JM BUSHA
Investment Group

Absolutely Positive Performance

Quarterly Bulletin – Q4 2018

"*When the first primitive man decided to use a bone for a club instead of eating its marrow that was an investment*"

-Anonymous-

Invest wisely.

Market Performance Summary (YTD)								
Equity Indices	**Spot**	**% Change**	**JSE Top Gainers**	**Spot (c)**	**% Change**	**JSE Top Losers**	**Spot (c)**	**% Change**
JSE All Share	52737	-11.4% ↓	Trustco Group Holdings Ltd	1576	77.1% ↑	Lighthouse Capital Ltd	790	-84.5% ↓
JSE RESOURCES	41046	13.1% ↑	Anglo American Platinum Ltd	53793	52.2% ↑	Ascendis Health Ltd	416	-76.5% ↓
JSE FINANCIALS	16380	-8.4% ↓	Allied Electronics Corp Ltd	1800	49.0% ↑	Rebosis Property Fund Ltd	269	-72.8% ↓
JSE INDUSTRIALS	63684	-19.5% ↓	Montauk Holdings Ltd	8000	46.8% ↑	Net 1 UEPS Technologies Inc	5025	-66.1% ↓
NAMIBIA (NSX)	1307	0.5% ↑	AngloGold Ashanti Ltd	18175	41.3% ↑	Fortress REIT Ltd	1450	-65.6% ↓
ZAMBIA (LUSE)	5248	-1.5% ↓	Clover Industries Ltd	1819	38.9% ↑	Blue Label Telecoms Ltd	541	-63.7% ↓
ZIMBABWE (ZSE)	118	13.4% ↑	Lewis Group Ltd	3499	32.3% ↑	Steinhoff International Holdin	172	-63.0% ↓
DOW JONES	23327	-5.6% ↓	Pepkor Holdings Ltd	2099	31.6% ↑	Resilient REIT Ltd	5700	-58.0% ↓
S&P 500	2507	-6.2% ↓	Telkom SA SOC Ltd	6329	31.5% ↑	Stadio Holdings Ltd	349	-56.6% ↓
NASDAQ	6635	-3.9% ↓	Anglo American PLC	32227	26.1% ↑	EOH Holdings Ltd	3082	-54.3% ↓
FTSE 100	6728	-12.5% ↓	PSG Konsult Ltd	1070	22.4% ↑	DataTec Ltd	2736	-52.1% ↓
GERMAN DAX	10559	-18.3% ↓	BHP Group PLC	30377	21.2% ↑	Aspen Pharmacare Holdings Ltc	13482	-51.4% ↓
FRENCH CAC	4731	-11.0% ↓	Murray & Roberts Holdings Ltd	1445	19.3% ↑	Tongaat Hulett Ltd	5579	-51.3% ↓
NIKKEI 225	20015	-12.1% ↓	Impala Platinum Holdings Ltd	3668	13.1% ↑	Intu Properties PLC	2114	-49.6% ↓
SHANGHAI	2494	-24.6% ↓	Harmony Gold Mining Co Ltd	2520	11.1% ↑	NEPI Rockcastle PLC	11300	-47.1% ↓
HANG SENG	3450	-16.7% ↓						
AUSSIE ALL ORDS	5709	-7.4% ↓						
Bond Yields	**Spot**	**BPS Change**	**Currencies**	**Spot**	**% Change**	**Commodities**	**Spot**	**% Change**
SAGB 2 Year	7.00	-0.29 ↑	R / $	14.35	-15.9% ↓	Gold ($/oz)	1282	-1.6% ↓
SAGB 5 Year	7.77	-0.32 ↑	R / €	16.46	-10.8% ↓	Platinum ($/oz)	796	-14.3% ↓
SAGB 10 year	8.88	0.29 ↑	€ / $	1.1467	4.5% ↑	Palladium ($/oz)	1262	18.6% ↑
SAGB 30 Year	9.90	0.19 ↑	$ / ¥	109.69	2.7% ↑	Silver ($/oz)	15	-8.5% ↓
US 10 Y	2.68	0.28 ↑	Pula	10.71	-9.0% ↓	Brent Crude ($/barrel)	54	-19.5% ↓
US 30 Y	3.01	0.27 ↑	Kenya	101.78	1.4% ↑	Copper ($/ton)	5949	-17.5% ↓
UK 10 Year	1.28	0.09 ↑	Kwacha	11.88	-19.0% ↓	Aluminium ($/ton)	1823	-19.3% ↓
German 10 Year	0.24	-0.19 ↑	Naira	362.59	-0.7% ↓	Iron Ore ($/ton)	73	-1.8% ↓

Source: Bloomberg

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JM BUSHA FUND RETURNS	
Fund	**5 year Return**
Cash Plus	7.58%
Bond Plus	8.35%
Real Return	5.85%
Absolute All Class	6.55%
Absolute Aggressive	6.35%
Diversified Equity	4.59%
*Afro Fund	5.85%
*same as real return	

Investment markets review and outlook.
By Cleopatra Mtembu and Farai Mapfinya.

The JSE All Share index declined a massive 11.4% on a total return basis during the year, with another clear divergence of underlying sector returns across resources, industrial and financial stocks. Resources were the best performers giving a total return of 13.1%, while financials shed 8.4% for the year. Industrial stocks underperformed materially ended the year down with a total return of -19.5%.

