Composite	9.04%	13.35%
HANG SENG	-2.62%	-7.01%

- Source: Bloomberg

MARKET OUTLOOK

We continue to forecast a significant contraction for economic growth for Botswana in 2020.

We have maintained our 2020 estimates for listed local company earnings to fall by at least 20% and Botswana GDP to shrink by 10% with risks to the downside given the uncertainty about the duration of constrained economic activity, the resultant adverse impact on productive capacity, as well as the speed of resumption of production and pace of recovery in demand.

Looking ahead, global markets are in the early recovery phase of the business cycle following the recession caused by the coronavirus outbreak. This implies an extended period of low-inflation, low-interest-rate growth, which is an environment that usually favours equities over bonds. However, after such a rapid rebound, an equity market pullback would not be surprising. Technology stock valuations remain elevated, while the US election is creating uncertainty around tax changes, government regulation and the US-China trade relationship. Beyond this, we believe the market looks set for a rotation away from technology/growth leadership toward cyclical/value stocks. This also implies a rotation toward non-US stocks which, in our opinion, would likely benefit Europe and emerging markets the most.

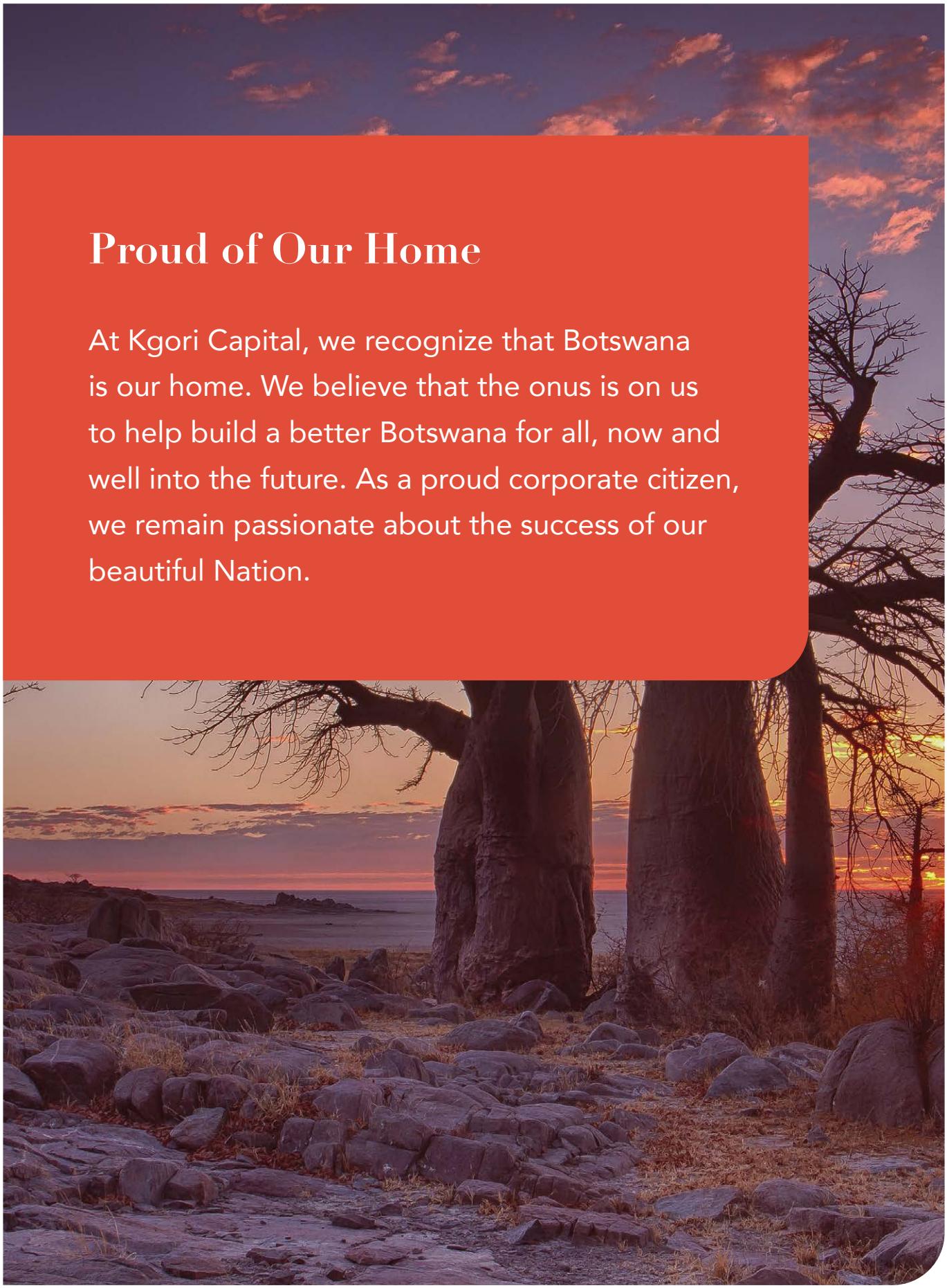
Economic data has generally responded well to the vast fiscal and monetary policy introduced across the world. PMIs have risen globally and there is a bounce-back in economic activity following the huge drops in Q2 2020. China suffered before other countries but has rebounded not just quicker but stronger, posting both positive growth of +0.2% y/y for Q2 2020 and +4.9% y/y for Q3 2020.

