

# NFS Talk

February 2020

Volume 1

## It is a new decade!

Happy 2020 to all our clients and here's wishing you the best year yet! We look forward to servicing you and growing together alongside you in the next decade. This year we have introduced the concept of a brief newsletter to keep you up to date with regulatory changes and reminders in order to ensure that you're always meeting your statutory obligations.

We value your feedback, so feel free to send us anything you would like to hear about. The survey conducted in 2019, gave us useful feedback and we will be implementing a few ideas in the coming months.

In this newsletter you will find an outlook for the year from Bhavesh, our Chief Investment Officer, some regulatory updates and an introduction to the who's who at NFS. We have new, fresh additions to the team at NFS. We have worked hard for over 35 years and are proud to pass the baton to young, capable and eager professionals who will take you and your business forward. Nevertheless, we will remain to guide and steer the next generation on to maintain, treasure and enhance the quality service the Group prides itself on.

The Group has already expanded over the past year to Johannesburg, setting up an office in Morningside.

Remember that the NFS Group services both individuals and businesses of all sizes countrywide and is made up of the following key divisions:

- **Accounting & Tax**
- **Financial Advisory**
- **Short Term Insurance**
- **Compliance**
- **Secretarial**
- **Consulting**

Read on to see who's who in each division as well as a few regulatory updates

We wish you and your business much success over the coming year!

With great excitement, the NFS Group has embarked on a refreshed look and feel, encompassing our values to grow with our clients **Every Step of the Way**. So if you see a fresh, renewed and clean look in the upcoming weeks, do not panic! If you're eager, take a look at our website, coming soon.

**Vijay, Madhu & The NFS Team**



## **An Outlook for 2020 from the NFS Group Chief Investment Officer**

### **2019 Review**

Poor global economic activity during 2019 created an unfavourable external environment for South Africa. As a result it somewhat narrowed the investable universe, with resource counters being key performance attributors for the year. SA metal's have been mostly depressed over the last 5 years, but have performed very well over the last twelve months. The gold price broke through a technical barrier in the second half of 2019 driven by global uncertainty (US/China trade tension, PMI coming off and large macro movements in global debt as around 25% of global bonds are now trading in the negative). Multiple rate cuts from the Fed in response to the global softening further fuelled the run in gold and these macro tail winds have resulted in a very supportive metal price, benefiting the SA gold equities. These stocks have rallied in anticipation of strong cash generation from higher metal prices and a weaker ZAR, giving the equities a significant leverage effect. Given the challenges within our local economy, it is probably better to have limited exposure to SA domestic stocks, but to look to add exposure given depressed valuations and favourable outlook on the potential for reforms. Unfortunately, compulsory funds (pension and provident preservations, RA's, etc. are extremely limited on their total offshore allowance).

### **2020 Outlook**

The domestic macro environment remains strained. It almost seems as credit downgrade is more and more likely. Resources sector and some developed markets consumer growth sectors look attractive as we expect a better global trade environment in 2020.

### **Global Macro Outlook**

We expect global growth to accelerate from current levels driven by a recovery in developed markets excluding the USA and a recovery in emerging markets excluding China. The recovery is expected to be underpinned by improved global manufacturing, improved trade conditions, ongoing easing of financial conditions and by better levels of auto production (which will benefit the PGM producers). Although we expect geopolitical risk to remain high, given the heightened friction in Hong Kong, North Korea, the Middle East and a prolonged Brexit settlement, we do expect trade tensions to ease entering a US election year and the urgency Trump has to reach some form of trade deal with China.

Central banks should remain accommodative and expansionary fiscal policy in developed markets will play a greater role in 2020. This is a very different to how we started 2019 with much tighter financial conditions. These financial conditions will be beneficial for risky assets and we expect the rally to continue and broaden, putting pressure on the dollar and potentially creating a cap for further dollar strength although strained local conditions could still nonetheless result in a weaker rand.

### **Local Macro Outlook**

Stagnant growth over the last ten years can mostly be explained by a loss in productivity. SA is in desperate need of both economic and political reforms. During the first fourteen months of President Ramaphosa's term his focus has been on uniting factions within the ruling party (ANC) and strengthening his power base to win the national election held in May last year. He has been successful but one could argue that it has come at the expense of driving a much needed and urgent reform phase. Ramaphosa now holds clear power across most government and provincial structures and his recent actions (placing South African Airways in business rescue status and more recently, PRASA under administration) have been a move in the right direction to demonstrate his willingness to drive reform. Eskom remains a significant challenge for SA and a clear solution is still not evident. We are now in a political reform phase with movement being gradual and incremental. What we believe is key is that the President has reinforced instrumental parts of government, namely SARS, the NPA) and the Hawks. Constructively, President Ramaphosa has achieved a lot in the early phases of his term in office although the media and sentiment on the ground doesn't reflect this. Poor governance over the last decade cannot be rectified and reversed in 20% of the time it took to create the problem!

