WISE INVESTING

Our regular Market Overview, which offers insights into global sentiment and economic trends, highlights a month in which international equity markets edged marginally ahead and in which global economic indicators exhibited a softer bias. South Africa's economy continued to struggle, held back in the face of ratings downgrades, political maneuverings and ever-present concerns around social inequality. Wise investing against this backdrop requires level heads, sound advice, meaningful options and a focus on

diversification.

It is for this reason that we've assembled a series of articles which talk to your wealth journey, your investment plan, your offshore exposure, and your savings options across the short, medium and long term. The common theme across all these pieces is a focus on balancing the desire for returns with capital preservation, as well as the importance of adopting an investment philosophy which spans asset classes, jurisdictions and philosophies.

While the experts at RMB Private Bank have you covered when it comes to investment, planning and advice, we look for a bit of help when it comes to ensuring that your leisure habits and lifestyle remain unaffected by global uncertainty. We are delighted, therefore, to advise you of a new eBucks partnership with Air France and KLM airlines which could see you enjoying a 10% discount on Business and First Class travel to Europe and the United States between 1 June 2017 and 31 March 2018. While you ponder a trip to romantic Paris or dynamic New York, we hope you find time to enjoy the articles in this edition. As always, we welcome any questions or comments.

GET YOUR HEAD AROUND LEGISLATIVE UPDATES WHICH MAY HAVE AN IMPACT ON TRUSTS AND YOUR TAX CIRCUMSTANCES.

The tax exposure following the introduction of Section 7C may result in an urgent need to review one's trust structures (be it a local or international trust) and its loan or funding arrangements, and perhaps there is a need to relook the entire structure or any structure associated with the trust. We suggest that you consult with one of our experienced Fiduciary Specialists, who will evaluate the impact of the

change in legislation on any of your trust structures and your personal tax circumstances. Despite the new rules, a trust continues to be useful planning and estate administration tool. The 7C legislation does not change that fact. We are here to assist you to deal with these changes in the most effective manner possible. A podcast on this topic will be made available on our website shortly. You will receive an alert to login and listen as soon as the podcast is available.

IS YOUR WEALTH PLAN IN STEP WITH CURRENT TRENDS? Current trends in the wealth



a backdrop of economic indicators that showed a slightly softer bias. On the local front, meanwhile, there is little doubt that the South African economy is struggling. **READ MORE> CAPITAL-GUARANTEED SAVING** Each July the financial

READ MORE>

ESCAPE THE WINTER CHILL WITH EBUCKS AND AIR FRANCE-KLM An exciting new partnership between eBucks Lifestyle and the Air France-KLM group will see qualifying RMB Private Bank customers enjoying a 10% on Business and First Class flights. The question now is which

by adopting a goal-based approach with takes into account your needs, objectives and life stage. Today's uncertain and unpredictable world has created another necessity for savers: to secure capital. Fortunately, RMB Private Bank has you covered. **READ MORE>** dynamic destination is best suited to help you shed the South African winter blues and put a spring in your step, Europe or the Americas?

services sector amplifies its

We talk a lot. Fortunately,

bridging the gap between

talk and action is possible

conversations about savings.

are shaping planning strategies for many RMB Private Bank clients. But

management space are being driven

by global and local volatility, which

these are not the only themes at play, with longevity, technology and making provision to educate children abroad all coming into play. These moves highlight the importance of a well-constructed wealth plan to guide you on your journey. **READ MORE> SHARE INVESTING REQUIRES** THE RIGHT MIX

surrounding the current South

African economic environment

look at the composition of their

would do well to take a long, hard

Investors looking to protect themselves against the uncertainty

share portfolios. Having all your eggs in one basket – even in big rand hedge stocks – can be short-sighted. But there are ways to hedge your portfolio against rand depreciation and a stagnant economy. **READ MORE>**

MARKET OVERVIEW Global equity markets edged ahead marginally in June. Bond yields

continued to drift lower

over the period against

a backdrop of economic

indicators that exhibited

a slightly softer bias.

In the United States, non-farm

a much lower than anticipated

rate down from 4.4% to 4.3%.

payroll employment increased by

138 000 in May, although this was

enough to take the unemployment

Retail sales were soft, consumer confidence dipped, and inflation moderated to a rate of 1.9%. However, viewing relatively soft economic data as being temporary, the United States Federal Reserve chose to increase the Fed funds rate by 25 basis points. Consumer inflation in the United Kingdom, meanwhile, accelerated to 2.9% (courtesy of a weak currency) while retail sales were relatively weak. Over the three-month period to April 2017, manufacturing

production declined by 1.2%. During

the period, the Bank of England

chose to leave interest rates

unchanged.

