

Monthly Newsletter – August 2016

What happens if Donald comes up trumps?

“Problem with voting for Trump is that you don’t know what you’re going to get. Problem with Hillary is that you do.” – Graffiti across a variety of internet walls.

A number of emails came through after Britain voted in favour of Brexit. After all, if that could happen what about Donald Trump winning the US election? It was already surprising that he’d made it to being the Republican candidate.

The following questions summarise investor concerns nicely:

- How will a Trump presidency affect the world economy and offshore investing for South Africans?
- With both the pound and euro under pressure for the foreseeable future, which alternative currencies other than the dollar can be viewed as safe (for the time being)?
- If a Trump presidency looks likely, should one move some offshore cash from the dollar to another currency?

In some ways, the first question has been asked and answered in a number of ways. First, after several days of “all fall down” after the Brexit vote, markets simply shrugged it off. Second, you may remember an actor of moderate abilities became the president of the United States. His name was Ronald Reagan, and his presidency was probably one of the most celebrated ever.

Presidents don’t matter nearly as much as policies. Both of the key candidates are perhaps a little concerning. Neither is particularly pro-trade, but that is somewhat reflective of the global political and economic environment. The global economy could shrug off token raising of barriers, however serious intervention could have more serious ramifications. After all, the globalisation of recent decades has also been one of the biggest drivers of a low inflation environment.

At this stage, we would not take any action, regardless of who is voted in (thus answering the third question), but if trade freedom comes under attack, then all bets are off.

That leads us to the second question of which currencies can be viewed as safe. Here’s a curious one – the rand suddenly became safe for a while. Not because South Africa became saner, but everyone else became crazier! The safest currencies are generally those experiencing deflation – excellent examples being the Japanese Yen or Swiss Franc. We would have included the Euro, but for the wobbly banks in Italy that are keeping the European Central Bank awake at night.

Gold of course, is long known as a safe haven, and so too other precious metals – and metals related currencies. Long term investors in the dollar can remain invested as these events are likely to have a short-term impact.

Remember that currencies are cash – and cash should be viewed as a transit warehouse in the investment world. In other words, they are not great places to hold capital over the long term, especially when interest rates are zero or negative.

What has been the strongest performing currency and stock market this year? The surprising answer – Brazil. Why, you may ask? Well, Brazilian democratic institutions have been putting the boot into a poorly performing president. Currency and asset markets like to see populaces that bring underperforming politicians to order. Which leads us to say – watch the outcome of our elections with more than a passing interest.

- By Warwick Lucas

Portfolio Pointers

Remgro

The South African vehicle for the almost legendary Rupert family, this company has a long and stable record of building value for shareholders. Remgro is an investment holding company with interests in food, liquor, home care, banking, healthcare, insurance, industrial, and media and sport – many of which are listed companies. The company's activities are concentrated mainly on the management of investments and the provision of support rather than being involved in the day-to-day management of business units of investees. We love it when directors' interest align with ours.

Investec Australia Property (IAP)

In the long term, property is about cash flow management. With a cost of funding of about 4% and income yields of about 7%, and a long dated profile of blue chip tenants leasing their industrial and office properties, this fund has a solid claim to making the right moves. A recent rights issue has further strengthened its balance sheet.

Making corporate social responsibility meaningful

If your company's corporate social responsibility (CSR) extends to painting a classroom on Mandela Day, or hosting a golf day, you're behind global trends. There's a move towards CSR that is much more meaningful, sustainable, and integrated, where business sees itself as a global citizen, contributing to society in a much broader way.

So how do you do that? How do you change the philanthropic model of your current programme to be more sustainable? Here are some ideas:

1. Define what you are contributing to society at large – what you're doing make it better. Yes, you provide capital, jobs, skills, ideas, and taxes. But many companies focus instead on what

they can get from society internally. The new approach is to define yourself through what you contribute, recognising that you generate long-term value for shareholders only by delivering value to society as well.

2. Know all your stakeholders, and engage in dialogue with them – which requires listening on your part.
3. Appoint the very best leadership, who have sound business skills, but who also have a vision for business as a force for good in the world. There has to be a culture of CSR, and that has to come from the top.
4. Get involved in projects with proven sustainability and commit for the long-haul in a way that requires leaders and employees to share their time and skills.
5. Be less concerned about CSR as part of your marketing, and more about doing sustainable good – that will generate the right kind of publicity.

And if you're worried about the impact on profits, Nielsen's 2014 Global Survey on Corporate Social Responsibility found that 55% of global online consumers across 60 countries were willing to pay more for products and services from companies that were committed to positive social and environmental impact.

5 top business travel tips

If you travel often for business, you know exactly how taxing it can be – mentally and physically. Jet lag aside, travel exhaustion is a real thing. Here are five tips to help make your travel a little less stressful.

1. Use a checklist – even if you pack and then check what you've packed against it. Keep it on an app like Evernote so you always have it with you and can add things if necessary.
2. Take some pills – just two paracetamol as you leave for the airport. It helps to stave off dehydration headaches and neck ache from sitting in strange positions.
3. Keep an energy bar in your hand luggage – maybe even two just in case you hit a blood sugar dip and there's no food at hand. It can happen.
4. Take a picture of your room number – when you're tired you can easily forget which room is yours.
5. Aim to eat well – be adventurous and try the local cuisine, certainly, but try to get your five a day and eat balanced meals as far as possible. This will help both your waistline and your energy levels.