

Active management during low growth - pg. 2

MTN way forward still uncertain- pg. 3

## Market moves

Performance: 16/04/2016 to 22/04/2016	Return (Cumulative)
<b>Local Markets</b>	
All Share TR ZAR	-0.10
Ind/Financials TR ZAR	1.00
Ind/Industrials TR ZAR	0.30
Financials&Indl 30 TR ZAR	-1.74
Ind/Basic Materials TR ZAR	5.65
Gold Mining TR ZAR	-0.44
SA Listed Property TR ZAR	-0.22
Beassa ALBI TR ZAR	0.05
<b>Commodities</b>	
Oil Price Brent Crude PR	3.15
LBMA Platinum AM PR USD	4.35
Gold London AM Fixing PR USD	-0.20

## The week ahead

### Domestic

**29** Balance of trade

May  
**2** Barclays Manufacturing PMI

### International

**27** US: Fed interest rate decision

May  
**1** China: Manufacturing PMI

## Macro

### ZA

Consumer prices in South Africa increased by 6.3% YoY in March, slowing from a seven-year high of a 7.2% rise the previous month. Figures came in line with market expectations, as a slowdown in petrol cost offset higher food inflation.

### US

The number of Americans filing for unemployment benefits was 247,000 in the week ending 16 April, a decrease of 6,000 from the previous weeks unrevised level of 253,000. This was the lowest reading since 24 November 1973 when it was recorded at 233,000.

### EU

The ECB left its benchmark refinancing rate on hold at a record low of 0.0%, following a 5bps cut in the previous month. Rates are expected to stay at present or lower levels for an extended period of time, President Mario Draghi said. The asset purchase programme was kept at €80 billion a month but the central bank said will start buying corporate bonds in June.

## Markets

### Best performer

For the week was Kumba Iron Ore, with a 28% return. Followed by Implats and Lonmin, both with a 22% return for the week.

### Worst performer

Massmart was the worst performer with a loss of 11% for the week. Followed by Harmony who had a negative 8% return for the same period.

## Sectors

Industrial Metals, with companies like Kumba Iron Ore, was the best performing sector for the fourth consecutive week with a 28.4% return for the week. The worst performing sector was media, with companies like Naspers, with a loss of 7.1% for this sector.

## Macro note

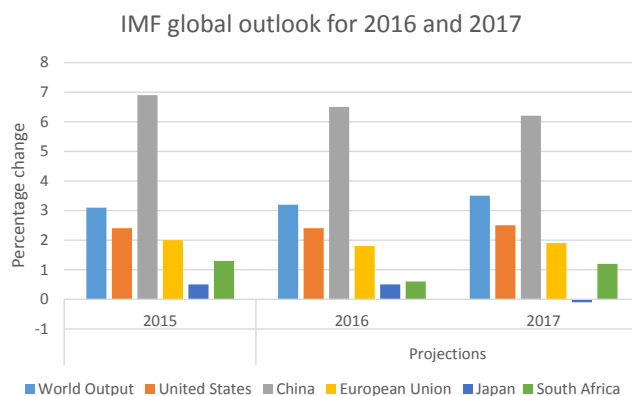
### Active management during low growth

“Uncertainty has increased, and risks of weaker growth scenarios are becoming more tangible. The fragile conjuncture increases the urgency of a broad-based policy response to raise growth and manage vulnerabilities.”

This is just one of the reasons behind the International Monetary Fund’s (IMF) downward growth projection of global growth for this year. The world economy grew by an estimated 3.1% in 2015 and the IMF now forecast growth of 3.2% in 2016, which is down 0.2 percentage points relative to the IMF’s January forecast.

This revision was across most geographic regions, with the exception of China. The IMF revised China’s growth up by 0.2 percentage points for both 2016 and 2017. For the IMF, China appeared to be managing their economic transition from production to consumption more effectively than was assumed a few months ago. However, the IMF

expects global growth to strengthen in 2017 and beyond. IMF forecasts world growth to improve to 3.5% in 2017. This estimate is 0.1 percentage points below the January estimate. According to the IMF this growth will mainly be driven by emerging market and developing economies, as conditions in stressed economies gradually start to normalise.



