

THE BRANTAM “UPDATE”

4th October 2017

178

FACT OF THE DAY

Banks have therapists known as “wealth psychologists” who help ultra-rich clients, who are unable to mentally cope with their immense wealth!

COMMENT

I spent an interesting couple of days down in Cape Town meeting with a number of different fund managers. Usually, there’s a sort of consensus view among them, however, this time there were a number of differing opinions.

As is common at the moment, the first topic of conversation is Naspers and where it’s going as it makes up such a large part of our market. It was interesting that two of the 6 equity managers that I spoke to, don’t hold any Naspers in the funds, the others had varying levels of exposure, some as low as 4% of their funds, the highest at 12% of his fund.

There was some consensus that local SA mid cap stocks are looking attractive, but each manager had a different set of favourites.

When asked about the valuations of the big tech stocks in the US, one or two believe they’re overvalued and due for a correction, others believe they’ve still got a long way to go before they look expensive.

All the excess money that the developed world has printed since 2009 has caused huge inflation in asset prices around the globe, so I asked each of them what the likely outcome would be when all the taps are turned off. As this is the first time such an experiment has been undertaken, nobody really knows how it’ll end.

Again, the views were diverse; some see a major collapse in asset prices as they believe they’re completely artificial, others see a long sideways drift in markets (up to 20 years), whilst the more bullish guys reckon you should ride the wave for as long as it lasts.

When I asked them about our political situation, I finally had consensus, things will be very volatile leading up to the ANC conference in December and to a person, they all believed SA would be a lot better off with Zuma out of the picture.

Unfortunately, wishing him away is not the same as getting rid of him!!

GLOBAL MARKETS

USA:

Trump and His Administration.

- The United States has expanded its controversial travel ban to include people from North Korea, Venezuela and Chad. The restrictions on Venezuelans apply only to government officials and their family members.
- North Korea’s foreign minister said President Donald Trump had declared war on the country and it reserved the right to take countermeasures, including shooting down U.S. bombers even if they are not in its airspace. The White House disputed the declaration, calling the suggestion “absurd.”

- The United States has cut its diplomatic presence in Cuba by more than half and warned U.S. citizens not to visit because of mysterious “attacks” that have caused hearing loss, dizziness and fatigue in U.S. embassy personnel.
- Puerto Rico needs immediate aid from Congress to avoid a “humanitarian crisis” after Hurricane Maria to prevent “thousands if not millions” of residents from flocking to the U.S. mainland.
- One of the consequences of the destruction of infrastructure in Puerto Rico is the failure of the country’s IT networks. Most ATMs on the island still aren’t working because of infrastructure issues or because no one has refilled them. For the time being, Puerto Rico has become a cash economy, making it impossible to track revenue and enforce tax rules and adding to the islands debt problems.
- How do you pay for an estimated \$5.8 trillion tax cut? For President Donald Trump and Republican congressional leaders, that is the mostly unanswered question. The tax reform plan they released on Wednesday took a first step toward outlining how Republicans propose to cover some of the monumental cost over the next 10 years, mainly by removing certain tax breaks. But even those proposed changes were left vague — and wouldn’t remotely pay the full cost of the tax cut.
- Following criticism of a number of Administration officials for using charter flights instead of commercial flights for official travel, Health and Human Services Secretary Tom Price promised to reimburse taxpayers for his use of private charter jets for official government business.
- A surprise report has revealed that big four auditing firm Deloitte was hit by a major cyber-attack that compromised its email system and certain client records. The news is a major black eye for one of the world's "big four" accountancy and consulting firms, especially since a major part of Deloitte's business is selling cyber security.
- Federal Reserve Chair Janet Yellen said raising interest rates gradually is the most appropriate policy stance now at a time of higher uncertainty about inflation.
- The S&P 500 and the Nasdaq advanced to record levels on Friday, buoyed by gains in technology stocks. The S&P posted its sixth straight month of gains, now up 12.53% for the year to date. For September, the Dow gained 2.1%, the S&P rose 1.9% and the Nasdaq advanced 1.05%.
- Hugh Hefner, founder of Playboy, has died after 91 largely hedonistic years. He leaves his wife Crystal whom he married in 2012 and who is 60 years his junior.

