PSG Asset Management

Quarterly portfolio fund commentaries

June 2023

Contents

Current context

So far this year, the US economy has proved to be more resilient than most expected after the Federal Reserve's (Fed's) aggressive rate hiking cycle. The US stock market has also performed well this year (after a weak 2022), though performance has been dominated by seven megacap tech names feeding off the excitement around artificial intelligence (AI), a bump in liquidity and hopes that rates are peaking. Financial markets have been surprised by the weakness in the Chinese economy after the lifting of the zero-Covid restrictions. This has weighed on commodity prices this year – Brent Crude declined by 13% in the first six months, thermal coal by 43% and palladium by 31%.

The rand has weakened in 2023, reaching almost R20 to the US dollar in May and maintaining its persistent 3-year downward trend. The domestic economy continues to be very weak – plagued by intense load shedding, poor performance by our rails and ports, and high real rates. Domestic bond yields have climbed in concert with the weak rand and the 10-year sovereign bond yielded 12.5% at the peak of the recent pessimism in May. Business and consumer confidence levels in South Africa have plumbed extremely low levels. Despite this, the JSE has been moderately positive in 2023. Resources stocks have been weak, especially PGM and coal counters, though gold shares have performed well.

Our perspective and positioning

We expect strong long-term returns from our portfolios. The gloomy backdrop of domestic crisis and economic stagnation, recessionary fears in the West and Chinese growth concerns has given rise to opportunities to buy securities at attractive prices. Our confidence has been boosted by our research, which indicates that the likely secular winners of the future are also the cheapest part of the market.

Capital cycle analysis is a key pillar of our research process. We focus on the analysis of the supply side of specific sectors (existing capacity and likely changes in future capacity) rather than spending time and effort forecasting future demand. The excellent forward-looking data available for supply side analysis (e.g. capex spending plans with long project lead times) contrasts with the difficulties of evaluating future demand, which is often volatile and, if we are honest, unforecastable. A tight supply side can imply excellent pricing power in the future, and should investors be prepared to focus on an appropriately longer time frame, the vagaries of year-to-year demand fluctuations become less important.

We believe there is a high probability that we are in the midst of a regime change in global markets. Despite bounces with recovering liquidity (as in 2023), the sectors that drove the previous cycle – long duration assets epitomised by developed market (DM) bonds and the big tech stocks – will likely be poor investments in the future. After being capital-starved for many years, old economy sectors and resource-rich emerging markets (EMs) have gained substantial pricing power, yet most trade on very cheap ratings.

We have leveraged our global investment process to find a diverse set of global opportunities. Our best global ideas consist of both less-cyclical (idiosyncratic) stock picks that are less exposed to the economic cycle, and cyclicals in capital-starved sectors. Our less-cyclical investments include brewers, insurers, precious metals streamers (i.e. companies that receive mining royalties) and crop science and pharma industrials. Our global exposure to cyclicals is concentrated in the energy, metals and shipping sectors.

Domestic assets are trading at crisis valuation levels as seen in 2008/9 and 2020. In the past, our clients have enjoyed very strong performance from stock selection in these conditions. While we acknowledge significant structural challenges, we think that the South African economy is relatively well placed for the future that we anticipate. And, some recent cyclical headwinds such as load shedding and high interest rates should abate in the future. Accordingly, we think this is a good time to be adding capital to domestic securities.
Within domestic stocks, we have primarily been focusing our attention on long-term (secular) winners. These comprise stocks that we expect to grow profits despite a weak SA macro environment because they are exposed to pockets of secular growth within the SA economy. Examples of such sectors are infrastructure (renewables and roads), transport, mining, communication and tourism.

Global financial markets face many future challenges including very high sovereign debt levels, likely persistence in inflationary forces and the impact of higher interest rates. These factors are likely to contribute to higher levels of volatility in financial markets, and this makes shorter-term forecasts dangerous. We believe that it is appropriate to take a long-term view and embrace some volatility to harness long-term opportunities, as well as to build in some portfolio protection. Defences in our portfolios include: very attractive starting valuations, globally diversified stock picks including allocation to less-cyclical businesses and gold. Gold stocks are a hedge against ongoing Western fiscal recklessness amidst monetary policy constraints.

Portfolio performance*

Over the quarter the PSG Equity Fund returned (-0.4%) versus the benchmark return of 3.6%. %. Over the quarter contributors to performance were Glencore plc, Shell plc , Afrimat Ltd, Discovery Ltd and Remgro Ltd. Largest detractors were Northam Platinum Holdings Ltd, Sun International Ltd, Anheuser-Busch InBev SA/NV, Anglo American plc and Scorpio Tankers Inc. The largest contributors over this period were financials (0.7%), foreign equities (0.5%) and real estate (0.1%) while resources detracted (-0.7%) from performance. 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 annualized return of 8.3% versus the benchmark return of 9.2% p.a. Since inception, the fund has performed in the top quartile and produced an annual return of 15.1% versus the benchmark return of 13.0%.

*Return numbers as per the PSG Equity Fund Class A

Changes in portfolio positioning

Q1 2023		Q2 2023	
Domestic equity	65.9%	Domestic equity	65.9%
Domestic property	1.9%	Domestic property	1.6%
Domestic cash	0.1%	Domestic cash	0.0%
Offshore equity	32.0%	Offshore equity	32.5%
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 2023 (Class A):	27 431 962
Price (net asset value per unit) as at 30 June 2023 (Class A):	R15.36
Number of units as at 30 June 2023 (Class E):	89 685 122
Price (net asset value per unit) as at 30 June 2023 (Class E):	R15.34

All data as per Bloomberg as at 30 June 2023

Total investment charge

Total Investment Charge annualised for the period 01/07/2020 to 30/06/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.75**	**1.83**
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	0.94*
Transaction costs % (incl. VAT)	0.25	0.25
Total investment charge % (incl. VAT)	**2.00**	**2.08**

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

Total Investment Charge annualised for the period 01/07/2022 to 30/06/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.75**	**2.53**
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	1.64*
Transaction costs % (incl. VAT)	0.23	0.23
Total investment charge % (incl. VAT)	**1.98**	**2.76**

*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 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 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 Asset Management

PSG SA Equity Fund

Quarterly portfolio commentary as at 30 June 2023
by Gustav Schulenburg and Mikhail Motala

Current context

So far this year, the US economy has proved to be more resilient than most expected after the Federal Reserve's (Fed's) aggressive rate hiking cycle. The US stock market has also performed well this year (after a weak 2022), though performance has been dominated by seven megacap tech names feeding off the excitement around artificial intelligence (AI), a bump in liquidity and hopes that rates are peaking. Financial markets have been surprised by the weakness in the Chinese economy after the lifting of the zero-Covid restrictions. This has weighed on commodity prices this year – Brent Crude declined by 13% in the first six months, thermal coal by 43% and palladium by 31%.