Composite PMIs	2018						2019												2020								
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Japan	51.8	52.0	50.7	52.5	52.4	52.0	50.9	50.7	50.4	50.8	50.7	50.8	50.6	51.9	51.5	49.1	49.8	48.6	50.1	47.0	36.2	25.8	27.8	40.8	44.9	45.2	46.6
Germany	55.0	55.6	55.0	53.4	52.3	51.6	52.1	52.8	51.4	52.2	52.6	52.6	50.9	51.7	48.5	48.9	49.4	50.2	51.2	50.7	35.0	17.4	32.3	47.0	55.3	54.4	54.7
France	54.4	54.9	54.0	54.1	54.2	48.7	48.2	50.4	48.9	50.1	51.2	52.7	51.9	52.9	50.8	52.6	52.1	52.0	51.1	52.0	28.9	11.1	32.1	51.7	57.3	51.6	48.5
Eurozone	54.3	54.5	54.1	53.1	52.7	51.1	51.0	51.9	51.6	51.5	51.8	52.2	51.5	51.9	50.1	50.6	50.6	50.9	51.3	51.6	28.9	13.6	31.9	48.5	54.9	51.9	50.4
China (Caixin)	52.3	52.0	52.1	50.5	51.9	52.2	50.9	50.7	52.9	52.7	51.5	50.6	50.9	51.6	51.9	52.0	53.2	52.6	51.9	27.5	46.7	47.6	54.5	55.7	54.5	55.1	54.5
US	55.7	54.7	53.9	54.9	54.7	54.4	54.4	55.5	54.6	53.0	50.9	51.5	52.6	50.7	51.0	50.9	52.0	52.7	53.3	49.6	40.9	27.0	37.0	47.9	50.3	54.6	54.3

The major risks to our outlook include a second wave of Coronavirus infections and the US elections in November. Virus infection rates are on an upward trajectory and the onset of winter in the northern hemisphere could trigger a more significant second wave. However, death rates have remained low in most countries and vaccine developments have been encouraging.

Proud of Our Home

At Kgori Capital, we recognize that Botswana is our home. We believe that the onus is on us to help build a better Botswana for all, now and well into the future. As a proud corporate citizen, we remain passionate about the success of our beautiful Nation.



INVEST WITH PRIDE

02

MARKET INSIGHTS: LOCAL COMMENTARY - EQUITY

Tshegofatso Tlhong, CFA
Portfolio Manager

Tshegofatso Tlhong, CFA

Portfolio Manager

MARKET INSIGHTS: LOCAL COMMENTARY - EQUITY

- **Negative sentiment continued to push domestic stocks lower;**
- **Banking sector results showed higher credit impairments whereas cost of funding declined; and**
- **Some sectors have been decimated, some have thrived, and the rest remain somewhere in between.**

MARKET REVIEW

The DCI was down 1.2% for the quarter on a total return basis as negative sentiment continued to push stocks lower. On a total return basis, the largest losers for the quarter were BTCL (-13.5%), Choppies (-13.0%) and Turnstar (-11.1%).

Looking at company results, for the Full Year (FY) 2020, Sefalana achieved marginally lower earnings relative to the previous year despite a 10.0% increase in revenues as the implementation of IFRS 16 increased finance costs. Although liquor sales traditionally contributed a significant portion of earnings, the Group was able to pivot well during the periods of liquor sale restrictions to maintain profitability. CA Sales revenue for the interim period increased 18.5% driven by new principal acquisition across markets. Earnings, however, came in 45.7% lower due to goodwill write-off and forex losses from the substantial Rand depreciation.

Choppies released results for Half Year (HY) 2019, FY19 and HY20 simultaneously on the 24th of July 2020. As at HY20, the company recorded a loss of P139mn and had P317mn in negative equity. The auditor issued Disclaimed and Qualified Audit Opinions for the HY19 and FY19 Statement of Financial Position. Later in the quarter, the Group released FY20 financials which showed a total comprehensive loss of P387mn and a negative equity value of P467mn. Botswana and Zimbabwe are the only profitable geographies in the Group. Suspension on the trading of Choppies shares has been lifted on the Botswana Stock Exchange while the Johannesburg Stock Exchange (JSE) suspension remains in place.

BTCL FY20 results showed a 34.4% decline in profitability as data revenue growth could not compensate for the accelerated decline in voice revenue. Margin pressure and the slow monetisation of infrastructure investments detracted from the Company's performance.

The banking sector results showed that credit impairments increased due to the prevailing economic environment, and cost of funding declined because of capital being released from the Bank of Botswana (BoB) interventions. BancABC interim profit increased 8.6% driven by 3.6% growth in the loan book and a 15.3% decline in the cost of funding. StanChart interim earnings more than tripled to P90mn and this performance was largely attributable to a P48mn impairment recovery from an intercompany transaction. FNBB net interest margins for FY20 expanded on the back of stable asset yields and a 13.6% reduction in the cost of funding. Non-interest income also grew by 11.0% off a high base. Despite this, earnings for the year declined 5.0% due to a 59.1% increase in credit impairments. Absa Bank Botswana interim profits reduced by 69.6% as costs grew at a much higher rate than revenue and credit impairments ticked up considerably compared to the recovery realised in the comparable period.

