PSG Asset Management

Quarterly portfolio fund commentaries

June 2022

Contents

Current context

Global markets have recorded their worst start to a calendar year since the inception of the MSCI World Index in 1970, delivering a total US dollar return of -20.5% (-16.6% in ZAR) over the first half of the year and -16.2% (-6.7% in ZAR) in the second quarter. By comparison, the resource-heavy FTSE JSE All Share Index outperformed year to date, but in the context of tumbling global markets still saw negative returns, declining by 8.3% in rand. The index saw a sharp pullback of 11.7% in rand during the second quarter.

On a global basis, only the energy sector delivered positive returns (24.7% in USD and 27.3% in ZAR) during the first half of the year, but all global sectors posted negative returns during the second quarter. Locally, conditions were similar with energy (+59.6%) the only major sector in positive territory over the first six months of the year, followed by financials (-1.7%) and resources (-5%).

Generally regarded as safe havens during periods of market turmoil, global bond markets came under pressure in the second quarter driving the US 10-year government bond yield to 3% at the end of June, compared to 1.5% at the beginning of the year. By comparison, while local bonds also sold off, high yields of above 10% for the South African 10-year bond protected against price declines to eke out a 1% return for the half year.

Our perspective

Markets are currently grappling with recessionary fears stemming mainly from a shock to the global energy system and the strongest inflationary pressures across the developed world in over 40 years. The anticipated impact of aggressive interest rate increases by major central banks (mainly the US Federal Reserve) to stem rampant inflation, is sending reverberations across financial markets.

Despite the negative impact of protracted load shedding, our view remains that a lot of bad news has already been priced into the local market, and our expectations remain that both local equities and government bonds remain well positioned to deliver to investors. Global financial markets grew very distorted over the past decade, mainly because of the extremely low cost of capital and negative real interest rates across the developed world. Many of these distortions are now in the process of unwinding, although we anticipate that it will take years to complete. As a result, we anticipate an environment where many winners of the future will look different to those of the past. For unconstrained investors like ourselves, who pursue a differentiated approach, this should be a favourable environment.

We believe investors will be well served by zooming out of shorter-term fears and assessing the bigger picture backdrop to make sense of how to navigate these uncertain times.

Portfolio performance and positioning*

Our buylists (local and offshore) have identified several high conviction opportunities for generating potentially excellent long-term returns at relatively low levels of risk. These include underappreciated (and cheap) defensive growers such as Discovery Ltd, Remgro Ltd, Anheuser-Busch Inbev SA/NV, Prudential plc and Liberty Global Inc. We also have healthy exposure to a number of SA mid-caps that are very cheap relative to the levels of profitability we expect in the years ahead (even if the SA economy remains stagnant). Here, our larger holdings are AECI Ltd, JSE Ltd, Sun International Hotels Limited, Super Group Ltd, Grindrod Limited, Raubex Group Ltd and Hudaco Industries Ltd. Furthermore, the fund has higher than average exposure to cyclicals, including materials, energy and financials. In the case of commodity producers, we take comfort that constrained supply-side capacity will compensate for any shorter-term demand weakness and valuations are very attractive.

Over the quarter the PSG Equity Fund returned -8.5% versus the benchmark return of -10.5%. There were no positive contributors to return for the quarter. The largest detractors were financials (-3.5%), industrials (-2.0%) and resources (-1.7%). 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 4.7% p.a. versus the benchmark return of 7.2% p.a. Since inception the fund has performed in the top quartile and produced an annual return of 14.8% versus the benchmark return of 13.0%.

*Return numbers as per the PSG Equity Fund Class A

Changes in portfolio positioning

Q1 2022		Q2 2022	
Domestic equity	71.1%	Domestic equity	68.3%
Domestic property	1.9%	Domestic property	1.5%
Domestic cash	0.0%	Domestic cash	0.1%
Offshore equity	26.4%	Offshore equity	28.7%
Offshore property	0.5%	Offshore property	1.4%
Offshore cash	0.1%	Offshore cash	0.0%

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

Number of units as at 30 June 2022 (Class A):	29 489 982
Price (net asset value per unit) as at 30 June 2022 (Class A):	R12.85
Number of units as at 30 June 2022 (Class E):	86 873 715
Price (net asset value per unit) as at 30 June 2022 (Class E):	R12.86

All data as per Bloomberg as at 30 June 2022

Total investment charge

Total Investment Charge annualised for the period 01/07/2019 to 30/06/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.76**	**1.25**
Annual management fee % (incl. VAT)	1.73	0.86
Other costs excluding transaction costs % (incl. VAT)	0.03	0.03
Performance fee % (incl. VAT)	0.00	0.36*
Transaction costs % (incl. VAT)	0.26	0.26
Total investment charge % (incl. VAT)	**2.02**	**1.51**

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

Total Investment Charge annualised for the period 01/07/2021 to 30/06/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.75**	**1.82**
Annual management fee % (incl. VAT)	1.73	0.86
Other costs excluding transaction costs % (incl. VAT)	0.02	0.03
Performance fee % (incl. VAT)	0.00	0.93*
Transaction costs % (incl. VAT)	0.19	0.19
Total investment charge % (incl. VAT)	**1.94**	**2.01**

*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

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

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 Flexible Fund

Quarterly portfolio commentary as at 30 June 2022
by Shaun le Roux and Mikhail Motala

Current context

Global markets have recorded their worst start to a calendar year since the inception of the MSCI World Index in 1970, delivering a total US dollar return of -20.5% (-16.6% in ZAR) over the first half of the year and -16.2% (-6.7% in ZAR) in the second quarter. By comparison, the resource-heavy FTSE JSE All Share Index outperformed year to date, but in the context of tumbling global markets still saw negative returns, declining by 8.3% in rand. The index saw a sharp pullback of 11.7% in rand during the second quarter.

