PSG Asset Management

Quarterly portfolio fund commentaries

December 2023

Contents

PSG Asset Management

PSG Equity Fund

Quarterly portfolio commentary as at 31 December 2023
by Shaun le Roux and Gustav Schulenburg

2023 in review

At the outset of 2023, financial markets grappled with historically gloomy expectations, anticipating a global economic slowdown and the looming threat of a recession. At the same time, central banks globally undertook the challenge of combating inflation. Subsequently, the US faced a regional banking crisis, and global geopolitical tensions reached heightened levels.

However, financial markets defied these concerns, highlighting the wisdom of the adage "time in the market beats timing the market". Recession fears shifted to confidence as central banks signalled a transition from rate hikes to cuts in 2024, accompanied by a notable easing of inflation pressures. Global economic growth exceeded expectations, creating a favourable environment for risk assets and reshaping expectations towards a 'soft landing' – a harmonious blend of lower inflation, reduced interest rates and moderate economic growth.

Global equities thrived, as the MSCI World Index surged 24% in US dollars, led by resilient US mega-caps (2022: -18%). The Bloomberg Aggregate Global Bond Index rebounded gaining 6% in US dollars after a challenging 2022 (-16%). Locally, performance mirrored emerging markets, trailing major developed markets. With the local currency depreciating by 8% versus the US dollar during the year (2022: -7%), the FTSE/JSE SWIX All Share Index and the All Bond Index (ALBI) returned a positive 8% (2022: +4%) and 10% (2022: +4%) respectively in local currency terms.

The global equity rally was notably concentrated in the 'Magnificent 7' – comprising mega-cap US-based companies Apple, Microsoft, Amazon, Google, Nvidia, Tesla and Meta (Facebook). Dominating global indices, these companies collectively surged by 74%, overshadowing the 12% gain for the rest of the world's companies.

Looking forward

Although there are tentative signs that inflation is cooling globally and rate cuts are potentially on the horizon, it is important to acknowledge that the investment landscape today has undergone a profound transformation compared with the pre-Covid-19 era. We maintain the perspective that inflation may persist longer than widely acknowledged, necessitating a supply side response through investment in the capital-starved real economy – a process that could span years before the situation is rectified. This outlook bodes well for commodity-driven emerging markets like South Africa and other beneficiaries globally. This stands in stark contrast to the current dominance of mega-cap stocks in the global indices, a concentration that raises concerns for us. The current market concentration bears resemblance to both the Nifty Fifty era and the dot-com bubble, historical periods that highlight that markets may eventually disappoint investors.

We find encouragement in the performance we have achieved in our funds, despite not benefiting from the outsized performance of the large market constituents. Our excitement stems from the current opportunity set embedded in our funds, as we believe that the longer-term winners of the future are currently unloved and offer exceptional value. We are confident that we can play a crucial role in building long-term portfolio strategies for our investors, leveraging our proven, active 3M investment approach to identify and capitalise on undervalued opportunities in the market.

Portfolio performance*

Over the quarter the PSG Equity Fund returned 5.1% versus the benchmark return of 8.4%. The largest contributors over this period were industrials (2.2%), resources (1.2%) and foreign equities (1.0%). 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 produced an annualised return of 7.7% versus the benchmark return of 10.1% p.a. Since inception, the fund has performed in the top quartile and produced an annual return of 15.2% versus the benchmark return of 13.0%.

*Return numbers as per the PSG Equity Fund Class A

Changes in portfolio positioning

Q3 2023		Q4 2023	
Domestic equity	66.4%	Domestic equity	68.5%
Domestic property	1.7%	Domestic property	2.0%
Domestic cash	0.1%	Domestic cash	0.1%
Offshore equity	31.8%	Offshore equity	29.4%

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

Number of units as at 31 December 2023 (Class A):	27 463 441
Price (net asset value per unit) as at 31 December 2023 (Class A):	R16.55
Number of units as at 31 December 2023 (Class E):	96 861 582
Price (net asset value per unit) as at 31 December 2023 (Class E):	R16.52

All data as per Bloomberg as at 31 December 2023

Total investment charge

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.75**	**2.10**
Annual management fee % (incl. VAT)	1.73	0.86
Other costs excluding transaction costs % (incl. VAT)	0.02	0.02
Performance fee % (incl. VAT)	0.00	1.22*
Transaction costs % (incl. VAT)	0.24	0.24
Total investment charge % (incl. VAT)	**1.99**	**2.34**

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

Total Investment Charge annualised for the period 01/01/2023 to 31/12/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.74**	**2.69**
Annual management fee % (incl. VAT)	1.73	0.86
Other costs excluding transaction costs % (incl. VAT)	0.01	0.02
Performance fee % (incl. VAT)	0.00	1.81*
Transaction costs % (incl. VAT)	0.23	0.23
Total investment charge % (incl. VAT)	**1.97**	**2.92**

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

Disclaimer

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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

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

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Conflict of interest disclosure

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Trustees

The Standard Bank of South Africa Limited,
The Towers, 2 Heerengracht Street,
Cnr Hertzog Boulevard,
Cape Town
8001
Tel: +27 21 401 2443
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Additional information

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PSG Asset Management

PSG SA Equity Fund

Quarterly portfolio commentary as at 31 December 2023
by Gustav Schulenburg and Mikhail Motala

2023 in review

At the outset of 2023, financial markets grappled with historically gloomy expectations, anticipating a global economic slowdown and the looming threat of a recession. At the same time, central banks globally undertook the challenge of combating inflation. Subsequently, the US faced a regional banking crisis, and global geopolitical tensions reached heightened levels.

However, financial markets defied these concerns, highlighting the wisdom of the adage "time in the market beats timing the market". Recession fears shifted to confidence as central banks signalled a transition from rate hikes to cuts in 2024, accompanied by a notable easing of inflation pressures. Global economic growth exceeded expectations, creating a favourable environment for risk assets and reshaping expectations towards a 'soft landing' – a harmonious blend of lower inflation, reduced interest rates and moderate economic growth.