Letshego interim earnings reduced 23.5% as net interest margins compressed and non-funded income declined on reduced activity. The Group's effective tax also increased to 42.4%, putting further pressure on earnings. In addition, under a new Management Team and Strategy, the Group will continue to pursue the goal of becoming a deposit-taking micro-lending institution across all the geographies where it operates. BIHL operating profit for the interim period increased by 5.6% as a reduction in claims and benefits paid compensated for the decline in premium income. Furthermore, earnings increased 49.4% on the back of associate performance.
FAR FY20 results showed a reduction in rental revenues of 8.6% due to market adjustment to lease renewals and a property disposal in Durban. There was a 14.8% reduction in earnings per share (EPS) as earnings declined 11.2% and dilution from scrip dividend issuances came through.
LLR FY20 profit from continuing operations were also marginally lower, declining 4.2% on the back of lower rental revenue since the disposal of their hospitality holdings to Cresta. The Company's investment drive continues with the acquisition of six industrial properties during the period. During the quarter, the Company terminated the CEO's appointment with immediate effect, based on the recommendations of an independent panel following disciplinary hearings conducted. The former CEO's conduct is also under criminal investigation.

The hospitality sector is one of the hardest hit as a result of COVID-19 mitigation restrictions. Cresta incurred a loss of P34mn for the interim period as negligible occupancies and interest expense on acquired properties hit the bottom line hard. Cash balances remain healthy at P61mn and the Group is confident that they will be able to ride out the current environment. Sechaba associate trading was heavily impacted by measures to curb the spread of COVID-19 in the country. Share of associate profits reduced by 58% and EPS came in 52.1% lower at 31.9t. Engen interim earnings came down 74.0% to P16.0mn due to a decline in business during the lockdown and travel restrictions; as well as a substantial decline in inventory values. G4S earnings proved resilient during the interim period; registering growth of 4.4% attributable to improved margins. Also, revenues remain under pressure as the business faces regulatory headwinds in certain market segments.

MARKET OUTLOOK

It is apparent from earnings releases that restrictions instituted to mitigate the spread of COVID-19 within our borders have had mixed economic implications. Some sectors have been decimated, some have thrived, and the rest remain somewhere in between.

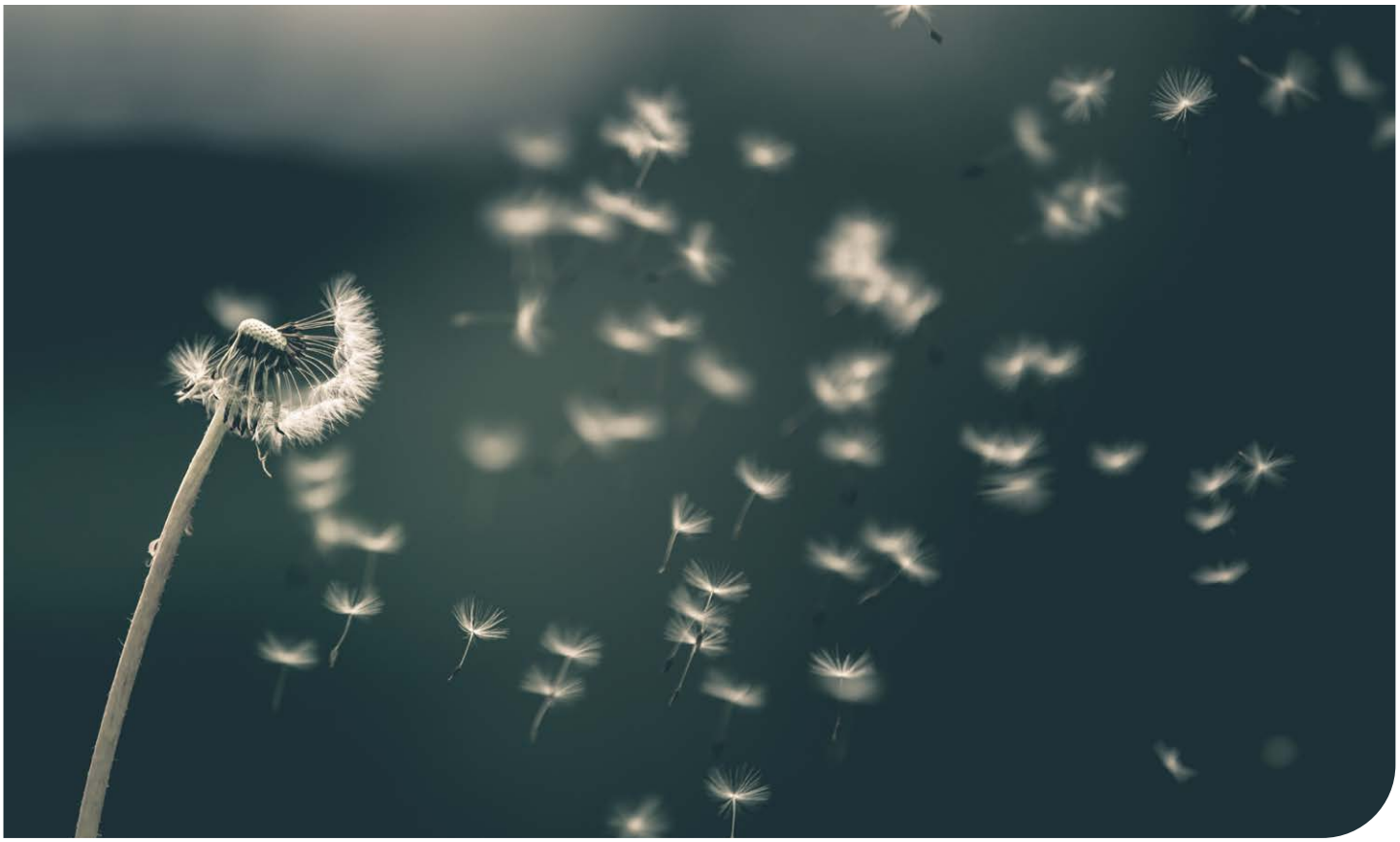
The banking sector fared better than expected, supported by BoB intervention. The total portfolio at risk, which we define as the total value of restructured loans, for listed companies was 10% to 15% of total loan book on average. Given the increased provisioning by Banks for this event risk, we are confident that the sector will be able to absorb this shock. However, we are still wary of an impending second wave economic impact which will be labour related as some businesses buckle under the pressure.

