

HIGH DIVIDEND YIELD & SHARE BUYBACKS AVAILABLE ON THE JSE, IN AN AMC

The Standard Bank AMC002 is linked to the **High Street Offshore Yielding Portfolio** as the reference portfolio (**JSE code: AMC002**), with Standard Bank as the issuer. This Actively Managed Certificate (AMC) listed on the JSE on the 1st of December 2022. High Street Asset Management (HSAM) is a South African asset management firm that is based in Johannesburg. The firm specialises in mitigating South African specific risk for investors and has experience in investing in the international markets for over ten years.

The High Street Offshore Yielding Portfolio puts a spotlight on global high dividend yields and share buybacks. Dividends can be seen as timeless in the sense that they never go out of style. Now we see complementing strategies, such as share buybacks, that also rewards shareholders, enhances return on capital, and adds to diversification to a portfolio. This AMC is suitable for investors who are looking to get exposure to these high yielding listed instruments.

For more information on Actively Managed Certificates, check out Episode 44 of the etfSA Investor podcast under the etfSA.co.za website > Media Center > Podcasts: [Episode 44 -Active Management and Exchange-Traded Products - the Next Generation](#)

Check out the etfSA Investor Podcast on this High Street Offshore Yielding Portfolio (Episode 49), under the etfSA.co.za website > Media Center > Podcasts: [Episode 49 - Enhancing Yield through Share Buybacks](#)

The details of the new product are as follows:

ETP Name	JSE Code	Issuer	Listing Date	ISIN	Sector Exposure
High Street Offshore Yielding Portfolio	AMC002	Standard Bank	1 December 2022	ZAE000316667	Specialist Securities – High Dividend Yields & Share Buybacks

OVERVIEW

The **High Street Offshore Yielding Portfolio (AMC002)** is an Actively Managed Certificate that invests in multinational companies, across developed market countries; and across various sectors such as financials, healthcare, consumer staples, and technology. It provides exposure to high yields in the form of dividends, which also includes share buybacks. When it comes to dividends, shareholders get rewarded, often on a recurring basis, in the form of a distribution that is paid on a per share basis. This means that it is calculated based on the number of shares that one holds. Share buybacks on the other hand, rewards shareholders by paying them for the shares that have been bought back. When a company buys back its shares, it is effectively increasing the demand for those shares in the market and decreases the number of outstanding shares in the market; which effectively drives up the price of those shares and maximises shareholder value. The combination of these two high yielding assets, produces a total yield which enables High Street Asset Management to focus on companies that generate large amounts of free cash flow.

Due to the High Street Offshore Yielding Portfolio being actively managed, the underlying holdings can change at any time so be sure to obtain the latest information on the Portfolio. Investments into this AMC are made in South African Rands; however, the underlying investments are in various currencies, such as U.S. Dollars, Pounds, Euros, Swiss Franc, Canadian Dollars, and Australian Dollars. This means that the performance is exposed to currency risk (i.e., exchange rate differential).

- The management fee is 0.75% excl. VAT | Standard Bank issuer fee is 0.35% excl. VAT
- In terms of income distributions, it is a total return portfolio, which means that dividends will automatically be reinvested.
- In terms of tax, all interest and dividends are wound up in the structure, so only CGT may apply on the sale of the AMC
- **This AMC is suitable for investors with a long-term view and the risk profile is moderate-to-high**

