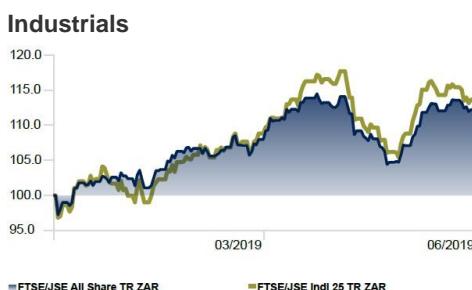
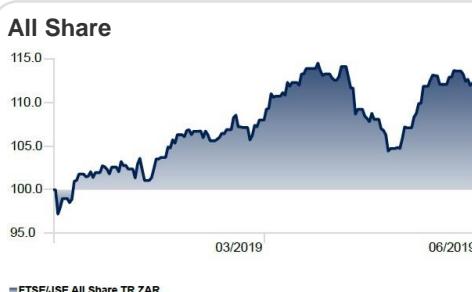




# Perspectives | Monthly Market Review

July 2019

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Index	Value	Jun (%)	YTD (%)
All Share	58,204	▲ 4.8%	▲ 12.2%
S&P 500	2,942	▲ 7.0%	▲ 18.5%
FTSE	7,426	▲ 4.0%	▲ 13.1%
Rand/USD	14.10	▼ 3.1%	▼ 2.0%
Rand/GBP	17.95	▼ 2.2%	▼ 2.0%
Gold (\$)	1,410	▲ 8.0%	▲ 10.3%
Plat (\$)	836	▲ 5.4%	▲ 5.0%
Brent (\$)	66.55	▲ 3.2%	▲ 23.7%

## Market Report

### First half of 2019 ends on a positive note

Global equity markets rallied sharply in June on expectations of lower interest rates. While most economic indicators point to a slowing global economy, dovishness from major central banks lifted equities both locally and abroad. The market is now expecting several rate cuts over the next 12 months in the US, while the likelihood of at least one rate cut locally has increased.

The best-performing major equity index turned out to be the S&P 500, which rallied almost 20% since the start of the year, while the Euro Stoxx 50 rallied 16.5% in USD terms. Emerging markets as represented by the MSCI EM Index continued to lag, gaining only 9.6% in USD terms for the year-to-date.

The rand gained ground against the US dollar, appreciating 3.4% in June as risk sentiment improved. Renewed optimism for a trade truce between the US and China ahead of the G20 summit and higher iron ore prices helped diversified mining stocks such as Anglo American and BHP, which posted solid gains towards month end.

### Hopes pinned on Eskom turnaround

Pravin Gordhan provided an update on SA's most problematic state-owned enterprises during June's State of the Nation Address (SONA). While Eskom's precarious financial and operational position puts SA at risk, the power utility has at least managed to implement its winter transmission plan, resulting in a more reliable energy provision for now. Gordhan promised that the announcement of the Chief Restructuring Officer for Eskom is imminent, emphasizing that the unbundling unveiled at the February SONA is underway and will go ahead.

Following the recent election results and announcement of the new Cabinet, Moody's released an updated credit opinion wherein it noted the following:

- Moody's are positive on the ANC's strong showing, believing this will allow for much-needed reform.
- The rating agency is of the opinion that the new Cabinet is likely to remain committed to the reform efforts. Moody's highlighted the reappointment of Finance Minister Tito Mboweni and Public Enterprises Minister Pravin Gordhan.

### Interest rates likely to remain low for longer

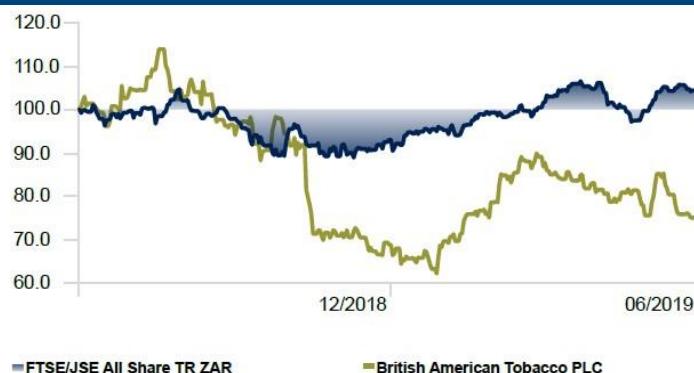
The US Fed turned dovish, signalling a more accommodative interest rate environment for now. This is due to sluggishly low inflation and threats to the global economic outlook, mainly due to slowing global trade as a result of the trade spat between the US and China. While the US labour market remains strong, wage growth remains subdued, thus unable to push inflation above the Fed's target. One interest rate cut is expected by year-end, with further rate cuts expected next year.