The property sector has also fared better than expected; though revenues did take a hit and expansion plans have been halted, sector profitability has remained broadly intact. We expect distribution yields to recover as tenants trade uninterrupted; but we do expect rental yields to track lower as lease renewals are negotiated.

Our expectation is that the tourism sector will continue in the doldrums going into Q1 2021 as the local transmission curve steepens and cross-border travel remains minimal. Local tourism should keep some providers who cannot go into care and maintenance afloat.

Consumer staples remain resilient.

Profitability in the telecommunications sector is under pressure due to the shift in consumer behaviour and the mining sector is starting to ramp up gain. We are cautiously optimistic as we go into the last quarter of the year.



INVEST WITH PRIDE

03

MARKET INSIGHTS: LOCAL COMMENTARY - FIXED INCOME AND MACRO

Kwabena Antwi, CFA
Portfolio Manager

Kwabena Antwi, CFA

Portfolio Manager

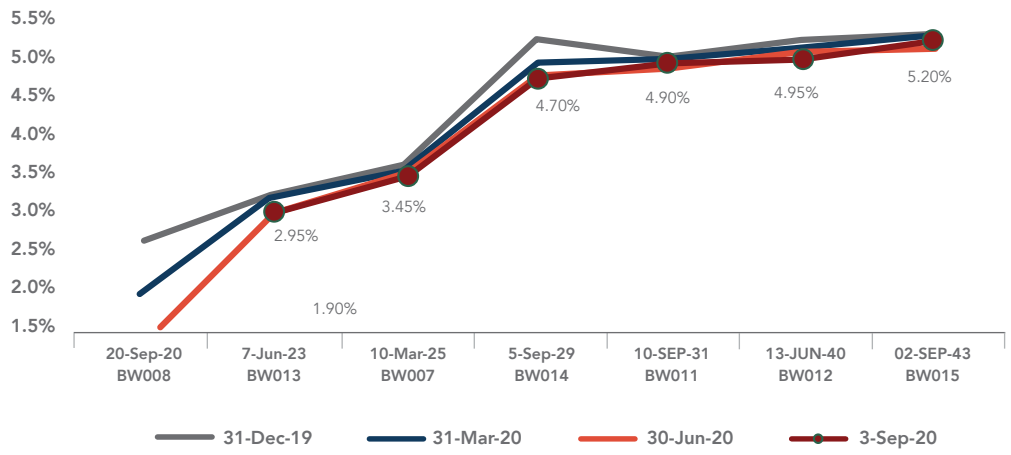
MARKET INSIGHTS: LOCAL COMMENTARY - FIXED INCOME AND MACRO

- Government Bond yield curve steepened as the short end fell on account policy rate cut in August;
- We expect inflation to revert to within the Bank of Botswana's (BoB) 3%-6% objective range in Q3 2021; and
- We expect the economy to contract by 10.0% in 2020, bearish versus Government expectations of 8.9%, due to the negative impact of COVID-19 on all sectors of the economy, especially the Mining and Wholesale & Retail Trading sectors.

MARKET REVIEW

The FABI returned 1.1% for the quarter mostly driven by interest payments. The Government bond yield curve steepened with the spread between the BW013 (shortest dated Government bond) and the BW015 (longest dated Government bond) increased to 2.3% from 2.1% in June 2020.

