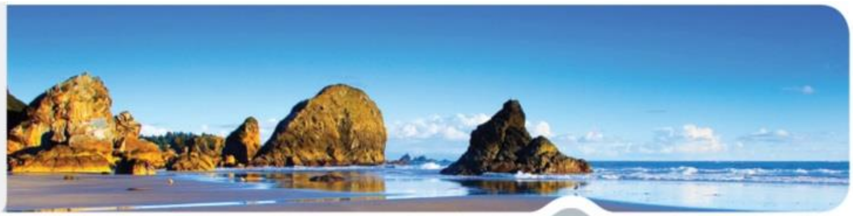

PRIVATECLIENT HOLDINGS

Perspectives | Monthly Market Review

December 2019

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Market Report

Markets lifted by trade optimism

Amid the ongoing trade dispute between the US and China and a slowing global economy, global equities gained for the third consecutive month in November. While markets were hopeful that a trade agreement will be reached before the 15 December deadline, Trump's move to sign two bills in support of the Hong Kong protestors into law caused tensions between the nations to flare up, with Beijing vowing retaliation.

While the full effects of lower interest in major economies are yet to be felt, so far it has spurred on home purchases in the US, which has contributed to the economy's ongoing expansion. Also, we are seeing signs of the global slowdown bottoming out as manufacturing PMI's improved somewhat of late.

Focussing on regional equities, in the US the S&P 500 and the tech heavy Nasdaq gained 3.6% and 4.6% respectively, while in Europe and the Far East, the FTSE, Euro Stoxx 50 and Nikkei gained 2.8%, 1.8% and 1.6% respectively.

JSE ends the month in the red

Local equities underperformed last month, ending nearly 2% lower, but gained 1% in US dollar terms on the back of a stronger rand. Declines were particularly hard felt in telecommunications (-4.5%), industrials (-3.7%) and consumer services (-3.1%), but health care bucked the trend, gaining 8.2%, led by Aspen and Netcare. Aspen withdrew its cautionary and announced the full details of the divestment of its Japanese operations and sale to Sandoz. The deal will provide the indebted Aspen with €300M upfront, which will provide it with much needed cashflow.

For the year-to-date, the JSE is only up 8.5% versus the broad-based MCI All Country World Index, which gained a stellar 22.9% in dollar terms. The JSE's resources sub-index, however, is up 17.3% since January led by gold and platinum shares with shares in Impala, Sibanye and Amplats all up over 100% since January. In contrast, the Healthcare and Industrial sub-indices are down 7% and 9.7% respectively.

SA economy remains stuck in low gear

Focussing on the state of the local economy, signs are that SA is bound to remain stuck in low gear for longer as the ABSA Manufacturing PMI edged lower, inflation came in below expectations and the SARB revised its growth outlook lower in November.

After a brief recovery a month earlier, the ABSA Manufacturing PMI edged lower to 47.7. It marks the fourth consecutive monthly reading below 50 due to some slack in factory activity, with declines recorded for four out of the five sub-indices.

Stats SA reported consumer price inflation (CPI) of 3.7% y/y in October, from 4.1% previously. This is the lowest CPI print in more than 8 years amid a slowdown in food inflation (3.5%) and transport inflation (0.3%). Core CPI remained unchanged at 4% in October, below the midpoint of the SARB's target, which is symptomatic of a slowing economy with limited exogenous inflationary shocks.

All Share

Resources

Industrials

Financials

Index	Value	Nov (%)	YTD (%)
All Share	55,349	▼ 1.8%	▲ 8.5%
S&P 500	3,141	▲ 3.6%	▲ 27.6%
FTSE	7,347	▲ 1.8%	▲ 14.1%
Rand/USD	14.65	▼ 2.7%	▲ 1.9%
Rand/GBP	18.95	▼ 2.8%	▲ 3.5%
Gold ($)	1,466	▼ 3.0%	▲ 14.7%
Plat ($)	898	▼ 3.5%	▲ 12.8%
Brent ($)	62.43	▲ 3.7%	▲ 16.0%

Company Results

Foschini Group Ltd – Interim results for the half-year ending September 2019

Earnings per share	**5.24**
Historical PE	**12.9**
EPS growth	**3.4%**
Turnover growth	**6.5%**
ROE	**19.8%**
Debt/Equity	**128.2%**
NAV per share	**61.11**
Dividend yield	**5.1%**
Share price	**155.18**

