PSG Asset Management

Quarterly portfolio fund commentaries

March 2021

Contents

Current context

Global equities continued displaying strong positive momentum since markets reached a low in March 2020. By the end of the first quarter of 2021, the MSCI World Index had recovered 79% from its March 2020 low and returned 5% during the quarter under review (in US dollar including dividends). Some of the factors contributing to the sharp recovery are continued record central bank liquidity injections, accelerating global vaccine rollouts, a gradual re-opening of economies and speculative behaviour in pockets of the market.

On the domestic front, the JSE All Share Index (ALSI) finally broke through its pre-pandemic record high set in 2018 and delivered its strongest first quarter performance in 15 years, posting a quarterly total return of 13.2% in rand. Given the recovery of the local currency over the past year, which as recently as in April 2020 traded above R19 per US dollar, ALSI total returns of 79% in rand since the March 2020 lows translate to an impressive 115% when measured in US dollars.

Our perspective

Different parts of the market continue to dominate performance. The initial sharp recovery after the March 2020 crash was largely driven by technology and staples companies that received a boost from pandemic-driven demand and 'work-from-home' arrangements. However, markets have recently seen a major rotation away from what had previously worked (mostly growth stocks) into investments that have not performed well to date, and which were harder hit by the pandemic. These include value funds, cheap and smaller companies, emerging markets, contrarian investment strategies and companies positively correlated to rising rates and global reflation in particular.

We have previously written about the large valuation divergences evident across markets as a result of the extraordinary levels of crowding into past winners and the capitulation out of what had not worked, and we have advocated for different positioning to the consensus view.

The key question on many investors' minds, given this sharp recent rotation, is: where to from here?

It is hard to deny that index levels are high and given the valuation backdrop across many major markets, prudent future return expectations from major indices should be relatively low. While PSG Asset Management is macro aware, we are bottom up investors and tend to favour opportunities in less popular areas. Given the uncertainty about the ultimate impact of the pandemic on many economies and industries, the potential path of inflation and interest rates, pockets of the market still provide highly fertile conditions to construct a portfolio of mispriced securities.

Portfolio performance and positioning

Over the quarter the PSG Equity Fund returned 15.03% versus the benchmark return of 13.14%. The contributors over this period were industrials (6.02%), foreign equities (5.78%) and resources (3.26%). 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. Since inception the fund has produced an annual return of 12.33% versus the benchmark return of 14.69%.

After enduring a challenging period of relative performance, our clients are well positioned to enjoy the long-term benefits of the attractive opportunities presented in recent times, particularly during the crisis of last year. Our clients own companies of underappreciated quality trading at attractive prices. We expect strong profit growth from our investee companies over the next few years.

Changes in portfolio positioning

Q4 2020		Q1 2021	
Domestic equity	75.3%	Domestic equity	74.3%
Domestic cash	0.0%	Domestic cash	0.1%
Foreign equity	20.1%	Foreign equity	23.0%
Foreign property	4.5%	Foreign property	2.4%
Foreign cash	0.1%	Foreign cash	0.2%

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

Number of units as at 31 March 2021 (Class A):	37 663 893
Price (net asset value per unit) as at 31 March 2021 (Class A):	R10.81
Number of units as at 31 March 2021 (Class E):	102 436 322
Price (net asset value per unit) as at 31 March 2021 (Class E):	R10.86

All data as per Bloomberg as at 31 March 2021

Disclaimer

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Performance

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

Pricing

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

Redemptions

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

Company details

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,
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Additional information

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Current context

Global equities continued displaying strong positive momentum since markets reached a low in March 2020. By the end of the first quarter of 2021, the MSCI World Index had recovered 79% from its March 2020 low and returned 5% during the quarter under review (in US dollar including dividends). Some of the factors contributing to the sharp recovery are continued record central bank liquidity injections, accelerating global vaccine rollouts, a gradual re-opening of economies and speculative behaviour in pockets of the market.

On the domestic front, the JSE All Share Index (ALSI) finally broke through its pre-pandemic record high set in 2018 and delivered its strongest first quarter performance in 15 years, posting a quarterly total return of 13.2% in rand. Given the recovery of the local currency over the past year, which as recently as in April 2020 traded above R19 per US dollar, ALSI total returns of 79% in rand since the March 2020 lows translate to an impressive 115% when measured in US dollars.

