PSG Asset Management

# Quarterly portfolio fund commentaries

December 2021

## Contents

## 2021 in review

2021 was an exceptional year to have had money in the market. The global economy continued its post-pandemic growth recovery and, for the first time in a long time, we are seeing widespread inflationary pressure. Central banks continue to be major price-insensitive participants in capital markets, but several (notably the US Federal Reserve) are signalling a gradual normalisation in accommodative monetary policy.

Global equities continued their extraordinary run as the MSCI World Index returned 22.4% in US dollars. US equities once again did the heavy lifting (particularly a handful of very large index constituents), while European (up 17.2%) and emerging market (down 2.2%) equities were weaker over the year, with the latter driven by a very poor performance of Chinese equities.

Domestic risk assets experienced one of their best years in history. The JSE All Share Index returned 29.2% over the year (15.1% in the last quarter). After a torrid few years, the listed property index beat equities achieving a 36.9% return. The rand weakened by 8.5% relative to a strong US dollar over the year, mostly in the most recent quarter.

## Looking forward

Our investment process deliberately downplays our ability to predict macro outcomes, preferring to ground decisions in bottom-up company and industry prospects. However, when we take the temperature of aggregate investing conditions, it seems increasingly likely that certain shifts have taken place:

- Monetary and fiscal accommodation have been applied aggressively, and in concert.
- Household and corporate balance sheets have come out of the pandemic in robust health with plenty of room to contribute to consumption- and investment-led growth, accessing credit along the way.
- There is evidence of widespread inflation pressures, some of which appear to be more persistent than initially expected.

These themes stand in stark contrast to the prevailing market consensus and capital allocation choices, which appear to extrapolate the last decade's investment environment with unabated certainty.

Our positioning going into 2022 is consistent with our messaging over the last few years. Our clients are deliberately not invested in the areas of speculation and price insensitivity (which include special purpose acquisition companies (SPACs), high-flying growth shares and developed market bonds) and instead own assets with very different attributes to current favourites and headline indices.

Many of these attractive areas are out of the limelight, and not well represented in large indices:

- Shares where exceptional quality and growth potential are currently hidden, misunderstood or just ignored by the market. Examples include Discovery, AB Inbev, Remgro, JSE, Prudential and Liberty Global.
- Domestic shares on low starting valuations and at the early stages of an earnings recovery cycle. As seen in the increasing number of delistings and corporate action, private investors and industry players are coming to share our positive outlook on these opportunities.
- Basic materials shares such as Glencore and Mosaic (fertiliser), shipping equities, energy and precious metals with constrained supply characteristics.
- Global opportunities in neglected markets such as the UK and Japan.

Generally, our positioning is skewed towards higher-yielding opportunities where a greater weight of the inherent value is reflected in nearer-term cash flows. While the rationale for owning them is justified on their own merits, we expect our clients to find their portfolios to be increasingly valuable should we enter a more inflationary regime and low-duration equities have their time in their sun.

## Portfolio performance and positioning

Over the quarter the PSG Equity Fund returned 6.3% versus the benchmark return of 15.1%. The contributors over this period were resources (2.5%), industrials (2.4%) and foreign equities (0.9%). Over the quarter, the top contributors to portfolio performance included Anglogold Ashanti, Glencore, Sun international, Northam Platinum and Anheuser-Busch Inbev.

The PSG Equity Fund also had a very strong year, with a return of 38.8% (benchmark: 29.2%) with positive contributions coming from a broad number of stocks. Noteworthy individual contributors were Glencore, Imperial, Remgro, Grindrod Shipping and Mosaic. Pleasingly, there were no material detractors to performance over the year.

The fund is suitable for investors with an investment term of 7 years and longer. Over the short-term returns can be volatile and for this reason it is important to measure fund returns over the relevant investment term. Over the 7-year time horizon, the fund returned 5.7% versus the benchmark return of 9.2%. Since inception, the fund has performed in the top quartile and produced an annual return of 15.2% versus the benchmark return of 13.6%.

The fund is expressing conviction in the best ideas on our buy lists. We expect these to generate attractive long-term returns at relatively low levels of risk.

## Changes in portfolio positioning

| Q3 2021 | | Q4 2021 | |
|---|---|---|---|
| Domestic equity | 72.8% | Domestic equity | 72.8% |
| Domestic property | 2.9% | Domestic property | 2.2% |
| Foreign equity | 22.6% | Foreign equity | 24.5% |
| Foreign property | 1.6% | Foreign property | 0.5% |
| Foreign cash | 0.1% | Foreign cash | 0.0% |

*There may be slight differences in the totals due to rounding.*

| | |
|---|---|
| **Number of units as at 31 December 2021 (Class A):** | 34 833 611 |
| **Price (net asset value per unit) as at 31 December 2021 (Class A):** | R12.98 |
| **Number of units as at 31 December 2021 (Class E):** | 81 470 787 |
| **Price (net asset value per unit) as at 31 December 2021 (Class E):** | R13.01 |

All data as per Bloomberg as at 31 December 2021

## Total investment charge

### PSG Equity Fund Class A

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **1.76** |
| Annual management fee % (incl. VAT) | 1.73 |
| Other costs excluding transaction costs % (incl. VAT) | 0.03 |
| Transaction costs % (incl. VAT) | 0.27 |
| **Total investment charge % (incl. VAT)** | **2.03** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **1.75** |
| Annual management fee % (incl. VAT) | 1.73 |
| Other costs excluding transaction costs % (incl. VAT) | 0.02 |
| Transaction costs % (incl. VAT) | 0.30 |
| **Total investment charge % (incl. VAT)** | **2.05** |

### PSG Equity Fund Class E

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **1.01** |
| Annual management fee % (incl. VAT) | 0.86 |
| Other costs excluding transaction costs % (incl. VAT) | 0.03 |
| Performance fee % (incl. VAT) | 0.12* |
| Transaction costs % (incl. VAT) | 0.27 |
| **Total investment charge % (incl. VAT)** | **1.28** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **1.22** |
| Annual management fee % (incl. VAT) | 0.86 |
| Other costs excluding transaction costs % (incl. VAT) | 0.03 |
| Performance fee % (incl. VAT) | 0.33* |
| Transaction costs % (incl. VAT) | 0.30 |
| **Total investment charge % (incl. VAT)** | **1.52** |

*The Performance Fee of 20% (excl. VAT) of the outperformance of Benchmark.

**Disclaimer**

Collective Investment Schemes in Securities (CIS) are generally medium to long- term investments. The value of participatory interests (units) or the investment may go down as well as up and past performance is not a guide to future performance. Fluctuations or movements in the exchange rates may cause the value of underlying international investments to go up or down. CIS are traded at ruling prices and can engage in borrowing and scrip lending. The portfolio may borrow up to 10% of its market value to bridge insufficient liquidity. Where foreign securities are included in a portfolio, the portfolio is exposed to risks such as potential constraints on liquidity and the repatriation of funds, macroeconomic, political, foreign exchange, tax, settlement and potential limitations on the availability of market information. The portfolios may be capped at any time in order for them to be managed in accordance with their mandate. PSG Collective Investments (RF) Limited does not provide any guarantee either with respect to the capital or the return of the portfolio. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

**Performance**

All performance data for a lump sum, net of fees, include income and assumes reinvestment of income on a NAV to NAV basis. Annualised performances show longer term performance rescaled over a 12 month period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Performance is calculated for the portfolio and individual investor performance may differ as a result thereof. The portfolio is valued at 15h00 daily. Cut-off time is determined by the platform. Income distributions are net of any applicable taxes. Actual annual figures are available to the investor on request. Prices are published daily and available on the website www.psg.co.za/asset-management and in the daily newspapers. Figures quoted are from Morningstar Inc.

**Pricing**

Forward pricing is used. Unit trust prices are calculated on a net asset value (NAV) basis, which is the market value of all assets in the Fund including income accruals less permissible deductions divided by the number of units in issue.

**Redemptions**

The ability of a portfolio to repurchase is dependent upon the liquidity of the securities and cash of the portfolio. To protect investors, a manager may suspend repurchases for a period, subject to regulatory approval, to await liquidity. A suspension ensures that the sale of a large number of units will not force PSG Collective Investments to sell the underlying investments at a price in the market which could have a negative impact on investors. PSG Collective Investments will keep all investors informed should a situation arise where such suspension is required.

**Company details**

PSG Collective Investments (RF) Limited is registered as a CIS Manager with the Financial Sector Conduct Authority, and a member of the Association of Savings and Investments South Africa (ASISA) through its holdings company PSG Konsult Limited. The management of the portfolio is delegated to PSG Asset Management (Pty) Ltd, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act 2002, FSP no 29524. PSG Asset Management (Pty) Ltd and PSG Collective Investments (RF) Limited are subsidiaries of PSG Konsult Limited. PSG Collective Investments (RF) Limited can be contacted on +27(21) 799 8000; (toll free) 0800 600 168, via email assetmanagement@psg.co.za.

