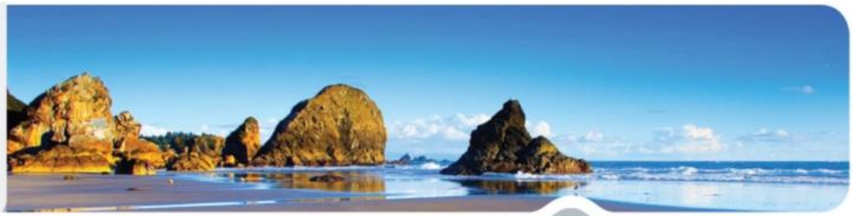

PRIVATECLIENT HOLDINGS

Perspectives | Monthly Market Review

January 2018

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All Share

Resources

Industrials

Financials

Index	Value	Dec (%)	YTD (%)
All Share	59,505	▼ 0.3%	▲ 21.0%
S&P 500	2,674	▲ 1.1%	▲ 21.8%
FTSE	7,688	▲ 5.0%	▲ 11.9%
Rand/USD	12.38	▼ 9.3%	▼ 9.5%
Rand/GBP	16.75	▼ 9.3%	▼ 0.9%
Gold ($)	1,306	▲ 2.6%	▲ 13.6%
Plat ($)	934	▼ 0.8%	▲ 3.6%
Brent ($)	66.87	▲ 5.2%	▲ 17.7%

Market Report

2017 proved to be a good year for equities

After a year of near-zero returns, the JSE made a good comeback in 2017, with the All Share Index returning 21% for the year. The JSE was down 0.3% in December, hampered by the Steinhoff scandal after it lost more than 90% of its market value. Industrials and financials outperformed, with the latter showing strong performance in the second half of the year.

One would expect this performance to be backed by stronger economic fundamentals, however, the opposite was true. The South African economy contracted an annualized 0.7% in the first three months of 2017, following a 0.3% contraction in the previous quarter, entering a technical recession. Furthermore, SA was downgraded to junk bond status, President Zuma reshuffled the cabinet in March and again in November, and the unemployment rate reached a 13-year high.

Consumer inflation decelerates to 4.6%

Consumer inflation decelerated to 4.6% y/y in November from 4.8% in the previous month. The slowdown mainly stemmed from the transport category as the fuel price inflation eased to 7.9% y/y from 10.8% in October.

For the January to November period, exports increased 7.6% while imports remained unchanged, shifting the country's trade balance into a R64.74 billion surplus from an R11.2 billion gap in the same period of 2016.

US Fed hikes rates in December as expected

The Federal Reserve raised the target range for the federal funds rate by 25 basis points to between 1.25% to 1.50% during its December 2017 meeting, stating that the labour market has continued to strengthen and that economic activity has been rising at a solid rate.

The FOMC believes that the monetary policy stance is still accommodative and will support the labour market as well as a return to 2% inflation on a sustained basis. Inflation is still below 2% on a 12-month basis but is expected to reach the target over the medium term.

Japanese economic growth exceeds expectations

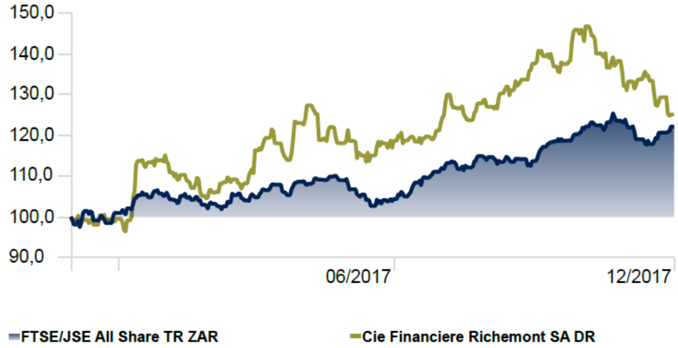
Third quarter Japanese GDP growth decelerated to 0.6% from 0.7% in Q3 but exceeded the 0.3% growth forecasted for the period. Net exports and private and non-residential business spending added 0.5 and 0.2 percentage points respectively. Household consumption expenditure shaved off 0.3 percentage points. On an annual basis, the Japanese economy expanded by 2.5%, comfortably beating expectations.

Full article available at http://wp.me/p7OdvY-2eB

Company Results

Compagnie Financiere Richemont SA – Interim results for the period ending Sep 2017

Headline EPS	1.8
Historical PE	32.5
HEPS growth	88.6%
Turnover Growth	10.2%
ROE	11.0%
Debt/Equity	-31.4%
NAV per share (CHF)	26.0
Dividend yield	2.3%
Share price (CHF)	88.3



Nature of Business

Richemont owns several of the world's leading companies in the field of luxury goods, with particular strengths in jewellery, luxury watches and writing instruments.

