



Stability | Strength | Safety

FSB No. 568

Welcome/Welkom!

"Uber yourself before you get Kodak'ed".



Helen Masson CFA



Central Bank Paper money

Versus

Cryptocurrencies

&

Penny Cryptocurrencies

Central Bank focus – History of the Federal Reserve

1775 - 1791: **Continentials** – 1st US Currency

Printing to finance the American Revolution

until utterly worthless & high inflation *“not worth a continental”*



1836-1865: **Free banking era**

Banks issued own notes, redeemable in gold or specie, trading at discounts



1873 – 1907: Financial Panic and **Bank runs** (1893 worst depression ever in US)

1908 – 1912: Set stage for decentralised **Central Bank under PUBLIC control**

23 December 1913 – **Federal Reserve Act** signed into law

Central Bank focus – History dating back to 1609

1609 **Bank of Amsterdam**: Introduced first ever **international reserve currency**



1694 Kingdom of England formed **Bank of England** when public funds were in short supply
Impossible to borrow £1 200 000 at 8% needed to fund the 9 year old war with France



*Only corporation that was allowed to **issue bank notes**,
raised £1 200 000 in 12 days*

*1797 **currency crises** with depositors withdrawing from Bank
due to over issuing of notes*

Suspended convertibility of notes into specie payment

Became public – organ of the State:

Upkeep of a healthy financial system

Central Bank focus – SARB

June 1921 (96 years ago): The South African Reserve Bank was formed
Oldest Central Bank in Africa

Private stockholders: SA, Belgium, Greece, Italy, Japan, Switzerland, Turkey, US
SARB 650 shareholders, 2 million shares, none more than 10 000 shares

Core mandate: Keeping inflation within 3-6% target range; protect the value of the Rand
Calls from PP to remove requirement to protect the value of the currency
In favour of stimulating economic growth

1985: Debt to GDP 50%, same as today - *Bad policies and Confidence*

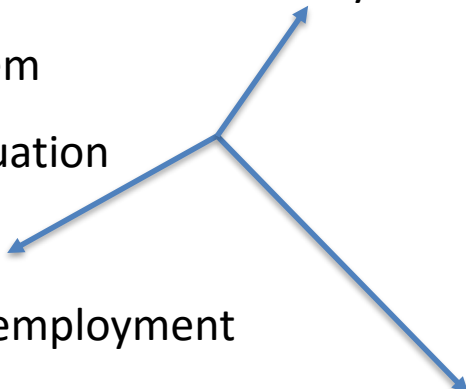
Capital drained from economy
Foreign reserves were low

Restrictive policies/ fiscal spending

and recession followed – 1989 to 1993 (longest since WWII)

Central Bank focus – Top 8 mandates

FED	Long term price stability and sustainable growth
ECB	Price stability and sustainable growth
BoE	Monetary and financial stability – maintain confidence in currency
BoJ	Price stability and stability of the financial system
SNB	Price stability taking into account economic situation
BoC	Maintain integrity and value of currency
RBA	Stability of currency, economic prosperity and employment
RBNZ	Price stability and avoid instability in output/interest rates and exchange rates



Global Central Bank focus – Modern days

2009: The Great Experiment – *whatever it takes*

FED balance sheet increased from \$900 bn to \$4 trillion

(Plus Increase in BoJ & ECB of \$24 trillion)

US Controversial buyback program: \$40bn of mortgage-backed securities
+ \$45bn long term Treasury securities per month

Until improvement in economy evident...

ECB & BoJ: “*Whatever it takes*” continue

Negative interest rates: Make it easy to repay debt!

Unintended consequences: Social unrest
Money flows into financial economy and not real economy
= Deflationary forces/Low growth

Savers to pay...