On a global basis, only the energy sector delivered positive returns (24.7% in USD and 27.3% in ZAR) during the first half of the year, but all global sectors posted negative returns during the second quarter. Locally, conditions were similar with energy (+59.6%) the only major sector in positive territory over the first six months of the year, followed by financials (-1.7%) and resources (-5%).

Generally regarded as safe havens during periods of market turmoil, global bond markets came under pressure in the second quarter driving the US 10-year government bond yield to 3% at the end of June, compared to 1.5% at the beginning of the year. By comparison, while local bonds also sold off, high yields of above 10% for the South African 10-year bond protected against price declines to eke out a 1% return for the half year.

Our perspective

Markets are currently grappling with recessionary fears stemming mainly from a shock to the global energy system and the strongest inflationary pressures across the developed world in over 40 years. The anticipated impact of aggressive interest rate increases by major central banks (mainly the US Federal Reserve) to stem rampant inflation, is sending reverberations across financial markets.

Despite the negative impact of protracted load shedding, our view remains that a lot of bad news has already been priced into the local market, and our expectations remain that both local equities and government bonds remain well positioned to deliver to investors. Global financial markets grew very distorted over the past decade, mainly because of the extremely low cost of capital and negative real interest rates across the developed world. Many of these distortions are now in the process of unwinding, although we anticipate that it will take years to complete. As a result, we anticipate an environment where many winners of the future will look different to those of the past. For unconstrained investors like ourselves, who pursue a differentiated approach, this should be a favourable environment.

We believe investors will be well served by zooming out of shorter-term fears and assessing the bigger picture backdrop to make sense of how to navigate these uncertain times.

Portfolio performance and positioning*

The PSG Flexible Fund remains offensively positioned. Our buylists (local and offshore) have identified several high conviction opportunities for generating potentially excellent long-term returns at relatively low levels of risk. These include underappreciated (and cheap) defensive growers such as Discovery Ltd, Remgro Ltd, Anheuser-Busch Inbev SA/NV, Prudential plc and Liberty Global Inc. We also have healthy exposure to a number of SA mid-caps that are very cheap relative to the levels of profitability we expect in the years ahead (even if the SA economy remains stagnant). Here, our larger holdings are Grindrod Limited, JSE Ltd, Sun International Hotels Limited, Super Group Ltd, Raubex Group Ltd and Hudaco Industries Ltd. Furthermore, the fund has higher than average exposure to cyclicals, including materials, energy and financials. In the case of commodity producers, we take comfort that constrained supply-side capacity will compensate for any shorter-term demand weakness and valuations are very attractive.

Over the quarter the PSG Flexible Fund returned -6.9% versus the benchmark return of 3.7%. Foreign options (0.7%) were the only positive contributors to return for the quarter. Negative contributors included financials (-2.9%), industrials (-1.9%) and resources (-1.5%). 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% p.a. versus the benchmark return of 10.5% p.a. Since inception, the fund has performed in the top quartile and has produced an annual return of 13.5% versus benchmark return of 11.6%.

*Return numbers as per the PSG Flexible Fund Class A

Changes in portfolio positioning

Q1 2022		Q2 2022	
Domestic equity*	64.5%	Domestic equity	63.3%
Domestic property	1.9%	Domestic property	1.8%
Domestic cash, Treasury bills and NCDs	4.3%	Domestic cash, Treasury bills and NCDs	2.2%
Offshore equity**	25.0%	Offshore equity*	28.1%
Offshore property	1.9%	Offshore property	2.8%
Offshore cash	2.4%	Offshore cash	1.8%
*Includes -0.1% effective derivative exposure **Includes -1.4% effective derivative exposure		*Includes -1.4% effective derivative exposure	

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

Number of units as at 30 June 2022 (Class A):	428 813 375
Price (net asset value per unit) as at 30 June 2022 (Class A):	R6.25
Number of units as at 30 June 2022 (Class E):	830 117 155
Price (net asset value per unit) as at 30 June 2022 (Class E):	R6.26

All data as per Bloomberg as at 30 June 2022

Total investment charge

Total Investment Charge annualised for the period 01/07/2019 to 30/06/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.86**	**1.63**
Annual management fee % (incl. VAT)	1.15	0.86
Other costs excluding transaction costs % (incl. VAT)	0.04	0.04
Performance fee % (incl. VAT)	0.67*	0.73*
Transaction costs % (incl. VAT)	0.22	0.22
Total investment charge % (incl. VAT)	**2.08**	**1.85**

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

Total Investment Charge annualised for the period 01/07/2021 to 30/06/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.90**	**2.62**
Annual management fee % (incl. VAT)	1.15	0.86
Other costs excluding transaction costs % (incl. VAT)	0.04	0.04
Performance fee % (incl. VAT)	1.71*	1.72*
Transaction costs % (incl. VAT)	0.16	0.16
Total investment charge % (incl. VAT)	**3.06**	**2.78**

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Performance

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Redemptions

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Additional information

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PSG Asset Management

PSG Balanced Fund

Quarterly portfolio commentary as at 30 June 2022
by Justin Floor and Dirk Jooste

Current context

Global markets have recorded their worst start to a calendar year since the inception of the MSCI World Index in 1970, delivering a total US dollar return of -20.5% (-16.6% in ZAR) over the first half of the year and -16.2% (-6.7% in ZAR) in the second quarter. By comparison, the resource-heavy FTSE JSE All Share Index outperformed year to date, but in the context of tumbling global markets still saw negative returns, declining by 8.3% in rand. The index saw a sharp pullback of 11.7% in rand during the second quarter.

