

1 March 2012, Volume 13

**SA National Budget 2012**

SA delivered its National Budget on 22 February 2012. It provides for personal income tax relief of R9.5 billion and proposed increases in Dividend Withholding Tax (DWT) and Capital Gains Tax (CGT). DWT at 15% is replacing Secondary Tax on Companies (STC) currently at 10% from 1 April 2012. Further, from 1 March 2012, CGT increases to 18.6% from 14% for companies and to 26.7% from 20% for trusts. The increase in DWT might discourage investments in collective investment schemes due to what may be called “double-tax” –i.e., tax on taxed income savings.

**Investment markets: Banking shares rolling the money**

South African banking shares have taken the shine out of other sectors listed on the JSE. Take the major four banks – ABSA, Standard Bank, FirstRand and Nedbank and compare their performance to the JSE/FTSE All Share and JSE/FTSE Top 40 Indices. They have raced relative to the entire equity market:

Banking shares performance relative to market					
ABSA	SBK	FSR	NEB	JSE All Share	JSE Top 40
<b>13.12%</b>	<b>15.24%</b>	<b>11.96%</b>	<b>10.77%</b>	<b>7.29%</b>	<b>7.22%</b>

Both FirstRand and ABSA produced good results. FirstRand is continuing with its expansion into Africa despite the setback in Zambia where its purchase of Finance bank was reversed. Margins are high in the rest of Africa besides SA due, to lack of strong regulatory policies guiding the financial sectors. So abnormal profits may be possible for now in some countries, but this will change in the next three years.

**Economic Activities**

The South African Government presented a huge public infrastructure spending totalling about R844.5 billion from a budget of about R3.2 trillion. The challenge of electricity and energy is reflected in the budget. Electricity account for about 60.70%; liquid fuels - 6.64%, transport – 18.20% and education about 5.77% with health at 3.43% of the allocated budget. Without details, we believe most of the transport infrastructure development will be in towns / cities. The allocation to education and health is too small given the skill shortage challenges in the country. **This, in our opinion, is not different from the previous budget and does not address the gap between the rich and poor in SA.**

SA annual borrowing from the capital markets will remain above R144 billion. National Treasury estimates weekly domestic bond issuance at R3 billion. Annual foreign issuance is pegged at US\$3 billion. SA foreign borrowings have been increasing, and this might strain the economy in the future. Zambia is considering tapping into the foreign market too.

**Social and Political Developments**

The Congress of South African Trade Unions (COSATU) will lead a civil, public disobedience march of 7 March against proposed Gauteng, SA's biggest city by GDP contribution, highway tolls system and labour brokers. ANC policy discussion will dominate SA news this year and the nationalisation debate within the ANC and country is not gone. The ANC Youth League maintains there must be a policy shift towards delivering promises of the Freedom Charter which includes nationalisation. **ANC Youth League president has been expelled-** a little too late because this **will not kill his views** and change the person the ANC moulded. Senegal is poised for a run-off vote as President Wade lock horns with former Prime Minister Macky Sall.

**Corporate Developments at JM BUSHUA**

We begin our annual research presentation roadshow on the 9<sup>th</sup> of March 2012 around the region. This year Zimbabwe is included.

**Parting Words of Wisdom**

*“It's easy to make a buck. It's a lot tougher to make a difference” – Tom Brokaw.*

**Economic Indicators**

	USD	Euro	Move
Rand	7.5	9.90	-4.09%
Pula	7.0	9.30	-2.60%
Kenya	82.0	109	-2.03%
Kwacha	5176	6964	2.67%
Naira	157	210	-2.14%

	Jan	Feb	Move
Gold (\$)	1739	1696	-2.50%
Oil (\$)	110	122	10.90%

*Move is % change monthly against USD*

**Top 10 JSE Equity Buys**

	Share Code	Current Price	Exit Price
1	Bidvest	15480	
2	Anglovaal	3972	
3	Stefanutti	1065	
4	RMH	2730	
5	Kumba	50000	
6	Ciplamed	635	
7	BHP	23430	
8	Imperial	12350	
9	Discovery	4350	
10	Vodacom	8900	

**Prices in SA cents**

**JM BUSHUA Funds Returns**

Fund Name	3 Years
CashPlus	7.98%
BondPlus	9.32%
Absolute AllClass	14.14%
Absolute Aggressive	14.37%
FinancialsPlus	22.09%
Diversified Equity	N/A
Real Return	11.25%
Global Investor	N/A
Afro Fund	11.25%

**Research Team**

Chief Investment Officer  
Joseph M Busha

Economic Research  
Limakatso Lehobo

Investment Research  
Joseph M Busha  
Mageshnie Reddy  
Patrick Serere

Contact Details  
Tel: +0027 11 325-2027/8  
Fax: +0027 11 325-2047  
[invest@jmbusha.com](mailto:invest@jmbusha.com)  
[www.jmbusha.com](http://www.jmbusha.com)