Our perspective

Different parts of the market continue to dominate performance. The initial sharp recovery after the March 2020 crash was largely driven by technology and staples companies that received a boost from pandemic-driven demand and 'work-from-home' arrangements. However, markets have recently seen a major rotation away from what had previously worked (mostly growth stocks) into investments that have not performed well to date, and which were harder hit by the pandemic. These include value funds, cheap and smaller companies, emerging markets, contrarian investment strategies and companies positively correlated to rising rates and global reflation in particular.

We have previously written about the large valuation divergences evident across markets as a result of the extraordinary levels of crowding into past winners and the capitulation out of what had not worked, and we have advocated for different positioning to the consensus view.

The key question on many investors' minds, given this sharp recent rotation, is: where to from here?

It is hard to deny that index levels are high and given the valuation backdrop across many major markets, prudent future return expectations from major indices should be relatively low.
While PSG Asset Management is macro aware, we are bottom up investors and tend to favour opportunities in less popular areas. Given the uncertainty about the ultimate impact of the pandemic on many economies and industries, the potential path of inflation and interest rates, pockets of the market still provide highly fertile conditions to construct a portfolio of mispriced securities.

Portfolio performance and positioning

Over the quarter the PSG Flexible Fund returned 14.60% versus the benchmark return of 2.61%. The contributors over this period were foreign equities (5.73%), Industrials (5.70%) and resources (2.89%). 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. Since inception, the fund has produced an annual return of 10.71% versus benchmark return of 11.38%.

After enduring a challenging period of relative performance, our clients are well positioned to enjoy the long-term benefits of the attractive opportunities presented in recent times, particularly during the crisis of last year. Our clients own companies of underappreciated quality trading at attractive prices. We expect strong profit growth from our investee companies over the next few years. As a result, the fund remains offensively positioned and cash levels are low relative to history.

Changes in portfolio positioning

Q4 2020		Q1 2021	
Domestic equity*	69.3%	Domestic equity*	66.7%
Domestic cash	0.5%	Domestic cash	2.4%
Foreign equity**	23.5%	Foreign equity**	24.0%
Foreign property	4.4%	Foreign property	2.8%
Foreign cash	2.3%	Foreign cash	4.1%
*Includes 0% effective derivative exposure **Includes 0% effective derivative exposure		*Includes -0.7% 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 31 March 2021 (Class A):	516 654 835
Price (net asset value per unit) as at 31 March 2021 (Class A):	R5.27
Number of units as at 31 March 2021 (Class E):	869 535 902
Price (net asset value per unit) as at 31 March 2021 (Class E):	R5.27

All data as per Bloomberg as at 31 March 2021

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Performance

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Pricing

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Redemptions

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Trustees

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PSG Balanced Fund

Quarterly portfolio commentary as at 31 March 2021
by Justin Floor and Dirk Jooste

Current context

Global equities continued displaying strong positive momentum since markets reached a low in March 2020. By the end of the first quarter of 2021, the MSCI World Index had recovered 79% from its March 2020 low and returned 5% during the quarter under review (in US dollar including dividends). Some of the factors contributing to the sharp recovery are continued record central bank liquidity injections, accelerating global vaccine rollouts, a gradual re-opening of economies and speculative behaviour in pockets of the market.

On the domestic front, the JSE All Share Index (ALSI) finally broke through its pre-pandemic record high set in 2018 and delivered its strongest first quarter performance in 15 years, posting a quarterly total return of 13.2% in rand. Given the recovery of the local currency over the past year, which as recently as in April 2020 traded above R19 per US dollar, ALSI total returns of 79% in rand since the March 2020 lows translate to an impressive 115% when measured in US dollars.

10-year South African government bonds yielded 9.5% at the end of March, up from 8.75% at the end of December 2020, holding their own against rapidly rising US 10-year bonds (arguably off low levels), which saw yields increase from 0.9% in December to above 1.7% at the end of the quarter.