On a global basis, only the energy sector delivered positive returns (24.7% in USD and 27.3% in ZAR) during the first half of the year, but all global sectors posted negative returns during the second quarter. Locally, conditions were similar with energy (+59.6%) the only major sector in positive territory over the first six months of the year, followed by financials (-1.7%) and resources (-5%).

Generally regarded as safe havens during periods of market turmoil, global bond markets came under pressure in the second quarter driving the US 10-year government bond yield to 3% at the end of June, compared to 1.5% at the beginning of the year. By comparison, while local bonds also sold off, high yields of above 10% for the South African 10-year bond protected against price declines to eke out a 1% return for the half year.

Our perspective

Markets are currently grappling with recessionary fears stemming mainly from a shock to the global energy system and the strongest inflationary pressures across the developed world in over 40 years. The anticipated impact of aggressive interest rate increases by major central banks (mainly the US Federal Reserve) to stem rampant inflation, is sending reverberations across financial markets.

Despite the negative impact of protracted load shedding, our view remains that a lot of bad news has already been priced into the local market, and our expectations remain that both local equities and government bonds remain well positioned to deliver to investors. Global financial markets grew very distorted over the past decade, mainly because of the extremely low cost of capital and negative real interest rates across the developed world. Many of these distortions are now in the process of unwinding, although we anticipate that it will take years to complete. As a result, we anticipate an environment where many winners of the future will look different to those of the past. For unconstrained investors like ourselves, who pursue a differentiated approach, this should be a favourable environment.

We believe investors will be well served by zooming out of shorter-term fears and assessing the bigger picture backdrop to make sense of how to navigate these uncertain times.

Portfolio performance and positioning*

Over the quarter the PSG Balanced Fund returned -7.4% versus the benchmark (CPI+5%) return of 3.4%. The major driver of the negative quarterly return was a weak local and foreign equity market, while positive stock selection and derivative hedges provided some offsetting benefits. In the fixed income portion of the portfolio, inflation-linked bond positions performed well, offsetting some weakness in our nominal government bond holdings. Primary instrument detractors over the quarter were holdings in Discovery Ltd, Hammerson plc and Quilter plc. Meanwhile, some of our JSE-listed mid-cap shares contributed positively with Hosken Consolidated Investments Ltd and Grindrod Ltd (both up over 30%) adding the most to 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 6.3% p.a. versus the benchmark return of 9.5% p.a. Since inception the fund has produced an annual return of 12.5% compared to the benchmark return of 10.4%.

The fund has been using market weakness to mildly increase net exposure to growth assets and we have been moderately increasing interest rate duration into a weaker domestic bond market.

*Return numbers as per the PSG Balanced Fund Class A

Changes in portfolio positioning

Q1 2022		Q2 2022	
Domestic equity	48.0%	Domestic equity	47.8%
Domestic property	5.0%	Domestic property	4.6%
Domestic cash, Treasury bills and NCDs	2.2%	Domestic cash, Treasury bills and NCDs	0.4%
Domestic bonds	16.7%	Domestic bonds	17.6%
Offshore equity*	24.9%	Offshore equity*	25.6%
Offshore cash	1.6%	Offshore cash	1.4%
Offshore property	1.6%	Offshore property	2.6%
*Includes -1.1% effective derivative exposure		*Includes -1.3% effective derivative exposure	

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

Number of units as at 30 June 2022 (Class A):	50 412 325
Price (net asset value per unit) as at 30 June 2022 (Class A):	R79.19
Number of units as at 30 June 2022 (Class E):	61 458 753
Price (net asset value per unit) as at 30 June 2022 (Class E):	R79.32

All data as per Bloomberg as at 30 June 2022.

Total investment charge

Total Investment Charge annualised for the period 01/07/2019 to 30/06/2022

	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)	0.23	0.23
Total investment charge % (incl. VAT)	**2.00**	**1.43**

Total Investment Charge annualised for the period 01/07/2021 to 30/06/2022

	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**

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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
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PSG Stable Fund

Quarterly portfolio commentary as at 30 June 2022
by John Gilchrist and Dirk Jooste

Current context

Global markets have recorded their worst start to a calendar year since the inception of the MSCI World Index in 1970, delivering a total US dollar return of -20.5% (-16.6% in ZAR) over the first half of the year and -16.2% (-6.7% in ZAR) in the second quarter. By comparison, the resource-heavy FTSE JSE All Share Index outperformed year to date, but in the context of tumbling global markets still saw negative returns, declining by 8.3% in rand. The index saw a sharp pullback of 11.7% in rand during the second quarter.

On a global basis, only the energy sector delivered positive returns (24.7% in USD and 27.3% in ZAR) during the first half of the year, but all global sectors posted negative returns during the second quarter. Locally, conditions were similar with energy (+59.6%) the only major sector in positive territory over the first six months of the year, followed by financials (-1.7%) and resources (-5%).

Generally regarded as safe havens during periods of market turmoil, global bond markets came under pressure in the second quarter driving the US 10-year government bond yield to 3% at the end of June, compared to 1.5% at the beginning of the year. By comparison, while local bonds also sold off, high yields of above 10% for the South African 10-year bond protected against price declines to eke out a 1% return for the half year.

Our perspective

Markets are currently grappling with recessionary fears stemming mainly from a shock to the global energy system and the strongest inflationary pressures across the developed world in over 40 years. The anticipated impact of aggressive interest rate increases by major central banks (mainly the US Federal Reserve) to stem rampant inflation, is sending reverberations across financial markets.

Despite the negative impact of protracted load shedding, our view remains that a lot of bad news has already been priced into the local market, and our expectations remain that both local equities and government bonds remain well positioned to deliver to investors. Global financial markets grew very distorted over the past decade, mainly because of the extremely low cost of capital and negative real interest rates across the developed world. Many of these distortions are now in the process of unwinding, although we anticipate that it will take years to complete. As a result, we anticipate an environment where many winners of the future will look different to those of the past. For unconstrained investors like ourselves, who pursue a differentiated approach, this should be a favourable environment.