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Portfolio performance*

The most recent quarter was a volatile period, especially from a currency perspective with the South African rand being impacted by sentiment about the docking of the Russian vessel Lady R and potential fallout from the relationship between South Africa and Russia.

The PSG SA Equity Fund does not have an offshore allowance, so the fund is more exposed to rand weakness. The fund does however aim to use times of excessive volatility to exploit unwarranted price movements where appropriate, and position the fund to benefit from fundamentals in the long term.

During the second quarter, performance was driven by a 29.9% return in Afrimat Ltd after their announcement of the acquisition of Lafarge SA for a very good price. Core holdings such as Remgro Ltd and Glencore plc also outperformed the benchmark, returning 9.2% and 9.3% respectively for the quarter. Unfortunately, performance was negatively impacted by Sun International Ltd and Northam Platinum Holdings Ltd over the quarter. After a very good performance over the past three years, Sun International Ltd took a breather and came back 17.5% over the quarter. Weak commodity prices impacted Northam Platinum Holdings Ltd and the counter was down 15.3% over the three months.

Over the quarter the PSG SA Equity Fund returned (-0.6%) versus the benchmark return of 1.2%. The largest contributors were financials (0.7%), industrials (0.2%) and real estate (0.1%), while resources (-1.1%) detracted from performance. 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 6.3% p.a. versus the benchmark return of 6.1% p.a. Since inception, the fund has produced an annual return of 6.1% versus the benchmark return of 7.3%.

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

Changes in portfolio positioning

Q1 2023		Q2 2023	
Domestic equity	97.7%	Domestic equity	96.9%
Domestic property	1.9%	Domestic property	2.4%
Domestic cash	0.4%	Domestic cash	0.7%

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

Number of units as at 30 June 2023 (Class D):	202 477 585
Price (net asset value per unit) as at 30 June 2023 (Class D):	R1.46
Number of units as at 30 June 2023 (Class F):	13 290 896
Price (net asset value per unit) as at 30 June 2023 (Class F):	R1.48

All data as per Bloomberg as at 30 June 2023

Total investment charge

Total Investment Charge annualised for the period 01/07/2020 to 30/06/2023

	Class D	Class F
Total expense ratio % (incl. VAT)	**1.09**	**1.28**
Annual management fee % (incl. VAT)	0.98	1.27
Other costs excluding transaction costs % (incl. VAT)	0.11	0.01
Transaction costs % (incl. VAT)	0.32	0.32
Total investment charge % (incl. VAT)	**1.41**	**1.60**

Total Investment Charge annualised for the period 01/07/2022 to 30/06/2023

	Class D	Class F
Total expense ratio % (incl. VAT)	**1.11**	**1.39**
Annual management fee % (incl. VAT)	0.98	1.27
Other costs excluding transaction costs % (incl. VAT)	0.13	0.12
Transaction costs % (incl. VAT)	0.42	0.42
Total investment charge % (incl. VAT)	**1.53**	**1.81**

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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
Email: Compliance-PSG@standardbank.co.za

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Portfolio performance*

Over the quarter the PSG Flexible Fund returned -0.2% versus the benchmark return of 3.0%. Over the quarter contributors to performance were Shell plc, Glencore plc, Afrimat Ltd, Remgro Ltd and Standard Bank Group Ltd. Largest detractors were Northam Platinum Holdings Ltd, Sun International Ltd, Anheuser-Busch InBev SA/NV, Anglo American plc and Scorpio Tankers Inc. The largest contributors over this period were foreign equities (0.7%), financials (1.0%) and real estate (0.1%). Resources (-0.6%) and foreign options (-0.3%) 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 8.4% p.a. versus the benchmark return of 10.9% 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

Q1 2023		Q2 2023	
Domestic equity*	60.3%	Domestic equity*	59.6%
Domestic property	0.3%	Domestic property	0.1%
Domestic cash, Treasury bills and NCDs	4.0%	Domestic cash, Treasury bills and NCDs	3.6%
Offshore equity**	32.1%	Offshore equity**	32.2%
Offshore property	1.6%	Offshore property	1.7%
Offshore cash	1.7%	Offshore cash	2.8%
*Includes -0.7% effective derivative exposure **Includes -1.5% effective derivative exposure		*Includes -1.1% effective derivative exposure **Includes -2.8% effective derivative exposure	

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

Number of units as at 30 June 2023 (Class A):	383 772 053
Price (net asset value per unit) as at 30 June 2023 (Class A):	R7.44
Number of units as at 30 June 2023 (Class E):	804 865 138
Price (net asset value per unit) as at 30 June 2023 (Class E):	R7.45

All data as per Bloomberg as at 30 June 2023

Total investment charge

Total Investment Charge annualised for the period 01/07/2020 to 30/06/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.38**	**2.14**
Annual management fee % (incl. VAT)	1.15	0.86
Other costs excluding transaction costs % (incl. VAT)	0.06	0.06
Performance fee % (incl. VAT)	1.17*	1.22*
Transaction costs % (incl. VAT)	0.21	0.21
Total investment charge % (incl. VAT)	**2.59**	**2.35**

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

Total Investment Charge annualised for the period 01/07/2022 to 30/06/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.48**	**2.22**
Annual management fee % (incl. VAT)	1.15	0.86
Other costs excluding transaction costs % (incl. VAT)	0.07	0.08
Performance fee % (incl. VAT)	1.26*	1.38*
Transaction costs % (incl. VAT)	0.23	0.23
Total investment charge % (incl. VAT)	**2.71**	**2.45**

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

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

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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.

