

**VIEWS FROM OUR CEO**

Investors are confronted by a very different environment. Whereas things looked rather bleak a year ago, prospects for 2020 look much more encouraging. A number of headwinds that restrained activity in 2019 have been resolved, Central Banks have responded aggressively through 2019 by slashing policy rates and re-extending Quantitative Easing, fiscal authorities are coming to the party, and confidence is rising.



A major restraint on activity in 2019 was the escalating Trade War between the US and China. This disrupted global supply chains, weakened global trade and manufacturing, and weighed down investment spending.

The US and China have now signed a phase one Trade Deal on the 15th of January<sup>1</sup>. The year also saw successive delays to BREXIT with the governing Conservative Party lacking the necessary support to push through its deal. This forced a December General Election which resulted in a decisive majority for the incumbent Tory party, giving the Prime Minister the necessary mandate to deliver BREXIT on the 31st of January.

Central banks responded aggressively to last year's slowdown in global trade by easing their policy rates and re-extending quantitative easing. In China, limited fiscal support was bolstered by regulatory shifts that freed up liquidity in order to boost lending. Subdued inflation means that monetary authorities will be in no rush to reverse course. Expect most major economies to also embark on various forms of fiscal stimuli that will further support the Global Economy.

The combination of last year's monetary easing, resolutions to major global uncertainties, fiscal support, and gains in asset prices and confidence set the stage for a solid recovery in 2020. This will be driven by a rebound in trade and manufacturing, with emerging economies and more open advanced economies leading the recovery, continued resilience in services activity and a resurgence in investment spending. Recently, countries like the US and the UK have seen strong rebounds in their respective property markets, further boosting wealth and confidence. Weak equity market performances in 2018 were vindicated by last year's sluggish economic outcomes. These markets are yet again emphatic in signaling a strong recovery in 2020.

**A VERY DIFFERENT ENVIRONMENT**

JANUARY 2019	JANUARY 2020
ESCALATING US CHINA TRADE WAR	PHASE 1 US-CHINA TRADE DEAL
BREXIT UNCERTAINTY	BREXIT CONFIRMED
INCREASING POLICY RATES	LOWER POLICY RATES
CUTBACK IN QUANTITATIVE EASING	RE-EXTENSION OF QUANTITATIVE EASING
FISCAL CONTRACTIONS	FISCAL EXPANSION
LOW CONFIDENCE	INCREASING CONFIDENCE
2018 STOCK MARKET SELLOFF	2019 STOCK MARKET SURGE

**SA ECONOMY**

2019 proved a to be dismal year, as an expected rebound instead translated into an even weaker performance than the previous year. The outcome was driven by ongoing supply disruptions stemming mainly from load shedding, with labour disputes in sectors like mining and adverse weather in agriculture adding to the weak performance. The supply disruptions also weighed heavily on confidence, which further undermined underlying activity. Though a recovery is expected in 2020, it is likely to be mediocre.

Security of electricity supply remains a major hindrance to economic activity, as the first few days of 2020 have shown. Despite promises to the contrary, the country has again been plunged into load-shedding at a time when demand is low. Addressing South Africa's energy needs is the country's most urgent and immediate challenge. The sector needs to be liberalised and ESKOM, the state's power utility, needs to be restructured. Talk of ESKOM being "too big to fail" is unhelpful. The utility has failed and is surviving through government handouts and guarantees.

Government has announced a restructuring process, but it remains hamstrung by a lack of political will, ongoing politicking and a fightback by those implicated in corruption and state capture. There has been no shortage of plans that have been both ambitious and short on implementation. Government's electricity infrastructure development plan, the long-awaited Integrated Resource Plan 2019 (IRP), needs to be implemented urgently. The IRP is the Department of Energy's blueprint for restructuring the energy sector, and makes provision for a more diversified energy mix that includes cogeneration, increasing private participation, and ramping up the contribution of renewables.

A number of countries have faced challenges with respect to energy security over the past two decades. Key to successful responses, as in the case of Germany, was the liberalisation of the sector, forcing public entities to become operationally efficient, and regulation that did not penalise alternative sources of energy. South Africa's energy situation is easily solvable if there is the will to implement the necessary reforms.

