

JSE Power Hour Positioning your portfolio for 2018

Simon Brown

7th December 2017

#JSE @JustOneLap



Warren Buffett



“Predictions tell you more about the person making them than the future”

- Be aware of recency bias



What you said for 2017



Simon Brown
@SimonPB

Last year 54% of you said the Top40 would be down for 2016 and so far that's the right call. What's your 2017 call for the Top40?

#JSE

30% Top40 down in 2017 :(

70% Top40 up in 2017 :)

What you're saying for 2018



Simon Brown

@SimonPB

Time for my annual poll ..

What's your expectation for the Top40 in 2018 ?

#JSE

77% Top40 green in 2018

23% Top40 red in 2018

584 votes • 1 day left



Scoring 2017 predictions

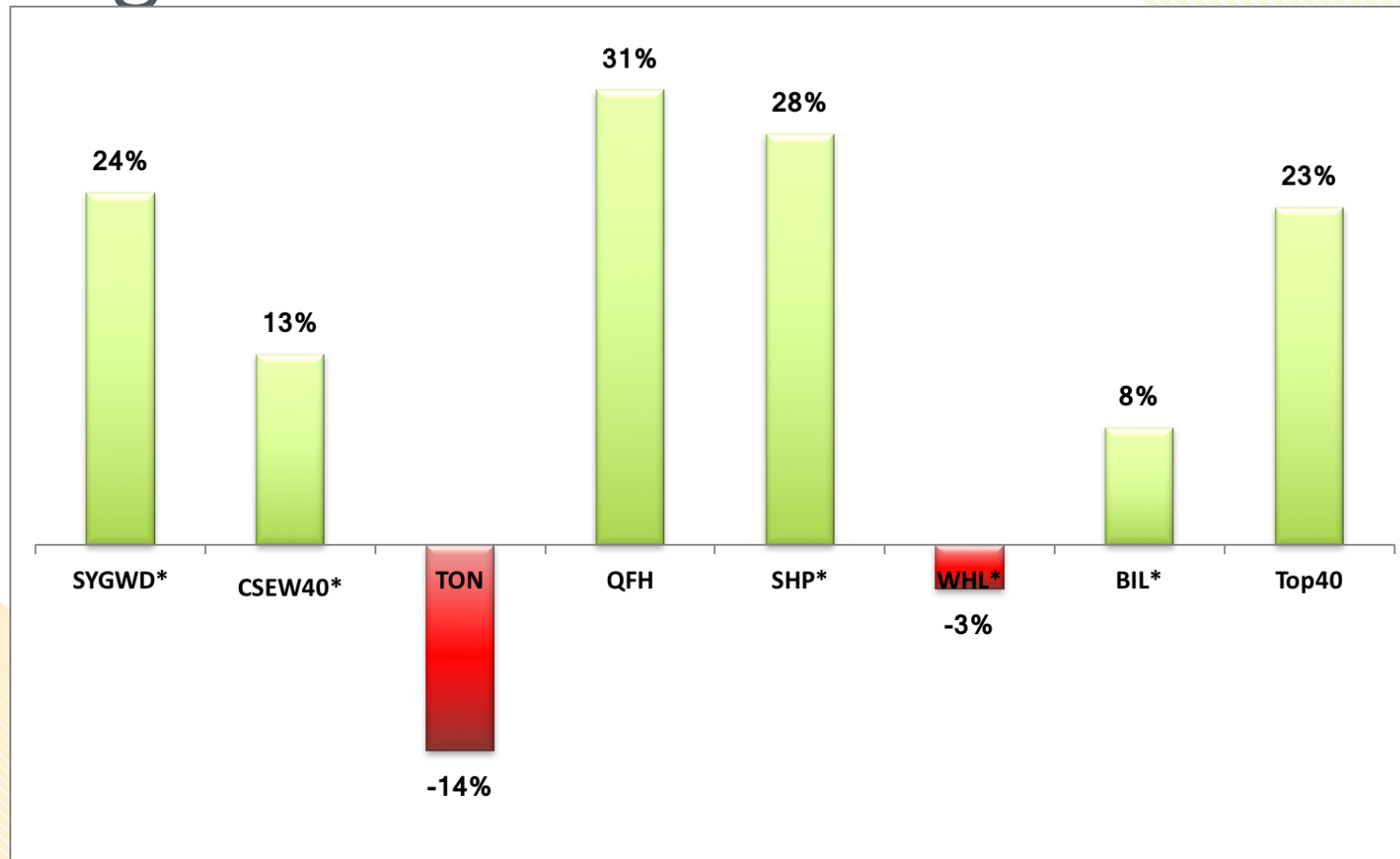


Scoring 2017 predictions

- ✓ Rand stronger against US\$
- ✓ Top40 higher (55k?)
- ✓ No recession
- ✓ Down grades coming
- ✓ But are we Brazil?
- ✓ Rain returns (sorry CPT)
- ✓ Buy food producers
- ✓ Bullish on Indi25 (+32%)
- ✓ Fini15 will struggle (+10%)
- ✓ Oil US\$40-US\$55
- ✓ Rates;
- ✓ No change local
- ✓ No change EU
- ✓ US moving higher
- ✓ US bull continues



Scoring 2017 Stocks**



* I own these stocks as at 7 December 2017
Portfolio at www.SimonBrown.co.za

** as at 06 Dec 2017
One year returns including dividends

The burning questions



Steinhoff



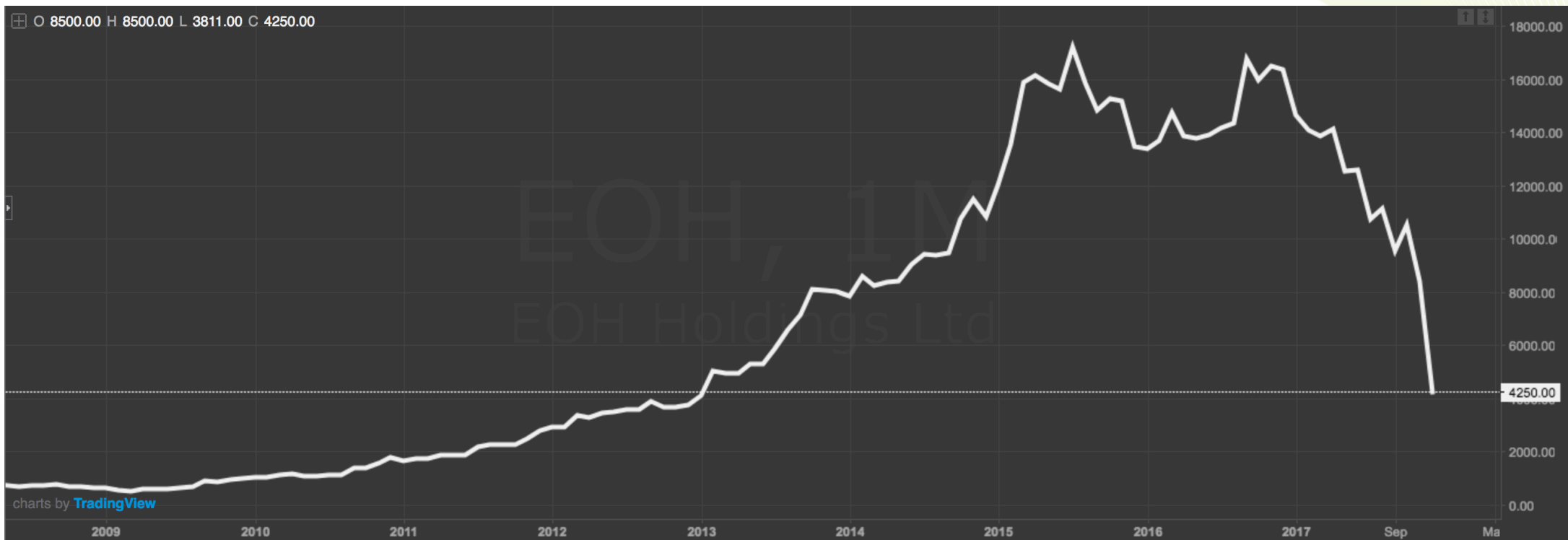
- Turns out we know nothing
- Knowing nothing is never an investment strategy



