

So what's in store for 2018?

At the moment it's the 'Cyril Ramaphosa factor' long may it last as he sure pulled off his trip to Davos, but there is a lot more waiting for him at home.

- The State of the Nation Address
- The Budget
- Does "He" go or not
- Corruption
- Appointing the right people for the job
- Building business confidence



Having been to four investment talks/seminars during January, the mood amongst the Fund Managers (Allan Gray, PSG, Investec and Marriott) is very positive. They all agree that the world economy is on track, especially in the US with the tax cuts that the President introduced, to assist the US companies. AB In Bev have already indicated that they are going to spend US\$ 2 billion on new plants because of the tax cuts. Europe is positive with only the UK still sorting out BREXIT, which is holding them back. There was a strong start to 2018 for the Asia markets, with Hong Kong hitting an 11 year high.

Getting back to the local Fund Managers - they see the average level of the JSE for 2018 being 64 000..... forget it closed at the end of last year at 59 504.

Just to remind us all of the key indicators for the past couple of years.

| | R/\$ | JSE | OIL |
|--------------|--------|--------|--------|
| January 2014 | 10.487 | 45 132 | 107.57 |
| January 2015 | 11.565 | 51 266 | 48.42 |
| January 2016 | 15.879 | 49 141 | 30.80 |
| January 2017 | 13.620 | 52 788 | 54.89 |
| January 2018 | 12.378 | 59 504 | 66.87 |

Just a bit more SA good news - the (OBI) Open Budget Index results for 2017 are out. The Index is the world's only independent, combative measure of central government budget transparency and guess what; South Africa and New Zealand share top position, scoring 89 out of 100, USA 77, UK 74, Germany 69 and Japan 60 (Info Stanlib).

On to some stock picks for 2018. Before we list them, let's not forget that the JSE grew by ± 21% last year, mainly driven by Naspers which makes up over 25% of the JSE Index. Most Fund Managers would not have such a high weighting in one share so the average Equity Unit Trust Fund (Total 165) gave a return of about 12.50%.

Mazuma Gama of Financial Week 2018 Stock Pick

1. Kumba Iron Ore – Room to run on the solid demand from China.
2. Barloworld – has recovered somewhat and still has potential to improve profits.
3. Woolworths – if it can sort out David Jones in Australia the share price should respond.
4. Sasol – the recovery of the Brent Crude Oil prices should help the share.
5. Hyprop – leading specialist retail Property Company, portfolio in SA, Zambia, Ghana, Nigeria and South East Europe.
6. MTN Group – management is restoring investor confidence.

Sanlam Private Wealth Alorwyn Van Der Merwe - Tongaat Hulett, EOH, Metair, Invicta and Coronation.

At this stage there has been no comment from the Steinhoff Board, nor PWC who were instructed to do a report on the company. We are waiting for the report before we make a decision as what to do with the share.

Compound Interest – the forgotten secret to investment success

Compounding or Compounded interest is no new term in the investment world and the concept has been around for many years. Compound interest has been called the 8th wonder of the world by Albert Einstein and praised by Warren Buffet and Benjamin Graham as a powerful investment principle.

Warren Buffet described compounding interest as "the most powerful tool in the creation of wealth through investment".

This can be illustrated by the below table.

Based on R 1 000 000 invested, the below gains can be seen.

| Compounder | 5% | 10% | 15% |
|------------|-------------|--------------|--------------|
| Years 5 | R 276 282 | R 610 510 | R 1 011 357 |
| 10 | R 628 895 | R 1 593 742 | R 3 045 558 |
| 20 | R 1 653 298 | R 5 727 500 | R 15 366 537 |
| 30 | R 3 321 942 | R 16 449 402 | R 65 211 772 |

