

JSE Power Hour Positioning your portfolio for 2016

Simon Brown

December 2015

#JSE / @JustOneLap



Warren Buffett



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

- Be aware of recency bias



Scoring 2015 predictions

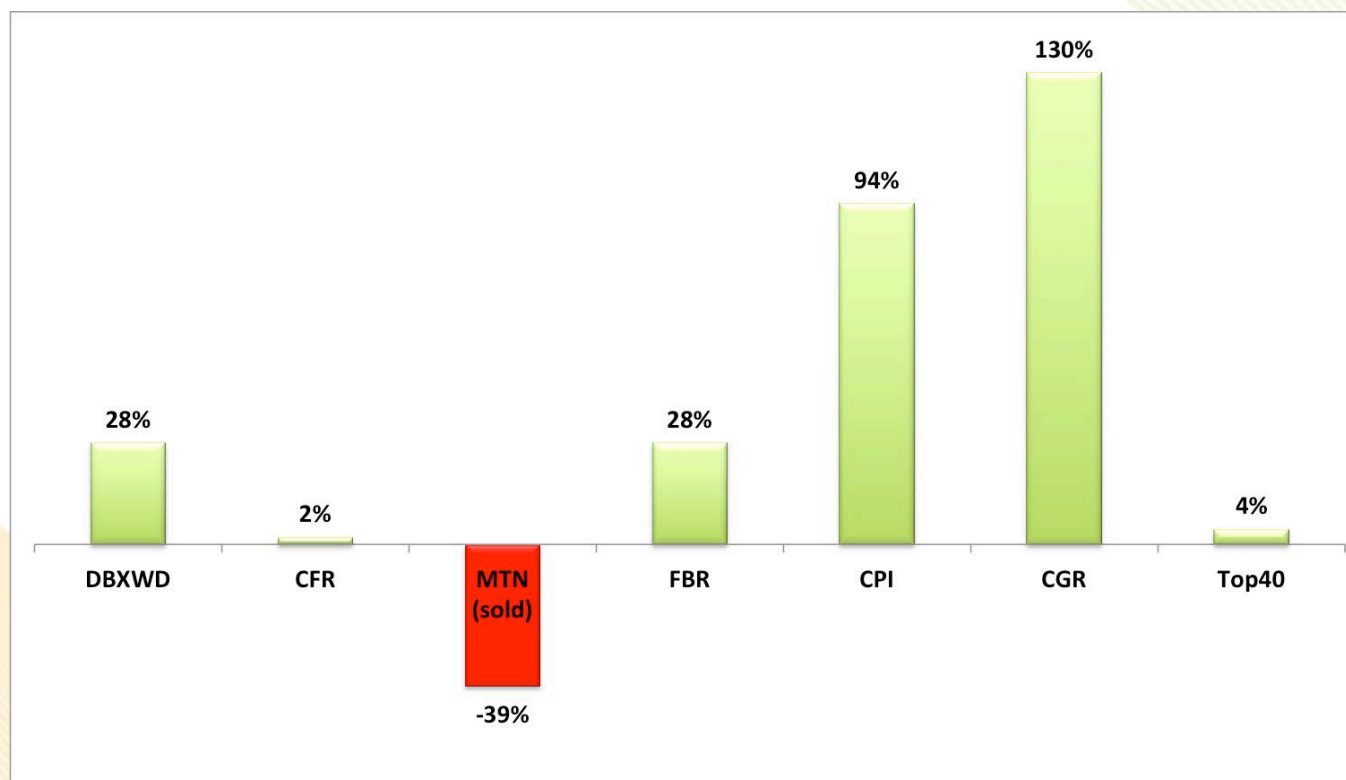


Scoring 2015 predictions

- ✓ Rand > R12.50/USD
- ✓ Eskom woes continue (fixed in 2nd half 2015)
- ✓ Strike action continues (not as bad as 2014)
- ✓ Local SA stocks under pressure (go global)
 - ✓ Top40 single digit returns at best
- ✓ Commodities remain under pressure
- ✓ Interest rates (US) no increase
- ✓ Don't worry about a crash