Global Central Bank Focus

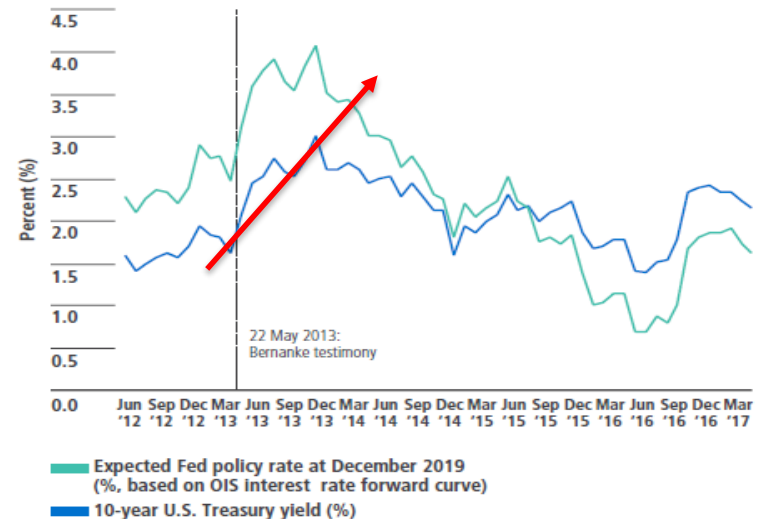
2013: Bernanke - FED might begin reducing its pace of monthly asset purchase
US bonds up from 1.94% to 3.04% - **TAPER TANTRUM**

Treasury yields



Source: Bloomberg as of 31 December 2013

Market-based estimate of December 2019 fed funds rate rises sharply during 2013 taper tantrum

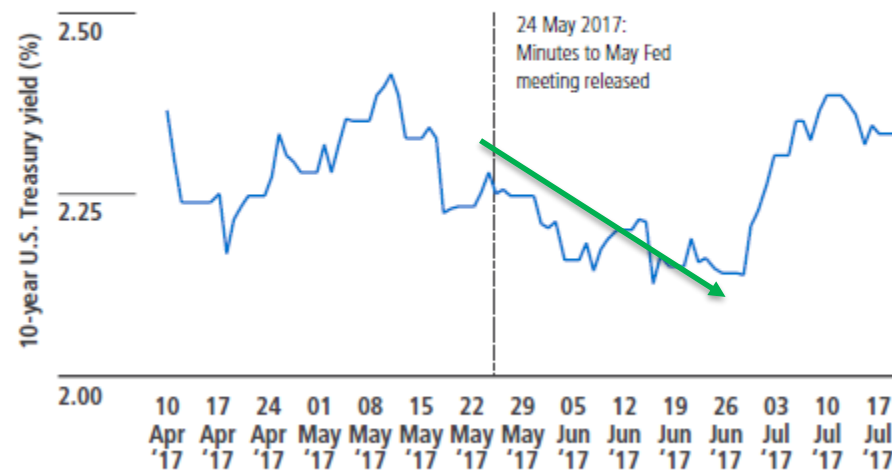


Source: Bloomberg as of 31 May 2017

Global Central Bank Focus

May 2017: FOMC broad agreement to start shrinking the FED's balance sheet
Bond yields **FELL**

The taper tantrum that ain't (yet) in 2017 – U.S. 10-year Treasury yields drop following Fed balance sheet normalization news



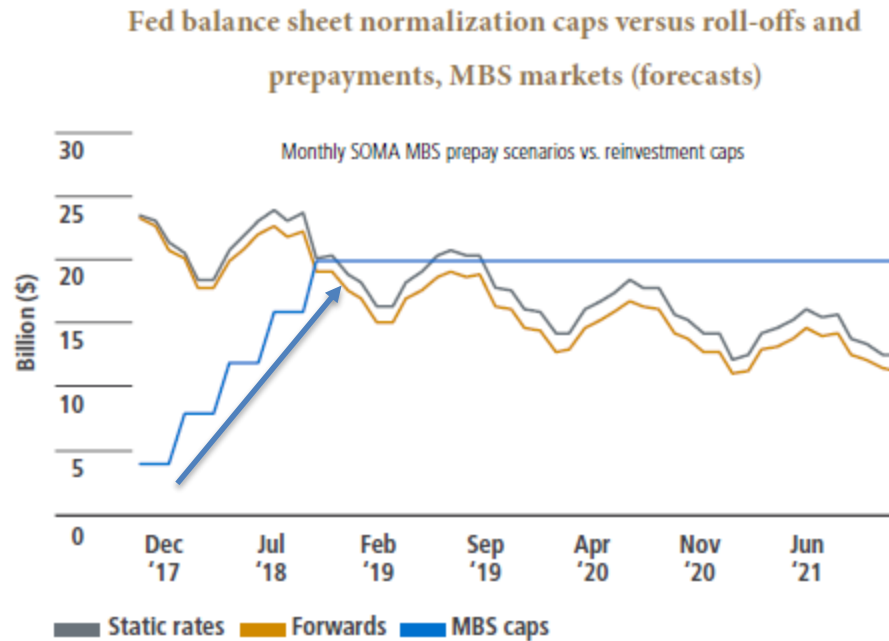
Source: Bloomberg as of 17 July 2017

No TANTRUM:

Market accept NEW NEUTRAL (lower rates) for US monetary policy
FED continue buying for another year

Global Central Bank Focus

No TANTRUM: FED continue buying for another year



Source: Federal Reserve Bank of New York and PIMCO calculations as of June 2017. SOMA is the Federal Reserve's System Open Market Account.

Global Central Bank Focus

FED avoided taper tantrum, for now...

But Global monetary policies?

➤ QE programs and negative rates in Euro / Japan?

Great experiment

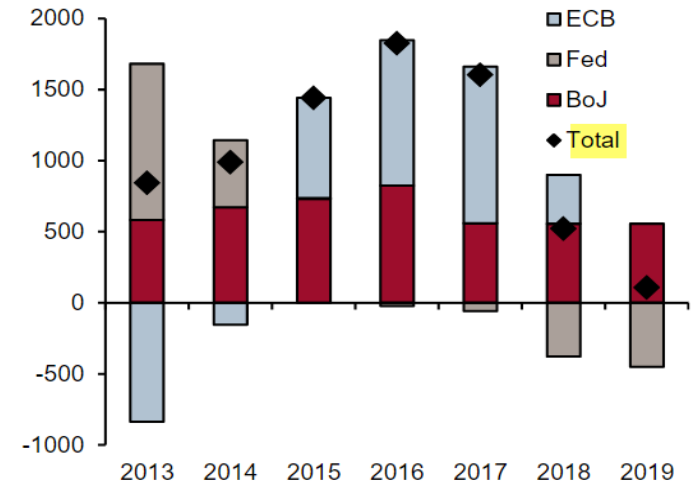
Verdict still out...

Price of money to increase if pool of money shrinks?

Real economy/ Financial economy & social moods...

Figure 16: The pace of aggregate G3 central bank balance sheet expansion will likely slow to near zero by 2019 from its 2016 peak of \$1.8tn

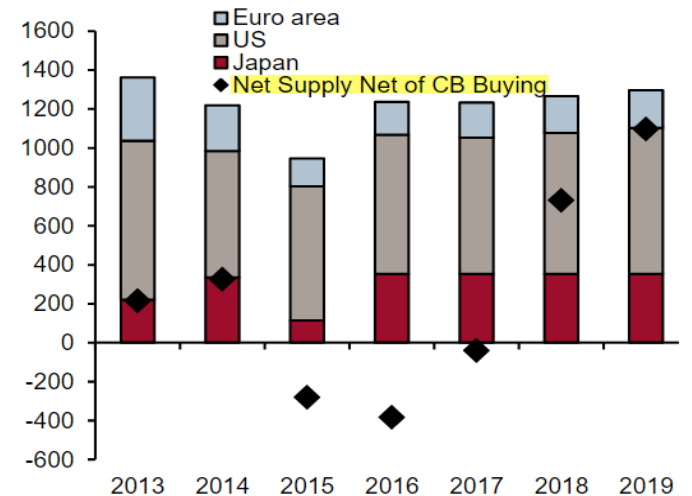
Y/Y change in central bank balance sheet, \$bn, current fx rate



Source: Credit Suisse, the BLOOMBERG PROFESSIONAL™ service

Figure 17: Meanwhile, sovereign net supply available to the market should turn positive next year as the ECB tapers and Fed shrinks its balance sheet

Y/Y sovereign net supply, \$bn, current FX rate



Source: Credit Suisse, the BLOOMBERG PROFESSIONAL™ service

Cryptocurrencies – alternative currency

Digital currency outside government control

OVER 800 cryptocurrencies

Bitcoin surged 125% in past few months

Ethereum gained 3 467% y-t-d

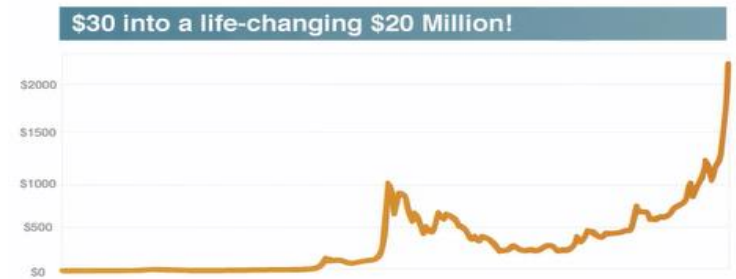
AMIS, brand new cryptocurrency surged 29 693% on listing on 21/4/17

NewYorkCoin up from \$20 to \$11321 (up 56 606%) in a week \$2000 into \$1.1m in a week!

