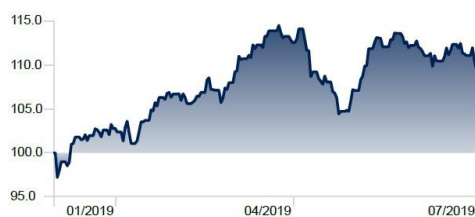


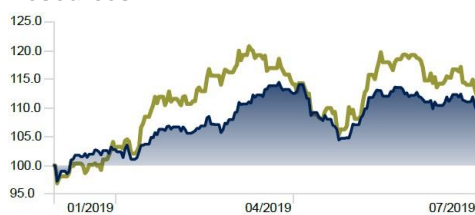
**CONTENTS:** Market Report | Company Results | Snippets | CCM Rates | Dividends Payable

### All Share



■ FTSE/JSE All Share TR ZAR

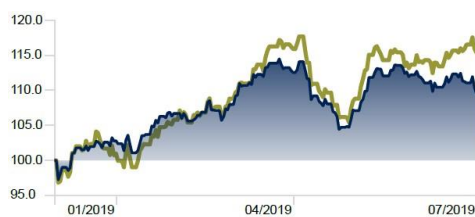
### Resources



■ FTSE/JSE All Share TR ZAR

■ FTSE/JSE Resources 10 TR ZAR

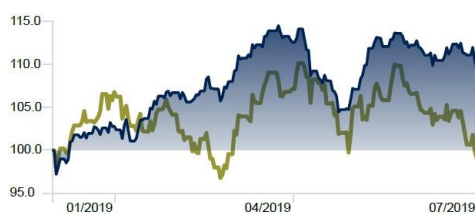
### Industrials



■ FTSE/JSE All Share TR ZAR

■ FTSE/JSE Indl 25 TR ZAR

### Financials



■ FTSE/JSE All Share TR ZAR

■ FTSE/JSE Financial 15 TR ZAR

Index	Value	Jul (%)	YTD (%)
All Share	56,785	▼ 2.4%	▲ 9.5%
S&P 500	2,980	▲ 1.4%	▲ 20.2%
FTSE	7,587	▲ 2.2%	▲ 15.7%
Rand/USD	14.17	▲ 0.5%	▼ 1.5%
Rand/GBP	17.36	▼ 3.3%	▼ 5.3%
Gold (\$)	1,426	▲ 1.2%	▲ 11.6%
Plat (\$)	876	▲ 4.9%	▲ 10.1%
Brent (\$)	65.17	▼ 2.1%	▲ 21.1%

## Market Report

### A slow start to the second half

After markets rallied in June in anticipation of lower interest rates in the US, global equities ended last month largely unchanged, with the MSCI World Index ending a mere 0.5% higher. Meanwhile, local equities ended in the red, with financials and basic materials leading the decline, ending the month 6.4% and 5.2% lower respectively.

Anglo American sold off on news that its largest shareholder, Agarwal, could be looking to sell his stake, exacerbated by soft diamond sales and as iron-ore prices came off the boil. On a more positive note, Pioneer Foods rose nearly 50% after US giant PepsiCo made an offer to acquire it, while retailer Woolworths climbed more than 12% on better than expected results.

### At long last, a rate cut for SA

Amid all the negative news flow, the SARB's move to cut rates by 25 basis points was welcomed by markets and consumers. This was the first rate cut since March last year. However, the news of yet another bailout of Eskom dampened the sentiment on the JSE. Finance Minister Tito Mboweni announced that the troubled state-owned enterprise would receive R59bn in addition to the R69bn bailout granted five months ago.

Rating agencies were obviously not very pleased with the latest developments at Eskom as Fitch downgraded SA's sovereign rating outlook to negative, while Moody's kept its rating unchanged; however, it released a report in which it voiced concerns about the sustainability of the latest move.

### The Fed steps in to support growth

As widely expected, the US Fed cut interest rates by 25 basis points, the first cut since the financial crisis. Subdued global inflation and slowing growth in conjunction with heightened uncertainty brought about by the ongoing trade conflict prompted the Fed to step in.

While the Fed noted it "will act as appropriate to sustain" growth, markets were surprised by Fed Chair Jerome Powell's remark which noted that the latest cut does not necessarily imply a prolonged cutting cycle, but rather a mid-cycle adjustment. The markets did not like this, with the risk-off trade pulling global equities and bond yields lower, while the dollar strengthened.