CHART 1: GOVERNMENT BOND YIELD CURVE CHANGES

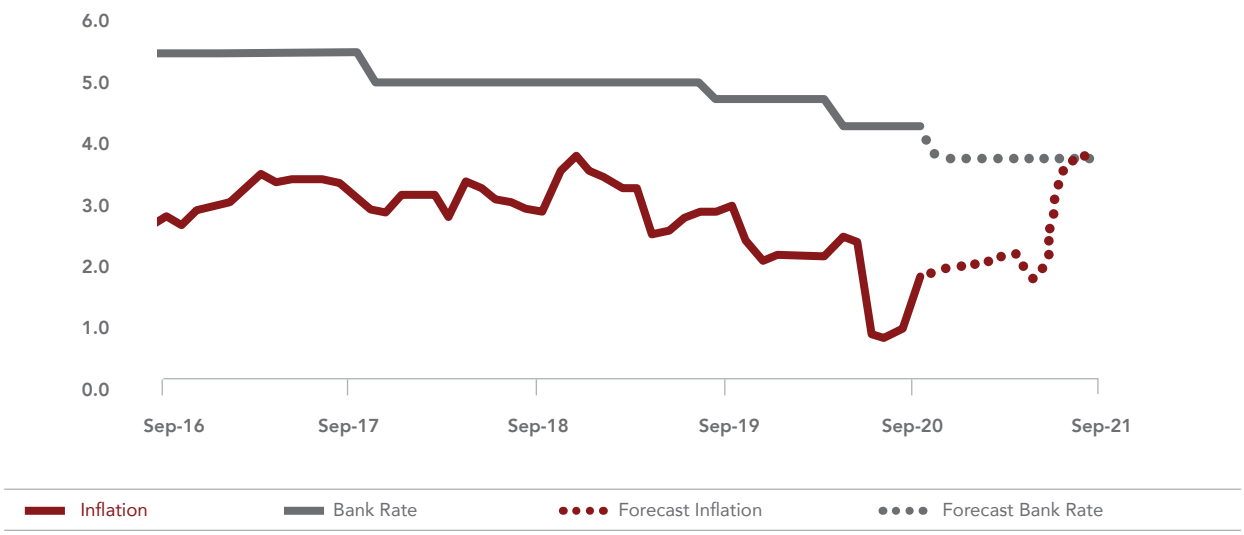


- Source: FABI, Kgori Capital

The September 2020 Government Bond and Treasury Bill Auction saw Government securities worth P2 147mn on offer, an increase of P301mn from the May 2020 auction. The net issuance at the auction was NIL, however, due to the P2 147mn BW008 maturing on the same day coupled with Government having exhausted its P15bn bond programme during its May 2020 auction. The bid-to-cover ratio was 1.4, slightly lower than the 1.5 achieved in May 2020. The most demanded instrument was the BW014, which received P1 138mn bids with a bid-to-cover ratio of 1.2. Government was selective with regards to final allocation, preferring to issue more BW014 than initially offered due to the higher demand for the bond.

Inflation continued to trend below the Bank of Botswana's (BoB) 3%-6% objective range. September 2020 inflation came in at 1.8%. Inflation has been restrained by deflationary Transport inflation (-3.9%) and low Miscellaneous inflation (0.7%).

CHART 2: BOTSWANA CPI (Y/Y %)



- Source: Statistics Botswana, Kgori Analysis

03

The BoB Monetary Policy Committee (MPC) met once during the quarter on the 20th of August 2020 and maintained the Bank Rate at 4.25%.

In reaching its decision, the MPC noted the short term shock to the domestic economy is occurring against a potentially supportive medium-term environment, including accommodative monetary conditions, improvements in the provision of utilities, reforms to further improve the business environment, concerted efforts by the Government to mitigate the impact of COVID-19 and the prospective economic stimulus package. The BoB thus did not see the need to cut rates further.

The trade deficit stood at a P6.3bn for the month of June 2020 and at P25.6bn for the twelve months to June 2020. The main driver of the trade deficit was the continued reduction in diamond trade which has been hindered by COVID-19 restrictions imposed at a local and international level. As a result, the diamond trade surplus declined 51.6% y/y to P19.4bn for the twelve months to June 2020.

Economic growth contracted -24.8% q/q for the three months and -4.2% y/y for the twelve months (LTM) to June 2020. Most economic segments experienced large declines in growth with the exception of Agriculture (+4.0% q/q, +0.2%y/y LTM), Water and Electricity (+9.4% q/q, +9.0% y/y LTM) and General Government (+0.3% q/q, +3.3% y/y LTM). Furthermore, exceptional declines were experienced in Mining (-60% q/q, -18.6% y/y LTM), Wholesale and Retail (-39.7% q/q, -7.9% y/y LTM) and Construction (-36.2% q/q, -6.8% y/y LTM). The significant slowdown in economic growth was due to the nationwide lockdown measures implemented to contain the spread of COVID-19. We look forward to a rebound in Q3 and Q4 where lockdown measures were broadly relaxed with the exception of the Greater Gaborone area, where another two-week lockdown was implemented towards the end of July 2020.

The BoB released its August 2020 Monetary Policy Report. The BoB expects non-mining activity to decline in the short term and grow below potential in the medium term based on the deterioration in business confidence due to the negative impact of COVID-19. The BoB further expects inflation to revert to within the objective range in Q3 2021 with overall risks skewed to the downside, reflective of weak domestic and global economic activity. On the regulatory front, the BoB envisages that over time, reserve requirements for commercial banks will be further reduced due to commercial banks making use of the primary reserve requirement averaging. The BoB also stated that it is in the process of making further reforms to its monetary operations framework with a view to strengthening the monetary policy transmission mechanism, in particular, it is expected that after final decisions have been made, changes to the policy rate and establishing a more effective interest rate corridor to support development of the interbank market will be considered for implementation in 2021.

