

RANDSWISS 

JSE Power Hour:
3 Ramaphosa
Rally Recovery
Stocks



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JSE Power Hour: Three Ramaphosa Rally Recovery Stocks

As South Africa emerges from the Zuma era, we have seen a small resurgence in the SA economy. **But negativity and pessimism remain pervasive.**

Nevertheless, if President Ramaphosa is able to bring back economic growth to the pre Zuma average, **certain sectors and stocks are set to benefit more than others.** Luckily, the local market has yet to respond to this changing economic reality. This allows investors to buy in while valuations remain cheap.

At this JSE Power Hour we will show you:

- How growth suffered under Zuma vs the historic average,
- The potential for GDP growth to ramp up in the aftermath,
- Which sectors and stocks will benefit the most.

Join Rand Swiss' Viv Govender and Gary Booysen to see how you can position your portfolio to “capture” your slice of the recovery.



Nightmare on Maude Street

23 August 2018 / Magnus Heystek  5  192

Investment returns that keep me awake at night.

*It's becoming harder and harder, when **analysing the numbers objectively and clinically**, to come to any conclusion other than that the JSE is not the wealth generator it used to be.*

If it's in the press... It is in the price

*And the outlook, in my view, is not going to change very soon. In fact, it could easily get worse. **The current bout of horrific returns, in both real and relative terms, is bound to continue for a long time.** – Magnus Heystek*



So how did we get here?

And what do the numbers *actually* say?

Over to market analyst and wealth expert:
Viv Govender.



Viv Govender

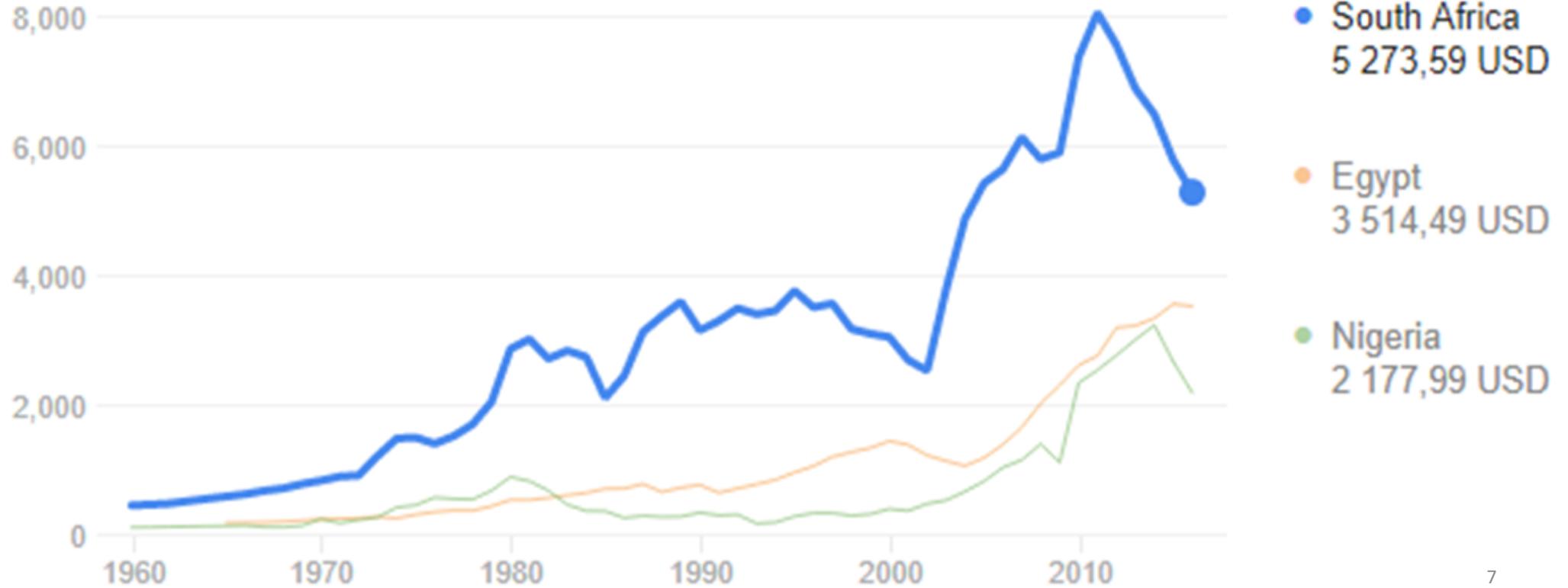
Viv is a market analyst and wealth manager who focuses mainly on the South African environment with a macroeconomic slant. He appears regularly on several media outlets, including SABC, CNBC, Radio 2000 and Etv.

He is also passionate about financial education. He is currently a guest lecturer at a number of prominent business schools and advanced education programs. Before his career in the financial market, he lectured at UKZN, DUT and a number of other tertiary institutions.

