



Ditikeni's annual report features a photo essay that shows the deprivations many South Africans face. Above: A woman in Nqwanerana village in the Eastern Cape cooks outside on an open fire. Many women do this because the only electricity they have is used for lighting. Photo: Lulama Zenzile

Ditikeni: small firm with a big idea

Reg Rumney

The Ditikeni Investment Company, winner of the *Mail & Guardian* Investing in the Future Most Innovative Award last year, is a good example of what broad-based BEE should look like.

The company's 2009 annual report is a model for broad-based empowerment groups. It is brief, open and simple. It also features a black-and-white photo essay of the lives of poor black South Africans that is a timely but not sensational reminder of the deprivation faced by many of our people.

I spoke to Ditikeni's investment adviser, Gordon Young, who used to head the Labour Research Service, which monitored the social responsibility profiles of South African companies for the Community Growth Fund in the early 1990s. The fund was an attempt to leverage union money for socially responsible investing, a movement for change that has been cast into the shadows by the intense focus on BEE post-1996.

Ditikeni is a small BEE company that has quietly and efficiently delivered benefits to its members. Its strategy is to build a capital base through BEE investments for its shareholders, about 20 non-profit organisations, in an endowment fund.

The company has three funds: a

BEE investment fund, the endowment fund and a working-capital fund.

The BEE fund will generally look for operational earnings through larger controlling stakes in one or two businesses, though smaller passive stakes are likely to predominate. When it sells investments, half the proceeds go to the endowment fund.

Young says the BEE fund aims to take the bigger risks and make the bigger profits. It buys and holds investments until it judges that the time has come to sell.

"We'll cut the cheese when it's ripe," he says, noting that BEE companies take time to deliver: Ditikeni was started in 1999.

The endowment fund, which now has about R13-million capital, is conservatively managed. It paid a dividend of 25c a share this year, the third so far, and Young says the prospect is that the dividend will increase by 12% a year from now on. Each rand that was initially invested by beneficiaries has been paid back

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through a special dividend.

The R1 the investors initially put in has grown substantially: the company's net asset value — the market value of investments after subtracting debt and other obligations — is now about R10 a share.

Ditikeni has moved into mining, with a stake of around 27% in the Natural Resources Empowerment Fund (NREF), with Safika Resources and two other broad-based organisations Soul City and the Women's Development Fund. NREF, formed in 2004, has interests in manganese, platinum exploration, alluvial diamonds and energy. The fund has a target of R1-billion of net asset value, so Ditikeni's stake could boost the company's value considerably.

The fund's shareholders range from the Association for Rural Advancement through to the Workers' Education Project.

One of the major shareholders is the Social Change Assistance Trust, which works in rural areas. Others are the Black Sash Trust and the Trust for Community Outreach and Education, which works with small farmers grappling with land issues.

Young notes that managing the relationship with non-profit organisations is difficult. A few of the original shareholders have folded. "Ditikeni has helped them to die with dignity," he says.