Europe:

- The Bank of England has cautioned that the UK's growing £200bn consumer debt pile threatens to damage the capital positions of some of Britain's biggest banks should a sharp downturn in the economy take place. Britain's banks need to set aside an extra £10bn to cover possible losses on personal loans, credit cards and car loans, the Bank has confirmed.
- London's average house prices fell 0.6% in the year to September, compared to the national average growth of 2%.
- A pickup in the saving ratio, to 5.4% from an upwardly revised 3.8% in the previous quarter, may boost hopes that households have enough in reserve to maintain their spending without having to go deeper into debt.
- Theresa May yesterday warned against erecting trade barriers between the UK and the EU after Brexit, in a marked change of tone as she swung behind City plans for a deal on financial services. She said: “It is in neither the EU’s nor the UK’s interest to see these financial services markets fragment.”

German Chancellor Angela Merkel has been re-elected for a fourth term while nationalists have made a historic surge in federal elections. Her conservative CDU/CSU bloc has seen its worst result in almost 70 years (32.9%) but will remain the largest party in parliament.

- Emmanuel Macron's centrist party suffered its first electoral blow on Sunday as rival conservatives dominated elections to the French Senate. François Patriat, of Macron's La République En Marche, said the party was expected to win between 20 and 30 seats – far fewer than the 50 for which it was aiming. "I wouldn't say it's a success," Patriat said.

- Monsanto lobbyists have been banned from entering the European parliament after the multinational refused to attend a parliamentary hearing into allegations of regulatory interference. It is the first time MEPs have used new rules to withdraw parliamentary access for firms that ignore a summons to attend parliamentary inquiries or hearings.

South Africa:

- The High Court in Pretoria has granted OUTA's urgent interim interdict freezing the Gupta-owned Optimum and Koornfontein coal mines' rehabilitation fund accounts, worth R1.75bn, which are deposited with the Bank of Baroda.

- South Africa is not planning to raid the government pension fund to bail out struggling state firms, finance minister Malusi Gigaba said on Tuesday. Gigaba also denied Bloomberg reports that he told a Cosatu union meeting that indebted state-owned entities needed R100 billion to survive.

- Former South African Revenue Service (SARS) officials implicated in KPMG's report on the so-called rogue SARS unit met the international auditing firm on Tuesday and called on the company to withdraw the report in its entirety.

- There is almost 40 times less shale gas in the Karoo than previously thought, according to scientists who helped analyse recent rock core samples from test drillings in the Karoo. Prof Michiel de Kock, a senior paleomagnetist and head of geology at the University of Johannesburg, said very little sign of shale gas had been found in the first, directly measured, test samples dug from various depths, suggesting that previous claims about huge deposits were "grossly inflated".

- Employment in South Africa's non-agriculture sector barely changed in the second quarter, shrinking by 0.4% to 9.617 million people compared with the previous three months, Statistics South Africa said on Thursday.

- SA lost about 34,000 jobs in the last quarter, with the majority originating in the manufacturing and construction sectors. This equates to a decrease of -0.4% in employment in the quarter ended June 2017.

- South Africa will harvest 16.744 million tonnes of maize this season, the biggest crop on record, after favourable weather across the maize belt boosted yields, the government's Crop Estimates Committee (CEC) said on Thursday.

- The Reserve Bank has told SA's big banks they cannot fire auditor KPMG because it might undermine financial stability, two sources with knowledge of the matter said. KPMG is one of only four auditors with enough depth to jointly audit the four largest banks. No bank may drop or hire an auditor without the central bank's approval.

