

Market Review – Sihle Ndhlala

August 2018

Anyone who was invested in US markets in August, particularly in the technology sector, would be extremely delighted with the performance of their portfolio. Local markets, too, took heart from their global counterparts and at least look like they could break out of what is becoming a frustrating long-term holding pattern.

It is a very exciting time for Emperor at present: a new look for our website, a careful tactical overhaul of our investment strategy, and the launch of a fresh range of bundles, retirement annuities, and what we call “building blocks” that help you design a portfolio exactly to your needs.

Asset Classes	Aug-18	YTD
Bonds - All Bond Composite (ALBI)	-1.9%	4.5%
Property - FTSE/JSE SA Listed Property	2.1%	-23.1%
Equity - FTSE/JSE All Share Index	2.2%	-1.4%
Currency* - ZAR/USD	11.1%	18.7%

* reflects the impact of currency on a US based investment.

While equities didn't exactly shoot the lights out in August, the 2.2% gain in the JSE All Share index gave us some heart. Although the index is still down 1.4% for the year, there are signs of a pickup in appetite for local stocks. This is despite the Trump-led rhetoric concerning trade tariffs, and ructions in Turkey and other second-tier financial centres, which knocked emerging markets by another 2.96% during the month, bringing losses for the year to nearly 8%. A similar pattern played out in the UK, Europe and Hong Kong, all of which disappointed in August.

This underlines the importance of choosing investment jurisdictions with care, taking advantage of buoyant US tech, for instance, and avoiding too much currency risk in countries affected by political and economic upheaval. In this respect it is quite amazing that South African markets held up pretty well considering the ongoing uncertainty surrounding land reform and other government proposals, particularly as regards the mining and telecommunications sectors.

International Markets	Region	Aug-18	YTD
Nasdaq Composite index	Americas	5.71%	17.47%
S&P 500 index	Americas	3.03%	8.52%
Dow Jones Industrial Average	Americas	2.16%	5.04%
Nikkei 225	Asia	1.38%	0.44%
CAC 40 index	Europe and Middle East	-1.90%	1.77%
Hong Kong Hang Seng index	Asia	-2.43%	-6.79%
Deutsche Borse AG German Stock Index DAX	Europe and Middle East	-3.45%	-4.29%
Euro Stoxx 50 price EUR	Europe and Middle East	-3.76%	-3.17%
FTSE 100 Index	Europe and Middle East	-4.08%	-3.32%

Turning specifically to the JSE, it was nice to see Basic Materials and Consumer Goods holding up well, with Healthcare leading the pack and Industrials continuing to gather strength after a tough year. In stark

contrast to the US, local telecoms and technology took strain. We can only hope that MTN sorts out its troubles in Nigeria, and that Vodacom and Telkom pick up some of the slack lost during August.

Equity Indices	Aug-18	YTD
Health Care	11.33%	2.08%
Consumer Goods	6.80%	2.56%
Basic Materials	5.07%	16.63%
Industrials	2.50%	-9.39%
Top40 - (Tradable)	2.24%	-0.13%
Mid Cap	1.43%	-10.63%
Consumer Services	1.39%	-5.34%
Small Cap	1.02%	-8.57%
Financials	0.19%	-7.30%
Technology	-2.66%	-25.45%
Telecommunication	-17.88%	-28.31%

Stocks worth noting were Bidcorp and Bidvest, up for the month but still having to build momentum after a sticky first six months of the year. Most notable of all is Mondi, one of the star stocks of the JSE for both 2018 and August. The downside, apart from telecoms, was a mixed bag, from Gold Fields to Standard Bank and Shoprite, showing no clear trend in investor sentiment. Tiger Brands continues to struggle with the fallout from the listeriosis tragedy.

JSE Top 40 - Top performing shares					
Share Code	Company Name	Industry Sector	Market Cap (Rmn)	August	YTD
BID	BID CORP LTD	Consumer, Cyclical	105,246	19.0%	4.2%
BVT	BIDVEST GROUP LTD	Consumer, Non-cyclical	67,972	15.3%	-1.0%
NRP	NEPI ROCKCASTLE PLC	Financial	82,758	14.8%	-34.4%
APN	ASPEN PHARMACARE HOLDINGS LT	Consumer, Non-cyclical	124,109	14.3%	5.0%
MND	MONDI LTD	Basic Materials	204,811	13.6%	28.5%
MNP	MONDI PLC	Basic Materials	204,811	13.6%	28.4%
JSE Top 40 - Worst performing shares					
Share Code	Company Name	Industry Sector	Market Cap (Rmn)	August	YTD
SHP	SHOPRITE HOLDINGS LTD	Consumer, Non-cyclical	117,381	-6.3%	-7.8%
SBK	STANDARD BANK GROUP LTD	Financial	281,544	-8.6%	-4.8%
VOD	VODACOM GROUP LTD	Communications	207,895	-9.9%	-13.2%
TBS	TIGER BRANDS LTD	Consumer, Non-cyclical	53,419	-18.2%	-37.8%
MTN	MTN GROUP LTD	Communications	139,436	-22.3%	-34.9%
GFI	GOLD FIELDS LTD	Basic Materials	28,860	-25.1%	-33.5%

LEVERAGED EQUITY (RFS)

Foreign ETF holdings were the main contributor to a hefty 10.5% gain in August, helped by our position in Mondi and other resources stocks.

