

Income Growth Equity Portfolio

June 2022

Key information

Benchmark

- FTSE/JSE Capped SWIX All Share Index TR (net)

Minimum portfolio size

- R1 million

Top 10 holdings*
Anglo American PLC
BHP Group PLC
British American Tobacco PLC
FirstRand Ltd
Mr Price Group
Mondi PLC
MultiChoice Group Ltd
Sanlam Ltd
Standard Bank Group Ltd
Vodacom Group Ltd

*Sorted alphabetically

About the portfolio manager

Adriaan Pask, Chief Investment Officer

- 17 years of investment experience
- BCom (Financial Analysis)
- BCom (Hons) (Financial Management)
- MCom (Business Management)
- PhD (Economic and Management sciences)

About the lead analyst

Franco Pretorius, Head of Portfolio Management and Implementation

- 23 years of investment experience
- BCom (Economics)
- BCom (Hons) (Investment Management)

Overview

The PSG Wealth House View SA Income Growth Equity Portfolio ended the month 9.58% lower, underperforming the FTSE/JSE Capped Swix Index, which posted a negative return of 7.48%. Six of the 20 portfolio stocks outperformed the benchmark. Since inception, the PSG Wealth House View SA Income Growth Equity Portfolio had an annualised return of 0.19%, underperforming the JSE Capped SWIX Index, which showed an annualised return of 4.46%. As of 30 June 2022, the portfolio's dividend yield and forward dividend yield are 7.15% and 6.98%, respectively. Comparably, the FTSE/JSE Capped SWIX Index TR has a dividend yield and forward dividend yield of 5.16% and 5.97%, respectively.

Philosophy

We apply a disciplined, bottom-up biased investment philosophy to our stock selection process with a specific preference for high quality and high yielding equity investments. Investments are screened for their liquidity, their profitability throughout the business cycle, the quality of their reported earnings, their cash generating ability, dividend policies as well as their financial structure.

Investment objective

The aim is to create a portfolio of investments with a sustainable and growing dividend yield that is diversified across sectors. The investment is suitable for investors who require a regular and growing stream of income, derived from dividends with the potential of a real growth in capital value.

Market commentary

In June 2022, the MSCI Emerging Market Index Net TR (USD) lost 6.65%, outperforming the MSCI World Index Net TR (USD), which posted a negative return of 8.66%. The ALSI TR (USD) underperformed the MSCI Emerging Market Index, losing 11.85% in the month. The 1-month return for ALSI TR (ZAR) was a negative 8.01%.

The S&P 500 posted its worst half-year returns in 50 years as it fell by 20.6% in the first half of the year and the tech-heavy Nasdaq by 29.5% over the same time. On a monthly basis, the S&P 500 dropped

8.4%, the Dow Jones 6.7%, and the Nasdaq 8.7%. The Fed raised interest rates by 75bps, and Fed Chairman Jerome Powell stated that reducing inflation might require more pain to the market in the form of more rate hikes.

