INVESTMENT REPORT

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INVESTMENT PLANNING • RETIREMENT PLANNING • OFFSHORE INVESTMENTS
TAX PLANNING • ESTATE PLANNING • LIFE INSURANCE

BRENTHURST
THE HOME OF WEALTH

BRENTHURST RANKED BEST BOUTIQUE WEALTH MANAGER IN SA 2017

WHAT TO EXPECT IN 2018

As we enter 2018, steadily rising international asset prices and diminishing volatility have become the norm, global growth remains robust, and a newfound optimism prevails in South African politics. Yet now isn't the time for complacency.

To assist you discern what the coming year may bring, we have noted a few light-hearted predictions of what might be keeping you on your toes for the next 12 months. Our best bets? India will grow, cars will fly, bitcoin will crash and you'll be eating meat-free meatballs (and who knows, you might even like it).

SOUTH AFRICA
Cyril Ramaphosa will consolidate his political power base before an early inauguration, making him the fifth president in South Africa's democratic history.

UNITED STATES OF AMERICA
The Federal Reserve, under its new leader Jerome Powell, will likely raise interest rates three times in 2018. The economic recovery should continue to gain traction and tax reform will see US growth accelerate to 2.5%.

CHINA
Growth will marginally decline to 6.1% in 2018. Critics will be proven wrong as stable levels of liquidity will persist, despite continued government deleveraging efforts.

BREXIT & EUROPE
News headlines will be dominated by Brexit and little else. Theresa May, the British prime minister may even be forced to call yet another general election.

SA INTEREST RATE
The South African Reserve Bank is expected to cut interest rates by no more than 0.50% over the next 12 months. Good news for people that are in debt, problematic for investors who may be in need of an income. respectable 2.1% growth rate for 2018.

BITCOIN
Last year was a record year for the cryptocurrency Bitcoin, but we believe that a crash is coming. We wouldn't put all our tokens on it though.

EQUITY MARKETS
Equities remain the preferential asset class, supported by increasingly synchronised global growth and robust corporate earnings. SA Inc. equities will be back in fashion with investors.

PREDICTIONS FOR THE COMING YEAR

$60
what a barrel of oil will cost you

3.1%
growth will be recorded for the global economy in 2018

Electric car sales will reach **1 million** up 70% from 580 000 in 2017.

This years must have accessory... a **moon bag!**

Meatless meat
will become the next dairy-free milk.

Six-to-one odds do little to deter **France** from winning the 2018 FIFA World Cup.

Amazon
will officially launch in South Africa.

Vaping
will come under attack with e-cigs banned from non-smoking zones

SOURCE: Momentum Investments (Pty) Ltd

2017 WAS A GREAT YEAR FOR EQUITIES

The year 2017 was a very good one for global investors with almost all asset classes reporting solid returns, in some cases exceptional ones. The backdrop to this was a synchronized global recovery and most indicators point to another good year for most growth assets. The dangers to this scenario is an outbreak of conflict between the USA and North Korea and faster increase in interest rates in the United States to combat higher than expected inflation.

Against this background the global commodity cycle was stable and heading higher, which served to support the local currency. Offshore investments should not be based on the expected movements of the currency alone, but based on a wider diversification of assets which reduces risk over time.

FOR THE SECOND YEAR IN A ROW, EACH ASSET CLASS ON THIS CHART WAS POSITIVE.

