

## What Is Next?

2020 has started with a BANG!

The market is nervous, investors are nervous but strangely, there are a few less people wanting to invest everything in cash. All of this nervous tension is not new, I want you to think back to January 2019. In January 2019 we had just gone through the worst quarter since the global crash, the S&P, MSCI, JSE and both the average high equity and low equity unit trusts were all down for the quarter ending 31/12/2018.

The table below reflects all of these losses. If I had told you on the 1st of January 2019 that during 2019 we were going to see proceedings to impeach President Trump, a hard Brexit becoming a reality, the escalation of trade wars between the USA and China, rolling labour unrest in France and, given the dismal returns over the last quarter of 2018, would you have moved everything into cash, or would you have stayed in the market?

The answer, unfortunately, is that even without prior knowledge of the aforementioned "*calamities*", cash/income funds showed by far the highest net inflows in 2019. In the second column of the table below you will see what the returns for the various different investment options were for 2019.

I have taken the liberty of assuming 30% tax on Money Market Funds (not everyone has a 45% marginal rate).

	Return 2018/10/01 – 2018/12/31 ZAR	Total Ret 1 Year (QTR End ZAR)
S&P 500 NR USD	-12.23	27.05
MSCI World NR USD	-11.99	24.11
FTSE / JSE All Share TR ZAR	-4.88	12.05
(ASISA) South African MA High Equity	-4.49	9.53
(ASISA) South African MA Low Equity	-1.83	8.61
(ASISA) South African IB Money Market	1.83	7.45
70% Average Money Market	1.28	5.21

As South Africans, one of our favourite topics of conversation is how much the Rand is going to depreciate in the next year. On the 1<sup>st</sup> of January 2019 the Rand was 14.38 to the US Dollar. If I had have told you that during 2019 that load shedding was going to increase, no corrupt politicians were going to be sent to jail, unemployment was going to rise and the parastatals would continue floundering, what would you expect the rand to be on the 1<sup>st</sup> of January 2020? I would not have had many takers estimating a Rand Dollar exchange rate of 14.01 on the 1<sup>st</sup> of January 2020.

Looking forward to 2020, almost 800 highly paid and esteemed economists/business leaders were asked to "*guess*"/predict the greatest risks to our economy over the short and long term before the Davos summit in January. Guess what? The short-term risk of infectious diseases affecting the world economy was not even in the top 20 most probable risks. It took the Corona Virus a week to prove that forecasting anything is nigh on impossible (this gem was pointed out on Twitter by Deon Gouws from Credo).

So, what's next in 2020? To be honest, I don't know. The Rand has taken a bit of a hiding during the last few weeks and markets have not done well, but the Rand may strengthen and markets will go up and down and sideways (but probably not in that order).

## What Is Next?

The focus during 2020 as in all other years should be to spend less than you earn, to have a proper financial plan in place looking after your Life Cover, your Income Protection and Disability needs as well as your short term, medium term and long term savings plans.

Kind regards,



**Barry Hugo** *CFP® CA(SA)*

Wealth Manager – Hampshire Independent Advisors

## What Is Next?

### DISCLAIMER

Seed Investment Consultants is an Authorised Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act (Act No. 37 of 2002). The laws of the Republic of South Africa shall govern any claim relating to or arising from the contents of this document. This document may not be amended, reproduced, distributed or published without the prior consent of Seed Investment Consultants.

No guarantee is provided as to the values of any financial product mentioned in this document. All illustrations, forecasts, information and opinions provided within this document are of a general nature and are not intended to address the circumstances of any particular individual or entity. This document does not constitute a solicitation, invitation or investment recommendation. While we endeavour to provide accurate and timely information, all illustrations, forecasts or hypothetical data are not guaranteed and are provided for illustrative purposes only. We make no representation or warranty, expressed or implied with respect to the correctness, accuracy or completeness of the illustrations, forecasts, information or opinions. No party should act upon such information or opinion without obtaining the appropriate professional and specialised financial, legal and tax advice based upon a thorough examination of their particular situation. Seed Investment Consultants will not be held liable for any direct or consequential loss or damage suffered by any party as a result of that party acting on or failing to act on the basis of information or opinion provided by or omitted from this document.

The value of financial products can increase as well as decrease over time depending on the value of the underlying securities and market conditions. Changes in exchange rates may have an adverse effect on the value price or income of any product.

Past performance is not necessarily a guide to future performance. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager upon request.

Prescient Management Company and the Trustee are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. There is no guarantee in respect of capital or returns in a portfolio. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. The CIS may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue. Forward pricing is used. In the event that specific CIS in securities are mentioned please refer to the relevant Minimum Disclosure Document in order to obtain all the necessary information in regard to that unit trust. In rare instances redemption transactions may be subject to a redemption fee. The applicable Prospectus and Key Investor Information Document will be made available upon request.

Please note that there are stipulated cut-off times for all documents, notifications of deposit, investment, redemption and switch applications. These cut-off times are product or fund specific and the applicable guidelines have been stipulated on the relevant supporting or transaction documents, application forms and Minimum Disclosure Documents. Where all required and supporting documentation is not received before the stated cut off time no service provider shall not be obliged to transact at the net asset value price as agreed to. Prices are published daily and are available on the Prescient website at [www.prescient.co.za](http://www.prescient.co.za).

Investors should at all times remain aware of the risks involved in the buying or selling of any financial product. Where foreign securities are included in a portfolio there may be potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political risks, foreign exchange risks, tax risks, settlement risks, and potential limitations on the availability of market information. The investor hereby acknowledges the inherent risk associated with any selected investments and that there are no guarantees (Paragraph 6(2)(f) of BN92). The Manager retains full legal responsibility for any third-party named portfolio (Paragraph 6(1)(g) of BN92).

For any additional information please visit our website on [www.seedinvestments.co.za](http://www.seedinvestments.co.za).