Weekly Investment Update

11 January 2017

PSG Wealth

Strongest growth in resource assets during 2016 - pg. 2

Materials biggest sector contributor in 2016 - pg. 3

Market moves

Performance: 31/12/2016 to 06/01/2017	Return (Cumulative)
Local Markets	
All Share TR ZAR	1.12
Ind/Financials TR ZAR	0.43
Ind/Industrials TR ZAR	1.16
Financials&Indl 30 TR ZAR	0.92
Ind/Basic Materials TR ZAR	1.82
Gold Mining TR ZAR	4.97
SA Listed Property TR ZAR	1.26
Beassa ALBI TR ZAR	0.64
Commodities	
Oil Price Brent Crude PR	0.49
LBMA Platinum AM PR USD	6.73
Gold London AM Fixing PR USD	1.63

The week ahead

Domestic

12 Jan — Manufacturing production

13 Jan — Barclays Manufacturing PMI

International

13 Jan — CHINA: Imports

16 Jan — EA: Balance of trade

Macro

South Africa

The Reserve Bank's composite leading business cycle indicator increased by 1.3% in October to 94.4. In other local news the trade deficit improved to R1.1 billion in November from R3.9 billion in October.

United States

Nonfarm payrolls increased by 156 000 in December 2016, lower than the upwardly revised 204 000 recorded in November and below market expectation of 178 000. Job growth occurred in health care and social assistance.

Eurozone

Consumer prices are expected to rise 1.1% year-on-year in December 2016 following a 0.6% increase in November. It is the highest inflation rate since September 2013 and above market expectations of 1%, mainly boosted by a rebound in energy prices.

Markets*

Best performer

For the week was Lonmin with a return of 22%. Northam Platinum was second with a 12% return for the same period.

Worst performer

Ascendis Health, Brait SE and Invicta Holdings were the worst performers for the week, all with a loss of 9%. Followed by the Lewis Group with an 8% drop for the week.

Sectors

The best performing sector for the week was media with a return of 5.5% for the week. The industrial engineering sector was the worst performing sector with an 8.9% loss.

*Disclaimer: Total weekly returns based on closing values from Monday to Monday.

