SOUTH AFRICAN BUDGET (2019)

Los Angeles, 18 February 2019

FOREIGN INVESTOR VIEW

The key items most foreign investors in South Africa are focused on, include:

1) Evidence of an immediate, credible plan addressing Eskom's woes – tackling its R420bn debt pile and continued level 4 load shedding. The government cannot afford to bail out Eskom on its own. Without a comprehensive plan, ensuring all SOEs are put on a firmer operational footing – they are a growing cancer (threat) to SA's long term economic health. This includes SAA, SABC, StatsSA etc.

2) Bold new policies to lift SA's economic growth levels is urgently required. This Budget should begin the process. SA cannot afford for Moody's to downgrade it below investment grade status. It may never recover!

3) With SA's economic growth levels hovering around 1% - this remains deeply off-putting to potential foreign investors. Bold new economic growth strategies are required to boost the economy and help ensure it can once again achieve GDP growth rates at levels of 5%-6%. Such policies include offering new incentive policies to attract large scale foreign investment projects - that can create sizable job opportunities. Without innovative policies – unemployment levels will likely continue to rise.

4) SA is currently clinging to Moody's as the only global ratings agency providing an investment grade rating. To appease Moody's SA's debt to GDP level cannot rise much beyond current levels, of almost 60%. Above such levels of indebtedness – is often regarded as a tipping point from which many countries struggle to recover. So Finance Minister, Mboweni must be careful not to grow the debt level, and ensure the annual deficit to GDP level remains no larger than 4%.

5) Foreign investors are seeking signs that government is getting its house in order, by controlling expenditures. In particular, the state wage bill comprising 36% of the budget is viewed as unsustainable and incredibly high. Any efforts to scale this back - closer to 30%, will be positively received.

6) While the need for comprehensive National Health Insurance is required – a slow rollout of this policy will help reduce overall risk to the state's fiscus.

7) Reducing the tax burden on the most productive members of society will also help encourage new spending and investment. It is unsustainable to continue raising taxes on a few million taxpayers. Globally individual tax rates are coming down – SA seems to be moving in the opposite direction. The Budget should acknowledge attempts to make SA's tax system more globally competitive.

8) While foreign investors understand it is an election year in SA, the time for bold choices is now. SA can no longer continue on its current economic path. The continued weak economic growth rates, recent record unemployment rates, weak savings rates and Eskom's de facto insolvency are all wake up calls.

BACKGROUND

EXCHANGE	BLOOMBERG CODE	RIC	ISIN	CURRENCY	SEDOL
ITEK	75 bps TER	**GLOBAL INNOVATION TECHNOLOGY ETF**			
London Stock Exchange	ITEK	ITEK.L	IE00BDDRF700	**USD**	BYVJ8Y3
London Stock Exchange	ITEP	ITEP.L	IE00BDDRF700	**GBP**	BYVJ9D9
SKYY	75 bps TER	**CLOUD TECHNOLOGY ETF**			
London Stock Exchange	SKYY	SKYY.L	IE00BDDRF924	**USD**	BYVJ8T8
London Stock Exchange	SKYP	SKYP.L	IE00BDDRF924	**GBP**	BYVJ9B7

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The ***HAN-GINS Global Innovative Technology UCITS ETF*** *(ITEK)* tracks the Solactive Innovative Technologies Index, a diversified, global index of pioneering companies that are poised to create and benefit from tomorrow's industrial revolutions. The fund targets companies involved in Robotics & Automation, Cloud Computing & Big Data, Cyber Security, Future Cars, Genomics, Social Media, Augmented and Virtual Reality and Blockchain, enabling investors to gain exposure to many world-changing, high-growth sectors in a single trade. The fund has TER of 75 bps.

Ends

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