

## No time to cash in local assets

After four long years of returns worse than cash, many investors in local equity and balanced funds are wondering if it is time to give up on such investments. And of late, investors have had to put up with emerging-market fears after the crisis in Turkey; wild dips in the rand; the JSE's largest share, Naspers, plummeting in value; gloomy economic forecasts; and threats about the sustainability of good returns from the world's largest share market, the US. But asset managers are cautioning investors against giving up and moving to cash as it could be exactly the wrong time to do so.

**PRUDENTIAL** 

Prudential expects shares on the JSE, after returning 4% a year for the three years to the end of June, to return 12.9% a year over the next three to five years, and global equities, which have delivered more than 16% a year over the past five years, to deliver 12.6% a year in the years ahead. The investment house is expecting 14.4% from local listed property, which for the three years to the end of June returned just 0.9% a year after large losses in the short term. Hamilton van Breda, the head of retail sales at Prudential Investment Managers, says despite the recent broadly disappointing returns, many asset classes

are valued to deliver promising inflation-beating returns over the medium term.



Old Mutual Investment Group's head of macro solutions, Peter Brooke, said the group expects higher real returns for all local asset classes over the next three or four years due to a number of drivers, the biggest being changes in the country's political situation. He said it might not feel like it now as we are in the middle of a recession - the lagged effect of bad policies, low economic growth and low confidence - but the local economic situation is improving. In its multi-asset funds, Old Mutual had taken some of the profits it had made for investors from global equities and put these into cheaper local shares. The investment house is expecting an after-inflation or real return of 5% from local equities as opposed to a 4.5% real return from global equities.



## The good old days

We have spent a lot of time scanning most of our paperwork, trying to become paperless. I came across a Fact Sheet from Old Mutual, dated 30 June 1996. For interest sake, we have compared 1996 with 2018.

FUND	1996 MARKET VALUE	2018 MARKET VALUE	1996 (1 YEAR) RETURN	2018 (1 YEAR) RETURN
INVESTORS FUND	5.8 billion	12 billion	29.43%	2.52%
GROWTH FUND	763 million	1.3 billion	29.22%	2.03%
TOP COMPANIES FUND	500 million	1.2 billion	35.20%	1.30%
INDUSTRIAL FUND	355 million	1.1 billion	29.71%	-6.76%
GLOBAL EQUITY FUND	231 million	15 billion	33.35%	13.51%
MINING FUND	198 million	1 billion	26.87%	23.58%
GOLD FUND	170 million	324 million	37.34%	-16.36%

Some interesting facts from the above.

- The Gold Fund saw the biggest growth in 1996, 37.34% for the year, but in 2018 it is the biggest loser.
- The Investors Fund, SA oldest Unit Trust Fund, gave its investors a 21.18% annual average return for the past 25 years up to 1996.
- The Global Equity Fund's market value has grown substantially, now that exchange controls have become more relaxed.
- In 1996 Old Mutual only had about 20 Unit Trust Funds, today they have over 100.
- If you invested R100 000 and got an annual return of 29.43% in the Investors Fund for 5 years, your R100 000 would be worth R363 224. Let's take today's return of 2.52% for 5 years, your R100 000 would be worth R113 251, a difference of R249 973 in 5 years.

## THIS AND THAT

- There is R2.3 trillion invested in 1551 **Unit Trust funds** in South Africa. Just short of R100 billion was added during the past 12 months ending June 2018.
- **Shoprite** was hit by 489 armed robberies during the past year.
- **Woolworths** CEO Ian Mour said, "We overpaid for **David Jones** in Australia, (R22 billion) and arguably we bought it at the wrong time. Now however, would not be a good time to sell, so we wouldn't consider it."
- 7 months **SA Motor Car Sales** – January until July 2018:

BRAND	UNITS
Toyota	77 099
VW	49 321
FORD MOTOR CO	32 772
NISSAN	31 599
HYUNDAI	21 240
MERCEDES - BENZ	13 567

With 75 250 units being registered this year in **Gauteng**, 27 964 in **Kwazulu- Natal** and 23 737 in the **Western Cape**.

- **Foord** have stated, "staying on board through market cycles is the most important thing that investors must do – there is no starting point and no finish line for long term savings."

**Reminder to get your SA ID Cards**



### Toyota & Uber

Toyota will pump about \$500 million into Uber as part of a deal to work together on mass-producing self-driving vehicles, the Japanese car giant said on Tuesday.



The deal, which reportedly values Uber at about \$72 billion, aims at "advancing and bringing to market autonomous ride-sharing as a mobility service at scale," Toyota said in a statement.

Technology from both companies will be integrated into purpose-built Toyota vehicles and deployed on Uber's ride-sharing platform, with the first pilot roll-out set for 2021.

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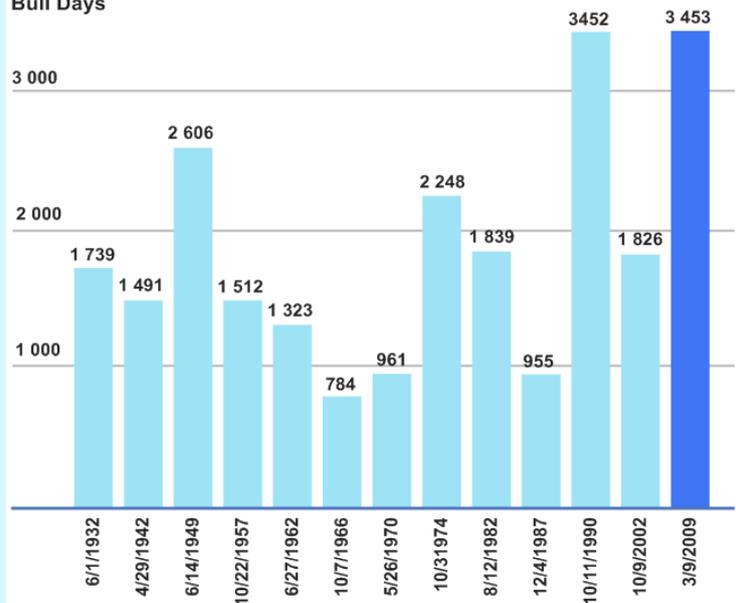
- **Petrol price per litre** – most expensive countries.

COUNTRIES	PRICE PER LITRE
Hong Kong	R 28.44
Norway	R 27.41
Netherlands	R 26.15
Greece	R 25.96
Italy	R 25.94
South Africa	R 16.03

- **Starbucks** is raising its dividend and increasing its share buyback programme, to return \$10 billion more to shareholders by 2020. The coffee chain posted revenue of \$6.31 billion in the period, exceeding the Wall Street forecast of \$6.26 billion.
- **Hartsfield-Jackson Atlanta International** airport is the busiest passenger airport in the world, with 103.9 million domestic and international passengers passing through the **Georgia** airport in 2017.
- Stats on **NETFLIX** – one fifth of the world's bandwidth is consumed by users who stream Netflix. \$10 is the average subscription. 2 hours is the average time subscribers spend watching Netflix. Netflix will spend \$12 billion to produce original TV shows and movies this year.
- **Savings** – **China** accounted for an estimated quarter of the World's Gross National Savings. It is the World's highest national savings rate (46% of GDP) – SA rate is at 16.5% and Afghanistan is at -11%.

## Bull Markets since World War II

S&P 500 performance  
**Bull Days**



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