We believe investors will be well served by zooming out of shorter-term fears and assessing the bigger picture backdrop to make sense of how to navigate these uncertain times.

Portfolio performance and positioning*

Domestic equity exposure declined marginally, with purchases of Discovery Ltd and Northam Platinum being more than offset by sales into strength of, among others, Long4Life Ltd, Hosken Consolidated Investments Ltd and Grindrod Ltd. Local property exposure also declined slightly over the quarter while foreign property exposure was increased through purchases of Simon Property Group Inc and Tanger Factory Outlet Centres into weakness. Foreign equity exposure increased, partially driven by the rand weakening 11% against the dollar over the quarter. Larger foreign equity purchases during the quarter included Prudential plc, Liberty Global Inc and Pepco Group Ltd, while the more meaningful sales included trimming exposure to Shell plc, Japan Post Insurance Company, Ltd and Hiscox Ltd. In South African fixed income, we maintained our large position in government bonds (while opportunistically switching from inflation-linked bonds (ILBs) into nominal bonds as inflation breakeven levels increased) and added to fixed negotiated certificates of deposit (NCDs) at attractive rates.

Over the quarter the PSG Stable Fund returned -2.9% versus the benchmark return of 3.0%. The contributors over this period were foreign options (0.5%), local money market instruments (0.2%) and local corporate bonds (0.1%). Financials, industrials, and resources detracted by -1.2%, -0.6% and -0.5% respectively. The fund is suitable for investors with an investment term of 3 years and longer. Over the 3-year time horizon, the fund returned 6.7% p.a. versus the benchmark return of 7.6% p.a. Since inception, the fund has produced annualised returns of 7.9% versus benchmark return of 8.1%.

*Return numbers as per the PSG Stable Fund Class A

Changes in portfolio positioning

Q1 2022		Q2 2022	
Domestic equity*	22.9%	Domestic equity	21.7%
Domestic property	2.2%	Domestic property	1.9%
Domestic cash, Treasury bills and NCDs	13.1%	Domestic cash, Treasury bills and NCDs	12.5%
Domestic bonds	46.2%	Domestic bonds	45.7%
Offshore equity**	12.3%	Offshore equity*	13.7%
Offshore cash	2.2%	Offshore cash	1.7%
Offshore bonds	0.3%	Offshore bonds	0.9%
Offshore property	0.8%	Offshore property	1.9%
*Includes -0.05% effective derivative exposure **Includes -0.9% effective derivative exposure		*Includes -1.0% effective derivative exposure	

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

Number of units as at 30 June 2022 (Class A):	30 912 829
Price (net asset value per unit) as at 30 June 2022 (Class A):	R1.50
Number of units as at 30 June 2022 (Class E):	320 872 505
Price (net asset value per unit) as at 30 June 2022 (Class E):	R1.50

All data as per Bloomberg as at 30 June 2022

Total investment charge

Total Investment Charge annualised for the period 01/07/2019 to 30/06/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.78**	**1.20**
Annual management fee % (incl. VAT)	1.73	1.15
Other costs excluding transaction costs % (incl. VAT)	0.05	0.05
Transaction costs % (incl. VAT)	0.14	0.14
Total investment charge % (incl. VAT)	**1.92**	**1.34**

Total Investment Charge annualised for the period 01/07/2021 to 30/06/2022

	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)	0.10	0.10
Total investment charge % (incl. VAT)	**1.87**	**1.30**

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

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Redemptions

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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

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Additional information

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PSG Diversified Income Fund

Quarterly portfolio commentary as at 30 June 2022
by Lyle Sankar and John Gilchrist

Current context

Global markets have recorded their worst start to a calendar year since the inception of the MSCI World Index in 1970, delivering a total US dollar return of -20.5% (-16.6% in ZAR) over the first half of the year and -16.2% (-6.7% in ZAR) in the second quarter. Generally regarded as safe havens during periods of market turmoil, global bond markets came under pressure in the second quarter driving the US 10-year government bond yield to above 3% at the end of June, compared to 1.5% at the beginning of the year. By comparison, while local bonds also sold off, high yields of above 10% for the South African 10-year bond protected against price declines to eke out a 1% return for the half year.

Monetary policy from a global perspective is now fully focused on hiking interest rates as inflation consistently surprises to the upside. The US Federal Reserve hiked interest rates by 0.75% during May on the back of inflation tracking at a 40-year high, in excess of 8%. Despite this sharp move in rates, US inflation is only expected to move closer to the 2% target by 2024/2025 and the market expects two more 0.75% interest rate hikes in the current year. South Africa, having recently seen a 5-year high inflation print of 6.5%, has followed suite with 0.5% higher interest rates and, similarly, the market expects another 2% before December 2022.

Our perspective

Markets are currently grappling with recessionary fears stemming mainly from a shock to the global energy system and the strongest inflationary pressures across the developed world in over 40 years. The anticipated impact of aggressive interest rate increases by major central banks (mainly the US Federal Reserve) to stem rampant inflation, is sending reverberations across financial markets.

Despite the negative impact of protracted load shedding, our view remains that a lot of bad news has already been priced into the local market, and our expectations remain that government bonds remain well positioned to deliver to investors. Currently, the opportunity set to secure high-yielding income returns over the years ahead are extremely attractive. For example, we are able to buy 2 to 5 year negotiated certificates of deposit (NCDs) between 8% and 9.6% yields due to the aggressive rate hikes expected from the South African Reserve Bank (SARB). The 10-year government bond yields roughly 11.4% - similar to the distressed trading we saw during the worst of the Covid-19 pandemic. Historically, the subsequent 12 month returns average above 15% when buying at current yields and we would ascribe a reasonable probably of yields falling and delivering good returns as before. In addition, inflation-linked bonds are able to ensure a South African income investor earns both an attractive real yield while getting cheap protection against broader inflationary pressures. In fact, we believe the very short dated inflation-linked bonds are likely to be the best risk-adjusted fixed income opportunity currently available.