AllSafe up 15 808% in a day

Dogecoin for dog lovers

“Bitcoin is going nuclear...”



Biggest Percentage Gains In The Alternative Currency Markets:

AllSafe	15,808.00%
NewYorkCoin	2871.68%
XP	1301.81%
BumbaCoin	482.13%
LuckChain	333.85%

Cryptocurrencies – volatile, outside govt control

Software update: Hard split – no, and Bitcoin recovers



Bitcoin: 18 August 2008

Money is not printed – it is discovered

Bitcoin network keeps record of all transaction in 10 minute intervals

Miners confirm those transactions and write them into the General Ledger as a Block

These blocks are linked – Blockchain

But Ledger has to be trusted – be sure that it stays intact, never tampered with

Miners apply mathematical formula to ledger (plus previous block Hash) and turn it into a far shorter, seemingly random sequence of letters and numbers known as a Hash

Miners: In cold areas where electricity is cheap

Ledgers									
DATE	PARTICULARS	INITIALS	DR.	CR.	DR. OR CR.	BALANCE	DATE	PARTICULARS	INITIALS
19.5.5							19.5.5		
19.5.5	41.52			41.52			19.5.5	20.97	
19.5.5	116.37			116.37			19.5.5	101.92	
19.5.5	5.00			5.00			19.5.5	51.00	
19.5.5	1325			1325			19.5.5	25.00	
19.5.5	10.00			10.00			19.5.5	100.00	
19.5.5	10.00			10.00			19.5.5	250.00	
19.5.5	17.00			17.00			19.5.5	10.00	
19.5.5	150.00			150.00			19.5.5	17.00	
19.5.5	10.00			10.00			19.5.5	10.00	
19.5.5	1.00			1.00			19.5.5	217.00	
19.5.5	22.00			22.00			19.5.5	20.00	
19.5.5	20.00			20.00			19.5.5	23.47	
19.5.5	104.29			104.29			19.5.5	28.00	
19.5.5	20.97			20.97			19.5.5	946.79	
19.5.5	120.12			120.12			19.5.5	965.99	



Bitcoin – is my money safe?

Blockchain – cannot transact twice

No double spend

Can not be hacked

Include many individuals

Privacy not undermined

Internet for value: Ledger system

With No middle man

Wirex contains Bitcoin vault to store Bitcoin

<https://www.coindesk.com/information/how-to-store-your-bitcoins/>

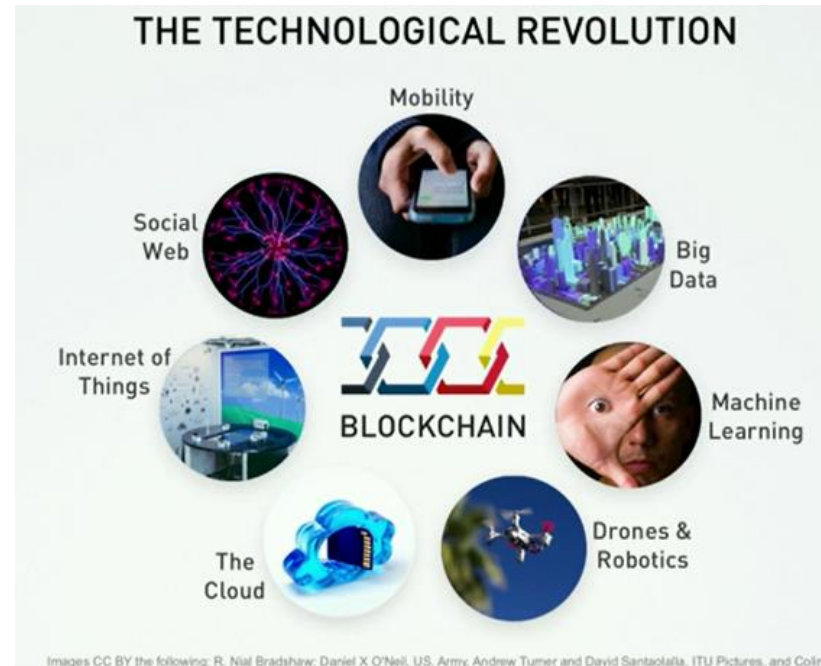
<https://app.wirexapp.com/join/qVwD-soX9Uu2G8NrcfXIRg>

