



COLUMBUS RETIREMENT FUNDS



13 December 2017

## MEMBER BRIEF: STEINHOFF

On 6 December 2017 it was announced that the Steinhoff Chief Executive resigned and that the audit firm, PWC, would conduct a forensic investigation into accounting irregularities at the business. The company auditors refused to sign off the financial statements and the German authorities were investigating charges of accounting fraud. It appears that profits were overstated, and losses understated. Steinhoff shares dropped from R46.24 on Tuesday to under R6 on Friday morning and it settled at R7.77 a share midday on Monday 11th December 2017.

Steinhoff is one of the 15 largest companies on the JSE and lost R282bn in value (as at 10 December).

Like most retirement funds, the Columbus Retirement Fund is affected by this unfortunate event. Due to investment philosophies and processes, our investment exposure to Steinhoff is limited to:

- Columbus Retirement Fund (Pension Section): 0.97%
- Columbus Retirement Fund (Provident Section): 0.94%

It is important to be aware of developments, but hasty decisions often incur more losses. Therefore, after the 6 December Steinhoff announcement, the investment managers did not immediately sell Steinhoff and at close of business on 12 December 2017, the price improved to R11.76.

The Steinhoff share price will likely remain unpredictable and change a lot during the next few weeks, until more information is available. In the meantime, the Fund and the managers are investigating to establish exactly what went wrong. It is also important to note that a loss only occurs the moment that a transaction takes place.

To the Board of Trustees, losing one cent of our retirement money to irregularities, fraud and theft is unacceptable and we will be addressing this with the investment managers and advisors. We are however glad to report that our hard work to manage the investment risks and diversify the investments appropriately prevented major losses.

We will provide more information as soon as we have more certainty regarding the developments.

If you require any further information, please do not hesitate to contact the Principal Officer at 0828013323 or [jhhartz@outlook.com](mailto:jhhartz@outlook.com).

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