PRIVATECLIENT HOLDINGS

Perspectives | Monthly Market Review

July 2021

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Market Report

Miners drag the JSE into the red in June

Most world markets retreated from recent highs and closed June on a disappointing note, with modest gains or month-on-month declines. This as market jitters emerged on the back of fears over the highly contagious Delta variant, while investors also took profits as the first half of 2021 came to a close. South African equities was no exception and had a poor month, with the All-Share Index losing 2.4% but still up an impressive 11.5% year-to-date. Resource stocks were the main detractors, as the sector gave up 6.4%. Given the broader decline in commodities, this was largely to be expected. Large-cap commodities firms were the biggest detractors: Amplats lost a massive 9.3% month-on-month, while Anglo American and Glencore recorded losses of 7.9% and 5.2%. Financials were 3% lower, but Industrials bucked the trend slightly, with the subindex closing a modest 0.4% higher. Naspers and Prosus also recorded monthly declines of 1.7% and 1.8% respectively. Given their large market share, the drag on the index is substantial. The SA Listed Property Index had a great month, recording a 3.2% rebound (+15.5% since the beginning of the year). Looking at the top-20 shares by market cap, BHP Group, now the biggest company on the JSE by market cap, advanced 0.4% in June, while British American Tobacco and Richemont posted gains of 5.2% and 4.1% month-on-month, respectively.

In local economic news, May's annual headline inflation, as measured by the consumer price index (CPI), jumped 5.2% year-on-year vs April's 4.4%. The higher print was widely expected and comes off the very low base recorded in May 2020, when fuel prices were low. Core inflation (which excludes food and non-alcoholic beverages, fuel, and energy) came in at 3.1% year-on-year, much lower than the headline rate. This hints at the notable impact that fuel and food inflation has had on overall (headline) inflation levels, and subsequently also the effects of supply-side price pressures on domestic inflation, with domestic demand-side price pressures remaining muted. The rebound in fuel prices especially would have contributed to May's spike, with the petrol price falling to R12.22/litre in May 2020 and recovering to R17.23/litre by May 2021. Overall, this latest print affirms the idea that inflation in SA will prove transitory – although it has taken inflation to above the 4.5% mid-point of the SA Reserve Bank's inflation target range of between 3% and 6% for the first time since February 2020 (when inflation stood at 4.6% year-on-year).

On the pandemic front, President Cyril Ramaphosa announced that SA will move to amended Level-4 lockdown (effective since 28 June) due to the surge in infections caused by the highly contagious Delta COVID-19 variant. The restrictions (initially set to remain in place for 14 days before being reassessed) include banning alcohol sales, prohibiting indoor and outdoor gatherings, limiting funeral attendance to no more than 50 people, and with curfew now starting at 9PM and ending at 4AM. The latest Department of Health data show that as of 30 June, the total number of confirmed COVID-19 cases since the start of the pandemic stood at 1.97mn vs end-May's 1.67mn cases. By 30 June, 3,026,636 people had been vaccinated. On 30 June, there were 19,506 new cases in SA – the fifth highest daily rate of new infections recorded so far.

The weaker dollar, SA's strong terms of trade supporting a current account surplus, and lower US interest rates, were all supportive of a stronger rand in the first half of June. However, the Fed signalling that there could be two rate hikes in 2023, weighed on the local unit resulting in the currency trading with a bearish tone and closing the month c. 3.8% lower (+2.9% year-to-date).

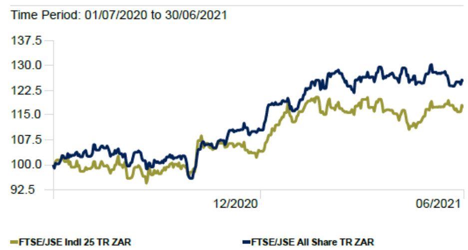
Tech benefits with the rotation back into structural growth stocks

Global markets appear to be on an upward trajectory, fuelled by the reopening of major economies and the roll-out of vaccines. The MSCI World closed 1.5% higher, but Emerging Markets (EM) lagged. US markets outstripped their Developed Market (DM) peers. The S&P500 gained 2.3% for the month, moving to new highs and closing out a fifth consecutive quarterly advance. However, the contributors of those returns were quite different to the