**FINANCIAL ADVISORY**

As the new year gets underway, retirement may seem like a distant chapter in your life, especially if you are under the age of 30 years or possibly a missed chance if you are over the age of 40 years and have not contributed to a retirement fund. Either way, investing in your financial future is a decision not to be overlooked. Each year as the tax year end draws to a close, an investor should be looking towards contributing to a Retirement Fund or Tax Free Savings Investment (TFSI) in order to enjoy the tax benefits afforded by Government.

A retirement annuity (RA) is a pension plan designed to allow individuals to build and save towards their retirement in a tax efficient manner. The features of investing in a RA are:

- The maximum allowable tax deduction up to 27,5% of the greater of remuneration or taxable income, to an annual limit of R350,000. Excess contributions may be carried forward and claimed in subsequent years.
- No tax payable on your RA investment returns, which includes interest income, dividends and capital gains.
- A secured nest egg for retirement as access is only available from 55 years onwards.
- The appointment of your nominated beneficiaries means it does not form part of one's Estate, hence no estate duty implications.
- Protection and safeguarding against creditors.

**SEE BELOW EXAMPLE FOR ILLUSTRATIVE PURPOSES SHOWING THE BENEFIT TOPPING UP A RA:**

	NO CONTRIBUTION TO RA	CONTRIBUTION TO RA
TAXABLE INCOME PER ANNUM BEFORE RA	240,000	240,000
CONTRIBUTION TO THE RA	R0	R66,000
TAXABLE INCOME PER ANNUM AFTER RA	R240,000	R174,000
TAX LIABILITY	R32,512	R17,100
TAX SAVING BY CONTRIBUTING TO AN RA		R15,412

THE ABOVE EXAMPLE ILLUSTRATES THAT BY CONTRIBUTING R66 000 TO A RA, THE TAXPAYER HAS REDUCED THEIR TAX LIABILITY BY R15 412.

**Optimise your Retirement Savings Contributions**

before 29 February 2020 to make the most of your retirement tax savings.

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Over and above a RA, another golden opportunity is to invest in a Tax Free Savings Investment. It is a simple solution whereby your investment grows over the long term and, where both your growth and income earned remains tax free. This means no income tax will be levied on interest and dividends earned as well as on capital gains earned by your investment portfolio.

An investor can contribute a maximum of R33,000 per tax year with a lifetime limit of R500,000.

With limited time remaining, contact your financial advisor to receive sound guidance that will ensure you optimise all tax benefits on offer. The deadline is the 29th February 2020.

**OCAS SA Travel**

Our Financial Advisors travel throughout the country on a monthly basis. **During the month of February 2020**, our advisors will be travelling to the following areas:

DATE	AREA
3 <sup>rd</sup> – 7 <sup>th</sup>	<b>KwaZulu-Natal</b> Chatsworth, Isipingo, Shallcross, Merebank, Durban South, Umlazi, Amanzimtoti, South Beach, Mont Clair, Woodlands, Kingsburgh  <b>Gauteng</b> Benoni
10 <sup>th</sup> – 14 <sup>th</sup>	<b>North West</b> Brits, Rustenburg, Potchefstroom, Klerksdorp, Orkney  <b>Gauteng East</b> Benoni, Vereeniging, Boksburg, Springs, Germiston, Bedfordview, Nigel, Katlehong, Brakpan, Modderfontein  <b>Mpumalanga</b> Middleberg, Witbank, Standerton, Trichard, Bethal, Kinross, Piet Retief, Farm Schagen, Ermelo, Badplaas, Belfast, Balfour, Secunda, Barbeton, Mbombela (Nelspruit), Lydenburg, Sunda
17 <sup>th</sup> – 21 <sup>st</sup>	<b>Gauteng Central and South</b> Fordsburg, Lenasia, Robertsham, Vereeniging  <b>KwaZulu-Natal North and Midlands</b> Overport, Sherwood, Verulam, Tongaat, Berea, Morningside, Pietermaritzburg  <b>KwaZulu-Natal Durban Central</b> Overport, Sherwood, Verulam, Tongaat, Berea, Morningside

<sup>1</sup> <https://www.bloomberg.com/news/articles/2020-01-15/u-s-china-sign-phase-one-of-trade-deal-trump-calls-remarkable>