The Financial Stability Council (FSC) made up of senior officials from Ministry of Finance and Economic Development, BoB, Non-Bank Financial Institutions Regulatory Authority (NBFIRA) and the Financial Intelligence Agency, met on the 10th of September 2020. The FSC noted that, notwithstanding, the challenges brought on by COVID-19, the domestic financial system continues to be resilient, characterised by strong capital buffers, liquidity position and profitability. Moreover, the FSC noted that COVID-19 delayed the consideration of Botswana's progress by the Financial Action Task Force – International Cooperation Review Group. On local regulations, the FSC also noted the conclusion of the framework for the identification and designation of domestic systemically important banks by BoB and progress made by NBFIRA regarding a similar framework for identifying domestic systemically important financial institutions. The FSC further noted positive feedback on a consultative paper by the BoB regarding the establishment of a limited bank deposit insurance scheme for Botswana. Additionally, NBFIRA will also explore the establishment of other "bail-out" funds to protect clients in the non-bank financial sector.

June 2020 credit growth sat at 6.4% y/y, 4.3% lower than the 10.7% credit growth registered in March 2020. The decline was driven by drops in both Household and Business credit growth. Household credit growth declined by 5.0% from 15.1% in March 2020 to 10.1% in June 2020. Business credit growth declined by 1.3% to -1.7% in June 2020. The declines in credit growth highlight the effects of COVID-19 as banks increased credit requirements and businesses saw less investment opportunities.

03

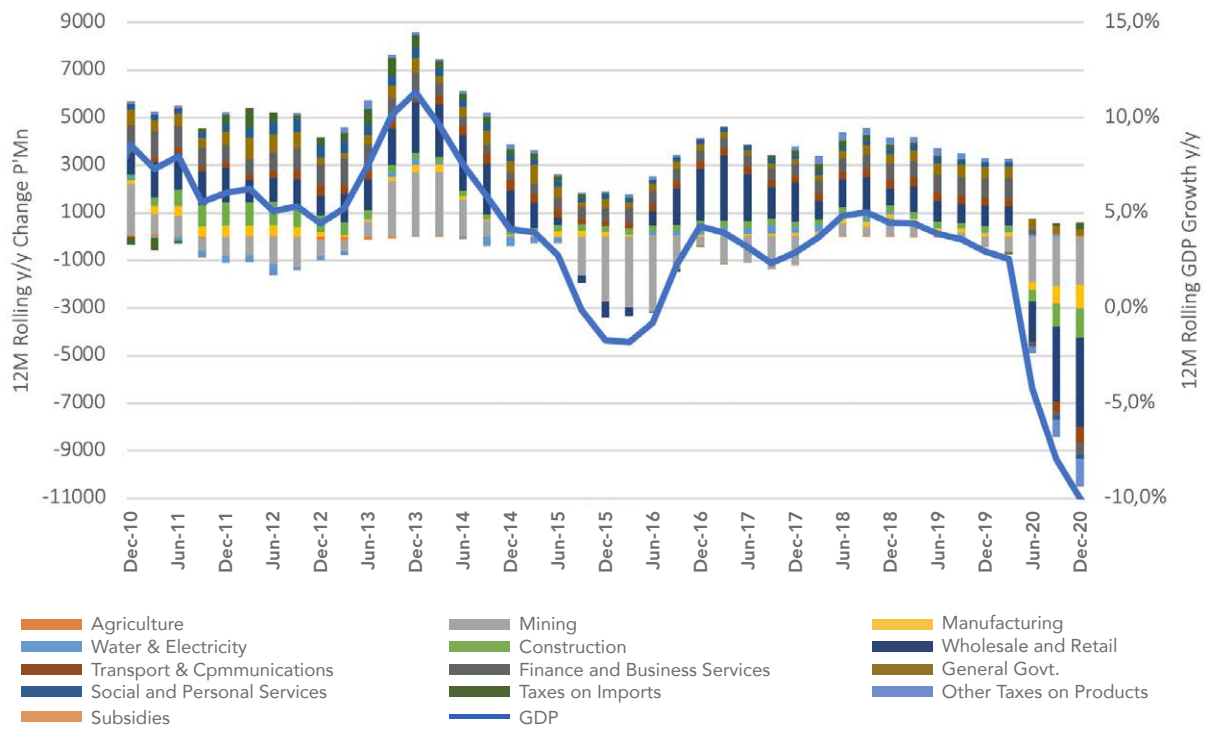
MARKET OUTLOOK

GDP

We now expect a lower GDP contraction for 2020 of -10.0% (previously -13.1%) compared to the revised Government expectation of -8.9%. We expect the decline to be led by Mining and Wholesale and Retail Trading.

We expect Mining to contract by 21%. Based on De Beers meeting its 2020 production guidance of 25mn-27mn carats. Risks are skewed to the downside due to the flare-up of COVID-19 cases in Europe and US. For Wholesale and Retail trading we expect a lower contraction of -17% (previously -32%) due to pick up in diamond sales and expectation that consumers will return to normal spending habits in Q3/Q4. Risks are also skewed to the downside as the Tourism sector is still blocked though easing in terms of charter planes into Botswana has been allowed and borders start to re-open in December.

CHART 3: BOTSWANA GDP GROWTH COMPOSITION



- Source: Statistics Botswana, Kgori Analysis

INTEREST RATES

Post quarter end, the BoB announced a 50bps policy rate cut at the 8 October 2020 MPC Meeting. We expect the Bank to maintain rates at this level in the short-to-medium term.

