

INVESTMENT REPORT



www.brenthurstwealth.co.za

November 2013 • ISSUE 224



In this issue

UPCOMING SEMINARS:

JHB SEMINAR: 20 NOV 2013

PTA SEMINAR: 21 NOV 2013

CPT SEMINAR: 28 NOV 2013

JHB: +27 11 799 8100

CPT: +27 21 914 9646

PTA: +27 12 347 8240



Financial Planning
Institute of Southern Africa
THE PROFESSIONAL STANDARD

**Global
Markets**
AND SA ECONOMY

SOUTH AFRICA: NOT SO BAD ...COMPARED TO THE REST OF THE WORLD

By Michelle Burger - CERTIFIED FINANCIAL PLANNER®

Investec Asset Management recently held their quarterly “Taking Stock” Roadshow, featuring as always, Director Jeremy Gardiner’s most informative and entertaining video-take on the world’s economic outlook.

Gardiner’s main message during this presentation was that the world is still in bad shape, but 2013 would be seen as the year the recovery began and that globally, the economy has bottomed and that we should start seeing a turn-around from here on out.

But it was *another* point Gardiner made that piqued the interest of the audience. Compared to the rest of the world, South Africa is actually in pretty good shape and we should view ourselves as fortunate that we live in this country. (Can you imagine the audience’s collective...HUH?)

As South Africans, many of us do not realise the benefit we have of living at the bottom tip of the African continent and that we are very much shielded from the strife that the rest of the world is still experiencing.

For one thing, our debt to GDP ratio is actually quite healthy compared to other countries,

notably other first world countries.

The Debt ratio is defined as the amount of government debt a country has as a percentage of its gross domestic product, which is something any country would want to keep as low as possible. Compared to countries like the US (at 107%), Japan (236%), Greece (170%), Italy (120%), France (90%), Germany (80%) and the UK (at 89%), our mere 43% debt ratio seems relatively healthy in comparison.

The economic situation in most of these other countries is grave, and only getting worse.

The United States, for example, is sitting with a deficit of \$17 trillion, and rising by almost 2% per year.

This is an almost unfathomable amount of money. I’m sure most of us have seen the email doing the rounds to put this figure into context for us by depicting stacks of \$100 bills.

One trillion US Dollars is comparable to the size of one American football field, and larger than a Boeing 747-400 transcontinental airliner. Multiply that by 17 and you get what *Michael Power* (Investment Strategist at Investec) would refer to as a “BFN.” * (A rude yet highly appropriate term.)

This debt situation is so grave that the US government literally shut its doors for several days so that the Republicans and the Democrats can figure out a plan as to what they are going to do about it.

To add insult to injury, the contentious “Obamacare” Health Bill is another item on their agenda they need to reach consensus on, as this plan—although sounds wonderful in theory—could most likely cripple the US economy even further should it go ahead as proposed.

The US government has promised this new health bill to the millions of Americans living without health care, yet the reality is they can’t afford it. Therefore they need to figure out how they are going to dig themselves out of this very, very deep hole. It’s a recipe for disaster, and one that is currently still unfolding as we speak. One can only speculate as to what the socio-economic impact would be either way. We definitely do not want to be in their shoes.

Moving on to other countries—did you know that Denmark is currently the most indebted country in the world in terms of household debt? The Organization for Economic Cooperation and Development estimates Danish debt at a world-beating 310 percent of disposable incomes. This all due to the crash of their real estate market which after five years is only just beginning to show signs of recovery, but leading the Danish into a false sense of security to borrow even more.

In Italy, more than eight million Italians already live below the poverty line, including the many who are still employed. The CGIA research institute in Mestre, near Venice, found that one in two small businesses was only able to pay its employees in instalments. Three out of five companies are forced to take out loans to pay their high tax bills. And hundreds of thousands of restaurants and shops are closing their doors on an annual basis.

All over the country of Greece, workers are striking to protest job cuts and austerity measures. The suicide rate in the country has gone up by 45% since the beginning of

As South Africans, we are quite sheltered from these issues and tend to believe our problems are unique. We wouldn’t necessarily hear of negative press about other countries unless specifically tuning in for it. How often, as a South African, does one hear the saying “only in Africa?”

