Our Weekly Paid Newsletter

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In our 35th year of service to the investing public of South Africa

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Since you will have received my Prospects column on Wednesday, you will know I am back in South Africa at last after a seemingly endless eight weeks of travel during which, thanks to the ShareFinder Mobile which I designed for myself for precisely such travels which were then a regular feature of our pre-Covid life, I was able to keep an accurate eye on local market movements at a critical time for all of us.

I am highlighting this fact since, perhaps it is just a function of growing older, I sense that everyone I speak to is growing rapidly more anxious about the state of the South African economy as it becomes increasingly more obvious that our government has entirely lost its way. The struggle for top jobs in the ANC has, it seems, overtaken all other priorities as evidenced by the fact that our Minister of Minerals and Energy Gwede Mantashe last week snubbed a mining conference which was critically important for our economy. It was seemingly more important to him to go knocking on voters' doors in rural north western Cape than deliver a keynote speech to representatives of our singularly most important foreign-exchange-earning industry.

In the circumstances you deserve to be anxious because we are at the mercy of a government which apparently does not care a jot for we, the ordinary folk, who pay the taxes that make their extravagant lifestyles possible.....hopefully not for much longer!

All of which brings me back to the subject I was dealing with when last I wrote this column which was the opportunity the current bear market is offering us to re-purpose our investment portfolios in order to make ourselves less dependent upon locally-sourced income. In my case, that means getting rid of my holdings in Hyprop in favour of buying British American Tobacco shares and what I really missed on holiday in the Canadian Rockies was the least-squares-fit equation which is present in the ShareFinder Professional but NOT in the Mobile.

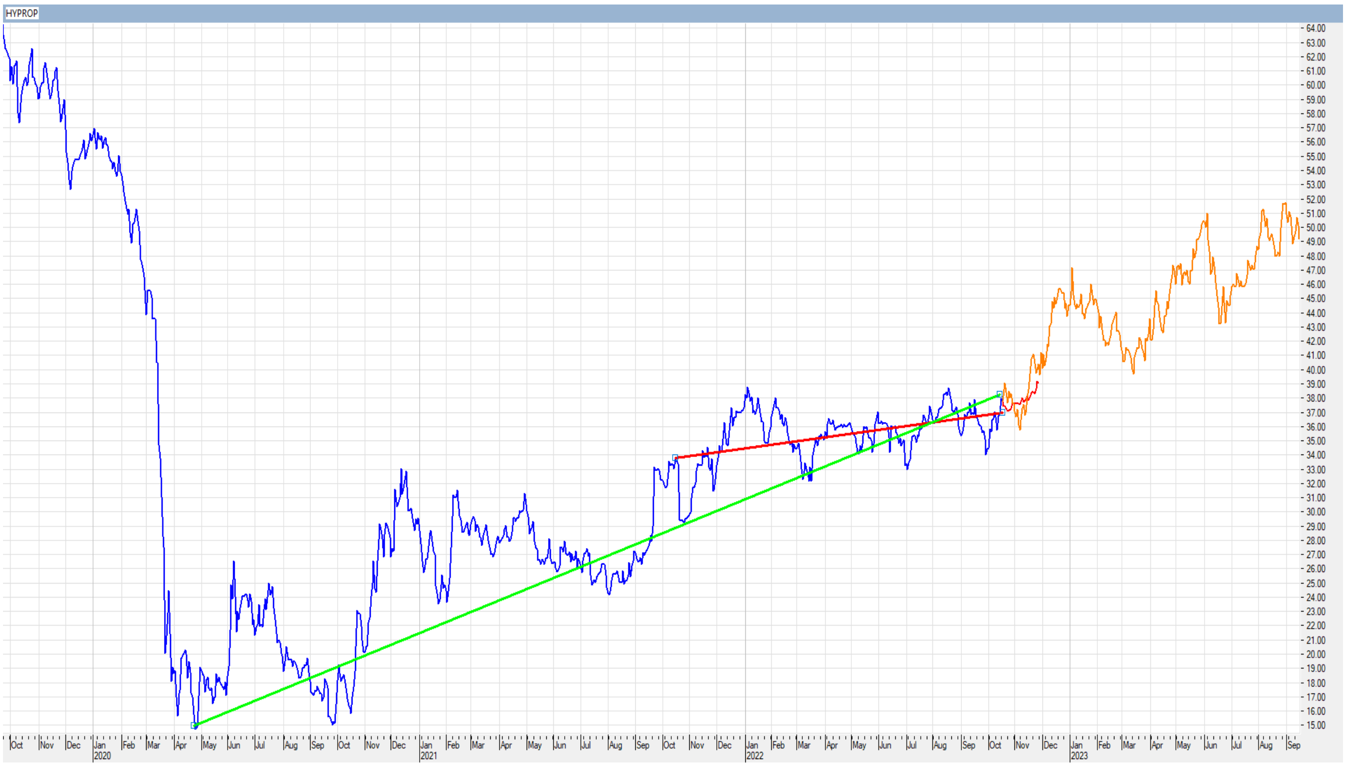
What I needed to do was to determine a fair selling price for Hyprop given the knowledge that distributable income had grown by 7.4 percent during the year and that an annual dividend of R2.936 per share had been declared but that the last day to trade was not then known. Theoretically, the optimum moment to sell the shares would be on that last day at which point the dividend would be fully priced in.

