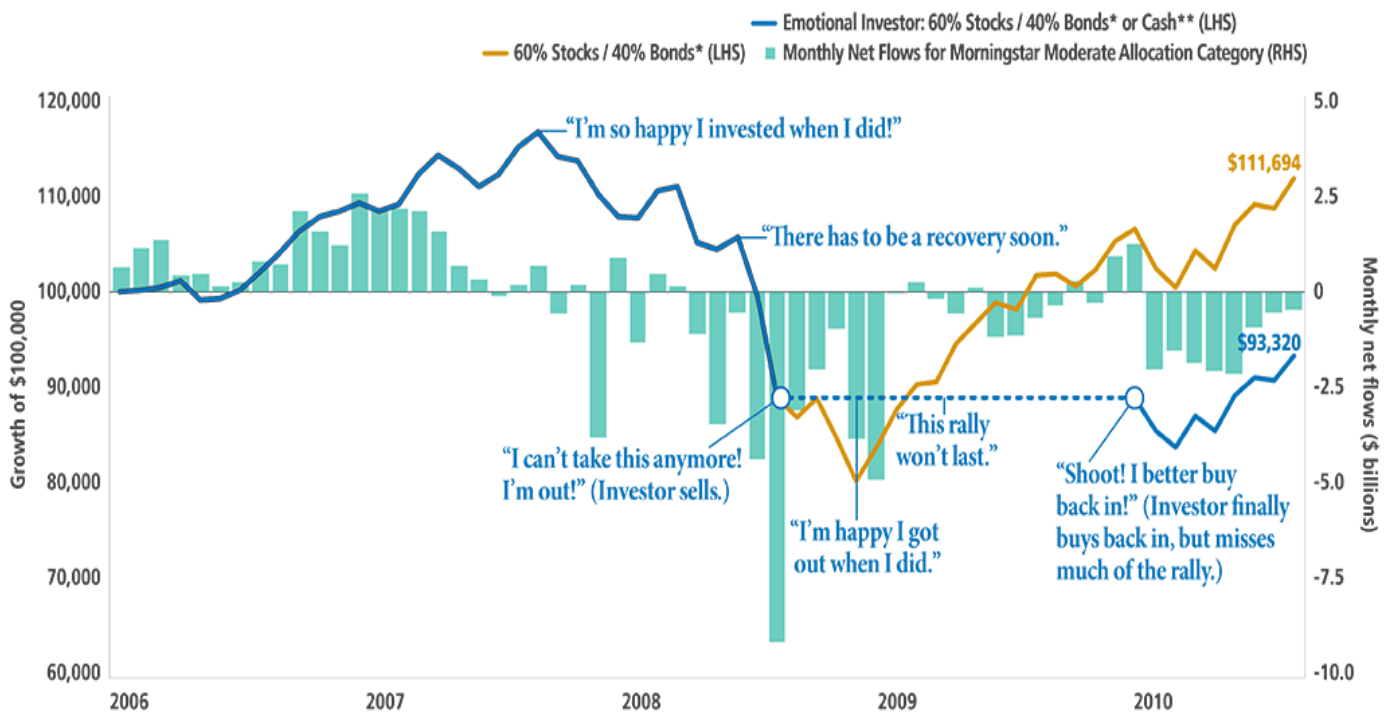


# MONTHLY INSIGHTS

November 30, 2017

“Compound interest is the most powerful force on earth” -Albert Einstein

## CHART OF THE MONTH The benefits of staying invested



January 2006 to December 2010. Source: Morningstar, Bloomberg, PIMCO

Hypothetical example for illustrative purposes only. Not indicative of the past or future performance of any PIMCO product.

\* Stocks are represented by S&P 500 Index. Bonds are represented by Barclays U.S. Aggregate Index. It is not possible to invest in an unmanaged index.

\*\* These results are based on hypothetical modeling and are intended for illustrative purposes only. Emotional Investor is assumed to move to cash on 10/31/2008 and back to 60% Stocks / 40% Bonds on 04/30/2010.

Hypothetical and simulated examples have many inherent limitations and are generally prepared with the benefit of hindsight. There are frequently sharp differences between simulated results and the actual results. There are numerous factors related to the markets in general or the implementation of any specific investment strategy, which cannot be fully accounted for in the preparation of simulated results and all of which can adversely affect actual results. No guarantee is being made that the stated results will be achieved.

