Dear clients

The first quarter of 2018 has been dominated by election talk in South Africa. In the end, the results were quite stable relative to 2014. In very broad terms the trends showed the ANC losing 5% to the EFF, and the DA losing 2% to the FF+. What does this mean for our investments? For long-suffering South African investors, we believe that this is good news. Markets hate uncertainty and the election results have removed uncertainty. We now know who our government and official opposition are for the next 5 years. The next step is to see how the cabinet is constituted. Investment markets will be looking for signs of increasing Ramaphosa influence in the ANC, and the commencement of the rule of law taking strong action against corruption. We have learnt the need for patience but remain of the belief that this is the most likely scenario for the medium term.

Statistics are telling us that consumers are very pessimistic about the future in SA, but business cycle indicators are starting to turn. We will watch for the signs of lower levels of uncertainty creeping into the confidence surveys. There is no escaping that the SA economy is weak. Recessionary conditions and low levels of confidence inevitably lead to weak markets. We believe that the trend is starting to turn. Our Balanced and Conservative funds are positioned for a recovery in SA-centric shares in the short to medium term.

Leading on from the above discussion on the weak state of the SA economy, Listed Property results have disappointed. Management are battling to renew leases without some incentives to new tenants, and in general, levels of rental per square metre are stagnating. The larger companies and those that are not exposed to office, retail and residential property are faring well. Smaller companies are under strain. As we have been saying for some time, we think that listed property is cheap, and we advise strongly against moving money out of real assets into cash or money market where the long-term prospects of achieving financial goals are poor. As inflation never retires, even when you have, it is important to maintain exposure to growth assets and to make sure that a short-term decision will not hurt your long-term goals.

History has shown that human emotion is our worst enemy when it comes to investments. We need to remain calm and wait for the cycle to turn and add to our investments at lower levels if we can. We know with certainty that a long-term investment strategy that does not cater for inflation, and which does not provide an income stream that grows with or above inflation, will not be successful, even if those who keep their cash under their mattress look clever in the short term.

Our offshore investment options continue to perform very well. For clients who do not rely on all their funds to provide an income, it remains important to diversify offshore and take advantage of the wider range of investment opportunities in other markets. We have been consistently advising clients to move funds offshore (where possible) over the last 5 years, and this strategy has benefited our clients significantly. From a Plexus Wealth perspective, we continue to evolve our skill set to cater for the global needs of our clients.

Eric, Connie, James, Don, Amanda, Jon and the team at Plexus Wealth.

Plexus® Wealth KZN (Pty) Ltd
Unit 1D, 100 on Armstrong, 100 Armstrong Avenue, La Lucia 4051 PO Box 1285, Hyper by the Sea, 4053.
☎ +27 (0) 31 940 0470 🖷 +27 (0) 31 584 6288 info@plexuswealth.co.za www.plexuswealth.co.za
Plexus Wealth FSP no: 21635, Reg No: 1997018511/07, Directors: Eric Jones, Connie Groenewald, James Barnett