Latest Results

Richemont reported an improved set of results for the interim period ending September 2017, albeit coming off a low base due to the exceptional inventory buybacks in the comparable period. Sales increased by 10% (up 12% on a constant currency basis) to €5.6bn, while excluding inventory buy-back sales was higher by 8%.

Higher sales were mainly attributable to strong double-digit growth in jewellery and watches. By product category, jewellery contributed 39% (2016: 39%) to revenue, watches 43% (2016: 41%), leather goods 7% (2016: 7%), while clothing, writing instruments and other products the contributed the remaining 12% (2015: 13%). Both gross margins and operating margins were higher – 65.4% and 21.3% from 63.5% and 20.4% respectively – driven by the non-recurrence of inventory buy-backs and improved manufacturing absorption and positive operating leverage.

Ultimately, Richemont reported an 89% increase in headline earnings and diluted HEPS of €1.0bn and €1.767, respectively. Cash generation improved for the interim period following lower absorption of cash for working capital due to decreased inventories.

Dividend

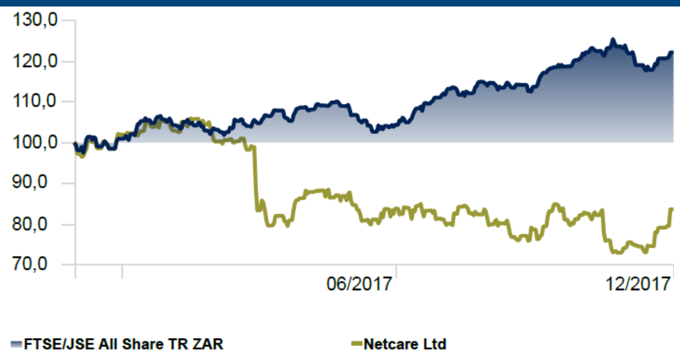
No interim dividend was declared which is in line with the annual dividend policy.

Prospects

For the second half of the year, management is anticipating a volatile exchange rate environment coupled with demanding comparative figures. The strong performance from retail has been viewed positively as it is a leading indicator for the wholesale channel which currently has inventory above normal levels. From a sales trend point of view management have guided to a new normal of mid-single digit sustainable growth in a normal year, to high single digit in a good year and probably zero in a bad year.

Netcare Ltd – Year-end results for the period ending September 2017

Headline EPS	149.6
Historical PE	16.8
HEPS growth	-24.6%
Turnover growth	-9.6%
ROE	26.8%
Debt/Equity	77.1%
NAV per share	R6.09
Dividend yield	4.3%
Share price	R25.15



Nature of Business

Netcare, an investment holding company listed on the JSE Limited, South Africa, operates through its subsidiaries the largest private hospital networks in South Africa and the United Kingdom. The group operates the largest private hospital group, primary care network and medical emergency service in South Africa. Netcare is also the biggest private trainer of emergency personnel and healthcare workers. In the UK, Netcare is the largest private acute care hospital provider and is an independent service provider to the National Health Service (NHS).

Latest Results

Netcare reported a disappointing set of results for the year ending September 2017 impacted by a large number of non-recurring, non-cash accounting adjustments. In addition, the South African operations was negatively affected by underlying trading impacts, although the SA Hospitals did see an improved result in the second half of the year.

The group's UK operations delivered a disappointing performance, affected by acceleration of demand management initiatives implemented by both the National Health Services (NHS) and private medical insurers that impacted patient activity.

Gross profit was down 10% to R14.8bn, resulting in a lower gross margin of 43.3% (2016: 43.6%). The financial performance was also impacted by adverse exchange rate movements (stronger Rand and weaker Pound).

An 18% increase in the net finance expense, combined with a higher effective tax rate, resulted in a 34% decrease in profit after tax to R1.9bn. Adjusted headline earnings came in 24% lower at R2.03bn, with adjusted HEPS decreasing by 25% to 149.6cps. EPS for the FY came in at a loss of 37.5cps due to the impairments of the UK business, together with a consideration of onerous lease obligations.

Dividend

Management declared a gross final dividend of 57cps, which combined with an interim dividend of 38cps, resulted in full year dividend of 95cps (2016: 95cps).