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THIS AND THAT

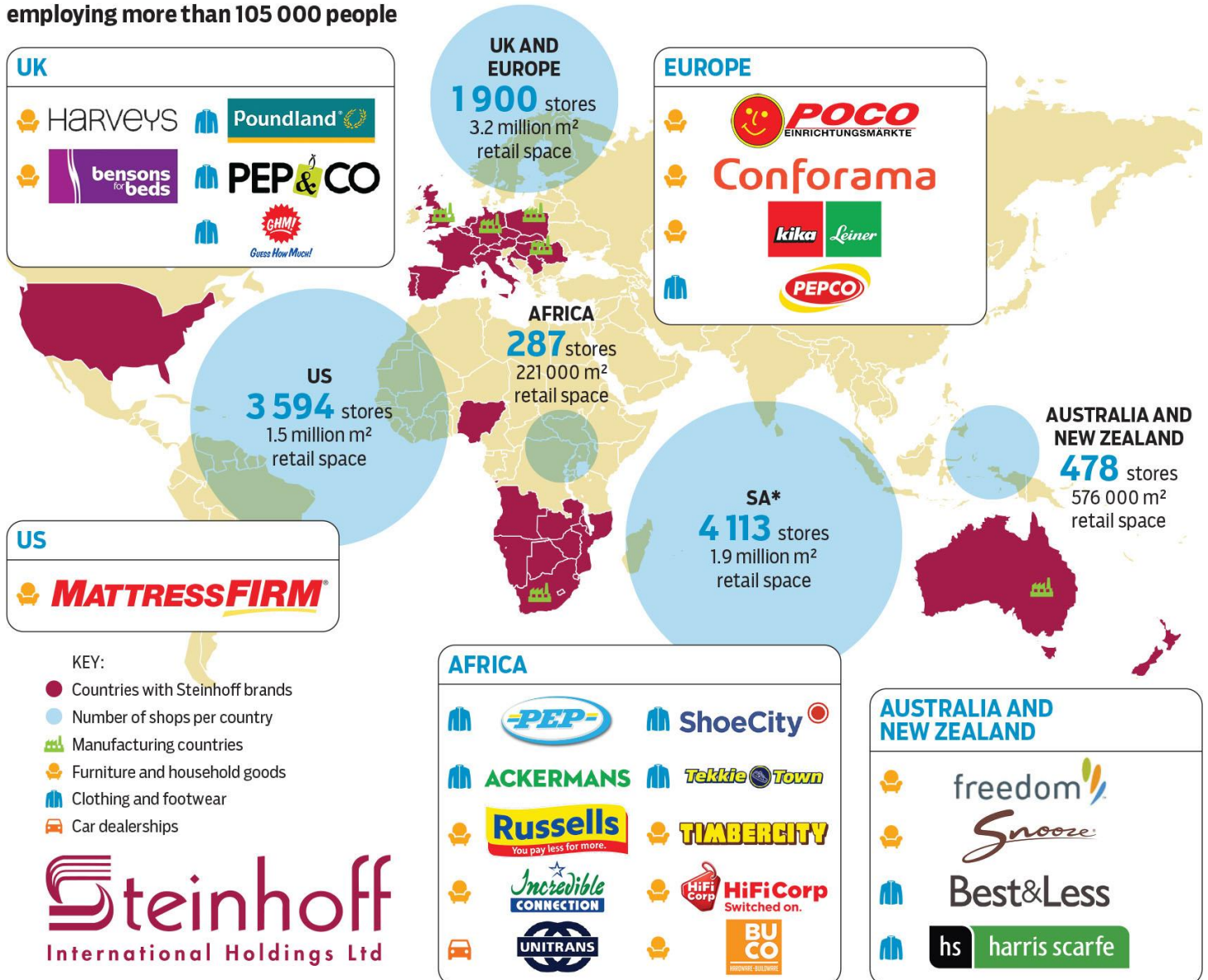
- The 10 most liveable cities in the world
Melbourne, Vienna, Vancouver, Toronto, Calgary, Adelaide, Perth, Auckland, Helsinki and Hamburg. (3 Canada & 3 Australia)
- US Markets set new record with 15 consecutive months of gains.
- 47 002: the number of pupils enrolled at Curro Schools
- Top Millionaire (US\$) Cities.

| | |
|---------------------|---------------------|
| London - 357 200 | New York - 339 200 |
| Tokyo - 279 800 | Hong Kong - 227 900 |
| Singapore - 217 300 | Bay Area - 180 300 |

- Tencent teaming up with Lego to help Lego to move into a more digital world.
- 25: The number of litres of water a day that each resident of Cape Town will be able to collect once the City hits Day Zero.
- December 2017: SA records its biggest trade surplus in 27 years.
- Fast Foods: Taste Holdings lost 58.16% in share value during 2017. Famous Brands is down 24.27% and Spur 21.1%
- 120 SA companies working in Nigeria.
- R168 billion was wiped off Steinhoff's market value

Steinhoff's international brands

Steinhoff owns 40 brands with more than 11 000 stores in 32 countries. It also owns 22 factories employing more than 105 000 people



*Including Botswana, Lesotho, Namibia and Swaziland

Source: Steinhoff International

Graphics24

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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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