

Investment idea: Buy NEDBANK (JSE: NED) Sell STANDARD BANK (JSE: SBK)  
Price R247 Price R192

3 July 2019

Dear Investor,

NEDBANK (JSE: NED) has lagged the performance of STANDARD BANK (JSE: SBK) since Feb2019. Year-to-date the underperformance equates to 18%. We believe the underperformance warrants investors in STANDARD BANK to switch into NEDBANK.

- ❖ One of the reasons for the underperformance has been the unbundling of NEDBANK to OLDMUTUAL shareholders that occurred earlier this year. It has formed such a small percentage of subsequent portfolios that investors most likely have dumped their unbundled shares, causing downward pressure on the price
- ❖ From a valuation perspective NEDBANK is trading at a FPE of 8.4x compared to STANDARDBANK's 10.2x. Earnings growth expectations are similar at 9% compounded for the next 2 years. We believe that relative mispricing is at an attractive level to do the switch.



Figure 1 – NED relative to SBK prices

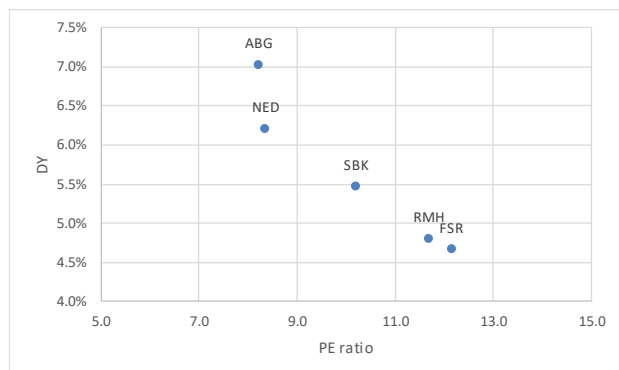


Figure 2 – SA Banks valuation

Please contact your Afrifocus Portfolio Manager.

Regards

Afrifocus Personal Wealth

The disclaimer is available on our website <http://www.afrifocus.co.za>