## momentum

securities

# High Dividend Portfolio - Quarterly

#### **Investment Objective**

This is an income focused portfolio, investing in local, high value shares, paying higher and sustainable dividends. This portfolio is generally less volatile. It aims to provide the investor with an attractive dividend yield over the long-term, whilst striking a balance between capital growth and return on investment.

#### **Investment Profile**

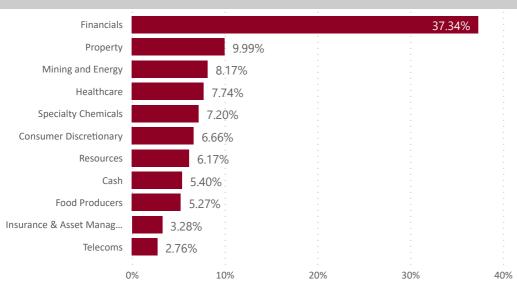
- Retired individuals or individuals close to retirement.
- Individuals requiring a certain level of investment return from their discretionary investment.
- Value-based investors who have a moderate to high risk tolerance, and understand that investment cycles cause asset
- prices to fluctuate.

• Main objective: To strike a balance between capital growth and return on investments.



### December 2021

#### Sector Allocation



#### Top 10 Holdings

| Standard Bank    | SBK  | 10.30% |
|------------------|------|--------|
| Nedbank          | NED  | 9.78%  |
| AECI             | AFE  | 7.20%  |
| British American | BTI  | 6.66%  |
| Investec Limited | INL  | 6.45%  |
| Barclays Africa  | ABG  | 6.38%  |
| Impala Platinum  | IMP  | 6.17%  |
| Cash             | CASH | 5.40%  |
| Exxaro           | EXX  | 5.40%  |
| Emira            | EMI  | 4.73%  |
|                  |      |        |

#### Performance

| Portfolio                | 3 Months | 6 Months | 12 Months | YTD   | 2 Year | 3 Year | 4 Year | 5 Year | Since<br>Inception |
|--------------------------|----------|----------|-----------|-------|--------|--------|--------|--------|--------------------|
| Dividend<br>Portfolio    | 4.9%     | 9.7%     | 23.2%     | 23.2% | -4.0%  | -2.6%  | -4.0%  | -1.9%  | 0.6%               |
| SWIX capped<br>Top 40 TR | 8.9%     | 12.5%    | 25.7%     | 25.7% | 13.5%  | 10.5%  | 4.7%   | 6.9%   | 5.8%               |

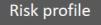
Returns for periods longer than 12 months have been annualised.

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#### Investment information

Inception date 1 January 2016

Investment manager Momentum Securities

Stockbroker/custodian Momentum Securities

Management fee Max 1.25% (annual)

Minimum lump sum R 250 000

Redemption periods 3 business days

Benchmark Capped SWIX Top 40 TR Index Target CPI Plus 4%

Disclaimer: Shares are generally medium- to long term investments. The value of shares may go down as well as up and past performance is not necessarily a guide to the future.

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### **Economic Overview**

US inflation has been more persistent than expected, which will most likely see the US Fed raise rates earlier than originally forecast. At the end of 2021 US dollar liquidity was tight but is expected to improve as money that has been sterilized at the Fed comes back into the banking system (a function of US Money Market funds' actions). In Q2 2022 we are likely to see two forces at play one being a headwind of higher Fed Funds Rate and the other a tailwind of improved US dollar liquidity. As this US dollar liquidity declines and rates rise in the second half of 2022, we are likely to see equity markets come under pressure. Chinese economic growth has weakened because of an over geared listed property sector which has been forced to reduced property investment. This has impacted demand for commodities and seen declines in their prices. We expect some stabilization in Chinese economic growth but expect growth to remain below trend.

Market Overview

Global equity markets peaked in November before declining and then firming up in the latter part of December. In rand terms the Resource sector rebounded sharply, returning 22% for the quarter. Other returns for the quarter were Industrials +17%, Property +8% and Financials +2%. In the fourth quarter of 2021, the MSCI world index was up 14%. For the year Property returned 37%, Resources 32% Financials 27% and Industrials 24%; the rand depreciated by 9% against the US dollar and the MSCI world index was up 31%.

### Portfolio Activity

During the fourth quarter we bought Nedbank and Old Mutual. The portfolio increased by 4.9% for the quarter with the last month of the quarter up 6.5%.

Coal shortages are likely to keep energy (oil and gas) prices high for the duration of the Northern Hemisphere winter. The SA economic growth forecasts have been lowered on the back of lower global economic forecasts. Into 2022 we see a rebound in consumer spending and remain positive on Financials and Platinum Group Metals given their projected future deficits. Overall, we remain positive on SA equity on a valuation basis.

Over the last year the SA equity market (industrials) was impacted by the decline in Tencent (held by both Naspers and Prosus), while strong second half earnings growth saw the SA equity market outperform. Going forward we expect equity returns to be more subdued as earnings growth slows and rising interest rates become a headwind to equity valuations.

Positive contributions were attributable mainly to Investec Limited, Impala Platinum, British American, BHP, and AECI. Losses were attributable to AVI, Spar, Old Mutual, Exxaro, and Sanlam. For the past 12 months the portfolio has increased 23.2% with the benchmark, the Capped SWIX Top 40 TR Index Target, up 25.7%.