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 Balanced Fund

Quarterly portfolio commentary as at 30 June 2023
by Justin Floor and Dirk Jooste

Current context

So far this year, the US economy has proved to be more resilient than most expected after the Federal Reserve's (Fed's) aggressive rate hiking cycle. The US stock market has also performed well this year (after a weak 2022), though performance has been dominated by seven megacap tech names feeding off the excitement around artificial intelligence (AI), a bump in liquidity and hopes that rates are peaking. Financial markets have been surprised by the weakness in the Chinese economy after the lifting of the zero-Covid restrictions. This has weighed on commodity prices this year – Brent Crude declined by 13% in the first six months, thermal coal by 43% and palladium by 31%.

The rand has weakened in 2023, reaching almost R20 to the US dollar in May and maintaining its persistent 3-year downward trend. The domestic economy continues to be very weak – plagued by intense load shedding, poor performance by our rails and ports, and high real rates. Domestic bond yields have climbed in concert with the weak rand and the 10-year sovereign bond yielded 12.5% at the peak of the recent pessimism in May. Business and consumer confidence levels in South Africa have plumbed extremely low levels. Despite this, the JSE has been moderately positive in 2023. Resources stocks have been weak, especially PGM and coal counters, though gold shares have performed well.

Our perspective and positioning

We expect strong long-term returns from our portfolios. The gloomy backdrop of domestic crisis and economic stagnation, recessionary fears in the West and Chinese growth concerns has given rise to opportunities to buy securities at attractive prices. Our confidence has been boosted by our research, which indicates that the likely secular winners of the future are also the cheapest part of the market.

Capital cycle analysis is a key pillar of our research process. We focus on the analysis of the supply side of specific sectors (existing capacity and likely changes in future capacity) rather than spending time and effort forecasting future demand. The excellent forward-looking data available for supply side analysis (e.g. capex spending plans with long project lead times) contrasts with the difficulties of evaluating future demand, which is often volatile and, if we are honest, unforecastable. A tight supply side can imply excellent pricing power in the future, and should investors be prepared to focus on an appropriately longer time frame, the vagaries of year-to-year demand fluctuations become less important.

We believe there is a high probability that we are in the midst of a regime change in global markets. Despite bounces with recovering liquidity (as in 2023), the sectors that drove the previous cycle – long duration assets epitomised by developed market (DM) bonds and the big tech stocks – will likely be poor investments in the future. After being capital-starved for many years, old economy sectors and resource-rich emerging markets (EMs) have gained substantial pricing power, yet most trade on very cheap ratings.

We have leveraged our global investment process to find a diverse set of global opportunities. Our best global ideas consist of both less-cyclical (idiosyncratic) stock picks that are less exposed to the economic cycle, and cyclicals in capital-starved sectors. Our less-cyclical investments include brewers, insurers, precious metals streamers (i.e. companies that receive mining royalties) and crop science and pharma industrials. Our global exposure to cyclicals is concentrated in the energy, metals and shipping sectors.

Domestic assets are trading at crisis valuation levels as seen in 2008/9 and 2020. In the past, our clients have enjoyed very strong performance from stock selection in these conditions. While we acknowledge significant structural challenges, we think that the South African economy is relatively well placed for the future that we anticipate. And, some recent cyclical headwinds such as load shedding and high interest rates should abate in the future. Accordingly, we think this is a good time to be adding capital to domestic securities.
Within domestic stocks, we have primarily been focusing our attention on long-term (secular) winners. These comprise stocks that we expect to grow profits despite a weak SA macro environment because they are exposed to pockets of secular growth within the SA economy. Examples of such sectors are infrastructure (renewables and roads), transport, mining, communication and tourism.

Global financial markets face many future challenges including very high sovereign debt levels, likely persistence in inflationary forces and the impact of higher interest rates. These factors are likely to contribute to higher levels of volatility in financial markets, and this makes shorter-term forecasts dangerous. We believe that it is appropriate to take a long-term view and embrace some volatility to harness long-term opportunities, as well as to build in some portfolio protection. Defences in our portfolios include: very attractive starting valuations, globally diversified stock picks including allocation to less-cyclical businesses, derivative hedges, cash (though levels are low relative to history given current valuations on our buylists) and gold. Gold stocks are a hedge against ongoing Western fiscal recklessness amidst monetary policy constraints.

The fund used market weakness to add to local equity consumer and selected material opportunities while the fund's gold exposure was trimmed after a strong performance (in particular Anglogold Ashanti Ltd). The fund also increased its exposure to local bonds at yields well above 12%. The fund retains strategic put option hedging to moderate aggregate equity market (beta) risk in the portfolio.

Portfolio performance*

Over the quarter the PSG Balanced Fund returned (-0.4%) versus the benchmark (CPI+5%) return of 2.8%. Notable contributors were the fund's holdings in Afrimat Ltd, Shell plc and Prudential plc, while Northam Platinum Holdings Ltd, Sun International Ltd and Anheuser-Busch InBev SA/NV detracted. Our equity hedges were also a drag as the S&P 500 Index inflated further over the period. South African government bonds saw some weakness over the period, while inflation-linked bonds and the fund's offshore credit holdings saw better returns. The fund is suitable for investors with an investment term of 5 years and longer. Over the short-term returns can be volatile and for this reason it is important to measure fund returns over the relevant investment term. Over the 5-year time horizon, the fund returned 8.4% p.a. versus the benchmark return of 9.9% p.a. Since inception, the fund has produced an annual return of 12.9% compared to the benchmark return of 10.4%.