Now if you are retired and lucky enough to be living entirely off dividend income, then you would know that Property Reits like Hyprop are treated for tax purposes in the same way as interest income and if you are nearing ancient decrepitude the first R157 900 of such income annually is tax free. Thus it has long been attractive to load up with Reits because they are NOT subject to the 20 percent dividend tax and, provided the taxable income you receive is less than R157 900, the 9.13 percent dividend yield offered by Hyprop is very attractive.

Importantly too, if you have been a follower of my Prospects Portfolio and hence have enjoyed a world-beating aggregate compound growth rate of 17.5 percent annually together with a 3.5 percent aggregate dividend yield to provide you with a Total Return of 21 percent annually, the fact that property Reits suffered a massive price loss from mid 2016 to April 2020 would also allow you sell now in order to lock in a capital loss to offset the aforementioned capital gains.

In my case, I am keen to offload as many of my Naspers holdings as I can because, despite the massive gains I have made, I am apprehensive of that company's long-term outlook. So selling my Hyprops is a very desirable option for me. But how do you calculate the opportunist maximum likely selling price of Hyprop shares ahead of, at the time I was travelling, an as-yet unknown dividend distribution date?

If you subscribe to the ShareFinder Professional, the calculation is relatively easy and, since Hyprop this week finally provided us with a "Last day to trade," I can now make that calculation as the following graph illustrates:



Here I hasten to point out that for investors who enjoy a low tax bracket and are seeking an attractive investment with a high dividend yield, you would have to search far to find a better investment than Hyprop since, as the green trend line on my graph illustrates, not only is it yielding a very large 9.13 percent dividend but it is enjoying an annualised 46.2 percent compound price growth rate which thus totals a record Total Return of 55.33 percent. That is close to the best you can find currently in the SA market.

This then is a classic market situation where there are many would-be buyers and, probably fewer people like myself with unique reasons for wanting to sell. Thus my exercise is to determine the MINIMUM price I should pencil in for a sale.

This week Hyprop offered us the following guidance:

Salient dates and times 2022

Circular and form of election posted to shareholders Tuesday, 18 October

Finalisation information including the share ratio and reinvestment price per share published on SENS by 11:00 (SA time) ("finalisation date") Tuesday, 25 October

Last day to trade in order to receive the dividend ("LDT") Tuesday, 1 November

Shares trade 'ex' dividend Wednesday, 2 November

Record date to receive the dividend ("record date") Friday, 4 November

Now, turning to the graph, the red trend line generated by ShareFinder's 'Auto-Fit' option represents a price mean of the period from the day the shares went ex-dividend last year until the projected last day to trade this year in order to receive the dividend: Friday November 4. Thus I can read off a suggested fair trade price of R37 on that last day to which one needs to add the annual dividend of R2.936 per share and I get a total of R39.936. Anything above that will be a bonus!

Moreover, the red mean line has been rising at a compound annual rate of 9.2 percent compared with the actual recorded distributable income growth rate of 7.4 percent during the year which suggests that would-be investors are very eager to acquire such Hyprop shares as become available and are thus prepared to pay a premium on the actual growth figures! A daily trade volume of 852 000 shares, which is 53 percent greater than the JSE daily share trading average, furthermore confirms the popularity of the shares.

Interestingly, ShareFinder's normally extremely accurate forward projection system suggests that the price of Hyprop will peak today, so we shall see what traders make of this information!

Have a good weekend!

The month ahead:

New York's SP500: I correctly warned that the likely market direction would be downwards for the foreseeable future and I still expect New York to be in more of less continuous decline until at least next September.

Nasdaq: I similarly predicted that the likely market direction would be downwards for the foreseeable future and I still expect the Nasdaq to be in more of less continuous decline until at least next September.

London's Footsie: I correctly warned that London was close to the top of an interim recovery and continue to expect declines until at least mid-February.

France's Cac 40: I was correct in predicting the brief recovery would last until the end of August. Thereafter I continue to expect further declines until mid-February.

Hong Kong's Hangsen: I correctly predicted a declining trend all the way until next March.

Japan's Nikkei: I wrongly expected Japan to be in continuous decline until next April. Now I see a brief recovery until November followed by a retreat until mid-month and another recovery to early January before the next decline sets in until mid-year.

Australia's All Ordinaries: I correctly predicted gains which I see peaking in mid-November followed by a decline to the next bottom in mid-January.

JSE Top 40 Index: I correctly predicted the start of sporadic gains until early-November followed by a steep decline until mid-December when the next up-cycle appears likely.

ShareFinder JSE Blue Chip Index: I correctly expected a bumpy ride upwards which I now expect to end in late November followed by declines until mid-February.

Rand/Dollar: I correctly predicted brief gains followed by further weakness continuing through to next April.

Rand/Euro: I correctly predicted gains until mid-October followed by another bumpy ride to a bottom in April.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.77 percent. For the past 12 months it has been 94.69 percent.