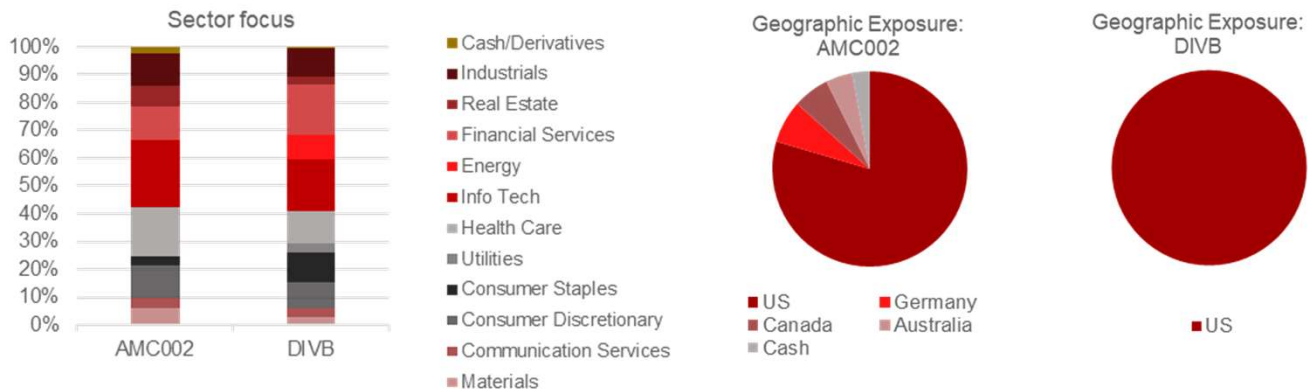
Research News: High Street Offshore Yielding Portfolio

May 2023

PORTFOLIO ANALYSIS

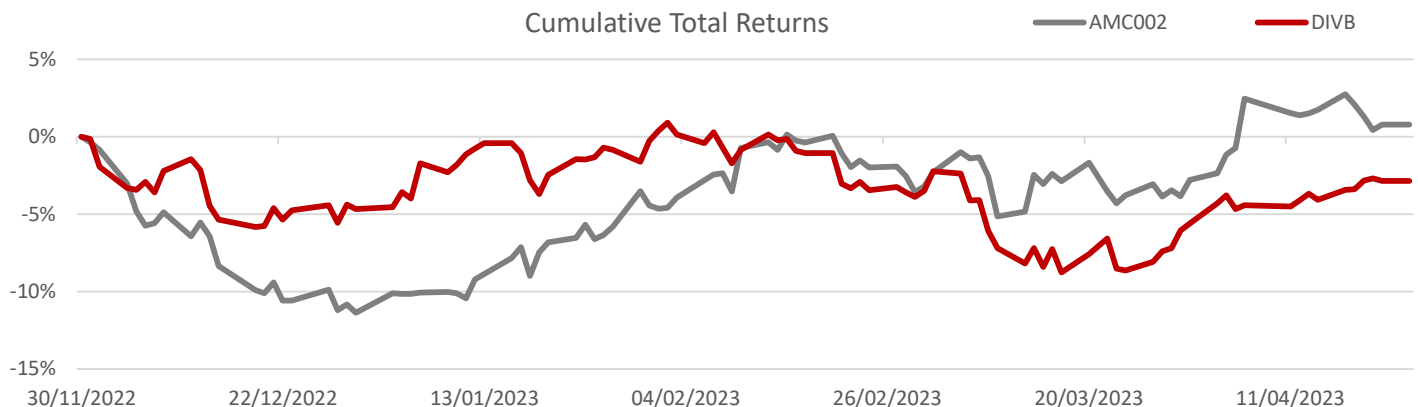
Looking at the sectoral exposure as shown below, the **High Street Offshore Yielding Portfolio (AMC002)** currently has the largest weighting towards the technology, health care, financials, and consumer discretionary sectors. For comparative purposes, the **iShares Core Dividend ETF (DIVB)** has been included in the sector analysis below. Please note that this ETF is only included in this analysis for illustrative purposes, and it is not the AMC's benchmark. The DIVB ETF tracks the Morningstar US Dividend and Buyback Index, which provides exposure to U.S. companies that have a history of dividend payments and/or share buybacks. We can see that the DIVB ETF looks a lot like the AMC002. The largest sector allocation for the DIVB ETF is weighted towards information technology, financials, health care and consumer staples. Given that both the AMC002 and the DIVB ETF have similar investment strategies, and a significant exposure to the United States (U.S.), you can expect their allocations to be similar.

On that note, while the U.S. dominates the portfolio allocation for AMC002, it is diversified across other developed market countries such as Germany, Canada, and Australia. Even though the geographic exposure for AMC002 points to developed market countries, the underlying exposure is vast in the sense that these multinational companies generate their income from business activities globally. This essentially means that the exposure could extend to emerging market countries as well, thereby potentially indirectly increasing diversification. It is important to highlight here that because the High Street Offshore Yielding Portfolio is actively managed, the underlying holdings can change at any time, therefore the sector and geographic exposure may change as well. Be sure to check the latest factsheets and information to get the latest updates on what the portfolio consists of.



