Weekly Investment Update
9 March 2016

PSG Wealth

Energy inflation could underpin higher U.S. interest rates - pg. 2

Bidvest to list food services separately - pg. 3

Market moves

Performance: 01/03/2016 to 07/03/2016	Return*
Local Markets	
All Share TR ZAR	6.71
Ind/Financials TR ZAR	7.54
Ind/Industrials TR ZAR	4.82
Financials&Indl 30 TR ZAR	4.45
Ind/Basic Materials TR ZAR	15.92
Gold Mining TR ZAR	0.71
SA Listed Property TR ZAR	4.31
Beassa ALBI TR ZAR	0.94
Commodities	
Oil Price Brent Crude PR	10.05
LBMA Platinum AM PR USD	5.04
Gold London AM Fixing PR USD	-0.44

The week ahead

Domestic

10 Manufacturing Production

10 Mining Production

International

10 ECB interest rate

11 Balance of Trade

Macro

US

Total nonfarm payroll employment increased by 242 000 in February, higher than an upwardly revised 172 000 in the previous month and beating market expectations of 190 000.

Japan

The Nikkei closed up 0.3% last week Friday, producing a weekly gain of 5.1% for this Asian index. The Bank of Japan kept its pledge to increase the monetary base at an annual pace of about 80 trillion yen, but said it had adopted a benchmark rate of -0.1 percent. The surprise decision to introduce a negative interest rate was made in a 5 to 4 vote, aiming to achieve price stability target of 2%, as long as it is necessary for maintaining that target in a stable manner.

UK

The Bank of England MPC voted unanimously to maintain the Bank Rate at 0.5% and leave the stock of purchased assets at £375 billion. One policymaker has been voting for a rate hike since last summer, but dropped it as growth and inflation forecasts were lowered.

Markets

JSE

The ALSI boasted a 5.6% return last week, compared to its year-to-date return of 3.1%. There was also a broad-based improvement across all sectors last week, with mining and industrial stocks leading the pack.

Best performer

Lonmin was the best performer for last week, gaining 72% in its share price. The share price of other platinum companies also performed well, with Impala up 46% and Northam Platinum up 42%. The prices were influenced by a stronger rand and platinum price.

Worst performer

Discovery was the worst performer for last week losing 7.56% of its share price following the release of their results about two weeks ago. Trustco, the Bidvest Group, Pan African Resources and Curro Holdings all lost 6% of their share prices in the same period.

Macro note

Energy inflation could underpin higher U.S. interest rates

American energy inflation numbers are quickly rising, sounding the probability of accelerated interest rate hikes in this Western power.

Energy inflation within Private Consumption Expenditure (PCE) figures, which measures U.S. inflation, was -5.2% in January compared to -19.7% year-on-year in September last year, which could turn positive on an annual basis within the coming few months. This could push inflation higher in the short-term. The U.S. Bureau of Economic Analysis (BEA) specifically mentioned that the price of oil had an impact on these inflation figures.

Other factors which could accelerate rates of inflation further would be when the Organization of the Petroleum Exporting Countries (OPEC) finally meets with other oil producing countries in an effort to curb the production of oil.

American inflation was kept low due to, amongst others, the lower prices of commodities and oil. However, most of the drivers which kept U.S inflation rates low are starting to work out of inflation figures, speeding up the rate at which inflation rises. Economic theories tell us that rising inflation causes higher interest rates. And when America sneezes the rest of the world catches a cold. Seeing as robust U.S. employment data underpins expectations that the Federal Reserve could raise interest rates this year, money will start to flow back to America where investors could get a higher yield at a lower risk.

At first glans this might seem negative to those overly invested in bonds, but in the long run this trend is positive, because rates are starting to normalise.

Bottom line

The PSG Wealth Investment & Research division feels these numbers supports our view that developed markets are positioned better during tough economic times. Our products are defensively positioned in developed markets and large conglomerates which benefits from broad based economic improvements. We believe the developed space will continue to outperform emerging markets in the medium-term.

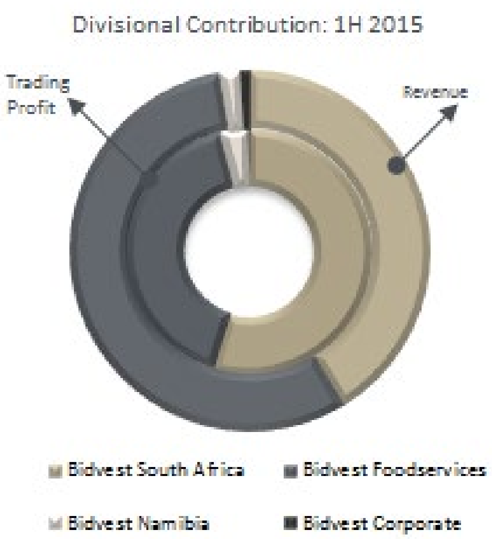
Market note

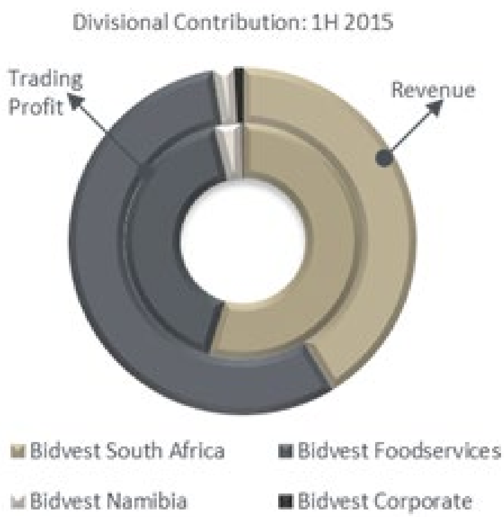
Bidvest to list food services separately

Although the share price of the Bidvest Group was one of the worst performers on the FTSE/JSE All Share Index (ALSI) last week, the company still delivered a good set of results for the six months ending December 2015. Turnover grew by 10% to R114.5 billion, mainly due to a strong performance from Bidvest Europe and Bidvest UK, reflecting organic growth and the positive currency effects on translation. Gross profit rose by 12% to R2.4 billion, resulting in a higher gross margin of 20.5% (2014: 20.1%).

In their interim financial results this international services-, trading- and distribution company also announced their intent to list their foodservices business separately from their industrial-, Namibian and corporate-businesses. Initially this new company would be listed on the ALSI, because this is where their original capital base is situated. (This proposed transaction is subject to shareholders and regulatory approval). Brian Joffe will step down as CEO after the restructuring, but will remain on as chairman of the foodservice business and nonexecutive director in Bidvest SA. Management of Bidvest also feel they will be able to exploit international growth with this separate listing. Other reasons mentioned for the proposed unbundling of their foodservice business include, amongst others, to give shareholders a choice and to retain strengths of Bidvest for a new era.

We continue to believe the share is an attractive investment proposition. The group boasts an impressive historic ROE of around 20%, historically good cash flow and a strong, well-diversified portfolio of businesses. We can expect the group to continue to acquire quality companies as opportunities arise and drive further efficiencies out of existing operations. The separate listing of the foodservice operations should also unlock value given the growth profile of the foodservice business relative to the Bidvest South Africa. The PSG Wealth Equity Research division maintains a positive view on the Bidvest Group.





PSG Wealth

Previous publications - 2015

Daily

Published on a daily basis

Weekly

1 March
23 Feb
11 Dec
20 Nov
16 Nov

Monthly

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

Quarterly

Summer 2015
Spring 2015

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