

Decrease in new vehicle sales highlight economic woes - pg. 2

Mr Price grows operating profit by 15.5% - pg. 3

Market moves

Performance: 31/05/2016 to 06/06/2016	Return (Cumulative)
Local Markets	
All Share TR ZAR	-0.85
Ind/Financials TR ZAR	1.08
Ind/Industrials TR ZAR	2.83
Financials&Indl 30 TR ZAR	-1.04
Ind/Basic Materials TR ZAR	-2.32
Gold Mining TR ZAR	8.79
SA Listed Property TR ZAR	2.01
Beassa ALBI TR ZAR	2.83
Commodities	
Oil Price Brent Crude PR	1.59
LBMA Platinum AM PR USD	-0.70
Gold London AM Fixing PR USD	1.58

The week ahead

Domestic

8 GDP growth rate

9 Mining production

International

9 China: Inflation rate

13 UK: Inflation rate

Macro

ZA

Gross gold and foreign exchange reserves in South Africa dropped to \$46 081 million in May from \$46 956 million in April, and below market expectations. It was the smallest reserves in three months, mainly due to a decrease in the dollar gold price, currency valuations and foreign exchange payments made on behalf of the government.

US

The economic expansion in the US is expected to continue, despite Friday's disappointing labour market report, Fed Yellen said. The current monetary policy stance is generally appropriate as it provides support to the economy although the federal funds rate would need to rise gradually over time, Yellen added.

Japan

Foreign reserves in this eastern country dropped to a four month low. Foreign exchange reserves in Japan fell to \$1 253 967 million in May, from \$1 262 509 million in April. It is the smallest figure since February. In May 2015, the reserves stood at \$1 245 755 million.

Markets

Best performer

For the week was Bidvest with a return of 17%. Followed by Mr Price with a 14% return for the week.

Worst performer

Nampak was the worst performer for the week with a loss of 18%. Followed by Investect with an 8% drop for the same period.

Sectors

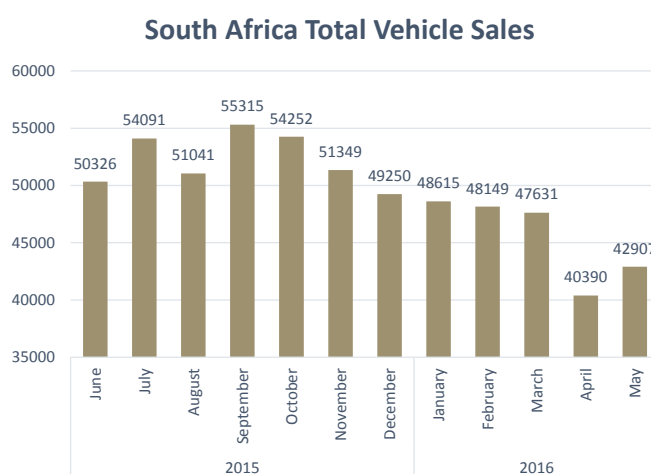
The best performing sector was general industrials, which includes companies like Mpact, with a return of 8.9% for this sector for the week. Industrial metals with companies like Kumba Iron Ore, was the worst performing sector for the second consecutive week with a 4.9% loss.

Macro note

Decrease in new vehicle sales highlight economic woes

South Africa continues to see a downward trend for new vehicles. The latest data shows that the domestic new-vehicle market shrunk 10.30% YoY. While exports of locally made vehicles increased slightly in May YoY. The National Association of Automobile Manufacturers of SA (Naamsa) said the sales figures reflected further weakness in the market, while new vehicle exports reflected an improvement, even if it was only slight (0.80%), as has been the case in recent months. Naamsa added that domestic sales were expected to remain under pressure as subdued economic growth, double-digit percentage increases in new vehicle prices, the possibility of further interest-rate hikes and ongoing challenges confronted consumers and businesses. The association estimated that

new vehicle prices were expected to rise 10% to 15%, with some even higher for the year.



Source: PSG Wealth investment division, Trading economics

Bottom line

The decline in South Africa's new vehicles sales should not come as a surprise. In the current economic climate less people are willing to commit themselves to long-term financial contracts. While the country avoided a downgrade from S&P on Friday (deciding to keep our current rating unchanged with a negative outlook), this decision didn't solve our poor economic conditions and political turmoil. To say that we need a growing economy to avoid a downgrade is too vague a statement. We first have to look at specific measures to get the economic outlook changed to positive, or at least stable. The two most important factors are:

1. Government desperately needs to restore business confidence through more business friendly policies.
2. We desperately need a stronger and stable exchange rate through investor confidence to curb

higher inflation and interest rates.

However, investors in the PSG Wealth Solutions should be assured that they are in good hands:

- Their financial planning is done by the best financial planners available in South-Africa.
- The investment process allows for tailor made solutions that align the investment objective with their investment goals.
- The investment portfolios are managed by the best portfolio managers in South-Africa, as well as offshore. They actively align their portfolios to protect against current risks, and to benefit from both current and expected future conditions.

Market note

Mr Price grows operating profit by 15.5%

Mr Price delivered a good set of results for the year ending March 2016. During the year the group added 45 new stores, while it expanded 26 existing stores. This increased their weighted average trading space by 3.1%.

According to their results, revenue grew by 8.4% to R19.6 billion, supported by retail sales growth of 7.5% to R18.7 billion (4.2% on a same store basis). Retail selling price inflation was at 7% and still unit sales increased by 1% to 231.1 million units.

