Investing in an uncertain world

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In mid-May 2016, riots erupted in Nairobi, Kenya over allegedly partisan election officials; French demonstrators clashed with police in Paris over labour reforms; Brazil (already facing political turmoil following a vote to impeach incumbent President Dilma Rousseff) saw riot police clashing with protestors just weeks before the Rio Olympic Games. The European Union is faced with the effects of the British withdrawal while, across the pond in the United States, Republican presidential nominee Donald Trump is creating waves with his shoot-from-the-hip approach which has angered Muslims, Mexicans, women and new London Mayor, Sadiq Khan.

Derry Pickford offers us a thoughtful analysis of the events unfolding in Britain and the United States, and the implications of political uncertainty in two of the world’s biggest and most established economies. His article offers much to ponder, especially in light of a global rise in anti-establishment populism and the implications for the world economy.

Faced with such uncertainty, investors are, understandably, concerned about the state of the financial markets and how various asset classes perform during volatile times. Under the broad theme of ‘global political headwinds and the economic impact’, we’ve attempted to unpack the state of the world economy, turning a keen eye to the African political outlook and that of emerging markets in general. We have also revisited our previous analysis of the oil price, with Richard Robinson exploring the long-term view of the Ashburton Global Energy Fund, and the reasons for this stance.

We have Paul Clark to thank for providing some good news in his contribution: ‘African democracy: Fact or fiction?’ While challenges certainly exist across our continent, there are green shoots worth celebrating, not least of which are the efforts by both Nigerian President Muhammadu Buhari and Tanzanian President John Magufuli to tackle corruption head on in their respective countries. For years commentators on Africa have decried the ‘lumping together’ of the 54 diverse countries which make up the continent and now, as significant differences emerge in the broader global emerging market space, we are seeing the same sort of thinking shine through. Jonathan Schlessl takes us on this journey, asking us, as investors, to move away from the grouping approach that has given us acronyms such as BRICS, CIVETS and MINTs and consider each individual country on its merits.

That said, taking this view does not necessarily bode well for the South African outlook and, with 2016 possibly being the year of the sovereign credit rating downgrade, Rob Hamer and Craig Sherman in their article, explain the implications as well as the process which ratings agencies follow.

Finally, Mark Appleton has contributed an important piece which outlines our approach to investing across various asset classes during these turbulent times, and underscoring our cautious position at this time. As he notes: “We have become somewhat more sensitive to the risks and are keeping some powder dry for opportunities as they arise.”

At this time, and based on the analysis we’ve put together for you in this issue of Global Perspectives, I would like to assure investors that our portfolios are well positioned to navigate the short-term volatility in global markets and to take advantage of compelling medium-term valuations in equities, bonds and property. We believe in sticking to the basics during times of uncertainty and ensuring that, as always, we apply our new generation thinking to unlocking value and helping you achieve better returns at a lower cost and with lower risk.

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