

# Resilient's assets 'not overrated'

By [Alistair Anderson](#)

23 Jan 2018

Fund managers have quashed suggestions that the Resilient group of companies owns or has exposure to overrated assets in SA and Eastern Europe, saying that its peers have actually tried and failed to acquire a number of these assets.



© Rafael Ben-Ari – [123RF.com](#)

At other times, the Resilient group has lost out on assets to competing funds. Some managers say criticism should be focused on the Resilient group's financial management tactics and not on what it owns.

"We have visited most of the assets and we like their dominance, quality, age and diverse tenant profile with most of the major European brands," said Keillen Ndlovu, head of listed property funds at Stanlib.

Analyst Garreth Elston said Resilient group companies consistently bought well built and located dominant malls.

JSE-listed retail landlord Hyprop Investments competed with Resilient for the same shopping centre in Bulgaria last year. Hyprop acquired The Mall, the largest shopping centre in Sofia. Nepi Rockcastle, which is part of the Resilient group, subsequently acquired a competing centre in the capital city. Rockcastle, before merging with Nepi, was also a bidder for a Polish portfolio in 2016, but the bid was won by Redefine.

Viceroy, an offshore research group which profits from short selling, has said its second expos on a South African

company is imminent. This has led to a sell-off in Resilient stable shares. Fund managers believe that if Viceroy's report discusses Resilient and its partners, financial engineering should be paramount in the discussion.

Key criticisms may include that members of the stable including Resilient, Fortress Income Fund, Nepi Rockcastle and Greenbay Properties continuously raise equity capital and subscribe to each other's shares, which means too much value stems from financial engineering instead of underlying bricks and mortar assets.

The companies also use cross-currency swaps to purchase less expensive debt, by getting the best rate available of a currency and then exchanging it back to the desired or needed currency with back-to-back loans. Currency swaps can also hedge against foreign exchange rate fluctuations.

A fund manager said Resilient had a strategy with its broad-based black economic empowerment (BBBEE) fund that created nonproperty income. Resilient issued its shares to the BBBEE partner, which paid for these shares with a loan from Resilient. The interest rate on the loan was significantly higher than the yield on Resilient shares and this transaction therefore added to distributable income as the entity was not consolidated.

Commenting on the short selling, Resilient CEO Des de Beer said the company was aware that two hedge funds were running a campaign in tandem to panic the market.

*Source: Business Day*

For more, visit: <https://www.bizcommunity.com>