*Return numbers as per the PSG Balanced Fund Class A

Changes in portfolio positioning

Q1 2023		Q2 2023	
Domestic equity*	44.0%	Domestic equity*	44.1%
Domestic property	3.3%	Domestic property	3.1%
Domestic cash, Treasury bills and NCDs	3.0%	Domestic cash, Treasury bills and NCDs	1.3%
Domestic bonds	20.2%	Domestic bonds	21.6%
Offshore equity**	25.9%	Offshore equity**	24.4%
Offshore property	0.6%	Offshore property	0.0%
Offshore cash	1.6%	Offshore cash	3.0%
Offshore bonds	1.4%	Offshore bonds	2.5%
*Includes -0.6% effective derivative exposure **Includes -1.4% effective derivative exposure		*Includes -0.9% effective derivative exposure **Includes -2.7% effective derivative exposure	

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

Number of units as at 30 June 2023 (Class A):	51 578 484
Price (net asset value per unit) as at 30 June 2023 (Class A):	R92.68
Number of units as at 30 June 2023 (Class E):	67 405 721
Price (net asset value per unit) as at 30 June 2023 (Class E):	R92.86

All data as per Bloomberg as at 30 June 2023.

Total investment charge

Total Investment Charge annualised for the period 01/07/2020 to 30/06/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.78**	**1.21**
Annual management fee % (incl. VAT)	1.73	1.15
Other costs excluding transaction costs % (incl. VAT)	0.05	0.06
Transaction costs % (incl. VAT)	0.19	0.19
Total investment charge % (incl. VAT)	**1.97**	**1.40**

Total Investment Charge annualised for the period 01/07/2022 to 30/06/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.79**	**1.22**
Annual management fee % (incl. VAT)	1.73	1.15
Other costs excluding transaction costs % (incl. VAT)	0.06	0.07
Transaction costs % (incl. VAT)	0.18	0.18
Total investment charge % (incl. VAT)	**1.97**	**1.40**

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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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Trustee

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PSG Asset Management

PSG Stable Fund

Quarterly portfolio commentary as at 30 June 2023
by John Gilchrist and Dirk Jooste

Current context

So far this year, the US economy has proved to be more resilient than most expected after the Federal Reserve's (Fed's) aggressive rate hiking cycle. The US stock market has also performed well this year (after a weak 2022), though performance has been dominated by seven megacap tech names feeding off the excitement around artificial intelligence (AI), a bump in liquidity and hopes that rates are peaking. Financial markets have been surprised by the weakness in the Chinese economy after the lifting of the zero-Covid restrictions. This has weighed on commodity prices this year – Brent Crude declined by 13% in the first six months, thermal coal by 43% and palladium by 31%.

The rand has weakened in 2023, reaching almost R20 to the US dollar in May and maintaining its persistent 3-year downward trend. The domestic economy continues to be very weak – plagued by intense load shedding, poor performance by our rails and ports, and high real rates. Domestic bond yields have climbed in concert with the weak rand and the 10-year sovereign bond yielded 12.5% at the peak of the recent pessimism in May. Business and consumer confidence levels in South Africa have plumbed extremely low levels. Despite this, the JSE has been moderately positive in 2023. Resources stocks have been weak, especially PGM and coal counters, though gold shares have performed well.

Our perspective and positioning

We expect strong long-term returns from our portfolios. The gloomy backdrop of domestic crisis and economic stagnation, recessionary fears in the West and Chinese growth concerns has given rise to opportunities to buy securities at attractive prices. Our confidence has been boosted by our research, which indicates that the likely secular winners of the future are also the cheapest part of the market.

Capital cycle analysis is a key pillar of our research process. We focus on the analysis of the supply side of specific sectors (existing capacity and likely changes in future capacity) rather than spending time and effort forecasting future demand. The excellent forward-looking data available for supply side analysis (e.g. capex spending plans with long project lead times) contrasts with the difficulties of evaluating future demand, which is often volatile and, if we are honest, unforecastable. A tight supply side can imply excellent pricing power in the future, and should investors be prepared to focus on an appropriately longer time frame, the vagaries of year-to-year demand fluctuations become less important.

We believe there is a high probability that we are in the midst of a regime change in global markets. Despite bounces with recovering liquidity (as in 2023), the sectors that drove the previous cycle – long duration assets epitomised by developed market (DM) bonds and the big tech stocks – will likely be poor investments in the future. After being capital-starved for many years, old economy sectors and resource-rich emerging markets (EMs) have gained substantial pricing power, yet most trade on very cheap ratings.

We have leveraged our global investment process to find a diverse set of global opportunities. Our best global ideas consist of both less-cyclical (idiosyncratic) stock picks that are less exposed to the economic cycle, and cyclicals in capital-starved sectors. Our less-cyclical investments include brewers, insurers, precious metals streamers (i.e. companies that receive mining royalties) and crop science and pharma industrials. Our global exposure to cyclicals is concentrated in the energy, metals and shipping sectors.

Domestic assets are trading at crisis valuation levels as seen in 2008/9 and 2020. In the past, our clients have enjoyed very strong performance from stock selection in these conditions. While we acknowledge significant structural challenges, we think that the South African economy is relatively well placed for the future that we anticipate. And, some recent cyclical headwinds such as load shedding and high interest rates should abate in the future. Accordingly, we think this is a good time to be adding capital to domestic securities.
Within domestic stocks, we have primarily been focusing our attention on long-term (secular) winners. These comprise stocks that we expect to grow profits despite a weak SA macro environment because they are exposed to pockets of secular growth within the SA economy. Examples of such sectors are infrastructure (renewables and roads), transport, mining, communication and tourism.

Global financial markets face many future challenges including very high sovereign debt levels, likely persistence in inflationary forces and the impact of higher interest rates. These factors are likely to contribute to higher levels of volatility in financial markets, and this makes shorter-term forecasts dangerous. We believe that it is appropriate to take a long-term view and embrace some volatility to harness long-term opportunities, as well as to build in some portfolio protection. Defences in our portfolios include: very attractive starting valuations, globally diversified stock picks including allocation to less-cyclical businesses, derivative hedges, cash (though levels are low relative to history given current valuations on our buylists) and gold. Gold stocks are a hedge against ongoing Western fiscal recklessness amidst monetary policy constraints.

Our domestic equity exposure decreased over the quarter, with put options providing increased protection. Larger trades included purchases of AVI Limited and sales of Anglogold Ashanti. We also reduced our offshore equity and property exposure over the quarter. Larger trades included sales of Tanger Factory Outlet Centres, Resona Holdings Inc and Asahi Group Holdings Ltd. However, the reduction in exposure was partially offset by purchases of Jackson Financial Inc and rand weakness. In South African fixed income, we opportunistically added to government bonds at attractive yields following the bond sell-off in May 2023. In addition, we added to selective offshore bond opportunities.