Portfolio performance and positioning*

The fund was well positioned during the quarter, able to deliver a robust result considering the volatility experienced in the bond market. Steps taken during the first quarter of the year to moderate certain risks to the portfolio have helped buffer a tough market. We do however believe now is the time to consider smart allocations into a very cheap fixed income market to secure future income returns. We continue to construct a balance of shorter nominal bonds and NCDs against a core exposure to short-dated inflation-linked bonds. This approach ensures we are able to remain liquid (as we are largely in government bonds), hold low credit risk, and have a balanced position against unknown inflationary pressures.

Over the quarter the PSG Diversified Income Fund returned 0.4% versus the benchmark return of 2.5%. The contributors over this period were local money market instruments (0.5%), cash (0.2%) and corporate bonds (0.1%), while equity detracted over the period. Over the 2-year investment horizon, the fund delivered an annualized return of 8.4% versus the benchmark return of 6.8%.

*Return numbers as per the PSG Diversified Income Class A

Changes in portfolio positioning

Q1 2022		Q2 2022	
Domestic equity	2.6%	Domestic equity	2.4%
Domestic preference shares	1.7%	Domestic preference shares	1.6%
Domestic property	0.6%	Domestic property	0.5%
Domestic cash, Treasury bills and NCDs	43.0%	Domestic cash, Treasury bills and NCDs	39.2%
Domestic bonds	45.7%	Domestic bonds	50.1%
Offshore equity	0.8%	Offshore equity	0.9%
Offshore bonds	0.5%	Offshore bonds	1.0%
Offshore cash	4.9%	Offshore cash	4.0%
Offshore property	0.2%	Offshore property	0.3%

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

Number of units as at 30 June 2022 (Class A): 1 500 689 098
Price (net asset value per unit) as at 30 June 2022 (Class A): R1.27
Number of units as at 30 June 2022 (Class E): 728 346 407
Price (net asset value per unit) as at 30 June 2022 (Class E): R1.27

All data as per Bloomberg as at 30 June 2022.

Total investment charge

PSG Diversified Income Fund Class A

Total Investment Charge annualised for the period 01/07/2019 to 30/06/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.20**	**0.73**
Annual management fee % (incl. VAT)	1.15	0.52
Other costs excluding transaction costs % (incl. VAT)	0.05	0.21
Transaction costs % (incl. VAT)	0.14	0.14
Total investment charge % (incl. VAT)	**1.34**	**0.87**

Total Investment Charge annualised for the period 01/07/2021 to 30/06/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.19**	**0.71**
Annual management fee % (incl. VAT)	1.15	0.52
Other costs excluding transaction costs % (incl. VAT)	0.04	0.19
Transaction costs % (incl. VAT)	0.13	0.13
Total investment charge % (incl. VAT)	**1.32**	**0.84**

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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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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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Trustee

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PSG Income Fund

Quarterly portfolio commentary as at 30 June 2022
by Lyle Sankar and Duayne Le Roux

Current context

Global markets have recorded their worst start to a calendar year since the inception of the MSCI World Index in 1970, delivering a total US dollar return of -20.5% (-16.6% in ZAR) over the first half of the year and -16.2% (-6.7% in ZAR) in the second quarter. Generally regarded as safe havens during periods of market turmoil, global bond markets came under pressure in the second quarter driving the US 10-year government bond yield to above 3% at the end of June, compared to 1.5% at the beginning of the year. By comparison, while local bonds also sold off, high yields of above 10% for the South African 10-year bond protected against price declines to eke out a 1% return for the half year.

Monetary policy from a global perspective is now fully focused on hiking interest rates as inflation consistently surprises to the upside. The US Federal Reserve hiked interest rates by 0.75% during May on the back of inflation tracking at a 40-year high, in excess of 8%. Despite this sharp move in rates, US inflation is only expected to move closer to the 2% target by 2024/2025 and the market expects two more 0.75% interest rate hikes in the current year. South Africa, having recently seen a 5-year high inflation print of 6.5%, has followed suite with 0.5% higher interest rates and, similarly, the market expects another 2% before December 2022.

Our perspective

Markets are currently grappling with recessionary fears stemming mainly from a shock to the global energy system and the strongest inflationary pressures across the developed world in over 40 years. The anticipated impact of aggressive interest rate increases by major central banks (mainly the US Federal Reserve) to stem rampant inflation, is sending reverberations across financial markets.

Despite the negative impact of protracted load shedding, our view remains that a lot of bad news has already been priced into the local market, and our expectations remain that government bonds remain well positioned to deliver to investors. Currently, the opportunity set to secure high-yielding income returns over the years ahead are extremely attractive. For example, we are able to buy 2 to 5 year negotiated certificates of deposit (NCDs) between 8% and 9.6% yields due to the aggressive rate hikes expected from the South African Reserve Bank (SARB). The 10-year government bond yields roughly 11.4% - similar to the distressed trading we saw during the worst of the Covid-19 pandemic. Historically, the subsequent 12 month returns average above 15% when buying at current yields and we would ascribe a reasonable probably of yields falling and delivering good returns as before. In addition, inflation-linked bonds are able to ensure a South African income investor earns both an attractive real yield while getting cheap protection against broader inflationary pressures. In fact, we believe the very short dated inflation linked bonds are likely to be the best risk-adjusted fixed income opportunity currently available.

