

Adjust investments for higher inflation - pg. 2

Smaller companies perform despite economic growth challenges - pg. 3

Market moves

Performace: 22/03/2016 to 28/03/2016	Return (Cumulative)
Local Markets	
All Share TR ZAR	-2.39
Ind/Financials TR ZAR	-2.15
Ind/Industrials TR ZAR	-2.07
Financials&Indl 30 TR ZAR	-2.04
Ind/Basic Materials TR ZAR	-4.84
Gold Mining TR ZAR	-1.89
SA Listed Property TR ZAR	0.26
Beassa ALBI TR ZAR	-0.59
Commodities	
Oil Price Brent Crude PR	-0.43
LBMA Platinum AM PR USD	
Gold London AM Fixing PR USD	0.42

The week ahead

Domestic

31 PPI MoM & YoY

1 Backlays Manufacturing PMI
April

International

31 EU: Inflation Rate

4 US: Factory Orders
April

Macro

ZA

Consumer prices rose 7% YoY in February of 2016, accelerating from 6.2% in the previous month and well above market expectations. It was the highest reading since May 2009, boosted by the cost of food, transport, alcoholic beverages and miscellaneous goods and services. On a monthly basis, consumer prices went up 1.4%.

UK

Retail sales in the United Kingdom declined by 0.4% in February from the previous month, following a 2.3% rise in January and slightly better than market expectations of a 0.7% percent drop. Sales of food went down 0.3%, clothing and footwear dropped 0.4% and auto fuel shrank 2.4%.

France

France's industrial confidence stood at 101 in March of 2016, compared to 103 in the preceding month and below market consensus of 103. It is the lowest reading since July 2015, as business views on global and export order books weakened slightly.

Markets

Best performer

For the week was Octodec- and Rebohis Real Estate Investment Trusts as well as Niveus Equity Investment. All of which increased with 10% for the past week.

Worst performer

For last week was Lonmin Mining which lost 19% for the week.

Sectors

The Household Goods-, Support Services- and Forestry and Paper sectors all had positive returns of 1% and lower for last week. Automobiles and Parts was the worst performing sector losing 10.1% in the same period.

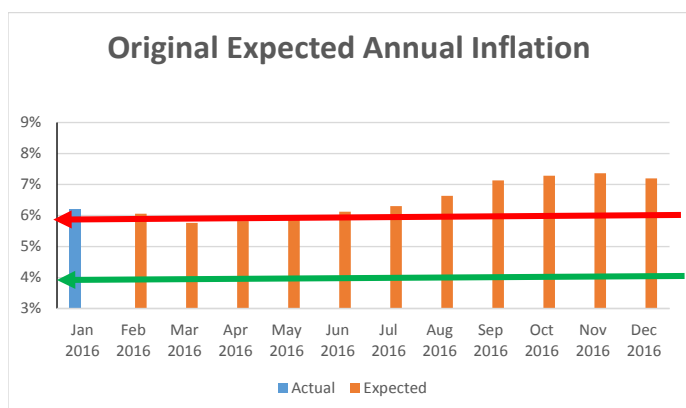
Macro note

Adjust investments for higher inflation

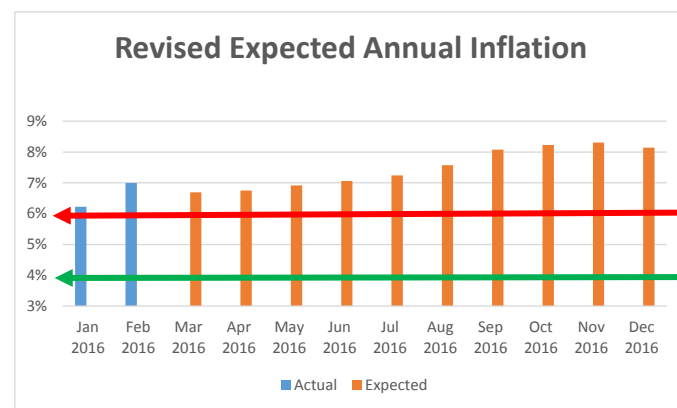
The highest inflation rate since May 2009 was announced by StatsSA last week. The inflation rate for February 2015 came in at 7% YoY, much higher than what the market expected. Monthly inflation of 1.36% was mainly driven by an increase of 7.1% in the prices of vegetables and 5.7% in medical services in January. Prices of both bread, cereals, sugar, sweets and desserts added 3.4%. Major contributors to annual inflation of 7% were food (8.8%), housing and utilities (6.6%), transport (8.7%) and education (9.3%).