Portfolio performance*

Over the quarter the PSG Stable Fund returned 0.3% versus the benchmark return of 2.3%. The contributors over this period were foreign equities (0.5%), foreign money market instruments (0.3%) and local money market instruments (0.3%). local government bonds and resources both detracted by -0.2%. The fund is suitable for investors with an investment term of 3 years and longer. Over the 3-year time horizon, the fund returned 13.9% p.a. versus the benchmark return of 9.0% p.a. Since inception, the fund has produced annualised returns of 8.3% versus the benchmark annualised return of 8.2%.

*Return numbers as per the PSG Stable Fund Class A

Changes in portfolio positioning

Q1 2023		Q2 2023	
Domestic equity*	21.8%	Domestic equity*	21.0%
Domestic property	1.8%	Domestic property	1.4%
Domestic cash, Treasury bills and NCDs	17.3%	Domestic cash, Treasury bills and NCDs	16.5%
Domestic bonds	40.4%	Domestic bonds	42.2%
Offshore equity**	13.8%	Offshore equity**	13.2%
Offshore cash	1.3%	Offshore cash	1.3%
Offshore bonds	2.7%	Offshore bonds	3.8%
Offshore property	0.9%	Offshore property	0.6%
*Includes -0.5% effective derivative exposure **Includes -1.0% effective derivative exposure		*Includes -1.2% effective derivative exposure **Includes -1.1% effective derivative exposure	

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

Number of units as at 30 June 2023 (Class A):	22 642 497
Price (net asset value per unit) as at 30 June 2023 (Class A):	R1.61
Number of units as at 30 June 2023 (Class E):	404 639 311
Price (net asset value per unit) as at 30 June 2023 (Class E):	R1.61

All data as per Bloomberg as at 30 June 2023

Total investment charge

Total Investment Charge annualised for the period 01/07/2020 to 30/06/2023

	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)	0.10	0.10
Total investment charge % (incl. VAT)	**1.88**	**1.30**

Total Investment Charge annualised for the period 01/07/2022 to 30/06/2023

	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)	0.08	0.08
Total investment charge % (incl. VAT)	**1.86**	**1.28**

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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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Additional information

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PSG Asset Management

PSG Diversified Income Fund

Quarterly portfolio commentary as at 30 June 2023
by Lyle Sankar, Ané Craig and John Gilchrist

Current context

So far this year, the US economy has proved to be more resilient than most expected after the Federal Reserve's (Fed's) aggressive rate hiking cycle. The US stock market has also performed well this year (after a weak 2022), though performance has been dominated by seven megacap tech names feeding off the excitement around artificial intelligence (AI), a bump in liquidity and hopes that rates are peaking. Financial markets have been surprised by the weakness in the Chinese economy after the lifting of the zero-Covid restrictions. This has weighed on commodity prices this year – Brent Crude declined by 13% in the first six months, thermal coal by 43% and palladium by 31%.

The rand has weakened in 2023, reaching almost R20 to the US dollar in May and maintaining its persistent 3-year downward trend, despite the more recent recovery. The domestic economy continues to be very weak – plagued by intense load shedding, poor performance by our rails and ports, and high real rates. Domestic bond yields have climbed in concert with the weak rand and the 10-year sovereign bond yielded 12.5% at the peak of the recent pessimism in May. Business and consumer confidence levels in South Africa have plummeted to extremely low levels. Despite this, the JSE has been moderately positive in 2023. Resources stocks have been weak, especially PGM and coal counters, though gold shares have performed well.

Our perspective and positioning

We expect strong long-term returns from our portfolios. The gloomy backdrop of domestic crisis and economic stagnation, recessionary fears in the West and Chinese growth concerns, has given rise to opportunities to buy securities at attractive prices. Our confidence has been boosted by our research, which indicates that the likely secular winners of the future are also the cheapest part of the market.

We believe there is a high probability that we are in the midst of a regime change in global markets. Despite bounces with recovering liquidity (as in 2023), the sectors that drove the previous cycle – long duration assets epitomised by developed market (DM) bonds and the big tech stocks – will likely be poor investments in the future. After being capital-starved for many years, old economy sectors and resource-rich emerging markets (EMs) have gained substantial pricing power, yet most trade on very cheap ratings.

Domestic assets are trading at crisis valuation levels as seen in 2008/9 and 2020. In the past, our clients have enjoyed very strong performance from security selection in these conditions. While we acknowledge significant structural challenges, we think that the South African economy is relatively well placed for the future that we anticipate. And, some recent cyclical headwinds such as load shedding and high interest rates should abate in the future. Accordingly, we think this is a good time to be adding capital to domestic securities.

Defences in our portfolios include: very attractive starting valuations, cash, inflation-linked instruments, diversification from offshore bonds, and a small allocation to globally diversified equities.

Portfolio performance*

Over the quarter the PSG Diversified Income Fund returned 1.2% versus the benchmark return of 1.8%. The contributors over this period were local money market instruments (0.8%), corporate bonds (0.4%) and local government bonds (0.1%). Over the 2-year investment horizon, the fund delivered an annualised return of 7.4% versus the benchmark return of 7.4%.

*Return numbers as per the PSG Diversified Income Class A

Changes in portfolio positioning

Q1 2023		Q2 2023	
Domestic equity	2.6%	Domestic equity	2.4%
Domestic preference shares	2.4%	Domestic preference shares	2.4%
Domestic property	0.6%	Domestic property	0.4%
Domestic cash, Treasury bills and NCDs	53.6%	Domestic cash, Treasury bills and NCDs	49.8%
Domestic bonds	36.6%	Domestic bonds	40.3%
Offshore equity	1.0%	Offshore equity	1.0%
Offshore bonds	2.6%	Offshore bonds	3.4%
Offshore cash	0.6%	Offshore cash	0.3%

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

Number of units as at 30 June 2023 (Class A):	1 670 386 539
Price (net asset value per unit) as at 30 June 2023 (Class A):	R1.30
Number of units as at 30 June 2023 (Class E):	1 173 757 638
Price (net asset value per unit) as at 30 June 2023 (Class E):	R1.30

All data as per Bloomberg as at 30 June 2023.