### Further downward revisions to growth

The IMF reduced its global growth forecasts yet again in July, with growth of 3.2% expected in 2019, and 3.5% in 2020 (both down 10 basis points since April). The most significant downward revisions to the growth outlook were seen in the EM space: Russia, Brazil, Mexico, and SA saw a cumulative 290 basis points reduction in their growth forecasts for 2019. More concerning, however, is the fact that the IMF cut its estimate for global trade growth in 2019, now expecting trade growth of 2.5%, from 3.4% previously.

## Company Results

### Alphabet Inc – Second quarter results for the period ending June 2019

Earnings per share	\$14.21
Historical PE	24.6
EPS growth	20.9%
Operating Income Growth	13.7%
ROE	18.6%
Debt/Equity	2.3%
NAV per share	276.91
Dividend yield	0.0%
Share price	\$1218.20



#### Nature of Business

Alphabet is a holding company, with Google, the Internet media giant, as a wholly owned subsidiary. Google generates 99% of Alphabet revenue, of which more than 85% is from online ads. Google's other revenue is from sales of apps and content on Google Play and YouTube, as well as cloud service fees and other licensing revenue. Sales of hardware such as Chromebooks, the Pixel smartphone, and smart homes products, which include Nest and Google Home, also contribute to other revenue. Alphabet's moonshot investments are in its other bets segment, where it bets on technology to enhance health (Verily), faster Internet access to homes (Google Fiber), self-driving cars (Waymo), and more.

#### Latest Results

Alphabet grew revenue by 19% year-on-year over the three-month period to \$38.9bn, which was ahead of expectations. Cloud computing growth was welcomed by investors, and so was the continued moderation of core Google margin pressures. Revenue growth within its EMEA, APAC, and Other Americas marginally outpaced US growth, and now accounts for 54% of total revenue. Alphabet's operating margin continued to recover and came in at 24%, comfortably ahead of consensus.

Google continues to enjoy strength in the mobile platform. Management is focused on driving mobile experiences and the company is well positioned to pick up strong intent-to-buy signals by studying mobile searches from its huge database. As a result, direct response marketers continue to show interest in it.

YouTube, which remains a strong contributor to the company's growth, is benefiting from improvement in online video consumption. More than a thousand creators are currently engaged in the platform, bringing in a thousand subscribers every day.

Alphabet expanded on its segmental reporting by disclosing more details on Cloud, possibly because it plans to triple the size of its Cloud sales force over the next few years to support growth as the unit reached \$8B in annualized revenue from \$4B in 4Q17.

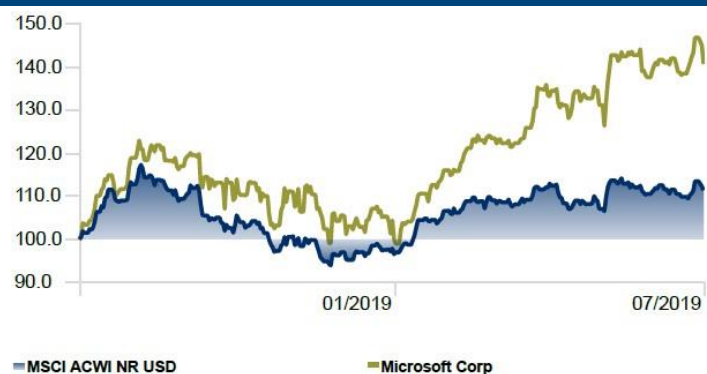
Ultimately, Alphabet reported Q2 EPS of \$14.21, comfortably ahead of expectations and 20.9% higher versus the same period last year. In addition to its stellar results, the company also authorized \$25bn in buybacks to bring the total remaining authorization near \$30bn.

#### Dividend

No dividends were declared by the company.

### Microsoft Corp – Final quarter results for the period ending June 2019

Earnings per share	\$4.75
Historical PE	28.7
EPS growth	22.4%
Operating Income Growth	22.2%
ROE	42.4%
Debt/Equity	84.5%
NAV per share	\$13.39
Dividend yield	1.4%
Share price	\$136.27



#### Nature of Business

Microsoft develops and licenses consumer and enterprise software. It is known for its Windows operating systems and Office productivity suite. The company is organized into three overarching segments: productivity and business processes (legacy Microsoft Office, cloud-based Office 365, Exchange, SharePoint, Skype, LinkedIn, Dynamics), intelligence cloud (infrastructure- and platform-as-a-service offerings Azure, Windows Server OS, SQL Server), and more personal computing (Windows Client, Xbox, Bing search, display advertising, and Surface laptops, tablets, and desktops). Through acquisitions, Microsoft owns Xamarin,

LinkedIn, and GitHub. It reports revenue in product and service and other revenue on its income statement. The company was founded by William Henry Gates III in 1975 and is headquartered in Redmond, WA.