Source: IMF April 2016

## Bottom line

Slower global economic growth will have a negative effect on global consumer demand, which will prevent a sharp rise in global inflation, keep global interest rates relatively low, and keep global company earnings below par. This is the characteristics of low beta (high volatility equity markets with below average returns). However, all things are not equal when it comes to regions, countries, industries and companies. The strong entrepreneurial drive of the capitalist system will always produce manager teams that can continue to deliver exceptional results in these conditions.

This creates golden opportunities for true active fund managers to identify these quality companies and to consistently deliver alpha (performance above market performances). The PSG Wealth Solutions and product range make exclusively use of active managed strategies. Our solutions are well positioned to deliver above average returns with below average risk in this low growth environment.

## Market note

### MTN way forward still uncertain

The way forward for the African mobile-telecom giant, MTN is still uncertain. Though the group released a quarterly update in the past week, most of the uncertainties around the fine it faces in Nigeria and who its CEO will be, have still not been finalised.

During the first quarter of 2016, MTN only saw their subscribers grow in Iran. Growth of 1% was seen in a marginally saturated environment, mainly due to modernisation of technology, such as the launch of new LTE sites. Their data revenue growth in this region was 70% QoQ for this period. This resulted in a 1.4% increase in the average rate per user (ARPU) in Iran. The other two large contributors to the group's performance, South Africa (SA) and Nigeria saw declines in subscribers and ARPU for the same period. In SA subscribers declined by 1.7% to just over 30 million, due to the competitive trading environment and the alignment of the Autopage subscriber base. ARPU decreased by 9% mainly due to a 48-hour network outage in February.

MTN Nigeria subscribers decreased by 6.9% QoQ impacted by the 'aggressive' disconnection of 4.5 million subscribers in February 2016 related to the registration compliance process. According to their update, MTN now continues to focus on reconnecting subscribers through proactive engagement and winback offers. Which could cause a positive upside to future subscription figures. Local currency ARPU increased by 11.9% QoQ. Other headwinds experienced in Nigeria is that no mobile telecom company operating in this country is now allowed to charge out-of-bundle rates anymore. There has also been speculation that all mobile operators will have to pay an added 9% tax. All factors which could affect the future earnings of the group. Unfortunately the quarterly update did not provide investors with any further clarity on the quantum of the fine MTN faces in Nigeria, nor who their new CEO would be.

MTN Group executive chairman, Phuthuma Nhleko, stated that the Group was impacted in the first quarter

by the 'after shocks' of the events that took place towards the end of 2015.

"Mainly the subscriber registration process in many of the countries in which we operate, with Nigeria being the largest. In order to mitigate any future regulatory challenges, the Group took an exceptionally conservative stance by disconnecting all subscribers who could possibly be deemed to be non-compliant. This has had a significant unfavourable impact on total subscriber growth and revenue in Q1 16. Nonetheless, we believe this resolve to address compliance matters decisively, has put the Group on a solid footing as regards the subscriber registration process and regulatory matters in general."

## Previous publications

### Daily



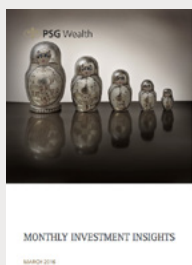
Published on a daily basis

### Weekly



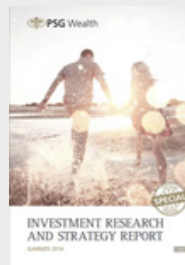
20 April      20 Nov  
 12 April      16 Nov  
 5 April  
 23 March  
 16 March  
 9 March  
 1 March  
 23 Feb  
 11 Dec

### Monthly



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

### Quarterly



Summer 2015  
 Spring 2015

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