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10 Years
Bonds 7.6%	EM 68.9%	REITs 28.4%	TIPS 13.3%	EM 19.1%	Small Cap 41.0%	REITs 30.4%	REITs 2.4%	Small Cap 26.6%	EM 37.3%	Small Cap 10.7%
Cash 1.6%	Small Cap 41.6%	Small Cap 27.2%	REITs 8.6%	Int'l Stocks 18.8%	Mid Cap 35.2%	Large Cap 13.5%	Large Cap 1.3%	Mid Cap 20.5%	Int'l Stocks 25.1%	Mid Cap 9.7%
TIPS -0.5%	Mid Cap 37.6%	Mid Cap 26.3%	Bonds 7.7%	REITs 17.6%	Large Cap 32.3%	Mid Cap 9.4%	Bonds 0.5%	Comdty 12.9%	Large Cap 21.7%	Large Cap 8.5%
Mid Cap -36.5%	REITs 30.1%	EM 16.5%	Large Cap 1.9%	Large Cap 16.0%	Int'l Stocks 21.4%	Bonds 6.0%	Cash -0.1%	Large Cap 12.0%	Mid Cap 15.9%	REITs 7.7%
Large Cap -36.8%	Int'l Stocks 27.0%	Comdty 16.2%	Small Cap 1.1%	Small Cap 15.7%	REITs 2.3%	Small Cap 5.5%	Int'l Stocks -1.0%	EM 10.9%	Small Cap 13.1%	Bonds 3.9%
REITs -37.0%	Large Cap 26.4%	Large Cap 15.1%	Cash 0.0%	Mid Cap 15.2%	Cash -0.1%	TIPS 3.6%	TIPS -1.8%	REITs 8.6%	REITs 4.9%	TIPS 3.4%
Comdty -37.4%	Comdty 20.1%	Int'l Stocks 8.2%	Mid Cap -1.5%	TIPS 6.4%	Bonds -2.0%	Cash -0.1%	Small Cap -1.8%	TIPS 4.7%	Bonds 3.6%	Int'l Stocks 1.9%
Small Cap -37.6%	TIPS 8.9%	Bonds 6.4%	Int'l Stocks -12.3%	Bonds 3.8%	EM -3.7%	EM -3.9%	Mid Cap -2.5%	Bonds 2.4%	TIPS 2.9%	EM 1.4%
Int'l Stocks -41.0%	Bonds 3.3%	TIPS 6.1%	Comdty -14.0%	Cash 0.0%	TIPS -8.5%	Int'l Stocks -6.2%	EM -16.2%	Int'l Stocks 1.4%	Comdty 0.7%	Cash 0.2%
EM -48.9%	Cash 0.3%	Cash 0.0%	EM -18.8%	Comdty -2.1%	Comdty -11.1%	Comdty -18.6%	Comdty -28.2%	Cash 0.1%	Cash 0.7%	Comdty -8.0%

Funds: EEM,VNQ, SLY, SPY, EFA, TIP,AGG,DJP, BIL

GLOBAL MARKETS

► MARKET PARTICIPANTS CONTINUED TO BEHAVE COMPLACENTLY LAST WEEK. After the Martin Luther King Jr bank holiday on Monday, the shortened trading week didn't deter the Dow Jones Industrial Average from breaking the 26000 mark to trade at new all time high levels, which was evidence of the aforementioned complacent behaviour. The Dow Jones Industrial Average ended the week 1.08% higher whilst the S&P500 and Nasdaq indices also ended 0.86% and 1.04% in the green respectively.

► DALLAS FED PRESIDENT ROBERT KAPLAN DID NOT BEAT AROUND THE BUSH WHEN HE STATED HIS CONCERN OVER THE US ECONOMY OVERHEATING. He added that the Fed should therefore hike interest rates at least three times this year. On the contrary, Chicago Fed President Charles Evans was far more dovish when he said that he favours less hikes as he would first like to see inflation reach the 2% target.

► IN WHAT SEEMED TO BE BUSINESS AS USUAL LAST WEEK AS US MARKETS CAME TO A CLOSE, ENDED DRAMATICALLY WHEN US SENATORS COULD NOT COME TO AN AGREEMENT OVER THE WEEKEND TO FUND THE GOVERNMENT.

More specifically, the term used when this occurs is a "shutdown", which in effect means that government services in the US will be closed as the new work week begins. The issue leading to a stalemate between the Democrats and the Republicans in Senate stemmed from a breakdown in negotiations around immigration, despite literally working around the clock over the weekend to secure a deal. This will no doubt capture the attention of market participants and be closely monitored as events unfold.

► THE BANK OF CANADA MATCHED MARKET EXPECTATIONS AND HIKED INTEREST RATES BY 0.25%.