Scoring 2015 Stocks*



* as at 04 Dec 2015
One year returns excluding dividends

The 2016 predictions



Rand



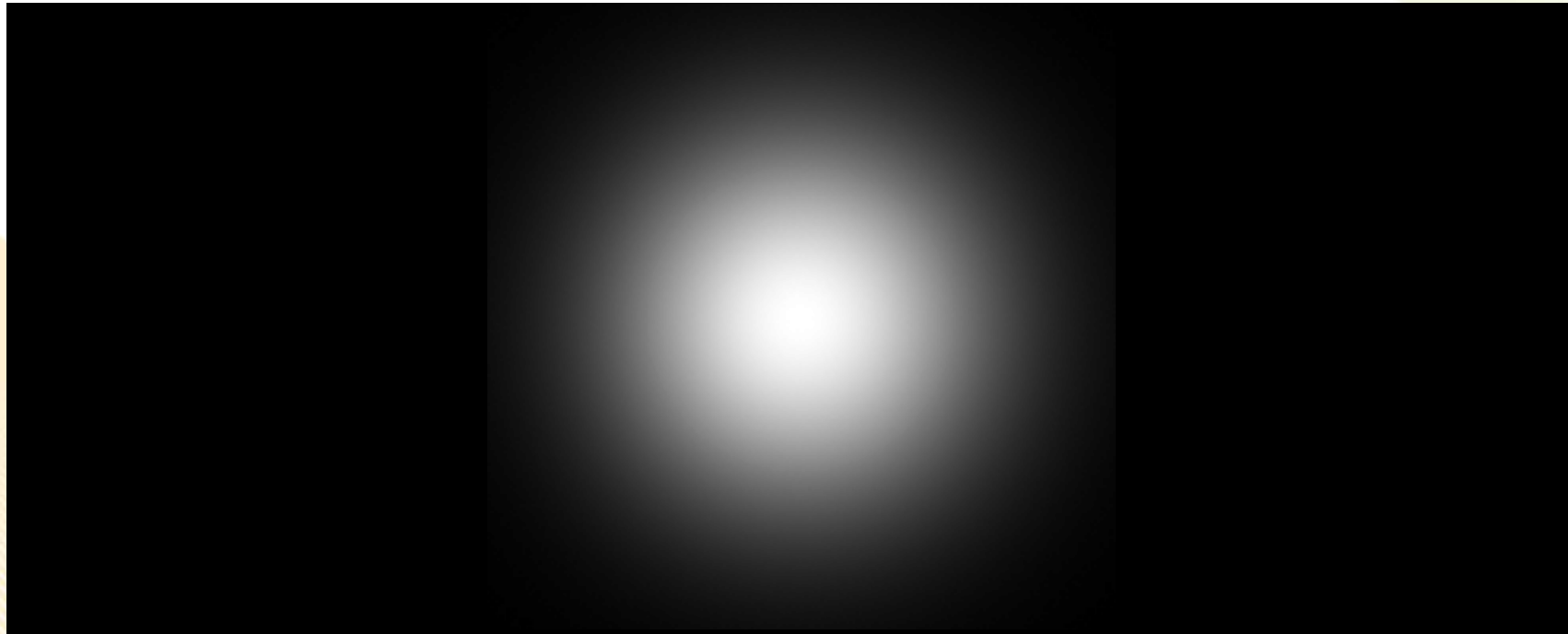
- Back below R12.50 / USD
- But if SA debt is down graded to junk > R16.00 / USD



Eskom – damage done



- Is it a train? Seems they'll mostly keep lights on



Labour

- COSATU is over and Tripartite alliance dead
- AMCU / EFF
- But weakened by state of economy / mining



Drought

- Hurting almost everybody / company
- Esp. food producers / retailers
- Last until mid 2016



Industrials / financials



- Indi25 winning sector again in 2016
 - Driven by usual suspects
 - MND, BAT, NPN, CCO, SAB...
- Financials, pick carefully
 - Not big 5 banks
 - Like; DSY* & CPI*
- Construction pain will continue
 - Except at least one to go bust



* I own these stocks as at 4 December 2015
Portfolio at www.SimonBrown.co.za

Commodities

- More of the same
 - But worst in terms of share prices likely behind us
 - With a few possible exceptions
- We need serious supply removed
 - Big names going bust (Lonmin?)
- Oil will remain weaker as supply swamps us
- Rand is only hope, but not enough to help



Commodities (single producers)

- Buy when 100% gain



SA Inc.



- GDP 2% at best but no recession
- Top40 flat at best. I expect negative for the year

Mama Taxi™

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



China

- The world's second largest economy
 - Under 7% growth is still plenty
- Undergoing important transition
 - Industrialisation → consumerisation
- Strong leader combating corruption
 - ETN = DBCHIN
- I get exposure via CFR* / DSY*



* I own these stocks as at 4 December 2015
Portfolio at www.SimonBrown.co.za

USA



- Election year
 - Clinton wins presidential election against Bush
- Rate increases
- Economy continues to grow
 - Unemployment = very positive picture
- DBXUS*
- I prefer DBXWD*



* I own these stocks as at 4 December 2015
Portfolio at www.SimonBrown.co.za

European Union

- Negative / low rates continue
- QE continues
 - QE works (witness US but EU is late)
- Greece again on front pages
 - But Greece does not matter
- DBXEU
 - I prefer DBXWD*



* I own these stocks as at 4 December 2015
Portfolio at www.SimonBrown.co.za

So 2016

- Mostly offshore
 - Rand strength may hurt
 - But not as much as SA GDP will hurt
- US remains global economy of note
- EU should start getting better (slowly?)
- SA election will create lots of noise
 - Ignore it



What, Me Worry?



So 2016 stocks

- No resources, until 100% move
- DBXWD* (DBXUS* or DBXEU if you prefer)
- Richemont *
- Santova *
- Aspen
- Discovery *
- Capitec* / Calgro* / Famous Brands* (like, but)
- Keep your ETFs and max your TFSA (R30k / year)



What, Me Worry?



* I own these stocks as at 4 December 2015
Portfolio at www.SimonBrown.co.za

Bloodhound

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



We want you vote

@SimonPB on Twitter.com

Voting open until 10am



Simon Brown @SimonPB · 3h

What's your prediction for the Top40 in 2016?

#JSE





Questions?

Contact



www.JustOneLap.com

simon@justonelap.com



[@JustOneLap](https://twitter.com/JustOneLap)

[@SimonPB](https://twitter.com/SimonPB)

Disclaimer



The information and opinions stated in this presentation/document/video/webinar are of a general nature, have been prepared solely for information purposes and do not constitute any advice or recommendation to conclude any transaction or enter into any agreement. It is strongly recommended that every recipient seek appropriate professional advice before acting on any information contained herein. Whilst every care has been taken in preparing this document, no representation, warranty or undertaking, express or implied, is given as to the accuracy or completeness of the information or representations. All information contained herein is subject to change after publication at any time without notice. The past performance of any investment product is not an indication of future performance.