

“LOOK WHAT HAPPENS WHEN ONE CHASES THE WINNING UNIT TRUST”



-By Peter Brooke, Head of Old Mutual Macro Solutions

Peter did some research in how the top 10 Unit Trusts performed for a 3-year period at the end of 2016. See the graph below: It's interesting to see that the top Unit Trust landed up second last in 2016 – 102 out of 103 in the high equity section. Many of the bottom 10 landed up with high rankings in 2016.

Once again this highlights the need to diversify and to have a balanced portfolio

TOP 10 High Equity Positioning

Rank 3 years to Dec 2015	Rank 2016
1	102
2	92
3	98
4	97
5	25
6	57
7	60
8	68
9	90
10	21

Bottom 10 High Equity Positioning

Rank 3 years to Dec 2015	Rank 2016
94	6
95	13
96	35
97	93
98	14
99	9
100	7
101	2
102	75
103	1

PROPOSED RETIREMENT REFORMS

Encouraging Preservation during Employment to Enable a Comfortable Retirement

One of the challenges of the current system is that it makes it easy for workers to cash out their retirement savings when they leave their employer or change jobs.

For example, Old Mutual states that 93.5 per cent of members who were paid withdrawal benefits in 2013 opted to take cash rather than preserve their benefits. This means that individuals end up not having enough money for their retirement because the money is not given sufficient time to grow.

Government proposals seek to encourage pension fund members to preserve their money in their own funds (with old or new employer), or with a financial institution when they change jobs.



SA INFLATION – PUBLIC ENEMY No.1

SARB's target range is between 3 – 6% but at this stage they have been battling to get below 6% having averaged at 6.3% for the past decade. R10 000 today will be worth R5584 in 10 years and R3118 after 20 years. (Inflation @ 6%.)

It's all about getting a REAL RETURN on one's money. So, what does REAL RETURN actually mean?

If inflation is at 6% and you invest in a fixed deposit and get 8.5% interest your REAL RETURN will be 2.5%. (8.5% less 6%) So, over the past 87 years from December 1929 to December 2016 when inflation averaged 6.5% - R1 invested during this period would have grown as follows:

SA Cash to R2
Gold to R19

SA Bonds to R4
Global Equity to R296

Global Bonds to R17
SA Equity (JSE) to R472

Over the same period Equities outperformed all other Asset Classes by 47% over the 87-year period. Money needs TIME to benefit from the full potential of compounding growth.

R1000 invested in Equities today would be worth:

R 3 712 – in 10 years and

R 13 780 – in 20 years.



Wealth Tax – A Complex Issue

By Linda Ensor – Political Writer of the Business Day

Wealth taxes, now under consideration by the Davis tax committee, are notoriously complicated and expensive both to administer and to comply with.

They were commenting on the committee's call for submissions on the desirability and feasibility of a wealth tax, more particularly on a land tax, a national tax on the value of property (over and above municipal rates) and an annual Wealth tax.

The introduction of a wealth tax would come on top of the sharp hike in the tax rate of high-income earners announced in the 2017-18 budget, which created a new tax bracket of 45% for those earning more than R1.5m. It is expected to raise about R127bn.

PWH FINANCIAL SEMINAR

3 MAY 2017 – CRADDOCK

PW HARVEY & CO is hosting a Financial Seminar in Craddock on Wednesday 3 May 2017 at 18:00 PM for 18:30 PM at the Victoria Hotel. Contact Greg at 041 373 2710 for more information.



28 FEBRUARY 2017 INCOME TAX

The income tax season opens on the 1st of July for the period of 1 March 2016 to 28 February 2017. The various companies are starting to issue income tax certificates, we urge you all to start collecting the certificates and to drop, post or email them to us. If you have any problems, please contact Eric at (tax2@pwharvey.co.za)

THIS AND THAT – SOME FACTS

- South Africa ranks a lowly 16th among the top 19 fastest growing countries in Africa per a new report by Afro Asia Bank and New World Wealth. Mauritius was named the top performing African country.
- Naspers reaches a new all-time high on the JSE 25 April 2017 @ R2 547.45 which is 75% higher than in September 2016. Let's not forget that TenCent is the Chinese internet giant in which Naspers owns 34.5% and that represents most of Naspers' income and market value. The share price has risen by 23% over the past 90 days.
- New Top Tax Bracket.... We have been here before.
1961 – 1968 50% marginal rate
1971 – 1978 60% marginal rate
We are now 45% starting at R1.5m taxable income
- Sanlam Survey April 2017 – 7 Asset Managers (the likes of Coronation, Investec, Old Mutual and Sanlam). See the expected performance over the next 12 months:
Cash - 3/7 say 6.51% - 7.00%
Cash – 4/7 say 7.01% - 7.50%
Property – 4/7 say 8.0% - 10.00%
Property – 3/7 say 10.01% - 12 -00%
Equities – 1/7 say below 6%
Equities – 3/7 say 8.01% - 10%
Equities – 3/7 say 10.01% - 12.00%

RAND/DOLLAR	ASSET MANAGERS	RAND /POUND	ASSET MANAGERS
BELOW R13.50	2/7		
R13.50 – R14.00	3/7	R16 – R17	2/7
R14.51 – R15.00	1/7	R17 – R18	4/7
R15.01 – R15.50	1/7	R18 – R19	1/7

- They are bullish on Euro- Zone Equities. 5/7 and bearish on US Equities 5/7.
- Clicks shares shine in a depressed economy. The group turnover increased by 8.5% to R13.1 billion and operating profits was 14% higher at R840million.
They now have 6.5million active Club card members.

Find us on:   

After a lot of effort and hard work we are pleased to say that our NEW WEBSITE is up and running. We would appreciate it if you could log on and browse around to see what PW Harvey & Co has to offer.

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