Over the year, the JSE All Share de-rated significantly from a 22.1x price to earnings (PE) on the 31st of December 2017 to 14.8x as at 31 December 2018. The underlying drivers of this rating are however markedly different. Resources shares re-rated from 12.7x to 15.11x PE and given the sharp rise in prices. Meanwhile, financial shares de-rated from 14.9x to 13.5x PE, but for entirely different reasons. Financial companies reported broadly positive earnings the de-rating is a clear indication of investors not willing to pay up higher for the sector. Industrials de-rated materially from 29.6x PE to 13.8x, a reflection of both an unwillingness to pay up higher and also a function of earnings catching up into the valuation. From a price to book perspective, financials appear the cheapest at 1.56x price to book, followed by resources at 1.68x price to book while industrials remain elevated at 2.45x price to book.

Pure valuations still favour financials. We aim to deliver superior performance by maximising after tax, risk adjusted total return. And by that measure, we still like financial shares over industrials and resources shares. We are finding opportunities to increase some financial shares in our portfolios and remain cautiously optimistic about the underlying fundamentals.

Economic review and outlook.
By Simbarashe Chimanzi.

South Africa's economic growth outlook improved significantly in the 3rd Quarter (Q3) of 2018 after sleeping into a technical recession in Q2.The first and second quarters reported ominous growth of ---2.6% and -0.7% respectively. The key contributors of this negative growth was a hangover from the drought in the previous year which impacted the agriculture sector. Some economists and political pundits attributed the economic quagmire to the Zuma legacy of supposed corruption and "state capture". There was a strong rebound in Q3 of 2.2% as compared to an expectation of 1.6%.A 0.3% Q4 growth rate is expected as per economists surveyed by Bloomberg in its latest report.

Global risk factors were very high in 2018 on the back of trade wars between the Chinese government and the Trump administration. It seems the former came out the worse, with China reporting its worst economic growth figures in almost 3 decades at 6.6%.This serves as a warning signal to most emerging economies as China's consumption and growth provides a supportive platform for South Africa and other emerging players to expand trade and Investment. Global GDP growth has been rising gradually across all major economies with GDP averaging 3.7% in 2017 and expected to be 3.8% in 2018 but then slowing down to around 3.5% in 2019 according to the IMF.

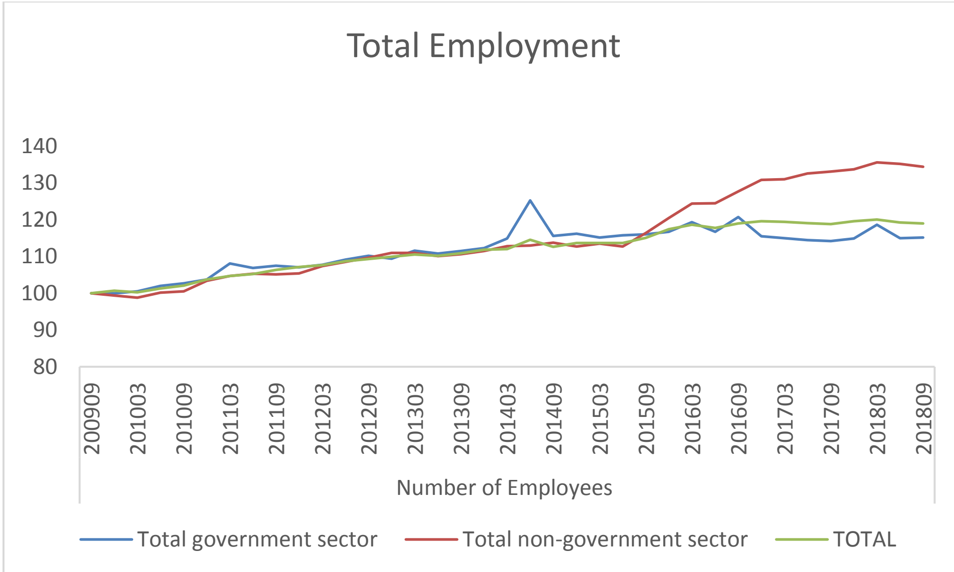
The South African economy is expected to grow at 1.7% in 2019 and 1.9% in 2020.The 2019 budget will be a crucial opportunity for government to reinforce confidence and reinvigorate growth and Investment. The Business confidence factor has declined to   31 from 45 exactly a year ago during Ramaphoria.

Source: Trading Economics, Bureau of Economic Research (BER)

The SA delegation to the World Economic Forum (WEF) in Davos had a clear message to investors outlining the importance of strengthening partnerships and collaboration for inclusive economic growth and development in South Africa, with particular emphasis on increasing international investment into the country.

A stable macroeconomic environment especially in this election year for South Africa will undoubtedly appeal to international investors and this will definitely lead to an uptick in private investment, business and consumer confidence.