In a rather ambiguous statement released by them, they mentioned tightening in policy was needed although at the same time, some accommodation is also required for the economy to operate at full employment.

► EUROPEAN CENTRAL BANK (ECB) POLICYMAKER SAID THE EURO'S RECENT APPRECIATION DID NOT AID GROWTH AND INFLATION IN THE EU. He added that the ECB has no exchange rate target and that developments will therefore be monitored as they occur. As the week came to close, the euro had appreciated by 0.60% to trade at 1.22USD. Over the last twelve months, it has strengthened by a surprising 14.3% compared to the dollar.

► BANK OF JAPAN GOVERNOR KURODA WAS RELATIVELY UPBEAT ABOUT THE LIFT IN JAPANESE INFLATION. Accordingly, he believes the Japanese economy will recover which will push inflation even higher still towards the 2% target. The yen strengthened to a four month high vs the dollar and ended the week at 110.6/USD (appreciation of 0.59%) as speculation rose that quantitative easing would be tapered further in Japan.

► UK INFLATION FELL FOR THE FIRST TIME IN SIX MONTHS. As such, CPI returned 3.0% y/y in December compared to 3.1% in November. For most of 2017, the rise in cost of living in the UK adversely impacted disposable income. However, this print now suggests that the influence of Brexit on UK living standards may be easing, although it is still very early as Brexit negotiations are still very much ongoing.

► JAPANESE PPI FOR DECEMBER CAME IN AT 3.2% Y/Y, WHICH SURPRISED ON THE UPSIDE. This supports the Bank of Japan's belief as mentioned above.

► THE CHINESE ECONOMY GREW BY 6.8% Y/Y IN Q4 2017. Markets were pleasantly surprised as they were expecting a figure closer to 6.7%. Upon further investigation, growth in exports, industry and a resilient property market were the main drivers. Interestingly, 2017 GDP growth also beat the official target of 6.5%. This paints a pretty picture for global growth, including emerging market economies like South Africa.

DOMESTIC MARKETS

► KEY POINTS FROM THE ANC'S NATIONAL EXECUTIVE COMMITTEE MEETING EARLIER IN THE MONTH WERE MOSTLY POSITIVE. As such, specific mention that South Africa is open to international investment were made. They went on to mention that state capture will be dealt with and criminal prosecution will go ahead for those implicated. At the same time, they acknowledged that State Owned Enterprises (SOE's) face financial distress, are rife with corruption and are placing huge pressure on the fiscus. Land expropriation would also go ahead but only if it did not pose any negatives to the economy and higher education would be free for households with a combined income of R350k or less.

► REGARDING THE FREE HIGHER EDUCATION, FINANCE MINISTER MALUSI GIGABA ESTIMATED AN ADDITIONAL COST TO GOVERNMENT OF AROUND R12BN. The jury is out as to whether this will be done in a deficit neutral manner considering how unpopular it would be for the ANC to raise VAT or/and declare a special tax with an election campaign looming next year. If cash is raised in a non-deficit neutral manner, the probability that Moody's downgrades us to non-investment grade increases substantially.

► THE OUTCOME OF THE SA RESERVE BANKS (SARB) MONETARY POLICY MEETING LAST WEEK RESULTED IN THE REPO RATE BEING KEPT ON HOLD AT 6.75% AS EXPECTED. Moreover, participants were somewhat surprised by the lack of hawkish tone struck. As such, the SARB lowered their inflation forecast. Key risks that influenced the decision to keep interest rates on hold were the upcoming Moody's rating review and the Budget release in February.