Source: High Street Asset Management, iShares. etfSA (24 April 2023)

In terms of performance, the DIVB ETF has been included in the graph below for comparative purposes. Even though the AMC002 and DIVB have similar strategies, the overlay of active management paints a different picture for AMC002, which currently seems to outperform the DIVB ETF. Please be informed that past performance is not indicative of future results.



Rebased to 0% for the selected period Source: High Street Asset Management, iShares. etfSA (24 April 2023)

METHODOLOGY

Understanding the investment strategy is vital to know what you will be investing in. The High Street Offshore Yielding Portfolio makes use of certain processes and methodologies when screening for the best-fit underlyings to include in the portfolio. A bottom-up research methodology is applied with a particular focus on global multinational companies that can generate robust and significant cash flows. This translates into strong recurring dividend payments and capital return for shareholders through share buybacks. Further details on the selection process is shown below:

- **Screen stocks based on key fundamental metrics** – eliminate the higher risk companies and identify the more defensive ones. From an active perspective, not every share buyback is done for the right reasons, especially when management compensation is associated with per share metrics, so there could be an issue of the potential for share price manipulation. Active management allows for a deeper analysis of share buybacks to check if a company is buying back its shares for the right reasons.
- **Overlay of non-negotiable metrics** with the most important one being the minimal total yield that can be expected.
- Once all factors have been met, analysts from High Street Asset Management does a **deep dive into the potential companies' prospects**, with a primary focus on competitive advantage and durability.
- A **pitch is done to the relevant team** to determine whether the company/companies are justified for inclusion in the portfolio.
- If it gets the **go-ahead**, the stock automatically goes on the bench, where it will be included in the AMC, **if it is trading at a reasonable price**.

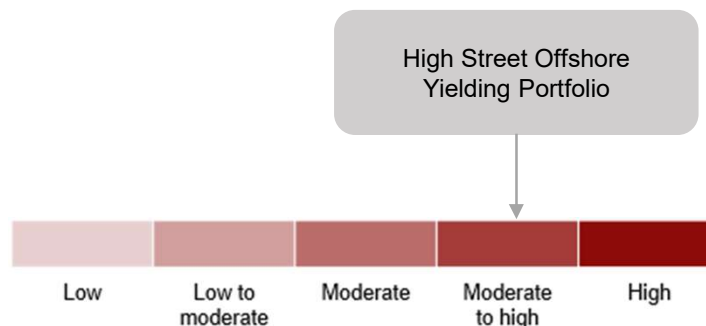
Source: High Street Asset Management (21 April 2023)

RISK PROFILE

The High Street Offshore Yielding Portfolio (AMC002) is uniquely positioned as being an actively managed portfolio that provides investors with exposure to high total yields in the form of dividends and share buy backs. It is also easily accessible and does not utilise the individual SARB foreign investment allowance because the AMC is listed in Rands. Investments are not without risk and there are various factors to consider. etfSA.co.za classifies the risk profile of the High Street Offshore Yielding Portfolio as moderately high. Investors should be aware of their risk appetite and should be mindful of the risks associated with investing in this AMC. Be sure to obtain the latest information and risk considerations of the AMC from the fund manager.

Details on some of the risks to be aware of is as follows:

- **Currency Risk:** The Portfolio may be exposed to currency risk in relation to the valuation of assets held in other currencies besides the Rand
- **Market Risk:** Market risk exists because of price changes. As the portfolio will always be exposed to markets, it is effectively exposed to market-related volatility
- **Credit Risk:** The risk that a borrower fails to meet its obligations, resulting in a financial loss
- **Liquidity Risk:** A risk that an investment cannot be bought or sold on time to prevent or minimise a loss
- **Interest Rate Risk:** Interest rate risk is the decline in the value of an asset or instrument resulting from fluctuations in interest rates.



Disclaimer

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