Our perspective

Different parts of the market continue to dominate performance. The initial sharp recovery after the March 2020 crash was largely driven by technology and staples companies that received a boost from pandemic-driven demand and 'work-from-home' arrangements. However, markets have recently seen a major rotation away from what had previously worked (mostly growth stocks) into investments that have not performed well to date, and which were harder hit by the pandemic. These include shares in traditional value categories, cheap and smaller companies, emerging markets and companies positively correlated to rising rates and global reflation.

We have previously written about the large valuation divergences evident across markets as a result of the extraordinary levels of crowding into past winners and the capitulation out of what had not worked, and we have advocated for different positioning to the consensus view. Price movements since the March 2020 crash have been encouraging early justification of this view.

The key question on many investors' minds, given this sharp recent rotation, is: where to from here?

It is hard to deny that index levels are high and given the valuation backdrop across many major markets, prudent future return expectations from major indices should be relatively low. We are bottom-up investors and tend to favour opportunities in less popular areas.

Given low prices still partially impacted by uncertainty, coupled with the improving earnings backdrop for the companies we own, pockets of the market still provide highly fertile conditions to construct a well-balanced portfolio of mispriced securities.

Portfolio performance and positioning

Over the quarter the PSG Balanced Fund returned 12.6% versus the benchmark return of 2.4%. The contributors over this period were foreign equities (6.3%), industrials (4.8%) and resources (1.5%). Specific holdings which added value this quarter were US REIT Tanger Factory Outlets (2.2%), fertiliser company Mosaic (1.2%) and Glencore (1.1%). Meanwhile holdings in Discovery (-0.6%) and AB InBev (-0.3%) detracted from 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. Since inception the fund has produced an annual return of 12.5% compared to a benchmark return of 10.3%.

Notable changes to positioning included a reduction in foreign property, as we sold the majority of the portfolio's Tanger Factory Outlets position into exuberant market conditions. Proceeds were largely reinvested elsewhere in our top foreign equity ideas, most notably Centene and Philip Morris.

The fund retains a high equity exposure (74%) from a historical perspective, as we think holdings are priced attractively in a gradually improving environment. Longer-dated government bonds (including government guaranteed Eskom bonds and inflation-linked bonds) remain a core portfolio holding in light of compelling yields and gradually improving domestic macroeconomic conditions. Local and global listed property exposure of 4.1% consists of local and foreign REITs, with retail operations trading materially below our assessment of normalised value. Cash levels are lower than usual as a consequence of poor prospective real yields and attractive opportunities in other asset classes. Elevated exposure to growth assets is compensated for through a measured position in put options on local and foreign equity market indices.

Changes in portfolio positioning

Q4 2020		Q1 2021	
Domestic equity*	50.5%	Domestic equity*	51.0%
Domestic property	1.4%	Domestic property	1.7%
Domestic cash and NCDs	2.5%	Domestic cash and NCDs	1.4%
Domestic bonds	17.5%	Domestic bonds	18.0%
Foreign equity**	20.2%	Foreign equity**	23.0%
Foreign cash	2.7%	Foreign cash	2.7%
Foreign property	5.2%	Foreign property	2.2%
**Includes -1.5% effective derivative exposure*		**Includes -0.5% effective derivative exposure*	
***Includes -2.5% 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 31 March 2021 (Class A): 60 153 284
Price (net asset value per unit) as at 31 March 2021 (Class A): R69.42
Number of units as at 31 March 2021 (Class E): 59 140 798
Price (net asset value per unit) as at 31 March 2021 (Class E): R69.42

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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 31 March 2021
by John Gilchrist and Dirk Jooste

Current context

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On the domestic front, the JSE All Share Index (ALSI) finally broke through its pre-pandemic record high set in 2018 and delivered its strongest first quarter performance in 15 years, posting a quarterly total return of 13.2% in rand. Given the recovery of the local currency over the past year, which as recently as in April 2020 traded above R19 per US dollar, ALSI total returns of 79% in rand since the March 2020 lows translate to an impressive 115% when measured in US dollars.

10-year South African government bonds yielded 9.5% at the end of March, up from 8.75% at the end of December 2020, holding their own against rapidly rising US 10-year bonds (arguably off low levels) which saw yields increase from 0.9% in December to above 1.7% at the end of the quarter.