INFLATION

Going forward, we expect inflation to revert to within the BoB's 3%-6% objective in Q3 2021 with risks balanced. The main upside risk relates to increases in administered prices such as Fuel, Water and Other Government services. The main risk to the downside is continued lacklustre domestic demand amplified by interventions announced by Government to contain the spread of COVID-19. We expect the Bank to maintain its current accommodative monetary policy stance in order to support economic growth.

Our People

Our people are our PRIDE. We are 100% citizen staffed, with qualified, committed, and passionate team members.

INVEST WITH PRIDE

04

INSIGHTS ON THE IMPORTANCE OF A CULTURE OF COMPLIANCE

Brandon Hartney
(Compliance Manager)

Brandon Hartney

(Compliance Manager)

INSIGHTS ON THE IMPORTANCE OF A CULTURE OF COMPLIANCE

1. WHAT IS CORPORATE GOVERNANCE?

It is the framework of controls, structures, practices, processes and policies that an entity puts in place to determine the why, when, how and by who critical leadership functions and decisions can be carried out. In short, the corporate governance framework tells us how we lead an organisation. It is not important to just work to implement good corporate governance, but to constantly invest in doing better and better with time.

2. WHY IS IT IMPORTANT FOR AN ORGANISATION TO HAVE IT AND WHAT IS THE WORST THAT CAN HAPPEN TO AN ORGANISATION THAT DOES NOT HAVE IT?

Business leaders determine an organisation's culture. Good corporate governance structures provide leaders with a foundation to develop a culture of ethical behaviour, transparency and accountability which builds stakeholder trust. Building trust is key to business sustainability (a respected brand), without it a legitimate business will struggle to grow, to reach its full potential and, in many cases, will not survive.

3. HOW CAN AN ORGANISATION ACHIEVE GOOD CORPORATE GOVERNANCE?

The shareholders need to select a Board with the right experience and principles who will then ensure that a solid governance framework is developed by Management which the Board checks and approves.

4. WHO IS/ARE THE CANDIDATE(S) IN AN ORGANISATION RESPONSIBLE FOR UPHOLDING CORPORATE GOVERNANCE AND HOW DO THEY ACHIEVE THIS?

Ideally everyone in an organization should be responsible so you have top down and bottom up scrutiny. In practice Management are responsible for implementing good corporate governance practices, however Compliance is tasked with ensuring that good governance practices as dictated in the framework are upheld.

5. WHO IN TURN HOLDS THE CANDIDATE(S) ACCOUNTABLE IF GOOD CORPORATE GOVERNANCE IS NOT ACHIEVED?

The Compliance Manager reports all corporate governance breaches to the Board, who will then take the required action.

6. WHAT ATTRIBUTES/ SKILLS SHOULD ONE (OR MORE PEOPLE) POSSESS FOR THE ORGANISATION TO ACHIEVE GOOD CORPORATE GOVERNANCE?

Good corporate governance is dependent on characteristics like integrity, accountability, ethical behavior, transparency. So, to

effectively develop this business culture you must be able to effectively communicate and demonstrate the required culture.

7. WHAT IS KING IV AND HOW IMPORTANT IS IT THAT ORGANISATIONS ALIGN THEIR CORPORATE GOVERNANCE STRUCTURES TO IT?

King IV is the latest of the King Code Standards and provides guidelines for organisations that want to set up an effective governance framework.

8. HOW IS IT DIFFERENT FROM KING III?

Generally speaking, King III had 75 principles and King IV only has 17. Therefore, King IV is easier to understand. King IV requires you to apply and explain which principles you implemented whereas King III required you to apply or explain, therefore King IV attempts to do away with box ticking and encourages Board accountability. There are also differences in some areas of focus.

9. WHAT IS THE IMPORTANCE OF AN ORGANISATION HAVING A COMPLIANCE AND INTERNAL AUDIT FUNCTION IN PLACE TO IMPLEMENT THE CORPORATE GOVERNANCE FRAMEWORK?

King IV is the latest of the King Code Standards and provides guidelines for organisations that want to set up an effective governance framework.

Internal Audit provides an independent, additional line of defense by reviewing the governance framework, its effectiveness, the effectiveness of the monitoring and reporting process, which they then report to the Board.

10. HOW DO THE TWO (COMPLIANCE AND INTERNAL AUDIT FUNCTION) WORK IN MONITORING AND REPORTING ON THE EFFECTIVENESS OF THE FRAMEWORK?

Where compliance monitors and reports on the adherence to the governance framework, internal audit generally monitors and reports on the effectiveness of the governance framework and compliance.

11. ETHICAL BEHAVIOUR HAS BEEN IDENTIFIED AS THE KEY TO GOOD CORPORATE GOVERNANCE AND ALSO THAT SUSTAINABLE ORGANISATIONAL CULTURE IS BASED ON STRONG CULTURAL VALUES, AND PRACTICES. HOW ARE ALL THESE IMPORTANT IN ENSURING GOOD CORPORATE GOVERNANCE?

They are extremely important as developing the right culture in an organisation is the foundation to good corporate governance.

12. HOW CAN AN ORGANISATION DEVELOP THE BEST ETHICAL CULTURE?

Ethical culture starts with the leadership, this is the most important factor. You need to have the right leaders in place who ensure that they are the main drivers within their departments in developing culture. You also need a robust, clearly defined framework in place and you need to ensure that you have processes in place that reward adherence to the framework and punish non-adherence. Finally, hiring the right people who align to the culture is also important.