In the Eurozone, business confidence remained upbeat although the flash Purchasing Managers' Index (PMI) reading softened to a five-month low. The inflation rate eased to 1.4% from 1.9% previously and the European Central Bank left policy rates unchanged.



Indicators held relatively steady in China over the month. Industrial production rose by 6.5% year-onyear in May which was unchanged from the previous period. Retail sales growth was also unchanged at also remain a distinct possibility.

10.7% year-on-year for May.

its accommodative monetary

On the local front

stance.

In Japan, the flash PMI hit a seven-

month low of 52.0 in June from 53.1

in May. The Bank of Japan retained

economy is struggling. First quarter GDP numbers showed that the economy shrunk for a second consecutive quarter (-0.7% quarter-on-quarter annualised) with weakness on both the production

and expenditure side. Moody's

sovereign risk rating by one notch

downgraded South Africa's

There is little doubt that the local

(although it is still investment grade) and retained a negative outlook. Business confidence (as measured by the RMB/BER business confidence index) also plummeted

11 points to a reading of 29. Seven

out of every 10 respondents were

negative about prevailing business

conditions. But, on a slightly more positive note, retail sales improved slightly to an annual growth rate of 1.5% in April. Market outlook Globally, while the economic growth outlook remains positive overall there seems to be a slight loss of momentum and flattening yield curves suggest some concern regarding the longer-term growth outlook.

Uncertainty often heralds new

Further credit rating downgrades Despite these developments, the global backdrop has proved supportive and both the rand and bond yields have proved to be relatively resilient. On the global front we are relatively neutral on our stance towards growth assets. Policy uncertainty, rising global interest rates and a

trend towards nationalism and

protectionism prevent a more

slightly (from an implied risk

premium perspective) following

upbeat assessment at this stage

Turning to the local equity market,

and while valuations have improved

Locally, politics continues to

dominate the outlook. Business and

consumer confidence is low and is

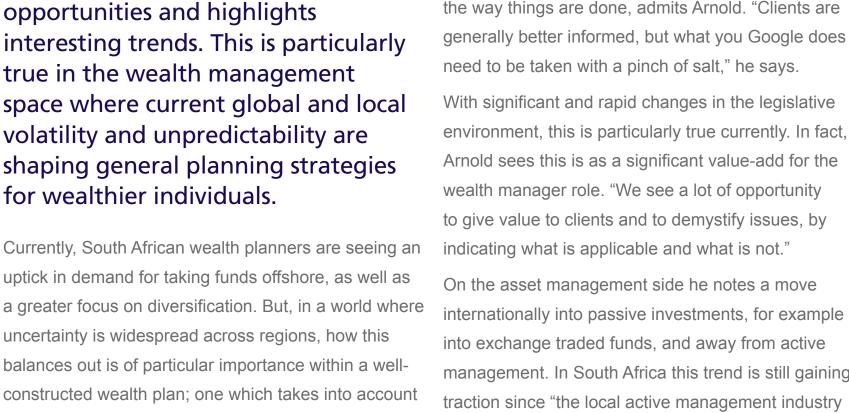
likely to retard economic growth.

recent weakness, the market once again faces headwinds from a constrained economic environment. The bond market notwithstanding, being relatively well anchored by a down-trending inflation rate is also likely to be hampered by the threat of further credit rating downgrades. The opportunity cost of being overweight in cash (cash yields are high) remains relatively low at present. On the currency front we see gradual depreciation although risks to forecasts are significant on both sides of the forecast given the fluid political dynamic and substantial event risk. Offshore investment continues to retain investment merit

IS YOUR WEALTH PLAN IN STEP WITH CURRENT TRENDS? options. For the industry this has really changed the way things are done, admits Arnold. "Clients are

from a diversification perspective.