Our perspective

Different parts of the market continue to dominate performance. The initial sharp recovery after the March 2020 crash was largely driven by technology and staples companies that received a boost from pandemic-driven demand and 'work-from-home' arrangements. However, markets have recently seen a major rotation away from what had previously worked (mostly growth stocks) into investments that have not performed well to date, and which were harder hit by the pandemic. These include value funds, cheap and smaller companies, emerging markets, contrarian investment strategies and companies positively correlated to rising rates and global reflation in particular.

We have previously written about the large valuation divergences evident across markets as a result of the extraordinary levels of crowding into past winners and the capitulation out of what had not worked, and we have advocated for different positioning to the consensus view.

The key question on many investors' minds, given this sharp recent rotation, is: where to from here?

It is hard to deny that index levels are high and given the valuation backdrop across many major markets, prudent future return expectations from major indices should be relatively low. While PSG Asset Management is macro aware, we are bottom-up investors and tend to favour opportunities in less popular areas. Given the uncertainty about the ultimate impact of the pandemic on many economies and industries, and the potential path of inflation and interest rates, pockets of the market still provide highly fertile conditions to construct a portfolio of mispriced securities.

Portfolio performance and positioning

Over the quarter the PSG Stable Fund returned 6.30% versus the benchmark return of 1.91%. The contributors over this period were foreign equities (2.83%), industrials (2.28%), resources (0.60%) and the detractors were foreign cash (-0.06%). The fund is suitable for investors with an investment term of 3 years and longer. Since inception, the fund has produced annualised returns of 7.72% versus benchmark return of 8.01% per annum.

The PSG Stable Fund has diversified exposure across offshore equity and property (13%), SA shares (including shares with rand-hedge-characteristics, 26%), domestic bonds (50%), and cash and negotiable certificates of deposit (7%). Domestic bonds comprise sovereign nominal bonds (14%), sovereign inflation-linked bonds (22%), fixed-rate bonds (including government guaranteed, 6%), and floating rate bonds (8%). The fund is positioned to take advantage of the attractive opportunity set across most asset classes, while still being cognisant of the risks. Cash exposure remained fairly stable at relatively low levels, as we continue to prefer shorter-dated inflation-linked bonds which offer better yields than cash instruments at relatively low levels of risk. Domestic equity exposure was decreased slightly, while global equity exposure increased despite sales of global shares that had risen to our estimates of intrinsic value. We are incrementally adding to select local property shares, while foreign property decreased on the back of opportunistic sales when a counter spiked to levels well above our intrinsic value. We have made use of global and local equity derivatives to manage the downside risk. Aggregate liquidity in the fund remains healthy. Cash and liquid short-dated government bonds provide ample firepower which can be used in the event of further market disruption, or if we see opportunities to deploy capital further into assets trading at wide margins of safety to their intrinsic value.

Changes in portfolio positioning

Q4 2020		Q1 2021	
Domestic equity*	26.2%	Domestic equity*	25.7%
Domestic property	0.7%	Domestic property	1.0%
Domestic cash and NCDs	6.7%	Domestic cash and NCDs	7.0%
Domestic bonds	51.0%	Domestic bonds	50.1%
Foreign equity**	10.8%	Foreign equity**	11.2%
Foreign cash	2.0%	Foreign cash	3.0%
Foreign property	2.6%	Foreign property	2.0%
**Includes -1.0% effective derivative exposure* ***Includes -1.6% effective derivative exposure*		**Includes -0.4% effective derivative exposure* ***Includes -0.8% effective derivative exposure*	

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

Number of units as at 31 March 2021 (Class A):	38 293 826
Price (net asset value per unit) as at 31 March 2021 (Class A):	R1.39
Number of units as at 31 March 2021 (Class E):	313 945 060
Price (net asset value per unit) as at 31 March 2021 (Class E):	R1.39

All data as per Bloomberg as at 31 March 2021

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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

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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