### **Latest Results**

Microsoft reported quarterly earnings of \$1.37 per share, surpassing consensus expectations and growing 22.4% year-on-year. The company grew revenue by 12% (14% in constant currency) to \$33.72bn over the three-month period, also ahead of consensus.

Microsoft's operating margin of 37% expanded 200 basis points year-on-year, driven by higher cloud margins and favourable sales mix. Azure's contribution added several basis points to Microsoft's margin alone.

Strong execution and better-than-expected demand from customers for hybrid cloud offerings drove the quarterly results. Moreover, strong Commercial business boosted its top and bottom line.

Commercial bookings increased by 22%, primarily due to robust renewal implementation and an increase in Azure contracts. Commercial unearned revenues were \$34.1bn, up 16% year-on-year in constant currency. Commercial revenue annuity mix was 90%, broadly the same compared to last year.

For the first quarter of fiscal 2020, commercial unearned revenues are expected to increase 11-12% year-on-year, while commercial cloud gross margin is expected to improve at a moderate pace, sequentially.

### **Dividend**

The company proposed a dividend of \$0.46 per ordinary share, a 9.5% increase year-on-year.

## **Snippets**

### **Introducing Danica Bowran – Healthcare Specialist**

#### **Private Client Holdings is proud to welcome Danica Bowran to our Healthcare and Employee Benefits team**

Danica Bowran has joined us as a Medical Aid and Employee Benefits specialist. Originally from Durban, where she obtained her B. Com. degree in 2013 before moving down to Cape Town. Previously with PSG Danica has a wealth of knowledge in understanding the complexities of medical aid schemes on offer in South Africa. With Danica's expertise, PCH are now well equipped to provide you with options about health care schemes so that you can select the best option to suite your needs.



Danica will be working closely with our PCH wealth management team. Please contact Danica or your PCH wealth manager to set up an appointment to learn more about the health care schemes available and which is best suited to you.

**Danica Bowran** [danica@privateclient.co.za](mailto:danica@privateclient.co.za) or 021 671 1220

## Corporate Cash Manager Rates

FUND	BALANCE	RATE
CALL ACCOUNT	0.00 – 9 999.99	4.55
	10 000 – 24 999.99	5.05
	25 000 – 49 999.99	5.30
	50 000 – 99 999.99	5.55
	100 000 – 249 999.99	5.70
CALL MONEY FUND: <i>Individuals</i>	250 000 – 999 999.99	7.22
	1 000 000 – 9 999 999.99	7.32
	10 000 000 upwards	7.42
CALL MONEY FUND: <i>Non-Individuals</i>	250 000 – 999 999.99	7.04
	1 000 000 – 9 999 999.99	7.12
	10 000 000 upwards	7.22

## Dividends Payable

### Dividends in LDT order

<u>Company</u>	<u>Decl</u>	<u>LDT</u>	<u>Pay</u>	<u>Amt</u>	<u>Curr</u>
Adcorp Holdings Ltd. (ADCORP)	20-May	13-Aug	19-Aug	96.1	ZARc
Anglo American plc (ANGLO)	25-Jul	13-Aug	20-Sep	62	USDc
Kumba Iron Ore Ltd. (KUMBA)	23-Jul	13-Aug	19-Aug	3079	ZARc
Mondi plc (MONDIPLC)	01-Aug	13-Aug	20-Sep	27.28	EURc
Liberty Two Degrees (LIBERTY2D)	29-Jul	20-Aug	26-Aug	29.31	ZARc
Vivo Energy plc (VIVO)	01-Aug	20-Aug	23-Sep	1.11	USDc
AECI Ltd. (AECI)	24-Jul	27-Aug	02-Sep	156	ZARc
Capital & Counties Properties PLC (CAPCO)	25-Jul	27-Aug	20-Sep	0.5	GBPp
Hammerson Plc (HAMMERSON)	29-Jul	27-Aug	07-Oct	11.1	GBPp
Liberty Holdings Ltd. (LIB-HOLD)	01-Aug	27-Aug	02-Sep	276	ZARc
Nedbank Ltd. (NEDBANK-P)	06-Aug	27-Aug	02-Sep	42.36	ZARc
Quilter plc (QUILTER)	05-Aug	27-Aug	20-Sep	1.7	GBPp
Reinet Investments SCA (REINET)	21-May	27-Aug	04-Sep	19	EURc

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