## 2020 In Summary

We like to believe that solutions to Eskom (our biggest risk factor in forcing a downgrade) remain the highest priority for the President. Liabilities has ballooned and cash generation is not enough to service the debt. A lower/non-existent risk of downgrade will bring much renewed investor confidence and coupled with our above view should bode really well for the rand (in the long term) and risky assets. Since 2007 the ALSI has done around 10% per year. This period of 13 years includes one of the biggest market crashes and bull recoveries ever seen, certainly, in my lifetime. Even though the then 15% per year offered by equities has now reduced to 10%, it shows that equities is still one of the only asset classes that can give double digit, inflation-beating, returns over the long term provided one stays invested. Always remember, it is time in the market and NOT timing of the market that matters.

**Bhavesh Patel**



<https://www.goodhousekeeping.com/holidays/g30082216/best-new-years-jokes/>

## Quick Reminders

### Statutory Obligations

Kindly send through outstanding documents to write-up your accounts as well as to submit your CIPC returns.

### CIPC Checklist

From 1 January when submitting your annual CIPC return you will be required to complete a checklist. The checklist is aimed at company self-assessment and tests compliance against the various sections of the Companies Act. Contact us to understand your new obligations.

### CPD Reminder – The Good Life – A course in Ethics

**Durban** – 13<sup>th</sup> and 14<sup>th</sup> February 2020

**Johannesburg** – 18<sup>th</sup> and 19<sup>th</sup> February 2020

### Annual FICA Training

Annual FICA refresher training is a legislative requirement and the FIC are out and about performing reviews. Contact us should you wish to book your annual update for your staff.

The update is worth 3 CPD hours/points

Our compliance division is a recognized CPD Provider with the Financial Planning Institute of Southern Africa.

### February Financial Close

Remember to let SARS pay for your retirement by topping up your retirement annuity.

Contributions to a retirement annuity can be up to 27.5% of taxable income.....and even if you contribute more you can accumulate a deduction at retirement. Do not let this opportunity slip by. Contact Bhavesh.

Contact Ashlin to understand Section 12J tax opportunities to reduce your tax burden.

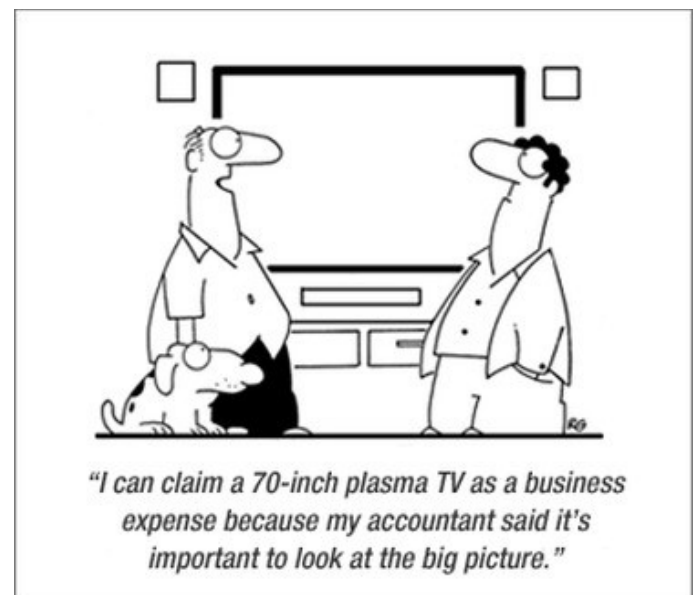
## Foreign Income Exemption – March 2020

South African tax residents working abroad will be taxed on all their foreign income exceeding R1 million. Important to note:

- The physical presence test still applies (away for continuous period of at least 330 days)
- Exemption applies for the first R1million provided the 183 and 60 days requirements are met.
- Foreign employment income over R1million will be taxed at normal tax tables
- Double-tax agreements must provide a sole taxing right to one country to avoid being taxed twice.

## Tax-Free Savings

A taxpayer is entitled to put away up to R500 000 per lifetime. Once again, this is an opportunity to save, invest and enjoy it tax-free.



## Who's who at NFS

### Accounting, Tax & Company Secretarial

Headed up by Ashlin, the team at SAFE aims to ensure that all your statutory SARS, annual financial statements and CIPC obligations are met.



From left to right: Vijay, Ayesha, Samantha, Kajal & Ashlin  
(Adrian and Victoria absent)

### Financial Advisory & Short Term Insurance

Bhavesh and his team aim to ensure peace of mind for you and your family, securing your financial future and simplifying the world of investing, in hassle-free manner.



From left to right: Kwazi, Aushu, Bhavesh, Reshika, Madhu & Simba  
(Kavi & Viloshnee absent)



## Compliance & Risk Management

The compliance team takes care of all FAIS, FICA and Compliance needs for registered financial service providers and is also a recognised provider for continuing professional development. Clients include motor dealers and independent brokers.



From left to right: Beejal, Reshika, Penny, Madhu, Nirishi & Simba

## NFS Consulting

Nirishi & Beejal have over 10 years of expertise in transforming operational finance processes as well as designing, implementing and managing economic empowerment programmes and solutions that ultimately deliver shareholder value. NFS Consulting provides the following:

- System and process improvement
- Finance capability building
- Technical accounting
- Due diligence
- Ownership scheme design & management
- B-BBEE advisory

***"A journey of a thousand miles begins with a single step" Lao Tzu***



Executive Management Team (supported by Anika and Sagren absent)