overberg asset management

LOCAL PERFORMANCE FACTSHEET

OAM Local Income Portfolio

Technical Details

- Base currency: **South African Rands**
- Benchmark: **Short-Term Fixed Interest (SteFI) Index**
- Asset Allocation: **Flexible mix of equities, bonds, preference loan stock, money market securities and cash**
- Individual portfolio representing Local Income investment style
- All performance figures include income and are net of fees and expenses

Investment Objective

- Conservative growth
- Consistent annual income
- Medium volatility
- Potential for temporary capital loss

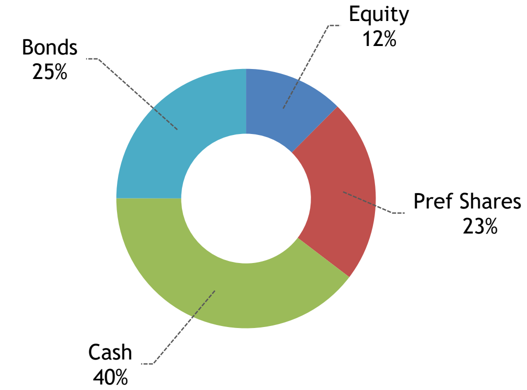
2021 Q4

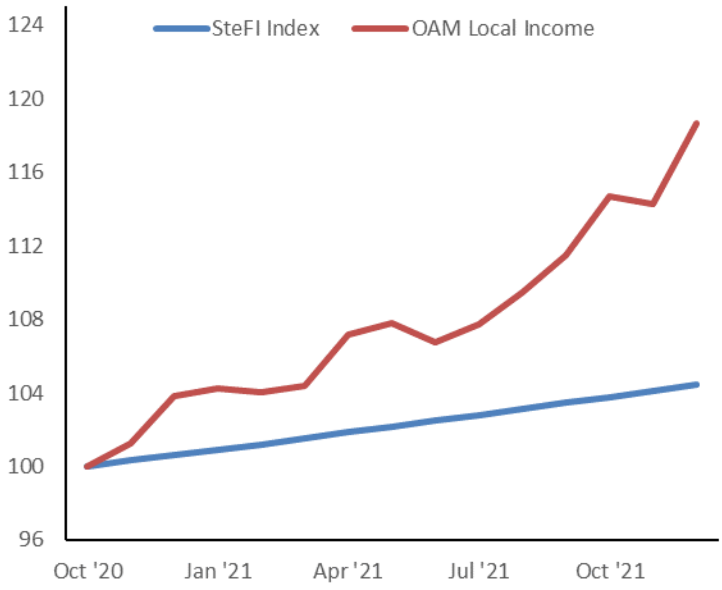
Annualised Growth (%)	OAM	Benchmark
Inception 2020	**15.78**	**3.82**
2021	14.31	3.81

Annualised Income Yield	5.84%

Top 3 Holdings	
NEDGROUP INV CORE INCOME	
NEWFUNDS GOVI ETF	
SATRIX S&P 500 FEEDER	
Total number of holdings	10

ASSET ALLOCATION
(see through basis)





THE LOCAL INCOME PORTOFLIO

Overberg Asset Management (OAM) launched the Local Income Portfolio in 2020 for investors who are looking for a portfolio that generates income in excess of money markets yields. The portfolio achieves this by investing in listed instruments on the Johannesburg Stock Exchange. A top-down management style is used to determine the portfolio asset allocation which consists of bonds, cash, equities and preference shares.

THE PORTFOLIO

The Local Income Portfolio returned 14.31% during 2021 outperforming the benchmark which returned 3.81%. Since inception (October 2020) the portfolio has returned 15.78% outperforming the benchmark which has returned 3.82%. The portfolio returned an income yield of 5.84% in 2021.

There were two changes made to the portfolio during the second half of 2021. Nedbank and PSG both redeemed their preference shares at the prevailing market price banking a capital profit of 50% and 30% respectively. Proceeds from these trades will be reinvested across various first tier preference shares.

During the year the biggest contributors to the portfolio performance were preference shares and government bonds contributing 8.82% and 3.01% respectively. Preference shares experienced a tremendous recovery following the perfect storm of a sovereign ratings downgrade in 2019 as well as the Covid Pandemic selloff in March 2020. We are happy to keep the allocation to preference shares as the rising interest rate environment is conducive for the asset class.

THE MARKET

Helped by a strong finish to the year, the JSE produced exceptional returns in 2021. As confidence grows in the strength of the global economic recovery, investment appetite appears to be veering towards more cyclical markets and equity sectors. This trend benefits emerging markets. South Africa, a major commodity producer with the added attraction of low valuations, is a key beneficiary and outperformed the emerging market average. The JSE All Share index surged by 14.67% in the fourth quarter (Q4), capping a 24.07% return for the full year. Commodity stocks shone in the final quarter lifting the Resources 20 index by 22.19% and 23.27% for the year. The industrial 25 index gained 16.45% in the quarter and 22.71% over the year, while the Financial 15 index gained a similar 22.71% over the year but returns were spaced differently with a relatively modest Q4 return of just 1.20%. Equity market returns were even impressive in hard currency terms despite the rand's 9.32% depreciation versus the dollar over the year from R/$14.59 to 15.95. However, this meant that the 8.35% annual return in the All-Bond Total return Index was entirely eroded in dollar terms. The dollar gold price gained in the final quarter by 4.24% but over the year drifted by 3.49% from $1894 per ounce to $1827.

The South African Reserve Bank, in its latest policy meeting in November, estimates GDP growth in 2021 will register a robust 5.2% but its forecasts for 2022 and 2023 are comparatively modest at 1.7% and 1.8% due primarily to continued structural headwinds, including persistent energy outages, fiscal imbalances and insufficient structural economic reforms. Despite record high unemployment and sluggish economic growth, the Reserve Bank hiked the repo rate by 25 basis points from 3.50% to 3.75%, citing increased inflation risk. Consumer price inflation (CPI) has risen above the mid-point of the SARB's 3-6% target and accelerated again in November from 5.0% to 5.5% year-on-year.