Merchandise gross profit margin was slightly down to 41.9% compared to 2015 at 42%. Operating profit increased by 15.5% to R3.6 billion, resulting in a higher operating margin of 18.2% (2015: 17.1%). Ultimately diluted HEPS was 14.6% higher at 1012.9c.

In their statement management said it expects the retail environment to remain difficult in the medium term on the back of higher inflation and a weaker rand, which is expected to impact unit sales.

The group plans opening 40 new stores in the new financial year. Retail selling price inflation is expected to be in the mid-teens during the first half of the year. The group's largest division MRP has grown its share of the high LSM market, while five of its six divisions achieved double digit profit growth.

Comparative Analysis

Name	Price (cps)	Actual ROE (%)	Op margin (%)	Cash/ HEPS	Interest cover	Quality rating (%)	P/E #	PEG (P/E) (%)	P/NAV	Div yield (%)
Mr Price Group Ltd	23 549	57	17.1	0.9	100.0	100	24.9	177	14.7	2.5
Truworths	9 934	37	21.1	0.8	No debt	85	13.9	93	4.9	4.4
Foschini	15 622	24	17.1	0.3	7.1	60	14.5	104	3.7	4.4
Woolworths	8 500	31	11.1	1.0	4.7	90	18.5	124	5.1	3.3
Holdsport	5 950	27	18.2	0.8	65.5	85	11.0	85	2.9	5.4

For updated values and additional information refer to the "Value Investor" and "Quality Investor" on the PSG-Online website.

Rolling PE: The P/Es provided by PSG Wealth will differ from those in other publications as we use a more accurate rolling P/E. The rolling P/E formula calculates the EPS the company earned for the last 12 months up to the current date. It is, therefore, always comparable with its peers, notwithstanding different year-ends.

Source: PSG Wealth investment division

Previous publications

Daily



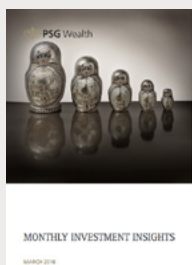
Published on a daily basis

Weekly



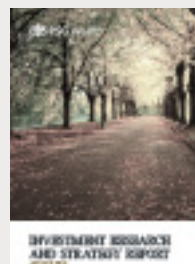
1 June	23 March
25 May	16 March
18 May	9 March
11 May	1 March
4 May	23 Feb
26 April	11 Dec
20 April	20 Nov
12 April	16 Nov
5 April	

Monthly



May 2016	July 2015
April 2016	June 2015
March 2016	May 2015
Feb 2016	
Dec 2015	
Nov 2015	
Oct 2015	
Sept 2015	
Aug 2015	

Quarterly



Autumn 2016
Summer 2015
Spring 2015

Disclaimer

PSG Wealth is a brand underneath PSG Konsult Ltd, which consists of the following legal entities: PSG Multi-Management (Pty) Ltd, PSG Securities Ltd, PSG Fixed Income and Commodities (Pty) Ltd, PSG Scriptfin (Pty) Ltd, PSG Invest (Pty) Ltd, PSG Life Ltd, PSG Employee Benefits Ltd, PSG Trust (Pty) Ltd, and PSG Wealth Financial Planning (Pty) Ltd.

Affiliates of the PSG Konsult Group are authorised financial services providers. The opinions expressed in this document are the opinions of the writer and not necessarily those of PSG Konsult Group and do not constitute advice. Although the utmost care has been taken in the research and preparation of this document, no responsibility can be taken for actions taken on information in this document. Should you require further information, please consult an adviser for a personalised opinion.

Collective Investment Schemes in Securities (CIS) are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up and past performance is not a guide to future performance. CIS are traded at ruling prices and can engage in borrowing and scrip lending. A fund of funds is a portfolio that invests in portfolios of collective investment schemes, which levy their own charges, which could result in a higher fee structure for these portfolios. Fluctuations or movements in the exchange rates may cause the value of underlying international investments to go up or down. A schedule of fees and charges and maximum commissions is available on request from PSG Collective Investments Limited. Commission and incentives may be paid and if so, are included in the overall costs. Forward pricing is used.

The portfolios may be capped at any time in order for them to be managed in accordance with their mandate. Different classes of participatory interest can apply to these portfolios and are subject to different fees and charges. Figures quoted are from I-Net, Stats SA, SARB, © 2015 Morningstar, Inc. All Rights Reserved for a lump sum using NAV-NAV prices net of fees, includes income and assumes reinvestment of income. PSG Collective Investments Limited is a member of the Association for Savings and Investment South Africa (ASISA) through its holdings company PSG Konsult Limited.

Conflict of Interest Disclosure: The fund may from time to time invest in a portfolio managed by a related party. PSG Collective Investments Limited or the Fund Manager may negotiate a discount on the fees charged by the underlying portfolio. All discounts negotiated are reinvested in the fund for the benefit of the investor. Neither PSG Collective Investments Limited nor the Fund Manager retain any portion of such discount for their own accounts. PSG Multi-Management (Pty) Ltd (FSP No. 44306), PSG Asset Management (Pty) Ltd (FSP No. 29524) and PSG Collective Investments Limited are subsidiaries of PSG Group Limited. The Fund Manager may use the brokerage services of a related party, PSG Securities Ltd.