LONG- SHORT 140/40 (SJR)

The hedge fund was strongly positive for the month, up 10.9%. Our long holdings in the Nasdaq index tracker and ETF5IT boosted performance, held back slightly by Astral Foods and Shoprite.

EASY EQUITIES BUNDLES

Bundles weighted towards equities did well, following the positive global trend, but more conservative portfolios were dragged down by their weighting in bonds. For the month, at least, “value” stocks lost out to more aggressive growth counters.

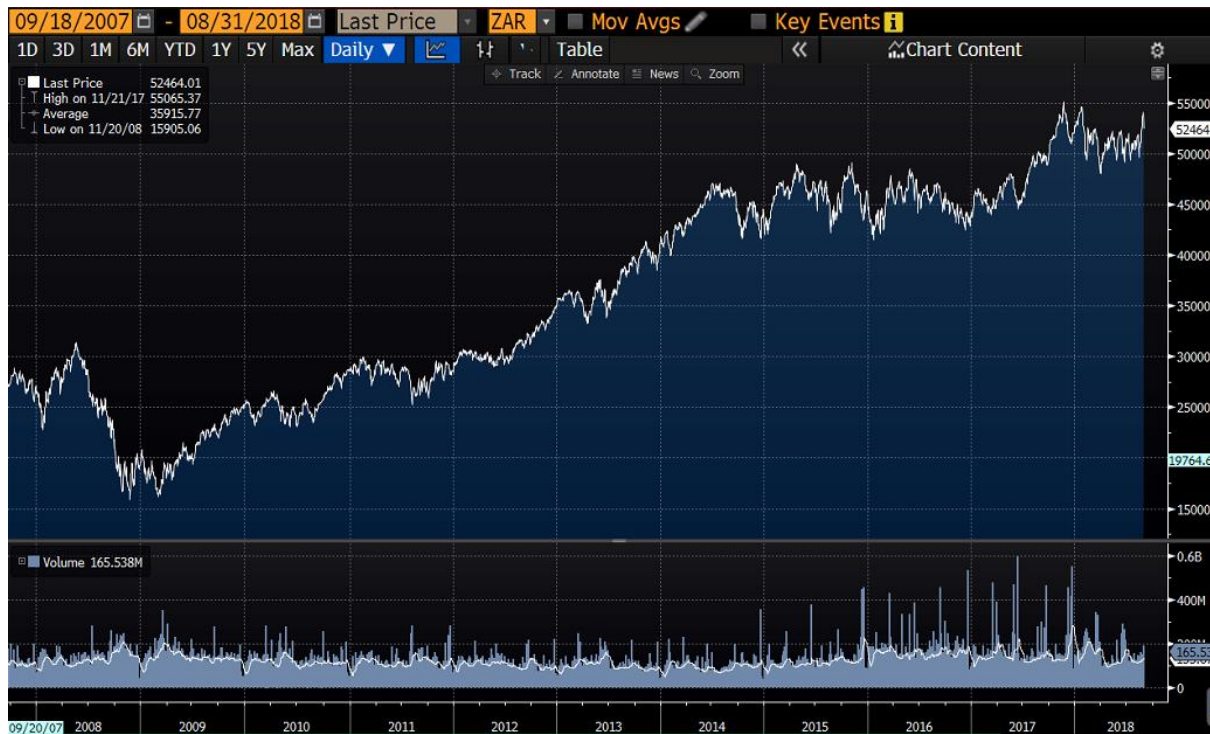
Investment Products		August	Net Gearing
Segregated	Robert Falcon Scott	10.45%	117%
Segregated	Sir John Ross	10.94%	108%
Hedge Fund	Sir John Ross	12.70%	77%
Unit Trust	Emperor IP Momentum Equity - Local	5.20%	89%
Unit Trust	Emperor IP Momentum Equity - Foreign	16.79%	72%
Easy Equities - Bundles	Emperor Core - Income	1.17%	
Easy Equities - Bundles	Emperor Core - Conservative	3.48%	
Easy Equities - Bundles	Emperor Core - Moderate	3.88%	
Easy Equities - Bundles	Emperor Core - Balanced	4.68%	
Easy Equities - Bundles	Emperor Core - Equity	6.37%	

Easy Equities - Bundles	Emperor Enhanced Conservative Portfolio	3.49%
Easy Equities - Bundles	Emperor Enhanced Moderate Portfolio	4.05%
Easy Equities - Bundles	Emperor Enhanced Balanced Portfolio	4.68%
Easy Equities - Bundles	Emperor Enhanced Equity Portfolio	6.59%

Easy Equities - Bundles	Emperor Quality Building Block	2.79%
Easy Equities - Bundles	Emperor Stability Building Block	1.33%
Easy Equities - Bundles	Emperor Value Building Block	-2.32%
Easy Equities - Bundles	Emperor Momentum Building Block	0.29%

TECHNICAL REVIEW

As you can see from the graph, the JSE All Share index has taken its time this year bouncing off the 50,000 level, but it ended August at 52,464. While nobody can confidently predict the next major move, all eyes are on the 55,000 mark, a serious technical resistance level.



Let's see what September brings - at the time of writing we were anxiously awaiting details from President Cyril Ramaphosa on his economic stimulus plan, further details of which will be laid out in the medium-term budget. In the bigger picture, inflation appears to be under control and the Reserve Bank felt no need to raise interest rates. Hopefully these are the first steps to revitalising an economy and market that have been in the doldrums for far too long.

Happy investing.

Sihle Ndhala

Junior Fund Manager

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