**Conflict of interest disclosure**

The Fund may from time to time invest in a portfolio managed by a related party. PSG Collective Investments (RF) Limited or the fund manager may negotiate a discount in fees charged by the underlying portfolio. All discounts negotiated are reinvested in the Fund for the benefit of the investors. Neither PSG Collective Investments (RF) Limited nor PSG Asset Management (Pty) Ltd retains any portion of such discount for their own accounts. The fund manager may use the brokerage services of a related party, PSG Securities Ltd.

**Trustees**

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Tel: +27 21 401 2443
Email: Compliance-PSG@standardbank.co.za

**Additional information**

Additional information is available free of charge on the website www.psg.co.za/asset-management and may include publications, brochures, forms and annual reports.

PSG Asset Management

# PSG Flexible Fund

Quarterly portfolio commentary as at 31 December 2021
by Shaun le Roux and Mikhail Motala

## 2021 in review

2021 was an exceptional year to have had money in the market. The global economy continued its post-pandemic growth recovery and, for the first time in a long time, we are seeing widespread inflationary pressure. Central banks continue to be major price-insensitive participants in capital markets, but several (notably the US Federal Reserve) are signalling a gradual normalisation in accommodative monetary policy.

Global equities continued their extraordinary run as the MSCI World Index returned 22.4% in US dollars. US equities once again did the heavy lifting (particularly a handful of very large index constituents), while European (up 17.2%) and emerging market (down 2.2%) equities were weaker over the year, with the latter driven by a very poor performance of Chinese equities.

Domestic risk assets experienced one of their best years in history. The JSE All Share Index returned 29.2% over the year (15.1% in the last quarter). After a torrid few years, the listed property index beat equities achieving a 36.9% return. The rand weakened by 8.5% relative to a strong US dollar over the year, mostly in the most recent quarter.

## Looking forward

Our investment process deliberately downplays our ability to predict macro outcomes, preferring to ground decisions in bottom-up company and industry prospects. However, when we take the temperature of aggregate investing conditions, it seems increasingly likely that certain shifts have taken place:

- Monetary and fiscal accommodation have been applied aggressively, and in concert.
- Household and corporate balance sheets have come out of the pandemic in robust health with plenty of room to contribute to consumption- and investment-led growth, accessing credit along the way.
- There is evidence of widespread inflation pressures, some of which appear to be more persistent than initially expected.

These themes stand in stark contrast to the prevailing market consensus and capital allocation choices, which appear to extrapolate the last decade's investment environment with unabated certainty.

Our positioning going into 2022 is consistent with our messaging over the last few years. Our clients are deliberately not invested in the areas of speculation and price insensitivity (which include special purpose acquisition companies (SPACs), high-flying growth shares and developed market bonds) and instead own assets with very different attributes to current favourites and headline indices.

Many of these attractive areas are out of the limelight, and not well represented in large indices:

- Shares where exceptional quality and growth potential are currently hidden, misunderstood or just ignored by the market. Examples include Discovery, AB Inbev, Remgro, JSE, Prudential and Liberty Global.
- Domestic shares on low starting valuations and at the early stages of an earnings recovery cycle. As seen in the increasing number of delistings and corporate action, private investors and industry players are coming to share our positive outlook on these opportunities.
- Basic materials shares such as Glencore and Mosaic (fertiliser), shipping equities, energy and precious metals with constrained supply characteristics.
- Global opportunities in neglected markets such as the UK and Japan.

Generally, our positioning is skewed towards higher-yielding opportunities where a greater weight of the inherent value is reflected in nearer-term cash flows. While the rationale for owning them is justified on their own merits, we expect our clients to find their portfolios to be increasingly valuable should we enter a more inflationary regime and low-duration equities have their time in their sun.

## Portfolio performance and positioning

Over the quarter the PSG Flexible Fund returned 5.5% versus the benchmark return of 2.4%. The contributors over this period were resources (2.3%), industrials (2.3%) and foreign equities (0.9%). Over the quarter, the top contributors to portfolio performance included Anglogold Ashanti, Sun international, Anheuser-Busch Inbev, Glencore and Northam Platinum.

The PSG Flexible Fund had a very strong year, with a return of 36.3% (benchmark: 11.5%) with positive contributions coming from a broad number of stocks. Noteworthy individual contributors were Glencore, Imperial, Remgro, Simon Property, Mosaic and Grindrod Shipping. Pleasingly, there were no material detractors to performance over the year.

The fund is suitable for investors with an investment term of 5 years and longer. Over the short-term returns can be volatile and for this reason it is important to measure fund returns over the relevant investment term. Over the 5-year time horizon, the fund returned 6.3% versus the benchmark return of 10.4%. Since inception, the fund has performed in the top quartile and has produced an annual return of 13.9% versus benchmark return of 11.5%.

Our buy lists have highlighted several high-conviction ideas that we expect to generate attractive long-term returns at relatively low levels of risk. Accordingly, the fund is offensively positioned and cash levels are low relative to history.

## Changes in portfolio positioning

| Q3 2021 | | Q4 2021 | |
|---|---|---|---|
| Domestic equity* | 65.8% | Domestic equity* | 66.5% |
| Domestic property | 2.1% | Domestic property | 2.0% |
| Domestic cash, Treasury bills and NCDs | 4.3% | Domestic cash, Treasury bills and NCDs | 3.5% |
| Foreign equity** | 19.6% | Foreign equity** | 24.4% |
| Foreign property | 3.2% | Foreign property | 2.2% |
| Foreign cash | 5.0% | Foreign cash | 1.4% |
| *Includes -0.3% effective derivative exposure<br>**Includes -3.4% effective derivative exposure | | *Includes -0.2% effective derivative exposure<br>**Includes -1.1% effective derivative exposure | |

*There may be slight differences in the totals due to rounding.*

| | |
|---|---|
| **Number of units as at 31 December 2021 (Class A):** | 457 099 918 |
| **Price (net asset value per unit) as at 31 December 2021 (Class A):** | R6.26 |
| **Number of units as at 31 December 2021 (Class E):** | 840 676 673 |
| **Price (net asset value per unit) as at 31 December 2021 (Class E):** | R6.26 |

All data as per Bloomberg as at 31 December 2021

## Total investment charge

### PSG Flexible Fund Class A

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **1.57** |
| Annual management fee % (incl. VAT) | 1.15 |
| Other costs excluding transaction costs % (incl. VAT) | 0.04 |
| Performance fee % (incl. VAT) | 0.38* |
| Transaction costs % (incl. VAT) | 0.23 |
| **Total investment charge % (incl. VAT)** | **1.80** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **2.63** |
| Annual management fee % (incl. VAT) | 1.15 |
| Other costs excluding transaction costs % (incl. VAT) | 0.05 |
| Performance fee % (incl. VAT) | 1.43* |
| Transaction costs % (incl. VAT) | 0.23 |
| **Total investment charge % (incl. VAT)** | **2.86** |

### PSG Flexible Fund Class E

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **1.34** |
| Annual management fee % (incl. VAT) | 0.86 |
| Other costs excluding transaction costs % (incl. VAT) | 0.04 |
| Performance fee % (incl. VAT) | 0.44* |
| Transaction costs % (incl. VAT) | 0.23 |
| **Total investment charge % (incl. VAT)** | **1.57** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **2.43** |
| Annual management fee % (incl. VAT) | 0.86 |
| Other costs excluding transaction costs % (incl. VAT) | 0.05 |
| Performance fee % (incl. VAT) | 1.52* |
| Transaction costs % (incl. VAT) | 0.23 |
| **Total investment charge % (incl. VAT)** | **2.66** |

*The Performance Fee of 7% (excl. VAT) of the outperformance of the high water mark.

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## Trustees

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## Additional information

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## 2021 in review

2021 was an exceptional year to have had money in the market. The global economy continued its post-pandemic growth recovery and, for the first time in a long time, we are seeing widespread inflationary pressure. Central banks continue to be major price-insensitive participants in capital markets, but several (notably the US Federal Reserve) are signalling a gradual normalisation in accommodative monetary policy.

Global equities continued their extraordinary run as the MSCI World Index returned 22.4% in US dollars. US equities once again did the heavy lifting (particularly a handful of very large index constituents), while European (up 17.2%) and emerging market (down 2.2%) equities were relatively weaker over the year, with the latter driven by a very poor performance of Chinese equities.

Domestic risk assets experienced one of their best years in history. The JSE All Share Index returned 29.2% over the year (15.1% in the last quarter). After a torrid few years, the listed property index beat equities achieving a 36.9% return. Bonds also had a good year, with the All-Bond Index returning 8.5% and inflation-linked bonds 15.5%. The rand weakened by 8.5% relative to a strong US dollar over the year, mostly in the most recent quarter.

## Looking forward

Our investment process deliberately downplays our ability to predict macro outcomes, preferring to ground decisions in bottom-up company and industry prospects. However, when we take the temperature of aggregate investing conditions, it seems increasingly likely that certain shifts have taken place:

- Monetary and fiscal accommodation have been applied aggressively, and in concert.
- Household and corporate balance sheets have come out of the pandemic in robust health with plenty of room to contribute to consumption- and investment-led growth, accessing credit along the way.
- There is evidence of widespread inflation pressures, some of which appear to be more persistent than initially expected.

