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**IS ANYBODY BUYING** shares at the moment, with all the scare stories coming out of the United States and global markets looking more vulnerable than they have for years? It might be a good time to be looking

at equities – though I suspect we haven't yet seen the worst on the JSE. Quick picks this week are for the brave: two small cap shares that seem to be offering excellent value. But if investors are nervous, maybe they shouldn't rush in now but just note the counters until we have some clarity on where the market might be going.

I'm grateful to Mark Ingham, the analyst at Sasfin Securities, for his views on both shares. I selected two from Ingham's list of favoured small caps because they're ones I also like and have watched for some time.

First is Argent. There are alarm bells ringing about South Africa's steel industry, with the ongoing investigation into price fixing and collusion, but that's mainly confined to the large producers. JSE shares that could be affected here are Highveld Steel and ArcelorMittal.

## My concern is Old Mutual, especially the plc part overseas.

Argent is at the other side of the industry, involved in steel trading and higher margin beneficiation. It will probably benefit if the Competition Commission cracks the whip and gets the major steel producers to lower prices.

Financial results have been sound this year, and Ingham expects Argent to work off operating profit margins in the region of 16,5% to 17% next year. According to his fair value estimation Argent is worth about double its current market capitalisation of just more than R1bn.

# Small caps for brave hearts

And what to avoid

The other is a company I've liked for a long time – Omnia. It did go through some wobbles earlier related to farmers not planting and drought, but it's looking solid now and, as Ingham says, is the sort of group that can still do well in a downturn.

Omnia is also positioned in what are currently three sexy industries: fertiliser, chemicals and mining explosives. It also has useful diversity: if all three industries do well it should fly but if there's a problem in one, it's still pretty well covered.

Ingham points out it's one of the few businesses harnessing Kyoto protocol credits, adding to earnings. Green issues are

going to become increasingly important.

What shares should we be worried about? Clearly, SA financials. I think the banks will be okay – even Investec, with its exposure to what's become the deadly world investment banking environment.

My concern is Old Mutual, especially the plc part overseas. If an insurance giant such as AIG has to be bailed out by the US government, what sort of pressure is Old Mutual under in London?

If all goes awry it might be forced to sell many offshore assets and operations. We could be left with Old Mutual SA, much like it was before it demutualised. ▣

## A taxing thing



Let's have a look.  
Pravin Gordhan

**TAX HAS NEVER BEEN** a strong subject of mine, but after spending the better part of last weekend doing a few personal income tax returns, I have a new interest. And also a new concern. There's nothing very private about my personal tax information and I don't really care who sees it. But it's my personal information and, much as I understand that somebody at the SA Revenue Service must assess my returns, it bugs me a bit that all and sundry can take a look at my forms.

When I handed my returns in I thought the person behind the counter was doing an assessment there and then. He carefully went through every page, occasionally giving me a quizzical glance as if to say: "You earn that, or you're claiming for that?"

But it wasn't a problem; it's just the principle. Revenue Commissioner Pravin Gordhan has done a great job in growing SA's tax net and collecting more taxes. Many of us might feel personal income tax rates are too high, and sometimes worry about how our tax money is being spent, but there's no denying Gordhan's ability as the country's tax boss.

However, he can take a look at my tax returns if he likes. Not that I think he's even

remotely interested, but if he wanted to, he could.

So here's my plan: In the spirit of openness and transparency I'm going to send Gordhan an email asking for a copy of his next tax return. I bet he gets them in early.

I'll highlight some of the entries in this column: what his sources of income are and what he deducts. Maybe I'll be able to convince my colleagues at Fin24.com to scan the return and put the whole document on its website.

I'm sure Gordhan will agree it would be a useful way of educating the public about tax. And I'm sure we'll be able to pick up a few pointers by going through his return. ▣