

Rand's turnaround catch many off guard - pg. 2

Remgro plans R10bn share offering to fund buying out SABMiller in Distell - pg. 3

### Market moves

Performance: 24/09/2016 to 30/09/2016	Return (Cumulative)
<b>Local Markets</b>	
All Share TR ZAR	0.02
Ind/Financials TR ZAR	-0.59
Ind/Industrials TR ZAR	-0.69
Financials&Indl 30 TR ZAR	-0.65
Ind/Basic Materials TR ZAR	2.65
Gold Mining TR ZAR	-2.00
SA Listed Property TR ZAR	1.08
Beassa ALBI TR ZAR	-0.84
<b>Commodities</b>	
Oil Price Brent Crude PR	6.91
LBMA Platinum AM PR USD	-2.27
Gold London AM Fixing PR USD	-0.60

### The week ahead

#### Domestic

**07 Oct** Foreign exchange reserves

**11 Oct** Manufacturing production

#### International

**07 Oct** US: Nonfarm payrolls

**12 Oct** EA: Industrial production

## Macro

### South Africa

Total vehicle sales were down by 14.3% YoY in September, falling to 47 399 units as all vehicle categories declined. Sales also contracted during the quarter to record the sixth consecutive quarter of decline.

### United States

Construction spending in the US fell 0.7% in August, following a downwardly revised 0.3% drop in July and missing market expectations of a 0.2% gain. Public construction spending dropped sharply by 2%, dragged lower by educational construction (-0.4%).

### Japan

Consumer confidence in Japan rose to 43.0 in September, from 42.0 in August and beating market expectations of 41.8. It was the highest reading since September 2013 as perceptions improved for all categories: overall livelihood (+1.1 points), income growth (+0.2), employment (+1.7) and willingness to buy durable goods (+1.0).

## Markets\*

### Best performer

For the week was Assore Ltd with a return of 11%. Exxaro Resources was second with a 10% return for the week.

### Worst performer

Murray & Roberts Holdings and MTN were the worst performers for the week, both with a loss of 7%. Followed by Rand Merchant Investment Holdings with a 6% drop for the same period.

### Sectors

The best performing sector for the week was automobiles and parts with a return of 5.8% for the week. The sector representing mobile telecommunications was the worst performing sector for the week with a 5.7% loss.

\*Disclaimer: Total weekly returns based on closing values from Monday to Monday.

## Macro headline

### Rand's turnaround catch many off guard

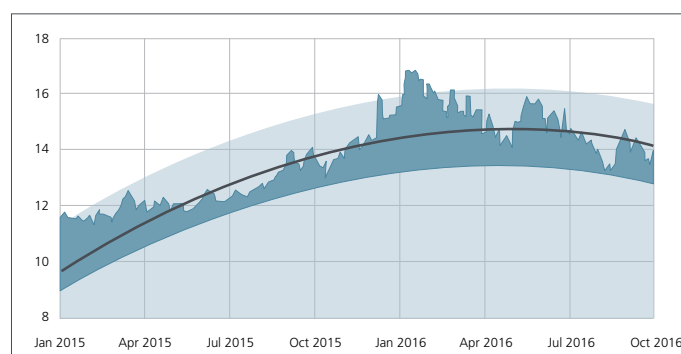
The rand's sharp turnaround at the end of last week caught many analysts off guard. Some experts believe that part of the currency's weakness can be traced to global risk aversion linked to concerns about the financial health of Deutsche Bank. Last Thursday the rand weakened with more than 2% against the dollar following a warning from ratings agency S&P Global Ratings that South African (SA) could be downgraded. In the same vein the World Bank became the latest to cut SA's economic growth outlook for 2016. Halving its forecast for GDP growth for 2016, from 0.8% in April to 0.4%, in line with the Reserve Bank's projection.

The rand also continued to lack support from the merger between Anheuser-Busch InBev (AB InBev) and SABMiller. A week ago (last Wednesday 28 Sept) the rand was trading at R13.39/\$. On Friday morning the rand breached the R14/\$ mark for the first time in about two weeks. It also weakened sharply against the euro and pound in this period.

The rand's volatility makes planning difficult for companies and other entities affected by exchange rates. There are so many factors that could influence the rand's strength, PSG Wealth analysts say it is impossible to accurately predict its movements.

However, analysts from Trading Economics expect the rand to trade at about R14.15/\$ in 12 months' time. Their forecasts are projected using an autoregressive integrated moving average (ARIMA) model calibrated using their analysts' expectations. They model the past behaviour of the rand using vast amounts of historical data and then adjust the coefficients of the econometric model by taking into account their analysts' assessments and future expectations.

### Rand forecast for 2016 till 2020\*



Source: Trading Economics

\* The rand is expected to trade at R13.75/\$ by the end of this quarter, according to Trading Economics global macro models and analysts' expectations. Looking forward, they estimate it to trade at R14.15/\$ in 12 months' time.

## Bottom line

The PSG Wealth Investment Division believes it is impossible to accurately predict when and how the rand will strengthen or weaken. Therefore investors should not concern themselves with the volatility of the currency, but should rather focus on choosing the correct portfolio for their risk profile.

