

PREFERENCE SHARE

DECEMBER 2018



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PORTFOLIO FACTS

Benchmark	STeFI Composite, less applicable tax rate (28% corporates / 40% Individuals)
Inception Date	January 2014*
Currency	Rand
Investment Type	Segregated Mandate
Minimum Investment	R150,000
Recommended Investment Term	> 3 Years
Annual Management Fee	0,50%

ACCESS

Direct (Segregated Portfolio) Platform	0,50% (excl. VAT) Legae Persec
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RISK-REWARD PROFILE



INVESTOR PROFILE

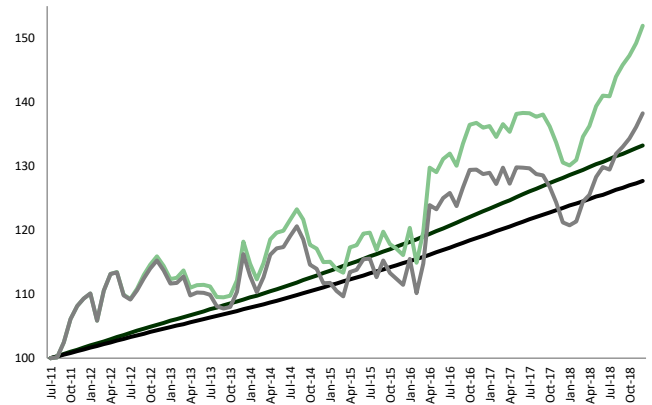
The Preference Share Portfolio is suited for investors seeking an above-average, after-tax yield in the form of dividends. This investment should be regarded as a medium-term investment as the capital value may fluctuate. South African-registered companies and pension, provident, preservation and benefit funds are exempt from paying dividend tax (currently 20%). The dividend tax is lower compared to investors' marginal tax rate paid on other yielding assets, income or interest. Consequently, this solution is ideal for investors as the effective yield is extremely attractive compared to other yield investments. This solution also offers great diversification benefits, particularly when paired with bonds or property, because of its traditionally low correlation with these other asset classes.

STRATEGY AND OBJECTIVES

The Preference Share Portfolio is constructed as a diversified investment made up of FTSE / JSE listed preference shares that produce a dividend stream linked to the prime overdraft rate. On implementation, a unique portfolio is constructed for each client that aims to achieve the highest available yield, subject to strict risk management rules and trading liquidity. A buy-and-hold strategy is followed and, under normal circumstances, changes to the portfolio are only implemented when a set of conditions are met, including valuation, risk, quality and liquidity criteria. Although preference shares receive priority over ordinary shares in the payment of dividends, preference share dividends are not guaranteed. The portfolio holds a small number of concentrated positions due to the size of the investable universe, with material positions held in the highest-quality banking preference shares. The portfolio has liquidity risk, capital risk as well as dividend risk, however, the portfolio construction process is designed to mitigate these risks by investing in the most liquid shares of businesses with strong underlying balance sheets, established track records, solid management teams and sound industry fundamentals.

PERFORMANCE SINCE INCEPTION

Individual Preference Share Portfolio (July 2011 = 100)
STeFI Composite less 40% tax rate
Institutional Preference Share Portfolio
STeFI Composite less 28% tax rate



PORTFOLIO ATTRIBUTES AND INVESTMENT RESULTS

Strategy and performance

	Institutional Portfolio	STeFI after 28% Tax	Individual Portfolio	STeFI after 40% Tax
6 Months (%)	7,7	1,9	6,5	1,7
Year-to-Date (%)	16,4	4,0	9,7	3,4
3-Year Return (%)	30,8	13,1	24,0	11,2
Since Incep. (%)	51,9	33,2	38,3	27,7

Top 10 holdings (%)

Firstrand	16,9
Standard Bank	16,8
Absa	16,6
Investec	15,4
Nedbank	14,5
PSG	5,0
Invicta	2,4
Grindrod	1,7
Discovery	1,7
Current Forward Investment Yield (Pre-Tax)	10,12%

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