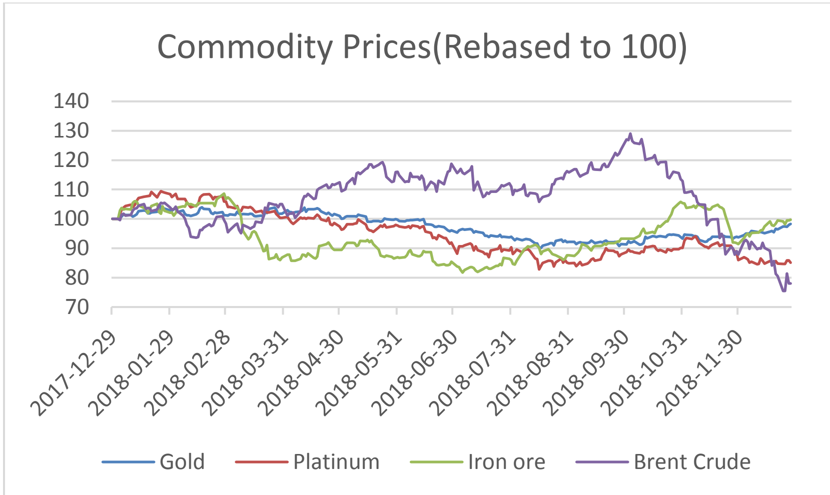
Unemployment is one of the key symptom of the lack of foreign investments in the country and in 2018 we saw undesirable figures coming out from the employment front. Unemployment stands at 27.5% with the broader definition (including those who have given up on looking for employment opportunities) now standing at 37.7%.These numbers are distressing to say the least.



Source: (Rebased to 100),Stats SA

Employment creation in the private sector has remained resilient but in recent times it has begun tapering as illustrated in the graph above. Labour relations have generally improved with exception of the Joseph Matunjwa led AMCU that has been stubborn during bargaining. We expect a similar environment moving into 2019 which will be a positive for both business and labour. South Africa's first ever minimum wage was widely welcomed by unions. The new Bill stipulates that the national minimum rate is R20 per hour, or R3 500 per month, depending on hours worked. The rate will be phased in slowly in the domestic work and agriculture sectors. Currently, workers are earning R15 and R18 per hour. This will accelerate household consumption that was waning and be a positive contributor to economic growth.

On the commodities front , prices have generally traded lower during the year with gold, platinum, iron and brent crude oil all ending the year in negative territory.

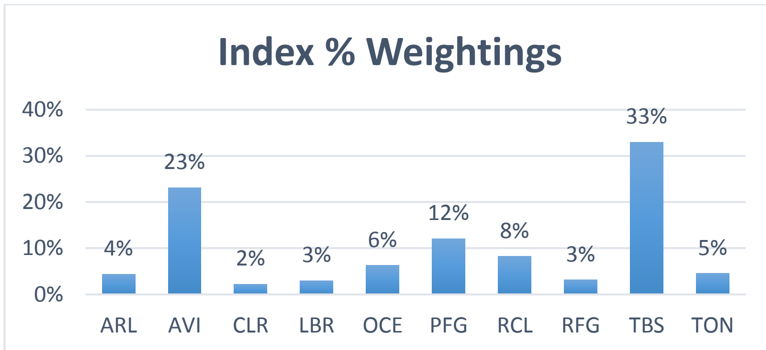


Source: Bloomberg

Brent crude oil had strong momentum moving into the Q3 of 2018 and then the United States granted larger-than-expected waivers to importers of Iran's oil, combined with a slump in demand from emerging economies. China's slowdown was a key contributor to the deceleration that also saw oil prices fall more than a third in Q4 quarter, the steepest quarterly decline since the fourth quarter of 2014.Economists have forecast a brent crude oil price average of $69/bl in 2019.From an inflation perspective, there is no imminent upside risk as CPI is expected to average the mid-way point of the Reserve Bank's (3%-6% target).We expect the SARB to keep rates steady in the first half of the year in line with the US Fed , this will keep the South African Rand within the R13.50-R14.00 band to the US Dollar.

The low down on the food producers sector on the Johannesburg Stock Exchange.
By Cleopatra Mtembu.

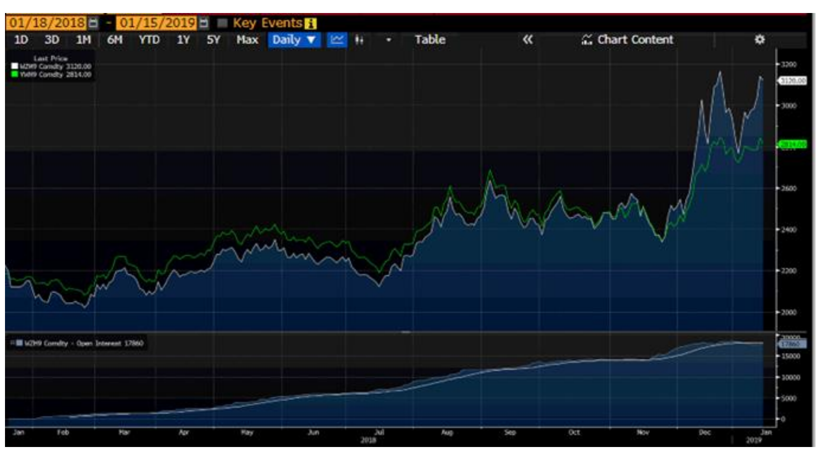
The food producers JSE index saw a downward movement of 31.39% for the year 2018. Tiger brands which makes up 33% of this index was one of the poor performed top 40 JSE stocks for the year 2018. Tiger brands saw a 40.48% decline in its share price for the year. Much of this decline was attributed to the listeriosis crisis which hit the country earlier in the year. However at the reporting of their full year 2018 financial results, we saw how the listeriosis crisis was not the only contributing factor to their poor results. We look into some of the factors that have contributed to food producer stocks ultimately being on the downward spiral for the year 2018. We look also into macro-economic factors and its influence on the performance of these stocks. Below is the constituency of the JSE food producer index.