South Africa / GDP per capita

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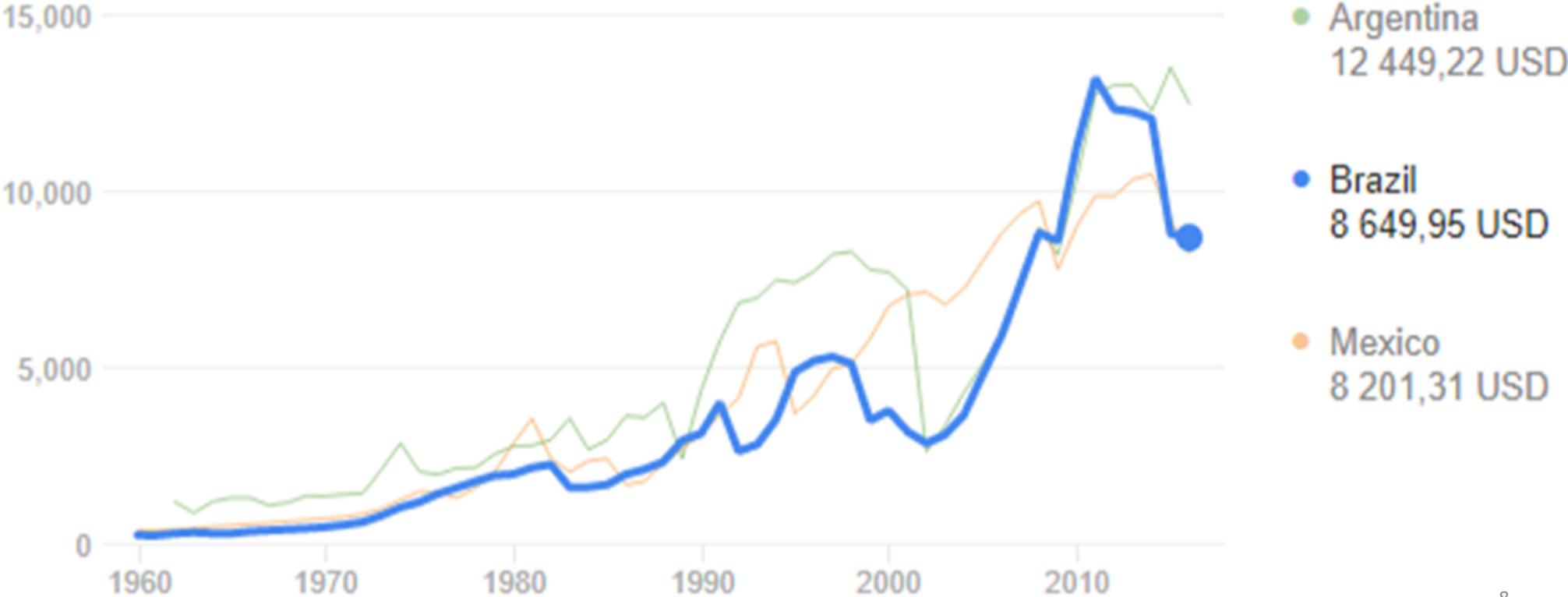
5 273,59 USD (2016)



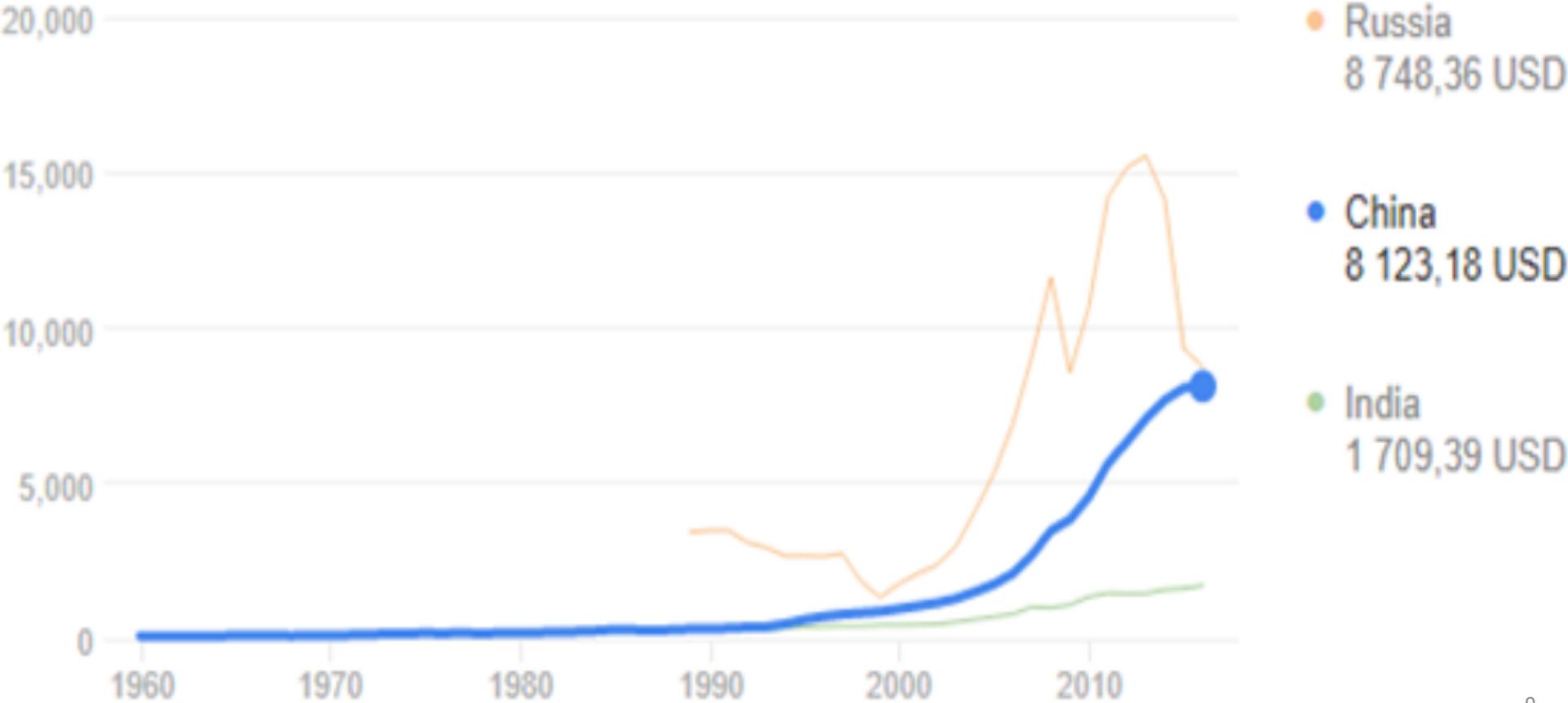
Brazil / GDP per capita



8 649,95 USD (2016)



