



Steinhoff International BV Class Action

It is likely that a number of class actions will be registered against Steinhoff. We are aware of at least three organisations who have approached institutional investors in South Africa to invite them to join in on a class action against Steinhoff. Some asset managers are co-ordinating efforts through a shareholder interest group to agree on the best way forward. At the time of writing this note, we are only aware of one asset manager, Prudential Asset Management, who has made a decision to join in on a class action and taken action to get the process underway.

Prudential has advised that it was approached by two different groups, BarentsKrans (a Dutch law firm) and the Dutch Investors' Association (Vereniging van Effectenbezitters) (VEB), a founding member of the European Investors' Association, to pursue a class action claim against certain role players in the Steinhoff saga. The basis of the claim is that Steinhoff's financial statements were misrepresented, failed to disclose material information, and the actions may extend to the company's directors, auditors and insurers. Prudential has decided to join in on the VEB class action process and invited clients who have segregated mandates and are therefore asset owners to join in

on the VEB class action process, as this type of action is not part of their standard mandate.

The VEB class action is preferred by Prudential because the contingency fee is lower, VEB is a non-profit organisation and it appears that the VEB class action was lodged first and has some kind of priority status.

We approached a number of other managers to ascertain how they plan to deal with this matter. Their responses are provided in a summary below. The purpose of this summary is to provide an overview of how different asset managers are applying their minds to the matter, as this will provide useful guidance to trustees on the best way forward. The Steinhoff class action is a complex matter and the status will change as managers make decisions. We are aware that some asset managers are engaging with each other to consider the merits of joining forces under an institutional shareholder interest group.

It is also important to note that retirement funds who have invested in pooled portfolios are not the beneficial owners of the Steinhoff shares and therefore the relevant manager will decide on the appropriate course of action, not the trustees.

MANAGER	RESPONSE
Absa Asset Management	<ul style="list-style-type: none"> ▪ Not aware of any local class action ▪ Aware of the class action in the Netherlands ▪ Will support clients who wish to join the class action ▪ They have engaged with ASISA ▪ Don't appear to have decided on action to take where they are the beneficial owner of assets
Abax Asset Management (same position as Old Mutual)	<ul style="list-style-type: none"> ▪ Part of a broad institutional shareholder group considering various options ▪ Highlighted that this is a complex matter ▪ Believes there is value in institutional shareholders acting as a collective rather than on their own
Alexander Forbes Investments	<ul style="list-style-type: none"> ▪ In the process of gathering information on how managers plan to deal with the matter and considering the different options
Allan Gray Asset Management	<ul style="list-style-type: none"> ▪ Been approached by two groups to participate in a class action ▪ Still considering the options and complexities of engaging further
Coronation Asset Management	<ul style="list-style-type: none"> ▪ Considering joining a class/group action on behalf of clients that wish to participate in the class action ▪ Received extensive external legal advice on the legal options available ▪ In the process of finalising their view on the appropriate legal route to follow and service provider to use ▪ Advised that there is no immediate legal deadline to make this decision as legal claims in the Netherlands may be instituted at any time for a period of up to 5 years

MANAGER	RESPONSE
Investec Asset Management	<ul style="list-style-type: none"> ▪ Engaging with various law firms on the matter ▪ They have contacted other managers and are trying to get a number of managers to join forces – this is work in progress ▪ No rush to join any class action
Old Mutual (same position as Abax)	<ul style="list-style-type: none"> ▪ Part of a broad institutional shareholder group considering various options ▪ Highlighted that this is a complex matter ▪ Believes there is value in institutional shareholders acting as a collective rather than on their own
Sanlam Investment Management	<ul style="list-style-type: none"> ▪ Similar to Abax, although they have not written to clients to formally advise of their view
Sygnia Asset Management	<ul style="list-style-type: none"> ▪ Likely to pursue a class action with a Belgium based company, Deminor Recovery Services ▪ Believes there are advantages to using this company ▪ Still considering options, no final decision has been taken

Conclusion

Based on the high-level feedback from various parties, it appears, at the time of writing this note, that Prudential is ahead of the curve in terms of making a decision to join the VEB class action process.

There are some managers who have decided not to join the class action.

Our view:

- There are a wide variety of views on this issue.
- Some managers, especially the ones who had a significant investment in the company, are planning to join the class action.
- There is a consortium of SA asset managers who are collaborating and considering forming a shareholder interest group to co-ordinate efforts on this matter, but they are still in the process of gathering information.
- The option to join VEB (the Dutch company looking to pressure Steinhoff role players into a settlement) is on the table, along with some other options.
- Some managers prefer to wait before officially taking a stance.

We believe it is prudent to hold back on this matter until there is more clarity on how other participants in the industry, especially those who had significant holdings on 6 December 2017, have decided on or recommend a course of action.

We also believe that the retirement funds should follow a consistent approach on shares held by all managers, rather than simply joining in on each manager's action. This matter has legal and technical nuances and, for example, it is important to understand who is being sued, rather than just to give a blanket mandate to a particular grouping.

Retirement funds should at least consider if it is prudent to obtain expert legal advice on which process to follow.

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