JSE Index weights: Source JSE

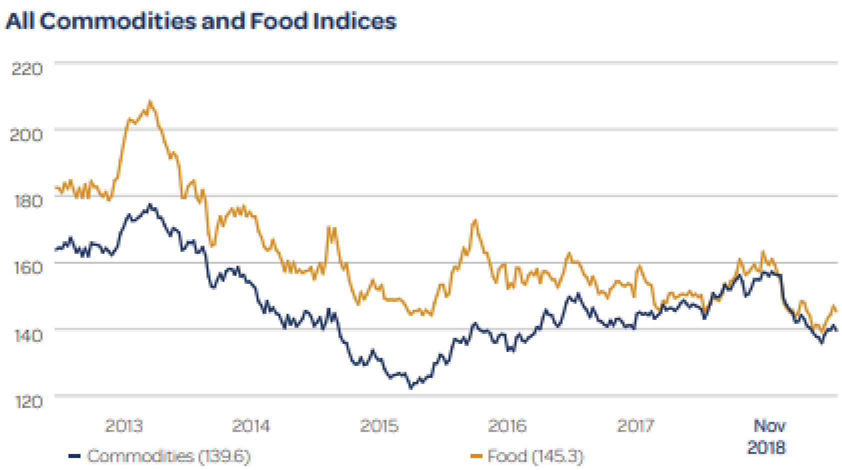
Maize prices

One of the factors that have moved some of the major food producers are the maize commodity prices that have smashed through R3 000 a ton for white maize, represented by the white line in the graph below, going up 51% from its mid-2017 harvest low. Similarly, yellow maize, the green line, has touched R2 800 a ton, up from R1 850 in 2017. Resulting in food producers finding it difficult to recover these input costs from the consumers. Tiger brands 17% decline in milling and baking operating profit and 32% decline in other grains at its reported full year results 2018, shows effects of these maize meal prizes that have resulted in an increase in input costs.



Source: bloomberg

For Pioneer foods their essential food segment composite of manufactured wheat, maize and pasta products, rice, beans and other dried vegetables, and runs large bakery operations, saw a decrease in its revenue of 5% for the year ended September 2018. This segment has one of the group's leading brands the white star maize meal which saw a decrease in its growth of 12.5%. Food prices and commodities have a direct correlation. Below is a depiction of that correlation, commodities as named in the table 1 below, and food prices.



Source: astral foods financials

Yellow maize is the biggest input cost for chicken producers like Astral and Quantum Foods, which purchase between 800 000 and one million tons of the grain a year. Astral, the country's biggest producer of chicken products, has benefited from the positive growing and trading environment that continued from the second half of 2017 well into 2018. Feed costs decreased in the second half of Astral's 2017 financial year and remained low, helping its earnings for the full year. During 2016/2017, South Africa harvested a record maize crop of 16.8 million tons, followed by an above-average crop of 12.9 million tons in 2018. Astral foods saw its operating profit and Headline earnings sky rocketing 74% and 94% respectively.

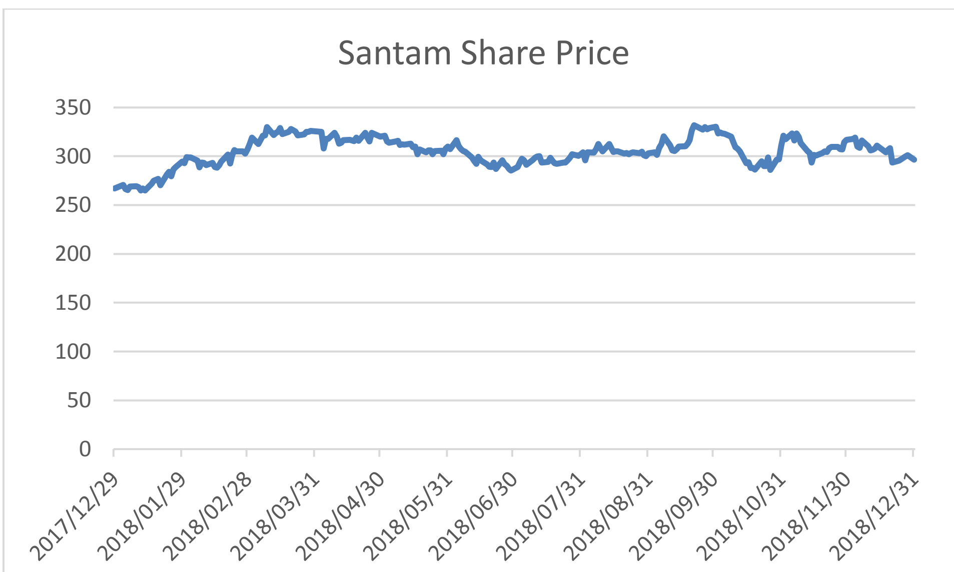
Commodity	Units	2016	2017	2018E	2019F	2020F
Brent crude	$/bbl	45.16	54.81	**73.45**	**77.12**	**78.43**
Maize	$/MT	155.51	147.76	**158.75**	**163.19**	**167.39**
Wheat	$/MT	194.34	210.69	**209.08**	**213.75**	**219.15**
Soybean	$/MT	403.60	399.70	**393.71**	**409.07**	**416.56**
Soymeal	$/MT	312.10	310.60	**312.92**	**323.85**	**332.98**
Fishmeal	$/MT	1 501.00	1 365.00	**1 475.75**	**1 507.22**	**1 507.54**
Vegetable oils	$/MT	798.00	812.60	**828.62**	**829.05**	**829.90**
Rice	$/MT	406.58	412.04	**412.30**	**410.61**	**409.95**
Sheep (cwe)	$/kg	3 557.89	3 975.09	**3 870.55**	**3 791.25**	**3 840.46**
Poultry (rtc)	c/kg	1 532.00	1 653.00	**1 586.11**	**1 633.36**	**1 666.80**