These themes stand in stark contrast to the prevailing market consensus and capital allocation choices, which appear to extrapolate the last decade’s investment environment with unabated certainty.

Our positioning going into 2022 is consistent with our messaging over the last few years. Our clients are deliberately not invested in the areas of speculation and price insensitivity (which include special purpose acquisition companies (SPACs), high-flying growth shares and developed market bonds) and instead own assets with very different attributes to current favourites and headline indices.

Many of these attractive areas are out of the limelight, and not well represented in large indices:

- Shares where exceptional quality and growth potential are currently hidden, misunderstood or just ignored by the market. Examples include Discovery, AB Inbev, Remgro, JSE, Prudential and Liberty Global.
- Domestic shares on low starting valuations and at the early stages of an earnings recovery cycle. As seen in the increasing number of delistings and corporate action, private investors and industry players are coming to share our positive outlook on these opportunities.
- Basic materials shares such as Glencore and Mosaic (fertiliser), shipping equities, energy and precious metals with constrained supply characteristics.
- Global opportunities in neglected markets such as the UK and Japan.
- Longer-dated domestic government fixed and inflation-linked bonds with exceptionally high real yields.

Generally, our positioning is skewed towards higher-yielding opportunities where a greater weight of the inherent value is reflected in nearer-term cash flows. While the rationale for owning them is justified on their own merits, we expect our clients to find their portfolios to be increasingly valuable should we enter a more inflationary regime and low-duration equities have their time in their sun.

## Portfolio performance and positioning

The PSG Balanced Fund had an exceptional year, with a return of 35.3% (benchmark: 10.5%) and positive contributions coming from a broad number of securities and asset classes. Noteworthy individual contributors were Tanger Factory Outlets, Glencore and Mosaic, while the largest detractors were S&P500 put option hedges (insurance we were more than happy to pay!). Listed property and bonds (particularly inflation-linked bonds) contributed to aggregate performance as well. Even though the fund had a better year, we still see considerable return potential embedded in our positioning.

Over the most recent quarter the Fund returned 7.7% versus the benchmark return of 2.2%. The top contributors over this period were US insurer Jackson Financial (which we bought very profitably after being spun out of Prudential plc), while our put option hedges detracted moderately as global market indices continued their ascent.

During the quarter we brought back some offshore cash at favourable exchange rates and deployed it in domestic equities and bonds. We have reasonably full exposures to our best ideas and retain moderate hedging positions to control aggregate equity market risk in the fund.

The fund is suitable for investors with an investment term of 5 years and longer. Over the short-term returns can be volatile and for this reason it is important to measure fund returns over the relevant investment term. Over the 5-year time horizon, the fund returned 7.2% versus the benchmark return of 9.4%. Since inception the fund has produced an annual return of 13.0% compared to a benchmark return of 10.4%.

## Changes in portfolio positioning

| Q3 2021 | | Q4 2021 | |
|---|---|---|---|
| Domestic equity | 46.9% | Domestic equity | 48.2% |
| Domestic property | 5.4% | Domestic property | 5.5% |
| Domestic cash, Treasury bills and NCDs | 2.3% | Domestic cash, Treasury bills and NCDs | 1.9% |
| Domestic bonds | 15.0% | Domestic bonds | 16.1% |
| Foreign equity* | 22.8% | Foreign equity* | 25.1% |
| Foreign cash | 5.3% | Foreign cash | 1.9% |
| Foreign property | 2.3% | Foreign property | 1.3% |
| *Includes -3.3% effective derivative exposure | | *Includes -1.6% effective derivative exposure | |

*There may be slight differences in the totals due to rounding.*

| | |
|---|---|
| **Number of units as at 31 December 2021 (Class A):** | 50 730 907 |
| **Price (net asset value per unit) as at 31 December 2021 (Class A):** | R82.41 |
| **Number of units as at 31 December 2021 (Class E):** | 58 433 355 |
| **Price (net asset value per unit) as at 31 December 2021 (Class E):** | R82.53 |

All data as per Bloomberg as at 31 December 2021.

## Total investment charge

### PSG Balanced Fund Class A

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **1.77** |
| Annual management fee % (incl. VAT) | 1.73 |
| Other costs excluding transaction costs % (incl. VAT) | 0.04 |
| Transaction costs % (incl. VAT) | 0.24 |
| **Total investment charge % (incl. VAT)** | **2.01** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **1.78** |
| Annual management fee % (incl. VAT) | 1.73 |
| Other costs excluding transaction costs % (incl. VAT) | 0.05 |
| Transaction costs % (incl. VAT) | 0.22 |
| **Total investment charge % (incl. VAT)** | **2.00** |

### PSG Balanced Fund Class E

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **1.19** |
| Annual management fee % (incl. VAT) | 1.15 |
| Other costs excluding transaction costs % (incl. VAT) | 0.04 |
| Transaction costs % (incl. VAT) | 0.24 |
| **Total investment charge % (incl. VAT)** | **1.43** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **1.21** |
| Annual management fee % (incl. VAT) | 1.15 |
| Other costs excluding transaction costs % (incl. VAT) | 0.06 |
| Transaction costs % (incl. VAT) | 0.22 |
| **Total investment charge % (incl. VAT)** | **1.43** |

**Disclaimer**

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**Regulation 28**

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**Performance**

All performance data for a lump sum, net of fees, include income and assumes reinvestment of income on a NAV to NAV basis. Annualised performances show longer term performance rescaled over a 12-month period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Performance is calculated for the portfolio and individual investor performance may differ as a result thereof. The portfolio is valued at 15h00 daily. Cut-off time is determined by the platform. Income distributions are net of any applicable taxes. Actual annual figures are available to the investor on request. Prices are published daily and available on the website www.psg.co.za/asset-management and in the daily newspapers. Figures quoted are from Morningstar Inc.

**Pricing**

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**Redemptions**

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**Conflict of interest disclosure**

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**Trustee**

The Standard Bank of South Africa Limited,
The Towers, 2 Heerengracht Street,
Cnr Hertzog Boulevard,
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Tel: +27 21 401 2443
Email: Compliance-PSG@standardbank.co.za

**Additional information**

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## 2021 in review

2021 was an exceptional year to have had money in the market. The global economy continued its post-pandemic growth recovery and, for the first time in a long time, we are seeing widespread inflationary pressure. Central banks continue to be major price-insensitive participants in capital markets, but several (notably the US Federal Reserve) are signalling a gradual normalisation in accommodative monetary policy.

Global equities continued their extraordinary run as the MSCI World Index returned 22.4% in US dollars. US equities once again did the heavy lifting (particularly a handful of very large index constituents), while European (up 17.2%) and emerging market (down 2.2%) equities were weaker over the year, with the latter driven by a very poor performance of Chinese equities.

Domestic risk assets experienced one of their best years in history. The JSE All Share Index returned 29.2% over the year (15.1% in the last quarter). After a torrid few years, the listed property index beat equities achieving a 36.9% return. The rand weakened by 8.5% relative to a strong US dollar over the year, mostly in the most recent quarter.

## Looking forward

Our investment process deliberately downplays our ability to predict macro outcomes, preferring to ground decisions in bottom-up company and industry prospects. However, when we take the temperature of aggregate investing conditions, it seems increasingly likely that certain shifts have taken place:

- Monetary and fiscal accommodation have been applied aggressively, and in concert.
- Household and corporate balance sheets have come out of the pandemic in robust health with plenty of room to contribute to consumption- and investment-led growth, accessing credit along the way.
- There is evidence of widespread inflation pressures, some of which appear to be more persistent than initially expected.

These themes stand in stark contrast to the prevailing market consensus and capital allocation choices, which appear to extrapolate the last decade's investment environment with unabated certainty.

Our positioning going into 2022 is consistent with our messaging over the last few years. Our clients are deliberately not invested in the areas of speculation and price insensitivity (which include special purpose acquisition companies (SPACs), high-flying growth shares and developed market bonds) and instead own assets with very different attributes to current favourites and headline indices.

Many of these attractive areas are out of the limelight, and not well represented in large indices:

- Shares where exceptional quality and growth potential are currently hidden, misunderstood or just ignored by the market. Examples include Discovery, AB Inbev, Remgro, JSE, Prudential and Liberty Global.
- Domestic shares on low starting valuations and at the early stages of an earnings recovery cycle. As seen in the increasing number of delistings and corporate action, private investors and industry players are coming to share our positive outlook on these opportunities.
- Basic materials shares such as Glencore and Mosaic (fertiliser), shipping equities, energy and precious metals with constrained supply characteristics.
- Global opportunities in neglected markets such as the UK and Japan.

Generally, our positioning is skewed towards higher-yielding opportunities where a greater weight of the inherent value is reflected in nearer-term cash flows. While the rationale for owning them is justified on their own merits, we expect our clients to find their portfolios to be increasingly valuable should we enter a more inflationary regime and low-duration equities have their time in their sun.