Global equities thrived, as the MSCI World Index surged 24% in US dollars, led by resilient US mega-caps (2022: -18%). The Bloomberg Aggregate Global Bond Index rebounded gaining 6% in US dollars after a challenging 2022 (-16%). Locally, performance mirrored emerging markets, trailing major developed markets. With the local currency depreciating by 8% versus the US dollar during the year (2022: -7%), the FTSE/JSE SWIX All Share Index and the All Bond Index (ALBI) returned a positive 8% (2022: +4%) and 10% (2022: +4%) respectively in local currency terms.

The global equity rally was notably concentrated in the 'Magnificent 7' – comprising mega-cap US-based companies Apple, Microsoft, Amazon, Google, Nvidia, Tesla and Meta (Facebook). Dominating global indices, these companies collectively surged by 74%, overshadowing the 12% gain for the rest of the world's companies.

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Portfolio performance*

Globally, Q4 2023 was dominated by uncertainty relating to the outlook for inflation and the potential impact on interest rates, specifically for the US.

Locally, investors remain cautious of SA assets due to the uncertainty surrounding the 2024 election, plus the negative impact on GDP growth from Eskom's load shedding and Transnet's inability to rectify their rail and port operations.

We are pleased that the PSG SA Equity Fund returned 12.3% for the year to 31 December 2023, which is 4.4% ahead of its benchmark (Capped SWIX). The larger exposure to carefully selected SA mid-cap shares such as Wilson Bayly Holmes-Ovcon Limited (+46.7%), Sun International (+30.2%) and AECI Limited (+34.5%) has driven much of the outperformance for clients of the PSG SA Equity Fund during 2023.

We remain optimistic that the fund is well structured for the long term and will continue to exploit significant opportunities on the JSE. We continue to buy businesses which are trading materially below fair value and have significant qualitative factors which the market seems to be ignoring.

Recently, we have been increasing exposure to well-run SA consumer-facing companies, as well as to selected resource counters with exposure to materials where the global supply side fundamentals remain intact, and where the individual companies are managed in a sensible, prudent manner.

Over the quarter the PSG SA Equity Fund returned 5.1% versus the benchmark return of 8.2%. The largest contributors were industrials (3.7%), resources (0.7%) and financials (0.5%). 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 against the relevant investment term. Over the 7-year time horizon, the fund returned 5.5% p.a. versus the benchmark return of 7.2% p.a. Since inception, the fund has produced an annual return of 6.7% versus the benchmark return of 7.4%.

*Return numbers as per the PSG SA Equity Fund Class D

Changes in portfolio positioning

Q3 2023		Q4 2023	
Domestic equity	96.0%	Domestic equity	97.1%
Domestic property	2.2%	Domestic property	2.5%
Domestic cash	1.8%	Domestic cash	0.4%

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

Number of units as at 31 December 2023 (Class D):	326 282 561
Price (net asset value per unit) as at 31 December 2023 (Class D):	R1.56
Number of units as at 31 December 2023 (Class F):	12 099 962
Price (net asset value per unit) as at 31 December 2023 (Class F):	R1.57

All data as per Bloomberg as at 31 December 2023

Total investment charge

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2023

	Class D	Class F
Total expense ratio % (incl. VAT)	**1.05**	**1.34**
Annual management fee % (incl. VAT)	0.98	1.27
Other costs excluding transaction costs % (incl. VAT)	0.07	0.07
Transaction costs % (incl. VAT)	0.35	0.34
Total investment charge % (incl. VAT)	**1.40**	**1.68**

Total Investment Charge annualised for the period 01/01/2023 to 31/12/2023

	Class D	Class F
Total expense ratio % (incl. VAT)	**1.03**	**1.32**
Annual management fee % (incl. VAT)	0.98	1.27
Other costs excluding transaction costs % (incl. VAT)	0.05	0.05
Transaction costs % (incl. VAT)	0.43	0.43
Total investment charge % (incl. VAT)	**1.46**	**1.75**

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Pricing
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However, financial markets defied these concerns, highlighting the wisdom of the adage "time in the market beats timing the market". Recession fears shifted to confidence as central banks signalled a transition from rate hikes to cuts in 2024, accompanied by a notable easing of inflation pressures. Global economic growth exceeded expectations, creating a favourable environment for risk assets and reshaping expectations towards a 'soft landing' – a harmonious blend of lower inflation, reduced interest rates and moderate economic growth.

Global equities thrived, as the MSCI World Index surged 24% in US dollars, led by resilient US mega-caps (2022: -18%). The Bloomberg Aggregate Global Bond Index rebounded gaining 6% in US dollars after a challenging 2022 (-16%). Locally, performance mirrored emerging markets, trailing major developed markets. With the local currency depreciating by 8% versus the US dollar during the year (2022: -7%), the FTSE/JSE SWIX All Share Index and the All Bond Index (ALBI) returned a positive 8% (2022: +4%) and 10% (2022: +4%) respectively in local currency terms.

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Portfolio performance*

Over the quarter the PSG Flexible Fund returned 4.3% versus the benchmark return of 2.9%. The largest contributors over this period were industrials (1.9%), foreign equities (1.2%) and resources (1.0%). Foreign options (-0.3%) and local options (-0.2%) detracted from performance. 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 10.9% p.a. versus the benchmark return of 11.0% p.a. Since inception, the fund has performed in the top quartile and has produced an annual return of 13.9% versus benchmark return of 11.6%.