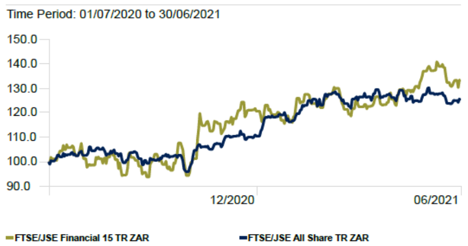
All Share

Resources

Industrials



Financials



Index	Value	June(%)	YTD (%)
All Share	66,249	▼ 2.4%	▲ 13.2%
S&P 500	4,298	▲ 2.3%	▲ 15.3%
FTSE 100	7,037	▲ 0.4%	▲ 10.9%
Rand/USD	14.28	▲ 4.1%	▼ 2.8%
Rand/GBP	19.73	▲ 1.1%	▼ 1.8%
Gold ($)	1,771	▼ 6.9%	▼ 6.5%
Plat ($)	1,071	▼ 9.3%	▼ 0.5%
Brent ($)	75.13	▲ 7.9%	▲ 45.0%

previous few months, which have been dominated by companies benefitting from post-pandemic economic normalisation (generally cyclical companies or those geared towards industries which suffered most during the pandemic). Instead, June saw the return of the "pandemic-beneficiaries" (predominantly technology businesses), with the NYSE Fang Index (comprised of the 10 largest US-listed technology businesses) outperforming the broader market by about 7% for the month. The economic recovery is boosting traditional growth stocks as well as adding momentum to the healthcare and consumer discretionary sectors.

A key catalyst for the rotation back into structural growth companies and away from cyclical growth companies was the US Federal Reserve (Fed) meeting in June, where the Fed released the quarterly updated forecasts from its members. US inflation has been running hotter, with the May reading indicating a 5% year-on-year increase. The Fed has to some extent remained optimistic, expressing the belief that the increase is transitory. The latest Federal Open Market Committee meeting, however, suggests that the hawks are rising. The median committee member now expects two rate hikes in 2023, whereas only three months ago the consensus was for no rate hikes. Investors interpreted the Fed's change of tone as slightly bearish for longer-term growth and, besides catalysing a rotation into structural growth stocks, the US interest rate curve flattened as long-term rates drifted lower, with US 10-year bond yields ending the month 0.13% down at 1.46%.

The flatter US yield curve acted as a headwind to financial stocks (S&P 500 Financial -3% for the month), with only S&P materials companies faring worse (-5.3% in June) in the face of generally softer commodity prices. The exception to the poor month for commodities was oil, with Brent crude oil ending the month 8% stronger as increasing demand continues to be met with a conservative supply response by the major oil-producing nations.

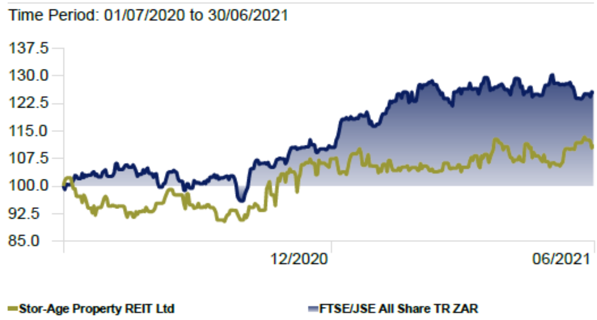
Emerging markets were also held back by the rotation into growth companies, with EM equities barely edging out a positive return for the month (MSCI EM +0.2% for the month). The exception to a soft month for EM countries was Brazil and Russia, both of which benefitted from their high exposure to oil companies, which rallied along with the strong oil price. On the currency front, the US dollar had a strong month against most currencies, with Brazil again the outlier, as the Brazilian real rallied 5% against the US dollar in June. Brazil's latest GDP growth data exceeded expectations and economists have started increasing their estimates for the country's future economic growth.

Global re-opening continues as vaccination programs across most of the developed world near full adult vaccination levels. The second half of the year should see continued vaccination role out and reopening's with the threat of the Delta variant creating more urgency and speed to vaccinate. A key message is that mobility and activity can bounce even in the presence of variants, provided that vaccination programs are advancing, even if incomplete. With most other countries far behind the US, there is a strong case for the pace of vaccination to accelerate further with EM economies to soon enter the steepening "S" vaccination pace seen across the US and Europe.