Total investment charge

PSG Diversified Income Fund Class A

Total Investment Charge annualised for the period 01/07/2020 to 30/06/2023

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)	0.06
Total investment charge % (incl. VAT)	**1.24**

Total Investment Charge annualised for the period 01/07/2022 to 30/06/2023

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 01/07/2020 to 31/05/2022

Total expense ratio % (incl. VAT)	**0.73**
Annual management fee % (incl. VAT)	0.69
Other costs excluding transaction costs % (incl. VAT)	0.04
Transaction costs % (incl. VAT)	0.06
Total investment charge % (incl. VAT)	**0.79**

Total Investment Charge annualised for the period 01/07/2022 to 30/06/2023.
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**

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.

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
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.

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

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

PSG Asset Management

PSG Income Fund

Quarterly portfolio commentary as at 30 June 2023
by Lyle Sankar and Duayne Le Roux

Current context

So far this year, the US economy has proved to be more resilient than most expected after the Federal Reserve's (Fed's) aggressive rate hiking cycle. The rand has weakened in 2023, reaching almost R20 to the US dollar in May and maintaining its persistent 3-year downward trend, despite the more recent recovery. The domestic economy continues to be very weak – plagued by intense load shedding, poor performance by our rails and ports, and high real rates. Domestic bond yields have climbed in concert with the weak rand and the 10-year sovereign bond yielded 12.5% at the peak of the recent pessimism in May. Business and consumer confidence levels in South Africa have plummeted to extremely low levels.

Our perspective and positioning

The gloomy backdrop of domestic crisis and economic stagnation, recessionary fears in the West and Chinese growth concerns, has given rise to opportunities to buy domestic securities at attractive prices.

Domestic assets are trading at crisis valuation levels as seen in 2008/9 and 2020. In the past, our clients have enjoyed very strong performance from security selection in these conditions. While we acknowledge significant structural challenges, we think that the South African economy is relatively well placed for the future that we anticipate. And, some recent cyclical headwinds such as load shedding and high interest rates should abate in the future. Accordingly, we think this is a good time to be adding capital to domestic securities.

We continue to hold very little exposure to corporate bonds as spreads have consistently narrowed (become more expensive relative to fundamentals) over time. We believe these assets carry significant repricing risk. We continue to be selective in this market, positioning clients in government bonds with a clear margin of safety, rather than in less liquid corporate bonds, which hold the risk of permanent capital loss.

Defences in our portfolios include: very attractive starting valuations, cash, and inflation-linked instruments.

Portfolio performance*

Over the quarter, the PSG Income Fund returned 1.6% versus the benchmark return of 1.9%. The major contributors over this period were local money market instruments (1.1%), local government bonds (0.3%) and corporate bonds (0.2%). Over a 1-year period, the fund delivered a return of 7.2% versus the benchmark return of 6.8%.

*Return numbers as per the PSG Income Fund Class A

Changes in portfolio positioning

Q1 2023		Q2 2023	
Domestic bonds	68.9%	Domestic bonds	64.5%
Domestic cash, Treasury bills and NCDs	31.1%	Domestic cash, Treasury bills and NCDs	35.5%

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

Number of units as at 30 June 2023 (Class A):	435 368 634
Price (net asset value per unit) as at 30 June 2023 (Class A):	R1.07
Number of units as at 30 June 2023 (Class E):	1 474 945 798
Price (net asset value per unit) as at 30 June 2023 (Class E):	R1.07

All data as per Bloomberg as at 30 June 2023.

Total investment charge

Total Investment Charge annualised for the period 01/07/2020 to 30/06/2023

	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)	0.03	0.03
Total investment charge % (incl. VAT)	**0.82**	**0.53**

Total Investment Charge annualised for the period 01/07/2022 to 30/06/2023

	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**

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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 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 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
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assetmanagement@psg.co.za.

Conflict of interest disclosure

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

Trustee

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Cnr Hertzog Boulevard,
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Additional information

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PSG Asset Management

PSG Money Market Fund

Quarterly portfolio commentary as at 30 June 2023

by Duayne le Roux and Lyle Sankar

Current context

So far this year, the US economy has proved to be more resilient than most expected after the Federal Reserve's (Fed's) aggressive rate hiking cycle. The rand has weakened in 2023, reaching almost R20 to the US dollar in May and maintaining its persistent 3-year downward trend, despite the more recent recovery. The domestic economy continues to be very weak – plagued by intense load shedding, poor performance by our rails and ports, and high real rates. Domestic bond yields have climbed in concert with the weak rand and the 10-year sovereign bond yielded 12.5% at the peak of the recent pessimism in May. Business and consumer confidence levels in South Africa have plummeted to extremely low levels.

Our perspective and positioning

The gloomy backdrop of domestic crisis and economic stagnation, recessionary fears in the West and Chinese growth concerns, has given rise to opportunities to buy domestic securities at attractive prices.

Domestic assets are trading at crisis valuation levels as seen in 2008/9 and 2020. In the past, our clients have enjoyed very strong performance from security selection in these conditions. While we acknowledge significant structural challenges, we think that the South African economy is relatively well placed for the future that we anticipate. And, some recent cyclical headwinds such as load shedding and high interest rates should abate in the future. Accordingly, we think this is a good time to be adding capital to domestic securities.

Over the quarter, the South African Reserve Bank (SARB) raised the repo rate by 0.50% to 8.25% in an effort to get inflation within its inflation target band. This had the effect of raising yields on the negotiated certificates of deposit (NCD) curve. We also saw the Y-o-Y inflation rate, drop back within the SARB's 3% to 6% inflation target band, moving from 7.1% at the end of March to 5.4% at the end of June. The fund maintained its exposure to the NCD curve, rolling exposures to where the curve steepness had been most rewarding and holding on to higher yielding NCDs where applicable. The fund was also able to buy short-dated commercial paper at attractive yields and as a result had slightly lower cash balances.

