

Q1 Investment Report 2017

Article 50 triggers the breakage of "All Crystal Balls"!!

First SA: Q1 ended with a horrific and drastic set of unexplainable actions from President Zuma concerning the replacement of Minister of Finance and National Treasury. Wait for the witch hunt and Moody's rating agency downgrade repercussions in the next few days with the message being, market volatility increasing.

Brexit: Now the UK has pressed the exit button, Europe could wither away and fall apart in a chaotic collapse or start a rebuilding exercise after three major elections over the next six months, results and time will tell. As the UK throws off the EU "Straight-Jacket" after 40 years of membership a new mind-set in Westminster is starting to evolve and opening their eyes to what's ahead, a different world and 187 countries outside the EU to deal with and many unknowns.

During the last quarter the JSE rose 1,356 points to 52,056 from 50,700 in December 2016. This 2.68% growth has been unexpected because of the Zuma "soap operas" at the month end of March. Balanced portfolios gained between 0.40% and 1.50% over the period due to their holdings of dual listed large caps such as BAT, Naspers, Exxaro, Anglo American, Glencore and Sasol as well as the weakening rand. SA financial markets – particularly the rand and interest rates sensitive assets such as bonds, banks/financials are likely to remain under pressure from the strong probability of a sovereign credit rating downgrade coming soon by another rating agency.

Please see portfolio graph below.



Source - Morningstar

Portfolio Asset Allocation

*Cash Local 5.1%	* Cash Offshore 7.8%	*SA Bonds 27.1%	*SA Equity 11.6%
*Offshore Equity 30.2%	*SA Property 5.3%	*Offshore Property 8.3%	*Other 10.4%

Selected portfolio fund's three year returns are listed below being led by:

Top 3 Equity Funds

Fund	3 Year Growth %
1. Investec Managed	27.84%
2. Momentum Balanced FoF	25.88%
3. Prudential Inflation Plus	25.81%

Top 3 Property Funds

Fund	3 Year Growth %
1. ABSA Property Fund	99.28%
2. Prudential Enhanced SA Property Tracker	55.98%
3. Investec Property Equity	52.16%

Top 3 Income Funds

Fund	3 Year Growth %
1. BCI Income Plus	30.71%
2. Coronation Strategic Income	27.05%
3. Nedgroup Flex Income	26.85%

Top 3 Global Offshore Equity Funds

Fund	3 Year Growth %
1. Nedgroup Global Flexible	38.75%
2. Prudential Global Value FoF	36.90%
3. Coronation Global Equity	36.72%

*Source Profile Data 1/04/2017

[Fund Managers Survey Data](#)

During the quarter fund managers agreed that 2017 would be a better year for investors even though headwinds would be strong because of socio-political risks "a known unknown" thus more prevalent volatility in magnitude and frequency.

Because of the JSE holdings 40 Top Companies earn 50% or more of their profits offshore, the local Index loves Rand weakness as we are now experiencing. Rand Hedge stocks will be more rewarding than local SA shares due to foreign assets and currency exposure versus SA's low economic growth and future interest rate increases. Maintaining their full offshore weighting will be important over the next 12 months for portfolio stability.

Should investors over-react with regards to downgrades they would increase holdings in Credit and US assets with existing cash holdings. Fund managers will be placing both the banking and retail sectors on a continuous "watch list" over the next quarter as these sectors start weakening with massive job losses in the garment industry ahead.

Fundamental principles will dictate market prices over the long term but if the market becomes more irrational in the pricing of local assets they might even consider adding more to these shares for long-term holds.

Presently there is no reason to make any changes to the portfolio as fine tuning is being pursued by our selected managers during the changing market and currency conditions. Should you wish to discuss your portfolio positioning please feel free to give us a call.

We are pleased to announce that Wayne McCurrie of Ashburton, a well-known Fund Manager will be presenting an investment discussion on markets mid-May, more details to follow.

Your portfolio valuations will be sent directly to you during the next 5-7 working days from your administrators.

Thank you for choosing us as your Financial Advisors, and for your continued trust and support.

Very best regards,
Debby and Geoff