

Performance fees

Fund management fees charged by investment managers are structured to cover and provide for various costs involved with managing and administering funds. These are referred to as flat fees and can include:

- costs to manage the investments of the fund
- costs to comply with regulation
- costs to comply with mandate restrictions
- investment administration costs
- IT and system operating and licensing costs
- reporting to investors, including income tax and withholding tax
- marketing and other operational costs

Performance fees are a type of fund management fee expressed in variable terms (as opposed to a flat fee). This variable charging structure, when well-constructed, should align the interest of both clients and managers. The below questions and answers explain performance fees. If you have any further questions, please contact your financial adviser or phone us on 0800 600 168.

	Domestic				Global		
PSG funds which charge performance fees	PSG Equity Fund		PSG Flexible Fund		PSG Global Flexible Sub Fund		PSG Multi-Management Global Flexible Fund of Funds (Dollar)
Benchmarks	Composite of 80% FTSE/JSE Capped Swix All Share Net Total Return Index and 20% MSCI Daily Total Return Net World USD Index		SA Inflation plus 6%		US inflation plus 6%		EAA Fund USD Flexible Allocation Average
1. Fee classes which are charged performance fees	Class B	Class E	Class A	Class E	Class A	Class B	Class A
2. What are the minimum fees for the relevant funds and classes? (This is the minimum annual management fee that may be recovered from the fund by the Manager)	The minimum fees will be the allowable fees charged against the portfolio. These include annual management fees and other fund-related expenses, like audit and trustee fees, VAT and transaction costs. A schedule of fees and charges and maximum commissions is available on our website www.psg.co.za/asset-management or can be requested from PSG Collective Investments (RF) Limited.						
3. What are the base fees for the relevant funds and classes? (The base fee is the portion of the annual management fee charged before any performance is taken into account)	1.00%	0.75%	1.00%	0.75%	1.00%	0.50%	1.50%
	The above fees are stated exclusive of VAT				VAT is not applicable on offshore funds		
4. What are the maximum fees for the relevant funds and classes?	The performance fee is capped at 2% of fund NAV (excluding VAT) per annum.		The performance fee for the fund is uncapped. Maximum performance fees will therefore depend on the level of performance of the fund.				
5. At which performance levels (also called the fee hurdles) will the Manager charge more than the fees at benchmark?	The Manager will charge more fees than the fees at benchmark if the fund outperforms the benchmark (Composite of 80% FTSE/JSE Capped Swix All Share Net Total Return Index and 20% MSCI Daily Total Return Net World USD Index).		The Manager will charge more fees than the fees at benchmark as soon as the fund's NAV is higher than the high-water mark. ¹				
6. Are the fee hurdles the same as the relevant fund benchmarks? If not, explain any differences and the reason for this.	Yes		No. The fund's daily NAV is compared to its high-water mark ¹ (highest NAV achieved) daily.		No. The fund's daily NAV is compared to its high-water mark ¹ (highest NAV achieved) daily.		No - the fee hurdle is the Citigroup 3-month Treasury Bill Index plus 2%. ***
7. What is the performance fee measurement period?	Calculated daily against a rolling 24-month hurdle		Calculated daily against the high-water mark ¹ .				Calculated daily against hurdle and high-water mark ¹ .
8. Will more than the base fee be charged regardless of whether the fund is experiencing positive or negative performance over the performance fee measurement period?	Yes, it is possible for the PSG Equity Fund, where performance fees are levied for relative outperformance to its benchmark that can experience negative returns. There can thus be performance fees levied for relative outperformance even though the benchmark returns that it tracks might be delivering negative returns.		No. A fee greater than the base fee will only be charged if the fund is experiencing positive performance above the threshold high-water mark ¹ .				No. A fee greater than the base fee will only be charged if the fund is experiencing positive performance above the high-water mark, subject to the fee hurdle.
9. What portion of the funds' outperformances will the Manager be entitled to share, should the funds perform above their fee hurdles (also called the sharing ratio)?	20%	20%	7%	7%	7%	7%	10%