Source: Astral foods financial statements.

CASH IS KING: SHORT-TERM INSURANCE IN 2018

By Justice Ndou.

The Insurance industry's bottom line thrives when the market thrives and the opposite is true. However in a year that saw the JSE All Share Index closing 11.37% down, the Property and Casualty Insurance index which has Santam as the only member was up 11.01%. This mismatch is largely due to the unique nature of the business which is dependent on volatile underwriting results and stable investment results unlike the Long-term insurance which is influenced by stable underwriting results and volatile investment results. The top line however is highly correlated to innovation, market penetration, economic factors and operational efficiency.



The volatility in underwriting results is due to the vulnerability to catastrophes and large claims be it fire, hail and storms, liability or earthquakes. The stability in investment returns is maintained due to asset allocation with most short-term insurers exposing a large amount of their assets to fixed income instruments and derivatives to allow for absorptions of various scenario shocks within a period of 12 months that may pose a threat to liquidity and capital protection.

For the 6 months ending 30 June, Santam the only JSE Listed short term insurer had less than 26% of its assets invested in listed equities and more than 60% in fixed income assets (more than 65% of this in money market instruments). Its listed equities produced negative returns of 3% whereas its fixed income portfolios performed close to their STeFI related benchmarks which were above 7%, hence guaranteeing an investment profit.

Santam's underwriting results were lifted by the absence of a major catastrophe event similar in scale to the Knysna fires that occurred in June 2017 and a better claim ratio improved by fewer commercial fire claims despite the Listeriosis outbreak that resulted in net liability claims of R100 million. Thanks to operational efficiencies and innovation, the top line grew 13% as conventional insurance gross written premiums grew 9%.

	5-year average %	10-year average %
Gross written premium	9.0	8.0
Net earned premium	100.0	100.0
Claims incurred	64.8	65.8
Acquisition cost	28.3	27.6
Underwriting result	6.9	6.6
Investment return on insurance funds	2.6	2.9
Net insurance result	9.5	9.4
Combined ratio	93.1	93.4

The market has however exercised great caution as Santam increased its interest in Saham Finances to 10% as management justified the transaction as being critical to Santam and Saham becoming leading Pan-African specialist insurance providers with growth potential. In a nutshell the short-term insurance industry offers long term stability and given favourable climatic conditions, a well-run business like Santam offers investors significant value.

Capitec and Mercantile,
A match made in heaven?
By Simbarashe Chimanzi.

Corporate actions have been on the rise across all Industries globally as industries look to consolidate. We have recently seen big corporate players' i.e. Anheuser-Busch Inbev consolidating with South African Breweries and , British American Tobacco's acquisition of Reynolds American Inc. The realisation of synergies is usually the primary reason of such consolidation. In other cases, mergers and acquisition occur as a means of diversification. However, mergers are just like marriages, some are good and some don't work out. A perfect example is that of Daimler and Chrysler were by a combination of factors led to the disastrous failure of that partnership.

In late November of 2018, the Portuguese Council of Ministers approved of the sale by Caixa Geral de Depósitos (CGD) of its entire stake in Mercantile Bank to Capitec Bank. The Stellenbosch-based bank had won the race beating the PIC and Nedbank that were also looking into acquiring Mercantile. One would have naturally thought, Nedbank was the best fit because of its already established business banking offering and this would be a simple plug and play model.

We take a high level look at who Mercantile is? And how they will fit into the whole Capitec model and philosophy.

Who is Mercantile?

Mercantile Bank was founded in South Africa in 1965 and is owned by CGD, the largest bank in Portugal and a global financial services group that has been in existence for more than 140 years. The Group provides niche business and commercial banking solutions. The bank operates within South Africa but has reach into other key African markets through its parent company's subsidiaries in Angola and Mozambique. There is an ongoing focus on capturing trade flows between these fast-growing economies.

Why is it being sold?