EOH



- Fear / panic ?



Naspers

- Under valued relative to Tencent
- Tencent is a machine and dominates in China



Bitcoin*

- Bubble



Bitcoin - Milestones (Data via Coindesk)			
Bitcoin Level	% Change Between Milestone	# Days Between Milestone	Date
14,000	7.7%	0	12/6/2017
13,000	8.3%	1	12/6/2017
12,000	9.1%	6	12/5/2017
11,000	10.0%	1	11/29/2017
10,000	11.1%	2	11/28/2017
9,000	12.5%	7	11/26/2017
8,000	14.3%	17	11/19/2017
7,000	16.7%	13	11/2/2017
6,000	20.0%	48	10/20/2017
5,000	25.0%	20	9/2/2017
4,000	33.3%	63	8/13/2017
3,000	50.0%	22	6/11/2017
2,000	100.0%	1,269	5/20/2017
1,000	900.0%	241	11/28/2013
100			4/1/2013

Pension Partners
THE ATAC ROTATION MANAGER

@CharlieBilello

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The 2018 predictions



Government

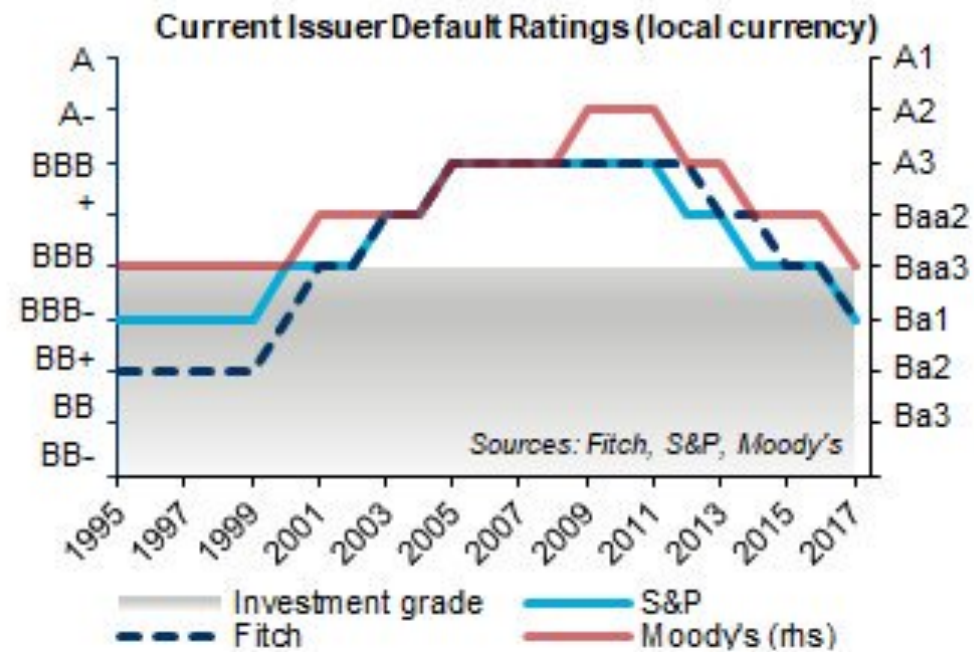
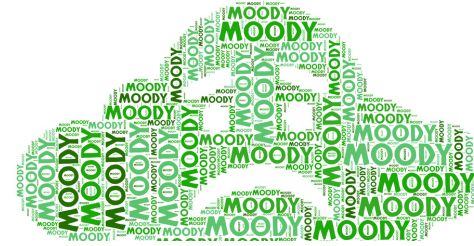