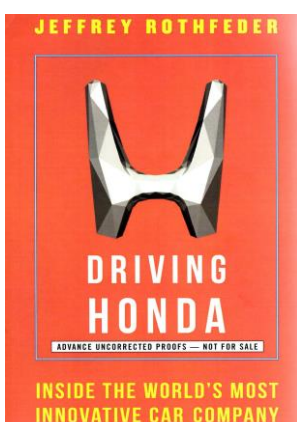
PIMCO

Source: Pacific Investment Management Company

Sir John Templeton once said, “bull markets are born on pessimism, grown on scepticism, mature on optimism, and die on euphoria.” This quote epitomises what studies have repeatedly shown - emotions are rampant in capital markets, yet have no place with investing. The chart above, originally modelled by PIMCO, depicts a hypothetical example of an emotional investor. When the market is on the up, the emotional investor is elated and does not see a world where markets can fall. But we know that regardless of whether the market is at all-time highs, a correction is possible. When the market starts to fall, the investor, out of fear that this market will extend the downward trajectory, panics and eventually sells. By contrast, an investor who is not driven by emotion would know that these market lows are generally the best time to invest. History shows that some of the biggest rallies have occurred when investors are fearful. As the cycle continues and the market starts to recover, the emotional investor commits another costly mistake and misses out on much of the rally.

The biggest lesson from this chart is that staying invested is paramount. Markets will always go up and down. However, prices and valuations mean revert, which means those who are invested for longer have a better chance of gaining more than those who try to time the market. It is also important to remember that all investors have control over the time they can spend in the market but not over market timing. While escaping the traps of emotional investing may be challenging for many, the first step towards overcoming this pitfall is for investors to arm themselves with as much knowledge as possible which will enable decision-making that is based on reason. Another way is to have undying commitment. Investors need to have a clear goal in mind and commit to stay invested until the goal is achieved, guided by clear rules. That way they are more likely to come out on top.

## THE BOOKWORM'S CORNER



Soichiro Honda may be remembered for being the founder of the Honda Motor Corporation. A company that began as a motorcycle firm in 1949 and went on to become a leader in the automotive industry. This book takes you on a path about a truly remarkable individual and a company that looked at every aspect of their business differently, and with an innate curiosity. The concept of localisation added value to shareholders, alongside other practices, such as employment in the local communities.

Key concepts of innovation met with the most efficient production lines. Unplanned, heated discussions and the free flow of ideas have resulted in a giant in the automaker industry. A must-read for those interested in innovation, supply chain, production line efficiency and precision craftsmanship.



## IDEA OF THE MONTH

### Stryker Corporation

Stryker Corporation (SYK) is a leading medical device companies in the US. Its product lines are in three major business segments namely: reconstructive; medical and surgical; and neurotechnology and spine. The business earns roughly 70% of revenue in the US, and has operations spanning more than two dozen countries.

SYK's competitive advantage is in its ability to stay on the cutting edge of technology change over many years. Moreover, the company should continue to grow as people are living much longer and with this comes increased demand for therapies and devices that improve quality of life. We view Stryker as a competitive firm with good growth prospects.

## PORTFOLIO NOTE

### In Focus: Cannon Global Equity Portfolio

Cannon's Global Equity Portfolio is an extension of our successful equity process that invests in established businesses with sustained competitive advantages and attractive valuations in global markets. Successful investing hinges on two key attributes, namely identifying good assets at the right price. Founded on these principles, our process emphasises balance sheet strength, free cashflow-generating capability and growth prospects of the companies we hold in the portfolio. This translates into a portfolio that provides a good steady income, and which also offers prospects for capital gain. The focussed approach means that the portfolio conventionally holds 25 high-class companies, whilst diversification is achieved through exposure to all major industries across multiple countries and all major currencies. Cannon's Global Equity Portfolio is well suited to investors looking for an effectively diversified portfolio made up of internationally competitive, high quality businesses with good growth prospects.

## INVESTMENT RESEARCH

### Free lunch, Everything on the menu!

In the investing world we often hear the phrase "diversification is the only free lunch" being used quite often, but what does this mean? Mike Browne from Hereford Group uses this study to unpack the true meaning of diversification and the reason it is a free lunch. Diversification is investing in a variety of asset classes or investment styles that are least correlated with each other.

Using the monthly returns of three hypothetical assets, the study shows that if a portfolio was constructed with two assets (Asset A and Asset B) that are positively correlated, that is, they move in line with each other, returns would be enhanced and the overall risk would be lower but marginally so. However, if either one of Asset A or B were to be blended with Asset C, which has a negative correlation with both assets, the returns are more amplified while the risk is dramatically reduced - giving the investor a "free lunch".