*Return numbers as per the PSG Flexible Fund Class A

Changes in portfolio positioning

Q3 2023		Q4 2023	
Domestic equity*	58.5%	Domestic equity*	61.9%
Domestic property	0.2%	Domestic property	0.4%
Domestic cash, Treasury bills and NCDs	5.0%	Domestic cash, Treasury bills and NCDs	3.2%
Offshore equity**	32.5%	Offshore equity**	29.1%
Offshore property	1.5%	Offshore property	1.8%
Offshore cash	2.3%	Offshore cash	3.6%
*Includes -1.6% effective derivative exposure **Includes -2.2% effective derivative exposure		*Includes -1.4% effective derivative exposure **Includes -1.5% effective derivative exposure	

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

Number of units as at 31 December 2023 (Class A):	361 883 777
Price (net asset value per unit) as at 31 December 2023 (Class A):	R7.94
Number of units as at 31 December 2023 (Class E):	811 189 071
Price (net asset value per unit) as at 31 December 2023 (Class E):	R7.94

All data as per Bloomberg as at 31 December 2023

Total investment charge

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.46**	**2.20**
Annual management fee % (incl. VAT)	1.15	0.86
Other costs excluding transaction costs % (incl. VAT)	0.05	0.06
Performance fee % (incl. VAT)	1.26*	1.28*
Transaction costs % (incl. VAT)	0.21	0.21
Total investment charge % (incl. VAT)	**2.67**	**2.41**

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

Total Investment Charge annualised for the period 01/01/2023 to 31/12/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.18**	**1.91**
Annual management fee % (incl. VAT)	1.15	0.86
Other costs excluding transaction costs % (incl. VAT)	0.04	0.04
Performance fee % (incl. VAT)	0.99*	1.01*
Transaction costs % (incl. VAT)	0.23	0.23
Total investment charge % (incl. VAT)	**2.41**	**2.14**

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PSG Asset Management

PSG Balanced Fund

Quarterly portfolio commentary as at 31 December 2023
by Justin Floor and Dirk Jooste

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The global equity rally was notably concentrated in the 'Magnificent 7' – comprising mega-cap US-based companies Apple, Microsoft, Amazon, Google, Nvidia, Tesla and Meta (Facebook). Dominating global indices, these companies collectively surged by 74%, overshadowing the 12% gain for the rest of the world's companies.

Looking forward

Although there are tentative signs that inflation is cooling globally and rate cuts are potentially on the horizon, it is important to acknowledge that the investment landscape today has undergone a profound transformation compared with the pre-Covid-19 era. We maintain the perspective that inflation may persist longer than widely acknowledged, necessitating a supply side response through investment in the capital-starved real economy – a process that could span years before the situation is rectified. This outlook bodes well for commodity-driven emerging markets like South Africa and other beneficiaries globally. This stands in stark contrast to the current dominance of mega-cap stocks in the global indices, a concentration that raises concerns for us. The current market concentration bears resemblance to both the Nifty Fifty era and the dot-com bubble, historical periods that highlight that markets may eventually disappoint investors.

We find encouragement in the performance we have achieved in our funds, despite not benefiting from the outsized performance of the large market constituents. Our excitement stems from the current opportunity set embedded in our funds, as we believe that the longer-term winners of the future are currently unloved and offer exceptional value. We are confident that we can play a crucial role in building long-term portfolio strategies for our investors, leveraging our proven, active 3M investment approach to identify and capitalise on undervalued opportunities in the market.

Portfolio performance*

Over the quarter the PSG Balanced Fund (A-class) returned 6.8% versus the benchmark return of 2.6%. This takes the return for the 2023 calendar year to 14.8%, comparing favourably against both the CPI + 5% benchmark (10.5%) and the average competitor fund (12.3%). Top contributors for the quarter were Pepco Group NV (recovering 36% after a tough year), Jackson Financial Inc (up 36%) and the fund's holding in South African government bonds, which rallied strongly. Detractors to performance were Bayer AG, Thungela Resources Ltd and Anglo American plc. The fund's index put option hedges also dragged on overall performance a bit (a cost of insurance we are happy to pay). 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 10.9% p.a. versus the benchmark return of 10.0% p.a. Since inception, the fund has produced an annual return of 12.9% compared to the benchmark return of 10.4%.

Positioning in the portfolio changed little over the quarter, other than some profit taking on our offshore bond holdings. Notable purchases in the fund over the three months were Beazley plc, Whitehaven Coal Ltd and Petrolio Brasil (Petrobras). The fund was a seller of Shell plc, Jackson Financial Inc and Euronav NV on the back of strong share price performance.

*Return numbers as per the PSG Balanced Fund Class A

Changes in portfolio positioning

Q3 2023		Q4 2023	
Domestic equity*	46.4%	Domestic equity*	46.2%
Domestic property	3.0%	Domestic property	3.7%
Domestic cash, Treasury bills and NCDs	2.3%	Domestic cash, Treasury bills and NCDs	2.8%
Domestic bonds	19.9%	Domestic bonds	18.9%
Offshore equity**	23.6%	Offshore equity**	25.8%
Offshore cash	2.3%	Offshore cash	2.1%
Offshore bonds	2.5%	Offshore bonds	0.5%
*Includes -1.3% effective derivative exposure **Includes -2.2% effective derivative exposure		*Includes -1.4% 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 2023 (Class A):	52 990 710
Price (net asset value per unit) as at 31 December 2023 (Class A):	R97.28
Number of units as at 31 December 2023 (Class E):	69 504 286
Price (net asset value per unit) as at 31 December 2023 (Class E):	R97.46

All data as per Bloomberg as at 31 December 2023.

Total investment charge

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.77**	**1.20**
Annual management fee % (incl. VAT)	1.73	1.15
Other costs excluding transaction costs % (incl. VAT)	0.04	0.05
Transaction costs % (incl. VAT)	0.19	0.19
Total investment charge % (incl. VAT)	**1.96**	**1.39**

Total Investment Charge annualised for the period 01/01/2023 to 31/12/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.76**	**1.19**
Annual management fee % (incl. VAT)	1.73	1.15
Other costs excluding transaction costs % (incl. VAT)	0.03	0.04
Transaction costs % (incl. VAT)	0.17	0.17
Total investment charge % (incl. VAT)	**1.93**	**1.36**

Disclaimer
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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
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.

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Additional information
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PSG Stable Fund

Quarterly portfolio commentary as at 31 December 2023
by John Gilchrist and Dirk Jooste

2023 in review

At the outset of 2023, financial markets grappled with historically gloomy expectations, anticipating a global economic slowdown and the looming threat of a recession. At the same time, central banks globally undertook the challenge of combating inflation. Subsequently, the US faced a regional banking crisis, and global geopolitical tensions reached heightened levels.