Our analysts believe that no investment decisions should be made solely on the performance of the rand. Investors should rather ensure that their investments are properly diversified and managed by active, experienced portfolio managers.

## Market headline

### Remgro plans R10bn share offering to fund buying out SABMiller in Distell

Remgro Ltd. plans to raise more than 9.9 billion rand (\$737 million) from shareholders as the company controlled by South African billionaire Johann Rupert considers deals including a right to buy SABMiller Plc's stake in drinks maker Distell Group Ltd.

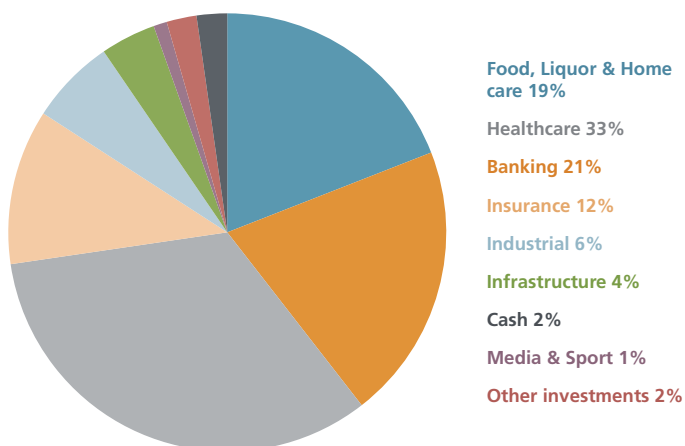
Remgro plans to raise the funds through a rights offer and the sale of B shares to Rupert Beleggings Ltd. The investment group has first refusal on SABMiller's 26% holding in the maker of Amarula liqueur and Klipdrift brandy. SABMiller was told to sell the asset by antitrust authorities as a condition to winning South African approval for its takeover by Anheuser-Busch InBev NV. Remgro already owns almost 53% of Distell. Qualifying shareholders will be issued with 10 Rights Issue Shares for every 100 Ordinary Shares held in Remgro on the record date (7 October) at a price of R192.50 per share. This represents a 19% discount to the pre-announcement closing price. Shareholders who do not wish to take up

their allocated rights will be entitled to sell their rights in the market during the rights trading period from 10 to 21 October. Remgro stated that no agreement has yet been reached regarding the potential acquisition and that the company will exercise its pre-emptive right only on commercially appropriate terms. Any surplus cash not used in the potential procurement may be used to repay Remgro's existing debt.

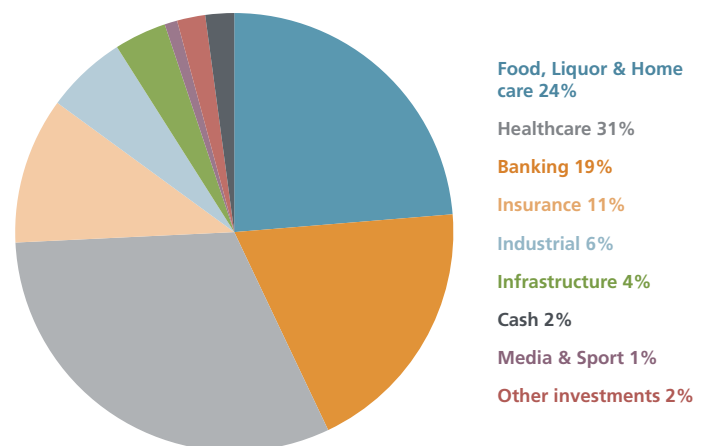
The PSG Wealth Investment Division estimates that Remgro's share price could decline in line with the value distributed via the rights issue. We estimate the intrinsic value (post rights issue) to narrow to 15.6%. This compares to the current 16.7% discount to NAV, based on market prices at the time of writing.

As a result we continue to feel that the share offers value at current levels and would advise shareholders to follow their rights.

### Remgro portfolio: Prior to rights issue\*



### Remgro portfolio: After rights issue proceeds invested in Distell\*



Source: PSG Wealth Investment Division

\*Percentages based on assumption that full value of rights offer will be used to increase the stake in Distell.

## Previous publications

### Daily

5 October 2016

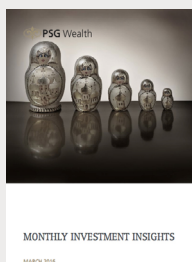


### Weekly



28 Sep	29 Jun	20 Apr	20 Nov
14 Sep	22 Jun	12 Apr	16 Nov
07 Sep	15 Jun	05 Apr	
31 Aug	08 Jun	30 Mar	
17 Aug	01 Jun	23 Mar	
10 Aug	25 May	16 Mar	
02 Aug	18 May	09 Mar	
27 Jul	11 May	01 Mar	
13 Jul	04 May	23 Feb	
06 Jul	26 Apr	11 Dec	

### Monthly



Sep 2016	Oct 2015
Aug 2016	Sep 2015
Jul 2016	Aug 2015
Jun 2016	July 2015
May 2016	Jun 2015
Apr 2016	May 2015
Mar 2016	
Feb 2016	
Dec 2015	
Nov 2015	

### Quarterly



Winter 2016
Autumn 2016
Summer 2015
Spring 2015

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