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Additional information

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PSG Diversified Income Fund

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

Current context

Fixed income markets started the period with a continuation of the positive sentiment we saw in the final quarter of 2020, but faced a difficult and volatile ending to the first quarter of 2021. Local fixed rate and inflation-linked bond yields continued to benefit from inflows into emerging market bonds during the months of January and February. Higher expected global growth following on vaccine rollouts and the opening of economies, maintained expectations of higher global inflation (at more normalised levels). Locally, the fiscus received a much needed positive growth surprise in the fourth quarter of 2020, marginally closing the year- on- year GDP contraction for 2020. This spurred positive sentiment, but most importantly, implied that National Treasury was under less pressure to borrow through the issuance of additional bonds the local fixed income market. Towards mid-February, the 10-year bond yield reached its lowest level in a year at 8.5%.

The second half of the quarter, however, saw a swift change in global sentiment. Markets began to fear that higher than expected growth, significant fiscal stimulus and accommodative global monetary policy would lead to the risk of soaring inflation. Rising inflation by its nature is one of the biggest risks to fixed-rate bond returns, eroding value over time. The result was that the US 10-year bond yield rose sharply to reflect the expected higher issuance and inflation expectations (from 0.79% in December 2020 to 1.7% at quarter end) in the US. US breakeven rates (the market-implied inflation rate) rose above the Federal Reserve's long-term target of 2%. The 10-year South African government bond followed suit as global bond yields rose in sync, yielding 9.5% at the end of March and reversing earlier gains. The February budget was considered relatively growth positive, however, as in 2020, the global backdrop was overwhelmingly difficult for SA bond investors. The result was a negative -1.74% return for the Albi for the period. Conversely, as fears of inflation rose, South African inflation-linked bonds had a strong performance delivering roughly 4.5% for the period. Cash returned 0.9% for quarter, reflecting the low rate environment.

Global equities continued displaying strong positive momentum since markets reached a low in March 2020. By the end of the first quarter of 2021, the MSCI World Index had recovered 79% from its March 2020 low and returned 5% during the quarter under review (in US dollar, including dividends). On the domestic front, the JSE All Share Index (ALSI) finally broke through its pre-pandemic record high set in 2018 and delivered its strongest first quarter performance in 15 years, posting a quarterly total return of 13.2% in rand. Given the recovery of the local currency over the past year, which as recently as in April 2020 traded above R19 per US dollar, ALSI total returns of 79% in rand since the March 2020 lows translate to an impressive 115% when measured in US dollar. The property market continued its recovery, with a return of 6.4% for period.

Our perspective

Given the significant shift in global fiscal and monetary policy in 2020 and, the extreme divergences in bond markets, the excesses of last year were bound to unwind somewhat as investors grapple with the level of real yields available in developed markets and particularly in the US. While the absolute level of the US 10-year bond remains low relative to history, the sell-off shows a pricing-in of higher than targeted near-term inflation and sends a clear message from the bond market that security selection needs to consider a higher inflation environment.

Importantly for investors in SA fixed-rate (nominal) bonds, rising US bond yields do not imply a permanent impairment to valuations. South Africa's local fixed-rate bonds currently trade at roughly 7.5% above the US equivalent bond (nearly 2% higher than the long-term average premium, which both accounts for credit risk inherent in SA bonds and any additional inflation protection required). Therefore, we believe the current move upward in yield is rather transitory for local bonds and present a compelling buying opportunity. SA inflation will likely rise in the years ahead, but in our view, this move is unlikely to be significant given the credibility of the SARB and the low inflation impulse in SA.

It is important to contextualise the market backdrop we have seen over the period. Sovereign fiscal stimulus both during 2020 and expectations for the current year, remain sizable relative to history and the resultant borrowing requirements in fixed income markets are significant. Considering where developed market bond yields trade, investors are required to fund this massively increased supply at yields below that of expected inflation, at negative real yields. In contrast, emerging markets, and South Africa in particular, remain among the few sovereigns offering a high real yield for investors.