The European Central Bank also sounded the dovish alarm as it pledged to keep rates low until mid-next year. It previously indicated that rates would be left steady until the end of this year.

## Company Results

### British American Tobacco Plc – Trading update for the period ending June 2019

Earnings per share	48.8
Historical PE	10.1
EPS growth	-73.1%
Operating Income Growth	43.5%
ROE	9.6%
Debt/Equity	71.9%
NAV per share	231.2
Dividend yield	7.0%
Share price	494.50



#### Nature of Business

British American Tobacco plc is a holding company, which engages in the manufacture and distribution of tobacco products. Its brands include Kent, Dunhill, Lucky Strike, and Pall Mall. It operates through the following geographical segments: United States, Asia-Pacific and Middle East (APME), Americas and Sub-Saharan Africa (AMSSA), and Europe and North Africa (ENA). The APME geographical segment consists of markets in the Middle East merged with Asia-Pacific. The AMSSA geographical segment comprises of markets in East and Central Africa, West Africa, and Southern Africa merged with the Americas region. The ENA geographical segment includes markets in Russia, Ukraine, Caucasus, Central Asia, Belarus, Turkey, and North Africa merged with the Western Europe region. The company was founded by James Buchanan Duke on September 29, 1902 and is headquartered in London, the United Kingdom.

#### Latest Results

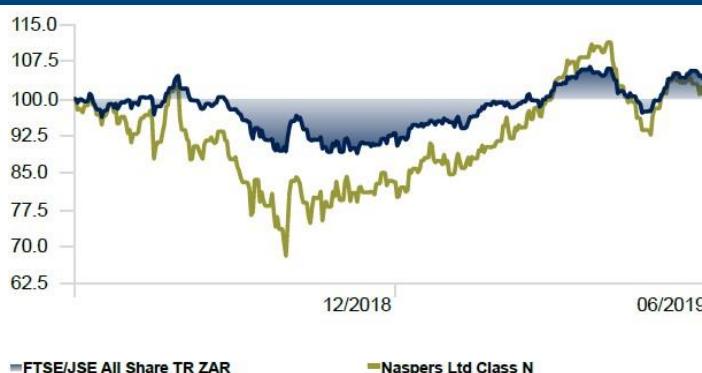
The company gave a trading update for the first half of 2019, with guidance broadly in line with expectations. While it previously expected volume declines of 3.0%, the company now expects volumes to decline by 3.5% for the financial year ending December 2019. Despite this, the firm is on track to deliver constant currency revenue growth in the mid-upper half of our long-term guidance range of 3-5%. Constant currency adjusted operating profit, which is considered to be a more accurate measure of the company's performance, is expected to be in the upper half of the long-term guidance range of 5-7%.

#### Dividend

An interim dividend of 947.78 cents per share has been declared, an increase of 9.2% year-on-year.

### Naspers Ltd – Year-end results for the period ending March 2019

Earnings per share	\$0.68
Historical PE	11.2
EPS growth	25.9%
Operating Income Growth	14.0%
ROE	10.5%
Debt/Equity	11.7%
NAV per share	\$64.78
Dividend yield	0.21%
Share price	3 419.52



#### Nature of Business

Naspers is a global internet and entertainment group and one of the largest technology investors in the world. Operating in more than 120 countries, it runs or invests in some of the world's leading platforms in internet, video entertainment, and media, including companies such as Avito, Delivery Hero, eMAG, Flipkart, iFood, letgo, Media24, Movile, MultiChoice, OLX, PayU, Showmax, Tencent, Mail.ru and MakeMyTrip Ltd.

