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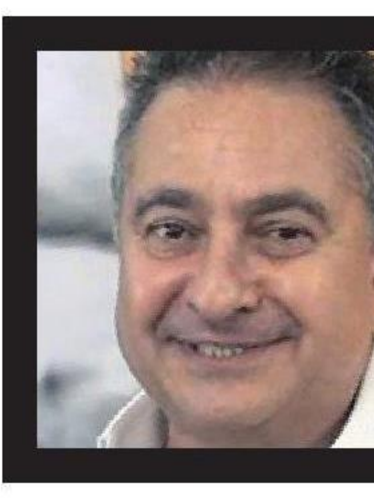
COMMENT



JEFF MILLER

WHEN OTHERS ARE FEARFUL... WHY IT'S TIME TO INVEST IN SA

WITH the World Economic Forum for Africa taking place in Cape Town this week and the latest quarterly SA GDP data being released, there is naturally a big focus on the state of SA Inc.

It's no secret that in 2019, South Africa's economic environment has been fraught with challenges. South Africans have become increasingly anxious over issues such as high unemployment, pedestrian growth, bailouts of state-owned enterprises and the slow implementation of President Cyril Ramaphosa's "New Dawn".

That said, it would be naïve to think anyone could wipe out the devastation of the past 10 years in one fell swoop.

It's clear Ramaphosa is committed to reversing the mistakes of the past and making a positive difference. He has already been instrumental in helping to ensure the highest foreign direct investment our country has seen in the past five years.

Let's not forget he has also shrunk our bloated Cabinet from 36 to 28 ministers and helped appoint four commissions of inquiry (which have unearthed a lot of rot).

Furthermore, it would be ingenuous to think that South Africa is unique and that other foreign markets do not have their problems.

Several issues have plagued the global economy recently, including the trade wars between the US and China, the devaluation of the yuan, Brexit, the Hong Kong protests, low interest and bond rates, and heavily declining stock markets across the globe.

It's time to stop the panic in South Africa and take a step back.

We know savvy South African investors are hedging their bets and taking some of their portfolios offshore. That said, many local investors also understand that if they live, work and play in South Africa, a material part of their portfolios should be invested here.

These types of investors should look to alternative asset classes which offer risk-adjusted returns.

> "It would be ingenuous to think that other foreign markets do not have their problems

One of these alternative asset classes – which prices in the risk of rand devaluation – is that of Section 12J, which boasts in excess of R6 billion of assets under management.

Investors into a registered Section 12J company are entitled to a 100% deduction of their investment from their taxable income in the year in which the investment is made.

This gives the investor up to a 45% tax benefit on their investment. The recent Taxation Laws Amendment Bill allows all taxpayers to invest a maximum of R2.5 million, in any tax year, into a registered Section 12J.

Because Section 12Js typically feature predictable cash flows from their underlying investments as well as solid asset underpins, it's common to see these funds offering high yields along with reliable dividends.

Not only are investors getting risk-adjusted financial returns, but by investing in South African SMEs, they are playing a crucial role in creating direct and indirect jobs, while further growing the tax base of our country.

Miller is the chief executive of Grovest Corporate Advisory