PSG Wealth

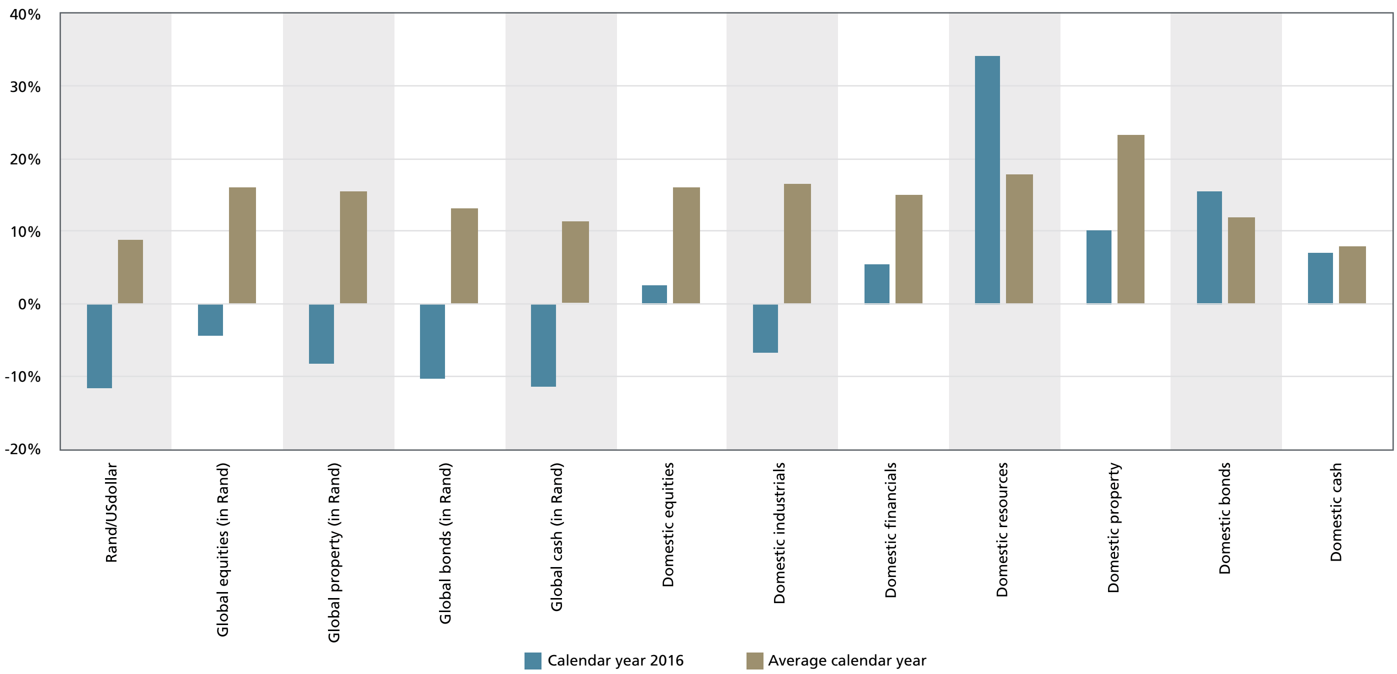
Macro note

Strongest growth in resource assets during 2016

The strong rand during 2016 pushed the total return of most global assets into negative territory. The rand strengthened by 11.5% against the US dollar during the calendar year. The graph below shows that all major global assets gave negative returns in rand terms in these 12 months. However, if one eliminates the effect of the rand, then most global asset classes performed relatively flat during 2016.

Domestically, resources were the big surprise gainers for the year. Showing a total return of 34.2% for 2016 compared to the long-term average of 18%. In the 2015 calendar year resources had a negative total return of 37%. One reason for this jump in resources could be that their prices were very low. In the search for value investors could have seen this asset as an opportunity. Domestic bonds and cash on the other hand performed relatively in line with their long-term averages. Showing that while the year was considered a volatile one, stability is still seen in some asset classes.

Global and domestic asset class performance for 2016 in rand



Source: PSG Wealth research team

Bottom line

The 2016 results clearly indicates investments are not a one-way bet. The worst performing asset could be the most favourable asset and the best performing asset could be the least favourable asset.

The PSG Wealth Solutions select the best active managers to manage its assets. These managers are supported by formidable research teams and have demonstrated the ability to pick quality assets that trade at below intrinsic values. They, however, are well aware of the difficulty to predict the winners and losers with a high level of certainty. They will therefore maintain well diversified portfolios that include all assets classes in which they may invest. However, exposure to unfavourable asset classes will be limited to those few individual securities which offer real value at the highest margin of safety.

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Market note

Materials biggest sector contributor in 2016

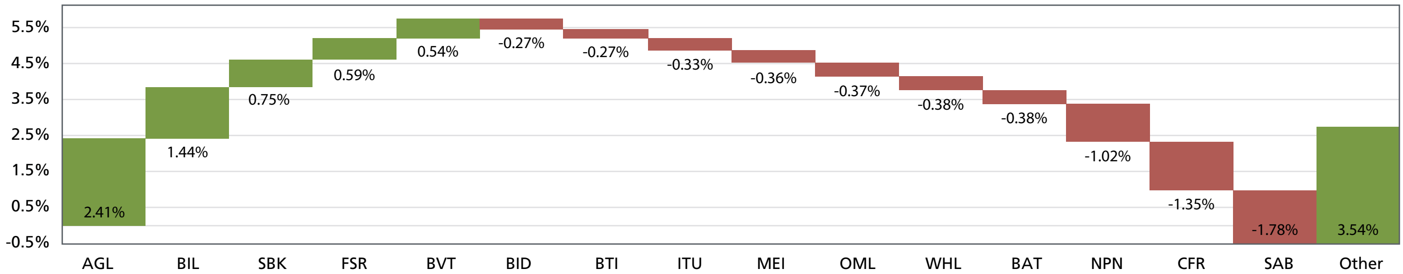
The materials sector contributed the most to the total return of the FTSE/JSE All Share Index (ALSI) for the 2016 calendar year. The graph below shows how minerals contributed 4.89% towards the 2.76% growth in the ALSI over the 12-month period. Anglo American and BHP Billiton were the biggest index movers within this sector.

Financials, boosted mainly by the growth in Standard Bank and the First Rand Group, was the second biggest contributor to growth on the ALSI last year. Within this sector Old Mutual was the largest detractor mainly due to the weak pound following the Brexit-vote.