To read the original article, click on this link: <https://www.herefordgroup.co.za/diversificationhowisitafreelunch/>

## ECONOMIC AND FINANCIAL UPDATE

Economic Indicator	Actual	Previous	Mean
Japanese GDP Growth	1.4%	2.6%	1.3%
German Unemployment Rate	5.6%	5.6%	5.6%
Chinese Inflation Rate	1.9%	1.6%	1.8%
Indian Industrial Production	3.8%	4.5%	4.2%
Euro Area Business Confidence	1.49	1.44	1.53
South Africa Interest Rate Decision	6.75%	6.75%	6.75%
United States Balance of Trade	-\$43.50B	-\$42.80B	-\$44.00B
Spanish Markit Manufacturing PMI	55.8	54.3	54.9

JSE Indices	1 Mo	3 Mo	YTD	1 Yr	5 Yr	10 Yr
JALSH	1.34%	5.75%	17.15%	19.05%	56.87%	97.22%
JASIN	3.62%	4.16%	4.06%	10.88%	42.51%	69.46%
TOP40	1.33%	6.55%	20.35%	21.92%	57.26%	92.80%
FINDI30	2.15%	6.50%	18.50%	21.73%	-81.46%	-70.99%
INDI25	1.48%	9.10%	28.57%	31.48%	109.12%	294.07%
FINI25	5.70%	3.85%	7.29%	11.47%	56.86%	79.55%
RESI20	-1.52%	2.54%	12.54%	9.98%	-26.39%	-37.87%
MIDCAP	2.22%	0.13%	-1.21%	3.01%	46.13%	122.33%
JSMLC	-3.26%	-1.45%	-3.77%	-3.05%	49.06%	68.39%
JALTX	-0.25%	1.26%	-14.30%	-15.89%	17.25%	-75.13%
JSAPY	1.14%	2.38%	5.23%	10.05%	35.51%	85.39%
R186	2.80%	9.17%	4.35%	3.66%	23.35%	15.57%
STEFI	0.58%	1.79%	6.83%	7.57%	36.75%	99.70%
SA CPI	4.80%	4.80%	-	6.60%	5.50%	8.70%

World Indices	1 Mo	3 Mo	YTD	1 Yr	5 Yr	10 Yr
BOVESPA	-3.15%	1.60%	16.43%	16.26%	25.22%	14.23%
STOXX 50	-2.83%	4.34%	7.69%	16.99%	38.62%	-18.77%
ASX 200	1.03%	4.47%	4.13%	9.73%	32.49%	-8.62%
EPRA/NAREIT	0.55%	1.29%	-6.74%	-2.81%	32.31%	16.12%
MSCI MID CAP	2.28%	6.14%	19.19%	20.94%	65.61%	44.74%
NIKKEI 225	3.24%	15.67%	18.89%	24.12%	140.58%	-
S&P 500	2.81%	7.12%	17.26%	20.41%	86.95%	78.75%
WGBI	1.42%	-0.34%	8.51%	6.59%	-0.48%	29.22%

Currencies	Nov 17	1 Yr	5 Yr	10 Yr	1 Yr % Chg	5 Yr % Chg
Rand/US Dollar	13.73	14.10	8.91	6.79	-2.68%	54.07%
Rand/Pound	18.57	17.65	14.26	13.93	5.22%	30.24%
Rand/Euro	16.33	14.94	11.56	9.98	9.34%	41.24%
Rand/Aus Dollar	10.38	10.42	9.19	6.01	-0.40%	13.01%
Euro/US Dollar	1.19	1.06	1.30	1.47	12.34%	-8.39%
US Dollar/Yen	112.60	114.73	82.48	111.76	-1.85%	36.52%

Commodities	1 Mo	3 Mo	YTD	1 Yr	5 Yr	10 Yr
Brent (\$/barrel)	3.25%	18.15%	8.88%	13.85%	-43.31%	-29.40%
Gold (\$/oz)	0.41%	-3.49%	10.16%	8.78%	-25.63%	63.37%
Bitcoin	46.67%	98.11%	813.00%	1158.31%	74303.34%	-
Platinum (\$/oz)	2.45%	-5.61%	1.45%	3.57%	-41.20%	-34.49%

Source: Inet BFA, Cannon Asset Managers

## CANNON IN THE MEDIA

Samantha Steyn, Chief Investment Officer at Cannon Asset Managers discusses Cannon's top three stock picks on Radio 702 The Money Show with Bruce Whitfield.

[CLICK HERE FOR CANNON'S LATEST MEDIA EXPOSURE](#)

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