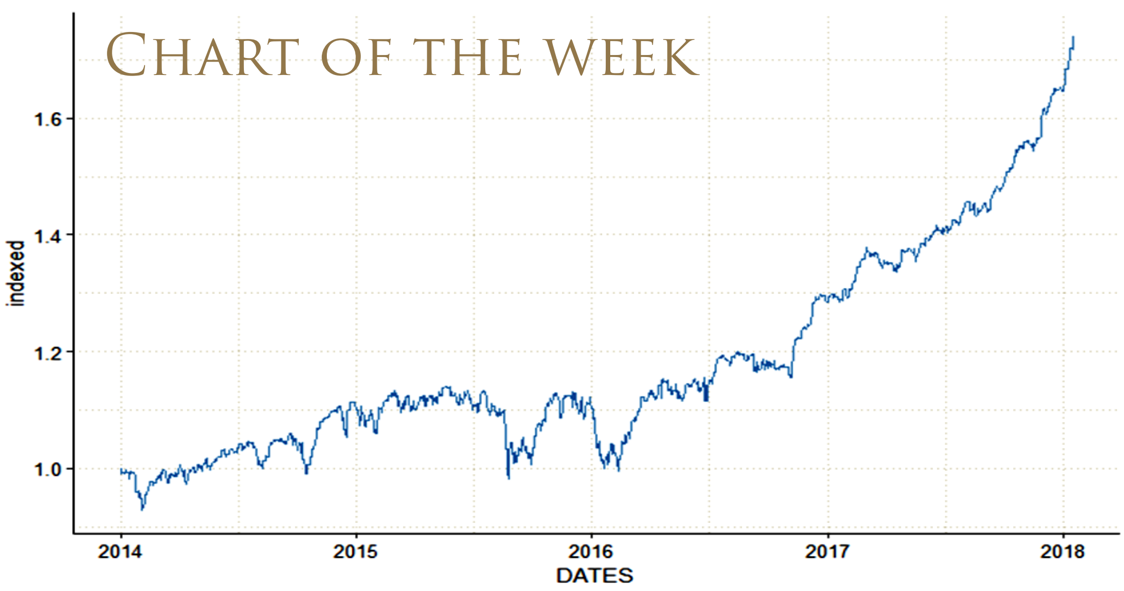
► THE JSE ALL SHARE INDEX TRADED 1.39% HIGHER OVER THE WEEK. The financial and industrial boards made the largest contributions by rising 3.11% and 2.14% respectively whilst the JSE Resource 10 index ended the week -1.36% down.

► THE RELEASE OF RETAIL SALES WAS EASILY THE MOST POSITIVE PRINT IN THE LAST WHILE, WHERE 8.2% Y/Y WAS POSTED IN NOVEMBER COMPARED TO 3.5% IN OCTOBER AND EXPECTATIONS OF ONLY 3.1%. This was the steepest gain in retail sales since June 2012 as Black Friday sales surprised significantly on the upside.

► MINING PRODUCTION FOR NOVEMBER RETURNED 6.5% Y/Y. This was above the October figure of 5.2% as well as consensus of 4.9%. The key drivers to this impressive statistic were production increases of coal (+8.5%), Platinum Group Metals (+12.3%) and iron ore (+20.7%).

► FOCUS SHIFTS TO THE RELEASE OF DECEMBER'S INFLATION FIGURE, WHICH IS DUE FOR RELEASE ON WEDNESDAY. Expectations are for a slightly higher print (4.7% up from 4.6%), which is still firmly in the 3-6% inflation target range.

CHART OF THE WEEK



DOW JONES INDUSTRIAL AVERAGE BROKE INTO NEW ALL TIME HIGH TERRITORY LAST WEEK AND CONTINUED ITS REMARKABLE RUN.

WEEKLY TICKER

CURRENCIES							
Description	Classification	Currency	Exchange Rate	Week	Month	Month-to-Date	Year-to-Date
ZAR/USD	ZAR/USD	ZAR	ZAR	12.09	1.73%	4.94%	2.39%
ZAR/Pound	ZAR/GBP	ZAR	ZAR	16.78	1.11%	1.49%	-0.37%
ZAR/Euro	ZAR/EUR	ZAR	ZAR	14.78	2.04%	2.14%	0.48%
Dollar/Euro**	USD/EUR	USD	USD	1.22	-0.32%	-2.98%	1.83%
Yen/Dollar	YEN/USD	YEN	YEN	110.85	-0.28%	2.25%	1.66%
COMMODITIES							
Description	Classification	Currency	Commodity Price	Week	Month	Month-to-Date	Year-to-Date
Gold	Gold Spot	USD	1330.04	-0.74%	5.10%	2.09%	2.09%
Brent Crude Oil	ICE Brent Futures	USD	68.82	-2.05%	7.35%	2.92%	2.92%
Platinum	Platinum Spot	USD	1013.31	1.47%	10.21%	9.16%	9.16%
Copper	LME 3 month Copper	USD	7041.00	-2.34%	-0.04%	-2.84%	-2.84%
Silver	Silver Spot	USD	16.98	-2.14%	4.91%	0.27%	0.27%