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notes a particular local trend around planning for future offshore tertiary education expenses. "Many individuals, on top of accessing global investments which provide additional sources of return as part of their plan, are concerned that in 10 or 15 years' time there might be a need for additional offshore funds in foreign currency to cover their children's education at a tertiary institution outside South Africa," he says. While this is an interesting trend, other ultra-high-net-

worth individuals might also be making plans to set up

a home away from home, and enjoy part of the year in

South Africa and the rest abroad. "This is applicable

to those clients who like to follow the summer," says

exposure to a variety of currencies, products and asset

James Arnold, Wealth Manager at RMB Private Bank,

classes.

Arnold. Another theme impacting the wealth management space is longevity. "From a planning standpoint we are finding that people are living longer and spending more years in retirement than in their working life," says Arnold. "That requires a lot more thought in terms of building a robust retirement plan." Fortunately, the internet has provided a platform to highlight some of these risks and increased the overall

Each July the financial same. We believe you need to stay

the course. Small adjustments are,

of course only natural based on

the stage of your life. And while

so each individual needs to

understand what they are saving

for and to ensure they have chosen

the right solution." Assessing which

R100 000 or a few million. So

potential products, says Smuts.

coming back to your needs and

these needs. And you need to

says Smuts. "As individuals we

risk-based products as well as

ensuring there is a valid Will in

wealthier clients might have more

CAPITAL-GUARANTEED SAVING

services sector amplifies

its conversations about

savings. As a nation we

bemoan our poor savings

culture, we run national

the merits of saving, we

ruminate that most small

businesses are started on

the back of savings. We

RMB Private Bank's Savings and

Cash Investments division aims

to bridge the gap between talk

and action by focusing on solving

talk a lot.

campaigns, we discuss

management. In South Africa this trend is still gaining traction since "the local active management industry has been more successful than global counterparts in delivering active returns, which has stemmed the tide of passive implementation", Arnold notes. While the big players locally remain active managers, this is a shift to note, he believes, and it presents interesting opportunities to blend the two approaches into one meaningful strategy. Again, understanding some of the unintended consequences of passive investing needs to be understood, especially in the context of underlying share exposure as a percentage of the index.

By and large Arnold believes the wealth industry is responding to current uncertainty by showing greater sophistication in how it develops solutions for clients, and treats clients. He feels the focus on client costs and experience will continue to be vital in an environment where investment returns are under pressure. Says Arnold: "The fees associated with the managing of a client's investments are the biggest detractor from long-term performance." Increasingly legislation is also pushing in the direction of a more consultative environment, where clients have a better understanding of the costs. This is a positive move, believes Arnold, and one "which highlights more and better choices for individuals on their wealth journey". awareness around longevity, regulation and investment < BACK

> buffers against these cycles, the up a bit of capital, then you could average client is likely to be more add these savings into a Money impacted by credit hikes and the Maximiser - starting from R100 000 increased cost of living." - and also notice products and even a fixed-deposit product to ring-fence Smuts explains that individuals savings for something big, like a today are spoilt for choice when it birthday bash or a wedding." comes to the range of savings and cash investments products on the The Money Maximiser account market. "There is good competition, is particularly attractive to those

earning a salary for the first time.

on-demand product, which needs

an opening balance of R5 000,"

says Smuts. "When you've built

with R100 000 to start with, says

Smuts. "You earn a money market

fund-related rate and your capital

and quoted returns are fully

"Then consider starting with a cash-

specific savings and investmentrelated needs on a day-to-day basis. This hinges on a goal-based approach, which takes into account the savings objectives of every client. For example, if you are saving towards a longer-term goal like an anniversary, a wedding or a coming-of-age party – your needs are different to short-term aims like a holiday or a deposit on a new car. Ilse Smuts, Head of Marketing at Savings and Cash Investments,

notes that what makes investing in

a RMB product attractive to most

savers is the fact that "your capital is

100% guaranteed, as is the quoted

return", says Smuts, "which means

there is no risk." This gives some

peace of mind in an increasingly

That said, notes Smuts, "through

the up and down cycles many of

the savings principles remain the

unpredictable global world.