Portfolio performance and positioning

We believe the market (as communicated previously) will remain volatile as the US bond market finds a level of confidence in where the 10-year bond yield should trade. We have been able to add to areas of conviction in South Africa's bond curves where we believe the yields available are compensating well for both local and global risks. We believe it is appropriate to think alternatively about protection against inflation surprises ahead and as such have increased holdings in preference shares and a selection of local listed property names meeting our 3M process. In addition, the fund continues to make use of our local and global equity buy lists where we believe we both enhance the ability to generate through the cycle real returns for clients, but also add much needed diversification of future return sources in deeply undervalued securities. We continue to hold direct offshore cash, local cash and floating-rate exposure where spreads are attractive to balance risks in the fund.

Over the quarter the PSG Diversified Income Fund and the benchmark both returned 1.44%. The contributors over this period were equity (0.90%), cash (0.79%) and local government bonds (0.34%). Over a 1-year period the fund delivered a return of 13.05% versus the benchmark return of 3.87%, despite the tough market environment.

There has been a marginal increase in preference share and local property holdings during the period, where we believe there are mispricing's to be exploited. In addition, these instruments provide protection against rising inflation. The fund has increased exposure and duration within nominal (fixed rate bonds) where we believe the valuations have become cheaper as global bonds have sold off.

Changes in portfolio positioning

Q4 2020		Q1 2021	
Domestic equity	4.0%	Domestic equity	4.0%
Domestic preference shares	2.0%	Domestic preference shares	3.0%
Domestic property	0.3%	Domestic property	0.7%
Domestic cash and NCDs	16.2%	Domestic cash and NCDs	14.7%
Domestic bonds	71.8%	Domestic bonds	71.5%
Foreign equity	1.7%	Foreign equity	1.6%
Foreign cash	3.3%	Foreign cash	4.0%
Foreign property	0.7%	Foreign property	0.5%

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

Number of units as at 31 March 2021 (Class A):	1 103 722 099
Price (net asset value per unit) as at 31 March 2021 (Class A):	R1.24
Number of units as at 31 March 2021 (Class E):	284 667 711
Price (net asset value per unit) as at 31 March 2021 (Class E):	R1.23

All data as per Bloomberg as at 31 March 2021.

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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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PSG Income Fund

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

Current context

Fixed income markets started the period with a continuation of the positive sentiment we saw in the final quarter of 2020, but faced a difficult and volatile ending to the first quarter of 2021. Local fixed rate and inflation-linked bond yields continued to benefit from inflows into emerging market bonds during the months of January and February. Higher expected global growth following on vaccine rollouts and the opening of economies, maintained expectations of higher global inflation (at more normalised levels). Locally, the fiscus received a much needed positive growth surprise in the fourth quarter of 2020, marginally closing the year- on- year GDP contraction for 2020. This spurred positive sentiment, but most importantly, implied that National Treasury was under less pressure to borrow through the issuance of additional bonds the local fixed income market. Towards mid-February, the 10-year bond yield reached its lowest level in a year at 8.5%.

The second half of the quarter, however, saw a swift change in global sentiment. Markets began to fear that higher than expected growth, significant fiscal stimulus and accommodative global monetary policy would lead to the risk of soaring inflation. Rising inflation by its nature is one of the biggest risks to fixed-rate bond returns, eroding value over time. The result was that the US 10-year bond yield rose sharply to reflect the expected higher issuance and inflation expectations (from 0.79% in December 2020 to 1.7% at quarter end) in the US. US breakeven rates (the market-implied inflation rate) rose above the Federal Reserve's long-term target of 2%. The 10-year South African government bond followed suit as global bond yields rose in sync, yielding 9.5% at the end of March and reversing earlier gains. The February budget was considered relatively growth positive, however, as in 2020, the global backdrop was overwhelmingly difficult for SA bond investors. The result was a negative -1.74% return for the Albi for the period. Conversely, as fears of inflation rose, South African inflation-linked bonds had a strong performance delivering roughly 4.5% for the period. Cash returned 0.9% for quarter, reflecting the low rate environment.

Our perspective

Given the significant shift in global fiscal and monetary policy in 2020 and, the extreme divergences in bond markets, the excesses of last year were bound to unwind somewhat as investors grapple with the level of real yields available in developed markets and particularly in the US. While the absolute level of the US 10-year bond remains low relative to history, the sell-off shows a pricing-in of higher than targeted near-term inflation and sends a clear message from the bond market that security selection needs to consider a higher inflation environment.