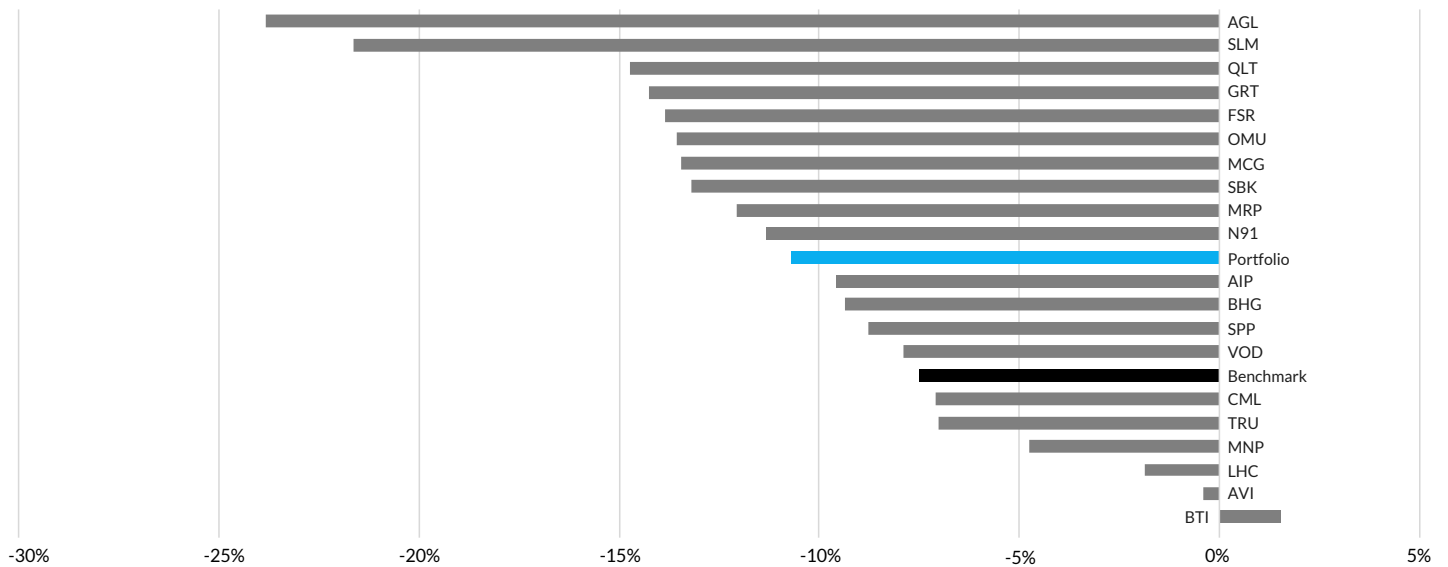
The UK FTSE 100 gained 5.8% in June 2022, while the German DAX and the French CAC fell 11.2% and 8.4%, respectively. Inflation was the dominant theme across Europe, with multiple countries posting record highs, primarily due to surging energy prices in light of the war in Ukraine.

Locally, the SARB raised interest rates by 50bps and guided to future rate increases. The JSE Capped Swix was down 7.5%; however, heavy weights Naspers and Prosus finally gained 38.1% and 30.1%, respectively, after management announced share repurchases and a sale of some of their Tencent holdings. Other big winners were Mediclinic (19.7%) and RMB holdings (14.0%), while Anglo American (-23.8%), Sibanye Stillwater (-20.4%), MTN (-21.8%), and Sanlam (-21.6%) posted significant losses.

The rand weakened by 3.91% during the month and finished June 2022 at R16.28/\$. Gold weakened by 1.63% and traded at \$1 807/oz by month-end, and Brent crude oil fell 6.51% to trade at \$114.81 a barrel.



Performance attribution



Significant contributors and detractors

British American Tobacco: BTI closed up 1.52% for the month after a positive 1Q22 trading update, with New Category volumes driving growth.

AVI: AVI was down 0.42%, although, in light of the initial weakness in the first half of the year, it has remained resilient as the rest of the market experienced a selloff.

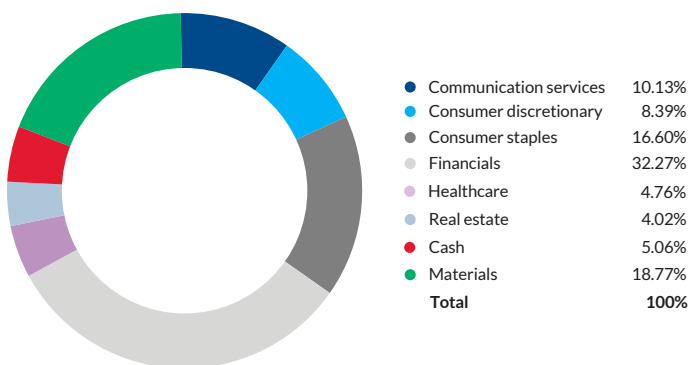
Life Healthcare: LHC closed down 1.88% for the month amid the global market selloff as defensive stocks were less impacted than cyclicals.