Portfolio performance*

Over the quarter the PSG Money Market Fund returned 1.9% versus the benchmark return of 1.2%. 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

Q1 2023		Q2 2023	
Linked NCDs/ Floating-rate notes	13.2%	Linked NCDs/Floating-rate notes	16.8%
Step rate notes	9.7%	Step rate notes	10.6%
NCDs	39.4%	NCDs	38.1%
Treasury bills	9.8%	Treasury bills	4.7%
Call deposits	22.6%	Call deposits	21.1%
Listed bond	5.3%	Listed bond	1.9%
Commercial paper	0.0%	Commercial paper	6.8%

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

Number of units as at 30 June 2023 (Class A):	557 156 466
Price (net asset value per unit) as at 30 June 2023 (Class A):	R1.00
Number of units as at 30 June 2023 (Class F):	392 523 749
Price (net asset value per unit) as at 30 June 2023 (Class F):	R1.00

All data as per Bloomberg as at 30 June 2023.

Total investment charge

PSG Money Market Fund Class A

Total Investment Charge annualised for the period 01/07/2020 to 30/06/2023

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 01/07/2022 to 30/06/2023

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 01/07/2020 to 31/05/2022

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 01/07/2022 to 30/06/2023.
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
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
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+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
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Email: Compliance-PSG@standardbank.co.za

Additional information
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PSG Global Equity Feeder Fund

Quarterly portfolio commentary as at 30 June 2023
by Greg Hopkins, Philipp Wörz and Justin Floor

Current context

So far this year, the US economy has proved to be more resilient than most expected after the Federal Reserve's (Fed's) aggressive rate hiking cycle. The US stock market has also performed well this year (after a weak 2022), though performance has been dominated by seven megacap tech names feeding off the excitement around artificial intelligence (AI), a bump in liquidity and hopes that rates are peaking. Financial markets have been surprised by the weakness in the Chinese economy after the lifting of the zero-Covid restrictions. This has weighed on commodity prices this year – Brent Crude declined by 13% in the first six months, thermal coal by 43% and natural gas by 39%. Falling commodity prices have contributed to inflation rates moderating with US headline inflation slowing to 3% at the end of June while US core inflation stood at 4.8%.

Our perspective and positioning

We expect strong long-term returns from our portfolios. Recessionary fears in the West and Chinese growth concerns have given rise to opportunities to buy securities at attractive prices. Our confidence has been boosted by our research, which indicates that the likely secular winners of the future are also the cheapest part of the market.

Capital cycle analysis is a key pillar of our research process. We focus on the analysis of the supply side of specific sectors (existing capacity and likely changes in future capacity) rather than spending time and effort forecasting future demand. The excellent forward-looking data available for supply side analysis (e.g. capex spending plans with long project lead times) contrasts with the difficulties of evaluating future demand, which is often volatile and, if we are honest, unforecastable. A tight supply side can imply excellent pricing power in the future, and should investors be prepared to focus on an appropriately longer time frame, the vagaries of year-to-year demand fluctuations become less important.

We believe there is a high probability that we are in the midst of a regime change in global markets. Despite bounces with recovering liquidity (as in 2023), the sectors that drove the previous cycle – long duration assets epitomised by developed market (DM) bonds and the big tech stocks – will likely be poor investments in the future. After being capital-starved for many years, old economy sectors and resource-rich emerging markets (EMs) have gained substantial pricing power, yet most trade on very cheap ratings.

Our best global ideas consist of both less-cyclical (idiosyncratic) stock picks that are less exposed to the economic cycle, and cyclicals in capital-starved sectors. Our less-cyclical investments include brewers, insurers, precious metals streamers (i.e. companies that receive mining royalties) and crop science and pharma industrials. Our global exposure to cyclicals is concentrated in the energy, metals and shipping sectors.

Global financial markets face many future challenges including very high sovereign debt levels, likely persistence in inflationary forces and the impact of higher interest rates. These factors are likely to contribute to higher levels of volatility in financial markets, and this makes shorter-term forecasts dangerous. We believe that it is appropriate to take a long-term view and embrace some volatility to harness long-term opportunities, as well as to build in some portfolio protection. Defences in our portfolios include: very attractive starting valuations and high dividend yields, globally diversified stock picks including allocation to less-cyclical businesses and gold. Gold stocks are a hedge against ongoing Western fiscal recklessness amidst monetary policy constraints.

Portfolio performance*

The fund took advantage of market volatility to increase exposure to Hiscox Ltd, Glencore plc and The Asahi Group Holdings Ltd and reduced exposure to US REITs Simon Property Group Inc and Tanger Factory Outlets Inc. Strong share price performance and a narrowing margin of safety led us to exit Builders Firstsource Inc, Resona Holdings Inc and Bank of Ireland Group plc. While the overall shape of the portfolio remained relatively unchanged during the quarter, the fund increased its allocation to undervalued supply-constrained cyclical opportunities.

Over the quarter the PSG Global Equity Feeder Fund returned 1.7% versus the benchmark return of 13.8%. The largest contributors over this period were real estate (0.5%), energy (0.3 %) and financials (0.1%), while materials (-1.1%) and communications (-0.7%) marginally detracted from performance. The contributors 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 12.2% p.a. versus the benchmark return of 14.7% p.a. Since inception, the fund produced an annual return of 12.9% versus the benchmark return of 18.3%.

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

Changes in portfolio positioning

Q1 2023		Q2 2023	
Equities	96.7%	Equities	97.9%
Cash	3.3%	Cash	2.1%

Q1 2023		Q2 2023	
US	35.3%	US	35.2%
Europe	20.2%	Europe	20.2%
UK	29.4%	UK	32.0%
Japan	6.4%	Japan	5.5%
Africa	5.1%	Africa	5.0%
Cash	3.6%	Cash	2.1%

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 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 2023 (Class A):	4 749 344
Price (net asset value per unit) as at 30 June 2023 (Class A):	R4.37
Number of units as at 30 June 2023 (Class E):	72 726 294
Price (net asset value per unit) as at 30 June 2023 (Class E):	R4.52

All data as per Bloomberg as at 30 June 2023.