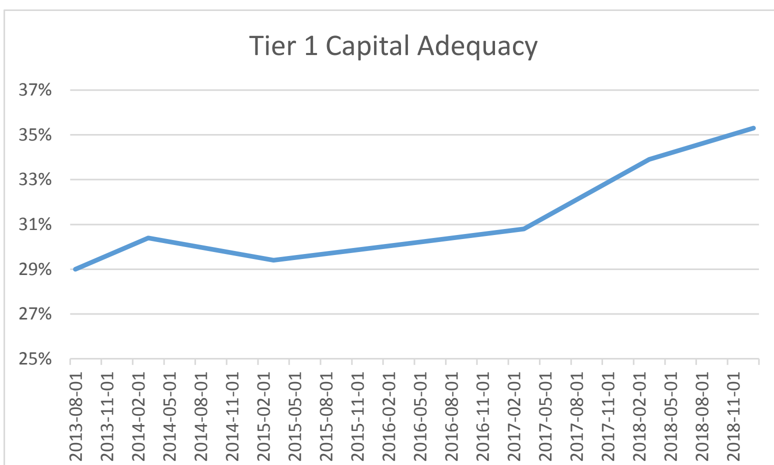
We have seen a lot of companies recently especially in the mining industry streamline their operations and dispose of their "non-core operations" to shore up their coffers. CGD's new strategy was to divest from non-core operations outside Portugal as part of its recapitalisation plan.

How does it fit into Capitec?

Capitec has always been innovative in nature. Gerrie Fourie's roll up your sleeves attitude has been reflected in the performance of the bank over the years. After the introduction of Insurance products that was relatively successful, the Capitec team decided to get into full banking by adding business banking to their model. There were 2 options on the table whereby Capitec could either build business banking from scratch or acquire a player with an SME focus. Mercantile is definitely the best fit for this strategy and with the government coming through with a 30% procurement allocation for SMEs, business activity will be vibrant within this sector.

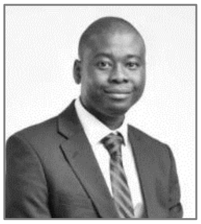
What we think?

We believe that Capitec has pulled the rabbit out of the hat again on this one. With a capital adequacy of over 35%, (3 times the required levels), the bank is cash flush and has the ability to facilitate the expansion of Mercantile.



Source: Capitec, Bloomberg

We acknowledge the opportunities available but one key concern will be the practicality and ability to integrate Capitec's sophisticated systems to those of Mercantile. We believe this is a match made in heaven!



SADC: Turbulence Ahead but Opportunities remain.
By Patrick Serere.

	Sector	YTD	P	P/E	P/BV	DY%
Zimbabwe						
Delta	Beverages	71%	272	37.67	6.74	2.65%
Econet	Telecoms	55%	142	24.48	4.46	1.65%
Innscor	Manufacturing	85%	185	30.88	4.70	1.18%
Seedco	Agro Industrial	4%	207	23.03	2.67	2.14%
Natfoods	Agro Industrial	9%	710	28.28	4.68	1.76%
Padenga	Manufacturing	55%	85	35.42	7.47	0.98%
Hippo	Agro Industrial	-3%	171	29.90	1.39	1.17%
Ok Zim	Retail	43%	25	17.61	3.03	2.84%
Zambia						
ATEL	Telecoms	-1.51%	18.21	5.44	1.35	20.87%
CEC	Electricty	0.69%	1.45	5.13	0.67	10.71%
Lafarge	Construction	-22.08%	4.87	51.44	0.64	5.13%
Natbrew	Beverages	-1.60%	12.3	0	7.07	0.00%
SCBL	Banking	-5.42%	2.62	15.33	5	5.73%
Zambrew	Beverages	9.80%	7.51	18.57	2.12	2.66%
ZANACO	Banking	-13.40%	0.84	10.63	1.18	0.52%
ZSUG	Agro Industrial	0.00%	2.7	0	0.91	0.00%
Malawi						
FMB	Banking	49.25%	100	9.25	2.25	0.00%
ILLOVO	Agro Industrial	0.00%	200	8.67	2.34	0.00%
NBM	Banking	22.96%	332	8.1	1.92	5.81%
NBS	Banking	17.65%	10	-26.65	2.32	0.00%
NICO	Insurance	26.47%	43	4.03	1.99	3.49%
PCL	Manufacturing	90.00%	1140	3.46	1.09	2.19%
Standard	Banking	9.84%	670	12.93	2.18	1.59%
TNM	Telecoms	93%	28	21.45	9.65	2.14%

Source: MSE,ZSE, LuSE, JMBUSHA

Concerns about trade, rising rates and growth that drove volatility in 2018 are still in play, so we expect the turbulence to continue in the new year.

In Zimbabwe, hopes of securing a speedy re-engagement with international donors have been made more difficult by the worsening economic crisis. A deal with creditors to clear Zimbabwe's long-standing debt arrears will be crucial if the government's plans for economic recovery are to be realised; in turn, this will require an agreement with the IMF to be in place. However, in return for such an agreement, the IMF will demand tough policy measures, including substantial cuts in public *spending and wide-ranging structural reforms. It will also take many years to address the various constraints in* Zimbabwe's operating environment. As a result, any rebound in growth in the short term is likely to be relatively muted.

The downward trend that has characterised the Zimbabwe Stock Exchange since October last year is likely to persist in 2019 as the allure of protecting value wears off. The 2 percent tax is going to be a huge factor as it will remove more than $1 billion from consumers' disposable income and in the process affecting volumes and earnings at micro-level."

Zambia

The government is over-leveraged and this will weigh on the macroeconomic outlook in 2019-23. To meet its debt obligations the government has increased taxes for the critical mining sector, which in turn will keep output, foreign direct investment and exports well below potential. Despite this, the government is expected to continue borrowing heavily over the medium-term for a series of debt-financed infrastructure projects. The irrationality of this policy is expected to prevent an IMF program.