Bitcoin Wallets provide debit cards – so can spend your Bitcoin anywhere

Wirex: can have multiple debit cards, in different currencies

260 000 retailers to accept certain cryptocurrencies as official forms of payment

Japan and Russia – legal tender



Bitcoin – how to get involved

Trading platforms – Luno (Naspers) / Xapo /... (FICA requirement)

<https://www.bitmex.com/app/trade/ZECU17>

<https://www.coindesk.com/information/how-can-i-buy-bitcoins/>

Or

Mining – Lifestyle Galaxy (Dragon Mine) / Own mine / ...

Joining fee \$600

Buying hardware to solve Algorithm

- 50 000 every 10 minutes in 2008
- 25 000 every 10 minutes in 2012
- 12 500 every 10 minutes in 2016

Last Bitcoin to be mined in 2140

<https://www.coindesk.com/information/how-bitcoin-mining-works/>

Blockchain applications

FIVE TRANSFORMATIONS FOR A PROSPEROUS WORLD

1. Protecting rights through immutable records
2. Creating a true sharing economy
3. Ending the remittance rip-off
4. Enabling citizens to own and monetize their data (& protect privacy)
5. Ensuring compensation for the creators of value



Last word - SA Reserve Bank

“While prices pressures have subsided, inflationary risks remain.

Event risk could well erode recent rand strength.

Moreover, wage negotiations and the possibility of a higher than expected electricity tariff hike could stoke inflationary pressures.

Against this backdrop, the MPC cautioned that they stand ready to hike rates if any inflationary risks come to fruition”.

Financing the deficit given negative net FDI which creates a high dependency on net portfolio and other investment.

Thus, capital flows across EM in 2H 2017 and South African politics will be the key drivers of the rand.

Central Bank focus

On this very day five years ago, Mario Draghi uttered that immortal sentence

“Within our mandate, the ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough”.

Markets did indeed believe, as that simple sentence seemingly made the world alright again.

Since then, from the ECB we have seen rate cuts, OMT, TLTROs, CBPP 3, ABSPP, PSPP and CSPP – with that large dose of acronyms fuelling a healthy rally, albeit with some hiccups along the way.

Within two to three months of the five-year anniversary of that market-changing moment, we expect to see another...an ECB taper, which – whether it admits it or not (which it won't) – marks the peak of central-bank policy.

Quite simply, it cannot get easier. How the markets adapt to this new era will depend to a decent extent on fundamentals, both economic and political; on this front we have to say things look solid, on the European side at least.

That does not mean there will not be some adjustment required, but it is likely to be less harsh than we had anticipated at the start of the year.

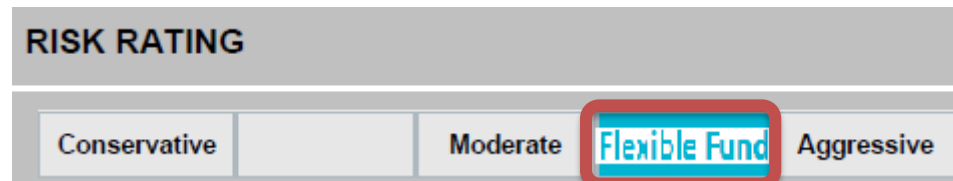
Sir Isaac Newton (1720)

“I can calculate the movement of stars, but not the madness of men.”