8 123,18 USD (2016)



JSE vs the world in dollars

Monthly and annual average returns (%) - dates to 17/08/2018

Instrument	1 month	6 months	1 year	3 years annualised	5 years annualised / <i>Since launch* annualised</i>
FTSE/JSE All Share Index (ALSI)	-8.6	-22.7	-5.2	2.3	0.8
MSCI EM (Emerging Markets) NR USD	-4.2	-13.1	-1.2	9.1	4.1
S&P 500	1.6	5.3	19.6	13.0	13.8
MSCI AC Asia Pacific ex Japan	-2.3	-7.7	2.1	10.1	6.4
MSCI AC Asia ex Japan	-3.1	-9.6	1.6	10.2	7.1
MSCI Europe	-3.1	-5.7	1.5	3.8	4.4

JSE vs the world in rands

Monthly and annual average returns (%) - dates to 17/08/2018

Instrument	1 month	6 months	1 year	3 years annualised	5 years annualised / <i>Since launch* annualised</i>
FTSE/JSE All Share Index (ALSI)	1.0	-2.8	5.1	6.7	8.8
MSCI EM (Emerging Markets) NR USD	7.1	10.5	10.8	14.2	12.6
S&P 500	13.6	34.0	34.1	18.3	23.0
MSCI AC Asia Pacific ex Japan	9.2	17.4	14.5	15.3	15.0
MSCI AC Asia ex Japan	8.3	15.0	13.9	15.4	15.8
MSCI Europe	8.3	19.9	13.8	8.7	12.8

SA Statistics

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- 0.56% of global GDP.
- Local index dominated by small number of firms.
- Lack of important sectors.



Tech Trends

- Bio Tech – CRISPR.
- Automation/Artificial Intelligence and the 4th Industrial Revolution.
- Sector Disruption – Media, retail, banking, transport.



Global Growth Next Decade



Rank	Country	Projected growth
1	India	7.89%
2	Uganda	7.46%
3	Egypt	6.63%
4	Tanzania	6.15%
5	Indonesia	6.13%
6	Kyrgyzstan	6.04%
7	Pakistan	5.99%
8	Vietnam	5.89%
9	Mali	5.89%
10	Kenya	5.87%

Your move

RAND**SWISS** 

- Property as a class
- Inequality
- Stickiness

Land -> Labour -> Capital



Options

RAND**SWISS** 

- Liquidity
- Diversification
- Protection

MAKE
GOOD
CHOICES



Gary Booysen

Gary is currently building one of South Africa's leading boutique brokerage firms: Rand Swiss. The firm has ranked as the most transparent broker in the country, while placing third overall in last years coveted Financial Mail/Intellidex Top Broker Awards.

He is an avid market commentator who features regularly on CNBC, SABC3, BDTV and E-TV. He also contributes to a variety of radio broadcasts including: Classic FM, 702 Money Show, Radio 2000, SAFM as well as a variety of print media publications including the Business Day and more recently, Forbes Magazine.

As a director and portfolio manager, he specialises in bespoke portfolio construction, stockbroking and trading.

Practical moves to
make (given the macro-
economic picture)

Over to Portfolio
Manager, Gary Booysen

FX USDZAR SMA 200



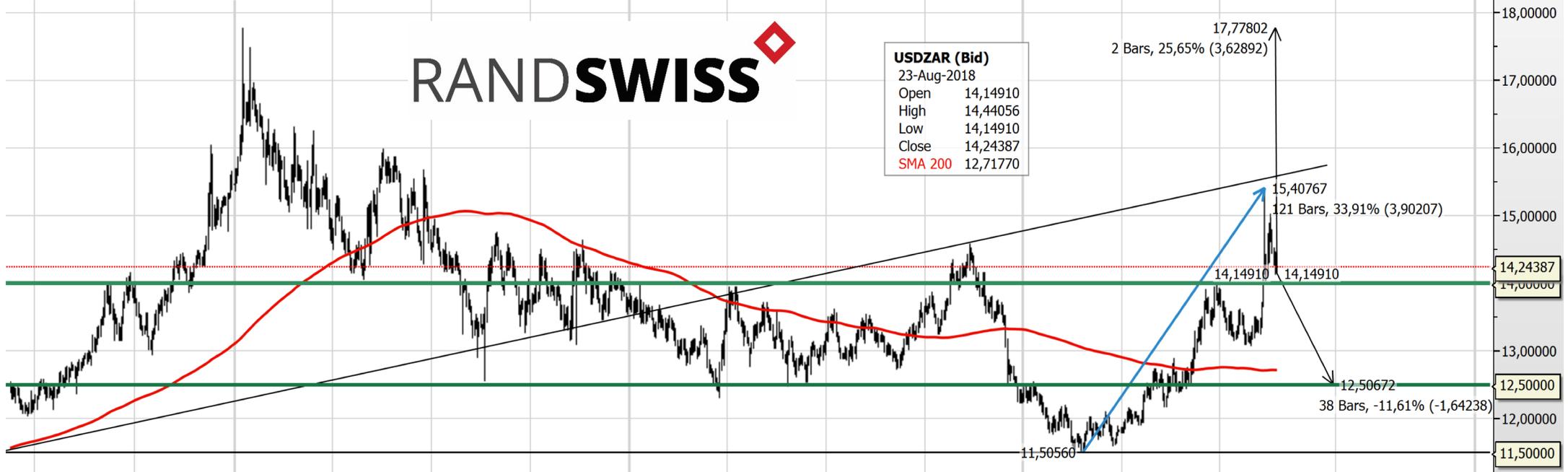
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INDICATIVE PRICE Time Zone: GMT