Positive and sustained macroeconomic stability and growth prospects for 2019 – In 2019 macroeconomic stability is projected to be sustained, aided by continued implementation of reforms and policies to support delivery of fiscal consolidation for sustainable and inclusive growth. Inflation is projected to remain with the medium-term range of 6-8 percent, robust growth of at least 4 percent is projected driven by both public and private sector investments, enhanced domestic revenues collection through continued implementation revenue boosting measures among other.

Downside risks to growth prospects include continued global trade tension, projected rise in crude oil prices due to continue geopolitical tensions, climate change related effects, and maintaining the fiscal deficit, weak credit growth and any failure to address domestic arrears may constrain growth and delayed implementation of reforms that will support growth.

Growth momentum remained positive in 2018 – Growth in 2018 showed positive momentum with quarterly GDP trending upwards. Preliminary growth estimates indicated a pick-up in the third quarter to 5.0 % from 3.9% and 2.7 % in second and first quarters (figure 1). The buoyant performance in mining, manufacturing and construction as well as stable supply of electricity aided the growth momentum in 2018. The annual growth is expected to remain robust around 4% albeit slower than year projection on account of poor performance of the agriculture sector as well as weak credit growth to the private sector and continued elevation in non-performing loans.

Malawi

Malawi will remain in a state of political instability in the run-up to the elections in May 2019. It is unlikely that a single party will secure a majority in the legislature, since popular support remains divided along regional lines. The government’s plans to expand the country's export portfolio will help boost economic growth in the forecast period, with an annual real growth averaging around 4.6% in 2019-23.Sovereign risk has been downgraded from B to CCC. This has been caused by an uptick in estimated public debt levels on the back of a wide budget deficit. Building electoral pressures also work against near-term fiscal adjustments, and external liquidity conditions are getting tighter. That said, the stock of external debt itself is fairly benign in structure.

The Currency risk remains B-rated, although the score has deteriorated following sustained real effective exchange-rate appreciation. The risk of this causing a sharp correction is elevated by tighter external liquidity conditions (a result of central bank interventions in the foreign-exchange market) and a wide, entrenched current-account deficit. The Banking sector risk is rated CCC. The non-performing loan ratio is high, with the banking sector heavily exposed to agriculture, which is currently in a downturn. Rising inflation has prevented the base rate from easing below 16%, and price volatility has kept monetary policy unstable. Nevertheless, the sector's fundamentals, including the capital-adequacy and profitability ratios, remain satisfactory, which limits the risk of a systemic crisis.

Dumazile Makondedza, Corporate Affairs Manager, in conversation with Kgothatso Mpheroane, summer intern 2018-19 at JM BUSHA.

Dumazile Makondedza (Dumazile): Can you please tell our readers about your background and area of study?

Kgothatso Mpheroane (Kgothatso): In a nutshell, I am a young individual who is starting out her career in the Finance/ Investment industry, who is very keen on becoming a Financial Advisor. I studied financial Management at the Tshwane University of Technology. I chose this field because of its diverse career opportunities in the private and public sector and because of my prudent nature. Being raised by a single mother, I have often had to watch her struggle with money issues, so I feel that nobody has to go through the agony of worrying about financial issues and if I can play a part in helping people manage their assets and money, it would create a sense of fulfilment within me. I have always been very savvy with money so I think that will come in handy in my career development.

Dumazile: What attracted you to the investment industry?

Kgothatso: The thing that attracted me to the industry is that it is very competitive and prestigious. There are a lot of sectors in this industry so I still need to figure out where I fit in. The learning curve is very steep as most of my peers/ colleagues are smart, highly ambitious and from diverse backgrounds. Hence, I have a lot more to learn and ready to take on new challenges.

Dumazile: What attracted you to apply to be an intern at JM BUSHA?

Kgothatso: Starting your career at a small or medium sized company offers a great starting point for a career in any industry. Smaller organizations are more supportive, less bureaucratic and more willing to hire people embarking on new careers.

Dumazile: What is it like to work at JM BUSHA?

Kgothatso: I love working at JM Busha Investment Group. The people know each other more intimately and fosters a family-like atmosphere. As there is less hierarchy, I feel a bigger sense of independence because I get to work with everyone in the company from the Managing Director to the Marketing team to the receptionist. I float to wherever I am needed, hence improving my practical skills and allowing me to build new ones in the process.

Dumazile: What have you learnt so far in the time that you have been on the JM BUSHA Internship program?

Kgothatso: The overall experience has been enjoyable and I have learned a lot about the nature of the work and the working environment. I feel I have built some good working relationships with the analysts and I have tried to be as proactive as possible, to have the right attitude and not complain about anything. I am still familiarizing myself with the products that JM Busha Investment Group has to offer. I have also learned how to keep up with current affairs and trends affecting our economy and markets, all thanks to the research team and their daily morning meetings (about Companies, Markets and the Economy). I have had a brief encounter with Bloomberg and learned a few of its secrets.

I have also learned about the importance of Compliance with the law and FSCA and FAIS obligations and standards. I have also learned that it is important for a company to have a good social impact with the community it serves, as JM Busha does with the JM Busha 54 for Peace. Being a social enterprise it increases the degree of their impact while adding economic value to their markets.

PS: I now know why Equities are riskier than bonds.