## Portfolio performance and positioning

Over the quarter the PSG Stable Fund returned 4.2% versus the benchmark return of 1.7%. The contributors over this period were industrials (1.1%), local government bonds (1.0%) and resources (0.8%). The fund is suitable for investors with an investment term of 3 years and longer. Over the 3-year time horizon, the fund returned 7.4% versus the benchmark return of 7.1%. Since inception, the fund has produced annualised returns of 8.4% versus benchmark return of 8.0% per annum.

Domestic equity exposure declined marginally, with purchases of Anheuser Busch, Royal Bafokeng Platinum and Standard Bank being more than offset by sales of Discovery, Sun International and Anglogold Ashanti (among others) into strength. Local property exposure remained fairly stable over the quarter while foreign property exposure was reduced. Foreign equity exposure increased, driven by a combination of net equity purchases, rand weakness and a decline in the effect of hedges. Larger foreign equity purchases during the quarter include Asahi Group and Jackson Financial, while the more meaningful sales included trimming exposure to Centene and Tesco. These sales were driven by share price increases leading to a declining margin of safety. We took advantage of the rand weakness to reduce foreign cash exposure. In South African fixed income, we maintained our large position in government bonds (both nominal and inflation-linked) and our duration exposure was effectively unchanged.

## Changes in portfolio positioning

| Q3 2021 | | Q4 2021 | |
|---|---|---|---|
| Domestic equity* | 25.2% | Domestic equity* | 23.4% |
| Domestic property | 3.0% | Domestic property | 2.7% |
| Domestic cash, Treasury bills and NCDs | 9.2% | Domestic cash, Treasury bills and NCDs | 10.2% |
| Domestic bonds | 45.0% | Domestic bonds | 46.8% |
| Foreign equity** | 11.5% | Foreign equity** | 13.7% |
| Foreign cash | 4.5% | Foreign cash | 2.3% |
| Foreign bonds | 0.4% | Foreign bonds | 0.4% |
| Foreign property | 1.2% | Foreign property | 0.5% |
| *Includes -0.2% effective derivative exposure<br>**Includes -3.0% effective derivative exposure | | *Includes -0.2% effective derivative exposure<br>**Includes -1.0% effective derivative exposure | |

*There may be slight differences in the totals due to rounding.*

| | |
|---|---|
| **Number of units as at 31 December 2021 (Class A):** | 34 073 423 |
| **Price (net asset value per unit) as at 31 December 2021 (Class A):** | R1.53 |
| **Number of units as at 31 December 2021 (Class E):** | 315 526 394 |
| **Price (net asset value per unit) as at 31 December 2021 (Class E):** | R1.53 |

All data as per Bloomberg as at 31 December 2021

## Total investment charge

### PSG Stable Fund Class A

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **1.77** |
| Annual management fee % (incl. VAT) | 1.73 |
| Other costs excluding transaction costs % (incl. VAT) | 0.04 |
| Transaction costs % (incl. VAT) | 0.16 |
| **Total investment charge % (incl. VAT)** | **1.93** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **1.78** |
| Annual management fee % (incl. VAT) | 1.73 |
| Other costs excluding transaction costs % (incl. VAT) | 0.05 |
| Transaction costs % (incl. VAT) | 0.11 |
| **Total investment charge % (incl. VAT)** | **1.89** |

### PSG Stable Fund Class E

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **1.20** |
| Annual management fee % (incl. VAT) | 1.15 |
| Other costs excluding transaction costs % (incl. VAT) | 0.05 |
| Transaction costs % (incl. VAT) | 0.16 |
| **Total investment charge % (incl. VAT)** | **1.36** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **1.20** |
| Annual management fee % (incl. VAT) | 1.15 |
| Other costs excluding transaction costs % (incl. VAT) | 0.05 |
| Transaction costs % (incl. VAT) | 0.11 |
| **Total investment charge % (incl. VAT)** | **1.31** |

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## Regulation 28

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## Performance

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## Pricing

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## Redemptions

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## Trustee

The Standard Bank of South Africa Limited,
The Towers, 2 Heerengracht Street,
Cnr Hertzog Boulevard,
Cape Town,
8001
Tel: +27 21 401 2443
Email: Compliance-PSG@standardbank.co.za

## Additional information

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# PSG Diversified Income Fund

Quarterly portfolio commentary as at 31 December 2021
by Lyle Sankar and John Gilchrist

## 2021 in review

2021 was an exceptional year to have had money in the market. The global economy continued its post-pandemic growth recovery and, for the first time in a long time, we are seeing widespread inflationary pressure. Central banks continue to be major price-insensitive participants in capital markets, but several (notably the US Federal Reserve) are signalling a gradual normalisation in accommodative monetary policy.

Global equities continued their extraordinary run as the MSCI World Index returned 22.35% in US dollars, driven by a few of the larger counters in the index. Domestic risk assets experienced one of their best years in history. The JSE All Share Index returned 29.2% over the year (15.1% in the last quarter). After a torrid few years, the listed property index beat equities, achieving a 36.9% return. Bonds also had another good year, with the ALBI returning 8.5% and the inflation-linked bond index returning 15.5%. Longer-dated bonds performed exceptionally, delivering equity-like returns, despite the rand weakening by 8.5% relative to a strong US dollar over the year. In addition, the preference share market produced stellar returns for the year, delivering 45% at an index level. Cash returned 3.81% and money market funds slightly more, but likely below the average inflation of 4.4% for the year.

## Looking forward

Our investment process deliberately downplays our ability to predict macro outcomes. When we take the temperature of aggregate investing conditions, it seems increasingly likely that certain shifts have taken place:

- Monetary and fiscal accommodation have been applied aggressively, and in concert.
- Household and corporate balance sheets have come out of the pandemic in robust health with plenty of room to contribute to consumption- and investment-led growth, accessing credit along the way.
- There is evidence of widespread inflation pressures, some of which appear to be more persistent than initially expected.

These themes stand in stark contrast to market positioning which appears to extrapolate the last decade's investment environment with unabated certainty.

Our positioning going into 2022 is consistent with our messaging over the last few years. We favour SA bonds and continue to hold the view that significant negative sentiment remains priced into this market. Bonds typically perform very well during subdued inflation, which is our expectation for the SA economy over the medium term. Further, SA bonds are trading at a high premium to developed market bond yields and provide a margin of safety against an inflationary backdrop and rising rates in the US. We continue to hold very low exposure to corporate bonds, where we are not seeing attractive yields. Further, we are not constructive on offshore bonds, rather, we use offshore cash to protect the portfolio against SA risks at the appropriate times. The fund core consists of sovereign bonds and cash, and we believe we can deliver very attractive inflation-beating returns at the appropriate level of risk.

In addition to a very attractive fixed income portfolio, we continue to use ideas from our property, preference share and equity (local and global) buy lists with the allowable exposure in the fund. Many of these attractive areas are shares where exceptional quality and growth potential are currently hidden, misunderstood or just ignored by the market. Our positioning in this portfolio is skewed towards opportunities we believe offer great value, as well as a return of cash flow in the nearer term. Should we continue to see inflationary pressures in the global economy, we believe these positions add differentiating sources of return to the core portfolio, as well as diversification of risks. The fund is not fully invested and therefore is able to respond very well to price and yield weakness in the market.

## Portfolio performance and positioning

The fund performed very well over the year. The result reflects the immense value in government bonds relative to the rest of the fixed income market. Over the final quarter of the year, the fund moderated the duration and government bond position and switched from inflation-linked to nominal exposure. The fund also added to NCDs at attractive yields, an area we believe is pricing in more rate hikes than is likely from the SARB at present. We continue to hold the view that money markets, cash and call-type funds will struggle to deliver inflation beating yields, with multi-asset income funds providing an attractive option – offering the best of the bond market but at less risk than a typical bond fund.

Over the quarter the PSG Diversified Income Fund returned 2.4% versus the benchmark return of 1.2%. The contributors over this period were local government bonds (1.2%), preference shares (0.4%) and equity (0.4%). Over a 1-year period the fund delivered a return of 9.7% versus the benchmark return of 6.5%. Looking back over the year, we believe market conditions and the vast opportunity available set for an actively managed multi-asset income fund provided for attractive outperformance without the need to take excessive risk.

**Changes in portfolio positioning**

| Q3 2021 | | Q4 2021 | |
|---|---|---|---|
| Domestic equity | 3.6% | Domestic equity | 3.3% |
| Domestic preference shares | 3.3% | Domestic preference shares | 3.1% |
| Domestic property | 0.8% | Domestic property | 0.7% |
| Domestic cash, Treasury bills and NCDs | 34.0% | Domestic cash, Treasury bills and NCDs | 41.4% |
| Domestic bonds | 50.7% | Domestic bonds | 46.7% |
| Foreign equity | 1.5% | Foreign equity | 1.1% |
| Foreign bonds | 0.7% | Foreign bonds | 0.6% |
| Foreign cash | 5.1% | Foreign cash | 2.8% |
| Foreign property | 0.3% | Foreign property | 0.3% |

*There may be slight differences in the totals due to rounding.*

**Number of units as at 31 December 2021 (Class A):** 1 410 302 774
**Price (net asset value per unit) as at 31 December 2021 (Class A):** R1.29
**Number of units as at 31 December 2021 (Class E):** 564 473 781
**Price (net asset value per unit) as at 31 December 2021 (Class E):** R1.29

All data as per Bloomberg as at 31 December 2021.