Prospects

Management have reiterated that the drivers of health care demand remain intact, being an ageing population and increasing disease prevalence. Looking at the local business, the growth in patient days seen in later part of the 2017 financial year have extended in to the first two months of the current year. The business is also expected to benefit from the restructuring of emergency services and the new Primary Care facilities.

Technology and efficiency initiatives are underway to mitigate pressures on margins. The focus is to improve bed occupancies by transferring beds from underutilized facilities to higher demand areas. There are no new beds expected to be added in the upcoming fiscal year. The capital expenditure budget for 2018 is R1.35bn, lower than the R1.55bn in 2017.

Snippets

Brexit could cost nearly 500,000 UK jobs: study

Daily Maverick

Brexit could cost the UK nearly 500,000 jobs in a worst-case scenario, according to a study published Thursday which was commissioned by the mayor of London.

Britain could lose 482,000 jobs by 2030 if the country crashes out of the European Union, according to research by Cambridge Econometrics.

A scenario in which the UK fails to agree a transition deal and future trading relationship with the bloc would also cost Britain £46.7 billion ($62.9 billion, 52.7 billion euros) in investment over the same period.

The report compares four possible post-Brexit scenarios to the option of maintaining the status quo — already ruled out by the British government — of staying in the European single market and customs union.

The most optimistic Brexit scenario outlined, of a two-year transition period leading to single market membership without the customs union would still lead to a loss of 176,000 jobs and £20.2 billion in investment.

London Mayor Sadiq Khan, who campaigned against Brexit, commissioned the study and said the findings show "the potential economic risks — and human costs — at stake in the negotiations" in Brussels.

In a statement, the Europhile mayor accused the government of a "complete lack of preparation" in assessing the impact of Brexit, urging ministers to change their negotiating position and agree to remain in the single market and customs union.

A spokeswoman for the Brexit department said the UK and Brussels believe they will "achieve an ambitious deal securing prosperity" for Britain and the bloc, having concluded the first stage of exit talks last month.

"The UK wants a deep and special partnership with the European Union, a partnership that spans a new economic relationship and a new relationship on security," the spokeswoman said.

Cambridge Econometrics also forecast that the worst-case scenario would lead to the largest drop in immigration, allowing the government to reach its target of under 100,000 arrivals from 2020 onwards but hitting productivity.

Comparatively, maintaining the status quo would see migration falling from 232,000 in 2020 to 220,000 a decade later.

Transition arrangements, trade and security will be on the agenda of Brexit negotiations later this year before Britain leaves the bloc in March 2019.

Corporate Cash Manager Rates

FUND	BALANCE	RATE
CALL ACCOUNT	0.00 – 9 999.99	4.80
	10 000 – 24 999.99	5.30
	25 000 – 49 999.99	5.55
	50 000 – 99 999.99	5.80
	100 000 – 249 999.99	5.95
CALL MONEY FUND	250 000 – 999 999.99	7.17
	1 000 000 – 9 999 999.99	7.27
	10 000 000 upwards	7.37

Dividends Payable

Dividends in LDT order

Company	Decl	LDT	Pay	Amt	Curr
Barloworld Ltd. (BARWORLD)	20-Nov	09-Jan	15-Jan	265	ZARc
Omnia Holdings Ltd. (OMNIA)	28-Nov	09-Jan	15-Jan	200	ZARc
Rhodes Food Group Holdings Ltd. (RFG)	21-Nov	09-Jan	15-Jan	31.1	ZARc
Sappi Ltd. (SAPPI)	16-Nov	09-Jan	16-Jan	15	USDc
Tiger Brands Ltd. (TIGBRANDS)	27-Nov	09-Jan	15-Jan	702	ZARc
Astral Foods Ltd. (ASTRAL)	20-Nov	16-Jan	22-Jan	875	ZARc
Reunert Ltd. (REUNERT)	21-Nov	16-Jan	22-Jan	354	ZARc
Clicks Group Ltd. (CLICKS)	26-Oct	23-Jan	29-Jan	234	ZARc
Lewis Group Ltd. (LEWIS)	13-Nov	23-Jan	29-Jan	100	ZARc
Netcare Ltd. (NETCARE)	20-Nov	23-Jan	29-Jan	57	ZARc
Premier Fishing and Brands Ltd. (PFB)	24-Oct	30-Jan	05-Feb	15	ZARc
Pioneer Food Group Ltd. (PNR FOODS)	20-Nov	30-Jan	05-Feb	260	ZARc
Tongaat Hulett Ltd. (TONGAAT)	13-Nov	30-Jan	08-Feb	100	ZARc

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