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Fee classes which are charged performance fees	Class B	Class E	Class A	Class E	Class A	Class B	Class A
10. What fee rate (exclusive of VAT) will be charged if the fund delivers the following relative performance over its performance measurement period:							
<ul style="list-style-type: none">the funds perform 10% p.a. less than Performance Fee Benchmark	1%	0.75%	1.08% ²	0.83% ²	1%	0.5%	1.5%
<ul style="list-style-type: none">the funds perform 5% p.a. less than Performance Fee Benchmark	1%	0.75%	1.46% ³	1.21% ³	1.25% ⁴	0.75% ⁴	1.5%
<ul style="list-style-type: none">the funds perform in line with Performance Fee Benchmark	1%	0.75%	1.83% ⁵	1.59% ⁵	1.62% ⁶	1.12% ⁶	1.9%
<ul style="list-style-type: none">the funds perform 5% p.a. more than Performance Fee Benchmark	2.30% ⁷	2.04% ⁷	2.22% ⁸	1.97% ⁸	2.00% ⁹	1.50% ⁹	2.06% ¹⁰
<ul style="list-style-type: none">the funds perform 10% p.a. more than Performance Fee Benchmark	3% ¹¹ (Capped)	3% ¹¹ (Capped)	2.60% ¹²	2.35% ¹²	2.38% ¹³	1.88% ¹³	2.61% ¹⁴
11. Do any other classes of the funds charge fixed fees instead of performance fees?	Yes		Yes		No		No
12. Are the performance fees accrued daily (also called the Performance Fee Accrual Frequency)?	All performance fees are accrued daily.						
13. Do performance fee accruals pertain to performance periods more than a month prior to accrual?	Yes, where rolling measurement periods apply. Because of the lagged 24-month performance fee measurement period, unit holders entering (or leaving) the fund in that period may pay for performance which is higher or lower than that which they have experienced.		No				
14. Is a rolling measurement period used?	Yes – a rolling 24-month period. Because of the 24-month rolling performance fee measurement period, unit holders entering (or leaving) the fund in that period may pay for performance which is higher or lower than that which they have experienced.		No				
15. How often is the performance fee paid to the Manager (also called the “Performance Fee Payment Frequency”)?	The performance fee, if any, will be: <ul style="list-style-type: none">calculated and accrued dailypayable monthlyrecovered from the portfolio as part of the service charge						
16. Should the fund experience underperformance relative to the fee hurdle, how long is that under- performance held against the Manager? In particular, at what point would that under-performance be written off from a fee calculation point of view? This “write off” may be the consequence of a reset provision in the High-Water Mark, the length of the rolling period, or another implication of the mechanics of the performance fee basis and method.	The funds will only charge performance fees once the fee hurdle or high-water mark is exceeded. Fee write-offs are therefore not applicable.						
17. Does performance in excess of the hurdle need to overcome prior under- performance (also called a High-Water Mark system)? If so, explain whether fee accruals are simply suspended or whether past fee accruals are refunded. Also, disclose the circumstances under which the High-Water Mark expires, if at all.	No		Yes - Fees are accrued daily and are therefore suspended until such time that the next highest NAV price is reached.				
18. Do any underlying funds charge implicit performance fees?	Yes. All funds may invest in other collective investment schemes with the result that investors may indirectly pay performance fees if those funds charge performance fees. Where underlying funds charge implicit performance fees (i.e. implicit in their unit prices), unit holders may carry these performance fees regardless of whether the top tier fund or mandate has outperformed its own Performance Fee Benchmark.						



Notes

1. A high-water mark is the highest value that a unit price has ever reached. This can be best illustrated in the example outlined below:

You invest R100 000 in a fund today. The fund earns a 2% return over day 1 with the investment being valued at R102 000. A performance fee will be payable on the R2 000 gain. Over day 2, the investment value reduces by R3 000 to R99 000. No performance fee is payable for day 2. On day 3, the investment value increases to R105 000. The performance fee will be payable on R3 000 (Total R105 000 gain less the R102 000 gain on which the performance fee has already been paid)

GP = Gross Performance i.e. fund performance after all fees except the performance fee

PF = Performance fee i.e. managers share or participation in the fund performance

NP = Net Performance i.e. fund performance after all fees including the performance fee

2. Benchmark = Inflation* + 6% = 11.0%; less 10.0% = 1.0%; 1.08% GP x 7% PF= 0.08%; therefore 1.08% GP less PF of 0.08% = 1.00% NP
3. Benchmark = Inflation* + 6% = 11.0%; less 5.0% = 6.0%; 6.45% GP x 7% PF= 0.45%; therefore 6.45% GP less PF of 0.45% = 6.00% NP
4. Benchmark = US Inflation** + 6% = 8.30%; less 5.0% = 3.30%; 3.55% GP x 7.00% PF= 0.25%; therefore 3.55% GP less PF of 0.25% = 3.30% NP
5. Benchmark = Inflation* + 6% = 11.0%; at benchmark= 11.0%; 11.83% GP x 7% PF = 0.83%; therefore 11.83% GP less PF of 0.83% = 11.00% NP
6. Benchmark = US Inflation** + 6% = 8.30%; at benchmark= 8.30%; 8.92% GP x 7.00% PF = 0.62%; therefore 8.92% GP less PF of 0.62% = 8.30% NP
7. PF of 20% excl. VAT of outperformance = 6.30% GP x 20% PF= 1.30%; therefore 6.30% GP less PF of 1.30% = 5.00% NP in excess of benchmark performance
8. Benchmark = Inflation* + 6% = 11.0%; plus 5.0% = 16.0%; 17.22% GP x 7% PF = 1.22%; therefore 17.22% GP less PF of 1.22% = 16.00% NP
9. Benchmark = US Inflation** + 6% = 8.30%; plus 5.0% = 13.30%; 14.30% GP x 7.00% PF= 1.00%; therefore 14.30% GP less PF of 1.00% = 13.30% NP
10. PF of 10% excl. VAT of outperformance = 5.56% GP x 10.0% PF= 0.56%; therefore 5.56% GP less PF of 0.56% = 5.00% NP in excess of benchmark performance
11. PF of 20% excl. VAT of outperformance = 12.50% GP x 20% PF= 2.50% BUT PF is capped at 2% excl. VAT; therefore 12.50% GP less PF of 2% = 10.50%
12. Benchmark = Inflation* + 6% = 11%; plus 10% = 21%; 22.58% GP x 7% PF= 1.58%; therefore 22.58% GP less PF of 1.58% = 21.0% NP
13. Benchmark = US Inflation** + 6% = 8.30%; plus 10%= 18.30%; 19.68% GP x 7.00% PF= 1.38%; therefore 19.68% GP less PF of 1.38% = 18.30% NP
14. PF of 10% excl. VAT of outperformance = 11.1% GP x 10.0% PF= 1.11%; therefore 11.1% GP less PF of 1.11% = 10.0% NP in excess of benchmark performance

*Inflation assumed at 5%

**US Inflation assumed at 2.3%

***Citigroup 3-month Treasury Bill Index