Source(s): Marc Faber, Jeremy Grantham, Sir Isaac Newton

Noble PP Flexible Fund *careful and active*



Active Multi Asset Flexible – more conservative than FSB prudential guidelines

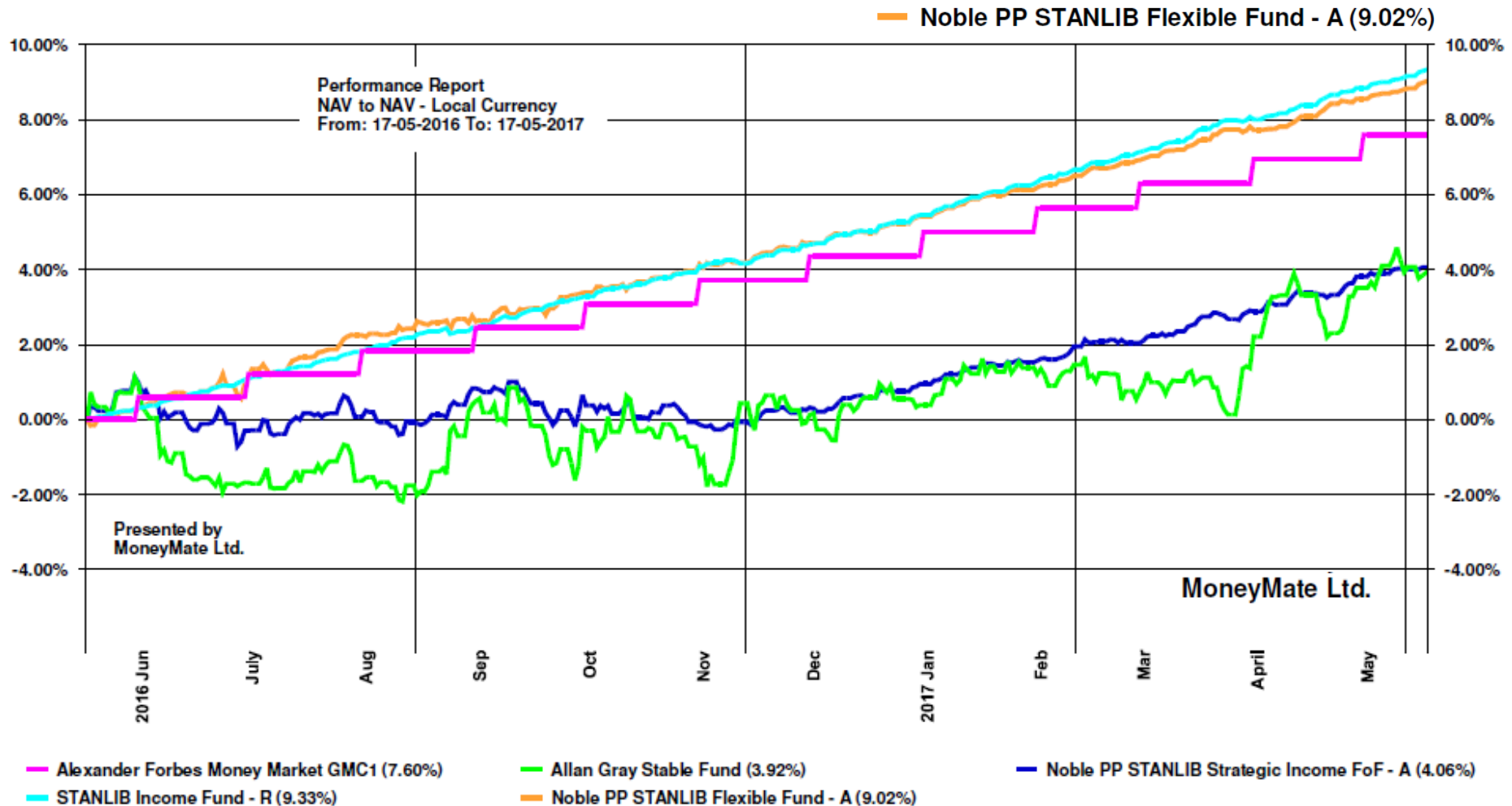
Mandate: Diversified

May invest in financially sound local equity securities, bonds, property shares, property related securities, preference shares, money market instruments and assets in liquid form