- Eskom has suspended its chief financial officer, Anoj Singh, and plans to take disciplinary action against former acting chief executive Matshela Koko.

- Government has approved the transfer of funds from the National Revenue Fund to bankrupt airline South African Airways so that it can meet its debt obligations and avoid a default of R3bn. Citibank refused to extend the full amount of its R1.8bn loan which falls due at the end of the month. In total R6.8bn in loans mature on Saturday, and Treasury has been in intensive negotiations with lenders for this to be rolled over. SAA has state guarantees amounting to R19bn.

China and Emerging Markets

- Zhengzhou, the capital of Henan province, said it will suspend construction of buildings, roads and water facilities during the winter to fight pollution. The city also confirmed it would follow government orders applying to

28 conurbations in northern China and cut steel capacity by half and aluminium and alumina capacity by around a third over the period.

- China has ordered North Korean companies in the country to shut down by January as it applies UN sanctions imposed following Pyongyang's sixth nuclear test, its commerce ministry said. The ministry said the companies, including joint ventures with Chinese firms, have 120 days to close from the date the UN resolution was adopted, September 11.
- Profits earned by China's industrial firms rose 21.6% from a year earlier to 4,921.4 CNY billion in the first eight months, compared to a 21.2% growth during January to July. Profits of state-owned industrial enterprises soared 46.3% and those of the private sector grew by 14.0%.
- As little as two years ago, pulling money out of Zimbabwe wasn't too hard. The central bank made \$231 million available in 2015 to pay investors abroad to repatriate cash, but that sum fell to \$5 million in 2016 and just \$700,000 in the first quarter of this year.
- People living in northern Iraq voted overwhelmingly in favour of independence for the Kurdistan Region in Monday's controversial referendum. The electoral commission said 92% of the 3.3 million Kurds and non-Kurds who cast their ballots supported secession. The last international flight left Erbil airport on Friday as the Baghdad government imposed an air ban in retaliation.
- King Salman of Saudi Arabia has ordered that women be allowed to drive cars, ending a conservative tradition seen by rights activists as an emblem of the Islamic kingdom's repression of women.

BRANTAM RETURNS AS AT 29th September 2017

	10 Years	7 Years	5 Years	3 Years	1 Year
Classic Port	6.84%	5.90%	5.59%	6.01%	5.86%
Cabernet	7.24%	7.63%	7.70%	6.57%	5.14%
Chardonnay	8.05%	9.29%	9.43%	7.01%	7.34%
Shiraz	7.91%	10.41%	10.15%	5.58%	4.45%
Champagne	8.64%	12.78%	13.07%	8.33%	6.91%
Claret	9.46%	13.04%	13.78%	8.81%	9.14%
Merlot (\$)	1.51%	2.40%	2.76%	2.19%	10.30%
Merlot (£)	5.87%	4.78%	6.69%	8.90%	7.12%
JSE ALSI	9.5%	12.8%	12.5%	7.2%	10.2%
JSE-MIDCAP	11.7%	12.2%	10.6%	7.4%	-2.7%

It's important to note that the above returns are after costs

WHAT ARE BRANTAM DOING?

No changes to our asset allocation.

AND ON THE LIGHTER SIDE OF LIFE:

A man and a woman are seated next to each other on a flight. They start eyeing each other, and both realize they want to do the same thing.

He slips a condom out of his pocket, and she looks delighted.

Rear toilet? he suggests. Five minutes, she agrees and goes off. He waits five minutes, then goes and slips in there with her.

Right, get that condom on, she says. Soon, they are both sighing with pleasure.

But a sharp eyed stewardess has noticed them, and realized what they are up to, so, she humiliates them by making an announcement over the PA system.

"To the lady and gentleman in the rear toilet, we know what you are doing, and it is expressly forbidden by airline regulations.

Now, please put those cigarettes out and take the condom off the smoke detector."

And what were you thinking?

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