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### All Share



### Resources



### Industrials



### Financials



Index	Value	Sep (%)	YTD (%)
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All Share	54,825	▲ 0.2%	▲ 7.1%
S&P 500	2,977	▲ 1.9%	▲ 20.6%
FTSE	7,408	▲ 3.0%	▲ 14.3%
Rand/USD	15.16	▼ 0.1%	▲ 5.4%
Rand/GBP	18.68	▲ 1.0%	▲ 2.0%
Gold (\$)	1,466	▼ 3.5%	▲ 14.7%
Plat (\$)	883	▼ 5.0%	▲ 11.0%
Brent (\$)	60.78	▲ 0.6%	▲ 13.0%

## Market Report

### Geopolitical tensions continue to be a source of uncertainty

While global markets ended the month higher as central banks acted to counter slowing growth and weaker business confidence, political noise and bouts of weaker economic data continued to be a source of uncertainty. As the current global expansionary cycle grows older, investors are more attuned to “early warning signs”, ready to pull the proverbial trigger at the earliest sign. This is despite record-low unemployment levels in most developed nations, strong corporate earnings and attractive equity valuations relative to other asset classes.

To this end, several developments were closely watched during September:

- A formal impeachment enquiry was launched into Trump’s conduct over revelations that he pressured his Ukrainian counterpart to investigate political rival, Joe Biden.
- The UK’s separation from the EU remains clouded in uncertainty with PM Boris Johnson suffering a defeat in a court battle questioning the legality of his suspension of Parliament.
- Oil prices surged with Brent crude posting its biggest intra-day percentage gain since the start of the Gulf War in 1991, after an attack on a Saudi Arabian oil facility shut down the equivalent of 5% of global supply.
- The likelihood of an early trade truce took a knock as President Trump criticized China in a United Nations speech.

### Global equities edged higher in September

Global markets ended the month in the green, with the MSCI World Index gaining 2.2%, bringing the year-to-date return to 18.1%. Developed markets outside of the US outperformed, with European and Japanese equities gaining 4.3% and 5.8% respectively. In contrast, the S&P 500 only gained 1.9%, marginally underperforming the MSCI.

Emerging markets were held back by the performance of some US-listed Chinese shares, which fell following tweets by President Trump which suggested that US capital flows into China could be restricted.

Turning to local markets, the ALSI ended the month flat (+0.2%) after it reached a high mid-month. For the year-to-date, the index is up (7.1%), led by resources (+10.5%) and industrials (+11.1%).

### The SARB kept rates unchanged as expected

In line with expectations, the South African Reserve Bank (SARB) unanimously opted to keep the repo rate unchanged at 6.5%.

While the SARB views the medium-term inflation outlook as largely unchanged from the previous Monetary Policy Committee (MPC) meeting, some marginal changes were made to the forecasts. The SARB revised their inflation forecasts for 2019 downwards to 4.2% from 4.4% but kept its estimates for next year unchanged at 5.1%, and lifted it marginally to 4.7% from 4.6% in 2021.

## Company Results

### Remgro Ltd – Year-end results for the period ending June 2019

Earnings per share	14.489
Historical PE	11.3
EPS growth	-4.2%
NAV Growth	-9.3%
ROE	8.1%
Debt/Equity	22.2%
Intrinsic NAV	233.03
Dividend yield	3.5%
Share price	163.19



#### Nature of Business

Remgro Ltd. is an investment holding company, which engages in the investment business. It operates through the following segments: Healthcare, Banking, Consumer Products, Insurance, Industrial, Infrastructure, Media and Sport, Other Investments, Central Treasury, and Other Net Corporate Costs/Assets. The company was founded by Anthony Edward Rupert in 1940 and is headquartered in Stellenbosch, South Africa.

#### Latest Results

For the year to 30 June 2019, headline earnings decreased by 4.4% from R8 573 million to R8 195 million, while headline earnings per share (HEPS) decreased by 4.2% from 1 512.6 cents to 1 448.9 cents.

Included in headline earnings for the year under review is a positive fair value adjustment amounting to R112 million (2018: R261 million), relating to the decrease in value of the bondholders' exchange option of the exchangeable bonds (option remeasurement). Excluding the option remeasurement, headline earnings decreased by 2.8% from R8 312 million to R8 083 million, whereas HEPS decreased by 2.6% from 1 466.5 cents to 1 429.1 cents.

The decrease in headline earnings, excluding option remeasurement, is mainly due to lower earnings from RCL Foods Limited, Community Investment Ventures Holdings Proprietary Limited, Total South Africa Proprietary Limited and the exclusion of Unilever South Africa Holdings Proprietary Limited due to its disposal. The decrease is partially offset by the inclusion of Sigalo Foods Proprietary Limited and a higher contribution from the banking platform, as well as higher interest income.

#### Dividend

A final ordinary dividend of 349 cents per share has been declared by the directors.

