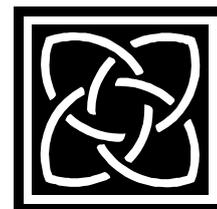


FFO SECURITIES (PTY) LTD

Authorised User of the JSE Limited



TRADE IDEA REVIEW

19 June 2018

In March 2018 we sent out a research note with the recommendation to buy Richemont at R 108.70, with our fair value estimate and long-term price target at R 125.00. The potential return was 15%

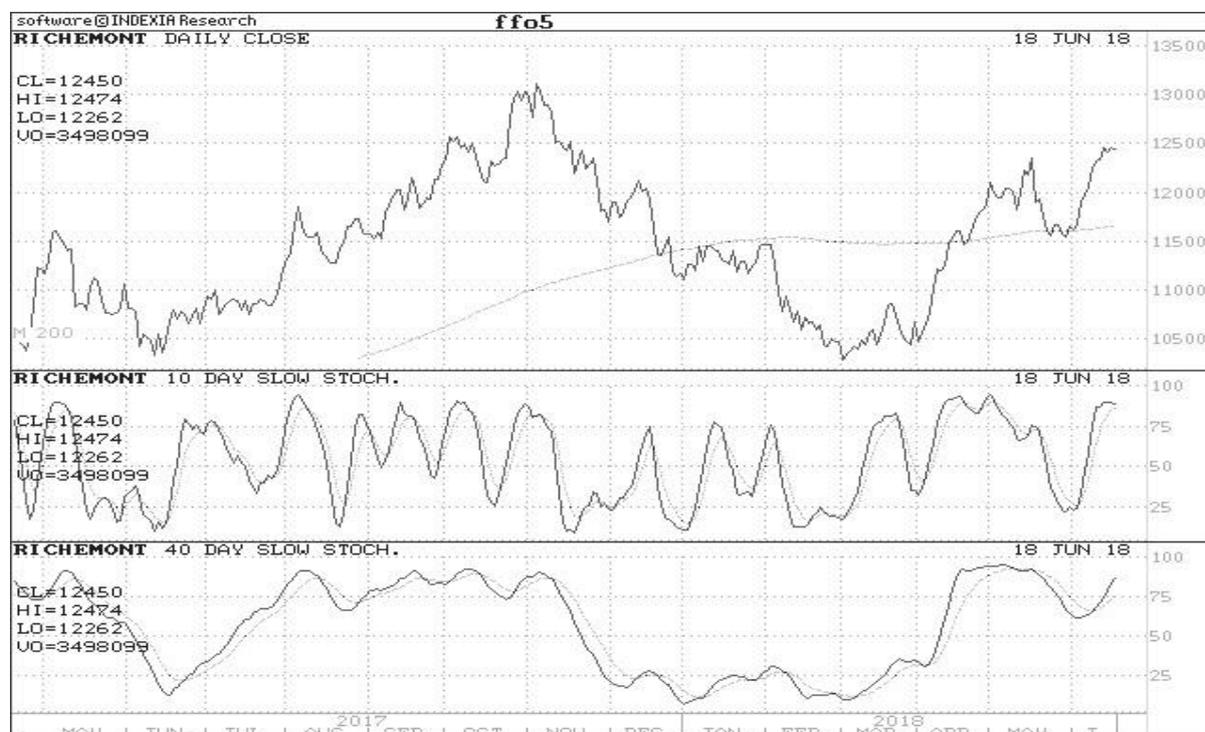
We said that the Rand was overbought at that stage and an investment in Richemont presents an opportunity to hedge against possible Rand depreciation, as a typical Rand Hedge share.