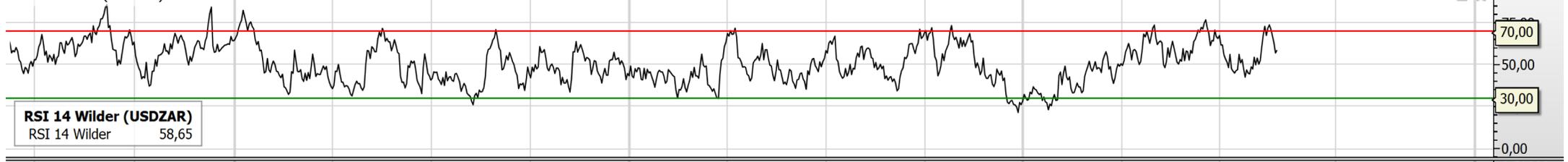
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FX USDZAR SMA 200 (USDZAR)

USDZAR (Bid)	
23-Aug-2018	
Open	14,14910
High	14,44056
Low	14,14910
Close	14,24387
SMA 200	12,71770



RSI 14 Wilder (USDZAR)



RSI 14 Wilder (USDZAR)
RSI 14 Wilder 58,65

MACD 26; 12; 9 (USDZAR)



MACD 26; 12; 9 (USDZAR)
Base 0,28231
Trigger 0,25382
Histogram 0,02849

INDICATIVE PRICE Time Zone: GMT
Q3 2015 Q4 2015 Q1 2016 Q2 2016 Q3 2016 Q4 2016 Q1 2017 Q2 2017 Q3 2017 Q4 2017 Q1 2018 Q2 2018 Q3 2018 Q4 2018