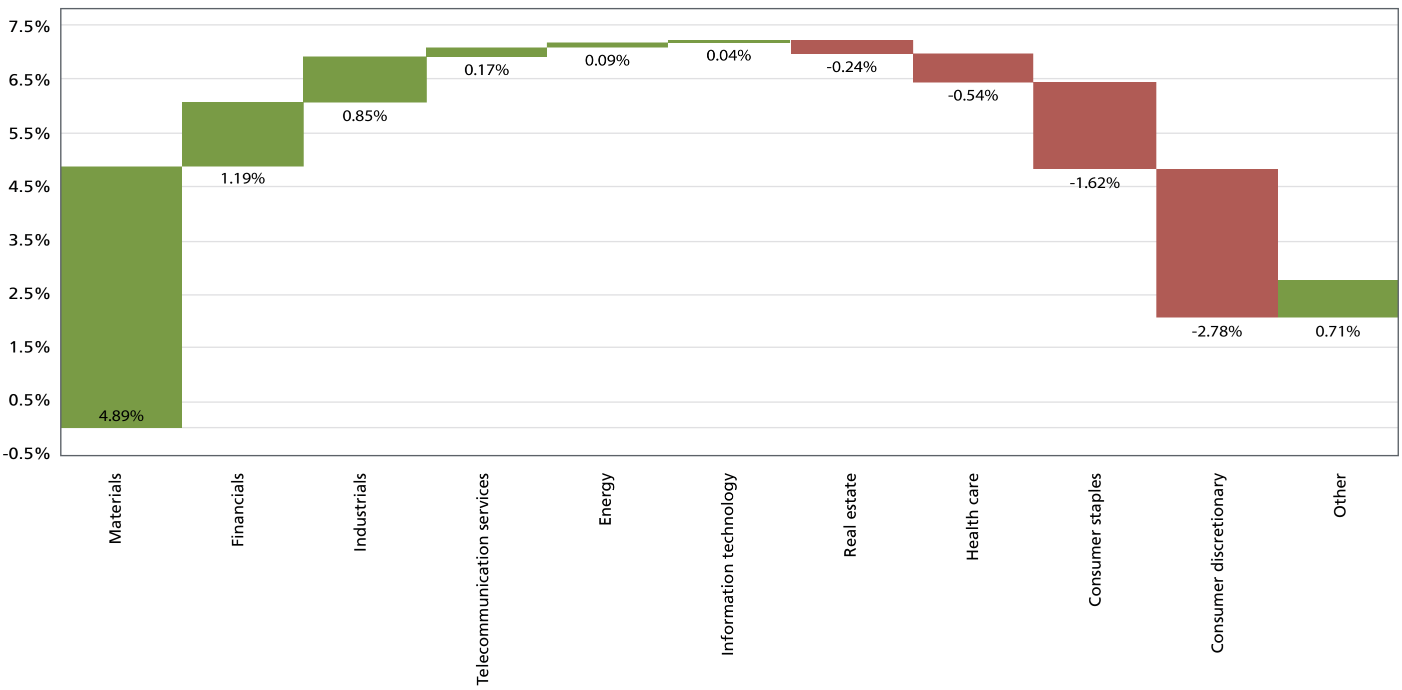
Naspers and Richemont shares were the two largest index movers in the consumer discretionary sector, the biggest detractor in the ALSI for the year. The drop in these share prices can mainly be attributed to the strengthening of the rand throughout 2016.

Share and sector contributors and detractors for 2016

Index movers (2.76%)



Sector attribution (1 month)



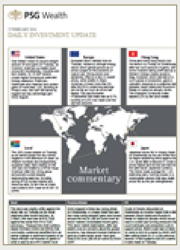
*Percentages represent a function of weight and total return of each share and sector to the ALSI.

Source: PSG Wealth research team, Bloomberg

PSG Wealth

Previous publications

Daily



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Weekly

14 Dec	07 Sep	08 Jun	23 Mar
07 Dec	31 Aug	01 Jun	16 Mar
30 Nov	17 Aug	25 May	09 Mar
16 Nov	10 Aug	18 May	01 Mar
09 Nov	02 Aug	11 May	23 Feb
02 Nov	27 Jul	04 May	11 Dec
26 Oct	13 Jul	26 Apr	20 Nov
12 Oct	06 Jul	20 Apr	16 Nov
05 Oct	29 Jun	12 Apr	
28 Sep	22 Jun	05 Apr	
14 Sep	15 Jun	30 Mar	

Monthly

Nov 2016	Dec 2015
Oct 2016	Nov 2015
Sep 2016	Oct 2015
Aug 2016	Sep 2015
Jul 2016	Aug 2015
Jun 2016	July 2015
May 2016	Jun 2015
Apr 2016	May 2015
Mar 2016	
Feb 2016	

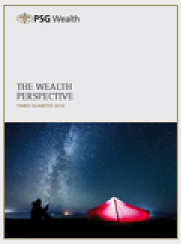
Quarterly

Spring 2016
Winter 2016
Autumn 2016
Summer 2015
Spring 2015

Special Reports

Fed hike inevitable?
S&P 2 Dec review
US election
Market PE's
Domestic local government elections
Brexit vote
Cash vs Long-term instruments
S&P June 2016 rating decision explained
Fed Dec 2015 interest rate hike
Impact of political moves on investments
FoF fees small compared to actual gains
SARB hikes rates
Weak PMI support foreign diversification

Wealth Perspective



Dec 2016
Sep 2016
Jul 2016
Apr 2016
Jan 2016
Oct 2015
Jul 2015