Gardiner’s message during his presentation was quite blunt, but rightfully so. We must **STOP** comparing ourselves to other countries and we must stop thinking that South Africa is one of the worst places to live. It simply is not true.

Although we certainly do have our problems, there is a great deal of positive news on the home front.

The South African economic situation is generally quite good, with our banking system being one of the best and

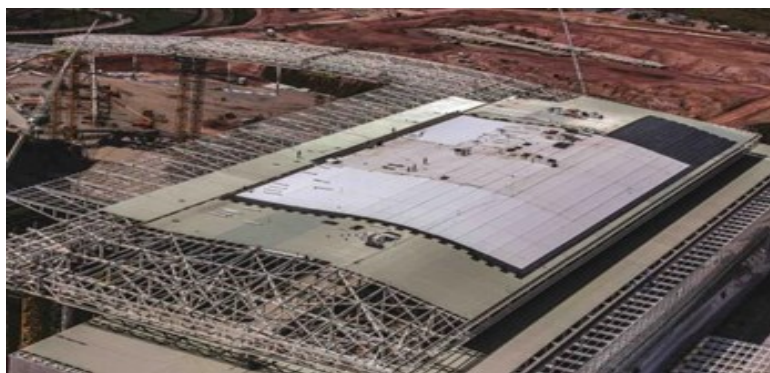
their financial crises. Who would have thought that a country who used to dedicate 0.7% of its share of budget to international aid and humanitarian assistance prior to the financial crisis of 2008 would now find itself in need of global charity? The youth of Greece are fleeing their homeland at a rate much worse than we experienced here during the 1994 elections.

Gardiner made particular mention of the fact that we as South Africans should not be comparing ourselves to the likes of the US or the UK, or any other developed nation for that matter. So let’s rather compare ourselves with another Emerging Market such as Brazil—a perfect candidate for comparison given the fact that they are set to host the FIFA World Cup next year.

Think back to the years prior to 2010. Remember all the negative press we were getting—how South Africa wasn’t going to be ready, how the construction of the stadiums were over budget and behind schedule? Well guess what—Brazil is experiencing the same thing, only worse.

Strikes over wages are the most common reason for the severe delays in the construction of stadiums across the 12 host cities. The official word is that most stadiums across Brazil are 80% complete as of this month. Let’s hope that Brazil can pull it off as successfully as we did in 2010.

Depicted here is the *Arena Corinthians* in São Paulo taken this month (October 2013). (Photo credit: Copa2014)



most stable in the world. Our equity market is in healthy shape; the JSE is hailed as one of the best regulated stock exchanges in the world.

In terms of how we have dealt with HIV/AIDS over the last 20 years, we are now seen as a **model country**, a positive example for other countries with similar HIV/Aids infection problems, which is very much thanks to the Zuma administration.

Thanks to ARV’s and basic education, the mother-to-child HIV infection rate has been steadily declining over the last 10 years and is currently around a low 2%.

We’re doing well in terms of our international rugby and cricket, our swimmers are the best in the world.

We can be thankful that a good quality cappuccino still costs us no more than R20 where the same thing would cost triple that in any other country.

South Africa is considered a “healthy democracy” and we no longer need to worry too much about the likes of Julius Malema. Since Mr. Malema no longer heads up the ANC Youth League, he’s no longer deemed important enough to make global press headlines. Good news considering that investment in

this country is 80% driven by how foreigners view us. So there’s one less thing to worry about.

Putting all these things into perspective, we quickly come to the realisation that South Africa really is not such a bad place to call home and we could actually be quite grateful for our problems if we were to start comparing ourselves with other nations, developed or otherwise.

Catch Jeremy Gardiner at one of our Brenthurst Wealth Seminars in November.