Performance Review: Periods Ending 31 December 2018

	FUNDS' PRODUCT RANGE			
	ABSOLUTE RETURNS FUNDS			
Fund	**JM BUSHA CashPlus**	**JM BUSHA Real Return Fund**	**JM BUSHA Absolute AllClass**	**JM BUSHA Absolute Aggressive**
Fund Description	Actively managed cash fund. Invested in 0-12 months quality paper. Highly liquid fund.	Unit trust medium-risk balanced multi-class fund suitable for both private & institutional clients. Min R1000 monthly	Multi-asset class fund managed on the core-satellite style. Capital preserved. Invests in equities/cash/bonds	Multi-asset class fund managed on the core-satellite style. Capital preserved. Invests in equities/cash/bonds
Fund Objectives	Outperform Short-term Fixed Interest (STeFi) by 0.5%pa	Outperform Inflation (CPI) plus 4% pa	Outperform Inflation (CPI) plus 5% pa	Outperform Inflation (CPI) plus 6% pa
Fund Benchmark	STeFi	Inflation +4% pa	Inflation + 5% pa	Inflation + 6% pa
Asset Class Allocation	100% Cash	18.27% Cash, 42.57% Bonds, 39.16% Equities	13.11% Cash, 43.65% Bonds, 43.22% Equities	20.90% Cash, 27.99% Bonds, 51.12% Equities
Fund Performance	**Fund** (Benchmark)	**Fund** (Benchmark)	**Fund** (Benchmark)	**Fund** (Benchmark)
- **1** Year	**8.54%** (7.23%)	**3.31%** (9.35%)	**0.30%** (10.40%)	**-0.85%** (11.45%)
- **3** Years	**8.19%** (7.38%)	**9.05%** (9.73%)	**7.10%** (10.78%)	**7.58%** (11.83%)
- **5** Years	**7.58%** (6.90%)	**5.85%** (9.63%)	**6.55%** (10.68%)	**6.35%** (11.37%)
- 7 Years	**7.09%** (6.46%)	**8.24%** (9.66%)	**9.49%** (10.71%)	**8.91%** (11.76%)
-Inception	**7.84%** (7.31%)	**9.57%** (9.90%)	**11.09%** (10.61%)	**8.48%** (12.23%)
Volatility/Risk	**0.49%** (0.47%)	**6.26%** (1.50%)	**6.65%** (1.54%)	**7.12%** (1.55%)
Sharpe Ratio	**1.08 (**0.00)	**0.73** (3.28)	**0.92** (3.66)	**0.49** (0.00)
Sortino Ratio	**0.84** (0.00)	**1.31** (0.00)	**1.46**(0.00)	**0.88** (0.00)
Start Date	2 Feb 2004	1 Oct 2006	1 August 2003	6 July 2007
Fund Size	ZAR**70.634** million	ZAR**111.703** million	ZAR**205.322** million	ZAR**1.460** billion

The returns indicated are historical annualized returns. Benchmark performance and statistics are shown in brackets. **Note** - the same performance is not guaranteed for the equal holding periods in the future.

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●South Africa ●Lesotho ●Namibia ●Swaziland ●Zambia ●Zimbabwe

	FUNDS' PRODUCT RANGE			
	RELATIVE RETURN FUNDS			
Fund	**JM BUSHA BondPlus**	**JM BUSHA Risk Averse**	**JM BUSHA Diversified Equity**	
Fund Description	Actively managed bond fund performance relative to the All Bond Index (ALBI).	A multi-asset class fund structured to give positive returns annually regardless of markets conditions	This is an equity fund that invests in globally diversified stocks with distinct income streams	
Fund Objectives	Outperform All Bond Index by 1% pa	Outperform cash by 1% pa, 2-year rolling	To outperform the JSE SWIX by 3% pa	
Fund Benchmark	ALBI	Cash (STeFI Index) + 1% pa	FTSE/JSE All Share Index	
Fund Allocation	5.92% Cash, 94.08% Bonds	64.99% Cash, 35.12% Bonds, 0% Equities	1.26%Cash, 98.74% Equities	
Fund Performance	**Fund** (Benchmark)	**Fund** (Benchmark)	**Fund** (Benchmark)	
- **1** Year	**8.93%** (7.96%)	**8.47%** (7.23%)	**-6.70%** (-11.67%)	
- **3** Years	**11.67%** (11.07%)	**8.08%** (7.38%)	**5.74%** (3.69%)	
- **5** Years	**8.35%** (7.81%)	**6.65%** (6.90%)	**4.59%** (5.92%)	
- **7** Years	**8.28%** (7.68%)	**7.96%** (6.45%)	**10.91%** (11.01%)	
-**Inception**	**8.24%** (8.08%)	**8.69%** (6.38%)	**9.99%** (10.32%)	
Volatility/Risk	**6.24%** (7.19%)	**3.71%** (0.24%)	**11.36%** (10.71%)	
Sharpe Ratio	**0.52** (0.43)	**1.01** (0.00)	**0.44** (0.50)	
Sortino Ratio	**0.87** (0.72)	**0.00** (0.00)	**0.94** (0.99)	
Start Date	31 Dec 2004	1 July 2010	29 March 2011	
Fund Size	ZAR**1.277** billion	**ZAR353.552** million	ZAR**178.321** million	

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