- ANC 54th elective congress ~ 20th December 2017



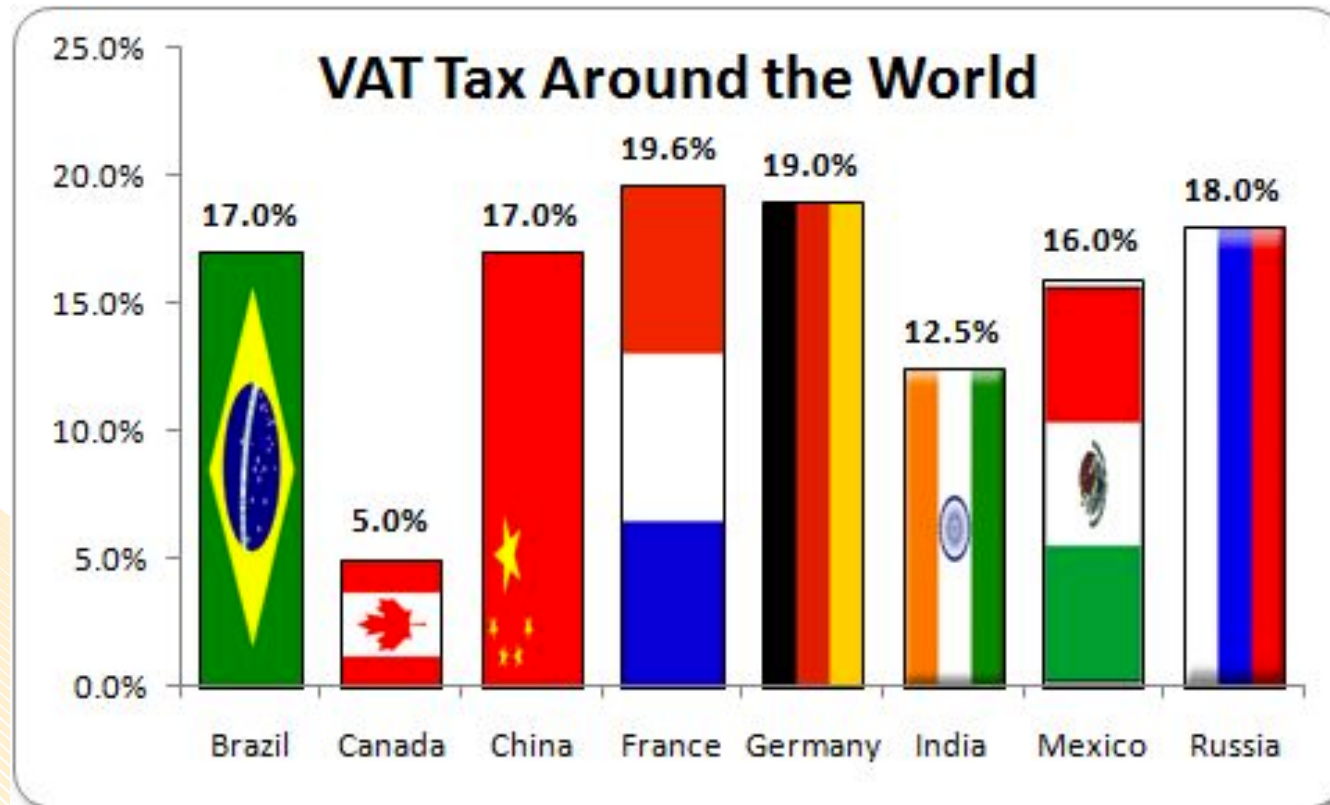
Our rating

- Nasty



VAT?