Total investment charge

Total Investment Charge annualised for the period 01/07/2020 to 30/06/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.56**	**1.99**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.70	1.70
Transaction costs % (incl. VAT)	0.35	**0.56**
Total investment charge % (incl. VAT)	**2.91**	**2.34**

Total Investment Charge annualised for the period 01/07/2022 to 30/06/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.38**	**1.80**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.52	1.51
Transaction costs % (incl. VAT)	0.29	**0.29**
Total investment charge % (incl. VAT)	**2.67**	**2.09**

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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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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 Global Flexible Feeder Fund

PSG Asset Management

Quarterly portfolio commentary as at 30 June 2023
by Greg Hopkins, Philipp Wörz and Justin Floor

Current context

So far this year, the US economy has proved to be more resilient than most expected after the Federal Reserve's (Fed's) aggressive rate hiking cycle. The US stock market has also performed well this year (after a weak 2022), though performance has been dominated by seven megacap tech names feeding off the excitement around artificial intelligence (AI), a bump in liquidity and hopes that rates are peaking. Financial markets have been surprised by the weakness in the Chinese economy after the lifting of the zero-Covid restrictions. This has weighed on commodity prices this year – Brent Crude declined by 13% in the first six months, thermal coal by 43% and natural gas by 39%. Falling commodity prices have contributed to inflation rates moderating with US headline inflation slowing to 3% at the end of June while US core inflation stood at 4.8%.

Our perspective and positioning

We expect strong long-term returns from our portfolios. Recessionary fears in the West and Chinese growth concerns have given rise to opportunities to buy securities at attractive prices. Our confidence has been boosted by our research, which indicates that the likely secular winners of the future are also the cheapest part of the market.

Capital cycle analysis is a key pillar of our research process. We focus on the analysis of the supply side of specific sectors (existing capacity and likely changes in future capacity) rather than spending time and effort forecasting future demand. The excellent forward-looking data available for supply side analysis (e.g. capex spending plans with long project lead times) contrasts with the difficulties of evaluating future demand, which is often volatile and, if we are honest, unforecastable. A tight supply side can imply excellent pricing power in the future, and should investors be prepared to focus on an appropriately longer time frame, the vagaries of year-to-year demand fluctuations become less important.

We believe there is a high probability that we are in the midst of a regime change in global markets. Despite bounces with recovering liquidity (as in 2023), the sectors that drove the previous cycle – long duration assets epitomised by developed market (DM) bonds and the big tech stocks – will likely be poor investments in the future. After being capital-starved for many years, old economy sectors and resource-rich emerging markets (EMs) have gained substantial pricing power, yet most trade on very cheap ratings.

Our best global ideas consist of both less-cyclical (idiosyncratic) stock picks that are less exposed to the economic cycle, and cyclicals in capital-starved sectors. Our less-cyclical investments include brewers, insurers, precious metals streamers (i.e. companies that receive mining royalties) and crop science and pharma industrials. Our global exposure to cyclicals is concentrated in the energy, metals and shipping sectors.

Global financial markets face many future challenges including very high sovereign debt levels, likely persistence in inflationary forces and the impact of higher interest rates. These factors are likely to contribute to higher levels of volatility in financial markets, and this makes shorter-term forecasts dangerous. We believe that it is appropriate to take a long-term view and embrace some volatility to harness long-term opportunities, as well as to build in some portfolio protection. Defences in our portfolios include: very attractive starting valuations and high dividend yields, globally diversified stock picks including allocation to less-cyclical businesses, a combination of cash and equity hedges (given the very attractive put option pricing available we currently have significant protection coming from derivatives and less from cash currently) and gold. Gold stocks are a hedge against ongoing Western fiscal recklessness amidst monetary policy constraints.

Portfolio performance*

The fund took advantage of market volatility to increase exposure to Hiscox Ltd, Glencore plc and The Asahi Group Holdings Ltd and reduced exposure to US REITs Simon Property Group Inc and Tanger Factory Outlets Inc. Strong share price performance and a narrowing margin of safety led us to exit Builders Firstsource Inc, Resona Holdings Inc and Bank of Ireland Group plc. While the overall shape of the portfolio remained relatively unchanged during the quarter, the fund increased its allocation to undervalued supply-constrained cyclical opportunities.

Over the quarter the PSG Global Flexible Feeder Fund returned 1.9% versus the benchmark return of 9.2%. The largest contributors over this period were energy (0.7%) and real estate (0.6%). The largest detractors are materials (-1.2%), consumer stables (-0.7%) and communications (-0.6%). 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 11.7% p.a. versus the benchmark return of 17.2% p.a. Since inception the fund produced an annual return of 12.8% versus the benchmark return of 17.0%.

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

Changes in portfolio positioning

Q1 2023		Q2 2023	
Equities	90.9%	Equities	91.4%
Bonds	0.5%	Bonds	8.1%
Cash	8.6%	Cash	0.5%

Q1 2023		Q2 2023	
US	34.8%	US	34.2%
Europe	17.5%	Europe	16.7%
UK	27.9%	UK	30.8%
Japan	6.3%	Japan	5.1%
Africa	4.4%	Africa	4.4%
Cash and Bonds	9.1%	Cash and Bonds	8.8%

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 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 2023 (Class A):	11 917 474
Price (net asset value per unit) as at 30 June 2023 (Class A):	R3.44
Number of units as at 30 June 2023 (Class B):	138 586 889
Price (net asset value per unit) as at 30 June 2023 (Class B):	R3.59

All data as per Bloomberg as at 30 June 2023.

Total investment charge

Total Investment Charge annualised for the period 01/07/2020 to 30/06/2023

	Class A	Class B
Total expense ratio % (incl. VAT)	**2.48**	**1.91**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.62	1.62
Transaction costs % (incl. VAT)	0.17	0.17
Total investment charge % (incl. VAT)	**2.65**	**2.08**

Total Investment Charge annualised for the period 01/07/2022 to 30/06/2023

	Class A	Class B
Total expense ratio % (incl. VAT)	**2.05**	**1.48**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.19	1.19
Transaction costs % (incl. VAT)	0.15	0.15
Total investment charge % (incl. VAT)	**2.20**	**1.63**

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