This after SARB announced an inflation rate of 6.2% for January 2016, which breached the inflation target of between 4% and 6% for the

first time since August 2014. The MPC reacted on 17 March with an interest rate hike of 25bps which took the repo rate up to 7%. SARB also revised its inflation forecasts lower from 6.8% to 6.6% for 2016 and from 7.0% to 6.4% for 2017. Growth was also revised lower from 0.9% to 0.8% for 2016 and from 1.6% to 1.4% for 2017. Before the latest inflation figures were released, the PSG Wealth Investment division expected that inflation would near the 8% level in late 2016 (see Figure 1 below). However, due to the latest inflation surprise these expectations have changed to peak at 8.3% in November 2016. These figures will be released in December 2016 (see Figure 2 below).



Source: PSG Wealth Investment division



Source: PSG Wealth Investment division

Bottom line

It seems that higher interest rates in 2016 are a given, and even probable for 2017. However, those investors who invest in actively-managed portfolios, don't need to adjust their investments. The PSG Wealth Investment division is aware that these type of surprises could arise and therefore we have put risk management systems

in place to adjust our portfolios continuously to reduce any negative effects. We are also aware that these surprises could create attractive investment opportunities which would be looked into.

Market note

Smaller companies perform despite economic growth challenges

Although data abound that companies are suffering due to the weak economic growth conditions in the country, smaller pockets of out-performance can still be found.

Four smaller companies listed on the JSE released trading statements in the past week indicating strong growth in profits.

CMH Holdings, an investment holding company with a market cap of just over R1 billion indicated that their profit could increase between 25% to 30% off an already high base.

A specialist financial services Group of companies, named Ecsponent Ltd, which generates wealth through investment in financial and private equity assets in specific niche market sectors, said that their profits could increase by 150% to 170%.

While the headline earnings per share (HEPS) of ISA Holdings, listed on the AltX, is said to increase by 25% to 46%.

The fourth company which released a trading statement was Master Drilling. Said to be one of the global leaders in the raise-boring market, also providing other specialised drilling services for mineral exploration and mining companies across the globe, indicated that their HEPS could increase by 10% to 20% in U.S. dollar terms. Which is between 30% and 40% higher than the HEPS for the comparative period as reported in ZAR.

Although the trading statements from all four these companies shows strong growth and with the growth range of each of these smaller companies much higher than the market average, the market still did not truly react to these positive statements. While trading statements are a good indication of a company's financial performance, it does lack the depth of information to ascertain the quality of earnings reported. It is thus worthwhile to wait for financial results to confirm this growth trend.

Trading statement details

Date	Name	Price (cps)	Period		Range	2016/03/29	Change
24-Mar-16	CMH	1490	Year-end	Increase	25%-30%	1500	1%
29-Mar-16	Ecsponent	22	Year-end	Increase	150%-170%	20	-9%
29-Mar-16	ISA	95	Year-end	Increase	26%-46%	98	3%
29-Mar-16	Mastdrill	1215	Year-end	Increase	10%-20%	1300	7%

Source: PSG Wealth Investment division

Previous publications

Daily



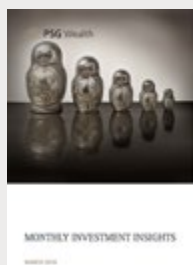
Published on a daily basis

Weekly



23 March
16 March
9 March
1 March
23 Feb
11 Dec
20 Nov
16 Nov

Monthly



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

Quarterly



Summer 2015
Spring 2015

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