However, financial markets defied these concerns, highlighting the wisdom of the adage "time in the market beats timing the market". Recession fears shifted to confidence as central banks signalled a transition from rate hikes to cuts in 2024, accompanied by a notable easing of inflation pressures. Global economic growth exceeded expectations, creating a favourable environment for risk assets and reshaping expectations towards a 'soft landing' – a harmonious blend of lower inflation, reduced interest rates and moderate economic growth.

Global equities thrived, as the MSCI World Index surged 24% in US dollars, led by resilient US mega-caps (2022: -18%). The Bloomberg Aggregate Global Bond Index rebounded gaining 6% in US dollars after a challenging 2022 (-16%). Locally, performance mirrored emerging markets, trailing major developed markets. With the local currency depreciating by 8% versus the US dollar during the year (2022: -7%), the FTSE/JSE SWIX All Share Index and the All Bond Index (ALBI) returned a positive 8% (2022: +4%) and 10% (2022: +4%) respectively in local currency terms.

The global equity rally was notably concentrated in the 'Magnificent 7' – comprising mega-cap US-based companies Apple, Microsoft, Amazon, Google, Nvidia, Tesla and Meta (Facebook). Dominating global indices, these companies collectively surged by 74%, overshadowing the 12% gain for the rest of the world's companies.

Looking forward

Although there are tentative signs that inflation is cooling globally and rate cuts are potentially on the horizon, it is important to acknowledge that the investment landscape today has undergone a profound transformation compared with the pre-Covid-19 era. We maintain the perspective that inflation may persist longer than widely acknowledged, necessitating a supply side response through investment in the capital-starved real economy – a process that could span years before the situation is rectified. This outlook bodes well for commodity-driven emerging markets like South Africa and other beneficiaries globally. This stands in stark contrast to the current dominance of mega-cap stocks in the global indices, a concentration that raises concerns for us. The current market concentration bears resemblance to both the Nifty Fifty era and the dot-com bubble, historical periods that highlight that markets may eventually disappoint investors.

We find encouragement in the performance we have achieved in our funds, despite not benefiting from the outsized performance of the large market constituents. Our excitement stems from the current opportunity set embedded in our funds, as we believe that the longer-term winners of the future are currently unloved and offer exceptional value. We are confident that we can play a crucial role in building long-term portfolio strategies for our investors, leveraging our proven, active 3M investment approach to identify and capitalise on undervalued opportunities in the market.

Portfolio performance*

Over the quarter the PSG Stable Fund returned 5.3% versus the benchmark return of 2.2%. The contributors over this period were local government bonds (2.9%), industrials (1.0%) and foreign equities (0.5%). Local options (-0.2%) detracted from performance. The fund is suitable for investors with an investment term of 3 years and longer. Over the 3-year time horizon, the fund returned 12.6% p.a. versus the benchmark return of 9.1% p.a. Since inception, the fund has produced annualised returns of 8.5% versus benchmark return of 8.2%.

Over the quarter, exposure to offshore equity was effectively switched into domestic equity following strong performance from some of the global counters we hold. Similarly, a share price rally led to the fund divesting from offshore property. Larger purchases over the quarter included Prudential plc, Petrobras, and Beazley plc. These were funded by sales of Simon Property Group Inc, Euronav NV, and Jackson Financial Inc.

*Return numbers as per the PSG Stable Fund Class A

Changes in portfolio positioning

Q3 2023		Q4 2023	
Domestic equity*	21.8%	Domestic equity*	23.9%
Domestic property	1.4%	Domestic property	1.7%
Domestic cash, Treasury bills and NCDs	16.0%	Domestic cash, Treasury bills and NCDs	14.4%
Domestic bonds	41.9%	Domestic bonds	41.2%
Offshore equity**	13.5%	Offshore equity**	12.4%
Offshore cash	1.0%	Offshore cash	2.7%
Offshore bonds	3.9%	Offshore bonds	3.7%
Offshore property	0.5%	Offshore property	0.0%
*Includes -1.8% effective derivative exposure **Includes -0.9% effective derivative exposure		*Includes -0.8% effective derivative exposure **Includes -0.9% effective derivative exposure	

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

Number of units as at 31 December 2023 (Class A):	21 303 267
Price (net asset value per unit) as at 31 December 2023 (Class A):	R1.66
Number of units as at 31 December 2023 (Class E):	424 743 594
Price (net asset value per unit) as at 31 December 2023 (Class E):	R1.66

All data as per Bloomberg as at 31 December 2023

Total investment charge

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.77**	**1.19**
Annual management fee % (incl. VAT)	1.73	1.15
Other costs excluding transaction costs % (incl. VAT)	0.04	0.04
Transaction costs % (incl. VAT)	0.09	0.09
Total investment charge % (incl. VAT)	**1.86**	**1.28**

Total Investment Charge annualised for the period 01/01/2023 to 31/12/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.77**	**1.19**
Annual management fee % (incl. VAT)	1.73	1.15
Other costs excluding transaction costs % (incl. VAT)	0.03	0.04
Transaction costs % (incl. VAT)	0.08	0.08
Total investment charge % (incl. VAT)	**1.84**	**1.27**

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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

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Additional information

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PSG Diversified Income Fund

Quarterly portfolio commentary as at 31 December 2023
by Lyle Sankar, Ané Craig and John Gilchrist

2023 in review

At the outset of 2023, financial markets grappled with historically gloomy expectations, anticipating a global economic slowdown and the looming threat of a recession. At the same time, central banks globally undertook the challenge of combating inflation. Subsequently, the US faced a regional banking crisis, and global geopolitical tensions reached heightened levels.

However, financial markets defied these concerns, highlighting the wisdom of the adage "time in the market beats timing the market". Recession fears shifted to confidence as central banks signalled a transition from rate hikes to cuts in 2024, accompanied by a notable easing of inflation pressures. Global economic growth exceeded expectations, creating a favourable environment for risk assets and reshaping expectations towards a 'soft landing' – a harmonious blend of lower inflation, reduced interest rates and moderate economic growth.