A diversified share portfolio, incorporating a good balance of both local and offshore listed companies, is just one way in which concerned investors can protect themselves against the uncertainty surrounding the current South African economic environment. For both new entrants to the world of share investing, as well as established old hands, a solid portfolio often comes down to the right mix. A large dose of pragmatism is also necessary, however, when investing in, for example, big rand hedge stocks like global brewer Anheuser-Busch InBev or luxury goods company Richemont, says RMB Private Bank's Grant Rossiter, the Channel Management Head at FNB Securities. "While such stocks may offer a good investment opportunity when looking for protection against a depreciating rand, a currency view should never be a one-way bet; if the rand strengthens, the negative impact on rand hedge stocks can be severe." To borrow from another sage piece of investment

strategy is correct, since an incorrect decision can have a very negative impact on your portfolio," says Rossiter. "It's the old diversification story, and that includes talking about diversification outside of South Africa." Effectively, you can hedge your portfolio against rand depreciation and a stagnant economy in two ways, explains Rossiter. "You can take the indirect route, where you hold a portion of your investment in a selection of locally-listed rand hedge stocks, many of which, like mining company Billiton and Richemont, are shares."

advice, having all your eggs in one basket can be

short-sighted. "If you stick to only one strategy (e.g. SA

Inc only), you need to have high conviction that your

ESCAPE THE WINTER CHILL WITH EBUCKS AND AIR FRANCE-KLM eBucks Lifestyle has entered into an exciting new partnership with the

Air France-KLM group. Under this

Bank customers can save 10% on

arrangement qualifying RMB Private

flights with these exclusive partners.

With Air France, KLM and eBucks Lifestyle the sky

really is the limit. The question now is which dynamic

destination is best suited to help you shed the South

guaranteed. Money Maximiser savings product is best for you, often comes down to life stages. also enables instant access to "You can take higher risks when you your investment. You can take out are younger but older people may money anytime making it ideal in need to be more careful, as they the event of unexpected expenses don't necessarily have the time to or opportunities. And there is more recover from a major financial loss," good news: you can now have a Money Maximiser account as part of she explains. the bundled pricing option and your The products you select and the monthly fee of R65 will be waived." 'how' you go about saving opens For more short-term investment up myriad options, which many need help navigating. Generally, options, there are also seven-day in the lower end of the market and 32-day notice products, where most savings are in smaller cash you have to place notice in order amounts, but ultra-high-net-worth to withdraw. And fixed deposits individuals can easily invest from

place." RMB Private Bank covers the gambit of savings products for every individual's needs. Say you are a young professional, just getting a foot on the corporate ladder and offshore allowances: a single discretionary allowance

are particularly popular with the senior market, says Smuts. "Here they can move into higher income you can't access your funds for the selected term – say from one to five years - and the rate is fixed, "You have to balance out all these so you know what you're going to decisions on an ongoing basis by get. Fixed deposits are ideal for enhancing your retirement income, whether your savings are fulfilling if you choose to have interest paid out monthly to boost your income on review these on an annual basis," retirement." In all cases the preservation of all need to update and review our budget depending on our life stage, capital is the core benefit of RMB and this applies to insurance and Private Bank's savings and cash investments' products. "The interest rate is the sweetener," says Smuts. "The real issue is how much capital

you save. If you don't put the money

aside, you'll never gain the reward."

SHARE INVESTING REQUIRES

THE RIGHT MIX

of R1 million per person per year, or the R10 million

annual offshore allowance, for which you need to

obtain clearance from the South African Revenue

transfer capacity.

Service. If you have more capital than this, or would

like to invest in the name of a company or local trust,

you could also consider using a financial entity's asset

With recent volatility in the currency market, driven by

both political and economic influences, investors have

offshore. "I always tell my clients to think of themselves

been inclined to explore the option of taking funds

as international citizens when considering where to

invest their capital," says Rossiter. "Why would you

the country relatively easily," says Rossiter. "In fact,

some clients take out more than perhaps they should

country, but the reality is that there is no reason why

Finally, when it comes to shares and sectors which

investors might keep on their radar, Rossiter believes

commodities still have something to offer. "They have

had a strong recovery off of their lows and I think there

is still some potential for them to appreciate. Stocks in

this sector include Anglo American and other diversified

up your cash requirements in South Africa."

because they are nervous about the current state of the

you can't bring money back in from time to time to prop

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invest your total wealth in an economy (South Africa) that is only 0.42% of the global GDP [World Bank 2015] data]? There is a big case to be made for diversifying your assets into the global economy, into global industries (many of which are not represented in the South African market) and global companies." Of course, if one lives and works in South Africa, you still need to fund and finance your lifestyle, which means having investments in rands, which are easily accessible. "But exchange control is not onerous (at present) and you can apply and take money out of

dual listed on offshore exchanges. And you could also miners. But this would be a long-term trade." invest in numerous Exchange Traded Funds, which An old theme, which is still valid, is to keep an eye on give you exposure to specific foreign stock exchange South African companies expanding into the rest of indices consisting of different baskets of foreign the continent or further abroad; companies which have really diversified their income streams. Any examples? "We still like Steinhoff," concludes Rossiter. The other way is the direct route, where you move capital offshore and invest in international stocks directly. You can achieve this by using your personal < BACK