GLOBAL EQUITY INDEXES (TOTAL RETURN)							
Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
Global	MSCI World*	USD	2207.40	0.61%	5.34%	5.00%	5.00%
United States	S&P 500	USD	5483.57	0.88%	5.01%	5.20%	5.20%
Europe	Euro Stoxx 50	EUR	7342.37	1.03%	2.74%	4.17%	4.17%
Britain	FTSE 100	GBP	6559.46	-0.45%	2.86%	0.61%	0.61%
Germany	DAX	EUR	13434.45	1.77%	2.79%	4.00%	4.00%
Japan	Nikkei 225	JPY	37049.35	0.39%	4.15%	4.62%	4.62%
Emerging Markets	MSCI Emerging Markets*	USD	1232.60	1.81%	8.81%	6.42%	6.42%
SA EQUITY INDEXES (TOTAL RETURN)							
Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Share	JSE All Share	ZAR	8656.51	1.13%	4.82%	2.44%	2.44%
Top 40	JSE Top 40	ZAR	7668.11	1.17%	5.53%	2.95%	2.95%
Shareholder Weighted	JSE SWIX	ZAR	22364.92	1.58%	4.30%	1.76%	1.76%
Small Companies	JSE Small Cap*	ZAR	61166.42	0.33%	2.13%	0.51%	0.51%
Resources	JSE Resource 20	ZAR	2452.42	-2.38%	12.19%	7.27%	7.27%
Industrials	JSE Industrial 25	ZAR	15596.89	2.45%	6.11%	3.18%	3.18%
Financials	JSE Financial 15	ZAR	9528.28	2.25%	-2.11%	-1.84%	-1.84%
SA Listed Property	JSE SA Listed Property	ZAR	2274.15	-1.86%	-6.92%	-7.70%	-7.70%
Preference Shares	JSE Pref Shares	ZAR	1843.92	0.52%	-1.11%	-0.37%	-0.37%
SA FIXED INTEREST							
Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Bond	BESA ALBI Index	ZAR	595.71	0.20%	1.55%	1.37%	1.37%
Inflation Linked Bonds	BESA CILI	ZAR	251.05	-0.24%	1.56%	-0.62%	-0.62%
Cash	STEFI Composite*	ZAR	384.51	0.08%	0.60%	0.41%	0.41%

*Price Index (not Total Return) ** Negative indicates Euro weakness

JOHANNESBURG (FOURWAYS)
Tel: +27 11 799 8100
Fax: +27 11 799 8101
Unit 2B, Cedar Office Estate, Cedar Road, Fourways, SA

JOHANNESBURG (SANDTON)
Tel: +27 10 035 1391
Fax: +27 86 775 7089
The Business Exchange, 150 Rivonia Road, Sandton, SA

PRETORIA (ERASMUSKLOOF)
Tel: +27 12 347 8240
Fax: +27 12 347 0601
494A Lois Avenue, Erasmuskloof X3, Pretoria, SA

CAPE TOWN (DE WATERKANT)
Tel: +27 21 418 1236
Fax: +27 21 418 1304
29 Chiappini Street, De Waterkant, Cape Town, SA

BELLVILLE (TYGERVALLEY)
Tel: +27 21 914 9646
Fax: +27 21 914 6515
Tyger Waterfront Terraces 2, Carl Cronje Drive, Bellville, SA

STELLENBOSCH (CENTRAL)
Tel: +27 21 882 8706
Fax: +27 21 882 8799
97 Dorp Street, Unit 3, La Gratitude, Stellenbosch, SA