## Total investment charge

### PSG Diversified Income Fund Class A

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **1.20** |
| Annual management fee % (incl. VAT) | 1.15 |
| Other costs excluding transaction costs % (incl. VAT) | 0.05 |
| Transaction costs % (incl. VAT) | 0.14 |
| **Total investment charge % (incl. VAT)** | **1.34** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **1.19** |
| Annual management fee % (incl. VAT) | 1.15 |
| Other costs excluding transaction costs % (incl. VAT) | 0.04 |
| Transaction costs % (incl. VAT) | 0.11 |
| **Total investment charge % (incl. VAT)** | **1.30** |

### PSG Diversified Income Fund Class E

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **0.74** |
| Annual management fee % (incl. VAT) | 0.69 |
| Other costs excluding transaction costs % (incl. VAT) | 0.05 |
| Transaction costs % (incl. VAT) | 0.14 |
| **Total investment charge % (incl. VAT)** | **0.88** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **0.73** |
| Annual management fee % (incl. VAT) | 0.69 |
| Other costs excluding transaction costs % (incl. VAT) | 0.04 |
| Transaction costs % (incl. VAT) | 0.11 |
| **Total investment charge % (incl. VAT)** | **0.84** |

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**Yield**

The yield for the portion attributable to fixed income instruments is calculated daily on an annualised basis and is based on the historic yield of the fixed income instruments. The fund returns include returns from property and equity instruments.

**Company details**

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Email: Compliance-PSG@standardbank.co.za

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# PSG Income Fund

Quarterly portfolio commentary as at 31 December 2021
by Lyle Sankar and Duayne Le Roux

## 2021 in review

2021 was an exceptional year to have had money in the market. The global economy continued its post-pandemic growth recovery and, for the first time in a long time, we are seeing widespread inflationary pressure. Central banks continue to be major price-insensitive participants in capital markets, but several (notably the US Federal Reserve) are signalling a gradual normalisation in accommodative monetary policy.

Domestic risk assets experienced one of their best years in history. The JSE All Share Index returned 29.2% over the year (15.1% in the last quarter). After a torrid few years, the listed property index beat equities achieving a 36.9% return. Bonds also had another good year, with the ALBI returning 8.5% and the inflation-linked bond index returning 15.5%. Longer-dated bonds performed exceptionally, delivering equity-like returns, while the shorter-end (R186) disappointed significantly. This good performance was produced, despite the rand weakening by 8.5% relative to a strong US dollar over the year, illustrating the attractive embedded value in sovereign bonds. In addition, the preference share market produced stellar returns for the year, delivering 45% at an index level. Cash returned 3.81% and money market funds slightly more, but likely below the average inflation of 4.4% for the year.

## Looking forward

Our investment process deliberately downplays our ability to predict macro outcomes. When we take the temperature of aggregate investing conditions, it seems increasingly likely that certain shifts have taken place:

- Monetary and fiscal accommodation have been applied aggressively, and in concert.
- Household and corporate balance sheets have come out of the pandemic in robust health with plenty of room to contribute to consumption- and investment-led growth, accessing credit along the way.
- There is evidence of widespread inflation pressures, some of which appear to be more persistent than initially expected.
- These themes stand in stark contrast to market positioning which appears to extrapolate the last decade's investment environment with unabated certainty.

Our positioning going into 2022 is consistent with our messaging over the last few years. We favour SA bonds and continue to hold the view that significant negative sentiment remains priced into this market. Bonds typically perform very well during subdued inflation, which is our expectation for the SA economy over the medium term. We continue to hold very low exposure to corporate bonds, where we are not seeing attractive yields. We are also seeing attractive entry points back into the NCD market, where the market has begun to price significant rate hikes from the SARB – a view we do not hold. The fund core consists of sovereign bonds and cash, and we believe we can deliver very attractive cash and money market beating returns without taking significant additional risk. The fund is not fully invested and therefore is able to respond very well to price and yield weakness in the market. We will actively seek to buy only when we see an appropriate margin of safety.

## Portfolio performance and positioning

Fund performance reflects the immense value in government bonds relative to the rest of the fixed income market, allowing the fund to outperform cash and money markets without significant additional risk. While these returns are lower than what investors have become accustomed to in recent years, for investors seeking yields better than money market funds at low risk, this fund has illustrated consistency.

Over the quarter the PSG Income Fund returned 1.2% versus the benchmark return of 1.0%. The major contributors over this period were local government bonds (0.6%) and corporate bonds (0.1%). Over a 1-year period the fund delivered a return of 4.9% versus the benchmark return of 3.8%. Looking back over the year, we believe market conditions provided for sufficient opportunities for outperformance, similar to what we are seeing today.

Over the final quarter of the year, the fund moderated the duration and government bond position by switching from inflation-linked to nominal exposure. The fund also added to NCDs at attractive yields. We continue to hold the view that money markets, cash and call-type funds will struggle for some time and acceptable yields can only be obtained by adding to duration through sovereign bonds. We believe this area of the market offers some of the best risk-adjusted returns available.

### Changes in portfolio positioning

| Q3 2021 | | Q4 2021 | |
|---|---|---|---|
| Domestic bonds | 51.9% | Domestic bonds | 52.1% |
| Domestic cash, Treasury bills and NCDs | 48.1% | Domestic cash, Treasury bills and NCDs | 47.9% |

*There may be slight differences in the totals due to rounding.*

| | |
|---|---|
| **Number of units as at 31 December 2021 (Class A):** | 336 036 304 |
| **Price (net asset value per unit) as at 31 December 2021 (Class A):** | R1.07 |
| **Number of units as at 31 December 2021 (Class E):** | 1 569 888 917 |
| **Price (net asset value per unit) as at 31 December 2021 (Class E):** | R1.07 |

All data as per Bloomberg as at 31 December 2021.

## Total investment charge

#### PSG Income Fund Class A

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **0.80** |
| Annual management fee % (incl. VAT) | 0.75 |
| Other costs excluding transaction costs % (incl. VAT) | 0.05 |
| Transaction costs % (incl. VAT) | 0.11 |
| **Total investment charge % (incl. VAT)** | **0.91** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **0.79** |
| Annual management fee % (incl. VAT) | 0.75 |
| Other costs excluding transaction costs % (incl. VAT) | 0.04 |
| Transaction costs % (incl. VAT) | 0.09 |
| **Total investment charge % (incl. VAT)** | **0.88** |

#### PSG Income Fund Class E

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **0.52** |
| Annual management fee % (incl. VAT) | 0.46 |
| Other costs excluding transaction costs % (incl. VAT) | 0.06 |
| Transaction costs % (incl. VAT) | 0.11 |
| **Total investment charge % (incl. VAT)** | **0.63** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **0.51** |
| Annual management fee % (incl. VAT) | 0.46 |
| Other costs excluding transaction costs % (incl. VAT) | 0.05 |
| Transaction costs % (incl. VAT) | 0.09 |
| **Total investment charge % (incl. VAT)** | **0.60** |

**Disclaimer**

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**Yield**

The yield is calculated daily on an annualised basis. The calculation is based on the historic yield of fixed income instruments.

**Performance**

All performance data for a lump sum, net of fees, include income and assumes reinvestment of income on a NAV to NAV basis. Annualised performances show longer term performance rescaled over a 12 month period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Performance is calculated for the portfolio and individual investor performance may differ as a result thereof. The portfolio is valued at 15h00 daily. Cut-off time is determined by the platform. Income distributions are net of any applicable taxes. Actual annual figures are available to the investor on request. Prices are published daily and available on the website www.psg.co.za/asset-management and in the daily newspapers. Figures quoted are from Morningstar Inc.

**Pricing**

Forward pricing is used. Unit trust prices are calculated on a net asset value (NAV) basis, which is the market value of all assets in the Fund including income accruals less permissible deductions divided by the number of units in issue.

**Redemptions**

The ability of a portfolio to repurchase is dependent upon the liquidity of the securities and cash of the portfolio. To protect investors, a manager may suspend repurchases for a period, subject to regulatory approval, to await liquidity. A suspension ensures that the sale of a large number of units will not force PSG Collective Investments to sell the underlying investments at a price in the market which could have a negative impact on investors. PSG Collective Investments will keep all investors informed should a situation arise where such suspension is required.