### Old Mutual Ltd – Interim results for the period ending June 2019

Earnings per share	1.091
Historical PE	7.2
EPS growth	10.3%
RFO Growth	1.9%
RoNAV	16.4%
Gross Flows	-9.5%
NAV per share	15.7
Dividend yield	6.1%
Share price	19.33



#### Nature of Business

Old Mutual Limited provides financial services to retail and corporate customers in South Africa and the rest of Africa, Latin America, and Asia. The company offers life and savings, property and casualty insurance, asset management, and banking and lending products and services. It distributes its products through independent advisers, branches, bancassurance, direct and digital channels, and worksites. The company was founded in 1845 and is headquartered in Cape Town, South Africa.

#### Latest Results

Overall, Old Mutual delivered a mixed set of results, with gross flows declining 9.5% y/y, life sales improving 4% y/y and operational challenges such as system downtime in Q4'18 for Mass Foundation.

Segmentally, Old Mutual Insure and Wealth and Investments disappointed with a fall of -68% and -9% y/y in operating earnings respectively. A one-off restructuring cost of R30m in Wealth and Investments and weak NCCF of R2.6bn (H1'18: R10.9bn) created the variance. Old Mutual Insure's underwriting margin of 0.2% (H1'18: 7.1%) compares poorly to Santam at 5.3% for the same period. A recovery in earnings from East Africa assisted growth from the rest of Africa by 282% y/y to R214m. West Africa remains

disappointing reporting a loss of R92m (H1'18: R102m) but Southern Africa (excl. Zim) is impressive with operating earnings growth of 12%/y.

The RoNAV is strong at 16.4% (at the high end of peers). Cash generation is also strong at 72% of adjusted headline earnings (H1'18: 73%). The excess assets (R2.4bn) will be used for further share-buybacks in H2'19. Buy-backs in H1'19 totalled R2.5bn.

#### Dividend

The company declared an interim dividend of 45 cents per share, an increase of 6% on the prior period.

## Snippets

### Financial health of residential tenants continues to deteriorate

By Roy Cokayne

Tenant Profile Network credit bureau reports that the slow and steady deterioration in the percentage of residential tenants in good standing, which started in the third quarter of 2013, continued into the second quarter of this year.

This comprised a combination of 66.15% of tenants who paid on time and in full, 4.72% who paid in the grace period and 10.9% of tenants who paid late.

In the second quarter of this year, delinquencies comprised 11.3% of tenants who made a partial payment and 6.94% of tenants who did not pay, compared with the third quarter of 2013, when 8.43% of tenants made a partial payment and 5.61% did not pay.

Michelle Dickens, managing director of TPN, says the deterioration in residential tenants in good standing coincided with the start of the downward business cycle that started in December 2013, which historically has been the longest since World War II. Dickens says TPN notes the quality of tenants applying for rent has weakened from 80% to 75.24% on the Credex default score.

Loos says in about 2008/2009 the percentage of tenants in good standing dropped to about 71%. Residential rental increases had broadly slowed as well and landlords did not have the pricing power they used to.

TPN says the best-performing tenants in terms of rental payments are in the R7 000 to R12 000 a month price bracket, where 86.93% of tenants are in good standing and only 4.19% don't pay.

## 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	6.87
	1 000 000 – 9 999 999.99	6.97
	10 000 000 upwards	7.07
CALL MONEY FUND: <i>Non-Individuals</i>	250 000 – 999 999.99	6.67
	1 000 000 – 9 999 999.99	6.77
	10 000 000 upwards	6.87

## Dividends Payable

### Dividends in LDT order

Company	Decl	LDT	Pay	Amt	Curr
AVI Ltd. (A-V-I)	09-Sep	08-Oct	14-Oct	250	ZARc
Exxaro Resources Ltd. (EXXARO)	22-Aug	08-Oct	14-Oct	1761	ZARc
Hyprop Investments Ltd. (HYPROP)	05-Sep	08-Oct	14-Oct	359.34	ZARc
MAS Real Estate Inc. (MAS)	05-Sep	08-Oct	28-Oct	4.97	EURc
Mustek Ltd. (MUSTEK)	06-Sep	08-Oct	14-Oct	30	ZARc
NEPI Rockcastle plc (NEPIROCK)	23-Aug	08-Oct	01-Nov	29.02	EURc
Sasfin Holdings Ltd. (SASFIN)	17-Sep	08-Oct	14-Oct	50.01	ZARc
Texton Property Fund Ltd. (TEX)	19-Sep	08-Oct	14-Oct	35.19	ZARc
Wilson Bayly Holmes - Ovcon Ltd. (WBHO)	03-Sep	08-Oct	14-Oct	190	ZARc

Grit Real Estate Income Group Ltd. (GRITREAL)	30-Sep	15-Oct	15-Nov	6.95	USDc
Capitec Bank Holdings Ltd. (CAPITEC)	26-Sep	29-Oct	04-Nov	755	ZARc
RCL Foods Ltd. (RCL)	02-Sep	29-Oct	04-Nov	10	ZARc
Rand Merchant Investment Holdings Ltd. (RMIH)	10-Sep	29-Oct	04-Nov	65	ZARc

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