Global equities thrived, as the MSCI World Index surged 24% in US dollars, led by resilient US mega-caps (2022: -18%). The Bloomberg Aggregate Global Bond Index rebounded gaining 6% in US dollars after a challenging 2022 (-16%). Locally, performance mirrored emerging markets, trailing major developed markets. Cash produced a return of 8%, offering investors an inflation-beating return. With the local currency depreciating by 8% versus the US dollar during the year (2022: -7%), the FTSE/JSE SWIX All Share Index and the All Bond Index (ALBI) returned a positive 8% (2022: +4%) and 10% (2022: +4%) respectively. Considering the volatility experienced in global bond markets during 2023, local bonds in our view produced a commendable result.

Looking forward

Although there are tentative signs that inflation is cooling globally and rate cuts are potentially on the horizon, it is important to acknowledge that the investment landscape today has undergone a profound transformation compared with the pre-Covid-19 era. We maintain the perspective that inflation may persist longer than widely acknowledged, necessitating a supply side response through investment in the capital-starved real economy – a process that could span years before the situation is rectified. This outlook bodes well for commodity-driven emerging markets like South Africa and other beneficiaries globally. This stands in stark contrast to the current dominance of mega-cap stocks in the global indices, a concentration that raises concerns for us. The current market concentration bears resemblance to both the Nifty Fifty era and the dot-com bubble, historical periods that highlight that markets may eventually disappoint investors.

Fixed income assets remain very attractive in our view, with the rally experienced in the final quarter of 2023 an indication of the immense value embedded in our bonds. We continue to manage risk, focusing on protecting capital both over the long and short term. We believe there are few reasons to be excited about the potential for many years of attractive income returns, particularly in the government bond space as:

- SA bonds offer very low risk of capital loss.
- The high yields on offer, which are well in excess of inflation, compensate investors for prevailing risks.
- We are more likely to be closer to the end of the current rate hiking cycle, offering potential for further value in bonds.
- SA bonds will be a major beneficiary of a broader rotation towards commodity-producing markets.

We will aim to ensure the balance of assets in the fund is appropriate in what is likely to be another year of heightened uncertainty.

Portfolio performance*

Over the quarter the PSG Diversified Income Fund returned 4.5% versus the benchmark return of 1.7%. The contributors over this period were local government bonds (3.1%), local money market instruments (0.9%) and equity (0.4%). Over the 2-year investment horizon, the fund delivered an annualised return of 7.9% versus the benchmark return of 7.5%.

*Return numbers as per the PSG Diversified Income Class A

Changes in portfolio positioning

Q3 2023		Q4 2023	
Domestic equity	2.9%	Domestic equity	3.2%
Domestic preference shares	2.6%	Domestic preference shares	3.1%
Domestic property	0.5%	Domestic property	0.9%
Domestic cash, Treasury bills and NCDs	46.8%	Domestic cash, Treasury bills and NCDs	43.3%
Domestic bonds	43.3%	Domestic bonds	45.9%
Offshore equity	1.1%	Offshore equity	1.5%
Offshore bonds	2.7%	Offshore bonds	1.7%
Offshore cash	0.1%	Offshore cash	0.4%

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

Number of units as at 31 December 2023 (Class A):	1 805 092 517
Price (net asset value per unit) as at 31 December 2023 (Class A):	R1.31
Number of units as at 31 December 2023 (Class E):	1 250 169 739
Price (net asset value per unit) as at 31 December 2023 (Class E):	R1.31

All data as per Bloomberg as at 31 December 2023.

Total investment charge

PSG Diversified Income Fund Class A

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2023

Total expense ratio % (incl. VAT)	**1.18**
Annual management fee % (incl. VAT)	1.15
Other costs excluding transaction costs % (incl. VAT)	0.03
Transaction costs % (incl. VAT)	0.05
Total investment charge % (incl. VAT)	**1.23**

Total Investment Charge annualised for the period 01/01/2023 to 31/12/2023

Total expense ratio % (incl. VAT)	**1.18**
Annual management fee % (incl. VAT)	1.15
Other costs excluding transaction costs % (incl. VAT)	0.03
Transaction costs % (incl. VAT)	0.04
Total investment charge % (incl. VAT)	**1.22**

PSG Diversified Income Fund Class E

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2023

Total expense ratio % (incl. VAT)	**0.72**
Annual management fee % (incl. VAT)	0.69
Other costs excluding transaction costs % (incl. VAT)	0.03
Transaction costs % (incl. VAT)	0.05
Total investment charge % (incl. VAT)	**0.77**

Total Investment Charge annualised for the period 01/01/2023 to 31/12/2023.
The annual management fee changed to 0.52% from 01/06/2022.

Total expense ratio % (incl. VAT)	**0.54**
Annual management fee % (incl. VAT)	0.52
Other costs excluding transaction costs % (incl. VAT)	0.02
Transaction costs % (incl. VAT)	0.04
Total investment charge % (incl. VAT)	**0.58**

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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.

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At the outset of 2023, financial markets grappled with historically gloomy expectations, anticipating a global economic slowdown and the looming threat of a recession. At the same time, central banks globally undertook the challenge of combating inflation. Subsequently, the US faced a regional banking crisis, and global geopolitical tensions reached heightened levels.

However, financial markets defied these concerns, highlighting the wisdom of the adage "time in the market beats timing the market". Recession fears shifted to confidence as central banks signalled a transition from rate hikes to cuts in 2024, accompanied by a notable easing of inflation pressures. Global economic growth exceeded expectations, creating a favourable environment for risk assets and reshaping expectations towards a 'soft landing' – a harmonious blend of lower inflation, reduced interest rates and moderate economic growth.

The Bloomberg Aggregate Global Bond Index rebounded gaining 6% in US dollars after a challenging 2022 (-16%). Locally, performance mirrored emerging markets, trailing major developed markets. Cash produced a return of 8%, offering investors an inflation beating return. With the local currency depreciating by 8% versus the US dollar during the year (2022: -7%), the All Bond Index (ALBI) returned a positive 10% (2022: +4%). Considering the volatility experienced in global bond markets during 2023, local bonds in our view produced a commendable result.