Importantly for investors in SA fixed-rate (nominal) bonds, rising US bond yields do not imply a permanent impairment to valuations. South Africa's local fixed-rate bonds currently trade at roughly 7.5% above the US equivalent bond (nearly 2% higher than the long-term average premium, which both accounts for credit risk inherent in SA bonds and any additional inflation protection required). Therefore, we believe the current move upward in yield is rather transitory for local bonds and present a compelling buying opportunity. SA inflation will likely rise in the years ahead, but in our view, this move is unlikely to be significant given the credibility of the SARB and the low inflation impulse in SA.

It is important to contextualise the market backdrop we have seen over the period. Sovereign fiscal stimulus both during 2020 and expectations for the current year, remain sizable relative to history and the resultant borrowing requirements in fixed income markets are significant. Considering where developed market bond yields trade, investors are required to fund this massively increased supply at yields below that of expected inflation, at negative real yields. In contrast, emerging markets, and South Africa in particular, remain among the few sovereigns offering a high real yield for investors.

Portfolio performance and positioning

We believe the market (as communicated previously) will remain volatile as the US bond market finds a level of confidence in where the 10-year bond yield should trade. We have been able to add to areas of conviction in South Africa's bond curves where we believe the yields available are compensating well for both local and global risks. We believe it is appropriate to think alternatively about protection against inflation surprises ahead, and as such have increased holdings in inflation-linked bonds. We continue to hold cash and floating-rate exposure where spreads are attractive to balance risks in the fund. With the recent sell off in bonds, our area of highest conviction, the fund has been able to take advantage by buying into weakness. The outlook for the fund therefore remains attractive.

Over the quarter the PSG Income Fund returned 0.78% versus the benchmark return of 0.90%. The major contributor over this period was cash (0.41%), being positioned in the short end of the curve. Over a 1-year period the fund delivered a return of 8.68% versus the benchmark return of 4.57%.

The fund increased exposure to bonds, taking advantage of the weakness, specifically in nominal (fixed-rate) sovereign bonds. The result was a decline in cash levels. The fund remains highly liquid and contains very low levels of credit risk, concentrating clients in the areas of the market which offer the best risk-adjusted return profile. We believe the market volatility in recent weeks provides for an improved return outlook over the year ahead, well above cash and cash-like products.

Changes in portfolio positioning

Q4 2020		Q1 2021	
Domestic bonds	56.4%	Domestic bonds	48.9%
Domestic cash and NCDs	43.6%	Domestic cash and NCDs	51.1%

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

Number of units as at 31 March 2021 (Class A): 241 435 792
Price (net asset value per unit) as at 31 March 2021 (Class A): R1.06
Number of units as at 31 March 2021 (Class E): 1 373 895 733
Price (net asset value per unit) as at 31 March 2021 (Class E): R1.06

All data as per Bloomberg as at 31 March 2021.

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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.

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PSG Money Market Fund

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

Current context

Fixed income markets started the period with a continuation of the positive sentiment we saw in the final quarter of 2020, but faced a difficult and volatile ending to the first quarter of 2021. Local fixed-rate and inflation-linked bond yields continued to benefit from inflows into emerging market bonds during the months of January and February. Higher expected global growth following on vaccine rollouts and the opening of economies, maintained expectations of higher global inflation (at more normalised levels). Locally, the fiscus received a much needed positive growth surprise in the fourth quarter of 2020, marginally closing the year-on-year GDP contraction for 2020. This spurred positive sentiment, but most importantly, implied that National Treasury was under less pressure to borrow through the issuance of additional bonds into the local fixed income market. Towards mid-February, the 10-year bond yield reached its lowest level in a year at 8.5%.