Noble philosophy *create & preserve wealth in real terms*

Noble PP Flexible Fund *careful and active*

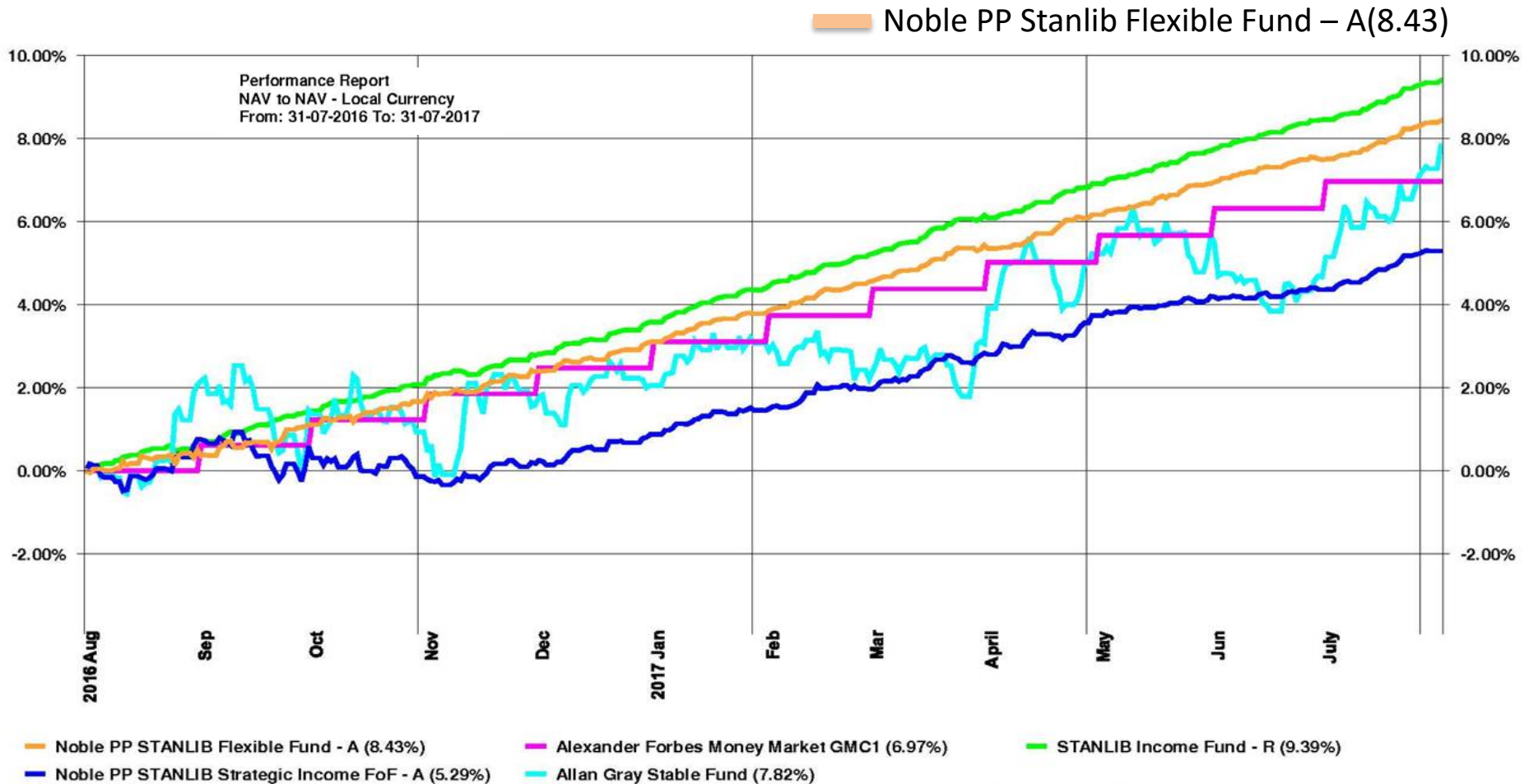
Inflation-beating total returns, whilst minimizing downside risk



Noble philosophy *create & preserve wealth in real terms*

Noble PP Flexible Fund *careful and active*

Inflation-beating total returns, whilst minimizing downside risk



Income Reinvested on Payment Date
Indices shown in Local Currency
Past performance is not necessarily a guide to future performance
Unit prices can fall as well as rise
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Noble philosophy *create & preserve wealth in real terms*

Noble investment philosophy *careful and active*

*“In a constantly changing and evolving investment market,
a consistent investment philosophy is vital to allow financial opportunities
to translate into successful investment strategies for clients”.*

Noble’s philosophy of **value investing** and **active asset allocation**
through a multi asset, multi management investment methodology,
drives their investment process.

Noble philosophy *create & preserve wealth in real terms*

Thank You

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