Nature of Business

The Foschini Group Limited is a diverse group with a portfolio of 28 leading fashion retail brands across various lifestyle and merchandise categories. Its retail brands, which includes @home, American Swiss, Duesouth, Foschini, Hobbs, Markham, Phase Eight, Sportscene, Totalsports, and Whistles to name a few, offer clothing, jewellery, cell phones, accessories, cosmetics, sporting and outdoor apparel and equipment, and homeware and furniture from value to upper market segments throughout more than 4 034 outlets in 32 countries.

Latest Results

Retail turnover for the Group increased by 6.5% compared to September 2018, with turnover growth of 6.4% (ZAR) for TFG Africa, 0.1% (GBP) for TFG London and 11.1% (AUD) for TFG Australia. Excluding concession turnover from House of Fraser, TFG London's turnover grew by 3,6%. Turnover growth for TFG Australia, excluding the G-Star franchise stores disposed of in December 2018, was 15.9% (A$). The comparable store turnover growths are a notable achievement and are driven by an emphasis on merchandising and quality service. Online turnover grew by 4,3% across the Group and now contributes 8.8% to Group turnover.

The Group's gross margin for the period was maintained at 53.2% (Sept 2018: 53.6%). Margins in the respective business segments were 47.4% (TFG Africa), 61.7% (TFG London) and 64.8% (TFG Australia). A consistent focus on back office optimisation limited expense growth to 4.5%. As a result, the Group's EBIT margin was largely maintained at 13.7% (Sept 2018: 13.9%).

As at the end of September 2019, the Group's footprint was 4 066 outlets across 33 countries. The Group opened 108 outlets during the past six months while 127 outlets were closed. Focus on space rationalisation in TFG Africa continued with net space increasing only 0.3%.

Ultimately, headline earnings for the period increased by 3.1% with headline earnings per share increasing by 3.0%.

Dividend

The company declared an interim dividend of 335.0 cents per share, an increase of 1.5%.

Reunert Ltd – Year-end for the period ending September 2019

Earnings per share	**5.66**
Historical PE	**12.2**
EPS growth	**-18.1%**
Turnover growth	**2.1%**
ROE	**10.7%**
Debt/Equity	**5.2%**
NAV per share	**45.42**
Dividend yield	**5.9%**
Share price	**68.90**

Nature of Business

Reunert manages a diversified portfolio of businesses in the fields of electrical engineering, information communication technologies (ICT), and applied electronics. Reunert was listed on the JSE in 1948 and is included in the industrial goods and services (electronic and electrical equipment) sector of the JSE. The group operates mainly in South Africa with minor operations in Australia, Lesotho, Sweden, the USA and Zimbabwe.

Latest Results

Normalised headline earnings per share (HEPS) declined by 16% to 578 cents, in line with recent guidance. The release of the NSN tax provision and contingent purchase consideration for SkyWire, as well as profit on disposal of property, plant and equipment, increased the FY18 results compared to those of FY19.

Revenue increased by 2% to R10.7 billion, while operating profit fell by 12% to R1.4 billion due to several once-off items included in the prior year and a decline in contribution from Electrical Engineering (EE). This resulted in core operating profit falling by 6% despite positive growth from Communication and Technology (ICT) and Applied Electronics (AE).

Free cash flow amounted to R1.3 billion (FY18: R641 million), providing the group with the financial resources to pursue its strategy, expand organically, and maintain its dividend.

Looking ahead, the group's ICT and AE divisions are expected to continue to perform well on the back of their strategic execution, which is anticipated to continue. However, there is some uncertainty about the recovery in EE given that current industrial action is likely to negatively impact the first half of 2020.

Dividend

The company declared an interim dividend of 383.0 cents per share, an increase of 4%.

Snippets

If you die who will raise your children?

For most parents, the idea of not being alive to raise your own children is unthinkable. However, as tough as it is to plan for the unimaginable, choosing the right guardian for your children, should something happen to both yourself and your partner, is a must.