- How do we plug a R50billion revenue short fall?



Rand



- Expect stronger against US\$

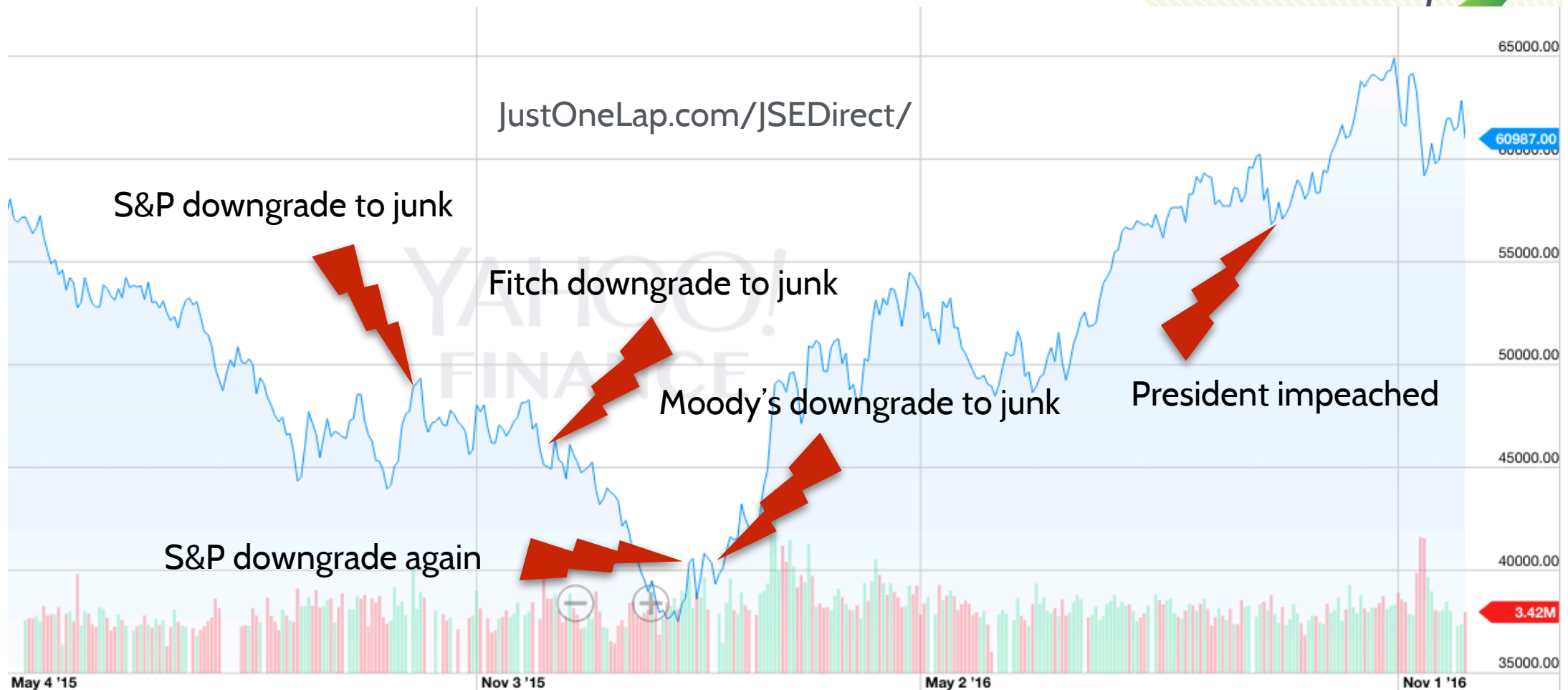


Top40

- Bullish



SA ~ Are we Brazilian?



SA ~ Are we Brazilian?