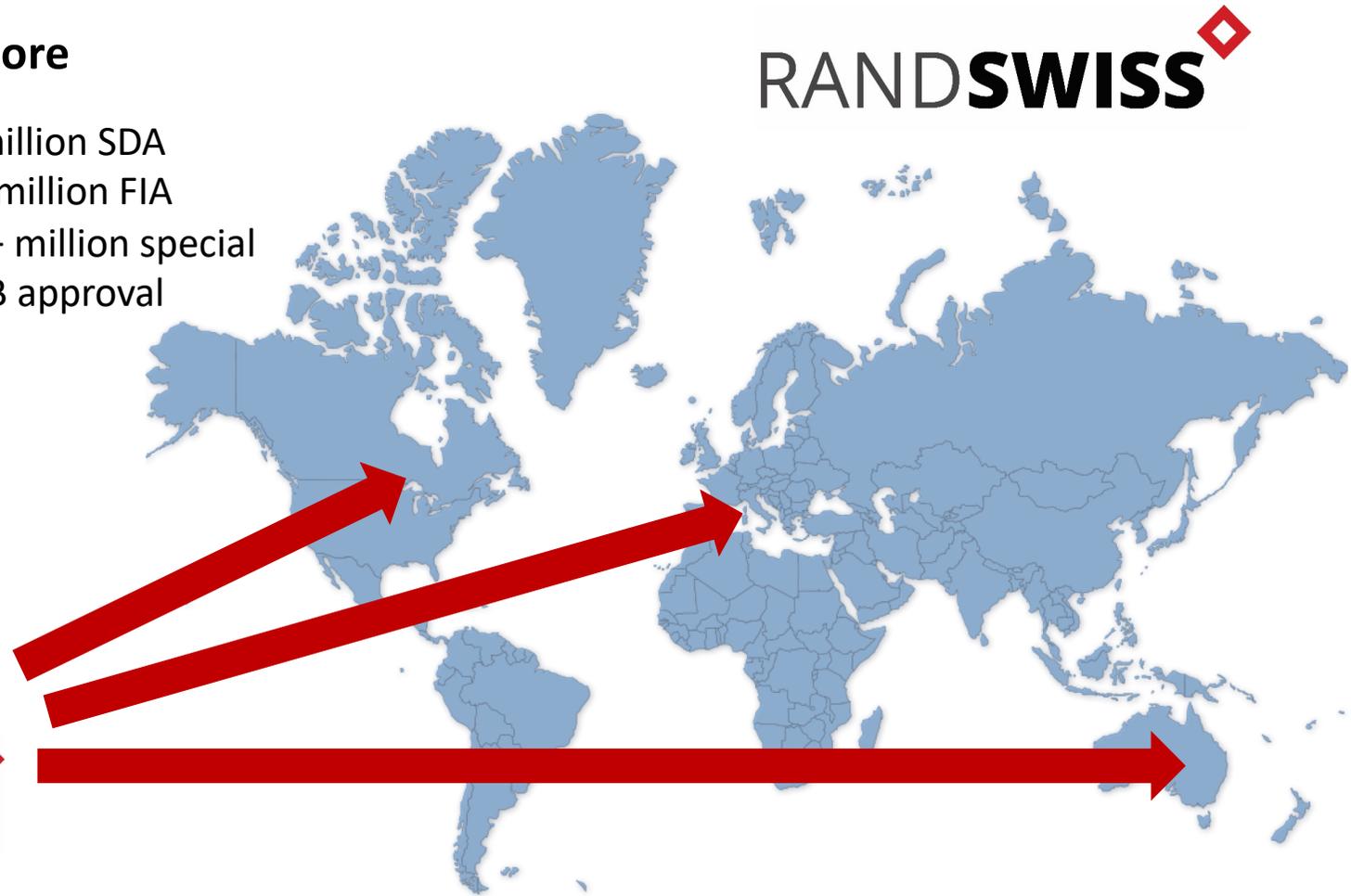
How to take your cash offshore

Your Bank

Standard Bank, ABSA, FNB,
Capitec & Nedbank



R1 million SDA
R10 million FIA
R10+ million special
SARB approval



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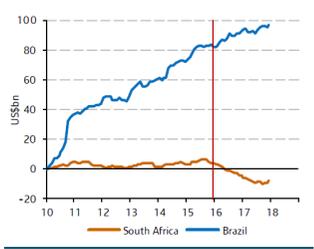
For more visit: <https://www.randswiss.com/offshore/>

A bit on Portfolio Management

South Africa Year Ahead 2018 Catch-up Time for SA

- We forecast double digit SA equity returns in 2018, which should outpace low teens bond returns and single digit cash returns. We recommend Overweight SA Equities, Neutral SA Bonds and UW SA Cash.
 - **Overweight SA Equities:** We believe the full momentum of a positive sentiment SA recovery-trade has not yet fully played out and see easy ways to drive a positive lift for SA from Cyril Ramaphosa's leadership. This should provide scope for further rerating of SA equities, in our view, with an earnings growth uplift expected only later in 2018.
 - **SA versus Brazil:** With SA following in Brazil's political footsteps it is worth noting that MSCI Brazil rerated a significant 49% from c15x in late 2015 to 23x at its peak in 2016 after the impeachment motion of Rousseff in December 2015, which compares with MSCI SA ex Naspers' current trailing P/E of c12x.
 - **SA Equity Market Positives:** (1) Sentiment uplift from political reform; (2) Renewed foreign inflows into SA equities; (3) Relatively strong rand; (4) Monetary easing.
 - **SA Equity Market Negatives:** (1) The risk of a credit rating downgrade; (2) SA's strained fiscal position, heightening the need for fiscal tightening/tax hikes especially if free education is factored in.
 - **Cyclical Over Defensives:** We continue with our strategy initiated in September 2017 (*South Africa Strategy Update: Asymmetric risk – Go OW SA Equities, 21 September 2017*) of rotating out of defensive sector plays into early cyclical sectors to position for a cyclical recovery in SA.
 - We favour interest rate sensitive sectors: Banks, General Retail and REITS should benefit from our view of SA rate cuts in 2018E and renewed foreign inflows.
 - **Selective Non-Resource Rand Hedge Exposure:** Since September 2017 we are no longer wholesale overweight Non-Resource Rand Hedges (NRRH), but are selective in our overweights with a strong rand likely to weigh on NRRH*.
- Our top strategy stock picks include: Barclays Africa, Nedbank, Mr Price, Dischem, Truworths, Pick n' Pay, Liberty, MMI, Naspers, Richemont and BATS.

Figure 1: Foreign equity flows into SA and Brazil



Source: IIF, S&P Securities analysis.
IIF estimates used for November and December 2017

Figure 2: SA Strategy Top Picks

Global Diversified Mining	Glencore
Diversified Industrials	Bidvest
Personal Goods	Richemont
Tobacco	BATS
Food Retailers	Dis-Chem
Food Retailers	Pick 'n Pay
General Retailers	Mr Price
General Retailers	Truworths
Media	Naspers
Banks	Barclays Africa
Banks	Nedbank
Banks	Standard Bank
Life Insurance	Liberty Holdings
Life Insurance	MMI Holdings
REIT	Equities Prop
REIT	Growthpoint

Source: S&P Securities analysis

Strategy Research | South Africa

Global portfolio (USD): Total return of 41.39% in USD compared to world benchmark which has delivered 28.72% since September 2015.

For more visit: <https://www.randswiss.com/research/>

Stock Pick #1: Bidvest Group



Bidvest

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The Bidvest Group Limited is a services, trading and distribution company. The company operates in the areas of consumer and industrial products, electrical products, financial services, fishing and materials handling, freight management, outsourced hard and soft services, travel and aviation services and automotive retailing. Its segments include Bidvest South Africa, Bidvest Namibia and Bidvest Corporate. The Bidvest South Africa segment operates in divisions, including automotive, commercial products, electrical, financial services, freight, office and print, and services. The Bidvest Namibia segment operates under two holding companies: Bidvest Namibia Fisheries Holdings, which is focused on the fishing industry, and Bidvest Namibia Commercial Holdings, which offers freight, logistics, marine services and material handling; food and distribution, and commercial and industrial services. The Bidvest Corporate segment operates under properties, and corporate and investments divisions.