UPCOMING SEMINARS: INVESTMENT OUTLOOK 2014

JOHANNESBURG: INVESTEC

Date: **20 November 2013** Time: 15h30 for 16h00

Venue: INVESTEC OFFICE, 100 Grayston Drive, Sandown, Sandton

RSVP: JHB: +27 11 799 8100 reception@brenthurstwealth.co.za

Presenters: Jeremy Gardiner INVESTEC & Gordon Stuart SENTINEL INTERNATIONAL ADVISORY SERVICES

PRETORIA: INVESTEC

Date: **21 November 2013** Time: 15h30 for 16h00

Venue: Waterkloof Golf Club, Johann Rissik Drive, Waterkloof, PTA

RSVP: PTA: +27 12 347 8240 yolandi@brenthurstwealth.co.za

Presenters: Jeremy Gardiner INVESTEC & Gordon Stuart SENTINEL

CAPE TOWN: INVESTEC

Date: **28 November 2013** Time: 15h30 for 16h00

Venue: INVESTEC OFFICE 36 Hans Strijdom Avenue Foreshore, Cape Town

RSVP: CPT: +27 21 914 9646 ronelle@brenthurstwealth.co.za

Presenters: Jeremy Gardiner INVESTEC & Dale Irvine SENTINEL INTERNATIONAL ADVISORY SERVICES



INVESTMENT STRATEGIST:

MAGNUS HEYSTEK
magnus@heystek.co.za
+27 83 692 8635

INVESTMENT ADVISORS:

RICHUS NEL ACCA
richus@brenthurstwealth.co.za
+27 78 260 4013

CLIENT SERVICES (JHB /CPT/PTA):

ESMERIE LOOTS
esmerie@brenthurstwealth.co.za

INVESTMENT ADVISORS:

BRIAN BUTCHART CFP®
brian@brenthurstwealth.co.za
+27 82 335 5117

JANA GOUSSARD CFP®
jana@brenthurstwealth.co.za
+27 82 443 3868

MAGNUS L. HEYSTEK CFP®
magnus1@brenthurstwealth.co.za
+27 72 071 5567

CHRISTOFF POTGIETER
christoff@brenthurstwealth.co.za

YOLANDI BURGER
yolandi@brenthurstwealth.co.za

CELESTE PHAKHATI
celeste@brenthurstwealth.co.za

JOHAN BURGER CFP®
johan@brenthurstwealth.co.za
+27 82 732 8655

SUZEAN HAUMANN RFP™
suzean@brenthurstwealth.co.za

ALLIE SIKHOSANA
allie@brenthurstwealth.co.za

RENEE EAGAR CFP®
renee@brenthurstwealth.co.za
+27 83 233 9373

TAX & ACCOUNTING:

GAVIN BUTCHART
gavinb@brenthurstwealth.co.za

ERNA MARÉ
erna@brenthurstwealth.co.za

SONIA DU PLESSIS CFP®
sonia@brenthurstwealth.co.za
+27 83 260 4055

MARKETING:

SUE HEYSTEK
sue@brenthurstwealth.co.za

RONELLE STIPP
ronelle@brenthurstwealth.co.za

ROZANNE HEYSTEK POTGIETER
rozanne@brenthurstwealth.co.za

MICHELLE BURGER CFP®
michelle@brenthurstwealth.co.za

ANTJE MOUTON
reception@brenthurstwealth.co.za

BRENTHURST WEALTH MANAGEMENT (PTY) LTD

JOHANNESBURG: Building 3 Prism Business Park | Cnr Fourways Boulevard & William Nicol Fourways | Gauteng | South Africa
Tel: +27 (0) 11 799 8100 | Fax: +27 (0) 11 799 8101 PO Box 10150 Fourways East | 2055 Gauteng South Africa

PRETORIA: 494A Lois Avenue Erasmuskloof X3 | Pretoria | SA
Tel: +27 (0) 12 347 8240 | Fax: +27 (0) 12 346 0601 Postal Address: PO Box 32593 | Waverley | Pretoria | 0135 | South Africa

CAPE TOWN: Tyger Waterfront | Waterfront Terraces Block 2 | Waterfront Road | Carl Cronje Drive | Bellville | W Cape