

Market Review – Sihle Ndhala

September 2019

Global stocks started September strongly after a rotten August, but by mid-month had begun to falter. The investment environment reflected the overall mood of caution, where political worries in the UK, Europe and Hong Kong tended to put investors on the back foot.

Ongoing concerns about the trade dispute between the US and China put a further dampener on stocks towards the end of the month. This is not to say markets were negative: just that returns were a little more subdued than perhaps many had expected.

Asset Classes	Sep-19	YTD
Bonds - All Bond Composite (ALBI)	0.5%	8.4%
Property - FTSE/JSE SA Listed Property	-0.5%	-3.9%
Equity - FTSE/JSE All Share Index	-0.8%	4.0%
Currency* - ZAR/USD	-0.4%	4.9%

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

For 2019 as a whole, investors ought to be well pleased with the performance of the Nasdaq, mainly, followed closely by other indexes in the developed world. Given all the ugly noise in the political environment, one might have expected us to be in an almighty bear market -- but as you can see from the table, quite the opposite is true!

There has been an early suggestion that emerging markets might soon fall onto the radar of the big global investment houses. It is probably too early to say right now, but September's performance suggested that emerging markets might be receiving some interest. With a gain of 1.69% for the month, the developing world could just be showing signs of a turnaround.

International Markets	Region	Sep-19	YTD
Nikkei 225	Asia	5.08%	8.70%
Euro Stoxx 50 price EUR	Europe and Middle East	4.16%	18.93%
Deutsche Borse AG German Stock Index DAX	Europe and Middle East	4.09%	17.70%
CAC 40 index	Europe and Middle East	3.60%	20.02%
FTSE 100 Index	Europe and Middle East	2.79%	10.11%
Dow Jones Industrial Average	Americas	1.95%	15.39%
S&P 500 index	Americas	1.72%	18.74%
Hong Kong Hang Seng index	Asia	1.43%	0.95%
Nasdaq Composite index	Americas	0.46%	20.56%

In the SA market, bonds were the only asset class to show a positive return, and in fact have been the standout local performer this year. Equities were down just short of 1% in September, but held onto their 4% gains for 2019 so far. Property still has some work to do, having fallen nearly 4% this year, but at some stage it will surely turn into a buyer's market.

On the JSE in September, some severely beaten-down sectors, including small-cap stocks, had a bit of a rebound. Industrials, healthcare, financials, and consumer services all bounced nicely, making up some ground on the savage losses incurred during the course of 2019. On the flipside, profits were taken in the year's winning sectors, leading to falls in technology, basic materials, consumer goods and telecommunications.

Equity Indices	Sep-19	YTD
Industrials	3.70%	-11.57%
Health Care	3.35%	-23.42%
Financials	2.11%	-6.36%
Small Cap	1.84%	-7.56%
Consumer Services	1.05%	-2.53%
Mid Cap	-0.83%	-0.67%
Top40 - (Tradable)	-1.03%	4.47%
Technology	-2.17%	3.66%
Basic Materials	-2.47%	8.62%
Consumer Goods	-2.86%	15.12%
Telecommunication	-4.06%	2.06%

Overall it was by no means a bad month. Investors would have been delighted by the earnings reported by Capitec, for instance, which helped propel the bank's share price up 17.6% in September. It was also good to see consumer stocks rebounding, with Spar, Foschini, Shoprite and Clicks all showing handsome returns for the month -- although in the case of Shoprite one month cannot make up for the year's bad performance.

On the downside, nobody should have been too surprised to see the falls in Gold Fields and AngloGold Ashanti -- SA's gold stocks have been flying this year as global investors seek havens from the tumult that has been stirred up in the markets by the politicians. Sasol continues to be hammered for the losses it has occurred in its US operations.

JSE Top 40 - Top performing shares					
Share Code	Company Name	Industry Sector	Market Cap (Rmn)	September	YTD
CPI	CAPITEC BANK HOLDINGS LTD	Financial	148,469	17.6%	15.2%
IMP	IMPALA PLATINUM HOLDINGS LTD	Basic Materials	76,891	10.2%	159.8%
SPP	SPAR GROUP LIMITED/THE	Consumer, Non-cyclical	36,831	9.9%	-7.9%
TFG	THE FOSCHINI GROUP LTD	Consumer, Cyclical	38,345	8.6%	-1.7%
SHP	SHOPRITE HOLDINGS LTD	Consumer, Non-cyclical	71,954	8.5%	-35.5%
CLS	CLICKS GROUP LTD	Consumer, Cyclical	56,717	8.0%	12.3%
JSE Top 40 - Worst performing shares					
Share Code	Company Name	Industry Sector	Market Cap (Rmn)	September	YTD
MRP	MR PRICE GROUP LTD	Consumer, Cyclical	43,368	-7.8%	-35.7%
PRX	PROSUS NV	Financial	1,822,628	-8.0%	-8.0%
MCG	MULTICHOICE GROUP LTD	Communications	53,617	-11.4%	11.3%
SOL	SASOL LTD	Basic Materials	165,499	-12.1%	-40.5%
GFI	GOLD FIELDS LTD	Basic Materials	62,371	-16.2%	54.3%
ANG	ANGLOGOLD ASHANTI LTD	Basic Materials	115,636	-17.9%	56.3%

Finally, it is worth keeping an eye on Naspers and its two spinoffs -- Prosus and MultiChoice -- as the market digests how to allocate resources between the different entities .