The world



The World

GDP growth	3.7%
Inflation	3.3%
Population	7.7bn

2018 in numbers (According to the IMF and the UN)

The
Economist

The World in
2018

South Africa



South Africa

GDP growth	1.8%
Inflation	5.4%
Population	57.4m

Zimbabwe

GDP growth	4.1%
Inflation	6%
Population	16.9m

2018 in numbers

The
Economist

The World in
2018

SA GDP 3Q17 q-on-q +2%



- Green shoots



Zimbabwe



Top40 / SA Inc.

- GDP picking up
 - 2% at best (better in 2019)
- No recession
- **Top40 I am bullish**
 - **CTOP50 / CSEW40***



Mama Taxi™

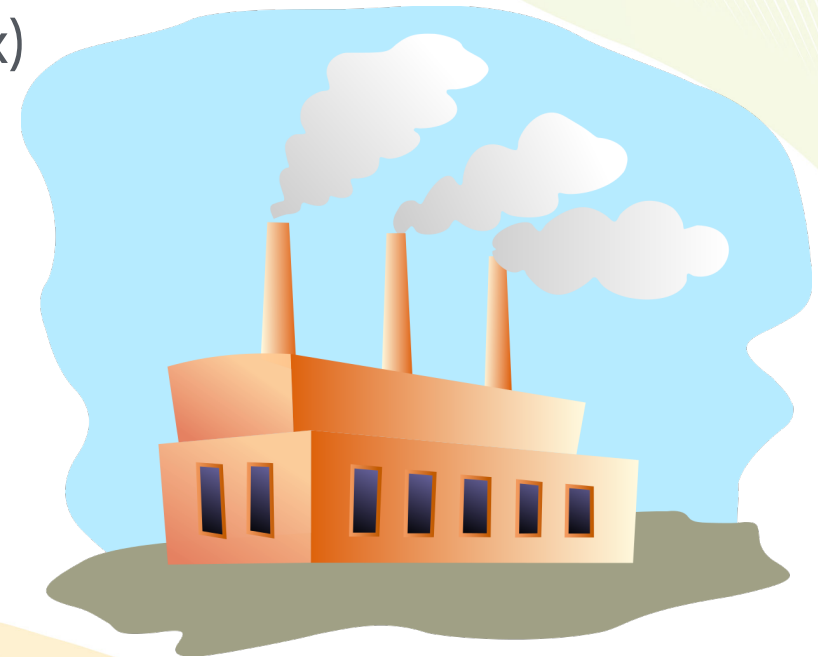
(words by) Deni Brown (pictures by) Gavin Thomson



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Industrials

- Lots of SA Inc. here
 - But really all about NPN (+/- 32% of index)
 - Concentration risk
 - CFR* / MRP / SHP*
- Construction / manufacturing
 - Still avoiding



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Financials

- Decent 2017
- Very well positioned
 - Record low impairments
 - Strong balance sheets
- STXFIN* / any of the big 4 / SFN (below NAV)
- I Love CPI*, but expensive
- SYG (well positioned and decently priced)



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Resource stocks

- Commodity over supply mostly gone
- The biggies best
 - BIL* / GLN / AGL
- Platinum still going to struggle
- Nobody cares about gold anymore (coz Bitcoin)



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Retails

- Tough 2017
- Results slow to improve in 2018
- But thought times made them stronger
 - If SA Inc. rocking they'll fly
- MRP / SHP* / L4L*



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Interest rates

- Locally ~ edging lower H2
- Europe ~ no change
- US ~ edging higher



China

- The world's second largest economy
 - Rocking on
- Undergoing important transition
 - Industrialisation → consumerisation
- Strong leader combating corruption
 - ETN = DBCHIN
- I get exposure via CFR* / DSY*



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USA

- Monster year +20% on S&P500
- Rate increases
- Economy growing
 - Tax cuts will do nothing
- CSP500* / STX500 / SYG500
 - But rally will slow and ZAR will dull