**Company details**

PSG Collective Investments (RF) Limited is registered as a CIS Manager with the Financial Sector Conduct Authority, and a member of the Association of Savings and Investments South Africa (ASISA) through its holdings company PSG Konsult Limited. The management of the portfolio is delegated to PSG Asset Management (Pty) Ltd, an authorised Financial Services Providerunder the Financial Advisory and Intermediary Services Act 2002, FSP no 29524. PSG Asset Management (Pty) Ltd and PSG Collective Investments (RF) Limited are subsidiaries of PSG Konsult Limited. PSG Collective Investments (RF) Limited can be contacted on +27(21) 799 8000; (toll free) 0800 600 168, via email assetmanagement@psg.co.za.

**Conflict of interest disclosure**

The Fund may from time to time invest in a portfolio managed by a related party. PSG Collective Investments (RF) Limited or the fund manager may negotiate a discount in fees charged by the underlying portfolio. All discounts negotiated are reinvested in the Fund for the benefit of the investors. Neither PSG Collective Investments (RF) Limited nor PSG Asset Management (Pty) Ltd retains any portion of such discount for their own accounts. The fund manager may use the brokerage services of a related party, PSG Securities Ltd.

**Trustee**

The Standard Bank of South Africa Limited,
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**Additional information**

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# PSG Money Market Fund

Quarterly portfolio commentary as at 31 December 2021
by Duayne le Roux and Lyle Sankar

## 2021 in review

2021 was an exceptional year to have had money in the market. The global economy continued its post-pandemic growth recovery and, for the first time in a long time, we are seeing widespread inflationary pressure. Central banks continue to be major price-insensitive participants in capital markets, but several (notably the US Federal Reserve) are signalling a gradual normalisation in accommodative monetary policy.

Domestic risk assets experienced one of their best years in history. The JSE All Share Index returned 29.2% over the year (15.1% in the last quarter). After a torrid few years, the listed property index beat equities achieving a 36.9% return. Bonds also had another good year, with the ALBI returning 8.5% and the inflation-linked bond index returning 15.5%. Longer-dated bonds performed exceptionally, delivering equity-like returns, while the shorter-end (R186) disappointed significantly. This good performance was produced, despite the rand weakening by 8.5% relative to a strong US dollar over the year, illustrating the attractive embedded value in sovereign bonds. In addition, the preference share market produced stellar returns for the year, delivering 45% at an index level. Cash returned 3.81% and money market funds slightly more, but likely below the average inflation rate of 4.4% for the year.

## Looking forward

Our investment process deliberately downplays our ability to predict macro outcomes. When we take the temperature of aggregate investing conditions, it seems increasingly likely that certain shifts have taken place:

- Monetary and fiscal accommodation have been applied aggressively, and in concert.
- Household and corporate balance sheets have come out of the pandemic in robust health with plenty of room to contribute to consumption- and investment-led growth, accessing credit along the way.
- There is evidence of widespread inflation pressures, some of which appear to be more persistent than initially expected.
- These themes stand in stark contrast to market positioning which appears to extrapolate the last decade's investment environment with unabated certainty.

Over the past quarter, the steepness in the NCD curve has remained at similarly attractive levels to the previous quarter. And we have continued to allocate to those areas where this steepness has been most valuable.

Treasury bills offered modest yields compared to NCDs at the start of this period. These yields returned to attractive levels towards the end of the quarter and we look to take advantage of this while maintaining a healthy balance of attractive NCDs.

The fund has also taken advantage of shorter-dated corporate paper, which is attractively priced compared to shorter-dated NCDs.

In an environment where there is the potential for sustained inflationary pressures and where the repo rate is increasing, we believe cash rates will most likely reflect higher base rates going forward.  The fund is positioned to take advantage of this potential environment going forward. We expect the fund to outperform cash accounts over the near-term, as well as offer diversification against individual bank risk.

## Portfolio performance and positioning

Over the quarter the PSG Money Market Fund returned 0.9% versus the benchmark return of 0.9%. The fund is suitable for investors who need an interim investment vehicle or 'parking bay' for surplus money and a short-term investment horizon.

The fund decreased Treasury bill exposure during the course of the quarter in order to generate cash. While it maintained a similar balance of NCDs. The fund increased exposure to shorter-dated corporate paper to take advantage of attractively priced credit.

### Changes in portfolio positioning

| Q3 2021 | | Q4 2021 | |
|---|---|---|---|
| Linked NCDs/ Floating-rate notes | 0.7% | Linked NCDs/Floating-rate notes | 0.0% |
| Step rate notes | 14.0% | Step rate notes | 13.5% |
| NCDs | 37.0% | NCDs | 36.9% |
| Treasury bills | 42.5% | Treasury bills | 33.4% |
| Call deposits | 5.8% | Call deposits | 12.0% |
| Listed bond | 0.0% | Listed bond | 4.2% |

*There may be slight differences in the totals due to rounding.*

| | |
|---|---|
| **Number of units as at 31 December 2021 (Class A):** | 530 193 759 |
| **Price (net asset value per unit) as at 31 December 2021 (Class A):** | R1.00 |
| **Number of units as at 31 December 2021 (Class F):** | 391 094 815 |
| **Price (net asset value per unit) as at 31 December 2021 (Class F):** | R1.00 |

All data as per Bloomberg as at 31 December 2021.

### Total investment charge

#### PSG Money Market Fund Class A

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **0.59** |
| Annual management fee % (incl. VAT) | 0.58 |
| Other costs excluding transaction costs % (incl. VAT) | 0.01 |
| Transaction costs % (incl. VAT) | 0.10 |
| **Total investment charge % (incl. VAT)** | **0.69** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **0.59** |
| Annual management fee % (incl. VAT) | 0.58 |
| Other costs excluding transaction costs % (incl. VAT) | 0.01 |
| Transaction costs % (incl. VAT) | 0.12 |
| **Total investment charge % (incl. VAT)** | **0.71** |

#### PSG Money Market Fund Class F

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **0.36** |
| Annual management fee % (incl. VAT) | 0.35 |
| Other costs excluding transaction costs % (incl. VAT) | 0.01 |
| Transaction costs % (incl. VAT) | 0.10 |
| **Total investment charge % (incl. VAT)** | **0.46** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **0.36** |
| Annual management fee % (incl. VAT) | 0.35 |
| Other costs excluding transaction costs % (incl. VAT) | 0.01 |
| Transaction costs % (incl. VAT) | 0.12 |
| **Total investment charge % (incl. VAT)** | **0.48** |

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**Money Market**

The PSG Money Market Fund maintains a constant price and is targeted at a constant value. The quoted yield is calculated by annualizing the average 7 day yield. A money market portfolio is not a bank deposit account. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures and in such circumstances a process of ring-fencing of withdrawal instructions and managed payouts over time may be followed. The total return to the investor is made up of interest received and any gain or loss made on any particular instrument. In most cases the return will merely have the effect of increasing or decreasing the daily yield but in the case of abnormal losses it can have the effect of reducing the capital value of the portfolio.

**Regulation 28**

The fund is managed according to Regulation 28 of the Pension Funds Act. The South African retirement fund industry is governed by the Pension Funds Act No. 24 of 1956. Regulation 28 of the Pension Funds Act prescribes the maximum limits in asset classes that an approved retirement fund may invest in. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a reasonable time period.

**Performance**

All performance data for a lump sum, net of fees, include income and assumes reinvestment of income on a NAV to NAV basis. Annualised performances show longer term performance rescaled over a 12 month period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Performance is calculated for the portfolio and individual investor performance may differ as a result thereof. The portfolio is valued at 15h00 daily. Cut-off time is determined by the platform. Income distributions are net of any applicable taxes. Actual annual figures are available to the investor on request. Prices are published daily and available on the website www.psg.co.za/asset-management and in the daily newspapers. Figures quoted are from Morningstar Inc.

**Pricing**

Forward pricing is used. Unit trust prices are calculated on a net asset value (NAV) basis, which is the market value of all assets in the Fund including income accruals less permissible deductions divided by the number of units in issue.

**Redemptions**

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**Conflict of Interest Disclosure**

The fund manager may use the brokerage services of a related party, PSG Securities Ltd.

**Trustees**

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PSG Asset Management

# PSG Global Equity Feeder Fund

Quarterly portfolio commentary as at 31 December 2021
by Greg Hopkins, Philipp Wörz and Justin Floor

## 2021 in review

2021 was an exceptional year to have had money in the market. The global economy continued its post-pandemic growth recovery and, for the first time in a long time, we are seeing widespread inflationary pressure. Central banks continue to be major price-insensitive participants in capital markets, but several (notably the US Federal Reserve) are signalling a gradual normalisation in accommodative monetary policy.

Global equities continued their extraordinary run as the MSCI World Index returned 22.4% in US dollars on top of the 16.5% gain recorded in 2020. US equities once again did the heavy lifting (particularly a handful of very large index constituents) with the S&P 500 returning 28.7%, while stocks outside the US (MSCI All Country World Index ex US +8.3%) and emerging market (down 2.2%) equities were weaker over the year, with the latter driven by a very poor performance of Chinese equities.