#### Latest Results

Naspers delivered solid results for the year ended 31 March 2019. Group revenue, measured on an economic interest basis and excluding our Video Entertainment business, was US\$19.0bn, reflecting growth of 16% (or 29% in local currency and adjusted for acquisitions and disposals). Measured similarly, group trading profit increased 10% (or 22% in local currency and adjusted for acquisitions and disposals) to US\$3.3bn. Driven by Classifieds, Etail (online retail), and Payments and Fintech, the ecommerce business posted a strong performance and reduced trading losses by a meaningful 14% (15%). Core headline earnings from continuing operations was US\$3.0bn - up 26% (26%). Trading losses in ecommerce reduced significantly with the Classifieds business continuing its margin improvement to become profitable in the aggregate for the year ended 31 March 2019. The other ecommerce assets also continued to scale, with Etail trading losses almost halving and the Payments and Fintech business narrowing its trading loss margin from 22% last year to 12%.

## Dividend

The company proposed a final dividend of R7.15 per ordinary share, a 10% increase year-on-year.

## Prospects

The Group's focus in the year ahead will remain on driving profitability in established ecommerce segments, accelerating investment to scale food delivery, extending products and services in core segments, and using its strong balance sheet to selectively invest in new opportunities. It will furthermore improve the competitiveness of its platforms by continuing to invest in tech and product and reinforce its artificial intelligence (AI) capabilities.

## Snippets

### 2019 Intellidex Awards | PCH Foreign Exchange Service

**1. The 2019 Intellidex Top Private Banks and Wealth Managers Awards**, recently held in Johannesburg, has established itself as SA's leading assessment of the industry.

Private Client Holdings put in a stellar performance in its first year of entry, taking second position overall in the Top Wealth Manager Boutiques in South Africa.

**2. PCH provides a compelling Foreign Exchange service** that assists businesses and individuals in concluding foreign exchange transactions easily, speedily and at highly competitive rates.

As we are able to negotiate and facilitate the purchase or sale of foreign currency at preferential rates, the Foreign Exchange Service is effective for:

#### Individuals

- Single discretionary and foreign investment allowances
- Emigration
- Offshore inheritance
- Property purchases
- Estate administration transactions

#### South African Companies

- Imports and Exports
- Merchanting transactions
- Foreign Direct Investments
- Inward foreign loans

#### Trusts

- Distribution to beneficiaries

PCH are able to assist you with the entire process of exchange control and transfers without having to set foot into your local bank.

To take advantage of any of these offerings, please speak to your Wealth Manager or contact us on [forex@privateclient.co.za](mailto:forex@privateclient.co.za).

## 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: <i>Individuals</i>	250 000 – 999 999.99	7.16
	1 000 000 – 9 999 999.99	7.26
	10 000 000 upwards	7.36
CALL MONEY FUND: <i>Non-Individuals</i>	250 000 – 999 999.99	6.96
	1 000 000 – 9 999 999.99	7.06
	10 000 000 upwards	7.16

## Dividends Payable

### Dividends in LDT order

<u>Company</u>	<u>Decl</u>	<u>LDT</u>	<u>Pay</u>	<u>Amt</u>	<u>Curr</u>
African Media Entertainment Ltd. (AME)	29-May	09-Jul	15-Jul	150	ZARC
Safari Investments RSA Ltd. (SAFARI)	24-Jun	09-Jul	15-Jul	24	ZARC
Sirius Real Estate Ltd. (SIRIUS)	03-Jun	09-Jul	22-Aug	1.73	EURC
Alexander Forbes Group Holdings Ltd. (AFORBES)	18-Jun	16-Jul	22-Jul	42	ZARC
Investec Bank Ltd. (IBRPREF1)	28-Jun	16-Jul	22-Jul	1425.76	ZARC
Lewis Group Ltd. (LEWIS)	22-May	16-Jul	22-Jul	129	ZARC
Primeserv Group Ltd. (PRIMESERV)	14-Jun	16-Jul	22-Jul	2.5	ZARC
The Foschini Group Ltd. (TFG)	23-May	16-Jul	22-Jul	450	ZARC
Accelerate Property Fund Ltd. (ACCPROP)	20-Jun	23-Jul	29-Jul	23.71	ZARC
Investec Ltd. (INVLTD)	16-May	23-Jul	12-Aug	13.5	GBPp
Investec plc (INVPLC)	16-May	23-Jul	12-Aug	13.5	GBPp
Stenprop Ltd. (STENPROP)	06-Jun	23-Jul	16-Aug	3.38	GBPp
Peregrine Holdings Ltd. (PERGRIN)	20-Jun	30-Jul	05-Aug	100	ZARC

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