Portfolio performance and positioning*

The fund was well positioned during the quarter, able to deliver a robust result considering the volatility experienced in the bond market. We continue to construct a balance of shorter nominal bonds and NCDs against a core exposure to short-dated inflation-linked bonds. This approach ensures we are able to remain liquid (as we are largely in government bonds), hold low credit risk, and have a balanced position against unknown inflationary pressures.

Over the quarter the PSG Income Fund returned 1.3% versus the benchmark return of 1.2%. The major contributors over this period were cash (0.8%), local money market instruments (0.7%) and local government bonds (0.5%). Over a 1-year period, the fund delivered a return of 5.0% versus the benchmark return of 4.2%.

*Return numbers as per the PSG Income Fund Class A

Changes in portfolio positioning

Q1 2022		Q2 2022	
Domestic bonds	38.8%	Domestic bonds	43.0%
Domestic cash, Treasury bills and NCDs	61.2%	Domestic cash, Treasury bills and NCDs	57.0%

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

Number of units as at 30 June 2022 (Class A):	383 215 114
Price (net asset value per unit) as at 30 June 2022 (Class A):	R1.07
Number of units as at 30 June 2022 (Class E):	1 511 844 510
Price (net asset value per unit) as at 30 June 2022 (Class E):	R1.07

All data as per Bloomberg as at 30 June 2022.

Total investment charge

Total Investment Charge annualised for the period 01/07/2019 to 30/06/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**0.80**	**0.51**
Annual management fee % (incl. VAT)	0.75	0.46
Other costs excluding transaction costs % (incl. VAT)	0.05	0.05
Transaction costs % (incl. VAT)	0.12	0.12
Total investment charge % (incl. VAT)	**0.92**	**0.63**

Total Investment Charge annualised for the period 01/07/2021 to 30/06/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**0.79**	**0.50**
Annual management fee % (incl. VAT)	0.75	0.46
Other costs excluding transaction costs % (incl. VAT)	0.04	0.04
Transaction costs % (incl. VAT)	0.14	0.14
Total investment charge % (incl. VAT)	**0.93**	**0.64**

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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

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Redemptions

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Trustee

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Additional information

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PSG Money Market Fund

Quarterly portfolio commentary as at 30 June 2022
by Duayne le Roux and Lyle Sankar

Current context

Over the past quarter, as the world continued to digest the impact of supply shocks and concerns as to whether increases in inflation have become entrenched, inflation expectations have continued to rise. Against this backdrop, both local and global inflation have exceeded expectations over the quarter. Additionally, the South African Reserve Bank (SARB) lifted the repo rate by 0.5% over the quarter and reiterated its strong stance to defend its inflation mandate. And, if need be, to do so aggressively albeit at the impact of negatively influencing growth.

Interest rates this quarter have adjusted to a potentially steeper repo rate normalisation path. The yields on the negotiated certificate of deposit (NCD) curve have adjusted meaningfully upwards from the 6 month point and longer. The yields on government treasury bills continue to trade at a narrower premium to the NCD curve. The spreads in bank floating-rate notes declined marginally over the quarter.

Our perspective

Important to note is that local inflation is now printing at levels not seen in the last 10 years. While there is always potential for inflation to move higher, there is a growing consensus that inflation is likely to plateau and moderate downwards from here. In this environment, the move in yields available to money market funds has been significant and in some areas of the money market curve, increasing as much as 1% over the quarter. As the market continues to price in a more sustained and steeper rate hiking cycle, we expect these yields to continue to move upwards given the current high-inflation environment.

Portfolio performance and positioning*

Fixed-rate NCDs are now significantly more attractive than government treasury bills. As a result, the fund's exposure to the NCD curve has continued to grow at the expense of treasury bills. Exposure has been added to select parts of the NCD curve where the steepness in the curve has been most rewarding, particularly at the 6 month point. Additionally, given the increased volatility of markets, the fund has taken a decision to hold marginally more call deposits.

Over the quarter both the PSG Money Market Fund as well as the fund’s benchmark had a return of 1.1%. 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 has produced an annual return of 8.0% compared to the benchmark return of 8.1%.

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

Changes in portfolio positioning

Q1 2022		Q2 2022	
Linked NCDs/ Floating-rate notes	12.6%	Linked NCDs/Floating-rate notes	12.8%
Step rate notes	11.5%	Step rate notes	11.6%
NCDs	27.2%	NCDs	44.8%
Treasury bills	29.2%	Treasury bills	7.9%
Call deposits	15.9%	Call deposits	20.9%
Listed bond	3.6%	Listed bond	2.0%

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

Number of units as at 30 June 2022 (Class A):	661 080 801
Price (net asset value per unit) as at 30 June 2022 (Class A):	R1.00
Number of units as at 30 June 2022 (Class F):	439 294 964
Price (net asset value per unit) as at 30 June 2022 (Class F):	R1.00

All data as per Bloomberg as at 30 June 2022.

Total investment charge

Total Investment Charge annualised for the period 01/07/2019 to 30/06/2022

	Class A	Class F
Total expense ratio % (incl. VAT)	**0.59**	**0.36**
Annual management fee % (incl. VAT)	0.58	0.29
Other costs excluding transaction costs % (incl. VAT)	0.01	0.07
Transaction costs % (incl. VAT)	0.12	0.12
Total investment charge % (incl. VAT)	**0.71**	**0.48**

Total Investment Charge annualised for the period 01/07/2021 to 30/06/2022

	Class A	Class F
Total expense ratio % (incl. VAT)	**0.60**	**0.36**
Annual management fee % (incl. VAT)	0.58	0.29
Other costs excluding transaction costs % (incl. VAT)	0.02	0.07
Transaction costs % (incl. VAT)	0.18	0.18
Total investment charge % (incl. VAT)	**0.78**	**0.54**

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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
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 3authorized 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 manager may use the brokerage services of a related party, PSG Securities Ltd.