Day's Range	20,283 - 20,883
52 wk Range	16,001 - 25,547
Market Cap	65.59B
P/E Ratio	14.61
Shares Outstanding	337,153,260
Revenue	74.87B
EPS	13.92
Dividend (Yield)	5.19 (2.55%)
Beta	0.58
Next Earnings Date	<u>Sep 03, 2018</u>

CFD BVT:xjse

BVT:xjse
23-Aug-2018
Open 20 477,0
High 20 850,0
Low 20 286,0
Close 20 840,0



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INDICATIVE PRICE Time Zone: GMT
Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep
2016 2017 2018

Investment Case: Bidvest Group

BVT (TP R215) - HEPS guidance range is +10%-12%, we are looking for +12% so at the top of the range.

Consensus is a few cents behind (+11%), so also in the range. Our number of 1230cps (diluted) equals about 1236cps on a pre-dilution basis, vs guidance range of 1219cps – 1241cps. We prefer to take into account acquisition costs, which are removed in BVT's normalised HEPS number.

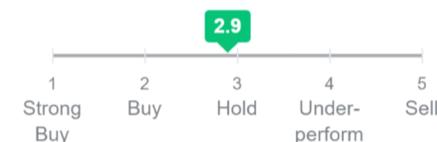
Summary: Bang in line, no real impact, but does highlight the defensive and predictable nature of the stock. - *Investec Derivatives*

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Recommendation trends >



Recommendation rating >



Analysts' price targets (10) >



Stock Pick #2: **Nedbank Ltd**



NEDBANK

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Nedbank Group Limited is a financial services provider. The company's principal banking subsidiary is Nedbank Limited. The company provides wholesale and retail banking services, and insurance, asset management and wealth management offerings. The company's segments include Nedbank Group, Nedbank Corporate and Investment Banking, Nedbank Retail and Business Banking, Nedbank Wealth, Rest of Africa, and Centre. Nedbank Corporate and Investment Banking offers a range of transactional, corporate, investment banking and markets solutions. Nedbank Retail offers a range of banking and assurance products and services. The business banking portfolio offers a range of commercial banking products. Nedbank Wealth provides a range of financial services through approximately three divisions of Wealth Management, Asset Management and Insurance. The Rest of Africa business is responsible for the company's banking operations and expansion activities in the rest of Africa.

Day's Range	26,834 - 27,493
52 wk Range	19,800 - 31,650
Market Cap	131.76B
P/E Ratio	10.24
Shares Outstanding	484,167,004
Revenue	149.52B
EPS	26.52
Dividend (Yield)	1,370.00 (5.05%)
Beta	0.74
Next Earnings Date	Feb 27, 2019

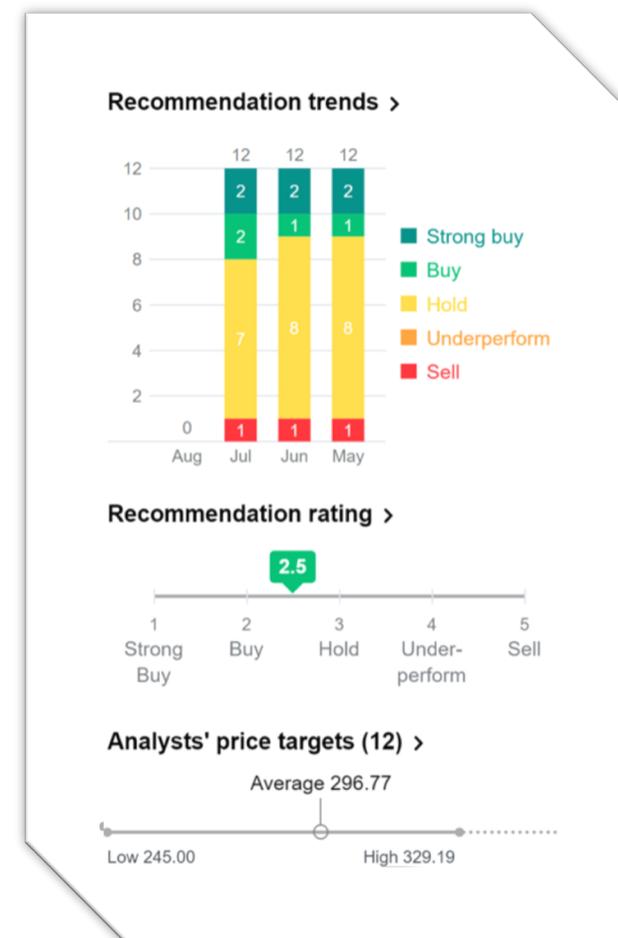
Investment Case: Nedbank Ltd



Nedbank Group Ltd (NED SJ) - A beat and a credible set of numbers:

Nedbank (BUY) reported credible 1H18 diluted HEPS growth of c.26%, better than both ours (c.24%) and consensus (c.20%) where expecting. This is toward the top end of the trading statement guided range. As expected Ecobank is the main driver of the "stellar" results - however the biggest positive surprise was that Nedbank ex-ETI saw positive JAWS. As slow revenue growth was offset by good cost control. Unlike ABG yesterday, our first take of NED's impairments is in line with expectations. ROE improved to c.17%, better than the c.16% we had penciled in or the c.15% consensus expected. Would expect the news to be taken well by the market today.