Anglo American: AGL fell 23.82% for the month on the back of a 15% and 14% decline in Anglo American and Kumba Iron Ore, respectively, as commodity prices rerated following recessionary fears.

Sanlam: SLM declined by 21.64%, however, nothing fundamentally changed during the month. The stock sold off with the rest of the market during a negative month. YTD returns show the company is slightly ahead of its peers.

Quilter: QLT decreased 14.75% in June 2022, performing in line with the rest of the financial sector as the FINI-15 posted a loss of 13.6%.

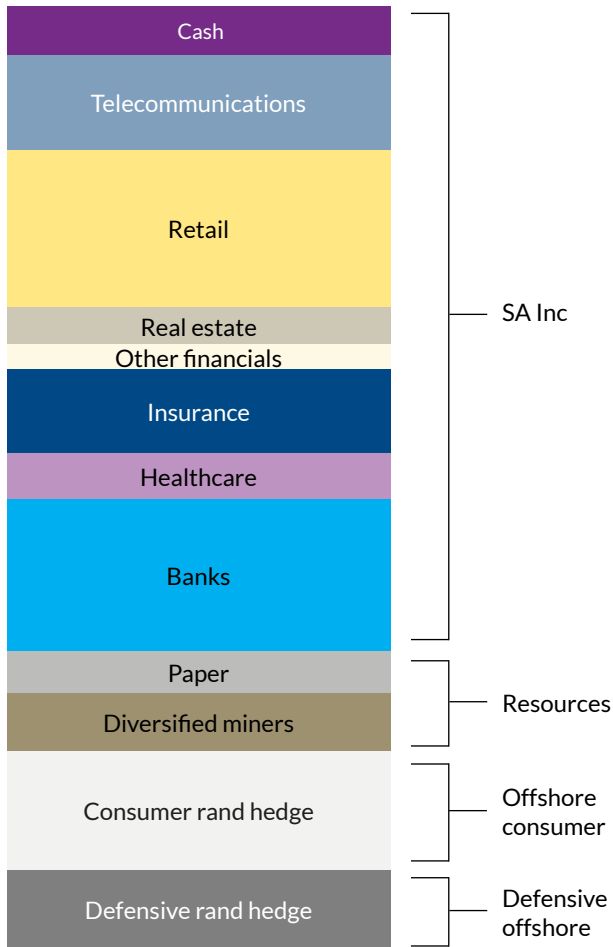
Sector allocation



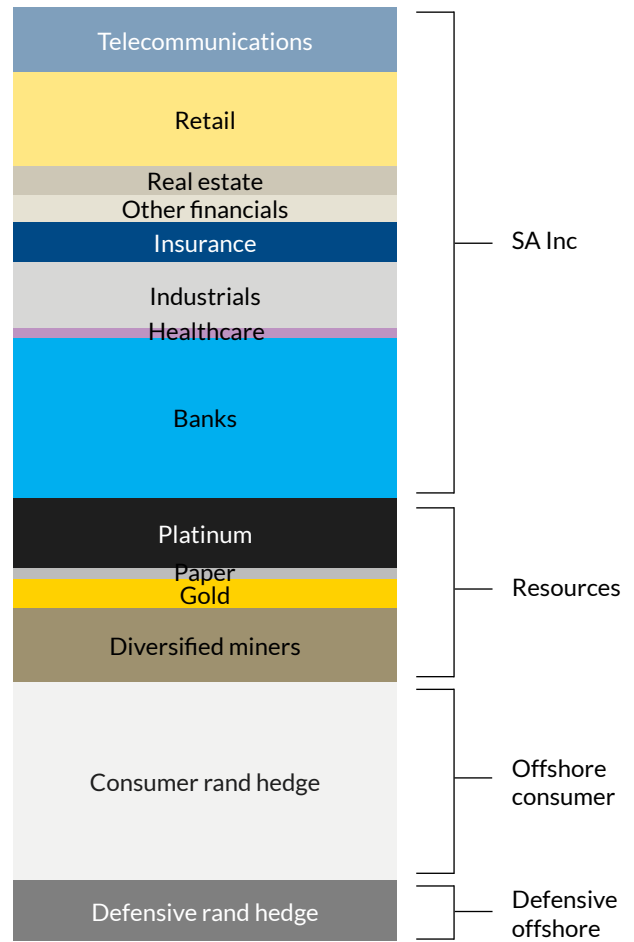
- The stock selection within the communication services sector contributed the most to the portfolio alpha generation.
- The sector allocation and stock selection within the consumer discretionary sector detracted the most from portfolio alpha generation.



