

## Making an impact

## Weekly Digest

26 November 2018

– David Lashbrook, CFA

It goes without saying that we make investments for the sole benefit of our clients, but what if our investing activities can make a wider positive impact too?

I was in Ghana two weeks ago for the official opening of the two twelve-storey office blocks that we have just completed in the capital city of Accra. We are very pleased that both were completed on time and under budget.

The dedication ceremony of SU Tower for Scripture Union Ghana was perhaps one of the most rewarding mornings of my career. Scripture Union Ghana is part of Scripture Union (the international, inter-denominational, evangelical Christian movement) and it is active in more than 90% of Ghana's high schools. Before we met them, Scripture Union Ghana operated out of a completely dilapidated 1960's building on a strategically located piece of land that they own. We leased their land and provided the funding and development expertise to relocate them before demolishing and replacing their building with a Grade A office block that they will fully own when our 27-year lease expires. This will then provide this very worthy charity with an annuity income for life. Approximately 400 people, including several business and religious leaders, attended the dedication and the level of sheer joy displayed in the charismatic speeches, harmonious singing and spontaneous dancing was humbling in the extreme.

In another example, during the development and construction of 335 Place, we experienced severe flooding of Ghana's main east-west highway which passes immediately south of the property. The rain

water covered all three lanes and completely cut off the traffic. We requested our structural engineer to conduct an assessment and he determined that the drainage pipes underneath the highway had insufficient capacity. The local council has very limited resources available for capital projects, so we invested a small portion of our project savings on installing an additional larger pipe underneath the highway which has eliminated the flooding during subsequent rain storms. This has had a positive tangible impact on 335 Place's tenants as well as the wider community.

In addition, if one considers job creation, 335 Place had a peak staff of 419 whilst the SU Tower development had a maximum of 796 people on site. The main contractor also has a program of upskilling staff so that those with the most basic jobs can be trained in more specialist roles such as carpentry, thereby enabling them to be more employable in the future.

We are currently finalising the leasing of both buildings and we will then arrange for an independent valuation which will hopefully provide an uplift for our investors. We believe that our two developments have already contributed to the growth of Ghana's economy by creating jobs during the construction process. We believe that they will continue to do so through the provision of world class office space that will enable companies to operate efficiently and compete internationally whilst simultaneously providing a meaningful real return for our investors.



## The Marketplace

- Brent crude fell to a year low, down 11.9%, closing the week at \$58.8 a barrel
- Gold finished the week flat at 1223.6 an ounce
- Cryptocurrency sell-off continues, bitcoin falls below \$4000
- Major indices show weak multiple data

## Market Focus

### US

- There is a degree of optimism that this week's meeting between President Trump and President Xi Jinping to discuss trade will be more reconciliatory in tone
- US Tech stocks had a bad week with the major gauge declining 5.0%
- The S&P 500 price/earnings ratio is down 17.0% in 2018
- US equities fell 3.8% in the week

### UK

- The European Union has signed off the UK withdrawal agreement which they claim cannot be reopened or improved upon. The deal is set to be voted on in the House of Commons in the coming weeks, however, there is growing concern the deal is unlikely to have the required numbers to achieve parliamentary approval
- UK equities fell 0.8% on the week

## Europe

- The Italian government is considering changing their deficit target next year following the EU threatening to fine Italy over violations to spending rules
- Ukraine's parliament is voting on whether to impose martial law following an escalation of tensions with Russia. Russia has opened fire on and seized three Ukrainian naval vessels off the Crimean Peninsula
- Euro-area consumer confidence, measured by the European commission's monthly index, decreased to -3.9 in November from -2.7 in the previous month and below market expectations of -3, the lowest since March 2017. This is due to weak economic data and the German economy shrinking in the third quarter of 2018
- European blue-chip equities fell 1.3% on the week

## Rest of The World

- South Africa's central bank increased its benchmark lending rate for the first time in nearly three years by 25 basis points to 6.75%. The South African Rand rallied 0.9% against the US Dollar
- In Hong Kong, equity markets were down 1.0% on the week
- Japanese equities ended the week flat