Trustees
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 Asset Management

PSG Global Equity Feeder Fund

Quarterly portfolio commentary as at 30 June 2022
by Greg Hopkins, Philipp Wörz and Justin Floor

Current context

Global markets have recorded their worst start to a calendar year since the inception of the MSCI World Index in 1970, and all global sectors declined during the second quarter of 2022. The MSCI World Index delivered a total return of -20.5% over the first half of the year and -16.2% during the second quarter. The global energy sector is the only industry sector in positive territory so far this year, returning 24.7%, while historically strong-performing sectors such as communication services, information technology and consumer discretionary declined by 30% on average. After suffering losses in 2021, emerging markets (MSCI EM Index) shed 17.6% year to date (-11.4% in Q2).

Even global bonds, generally regarded as safe havens during periods of market turmoil, declined by 13.9% during the first half of the year and 8.3% in the second quarter (Bloomberg Global Aggregate Total Return Index). The US 10-year government bond, which began the year at a yield of 1.5%, sold off to yield 3% at the end of June, while the US 30-year mortgage rate almost doubled and ended the half year at 6%.

Our perspective

Markets are currently grappling with recessionary fears stemming mainly from a shock to the global energy system and the strongest inflationary pressures across the developed world in over 40 years. The anticipated impact of aggressive interest rate increases by major central banks (mainly the US Federal Reserve) to stem rampant inflation, is sending reverberations across financial markets.

Despite the uncertainty, we believe investors will be well served by zooming out of shorter-term fears and assessing the bigger picture backdrop to make sense of how to navigate these uncertain times. Global financial markets grew very distorted over the past decade, mainly because of the extremely low cost of capital and negative real interest rates across the developed world. Many of these distortions are now in the process of unwinding, although we anticipate that it will take years to complete. The Covid-19 pandemic and Ukraine war also mark important inflection points, exposing many fragilities of the global economic and energy system. We anticipate an environment where many winners of the future will look different to those of the past. For unconstrained investors like ourselves, who pursue a differentiated approach, this should be a favourable environment.

Portfolio performance and positioning*

The fund performed well during the first half of the year given the current market context, before experiencing a pullback in recent weeks. Over the quarter the PSG Global Equity Feeder Fund returned-1.1% versus the benchmark return of -6.0%. There were no positive contributors to returns for the quarter. The largest detractors were financials (-4.9%), materials (-2.5%) and real estate (-2.4%). 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 8.3% p.a. versus the benchmark return of 12.2% p.a. Since inception the fund produced an annual return of 11.7% versus the benchmark return of 16.8%.

There is a plethora of opportunities and we have taken advantage of the wide valuation discount we have observed across our buylists and portfolio holdings.

Our positioning is skewed towards higher-yielding opportunities where a greater weight of the inherent value is reflected in nearer-term cash flows. These can be broadly grouped as follows:

- **Underappreciated defensive growers:** The core of the portfolio, these are our typical 3M companies where exceptional quality and growth potential are currently hidden, misunderstood or just ignored by the market. These include shares such as Prudential plc, Anheuser-Busch Inbev SA/NV, Liberty Global Inc - A, Asahi Group Holdings Ltd, Simon Property Group Inc, Bayer AG and Discovery Ltd.
- **Supply-constrained real assets:** After a long period of underinvestment, we have entered an era of scarcity in certain commodities as well as many sources of energy. Higher than average commodity prices and strong returns are likely to persist until the supply side responds, which in most cases will take several years. Examples are Glencore plc, Shell plc, BP plc, CNX Resources Corp, The Mosaic Co, Noble Corp plc, Scorpio Tankers Inc and Star Bulk Carriers Corp.
- **Cheap financial companies:** These comprise around 15% of the portfolio and will largely benefit from structurally higher interest rates. Examples include Resona Holdings Inc, Jackson Financial Inc, Hiscox Ltd and Japan Post Insurance Company Ltd.
- **Attractive idiosyncratic opportunities:** the smallest part of the portfolio spread across stocks that have endured tough end markets, are currently overly neglected by the market but in our view have a clear and credible path to recovery and outsized return potential at acceptable levels of risk. Examples include Babcock International Group plc, Tripadvisor Inc, Nordstrom Inc and Hammerson plc.

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

Changes in portfolio positioning

Q1 2022		Q2 2022	
Equities	97.0%	Equities	99.3%
Cash	3.0%	Cash	0.7%

Q1 2022		Q2 2022	
US	37.7%	US	37.0%
Europe	13.5%	Europe	14.5%
UK	28.5%	UK	29.9%
Japan	11.2%	Japan	12.2%
Africa	5.6%	Africa	4.6%
Other	0.5%	Other	0.5%
Cash	3.0%	Cash	0.7%

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 30 June 2022 (Class A):	5 081 790
Price (net asset value per unit) as at 30 June 2022 (Class A):	R3.44
Number of units as at 30 June 2022 (Class E):	51 535 747
Price (net asset value per unit) as at 30 June 2022 (Class E):	R3.54

All data as per Bloomberg as at 30 June 2022.