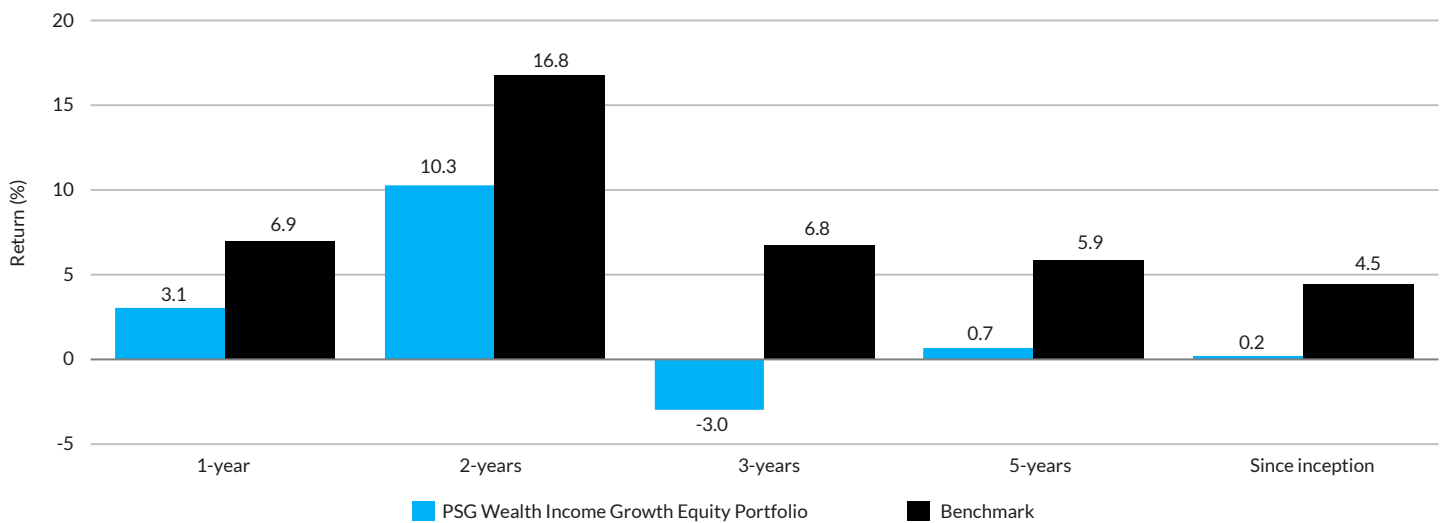
Portfolio macro exposure



Benchmark macro exposure



Annualised return percentage



* Gross fees



Notes on our reporting technique/method

1. Initial investments are always made within the specified target. Market movements may, from time-to-time results in active weights that are in excess of the target. Material deviations will be addressed through rebalancing within a 12-month period.
2. Initial allocations are always made within the specified target. Market movements may, from time-to-time results in active weights that are in excess of the target. Material deviations will be addressed through rebalancing within a 12-month period.
3. The proportion of stocks held in the portfolio that have an investment grade rating according to Bloomberg's default risk rating. Cash is added to this total.
4. Reflects the impact on the relative performance of the portfolio if the stock falls by 25%, assuming all other stocks are flat. Calculated as the active weight, multiplied by -25% for the largest active position.
5. Reflects the impact on the relative performance of the portfolio if the sector falls by 25%, assuming all other sectors are flat. Calculated as the active weight multiplied by -25% for the largest active position.
6. The percentage may occasionally rise above the specified target due to market movements, interest and dividend payments. Material deviations will be addressed through rebalancing within a 12-month period.

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