Asset Class/Region	Currency	Currency returns			
		Week ending 23 Nov. 2018	Month to date	YTD 2018	12 months
<b>Developed Market Equities</b>					
United States	USD	-3.8%	-0.2%	-0.3%	2.7%
United Kingdom	GBP	-0.8%	-0.6%	-5.8%	-2.2%
Continental Europe	EUR	-1.3%	-0.1%	-6.6%	-7.2%
Japan	JPY	0.0%	2.5%	-8.6%	-6.4%
Asia Pacific (ex Japan)	USD	-1.3%	4.3%	-13.5%	-13.0%
Australia	AUD	-0.2%	0.4%	-1.9%	-0.4%
Global	USD	-2.8%	0.1%	-4.4%	-2.0%
<b>Emerging markets equities</b>					
Emerging Europe	USD	-1.0%	2.2%	-10.9%	-7.8%
Emerging Asia	USD	-1.6%	4.6%	-15.4%	-15.8%
Emerging Latin America	USD	-4.0%	-2.3%	-7.4%	-6.7%
BRICs	USD	-1.9%	4.9%	-12.7%	-13.1%
MENA countries	USD	-0.4%	-1.0%	5.5%	9.7%
South Africa	USD	-0.3%	8.2%	-25.0%	-16.5%
India	USD	-0.3%	6.4%	-8.9%	-6.2%
Global emerging markets	USD	-1.7%	3.7%	-14.5%	-13.9%
<b>Bonds</b>					
US Treasuries	USD	0.1%	0.4%	-1.6%	-1.7%
US Treasuries (inflation protected)	USD	-0.4%	-0.4%	-2.4%	-1.9%
US Corporate (investment grade)	USD	0.0%	-0.5%	-3.7%	-3.2%
US High Yield	USD	-0.3%	-1.3%	-0.4%	0.1%
UK Gilts	GBP	0.3%	-0.6%	-0.9%	-0.1%
UK Corporate (investment grade)	GBP	0.0%	-1.5%	-2.9%	-1.7%
Euro Government Bonds	EUR	0.3%	-0.1%	-0.6%	-1.5%
Euro Corporate (investment grade)	EUR	-0.2%	-0.6%	-1.4%	-1.7%
Euro High Yield	EUR	-0.5%	-1.6%	-3.1%	-3.1%
Japanese Government	JPY	0.2%	0.2%	0.1%	0.0%
Australian Government	AUD	0.2%	-0.4%	2.8%	2.1%
Global Government Bonds	USD	0.1%	0.0%	-3.1%	-3.0%
Global Bonds	USD	0.0%	-0.2%	-3.3%	-3.0%
Global Convertible Bonds	USD	-1.2%	0.2%	-4.2%	-5.1%
Emerging Market Bonds	USD	-0.6%	-0.6%	-7.2%	-6.6%

Asset Class/Region	Currency	Currency returns			
		Week ending 23 Nov. 2018	Month to date	YTD 2018	12 months
<b>Property</b>					
US Property Securities	USD	-0.8%	1.7%	0.4%	-0.5%
Australian Property Securities	AUD	2.4%	1.5%	0.0%	1.0%
Asia Property Securities	USD	0.6%	4.4%	-7.3%	-5.9%
Global Property Securities	USD	-0.4%	2.3%	-3.9%	-2.2%
<b>Currencies</b>					
Euro	USD	-0.7%	-0.5%	-5.7%	-4.3%
UK Pound Sterling	USD	-0.1%	0.0%	-5.3%	-3.7%
Japanese Yen	USD	0.0%	-0.3%	-0.2%	-1.5%
Australian Dollar	USD	-1.4%	2.3%	-7.4%	-5.2%
South African Rand	USD	0.9%	5.1%	-10.6%	0.2%
Swiss Franc	USD	0.2%	0.4%	-2.4%	-1.6%
Chinese Yuan	USD	-0.1%	0.2%	-6.3%	-5.3%
<b>Commodities &amp; Alternatives</b>					
Commodities	USD	-3.8%	-6.4%	-4.4%	-2.5%
Agricultural Commodities	USD	-0.9%	-1.2%	-4.8%	-5.8%
Oil	USD	-11.9%	-24.0%	-12.1%	-7.5%
Gold	USD	0.0%	-0.2%	-6.3%	-5.2%
Hedge funds	USD	-0.1%	-0.2%	-5.2%	-4.5%

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