INVESTING in shares for 2017

If you are planning on investing this year, be prepared for some big price movements in the share market

STOCK market

Last year was a rocky, unpredictable one. There was Brexit (Britain's withdrawal from the EU) and the American election with Donald Trump shockingly winning the presidency, to name but two surprises that created much uncertainty. Trump and Brexit will no doubt be things for investors to watch in 2017.

Back in South Africa, there is still the concern that we could be downgraded to "junk" status by the ratings agencies. There is also the question of who will run for and take the ANC leadership to become our future president, with Nkosazana Dlamini-Zuma and Cyril Ramaphosa jostling for position.

This uncertainty will add to market volatility so, if you are planning on investing, be prepared for some big price movements in the share market. The good news with volatility, however, is that it can create buying opportunities.

Justin Louw, trader at FNB Securities, recommends that you use the research results provided by your broker to identity shares that you believe will deliver good performance and then buy on weakness.

"A good stockbroker can advise you which shares to put on your watchlist and the right price at which to buy them."

Here are a few shares you may want to consider for that watchlist, and how to invest in them:

RAND HEDGE SHARES

Rand hedge shares (businesses listed locally that make their money elsewhere) such as British American Tobacco, Richemont and Mediclinic struggled with some lacklustre performance.

"The double whammy for them was Brexit and the falling sterling. Richemont experienced poor sales in China, while Mediclinic had issues in the Middle East and Woolworths had trouble in Australia.

"They are all at a better value now and not as expensive as they were in 2016," says Chris Potgieter, head of Private Client Securities and Treasury at Old Mutual Wealth.

RAND-SENSITIVE STOCKS

Nilan Morar, head of trading at Purple Group, thinks that it would be prudent to hold part of one's portfolio (possibly 20% to 25%) in rand-sensitive stocks. "But one certainly needs to be selective, as the rand does display a propensity to surprise.

"Names like Aspen come to mind; they benefit from a firmer rand due to the manufacturing costs that are rand based. Ascendis Health is another that I believe requires some attention as they are building a good platform for external revenue generation," he says.

THE MISUNDERSTOOD SHARES

Andrew Dittberner, chief investment officer of Cannon Asset Managers, recommends two contrarian stocks: "Combined Motor Holdings is possibly one of the most misunderstood shares on the market. It is well known for its motor dealerships and hence is automatically associated with new vehicle sales.

"However, it is in fact their agility in selling second hand vehicles, after-sales servicing and their rental business that has allowed the business to grow its headline earnings per share at an annual compounded rate of 22% per year."

Construction companies were slapped on the wrist for collusive behaviour in the lead up to the 2010 soccer World Cup.

However, Dittberner feels Group Five could be one to add to the portfolio and points out: "The crown jewels in the business are the long-term concession contracts that the firm manages in parts of Europe."

FOOD PRODUCERS

Potgieter sees value in brand holder AVI and Tiger Brands. He says both companies have benefited from local input costs, which have lowered, and from stable demand. "These companies are some of the few that are SA focused that will expand and I think they are an opportunity for 2017 and into 2018," he adds.

HOW DO YOU INVEST IN SHARES?

There are many good stockbroking firms to select from, depending on what services you want. A full-service brokerage is where you have your own dedicated stockbroker who will advise you on what shares to consider. An online brokerage offers online research and analysis and you then decide which shares you want to invest in.

FNB, Absa and Standard Bank all offer online trading platforms with different products, depending on your skill level. Companies like Sanlam iTrade and PSG Online provide training, seminars and simulated trading where you can test your investment skills before committing money.

EasyEquities has come to market with the lowest fees and, through offering fractional share ownership, they have been able to waive a minimum investment amount.