Total investment charge

Total Investment Charge annualised for the period 01/07/2019 to 30/06/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.71**	**2.13**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.85	1.84
Transaction costs % (incl. VAT)	0.36	**0.36**
Total investment charge % (incl. VAT)	**3.07**	**2.49**

Total Investment Charge annualised for the period 01/07/2021 to 30/06/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.60**	**2.03**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.74	1.74
Transaction costs % (incl. VAT)	0.44	**0.44**
Total investment charge % (incl. VAT)	**3.04**	**2.47**

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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

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 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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Additional information

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PSG Global Flexible Feeder Fund

PSG Asset Management

Quarterly portfolio commentary as at 30 June 2022
by Greg Hopkins, Philipp Wörz and Justin Floor

Current context

Global markets have recorded their worst start to a calendar year since the inception of the MSCI World Index in 1970, and all global sectors declined during the second quarter of 2022. The MSCI World Index delivered a total return of -20.5% over the first half of the year and -16.2% during the second quarter. The global energy sector is the only industry sector in positive territory so far this year, returning 24.7%, while historically strong-performing sectors such as communication services, information technology and consumer discretionary declined by 30% on average. After suffering losses in 2021, emerging markets (MSCI EM Index) shed 17.6% year to date (-11.4% in Q2).

Even global bonds, generally regarded as safe havens during periods of market turmoil, declined by 13.9% during the first half of the year and 8.3% in the second quarter (Bloomberg Global Aggregate Total Return Index). The US 10-year government bond, which began the year at a yield of 1.5%, sold off to yield 3% at the end of June, while the US 30-year mortgage rate almost doubled and ended the half year at 6%.

Our perspective

Markets are currently grappling with recessionary fears stemming mainly from a shock to the global energy system and the strongest inflationary pressures across the developed world in over 40 years. The anticipated impact of aggressive interest rate increases by major central banks (mainly the US Federal Reserve) to stem rampant inflation, is sending reverberations across financial markets.

Despite the uncertainty, we believe investors will be well served by zooming out of shorter-term fears and assessing the bigger picture backdrop to make sense of how to navigate these uncertain times. Global financial markets grew very distorted over the past decade, mainly because of the extremely low cost of capital and negative real interest rates across the developed world. Many of these distortions are now in the process of unwinding, although we anticipate that it will take years to complete. The Covid-19 pandemic and Ukraine war also mark important inflection points, exposing many fragilities of the global economic and energy system. We anticipate an environment where many winners of the future will look different to those of the past. For unconstrained investors like ourselves, who pursue a differentiated approach, this should be a favourable environment.

Portfolio performance and positioning

Over the quarter the PSG Global Flexible Feeder Fund returned -1.5% versus the benchmark return of 17.0%. There were no positive contributors to return for the quarter. The largest detractors were financials (-4.7%), materials (-2.6%) and real estate (-2.1%). 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 8.8% p.a. versus the benchmark return of 14.6% p.a. Since inception the fund produced an annual return of 11.6% versus the benchmark return of 16.0%.

Given the plethora of opportunities and the wide valuation discount observed across our buylists and portfolio holdings, equity positioning is currently aggressive with 94% of the fund invested in equities at the end of June. The fund still has 6% cash available to use in the event of further market dislocations.

Our positioning is skewed towards higher-yielding opportunities where a greater weight of the inherent value is reflected in nearer-term cash flows. These can be broadly grouped as follows:

- **Underappreciated defensive growers:** The core of the portfolio, these are our typical 3M companies where exceptional quality and growth potential are currently hidden, misunderstood or just ignored by the market. These include shares such as Prudential plc, Anheuser-Busch Inbev SA/NV, Liberty Global Inc - A, Asahi Group Holdings Ltd, Simon Property Group Inc, Bayer AG and Discovery Ltd.
- **Supply-constrained real assets:** After a long period of underinvestment, we have entered an era of scarcity in certain commodities as well as many sources of energy. Higher than average commodity prices and strong returns are likely to persist until the supply side responds, which in most cases will take several years. Examples are Glencore plc, Shell plc, BP plc, CNX Resources Corp, The Mosaic Co, Noble Corp plc, Scorpio Tankers Inc and Star Bulk Carriers Corp.
- **Cheap financial companies:** These comprise around 15% of the portfolio and will largely benefit from structurally higher interest rates. Examples include Resona Holdings Inc, Jackson Financial Inc, Hiscox Ltd and Japan Post Insurance Company Ltd.
- **Attractive idiosyncratic opportunities:** the smallest part of the portfolio spread across stocks that have endured tough end markets, are currently overly neglected by the market but in our view have a clear and credible path to recovery and outsized return potential at acceptable levels of risk. Examples include Babcock International Group plc, Tripadvisor Inc, Nordstrom Inc and Hammerson plc.

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

Changes in portfolio positioning

Q1 2022		Q2 2022	
Equities	90.1%	Equities	93.9%
Bonds	0.7%	Bonds	0.7%
Cash	9.2%	Cash	5.4%

Q1 2022		Q2 2022	
US	34.4%	US	35.2%
Europe	12.1%	Europe	12.6%
UK	27.0%	UK	29.1%
Japan	11.0%	Japan	12.0%
Africa	4.9%	Africa	4.0%
Other	0.6%	Other	0.7%
Cash and Bonds	10.0%	Cash and Bonds	6.1%

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 30 June 2022 (Class A):	13 523 904
Price (net asset value per unit) as at 30 June 2022 (Class A):	R2.74
Number of units as at 30 June 2022 (Class B):	130 845 991
Price (net asset value per unit) as at 30 June 2022 (Class B):	R2.85

All data as per Bloomberg as at 30 June 2022.

Total investment charge

Total Investment Charge annualised for the period 01/07/2019 to 30/06/2022

	Class A	Class B
Total expense ratio % (incl. VAT)	**2.47**	**1.89**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.61	1.60
Transaction costs % (incl. VAT)	0.19	0.19
Total investment charge % (incl. VAT)	**2.66**	**2.08**

Total Investment Charge annualised for the period 01/07/2021 to 30/06/2022

	Class A	Class B
Total expense ratio % (incl. VAT)	**2.25**	**1.68**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.39	1.39
Transaction costs % (incl. VAT)	0.16	0.16
Total investment charge % (incl. VAT)	**2.41**	**1.84**

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Feeder Funds
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Performance
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Additional information
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