LEVERAGED EQUITY (RFS)

The fund delivered a satisfactory 1.45% return in September, driven mainly by its holdings in financials. Resources dragged the overall performance back slightly.

LONG- SHORT 140/40 (SJR)

Up 0.91%, the portfolio benefited from its positions in Capitec (+17%) and Impala Platinum (+10.2%), but previous strong performers reversed direction. Harmony Gold (-22%) and Gold Fields (-16%) were disappointing.

EASY EQUITIES BUNDLES

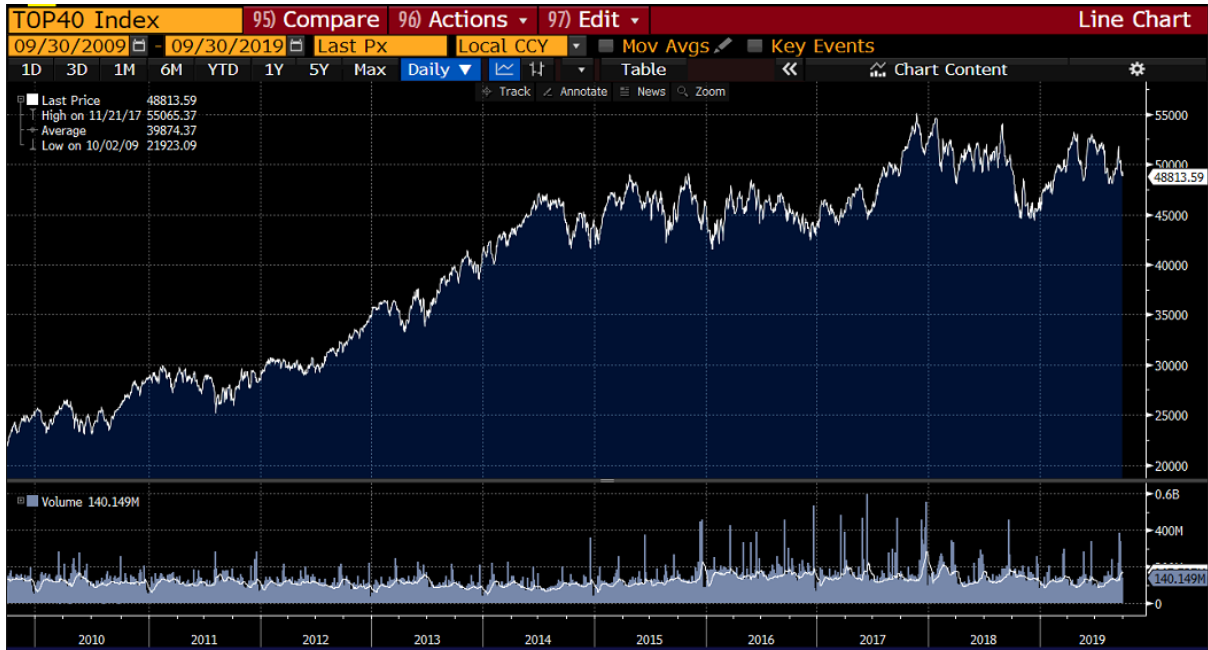
Bundles generally held their own in the tumult, all positive except for the momentum building block, which took a knock as investors rolled out of their resources positions and into other sectors.

<i>Investment Products</i>		<i>September</i>
Segregated Portfolios	Leveraged Equity (RFS)	1.45%
Segregated Portfolios	Long-Short 140/40 (SJR)	0.91%
Easy Equities - Bundles	Core Income Plus (Elbrus)	0.57%
Easy Equities - Bundles	Core Conservative (Kilimanjaro)	0.62%
Easy Equities - Bundles	Core Moderate (Denali)	0.67%
Easy Equities - Bundles	Core Balanced (Aconcagua)	0.59%
Easy Equities - Bundles	Core Flexible Equity (Everest)	0.49%
Easy Equities - Bundles	Enhanced Conservative (Kilimanjaro)	0.75%
Easy Equities - Bundles	Enhanced Moderate (Denali)	0.72%
Easy Equities - Bundles	Enhanced Balanced (Aconcagua)	0.66%
Easy Equities - Bundles	Enhanced Flexible Equity (Everest)	0.48%
Easy Equities - Bundles	Quality Building Block	1.21%
Easy Equities - Bundles	Stability Building Block	3.07%
Easy Equities - Bundles	Value Building Block	4.27%
Easy Equities - Bundles	Momentum Building Block	-3.37%
Easy Equities - Bundles	Core International Portfolio	0.52%
Easy Equities - Bundles	International Equity Bundle (USD)	-1.54%

TECHNICAL REVIEW

The JSE Top 40 graph has a familiar look to it. The index has been churning around the 50,000 level for at least five years. Holding steady at 48,814 in September, there doesn't appear to be any obvious reason for anyone to expect a dramatic move in either direction. For that, we have to look to the ANC's various think tanks to see what form their promised economic stimulus might take. Let us hope for the best on that score.

JSE Top 40 Index



Source: Bloomberg

Happy investing!

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