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

2022 Q1

Annualised Growth (%)	OAM	Benchmark
Inception 2020	**13.67**	**3.88**
2022 YTD	1.06	1.03

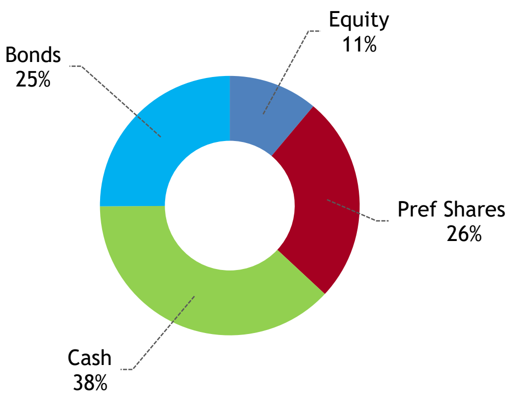
Annualised Income Yield	5.11%

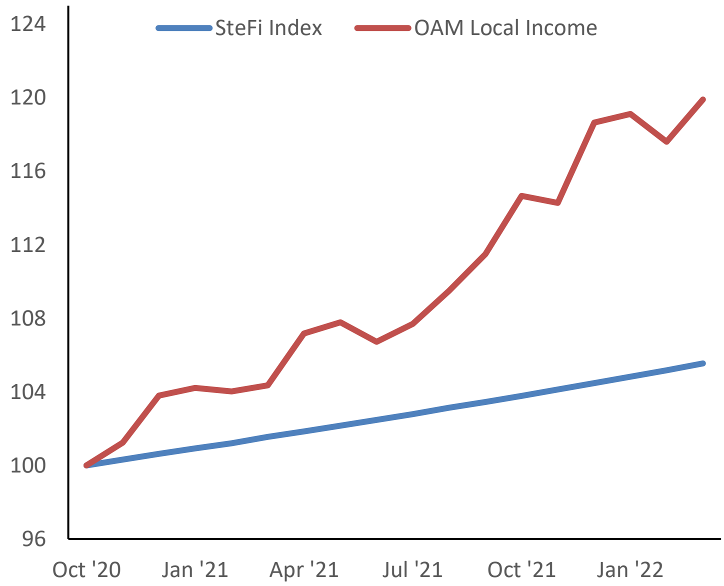
Investment Objective

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

Top 3 Holdings	
NEDGROUP INV CORE INCOME	
NEWFUNDS GOVI ETF	
ABSA BANK LTD PREF	
Total number of holdings	11

ASSET ALLOCATION
(see through basis)





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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 1.06% during the first quarter of 2022, outperforming the benchmark which returned 1.03%. The portfolio has not received any dividends form preference shares during the first quarter. These dividends will be collected later in the year. The portfolio is running at an estimated yield of 5.11%

There was one change made to the portfolio during the first quarter of 2022. Grindrod preference shares were added to replace the redemption of the Nedbank and PSG preference shares in late 2021. Grindrod preference shares were bought at an average price of R84.69 per share. These shares trade at a yield of 7.36% which is set to increase as interest rates increase.

During the quarter, the biggest contributors to the portfolio performance were preference shares and government bonds contributing 7.93% and 1.56% respectively. The biggest laggards were equites that declined by 9.74% in value due to inflation scares and the Russian/Ukraine war. We expect equities to reverse Q1 losses in Q3 and Q4 of 2022.

THE MARKET

Just as the Covid cloud started lifting, a new threat erupted. Against all rational expectations, Russia invaded Ukraine on 24th February, wreaking misery on the country's citizens and havoc on commodity markets. The oil price surged, fanning the inflation fire and dampening business and consumer confidence. Economists warn of a potential return to the 1970s, characterised by high inflation and weakening economic growth, the hallmarks of “stagflation”. Undeterred by the prospect of slower growth, central banks are now more committed than ever to lifting interest rates. Their chief concern at this stage is beating inflation rather than rescuing growth. The Federal Reserve, Bank of England and European Central Bank were all more hawkish than expected in their most recent policy meetings.

Prior to the invasion the world's economy was enjoying unusually strong momentum, with above trend growth across most economies. Underlying support is still strong, helped by negative real interest rates, massive household savings, a retreating Covid threat and commensurate reopening of service sectors and supply chains. Depleted inventories still need to be replenished and business spending is robust.

The outlook for world growth remains positive but inflation is a nagging concern, which is now exacerbated by the surge in commodity prices. US consumer price inflation accelerated again in February, from 7.5% to 7.9% year-on-year, its highest since January 1982 when it registered 8.4%. The data was collected before the Ukraine invasion and so inflation is likely to ratchet even higher over coming months. Under normal circumstances, rising fuel and food prices should slow consumer demand and do the job of central banks keen to tame inflation. However, policy makers have been uncharacteristically hawkish, a significant turnaround from just 6 months ago. As expected, the Federal Reserve initiated its first 25 basis point interest rate hike in March but according to its own projections is now planning to hike 6 more times this year. The Fed is also set to begin “quantitative tightening” in May. This will entail draining liquidity from financial markets by shrinking its balance sheet to the tune of $100 billion per month.