Looking forward

Although there are tentative signs that inflation is cooling globally and rate cuts are potentially on the horizon, it is important to acknowledge that the investment landscape today has undergone a profound transformation compared with the pre-Covid-19 era. We maintain the perspective that inflation may persist longer than widely acknowledged, necessitating a supply side response through investment in the capital-starved real economy – a process that could span years before the situation is rectified. This outlook bodes well for commodity-driven emerging markets like South Africa and other beneficiaries globally.

Fixed income assets remain very attractive in our view, with the rally experienced in the final quarter of 2023 an indication of the immense value embedded in our bonds. We continue to manage risk, focusing on protecting capital both over the long and short term. We believe there are few reasons to be excited about the potential for many years of attractive income returns, particularly in the government bond space as:

- SA bonds offer very low risk of capital loss.
- The high yields on offer, which are well in excess of inflation compensate investors for prevailing risks.
- We are more likely to be closer to the end of the current rate hiking cycle, offering potential for further value in bonds.
- SA bonds will be a major beneficiary of a broader rotation towards commodity-producing markets.

We will aim to ensure the balance of assets in the fund is appropriate in what is likely to be another year of heightened uncertainty.

Portfolio performance*

Over the quarter, the PSG Income Fund returned 3.2% versus the benchmark return of 2.1%. The major contributors over this period were local government bonds (1.7%), local money market instruments (1.2%) and corporate bonds (0.3%). Over a 1-year period, the fund delivered a return of 8.4% versus the benchmark return of 8.1%.

*Return numbers as per the PSG Income Fund Class A

Changes in portfolio positioning

Q3 2023		Q4 2023	
Domestic bonds	38.1%	Domestic bonds	40.7%
Domestic cash, Treasury bills and NCDs	61.9%	Domestic cash, Treasury bills and NCDs	59.3%

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

Number of units as at 31 December 2023 (Class A):	447 966 156
Price (net asset value per unit) as at 31 December 2023 (Class A):	R1.08
Number of units as at 31 December 2023 (Class E):	1 489 950 435
Price (net asset value per unit) as at 31 December 2023 (Class E):	R1.07

All data as per Bloomberg as at 31 December 2023.

Total investment charge

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**0.78**	**0.49**
Annual management fee % (incl. VAT)	0.75	0.46
Other costs excluding transaction costs % (incl. VAT)	0.03	0.03
Transaction costs % (incl. VAT)	0.02	0.02
Total investment charge % (incl. VAT)	**0.80**	**0.51**

Total Investment Charge annualised for the period 01/01/2023 to 31/12/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**0.77**	**0.48**
Annual management fee % (incl. VAT)	0.75	0.46
Other costs excluding transaction costs % (incl. VAT)	0.02	0.02
Transaction costs % (incl. VAT)	0.01	0.01
Total investment charge % (incl. VAT)	**0.78**	**0.49**

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
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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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Cape Town,
8001
Tel: +27 21 401 2443
Email: Compliance-PSG@standardbank.co.za

Additional information
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PSG Asset Management

PSG Money Market Fund

Quarterly portfolio commentary as at 31 December 2023
by Duayne le Roux and Lyle Sankar

2023 in review

At the outset of 2023, financial markets grappled with historically gloomy expectations, anticipating a global economic slowdown and the looming threat of a recession. At the same time, central banks globally undertook the challenge of combating inflation. Subsequently, the US faced a regional banking crisis, and global geopolitical tensions reached heightened levels.

However, financial markets defied these concerns, highlighting the wisdom of the adage "time in the market beats timing the market". Recession fears shifted to confidence as central banks signalled a transition from rate hikes to cuts in 2024, accompanied by a notable easing of inflation pressures. Global economic growth exceeded expectations, creating a favourable environment for risk assets and reshaping expectations towards a 'soft landing' – a harmonious blend of lower inflation, reduced interest rates and moderate economic growth.

The Bloomberg Aggregate Global Bond Index rebounded gaining 6% in US dollars after a challenging 2022 (-16%). Locally, performance mirrored emerging markets, trailing major developed markets. Cash produced a return of 8%, offering investors an inflation-beating return. With the local currency depreciating by 8% versus the US dollar during the year (2022: -7%), the All Bond Index (ALBI) returned a positive 10% (2022: +4%). Considering the volatility experienced in global bond markets during 2023, local bonds in our view produced a commendable result.

Looking forward

Although there are tentative signs that inflation is cooling globally and rate cuts are potentially on the horizon, it is important to acknowledge that the investment landscape today has undergone a profound transformation compared with the pre-Covid-19 era. We maintain the perspective that inflation may persist longer than widely acknowledged, necessitating a supply side response through investment in the capital-starved real economy – a process that could span years before the situation is rectified. This outlook bodes well for commodity-driven emerging markets like South Africa and other beneficiaries globally. Fixed income assets remain very attractive in our view, with the rally experienced in the final quarter of 2023 an indication of the immense value embedded in our bond and cash markets. We are more likely to be closer to the end of the current rate hiking cycle and as a result the negotiable certificate of deposit (NCD) curve has started to reprice lower in anticipation of rate cuts. That said we are still finding value in adding longer-term fixed rates on the NCD curve. While on the Treasury bill curve we have also been presented with an opportunity to add yields at very attractive spreads compared to the same term NCD curve. For example, we were able to buy 6-month Treasury bills at over 9%.

Our focus remains on protecting capital, while providing high levels of liquidity and adequate earnings on money market savings. As mentioned, the past quarter we have been able to add attractive yields to the fund without increasing the risk of capital losses.

Portfolio performance*

Over the quarter the PSG Money Market Fund returned 2.1% versus the benchmark return of 1.9%. The fund is suitable for investors who need an interim investment vehicle or 'parking bay' for surplus money and a short-term investment horizon. Since inception the fund produced an annualised return of 7.9% versus the benchmark return of 8.0% p.a.