Elmien Pols of Private Client Trust, the fiduciary pillar of Private Client Holdings, explains that a legal guardian is the person that you nominate to take care of your children if both parents die before the children turn 18.

So how **do** you choose the person or people who will raise your children if you are not here to do it yourself?
"Many people naturally turn to a family member, however there are many factors to consider and being related does not always guarantee that you have chosen the correct guardian/s," warns Pols, who provides a list of things to consider when looking for the right candidates.

"Of course you want someone who will love and care for your children as much as you do, but you also want someone who is responsible – when it comes to their career, work life and their approach to money."

"Don't automatically go for a married couple," cautions Pols. "Although they may seem more stable and equipped to care for your children, remember that divorce happens to the best of couples, and so don't base your decision on someone's marriage. If you do choose a married couple, decide ahead of time which person would raise your child in case the couple splits up."
"Think about your chosen guardians biological children and whether or not your children will fit into the family dynamic?"

"Consider values," says Pols. "If you want your child to be raised in a certain religion then faith may be important when it comes time to pick a guardian. You also want to take into account your potential guardian's morals, views on education, and parenting style."

"Don't rule out far-flung relatives. Although it may seem too disruptive to move your children to a new town, province or even country – if the best person for the job lives elsewhere, then it will work out fine."

"Take the age and health of your potential candidate into account. Whilst you may be convinced that your parents are the perfect choice, they may be too old to run around after your children or handle the demands of a teen," advises Pols, who says that it is interesting to note – but possibly a bit disruptive for your children - that you can designate a guardian for a specific length of time (for example until a child turns 13) and designate another until the child turns 18.

"Always consider finances and household factors. For example - does your potential guardian own their own home and have a good job? It is also important to choose guardians that won't ostracise your children from the rest of their family - cousins, grandparents etc."

"And finally, it is a good idea is to split the tasks. For example, get another family member or grandparent to handle and oversee the finances for your children and their inheritance."
Pols warns that failing to pick a guardian means that the courts will choose one for you — and it may not be the person you think is best.

"So as tough as it is to ponder the idea of leaving your children in someone else's hands, it is an essential consideration that you have to make. If you follow the advise above and have open conversations with your potential candidates you will be able to rest easy knowing that if something happens to you your children will be well looked after," concludes Pols.

For more advice on guardianship contact Private Client Trust on 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: *Individuals*	250 000 – 999 999.99	6.81
	1 000 000 – 9 999 999.99	6.91
	10 000 000 upwards	7.01
CALL MONEY FUND: *Non-Individuals*	250 000 – 999 999.99	6.61
	1 000 000 – 9 999 999.99	6.71
	10 000 000 upwards	6.81

Dividends Payable

Dividends in LDT order

Company	Decl	LDT	Pay	Amt	Curr
Combined Motor Holdings Ltd. (CMH)	22-Oct	10-Dec	17-Dec	61	ZARc
Huge Group Ltd. (HUGE)	21-Nov	10-Dec	17-Dec	6.25	ZARc
Investec Property Fund Ltd. (INVPROP)	13-Nov	10-Dec	17-Dec	70.93	ZARc
Life Healthcare Group Holdings Ltd. (LIFEHC)	21-Nov	10-Dec	17-Dec	53	ZARc
Mr Price Group Ltd. (MRPRICE)	21-Nov	10-Dec	17-Dec	311.4	ZARc
Transaction Capital Ltd. (TRANSCAP)	26-Nov	10-Dec	17-Dec	34	ZARc
Tsogo Sun Gaming Ltd. (TSOGO SUN)	21-Nov	10-Dec	17-Dec	26	ZARc
Gaia Infrastructure Capital Ltd. (GAIA)	28-Nov	17-Dec	23-Dec	25	ZARc
Oceana Group Ltd. (OCEANA)	14-Nov	17-Dec	23-Dec	240	ZARc
Vukile Property Fund Ltd. (VUKILE)	02-Dec	17-Dec	23-Dec	80.84	ZARc
British American Tobacco plc (BATS)	28-Feb	20-Dec	06-Feb	50.75	GBPp
Sygnia Ltd. (SYGNIA)	04-Dec	20-Dec	30-Dec	35	ZARc
The Foschini Group Ltd. (TFG)	07-Nov	30-Dec	06-Jan	335	ZARc

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