Who We Are:

We are steadfast in bringing new innovative product developments and solutions to our industry. How we continue to evolve as a business and how we continue investing to be able to offer more to the market is paramount.

INVEST WITH PRIDE

05

GETTING TO KNOW THE KGORI CAPITAL ENHANCED CASH FUND

05

GETTING TO KNOW THE KGORI CAPITAL ENHANCED CASH FUND

Our investment philosophy has always served us well at Kgori Capital. More importantly, it has always served our valued clients well. One can expect nothing less from our Enhanced Cash Fund, which applies a diversified income approach to generate a money market portfolio that delivers attractive risk adjusted returns, while maintaining an emphasis on liquidity, high credit quality and capital stability.

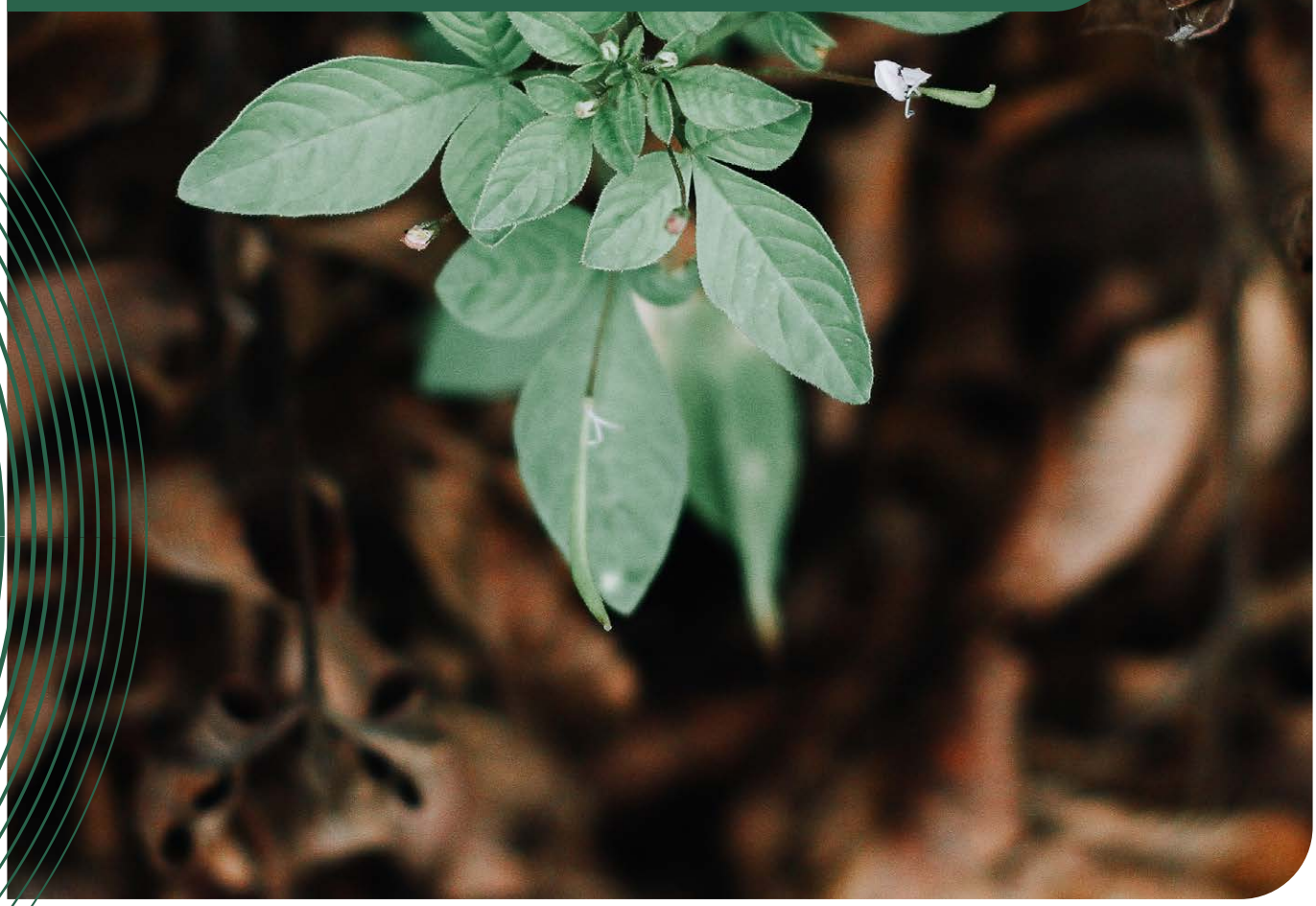
The Fund, established in August 2018, permits a minimum investment of P10,000 lump sum, or P1,000 monthly debit order.

When you choose the Kgori Enhanced Cash Fund, we ensure that we invest with PRIDE on your behalf in investment-grade counter parties such as top tier commercial banks and large corporates.

Earn a higher level of income on surplus cash while enjoying the flexibility of a highly liquid investment – it sounds like the perfect **harmony** to us, just as it should be.

Who We Are:

Much like our namesake, the Kori bustard (Kgori), we are always observing and always on the look-out for new opportunities and are prepared to respond to these opportunities with **PRIDE.**



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Kgori Capital (Pty) Ltd is an authorised financial services provider.