Within global markets, the energy sector delivered an outstanding performance (MSCI World Energy +41.8%), recovering from the slump in 2020, followed by information technology (+30.1%) and real estate (+29.5%). Utilities (+11%) and consumer staples (+13.7%) were material underperformers (source: Bloomberg, total return in US dollar).

## Looking forward

Our investment process deliberately downplays our ability to predict macro outcomes, preferring to ground decisions in bottom-up company and industry prospects. However, when we take the temperature of aggregate investing conditions, it seems increasingly likely that certain shifts have taken place:

- Monetary and fiscal accommodation have been applied aggressively, and in concert.
- Household and corporate balance sheets have come out of the pandemic in robust health with plenty of room to contribute to consumption- and investment-led growth, accessing credit along the way.
- There is evidence of widespread inflationary pressures, some of which appear to be more persistent than initially expected.

These themes stand in stark contrast to the prevailing market consensus and capital allocation choices, which appear to extrapolate the last decade's investment environment with unabated certainty.

Our positioning going into 2022 is consistent with our messaging over the last few years. Our clients are deliberately not invested in the areas of speculation and price insensitivity (which include special purpose acquisition companies (SPACs), high-flying growth shares and developed market bonds) and instead own assets with very different attributes to current favourites and headline indices.

Many of these attractive areas are out of the limelight, and not well represented in large indices:

- Shares where exceptional quality and growth potential are currently hidden, misunderstood or just ignored by the market. Examples include AB Inbev, Prudential Plc, Asahi, Liberty Global and Discovery.
- Basic materials shares such as Glencore and Mosaic (fertiliser), shipping equities, energy and precious metals with constrained supply characteristics.
- Global opportunities in neglected markets such as the UK and Japan.

Generally, our positioning is skewed towards higher-yielding opportunities where a greater weight of the inherent value is reflected in nearer-term cash flows. While the rationale for owning them is justified on their own merits, we expect our clients to find their portfolios to be increasingly valuable should we enter a more inflationary regime and lower-duration equities have their time in their sun.

## Portfolio performance and positioning

During the quarter the fund exited its holding in Exor NV, the investment vehicle of Italy's Agnelli family that includes companies such as Ferrari, Stellantis (the merged entity of Fiat Chrysler and Peugeot) and CNH Industrial in its stable of investments. We acquired our holdings shortly after the Covid-19 pandemic in May 2020, but the sharp rerating of its underlying holdings and narrowing of the discount embedded in Exor, no longer provided us with a sufficient margin of safety. The fund also switched part of its holding in Japan Post Insurance into Jackson Financial, the US leader in variable annuity products which was spun out of portfolio holding Prudential Plc and offered an exceptionally attractive entry point during the quarter. Strong markets leading up to and volatility emanating from the discovery of the Omicron variant, also provided us with opportunities to efficiently rebalance the portfolio during the period.

The fund is diversified across geographies, currencies and sectors but has zero exposure to popular technology shares, as we are currently finding better opportunities in other parts of global markets.

Over the quarter the PSG Global Equity Feeder Fund returned 7.5% versus the benchmark return of 14.3%. The contributors over this period were materials (1.8%), real estate (1.6%) and healthcare (0.5%) while detractors included industrials (-0.4) and consumer discretionary (-0.4). The contributors and detractors are that of the main fund (PSG Global Equity Sub-fund, USD denominated returns). The fund is suitable for investors with an investment term of 7 years and longer. Over the short-term returns can be volatile and for this reason it is important to measure fund returns over the relevant investment term. Over the 7-year time horizon, the fund returned 9.3% (p.a.) versus the benchmark return of 16.8%(p.a.). Since inception, the fund produced an annual return of 12.2% versus the benchmark return of 19.9%.

## Changes in portfolio positioning

| Q3 2021 | | Q4 2021 | |
|---|---|---|---|
| Equities | 99.4% | Equities | 99.5% |
| Cash | 0.6% | Cash | 0.5% |

| Q3 2021 | | Q4 2021 | |
|---|---|---|---|
| US | 35.6% | US | 39.3% |
| Europe | 13.2% | Europe | 12.6% |
| UK | 31% | UK | 29.7% |
| Japan | 14.4% | Japan | 12.5% |
| Africa | 5.2% | Africa | 5.3% |
| Cash | 0.6% | Cash | 0.6% |

*There may be slight differences in the totals due to rounding.*

*Please note that the above commentary and portfolio positioning is for the US dollar-denominated PSG Global Equity Sub-Fund. The PSG Global Equity Feeder Fund is 100% invested in the underlying US dollar fund. However, there may be small short-term valuation, trading and translation differences between the two funds.*

| | |
|---|---|
| **Number of units as at 31 December 2021 (Class A):** | 4 909 596 |
| **Price (net asset value per unit) as at 31 December 2021 (Class A):** | R3.40 |
| **Number of units as at 31 December 2021 (Class E):** | 33 312 513 |
| **Price (net asset value per unit) as at 31 December 2021 (Class E):** | R3.49 |

All data as per Bloomberg as at 31 December 2021.

## Total investment charge

### PSG Equity Feeder Fund Class A

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **2.67** |
| Annual management fee % (incl. VAT) | 0.86 |
| Other costs excluding transaction costs % (incl. VAT) | 1.81 |
| Transaction costs % (incl. VAT) | 0.32 |
| **Total investment charge % (incl. VAT)** | **2.99** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **2.61** |
| Annual management fee % (incl. VAT) | 0.86 |
| Other costs excluding transaction costs % (incl. VAT) | 1.75 |
| Transaction costs % (incl. VAT) | 0.40 |
| **Total investment charge % (incl. VAT)** | **3.01** |

### PSG Equity Feeder Fund Class E

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **2.09** |
| Annual management fee % (incl. VAT) | 0.29 |
| Other costs excluding transaction costs % (incl. VAT) | 1.80 |
| Transaction costs % (incl. VAT) | **0.32** |
| **Total investment charge % (incl. VAT)** | **2.41** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **2.04** |
| Annual management fee % (incl. VAT) | 0.29 |
| Other costs excluding transaction costs % (incl. VAT) | 1.75 |
| Transaction costs % (incl. VAT) | **0.40** |
| **Total investment charge % (incl. VAT)** | **2.44** |

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**Feeder Funds**

A Feeder Fund is a portfolio which, apart from assets in liquid form, invests in a single portfolio of a collective investment scheme, which levies its own charges and which could result in a higher fee structure for the feeder fund.

**Performance**

All performance data for a lump sum, net of fees, include income and assumes reinvestment of income on a NAV to NAV basis. Annualised performances show longer term performance rescaled over a 12 month period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Performance is calculated for the portfolio and individual investor performance may differ as a result thereof. The portfolio is valued at 15h00 daily. Cut-off time is determined by the platform. Income distributions are net of any applicable taxes. Actual annual figures are available to the investor on request. Prices are published daily and available on the website www.psg.co.za/asset-management and in the daily newspapers. Figures quoted are from Morningstar Inc.

**Pricing**

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**Redemptions**

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**Conflict of interest disclosure**

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**Trustees**

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**Additional information**

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# PSG Global Flexible Feeder Fund

Quarterly portfolio commentary as at 31 December 2021

by Greg Hopkins, Philipp Wörz and Justin Floor

## 2021 in review

2021 was an exceptional year to have had money in the market. The global economy continued its post-pandemic growth recovery and, for the first time in a long time, we are seeing widespread inflationary pressure. Central banks continue to be major price-insensitive participants in capital markets, but several (notably the US Federal Reserve) are signalling a gradual normalisation in accommodative monetary policy.

Global equities continued their extraordinary run as the MSCI World Index returned 22.4% in US dollars on top of the 16.5% gain recorded in 2020. US equities once again did the heavy lifting (particularly a handful of very large index constituents) with the S&P 500 returning 28.7%, while stocks outside the US (MSCI All Country World Index ex US +8.3%) and emerging market (down 2.2%) equities were weaker over the year, with the latter driven by a very poor performance of Chinese equities.

Within global markets, the energy sector delivered an outstanding performance (MSCI World Energy +41.8%), recovering from the slump in 2020, followed by information technology (+30.1%) and real estate (+29.5%). Utilities (+11%) and consumer staples (+13.7%) were material underperformers (source: Bloomberg, total return in US dollar).

## Looking forward

Our investment process deliberately downplays our ability to predict macro outcomes, preferring to ground decisions in bottom-up company and industry prospects. However, when we take the temperature of aggregate investing conditions, it seems increasingly likely that certain shifts have taken place:

- Monetary and fiscal accommodation have been applied aggressively, and in concert.
- Household and corporate balance sheets have come out of the pandemic in robust health with plenty of room to contribute to consumption- and investment-led growth, accessing credit along the way.
- There is evidence of widespread inflationary pressures, some of which appear to be more persistent than initially expected.

These themes stand in stark contrast to the prevailing market consensus and capital allocation choices, which appear to extrapolate the last decade's investment environment with unabated certainty.