Company Results

Stor-Age Property REIT Ltd. – Results for the financial year end 31 March 2021

Earnings per share	**R2.83**
Historical PE	**4.6**
EPS growth	**956.4%**
Turnover growth	**18.1%**
ROE	**23.4%**
Debt/Equity	**40.9%**
NAV per share	**R13.00**
Dividend yield	**8.1%**
Share price	**R13.10**



Nature of Business

Stor-Age Property REIT Ltd. is a real estate investment trust. It is a property fund focused on the **self-storage** sector, a niche sub-sector of the broader commercial property market. It operates through the South Africa and United Kingdom geographical segments. The South Africa segment consists of Western Cape, Gauteng, Free State, Eastern Cape, and KwaZulu-Nata. The company was founded by Gavin Mark Lucas, Leslie Lucas, Stephen Charles Burrard Lucas, and Steven James Horton on May 25, 2015 and is headquartered in Cape Town, South Africa.

Latest Results

Looking back, FY21 was a year of historic extremes that unequivocally affirmed the resilience of the group's business model. Stor-Age's exceptional performance in unprecedented times has cemented the group's capability to outperform on a sustainable basis.
The social and economic disruption caused by the pandemic has given rise to a new demand driver for self-storage. Factors driving this demand include work/study-from-home, home improvements, migration in and out of metropolitan markets, disruption to businesses, employment insecurity and an acceleration of e-commerce. In these circumstances, mobility tends to increase as people relocate for better economic prospects or more affordable living situations and businesses are forced to quickly adapt, often meaning a need for flexibility in their space (and therefore storage) requirements. In addition, businesses that have pivoted to online sales require product storage space and/or a distribution point for their customers.

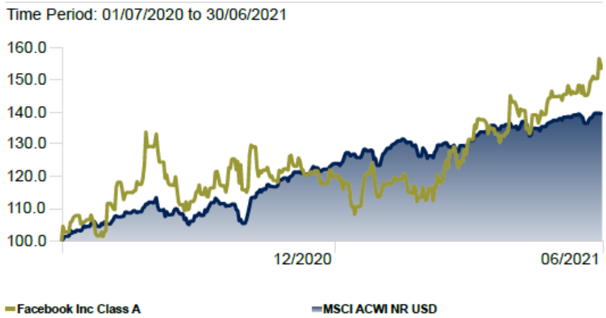
After the initial setbacks in the first half of the year, move-ins accelerated rapidly from both traditional and new drivers of demand, resulting in record move-ins and occupancy for the year. The portfolio closed at 90.1% occupancy (2020: 83.8%) with a year-on-year increase of 28 500m². Like-for-like organic rental income, excluding the impact of acquisitions, grew by 8.6% and 6.3% year-on-year in SA and the UK respectively. An intensified focus on working capital and cash collections yielded positive results. The company collected over 98% and 99% of rentals due in SA and the UK, respectively, and bad debt losses accounted for under 1.0% of group rental income.

Dividend

A dividend of 52.00 cents per share was declared by the directors for the interim period ended 30 September 2020. A further dividend of 54.08 cents per share was declared for the 6-month period ended 31 March 2021. The dividend for the full year amounts to 106.08 cents per share (2020: 112.05 cents per share).

Facebook Inc. – Results for the 1st quarter ending 31 March 2021

Earnings per share	**$8.95**
Historical PE	**25.2**
EPS growth	**92.8%**
Turnover growth	**47.6%**
ROE	**28.2%**
Debt/Equity	**8.7%**
NAV per share	**$34.10**
Dividend yield	**0%**
Share price	**$294.53**



Nature of Business

Facebook, Inc. operates as a social networking company worldwide. The company engages in the development of social media applications for people to connect through mobile devices, personal computers, and other surfaces. It enables users to share opinions, ideas, photos, videos, and other activities online. The firm's products include Facebook, Instagram, Messenger, WhatsApp, and Oculus. The company was founded by Mark Elliot Zuckerberg, Dustin Moskovitz, Chris R. Hughes, Andrew McCollum, and Eduardo P. Saverin on February 4, 2004 and is headquartered in Menlo Park, CA.

Latest Results

Facebook demonstrated the strength of their advertising revenue with 46% growth in the first quarter of 2021 (compared to Q1 2020), which was driven by a 30% year-over-year increase in the average price per ad and a 12% increase in the number of ads delivered. Management expect that advertising revenue growth will continue to be primarily driven by price during the rest of 2021. Management continue to expect increased ad targeting headwinds in 2021 from regulatory and platform changes, notably the recently-launched iOS 14.5 update, which is expected to begin having an impact in the second quarter. There is also continuing uncertainty around the viability of transatlantic data transfers in light of recent European regulatory developments, and like companies across a wide range of industries.

Management expect 2021 total expenses to be in the range of $70-73 billion, updated from their prior outlook of $68-73 billion. The year-over-year growth in expenses is driven by investments in technical and product talent, infrastructure, and consumer hardware-related costs. Facebook remain committed to investing for long-term growth and management's expense outlook reflects the underlying strength of the business and the compelling investment opportunities seen across their products, including consumer hardware.