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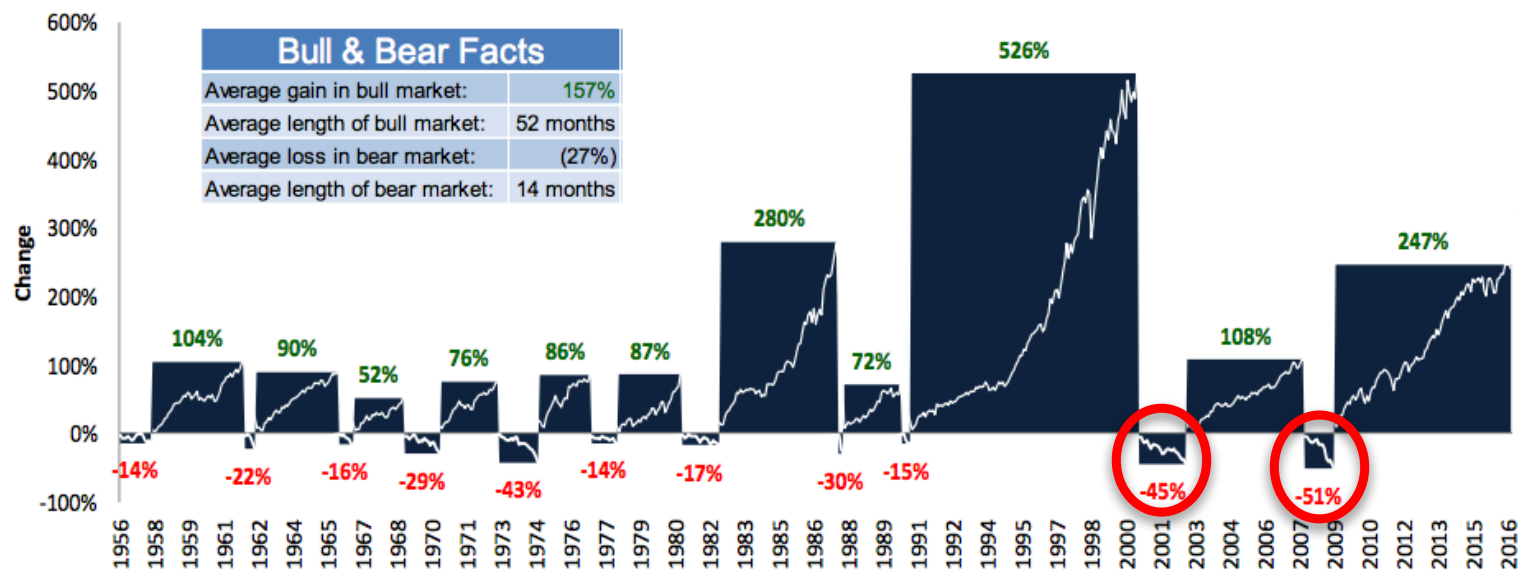
USA ~ bull market



Investing Insights

Bull & Bear Markets

S&P 500 Index to October 31, 2016



European Union

- Looking good
- Expecting decent GDP growth
- Low rates & QE continues
- Offering better opportunity than US
- SYGEU
 - I prefer SYGWD*



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Brexit

- A mess of epic proportions



2018

- Bullish (SA Inc.)
- Local Top40 / Indi25 preferred
 - Rand strength may dull it a bit
- US remains global economy of note
 - But expect EU to perform better
- New SA president in 2018
- Vat unchanged



2018 stocks

- CSEW40* for SA
 - ASHMID for local spice
- Shoprite* / Mr Price / Long4Life*
- Sygnia / STXFIN* / Sasfin
- Billiton* for commodities
- Keep your ETFs and max your TFSA



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Bloodhound

- Land speed record, attempting 1,000 mph (current 760 mph)
- Hakskeenpan Northern Cape ~ Oct / Nov ~~2016~~ / 2017 / 2018



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