

## June 2018

The summer months in the northern hemisphere often reflect a general state of torpor, with no clear direction as investors take a well-earned holiday. This appeared to be the case in the US, which eked out minor gains mainly on the back of tech stocks. Hence the Nasdaq was up 0.92% in June, adding to its nearly 9% return for the year. The broader S&P500 managed to rise 0.48% for the month, leading to a 1.67% gain in 2018.

<b>Asset Classes</b>	<b>Jun-18</b>	<b>YTD</b>
<b>Bonds - All Bond Composite (ALBI)</b>	-1.2%	4.0%
<b>Property - FTSE/JSE SA Listed Property</b>	-3.9%	-24.2%
<b>Equity - FTSE/JSE All Share Index</b>	2.6%	-3.2%
<b>Currency* - ZAR/USD</b>	10.1%	11.2%

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

Elsewhere, the news was not as good. Although Japan's Nikkei 225 rose 0.46% in June, it is still down a disappointing 2.02% for the year. A similarly negative picture played out in Hong Kong and across Europe, with the French and German indices showing a degree of negativity that probably mirrors the general state of disarray in the political landscape across the continent and in the UK.

<b>International Markets</b>	<b>Region</b>	<b>Jun-18</b>	<b>YTD</b>
Nasdaq Composite index	Americas	0.92%	8.79%
S&P 500 index	Americas	0.48%	1.67%
Nikkei 225	Asia	0.46%	-2.02%
Euro Stoxx 50 price EUR	Europe and Middle East	-0.32%	-3.09%
FTSE 100 Index	Europe and Middle East	-0.54%	-0.66%
Dow Jones Industrial Average	Americas	-0.59%	-1.81%
CAC 40 index	Europe and Middle East	-1.39%	0.21%
Deutsche Borse AG German Stock Index DAX	Europe and Middle East	-2.37%	-4.73%
Hong Kong Hang Seng index	Asia	-4.97%	-3.22%

Emerging markets took a heavy knock as risk-off sentiment took hold. It was no surprise, then, for the local bond and property market to continue to suffer. However, in the South African equity market, we could take heart from the buoyant performance of our blue chips. The strength in large cap shares such as BHP Billiton, British American Tobacco and Naspers probably reflected an overall flight to safety and quality on the part of local investors, shaken as they were by ongoing unrest in the ANC and a worrying lack of commitment on the part of the government to spending on infrastructure. Naspers, in particular, has recovered most of its losses for the year and was up a strong 15.2% in June. It is also good to see strong buying activity in the basic materials sector, up 6% for the month and over 12% for the year.

<b>Equity Indices</b>	<b>Jun-18</b>	<b>YTD</b>
Consumer Services	9.2%	-1.5%
Basic Materials	6.0%	12.6%
Top40 - (Tradable)	3.5%	-1.9%
Consumer Goods	1.3%	-4.9%
Technology	0.1%	-33.7%
Mid Cap	-2.7%	-12.2%
Industrials	-2.7%	-12.0%
Financials	-3.0%	-11.5%
Health Care	-3.4%	-5.8%
Small Cap	-4.1%	-7.7%
Telecommunication	-8.2%	-18.9%

The good performance of the blue chips, including the likes of Sappi, Sasol, Gold Fields and Bidcorp, helped the JSE All Share index rise 2.59% for the month.

Outside of the industrial sector, things did not look as happy. Mid-caps and small caps fell heavily, especially in the financials and consumer goods sectors. Sanlam and Nedbank were hit hard, and there was very little appetite for retailers like Mr Price and Truworths. The broader picture seems to show consumer spending under extreme pressure, not helped by rising fuel prices, with no obvious end in sight to the squeeze.