*Return numbers as per the PSG Money Market Fund Class A

Changes in portfolio positioning

Q3 2023		Q4 2023	
Linked NCDs/ Floating-rate notes	20.0%	Linked NCDs/Floating-rate notes	19.8%
Step rate notes	9.6%	Step rate notes	10.7%
NCDs	35.6%	NCDs	33.5%
Treasury bills	13.5%	Treasury bills	21.7%
Call deposits	18.8%	Call deposits	8.2%
Listed bond	2.5%	Listed bond	6.1%

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

Number of units as at 31 December 2023 (Class A):	506 907 574
Price (net asset value per unit) as at 31 December 2023 (Class A):	R1.00
Number of units as at 31 December 2023 (Class F):	406 077 963
Price (net asset value per unit) as at 31 December 2023 (Class F):	R1.00

All data as per Bloomberg as at 31 December 2023.

Total investment charge

PSG Money Market Fund Class A

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2023

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)	0.02
Total investment charge % (incl. VAT)	**0.61**

Total Investment Charge annualised for the period 01/01/2023 to 31/12/2023

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)	0.01
Total investment charge % (incl. VAT)	**0.60**

PSG Money Market Fund Class F

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2023

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)	0.02
Total investment charge % (incl. VAT)	**0.38**

Total Investment Charge annualised for the period 01/01/2023 to 31/12/2023.
The annual management fee changed to 0.29% from 01/06/2022.

Total expense ratio % (incl. VAT)	**0.31**
Annual management fee % (incl. VAT)	0.29
Other costs excluding transaction costs % (incl. VAT)	0.02
Transaction costs % (incl. VAT)	0.01
Total investment charge % (incl. VAT)	**0.32**

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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
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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
The Standard Bank of South Africa Limited,
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Additional information
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PSG Global Equity Feeder Fund

Quarterly portfolio commentary as at 31 December 2023
by Greg Hopkins, Philipp Wörz and Justin Floor

2023 in review

At the outset of 2023, financial markets grappled with historically gloomy expectations, anticipating a global economic slowdown and the looming threat of a recession. At the same time, central banks globally undertook the challenge of combating inflation. Subsequently, the US faced a regional banking crisis, and global geopolitical tensions reached heightened levels.

However, financial markets defied these concerns, highlighting the wisdom of the adage "time in the market beats timing the market". Recession fears shifted to confidence as central banks signalled a transition from rate hikes to cuts in 2024, accompanied by a notable easing of inflation pressures. Global economic growth exceeded expectations, creating a favourable environment for risk assets and reshaping expectations towards a 'soft landing' – a harmonious blend of lower inflation, reduced interest rates and moderate economic growth.

Global equities thrived, as the MSCI World Index surged 24% in US dollars, led by resilient US mega-caps (2022: -18%). The Bloomberg Aggregate Global Bond Index rebounded gaining 6% in US dollars after a challenging 2022 (-16%). Emerging markets (EM), weighed down by China, continued to trail developed market indices with the MSCI EM index delivering a total return of 10% after losing 20% in 2022. Oil markets were rangebound for most of the year with crude averaging $78 (2022: $94 average).

MSCI Information Technology (+54%) and MSCI Communications Services (+46%) led the sectoral tables in 2023 after losing 31% and 37% in 2022 respectively, while MSCI Utilities (+1.4%), MSCI Consumer Staples (+3%) and MSCI Energy, 2022's standout performer, returned 3.6%.

The global equity rally was notably concentrated in the 'Magnificent 7' – comprising mega-cap US-based companies Apple, Microsoft, Amazon, Google, Nvidia, Tesla and Meta (Facebook). Dominating global indices, these companies collectively surged by 74%, overshadowing the 12% gain for the rest of the world's companies.

Looking forward

Although there are tentative signs that inflation is cooling globally and rate cuts are potentially on the horizon, it is important to acknowledge that the investment landscape today has undergone a profound transformation compared with the pre-Covid-19 era. We maintain the perspective that inflation may persist longer than widely acknowledged, necessitating a supply side response through investment in the capital-starved real economy – a process that could span years before the situation is rectified. This outlook bodes well for commodity sectors and value stocks generally. This stands in stark contrast to the current dominance of mega-cap stocks in the global indices, a concentration that raises concerns for us. The current market concentration bears resemblance to both the Nifty Fifty era and the dot-com bubble, historical periods that highlight that markets may eventually disappoint investors.

We find encouragement in the performance we have achieved in our funds, despite not benefiting from the outsized performance of the large market constituents. Our excitement looking forward stems from the current opportunity set embedded in our funds, as we believe that the longer-term winners of the future are currently unloved and offer exceptional value. We are confident that we can play a crucial role in building long-term portfolio strategies for our investors, leveraging our proven, active 3M investment approach to identify and capitalise on undervalued opportunities in the market.

Portfolio performance*

Over the quarter the PSG Global Equity Feeder Fund returned 4.6% versus the benchmark return of 8.2%. The largest contributors over this period were financials (2.7%), materials (1.5%) and consumer discretionary (1.4%). Healthcare (-1.1%) and energy (-0.6%) detracted from performance. The contributors and detractors are that of the main fund (PSG Global Equity Sub-Fund). 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 11.8% p.a. versus the benchmark return of 15.4% p.a. Since inception, the fund produced an annual return of 13.1% versus the benchmark return of 17.9%.

*Return numbers as per the PSG Global Equity Feeder Fund Class A

Changes in portfolio positioning

Q3 2023		Q4 2023	
Equities	97.8%	Equities	98.2%
Cash	2.2%	Cash	1.8%

Q3 2023		Q4 2023	
US	33.5%	US	32.9%
Europe	18.7%	Europe	19.0%
UK	34.8%	UK	33.3%
Japan	5.5%	Japan	6.7%
Africa	5.3%	Africa	6.3%
Cash	2.2%	Cash	1.8%

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 2023 (Class A):	4 511 216
Price (net asset value per unit) as at 31 December 2023 (Class A):	R4.74
Number of units as at 31 December 2023 (Class E):	81 292 014
Price (net asset value per unit) as at 31 December 2023 (Class E):	R4.91

All data as per Bloomberg as at 31 December 2023.

