



31 May 2018

**Mr CM Ramaphosa**  
**President of the Republic of South Africa**  
Union Buildings  
Private Bag X 1000  
Pretoria  
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and

**Deputy Chief Justice RMM Zondo**  
**Chairperson of the Commission of Inquiry into State Capture**  
Private Bag X1  
Constitution Hill  
Braamfontein  
2017

Dear Mr President and Deputy Chief Justice

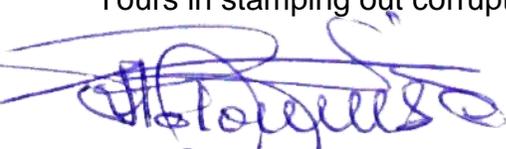
## **THE PUBLIC INVESTMENT CORPORATION, THE GOVERNMENT EMPLOYEE PENSION FUND AND SUSPECTED CORRUPTION; A SCANDAL BIGGER THAN THE GUPTA-FAMILY'S STATE CAPTURE?**

1. I refer to the below information which is a summary of the alleged corruption involving, in main, the Chief Executive Officer of the Public Investment Corporation (PIC) Dr Daniel Matjila.
2. **The allegations contained therein describes serious corruption, dodging of due diligence, misrepresentation, money laundering and purging of staff (possibly for a cover-up) in deals of the PIC, which could only be the tip of the proverbial iceberg.**
3. **The extent of the rot could in fact be worth billions of rands**, which makes it potentially bigger than the Gupta Scandal. Through PIC, Dr Matjila appears to have tentacles across various sectors of society - from unions, political parties and possibly parts of the fourth estate.

He seems to have built a platform that has so far protected him from scrutiny and they have been protecting him against accusations of serious corruption.

4. There are many other nauseating examples of corruption which the media (like amaBhungane Centre for Investigative Journalism) have uncovered and have put in the public domain. Yet we have not seen the authorities do anything about the allegations of corruption and irregular deals, especially those within the past nine years.
5. It is therefore the United Democratic Movement's urgent request that this matter forms part of the inquiry into state capture, because of the potential scope of the corruption. The commission's terms of reference could be widened to include these allegations, especially considering that this *could only be the tip of the iceberg* and that more corruption will be exposed in its investigations
6. Because of the sophistication with which this alleged wheeling and dealing in the PIC was done, we suggest that a team of specialist professionals (including but not limited to forensic auditors, as well as finance and investment experts), should speedily investigate this matter, before proof of these misdeeds are ferreted away.
7. Mr President, you have categorically stated that you will root out corruption in government, which includes State Owned enterprises; but in this instance it will also directly affect hundreds of thousands of families for whom this is a life or death situation.

Yours in stamping out corruption



**Mr Bantu Holomisa, MP**  
**UDM President**

## Re: Investigation of CEO, Dr Daniel Matjila, with regards to irregularities at PIC

### Background

Public Investment Corporation (PIC) is one of the largest asset manager managing South African government public funds. Its biggest client is the Government Employee Pension Fund (GEPF), which constitute approximately 90% of its fund under management.

GEPF is a defined benefit fund, which means it is guaranteed by the employer. Employer, with regards to GEPF, is the South African Government. Any shortfall in member benefits or liabilities are therefore guaranteed by the government. It is for this reason that any maladministration from the asset/investment management is detriment to both the members of the fund and the fiscus.

There have been several irregularities that have been raised in the media which are of concern and could impairment the ability of GEPF to meet its obligations over the long-term, such eventuality could trigger support from the fiscus.

**The following deals need further investigations by an independent party:**

### Steinhoff

Steinhoff on the unlisted side where PIC gave R 9.3 billion to an entity led by Jayendra Naidoo called Lancaster01. The shareholding of Lancaster01 is as follows is as follows: GEPF 50%, J Naidoo, 25% and community trust 25%. (Why such a narrow-based BEE structure with one person getting 25% of the deal? Does the community trust a front?).

The transaction was done in two phases:

- Phase 1 PIC gave Lancaster R 9.3 billion secured by both shares and collar structure if share price decline for capital preservation.
- Phase 2 was the restructuring of the transaction wherein PIC was to **partially forego its security to another lender Citibank**. Citibank funded Lancaster02 Investment in STAR worth over R 6 billion.
- Compromising of the security package in favour of J Naidoo in phase 2 resulted in **impairment amount worth billions of rands**. (could be up to **R 5 billion possible loss** for doing a favour to J Naidoo and Citibank)

## Ayo Technologies Ltd

- Ayo Technologies Ltd, a start-up company, listed on the Johannesburg Stock Exchange and **due diligence was waived**. Funds were disbursed without a condition precedent - **put option being in place**. Put option is an insurance instrument that would protect PIC if the share price declines.
- **PIC was the only material participant** in the private placement despite media reports of oversubscription.
- Lack of market participation could be indicative of the poor underlying investment value. The share price has remained below listing price and have experience very limited liquidity.
- PIC invested R 4.3 billion, current market value is R 3.3 billion. Already lost R 1 billion on market to market basis.

## Sagarmantha Technologies

- The CEO lobbied the investment committee members even by using letters from unions and convenient press release from a political party. Has the CEO allowed governance processes within PIC to breakdown to such a level that he felt better outsourcing the function of PIC Investment Committee to the political and union formations? Why did he deem it fit to have the letters from unions be sent to investment committees if he believes in the internal process that they will do the right thing? What was his intention to have these letters given to members of investment committee?
- Despite the lobbying, the deal was declined due to critical media scrutiny.
- Sagarmatha technology proposal lacked investment rationale and largely mirrored the same methodology used to get R 4.3 billion for AYO technology and backed by the same sponsor –Iqbal Surve.
- GEPP was expected to invest a minimum of **R 3 billion**.

## S&S Oil Refinery

- S&S Oil Refinery in Mozambique. PIC funds are tied in an asset that is currently not producing much of what have been projected? And the sponsor-Momade Rassul is alleged to be an underworld figure. Rassul is based Nacala in Northern Province of Mozambique was arrested on 29 June 2017 facing an assortment of serious charges including money laundering, illicit enrichment, tax fraud, foreign currency manipulation, smuggling and misappropriation.

- Total investment at risk of full write down is **R 1 billion**.

### **Erin Energy**

Media reported on a dodgy deal concluded with an American – Nigerian businessman – Kase Lawal. The ownership of the underlying oil asset by Erin Energy was disputed at the point of PIC investment, but the PIC proceeded. Erin Energy failed to get full ownership of the asset. Considering the PIC's \$270-million equity investment and the fact that Erin had drawn \$65.6-million against the \$100-million PIC-backed loan but held \$9.1-million in cash security, **the PIC could lose roughly R 4 billion**.

### **The girlfriend story**

- PIC utilisation of CSI budget to fund the project introduced by the girlfriend of the CEO.
- CEO asked an Investee company to financially assist the girlfriend. Note that the CEO has not disputed this. It borders on money laundering and serious conflict of interest, this is subject to Police investigations.

### **Other issues for further investigations:**

#### **Corporate finance Advisory on deals seem to be for selected few.**

- **Sao Capital** has been an advisor on many deals. Why does the company have such a great strike rate within PIC? How many deals have they done through PIC?
- **Kurhisani** has been an advisor in many deals – MOGS, Distell, etc. Why does the company have such a great strike rate within PIC? How many deals have they done through PIC?

### **Recent purging of staff**

Head of risk is fired. Head of IT, IT security and Company secretary are under suspension. Over the last few years the PIC has victimised a lot of black professionals. Independent investigations of the staff issues will show the extent of the rot.