

Who can we trust with your money?

South African business confidence is up for 2018, and indicators point toward more positive momentum, but our comment is, "who can we, as your Financial Advisor, trust with your money."

We can only invest in companies that are listed on the JSE, likewise, Unit Trust companies also invest in the JSE and worldwide listed companies. Over the past couple of years a number of the JSE listed companies have 'failed' in their duties to look after their shareholders, resulting in poor returns. Let's remind you of a couple of shares that have done something that has been detrimental to their share price. The construction companies that colluded when building the Soccer World Cup Stadiums, had to pay a fine of over R1.5 billion. Woolworths recently wrote off R7 billion relating to the Australian company David Jones that they bought a couple of years ago. Let's not forget Brait, writing off R37 billion once they realised that they had made a poor decision when they bought a retail company called New Look in the UK. Then MTN gets a fine for \$5.2 billion by the Nigerian Government for illegal trading – they must have known what they were doing.

Twenty odd years ago, Old Mutual decided to take on the World and set up shop in the UK. Since then, they have lost millions of shareholders' money with bad investments, and now they are returning back to South Africa at a huge expense. On 31 October 1999, the Old Mutual share price was R13.38. Today the share price is R 41.66, compared to Sanlam, which was R7.20 in 1999, and now in 2018 is R76.77. We can go on with the likes of Famous Brands, Medclinic etc. but we feel we also need to chat about the Unit Trust Industry.

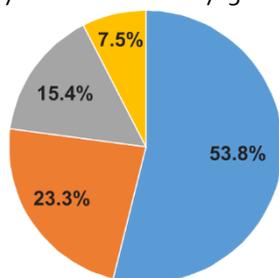
Let's take the **RECM BALANCED FUND** for example, as at 31 March 2018, this is their performance table:

<u>Net Return</u>	<u>RECM</u>	<u>BENCHMARK</u>
3 Months	-0.5%	2.8%
1 year	-0.1%	9.2%
3 years	0.1%	11.0%
5 years	1.7%	10.8%
Since inception	3.7%	11.1%

With cash in SA giving $\pm 6\%$, they must have really got their equity exposure wrong.

RECM - Asset Allocation

■ SA Equities ■ Global Equities
■ SA Cash ■ Global Cash



Nedgroup Stable Fund



	<u>Stable</u>	<u>Benchmark</u>
1 year	4.2%	8.0%
3 years	4.5%	9.6%

Prudential Inflation Plus



	<u>Prudential</u>	<u>Benchmark</u>
1 year	5.8%	7.2%
3 years	5.1%	8.8%

They state that their primary objective is to outperform CPI by 5% before fees, over a rolling 3 year period. The second objective is to reduce the risk of capital loss over any rolling 12 month period. The above is all backed up by the article in the Business Day (21/05/2018), where Magda Wierzycka (CEO of the Investment Company, Sygnia), accused the JSE of ignoring its duties to investors by giving the green light to questionable listings. Likewise, the checks and balances for listed companies should be tighter, to prevent the events that led up to the Steinhoff debacle from happening.

The Unit Trust world

There are currently 1 261 registered unit trusts on offer in SA, with a staggering R1.9 trillion invested in them (ASISA). The top ten biggest unit trusts together, represent almost a third of the total unit trust investments.

Below is the top 5 unit trusts ranked according to assets under management (AUM), as at 31 March 2018 vs 31 March 2015.

Rank	Unit Trust	AUM – March 2018	AUM – March 2015
1	Allan Gray Balanced	R 141.8bn	R 106.4
2	Coronation Balanced +	R 87.9bn	R 78.9bn
3	Absa Money Market	R 66.1bn	R 47.7bn
4	Allan Gray Stable	R 46.0bn	R 36.2bn
5	Investec Opportunity	R 42.4bn	R 41.2bn

Naspers raised R 116bn for the sale of 190 million Tencent shares, reducing its stake to 31.2%, and more recently sold its stake in the Indian e-commerce group Flipkart, to US mega retailer Walmart for R 27.7bn.

That brings the JSE stalwart's total cash generation to around R 143.7bn, more than the entire Allan Gray Balanced fund.

THIS AND THAT

Nestle to cut 500 jobs in the biggest Swiss restructuring plan.

Annual **inflation in South Africa** increased from 3.8% in March, to 4.5% in April this year.

Netflix plans to spend \$8bn on movies and shows this year worldwide.

Woolworths Holdings Ltd. said its Australian division head, John Dixon, will leave and won't be replaced after the SA retailer was forced to write off \$541 million earlier this year.

Aveng: 10 years ago, this company was the largest construction firm in SA. Then it lost 99.5% of its value.

SA billionaire businessman **Christo Wiese** steps down as non-executive chairman of **Brait**.

Asia dominates as **Singapore to Kuala Lumpur** is the world's busiest international air route.

Nestle pays \$7.15bn to sell coffee with the **Starbucks** brand, joining forces to rejuvenate their coffee empires.

Oil boils over \$70 as market awaits Trump's call on Iran sanctions.

In April **Toyota** sold 8 213 vehicles in SA, followed by **Volkswagen Group** at 6 261, **Ford** at 3 570, **Nissan** at 3 403 and **Hyundai** at 2 633.

Apple reports 'best quarter ever' with revenue of \$61.1bn. Warren Buffett, CEO of **Berkshire Hathaway**, purchased 75 million **Apple** shares to add to his company's stake.

Things you may not know about Libstar

The fortunes of Libstar, which raised R1.5 billion ahead of its JSE listing, were tied to the Woolworths Food growth story. If you've ever shopped for pasta, salami, cheese, mushrooms, chicken schnitzels, spices, honey, nuts, as well as certain baked goods (including gluten-free items), canned goods and sauces from the upmarket retailer, you've bought food produced or imported by a Libstar company.

- Woolworths is its top customer
- It produces all meat and chicken for McDonald's South Africa
- It manufactures Mrs Balls chutney
- It is involved in cheese and mushrooms
- It is a huge private-label / store brand producer
- It makes ready-to-eat meals for Shoprite Checkers
- It supplies a number of well-known imported brands under licence



It received a lukewarm reception from investors, raising R1.5 billion at a price of R12.50 per share in its IPO. This was at the bottom of its targeted range of R12.50 to R16.

Below is a graphic, showing the various brands involving Libstar, and their respective connection to the company.



IT IS TIME! The 2018 Tax Season opens 1 July
Contact us today for assistance.

FIND US ON



Articles from: Financial Mail, Business Day, Sunday Times, STANLIB, Allan Gray, Old Mutual, Sanlam, Coronation, Ashburton, PSG, News 24 and Investec were in developing the article presented in this newsletter

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