Dividend

Facebook has never paid a dividend and management have said that they do not expect to pay a dividend in the foreseeable future. This is inline with the Internet Services industry. The free cash flow the business generates is reinvested into the company for long term sustainable growth.

Snippets

The Intellidex Top Private Banks & Wealth Managers Awards

This year's Intellidex Awards results were published today in the Financial Mail Investors Monthly - Wealth Managers & Private Banks Awards issue - June 2021.

The Intellidex Top Private Banks & Wealth Managers Awards, now in their 10th year, are based on a comprehensive survey of both clients and participants in the industry and are designed to benchmark companies in the South African wealth management and private banking sector. First launched in 2012, the Intellidex nomination process has two main elements; the first is a questionnaire that the company completes, and the second is an anonymous online client survey which assesses the different strengths and weaknesses of the private banks and wealth managers. This year a record number of 9817 clients participated in the online survey.

Private Client Holdings **won the Top Wealth Manager award in SA for the boutique category**. We are really proud of this achievement!

We also **won the young professional archetype award and came 3rd in the passive lump sum investor and successful entrepreneur archetype categories**. Our clients expressed their satisfaction in the quality of service and quality of advice received "excellent" ratings of 86% and 80%, respectively.
We placed **2nd in the People Choice award**, which is based completely on client feedback – this is the same result as 2019. A client of ours said: "Private Client Holdings are really thorough and I trust them completely in every aspect."

If you completed the Intellidex confidential survey online – **Thank you,** we so appreciate your valuable input and contributing to our success.

We have also released volume 27 of the PCH Insight

Corporate Cash Manager Rates

FUND	BALANCE	RATE
CALL ACCOUNT	0.00 – 9 999.99	3.15
	10 000 – 24 999.99	3.15
	25 000 – 49 999.99	3.15
	50 000 – 99 999.99	3.15
	100 000 – 249 999.99	3.15
CALL MONEY FUND: *Individuals*	250 000 – 999 999.99	4.07
	1 000 000 – 9 999 999.99	4.07
	10 000 000 upwards	4.07
CALL MONEY FUND: *Non-Individuals*	250 000 – 999 999.99	3.87
	1 000 000 – 9 999 999.99	3.87
	10 000 000 upwards	3.87