- Revenue growth was weak at c.4%, less than the c.6% we expected.
- NIM expanded from 3.62 (FY17) to 3.67% slightly more than we expected but offset by poor loan growth.
- NIR grew faster than NII (c.3% and c.4% respectively)
- Costs is the big surprise at c.3%, significantly better than the c.7% we expected.
- CLR came in at 53bps, below the TTC range of 60-100bps (despite the tough macro) due to high quality credit in both RBB & CIB. – *Investec Derivatives*





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Pick #3: Eurostoxx 50 Digital ESP

The Eurostoxx50 Digital Equity Structured Product (“ESP”) is a financial instrument listed on the Johannesburg Stock Exchange Limited (“JSE”). The instrument represents the investor’s right to a basket of Sygnia ITRIX EuroStoxx50 exchange traded funds (“ETFs”) (“Basket”) listed on the JSE which tracks the Euro Stoxx 50® Index (“Index”), and to an Over-The-Counter (“OTC”) Put option over the Basket which provides the enhanced return. Investors forego any rights to receive dividends during the investment term and are compensated for this by means of the Put option strike price.



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- 3 year and one week investment linked to **Euro Stoxx 50® Index** .
- **59% return in Rands** should the index return be zero or positive (**circa 16.6% effective annual rate of return**).
- **100% capital protected** in rands at maturity if index is negative.
- **Minimum investment R100,000.**
- Liquidity available on early exits.

How does it work?



- A three year and one week investment linked to an increase in the level of the Euro Stoxx 50[®] Index.
- Fixed **59% return in rands** should the index return be zero or positive, **circa 16.6% effective annual rate of return**.
- The performance of the investment is provided by Investec Bank Limited*.
- **100% capital protected** in rands at maturity.

Product Name	Eurostoxx50 Digital Equity Structured Product ("ESP")
JSE Code	SPIB27
Issuer	Investec Bank Limited ("IBL")
Index	Euro Stoxx 50 Index (Bloomberg: SX5E Index)
Initial Investment Currency	South African rand ("ZAR")
Settlement Exposure Currency	ZAR
Investment Term	3 years and one week
Strike Date	6 September 2018
Listing Date on the JSE	20 September 2018

Term	Downside protection	Index	Maximum return at maturity
3 years and one week	100% capital protected	Euro Stoxx 50 [®]	59% / 16.6%pa

Example of the Investment Returns

Example of the SX5E Index maturity*	Invested amount	Profits	Investment value at maturity
Index returns 65%	R100mn	59% (capped)	R159mn
Index returns 0.01%	R100mn	59% (fixed return)	R159mn
Index returns -55%	R100mn	0%	R100mn

What about the currency?



	1	2	3	4	5	6	7
	Index Return at maturity	Net dividend	Total Index return	Euro/Rand 26.25% depreciation i.e. R19.99 (3 year forward price)	Euro/Rand at current spot of 15.83	Euro/Rand 26.25% appreciation i.e. R11.67	ESP Return
Scenario 1	-40.00%	10.39%	-29.61%	-11.13%	-29.61%	-48.09%	0%
Scenario 2	-20.00%	10.39%	-9.61%	14.12%	-9.61%	-33.34%	0%
Scenario 3	-0.01%	10.39%	10.38%	39.35%	10.38%	-18.59%	0%
Scenario 4	0.01%	10.39%	10.40%	39.38%	10.40%	-18.58%	59%
Scenario 5	15.55%	10.39%	25.94%	59.00%	25.94%	-7.12%	59%
Scenario 6	20.00%	10.39%	30.39%	64.62%	30.39%	-3.84%	59%
Scenario 7	40.00%	10.39%	50.39%	89.87%	50.39%	10.91%	59%

- **Scenario 1** shows that if the index returns -40% and the Rand strengthens 26.25% against the Euro, the Rand return is -48.09% versus ESP's return of the initial capital invested.
- **Scenario 5** shows that if the index returns 15.55% and the Rand weakens 26.25% against the Euro, the index (inclusive of the dividend) breaks even with the product to produce a 59% Rand return.
- The product produces a 59% Rand return for a 0.01% index return at maturity. Similarly, if the index was to have an index return 0.01% in Euro (i.e. total return of 10.40%), the Rand would need to depreciate by circa. 44.02% to break even with the ESP to produce the same 59% return in Rands.

What's coming up soon?

Summary of offering



An equity investment linked to a targeted basket of offshore indices.



2 times the growth in the total performance of the weighted basket of offshore indices. The potential maximum return from the investment in the Shares is 50%.



Principal preservation + 5% minimum return in USD



Minimum investment of:

AUD16 000 – A class shares
USD12 000 – B class shares

Payments must come from the account of the Investor/s. No third party payments will be accepted



Liquidity on a willing buyer, willing seller basis;