African winter blues and put a spring in your step, Europe or the Americas? **Celebration city: Montréal** If you've never visited the second-largest Frenchspeaking city in the world, then 2017 is the ideal

year to soak up the history and charm of Canada's

second most populous city, after Toronto. This year

marks the 375th anniversary of the city, which was

originally called Ville-Marie, or City of Mary, by the

French colonisers. As you'd expect, history abounds

from the impressive Notre-Dame Basilica to the old

port, the Pointe-a-Calliere Museum, the Musee d'art contemporain de Montreal, Montreal Museum of Fine Arts, and countless street markets, boat tours, walks and biking trails. But modern Montréal is never far

behind; offering an enchanting mixture of old and new. With 2017 marking a historic birthday for the city (17 May to be precise), Montréal is pulling out all the stops with more than 175 events taking place over the year from open-air museums and expos, to massive street food markets, indigenous art and culture nights, plays, pop-up galleries and installations. Make this the year you fall in love with Montréal. The perennial favourite: New York, New York According to the 1944 song, New York really is a

'helluva town'; there really are experiences lined up around every corner. Even regulars to this evergreen city never fail to see the charm in a visit to Central Park or a harbour tour taking in the iconic Statue of Liberty, or simply to marvel at buildings like St Patrick's Cathedral, the Empire State Building or the Metropolitan Museum of Art. If traditional sight-seeing is not your thing, but music is, then consider some pretty awesome concerts taking

place over the next few months in the Big Apple. In

July, Billy Joel is in action, as are John Mellencamp,

Rod Stewart and Cyndi Lauper. There is also a bevy of

Broadway shows to gorge on, including the hysterical

Book of Mormon, classics like Hello Dolly! or firm

favourites such as The Lion King and Miss Siagon.

each summer at the open-air Delacorte Theatre in

numerous events scheduled across public spaces

Central Park.

during the Summer.

Terms, Conditions and Rules apply.

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Plus, the Public Theatre runs Shakespeare in the Park

from France and visual artwork by Belgian Berlinde Bruyckere highlighted the cross-border appeal of the event. You might want to sneak in a visit to the recently-restored Rijksmuseum, being sure to take in Rembrandt's Night Watch, or the Van Gogh or Hermitage Amsterdam museums. **Follow the Tour: Paris** free music celebrations. For cycling lovers a well-timed trip to Paris could also

For those lucky enough to be in Paris for the final stage down the Champs Elysees will be truly unforgettable.

Entry may be free, but the event is unforgettable. A culture injection: Amsterdam Amsterdam is a delightful tourist hotspot with

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In 2017, the Holland Festival unveiled one of its most packed programmes in the 70-year history of the event, featuring music, opera, theatre, visual arts and modern dance, film and architecture. The Festival affords lesser-known artists to perform side-by-side with establish performers. Opening the Festival in 2017 at the National Opera is a performance of the opera Maria Vespers, by Italian Claudio Monteverdi. Conductor, Raphael Pichon Can there be anything more charming than summer in Paris? Street markets, river cruises, food walking tours, museums and the annual city-wide Fête de la Musique mean indulging in a spot of European sight-seeing for

the 104th edition of the epic Tour de France, taking place from 1-23 July 2017. The world-famous event starts this year in the German city of Dusseldorf, before heading into Belgium and Luxembourg and then back into France. The 2017 Tour promises to be even more dramatic and exhausting for the peloton than before, with Frances five mountain ranges featured over the course - 1992 was the last time riders tackled all five imposing mountains in one Tour. of the Tour, the sight of world-class riders clattering The offer is valid for travel to Europe and North

America between 1 June 2017 and 31 March 2018, affording ample time for eBucks customers to stake their claim to this select offering. The discount applies to Business Class flights on Air France and KLM, and First Class flights on Air France only. Furthermore, the discount excludes all taxes. To qualify, a minimum payment of eB50 000 per ticket is required for all Business Class flights.