Our positioning going into 2022 is consistent with our messaging over the last few years. Our clients are deliberately not invested in the areas of speculation and price insensitivity (which include special purpose acquisition companies (SPACs), high-flying growth shares and developed market bonds) and instead own assets with very different attributes to current favourites and headline indices.

Many of these attractive areas are out of the limelight, and not well represented in large indices:

- Shares where exceptional quality and growth potential are currently hidden, misunderstood or just ignored by the market. Examples include AB Inbev, Prudential Plc, Asahi, Liberty Global and Discovery.
- Basic materials shares such as Glencore and Mosaic (fertiliser), shipping equities, energy and precious metals with constrained supply characteristics.
- Global opportunities in neglected markets such as the UK and Japan.

Generally, our positioning is skewed towards higher-yielding opportunities where a greater weight of the inherent value is reflected in nearer-term cash flows. While the rationale for owning them is justified on their own merits, we expect our clients to find their portfolios to be increasingly valuable should we enter a more inflationary regime and lower-duration equities have their time in their sun.

## Portfolio performance and positioning

During the quarter the fund exited its holding in Exor NV, the investment vehicle of Italy's Agnelli family that includes companies such as Ferrari, Stellantis (the merged entity of Fiat Chrysler and Peugeot) and CNH Industrial in its stable of investments. We acquired our holdings shortly after the Covid-19 pandemic in May 2020, but the sharp rerating of its underlying holdings and narrowing of the discount embedded in Exor, no longer provided us with a sufficient margin of safety. The fund also switched part of its holding in Japan Post Insurance into Jackson Financial, the US leader in variable annuity products which was spun out of portfolio holding Prudential Plc and offered an exceptionally attractive entry point during the quarter. Strong markets leading up to and volatility emanating from the discovery of the Omicron variant, also provided us with opportunities to efficiently rebalance the portfolio during the period.

The fund is diversified across geographies, currencies and sectors but has zero exposure to popular technology shares, as we are currently finding better opportunities in other parts of global markets. The PSG Global Flexible Fund ended the quarter with 9.3% in cash and bonds, reflecting conviction in the portfolio's equity holdings, yet providing some valuable firepower in the event of market dislocations.

Over the quarter the PSG Global Flexible Feeder Fund returned 7.0% versus the benchmark return of 9.3%. The contributors over this period were materials (1.6%), real estate (1.4%) and healthcare (0.5%), while industrials (-0.4) and communications (-0.4%) detracted. The contributors and detractors are that of the main fund (PSG Global Flexible Sub-fund, USD denominated returns). The fund is suitable for investors with an investment term of 5 years and longer. Over the short-term returns can be volatile and for this reason it is important to measure fund returns against the relevant investment term. Over the 5-year time horizon, the fund returned 9.5% (p.a.) versus the benchmark return of 12.3% (p.a.). Since inception, the fund produced an annual return of 12.4% versus the benchmark return of 15.6%.

## Changes in portfolio positioning

| Q3 2021 | | Q4 2021 | |
|---|---|---|---|
| Equities | 92.5% | Equities | 90.7% |
| Bonds | 0.7% | Bonds | 0.7% |
| Cash | 6.8% | Cash | 8.6% |

| Q3 2021 | | Q4 2021 | |
|---|---|---|---|
| US | 34.4% | US | 35.5% |
| Europe | 11.7% | Europe | 11.6% |
| UK | 28.6% | UK | 27.8% |
| Japan | 13.5% | Japan | 11.6% |
| Africa | 4.2% | Africa | 4.2% |
| Cash and Bonds | 7.6% | Cash and Bonds | 9.3% |

*There may be slight differences in the totals due to rounding.*

*Please note that the above commentary and portfolio positioning is for the US dollar-denominated PSG Global Flexible Sub-Fund. The PSG Global Flexible Feeder Fund is 100% invested in the underlying US dollar fund. However, there may be small short-term valuation, trading and translation differences between the two funds.*

| | |
|---|---|
| **Number of units as at 31 December 2021 (Class A):** | 14 098 961 |
| **Price (net asset value per unit) as at 31 December 2021 (Class A):** | R2.76 |
| **Number of units as at 31 December 2021 (Class B):** | 131 646 524 |
| **Price (net asset value per unit) as at 31 December 2021 (Class B):** | R2.87 |

All data as per Bloomberg as at 31 December 2021.

## Total investment charge

### PSG Flexible Feeder Fund Class A

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **2.30** |
| Annual management fee % (incl. VAT) | 0.86 |
| Other costs excluding transaction costs % (incl. VAT) | 1.44 |
| Transaction costs % (incl. VAT) | 0.22 |
| **Total investment charge % (incl. VAT)** | **2.52** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **3.03** |
| Annual management fee % (incl. VAT) | 0.86 |
| Other costs excluding transaction costs % (incl. VAT) | 2.17 |
| Transaction costs % (incl. VAT) | 0.20 |
| **Total investment charge % (incl. VAT)** | **3.23** |

### PSG Flexible Feeder Fund Class B

Total Investment Charge annualised for the period 01/01/2019 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **1.72** |
| Annual management fee % (incl. VAT) | 0.29 |
| Other costs excluding transaction costs % (incl. VAT) | 1.43 |
| Transaction costs % (incl. VAT) | 0.22 |
| **Total investment charge % (incl. VAT)** | **1.94** |

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2021

| | |
|---|---|
| **Total expense ratio % (incl. VAT)** | **2.45** |
| Annual management fee % (incl. VAT) | 0.29 |
| Other costs excluding transaction costs % (incl. VAT) | 2.16 |
| Transaction costs % (incl. VAT) | 0.20 |
| **Total investment charge % (incl. VAT)** | **2.65** |

## Disclaimer

Collective Investment Schemes in Securities (CIS) are generally medium to long- term investments. The value of participatory interests (units) or the investment may go down as well as up and past performance is not a guide to future performance. Fluctuations or movements in the exchange rates may cause the value of underlying international investments to go up or down. CIS are traded at ruling prices and can engage in borrowing and scrip lending. The portfolio may borrow up to 10% of its market value to bridge insufficient liquidity. Where foreign securities are included in a portfolio, the portfolio is exposed to risks such as potential constraints on liquidity and the repatriation of funds, macroeconomic, political, foreign exchange, tax, settlement and potential limitations on the availability of market information. The portfolios may be capped at any time in order for them to be managed in accordance with their mandate. PSG Collective Investments (RF) Limited does not provide any guarantee either with respect to the capital or the return of the portfolio. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

## Feeder Funds

A Feeder Fund is a portfolio which, apart from assets in liquid form, invests in a single portfolio of a collective investment scheme, which levies its own charges and which could result in a higher fee structure for the feeder fund.

## Performance

All performance data for a lump sum, net of fees, include income and assumes reinvestment of income on a NAV to NAV basis. Annualised performances show longer term performance rescaled over a 12 month period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Performance is calculated for the portfolio and individual investor performance may differ as a result thereof. The portfolio is valued at 15h00 daily. Cut-off time is determined by the platform. Income distributions are net of any applicable taxes. Actual annual figures are available to the investor on request. Prices are published daily and available on the website www.psg.co.za/asset-management and in the daily newspapers. Figures quoted are from Morningstar Inc.

## Pricing

Forward pricing is used. Unit trust prices are calculated on a net asset value (NAV) basis, which is the market value of all assets in the Fund including income accruals less permissible deductions divided by the number of units in issue.

## Redemptions

The ability of a portfolio to repurchase is dependent upon the liquidity of the securities and cash of the portfolio. To protect investors, a manager may suspend repurchases for a period, subject to regulatory approval, to await liquidity. A suspension ensures that the sale of a large number of units will not force PSG Collective Investments to sell the underlying investments at a price in the market which could have a negative impact on investors. PSG Collective Investments will keep all investors informed should a situation arise where such suspension is required.

## Company details

PSG Collective Investments (RF) Limited is registered as a CIS Manager with the Financial Sector Conduct Authority, and a member of the Association of Savings and Investments South Africa (ASISA) through its holdings company PSG Konsult Limited. The management of the portfolio is delegated to PSG Asset Management (Pty) Ltd, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act 2002, FSP no 29524. PSG Asset Management (Pty) Ltd and PSG Collective Investments (RF) Limited are subsidiaries of PSG Konsult Limited. PSG Collective Investments (RF) Limited can be contacted on +27(21) 799 8000; (toll free) 0800 600 168, via email assetmanagement@psg.co.za.

## Conflict of interest disclosure

The Fund may from time to time invest in a portfolio managed by a related party. PSG Collective Investments (RF) Limited or the fund manager may negotiate a discount in fees charged by the underlying portfolio. All discounts negotiated are reinvested in the Fund for the benefit of the investors. Neither PSG Collective Investments (RF) Limited nor PSG Asset Management (Pty) Ltd retains any portion of such discount for their own accounts. The fund manager may use the brokerage services of a related party, PSG Securities Ltd.

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## Additional information

Additional information is available free of charge on the website www.psg.co.za/asset-management and may include publications, brochures, forms and annual reports.