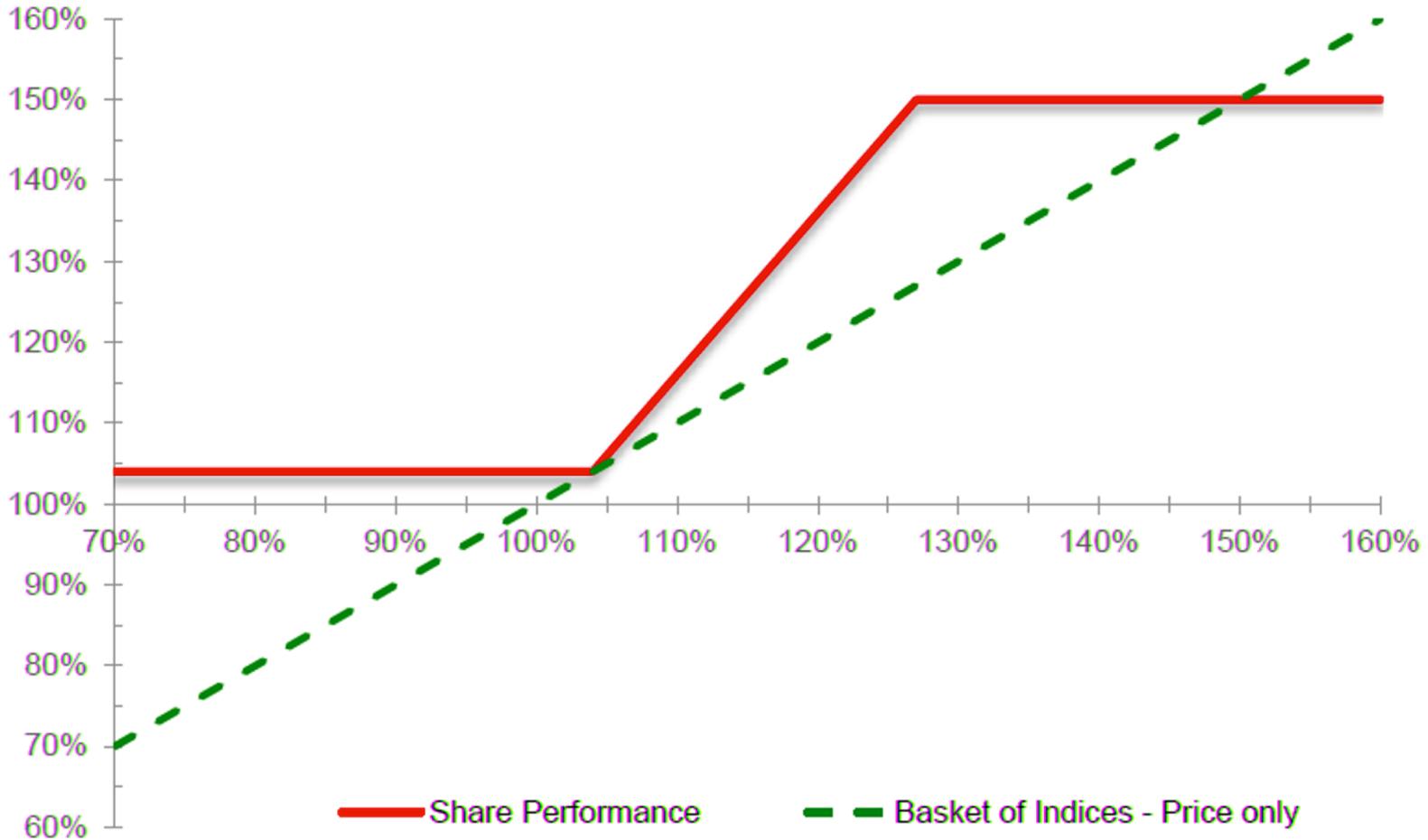
Potential early redemption of the Shares at a price at which the Company can liquidate underlying assets

For more visit: <https://www.randswiss.com/protect/>

The structured payoff



Return



Thank you for attending

Questions

www.randswiss.com

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Who we are and what we do?

- We are a private boutique broker.
- Registered Financial Services Provider FSP 45837.
- Network and partnership with major local and international banks.
- Philosophy to displace the middle man and give direct market access locally and offshore.
- Stockbroking, research, bespoke portfolios, online trading.

The logo for JS, featuring the letters 'J' and 'S' in a stylized font, followed by three horizontal lines.The logo for Investec, featuring a blue circular icon with a crosshair and the word 'Investec' in a serif font.The logo for Velocity Trade, featuring the word 'VELOCITY' in white on a dark blue rounded rectangle, with 'TRADE' in yellow below it.The logo for KIPS, featuring the word 'KIPS' in blue, with 'KNOWLEDGE INNOVATION PROGRESSION SOLUTION' in smaller text below.The logo for CNBC Africa, featuring the NBC peacock logo above the text 'CNBC AFRICA'.The logo for BD TV, featuring the letters 'BD' in white on a red square, followed by 'TV' in white on another red square.The logo for RandSwiss, featuring the word 'RANDSWISS' in black with a red diamond icon above the 'S'.The logo for Saxo Capital Markets, featuring the word 'SAXO' in white on a blue square, with 'CAPITAL MARKETS' in white on a black square below.The logo for 'e', featuring a white lowercase 'e' on a red 3D cube.The logo for Nedbank, featuring a green circular icon with a white 'N' and the word 'NEDBANK' in green.

Step 1: Sign your Investment Mandate

- Complete the T&Cs on your account. You'll find a copy of the Rand Swiss mandate in your workshop pack.
- Hand the completed document to a Rand Swiss representative.
- Or scan and email your mandate to info@randswiss.com.
- Or fax it to: +27 86 272 2047.

Step 2: Gather the required FICA

- A Certified Copy of your ID
- Proof of Residential Address (Utility bill, Lease Agreement, etc.)
- Proof of Bank Account (Statement no older than three months.)
- Proof of a Tax number (Any letter from SARS with your Tax number.)

Step 3: Link and fund your account

- Once we have all your documents you'll receive an approval email with your log in, password and details on how to fund your account.
- As soon as your funds are cleared, they'll be loaded and you'll be ready to start trading!

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