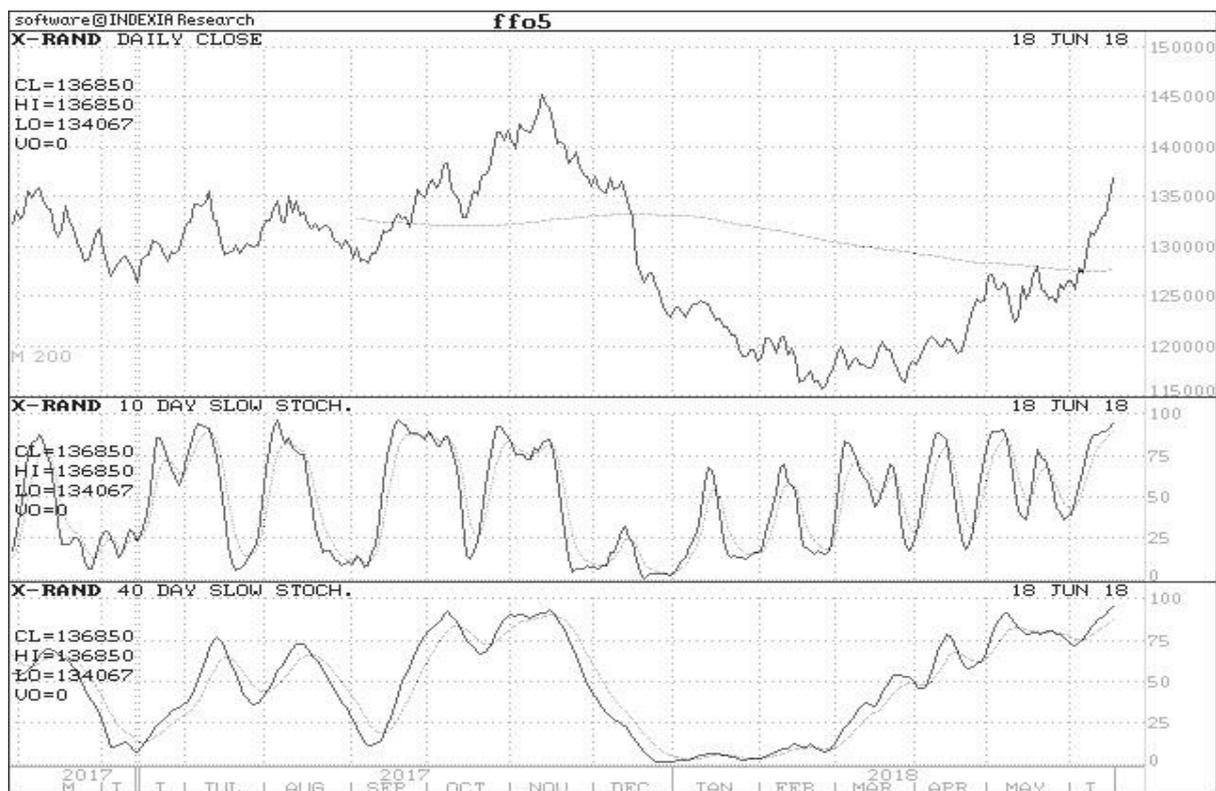
WHAT WE SAW IN THE CHART

The share price had a decent pullback from its high of R 131.00 reached in November 2017, as the Rand strengthened significantly in this period. The price broke up through the 40-day moving average, along with positive momentum indicators, signalling further upward potential.

RECOMMENDATION

The share price is approaching our target price of R 125.00, alongside a substantial weakening of more than 12% in the Rand over the same period (Please see the Rand/US Dollar chart below).





Although the Rand has further potential to weaken, we believe Richemont is expensive at current levels and therefore place a **SELL recommendation**.

RAND HEDGE SHARES

Companies which generate the majority of their revenues offshore will benefit, since these revenues increase in value as the Rand depreciates.

The largest companies in the Top 40 Index with Offshore revenue are as follows:

Company	Proportion of Revenue Generated Offshore
BHP Billiton PLC	100%
Bidcorp	100%
Aspen	97.9%
Reinet Investments	97%
British American Tobacco PLC	96.5%
Mondi PLC	93.9%
Anglo American PLC	93.5%
Richemont	91.7%
Gold Fields	87.4%
Sappi	76.8%

If you would like to hedge your portfolio against Rand weakness or consider investing offshore, why not take advantage through the above locally listed Rand Hedge shares.

Disclaimer:

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