Dividends Payable

Dividends in LDT order					
Company	**Decl**	**LDT**	**Pay**	**Amt**	**Curr**
Exchange Traded Funds (CSPROP)	08-Jul	13-Jul	19-Jul	18.36	ZARc
Exchange Traded Funds (CTOP50)	08-Jul	13-Jul	19-Jul	11.98	ZARc
Exchange Traded Funds (DIVTRX)	08-Jul	13-Jul	19-Jul	27.23	ZARc
Datatec Ltd. (DATATEC)	25-May	13-Jul	19-Jul	100	ZARc
Exchange Traded Funds (1NVESTGREIT)	07-Jul	13-Jul	19-Jul	7.66	ZARc
Exchange Traded Funds (1NVESTSAPROP)	07-Jul	13-Jul	19-Jul	55.88	ZARc
Exchange Traded Funds (1NVESTSWX40)	07-Jul	13-Jul	19-Jul	4.9	ZARc
Exchange Traded Funds (1NVESTTOP40)	07-Jul	13-Jul	19-Jul	16.66	ZARc
Exchange Traded Funds (GLODIV)	08-Jul	13-Jul	19-Jul	12.39	ZARc
Impala Platinum Holdings Ltd. (IMPL CB22)	14-Jun	13-Jul	19-Jul	7336	ZARc
Primeserv Group Ltd. (PRIMESERV)	22-Jun	13-Jul	19-Jul	2.5	ZARc
Exchange Traded Funds (PREFTRAX)	08-Jul	13-Jul	19-Jul	20.7	ZARc
Exchange Traded Funds (SMART)	08-Jul	13-Jul	19-Jul	29.85	ZARc
Exchange Traded Funds (SATRIX40)	09-Jul	13-Jul	21-Jul	33.74	ZARc
Exchange Traded Funds (SATRIXDIV)	09-Jul	13-Jul	21-Jul	3.48	ZARc
Exchange Traded Funds (SATRIXFINI)	09-Jul	13-Jul	21-Jul	13.47	ZARc
Exchange Traded Funds (SATRIXINDI)	09-Jul	13-Jul	21-Jul	25.11	ZARc
Exchange Traded Funds (SATRIXMMT)	09-Jul	13-Jul	21-Jul	3.61	ZARc
Exchange Traded Funds (SATRIXPRO)	09-Jul	13-Jul	21-Jul	14.95	ZARc
Exchange Traded Funds (SATRIXQUA)	09-Jul	13-Jul	21-Jul	10.84	ZARc
Exchange Traded Funds (SATRIXRES)	09-Jul	13-Jul	21-Jul	31.62	ZARc
Exchange Traded Funds (SATRIXSWX)	09-Jul	13-Jul	21-Jul	6.45	ZARc
Exchange Traded Funds (SYGSP500)	08-Jul	13-Jul	19-Jul	36.82	ZARc
Exchange Traded Funds (SYGMSCIEM)	08-Jul	13-Jul	19-Jul	4.29	ZARc
Exchange Traded Funds (SYGSPESG)	08-Jul	13-Jul	19-Jul	13.38	ZARc
Exchange Traded Funds (SYGEUR050)	08-Jul	13-Jul	19-Jul	93.96	ZARc
Exchange Traded Funds (SYGMSCIJP)	08-Jul	13-Jul	19-Jul	10.48	ZARc
Exchange Traded Funds (SYGPROP40)	08-Jul	13-Jul	19-Jul	54.87	ZARc
Exchange Traded Funds (SYGSWIX40)	08-Jul	13-Jul	19-Jul	15.31	ZARc
Exchange Traded Funds (SYGTOP40)	08-Jul	13-Jul	19-Jul	89.13	ZARc
Exchange Traded Funds (SYGFTSE100)	08-Jul	13-Jul	19-Jul	179.58	ZARc
Exchange Traded Funds (SYGMSCIUS)	08-Jul	13-Jul	19-Jul	15.65	ZARc
Exchange Traded Funds (SYGMSCIWD)	08-Jul	13-Jul	19-Jul	26.32	ZARc
Exchange Traded Funds (PREFTRAX)	08-Jul	13-Jul	19-Jul	20.7	ZARc
Nictus Holdings Ltd. (NICTUS H)	29-Jun	16-Jul	26-Jul	18	NADc
Investec Ltd. (INVLTD)	21-May	20-Jul	10-Aug	150	ZARc
Investec plc (INVPLC)	21-May	20-Jul	10-Aug	7.5	GBPp

ISA Holdings Ltd. (ISA)	31-May	20-Jul	26-Jul	3.3	ZARc
Investec Ltd. (INVLTD-NSX)	21-May	20-Jul	10-Aug	7.5	GBPp
Lewis Group Ltd. (LEWIS)	27-May	20-Jul	26-Jul	195	ZARc
Mahube Infrastructure Ltd. (MAHUBE)	01-Jun	20-Jul	26-Jul	32	ZARc
Marshall Monteagle PLC (MARSHALL)	30-Jun	20-Jul	30-Jul	1.9	USDc
Ninety One plc (NINETY 1P)	19-May	20-Jul	12-Aug	6.7	GBPp
Nictus Ltd. (NICTUS)	30-Jun	20-Jul	26-Jul	5	ZARc
Ninety One Ltd. (NINETY 1L)	19-May	20-Jul	12-Aug	133	ZARc
RH Bophelo Ltd. (RHBOPHELO)	01-Jun	20-Jul	26-Jul	15	ZARc
Safari Investments RSA Ltd. (SAFARI)	30-Jun	20-Jul	26-Jul	25	ZARc
Stenprop Ltd. (STENPROP)	11-Jun	20-Jul	13-Aug	3.38	GBPp
Vukile Property Fund Ltd. (VUKILE)	09-Jun	20-Jul	26-Jul	101.04	ZARc
Vukile Property Fund Ltd. (VUKILE-NSX)	09-Jun	20-Jul	26-Jul	101.04	ZARc
Invicta Holdings Ltd. (INVICTA)	28-Jun	27-Jul	02-Aug	60	ZARc
Invicta Holdings Ltd. (INVICTA-A2X)	28-Jun	27-Jul	02-Aug	60	ZARc
Nampak Ltd. (NAMPAK 6%P)	07-Jul	27-Jul	02-Aug	6	ZARc
Nampak Ltd. (NAMPAK 6.5)	07-Jul	27-Jul	02-Aug	6.5	ZARc
Schroder European Real Estate Investment Trust Plc (SERE)	07-Jul	27-Jul	16-Aug	1.85	EURc

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