Total investment charge

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.52**	**1.93**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.66	1.64
Transaction costs % (incl. VAT)	0.35	**0.35**
Total investment charge % (incl. VAT)	**2.87**	**2.28**

Total Investment Charge annualised for the period 01/01/2023 to 31/12/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.34**	**1.76**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.48	1.47
Transaction costs % (incl. VAT)	0.29	**0.29**
Total investment charge % (incl. VAT)	**2.63**	**2.05**

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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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PSG Asset Management

PSG Global Flexible Feeder Fund

Quarterly portfolio commentary as at 31 December 2023
by Greg Hopkins, Philipp Wörz and Justin Floor

2023 in review

At the outset of 2023, financial markets grappled with historically gloomy expectations, anticipating a global economic slowdown and the looming threat of a recession. At the same time, central banks globally undertook the challenge of combating inflation. Subsequently, the US faced a regional banking crisis, and global geopolitical tensions reached heightened levels.

However, financial markets defied these concerns, highlighting the wisdom of the adage "time in the market beats timing the market". Recession fears shifted to confidence as central banks signalled a transition from rate hikes to cuts in 2024, accompanied by a notable easing of inflation pressures. Global economic growth exceeded expectations, creating a favourable environment for risk assets and reshaping expectations towards a 'soft landing' – a harmonious blend of lower inflation, reduced interest rates and moderate economic growth.

Global equities thrived, as the MSCI World Index surged 24% in US dollars, led by resilient US mega-caps (2022: -18%). The Bloomberg Aggregate Global Bond Index rebounded gaining 6% in US dollars after a challenging 2022 (-16%). Emerging markets (EM), weighed down by China, continued to trail developed market indices with the MSCI EM index delivering a total return of 10% after losing 20% in 2022. Oil markets were rangebound for most of the year with crude averaging $78 (2022: $94 average).

MSCI Information Technology (+54%) and MSCI Communications Services (+46%) led the sectoral tables in 2023 after losing 31% and 37% in 2022 respectively, while MSCI Utilities (+1.4%), MSCI Consumer Staples (+3%) and MSCI Energy, 2022's standout performer, returned 3.6%.

The global equity rally was notably concentrated in the 'Magnificent 7' – comprising mega-cap US-based companies Apple, Microsoft, Amazon, Google, Nvidia, Tesla and Meta (Facebook). Dominating global indices, these companies collectively surged by 74%, overshadowing the 12% gain for the rest of the world's companies.

Looking forward

Although there are tentative signs that inflation is cooling globally and rate cuts are potentially on the horizon, it is important to acknowledge that the investment landscape today has undergone a profound transformation compared with the pre-Covid-19 era. We maintain the perspective that inflation may persist longer than widely acknowledged, necessitating a supply side response through investment in the capital-starved real economy – a process that could span years before the situation is rectified. This outlook bodes well for commodity sectors and value stocks generally. This stands in stark contrast to the current dominance of mega-cap stocks in the global indices, a concentration that raises concerns for us. The current market concentration bears resemblance to both the Nifty Fifty era and the dot-com bubble, historical periods that highlight that markets may eventually disappoint investors.

We find encouragement in the performance we have achieved in our funds, despite not benefiting from the outsized performance of the large market constituents. Our excitement looking forward stems from the current opportunity set embedded in our funds, as we believe that the longer-term winners of the future are currently unloved and offer exceptional value. We are confident that we can play a crucial role in building long-term portfolio strategies for our investors, leveraging our proven, active 3M investment approach to identify and capitalise on undervalued opportunities in the market.

Portfolio performance*

Over the quarter the PSG Global Flexible Feeder Fund returned 4.3% versus the benchmark return of -1.5%. The largest contributors over this period were financials (2.4%), materials (1.5%) and consumer staples (1.4%). The largest detractors over this period were healthcare (-0.9%) and energy (-0.2%). The contributors and detractors are that of the main fund (PSG Global Flexible Sub-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 against the relevant investment term. Over the 5-year time horizon, the fund returned 14.5% p.a. versus the benchmark return of 15.4% p.a. Since inception the fund produced an annual return of 12.9% versus the benchmark return of 16.2%.

*Return numbers as per the PSG Global Flexible Feeder Fund Class A

Changes in portfolio positioning

Q3 2023		Q4 2023	
Equities*	86.6%	Equities*	89.3%
Bonds	1.2%	Bonds	2.6%
Cash	12.2%	Cash	8.1%

Q3 2023		Q4 2023	
US*	26.2%	US*	27.6%
Europe	15.4%	Europe	16.3%
UK	34%	UK	32.2%
Japan	5.9%	Japan	6.3%
Africa	4.7%	Africa	5.4%
Brazil	0.0%	Brazil	1.5%
Cash and Bonds	13.8%	Cash and Bonds	10.7%
*Includes -6.27% effective derivative exposure		*Includes -3.69% effective derivative exposure	

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 2023 (Class A):	11 672 175
Price (net asset value per unit) as at 31 December 2023 (Class A):	R3.66
Number of units as at 31 December 2023 (Class B):	139 296 474
Price (net asset value per unit) as at 31 December 2023 (Class B):	R3.84

All data as per Bloomberg as at 31 December 2023.

Total investment charge

Total Investment Charge annualised for the period 01/01/2021 to 31/12/2023

	Class A	Class B
Total expense ratio % (incl. VAT)	**2.49**	**1.91**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.63	1.62
Transaction costs % (incl. VAT)	0.16	0.16
Total investment charge % (incl. VAT)	**2.65**	**2.07**

Total Investment Charge annualised for the period 01/01/2023 to 31/12/2023

	Class A	Class B
Total expense ratio % (incl. VAT)	**2.07**	**1.50**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.21	1.21
Transaction costs % (incl. VAT)	0.16	0.16
Total investment charge % (incl. VAT)	**2.23**	**1.66**

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 inissue.

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 Financial Services 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 Financial Services 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.