<b>JSE Top 40- Top performing shares</b>					
<b>Share Code</b>	<b>Company Name</b>	<b>Industry Sector</b>	<b>Market Cap (Rmn)</b>	<b>June</b>	<b>YTD</b>
NPN	NASPERS LTD-N SHS	Communications	1,480,919	15.2%	1.0%
SAP	SAPPI LIMITED	Basic Materials	50,744	9.9%	2.2%
SOL	SASOL LTD	Energy	312,054	9.9%	17.4%
GFI	GOLD FIELDS LTD	Basic Materials	40,387	8.9%	-9.1%
BID	BID CORP LTD	Consumer, Cyclical	91,897	8.4%	-8.5%
BIL	BHP BILLITON PLC	Basic Materials	1,699,928	7.4%	24.0%
<b>JSE Top 40- Worst performing shares</b>					
<b>Share Code</b>	<b>Company Name</b>	<b>Industry Sector</b>	<b>Market Cap (Rmn)</b>	<b>June</b>	<b>YTD</b>
SLM	SANLAM LTD	Financial	159,185	-7.9%	-19.5%
TRU	TRUWORTHS INTERNATIONAL LTD	Consumer, Cyclical	35,080	-8.1%	-18.2%
NED	NEDBANK GROUP LTD	Financial	130,808	-8.8%	-2.5%
MRP	MR PRICE GROUP LTD	Consumer, Cyclical	61,245	-9.9%	-7.6%
LHC	LIFE HEALTHCARE GROUP HOLDIN	Consumer, Non-cyclical	37,080	-12.7%	-10.3%
VOD	VODACOM GROUP LTD	Communications	216,175	-14.4%	-15.7%

### **ROBERT FALCON SCOTT (Leveraged Equity)**

The fund gained 1.24% in June, benefitting from holdings in the Satrix Nasdaq ETF (STXNDQ) and Stanlib Info Tech (ETF5IT). On the downside were short positions in Northam and Assore.

### **SIR JOHN ROSS (Long- short 140/40)**

The hedge fund was up 1.55% in the month, gaining on the back of long holdings in STXNDQ (up 11.3%), ETF5IT (up 9.7%), and short positions in Liberty.

### **UNIT TRUST-- IP MOMENTUM EQUITY**

A loss of 0.92%, mainly from holdings in Mr Price, Santam and STXILB. On the upside were the exchange-traded funds STX500 and STXNDQ.

### **UNIT TRUST: IP GLOBAL MOMENTUM EQUITY**

An excellent performance of 9.51% in June brought the year to date gains to over 23%. The top holdings in the fund are Nvidia, Adobe and Amazon.

### **EASY EQUITIES BUNDLES**

We have observed a general recovery in our performance this month. The more aggressive bundles delivered the best results, gaining from foreign ETF holdings. Unfortunately the conservative bundles, positioned in bonds and property, were flat. This was in line with the general market.

	<b>Investment Products</b>	<b>June</b>	<b>Net Gearing</b>
Segregated	Robert Falcon Scott	1.2%	117%
Segregated	Sir John Ross	4.0%	69%
Hedge Fund	Sir John Ross	1.5%	69%
Unit Trust	Emperor IP Momentum Equity - Local	-0.9%	101%
Unit Trust	Emperor IP Momentum Equity - Foreign	9.5%	82%
Easy Equities - Bundles	Emperor Core - <b>Income</b>	0.2%	
Easy Equities - Bundles	Emperor Core - <b>Conservative</b>	1.2%	
Easy Equities - Bundles	Emperor Core - <b>Moderate</b>	1.3%	
Easy Equities - Bundles	Emperor Core - <b>Balanced</b>	1.4%	
Easy Equities - Bundles	Emperor Core - <b>Equity</b>	2.6%	

### **Technical Review**

The JSE All Share Index has pulled itself above the critical technical level of 50,000, ending June at 51,516. However the index is still down 3.2% in 2018, and we need a determined push before we see a change in the overall listless trend.



Emperor's MSX-Monthly momentum indicator for June was just 29.27, while the weekly momentum indicator languished at 22. The indicators (which show the percentage of shares having upward price momentum) illustrate clearly that the mood in the local market remains poor, and the lack of positive sentiment shows no immediate signs of abating.

In terms of market confidence, Emperor's Rule of 18 for June remained unimpressive at 21.91. At his level, stocks do not appear to show great value and investors are not committing themselves, probably with good reason.

Happy investing.  
Sihle Ndhala

Junior Fund Manager