The second half of the quarter, however, saw a swift change in global sentiment. Markets began to fear that higher than expected growth, significant fiscal stimulus and accommodative global monetary policy would lead to the risk of soaring inflation. Inflation by its nature is one of the biggest risks to fixed-rate bond returns, eroding value over time. The result was that the US 10-year bond yield rose sharply to reflect the expected higher issuance and inflation expectations (which rose from 0.79% in December 2020 to 1.7% at quarter end) in the US. US breakeven rates (the market-implied inflation rate) rose above the Federal Reserve's long-term target of 2%. The 10-year South African government bond followed suit as global bond yields rose in sync, yielding 9.5% at the end of March and reversing earlier gains. The February budget was considered relatively growth positive, however, as in 2020, the global backdrop was overwhelmingly difficult for SA bond investors. The result was a negative -1.74% return for the Albi for the period. Conversely, as fears of inflation rose, South African inflation-linked bonds had a strong performance, delivering roughly 4.5% for the period. Cash returned 0.9% for quarter, reflecting the low rate environment.

Our perspective

Entering 2021, money market rates were at historically low levels and, as we noted at the time, the "steepness" (the compensation for taking additional term risk) of the NCD curve was showing early signs of starting to return. Over the course of the quarter, we've seen this steepness normalise to more moderate levels. It's for this reason that we have, in certain areas of the curve, taken advantage of this by buying NCDs. We are still mindful that there is room for this steepness to increase even further, while the potential for rate hikes as inflation normalises from very low levels remains a risk consideration, as we would prefer more attractive entry levels. As such, we remain conservative in our NCD allocation for now and continue to hold significant levels of cash, prioritising liquidity. This quarter has seen the Treasury Bill curve continue to offer attractive yields compared to the NCD curve, at lower levels of credit risk. And in certain areas the additional compensation has been at all-time highs. As such we have opted to increase exposure to Treasury bills at these points over the course of the quarter. Overall, the fund performance has been reflective of the low rate environment that has dominated the over the last year. As communicated before, the fund should outperform cash accounts over the near-term, as well as offer diversification against any individual bank risk.

Portfolio performance and positioning

Over the quarter, the PSG Money Market Fund returned 0.81% versus the benchmark return of 0.88%. The fund is suitable for investors who need an interim investment vehicle or 'parking bay' for surplus money with high liquidity and capital preservation requirements. The latter were key objectives for us during the past year.

The fund's exposure to bank NCDs has increased from the previous quarter. This is due to the fund taking advantage of the more moderate steepness in the NCD curve. The fund has increased exposure to Treasury bills as the yield pick-up compared to NCDs has increased, while it also helps to maintain adequate levels of liquidity and improve credit quality. The fund still has higher levels of cash holdings in keeping with the preference for cash in the current low-rate environment.

Changes in portfolio positioning

Q4 2020		Q1 2021	
Linked NCDs/ Floating-rate notes	19.7%	Linked NCDs/Floating-rate notes	7.8%
Step rate notes	13.6%	Step rate notes	13.6%
NCDs	0.0%	NCDs	3.9%
Treasury bills	48.8%	Treasury bills	54.6%
Call deposits	17.9%	Call deposits	19.5%
Corporate bonds	0.0%	Corporate bonds	0.6%
Debenture	0.0%	Debenture	0.0%

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

Number of units as at 31 March 2021 (Class A):	653 516 463
Price (net asset value per unit) as at 31 March 2021 (Class A):	R1.00
Number of units as at 31 March 2021 (Class F):	383 484 617
Price (net asset value per unit) as at 31 March 2021 (Class F):	R1.00

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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
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Company details
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Conflict of Interest Disclosure
The fund manager may use the brokerage services of a related party, PSG Securities Ltd.

Trustees
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8001
Tel: +27 (21) 401 2443.
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Additional information
Additional information is available free of charge on the website www.psg.co.za/asset-management and may include publications, brochures, forms and annual reports.

PSG Global Equity Feeder Fund

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

Current context

Global equities continued displaying strong positive momentum since markets reached a low in March 2020. By the end of the first quarter of 2021, the MSCI World Index had recovered 79% from its March 2020 low and returned 5% during the quarter under review (in US dollar, including dividends). Some of the factors contributing to the sharp recovery are continued record central bank liquidity injections, accelerating global vaccine rollouts, a gradual re-opening of economies and speculative behaviour in pockets of the market.

After a strong start to the year during which emerging market equities rose 12% by mid-February, the MSCI Emerging Markets Index delivered a total return of 2.2% for the quarter. South African equities were the standout performers in emerging markets during the quarter, with the JSE All Share Index (ALSI) finally breaking through the pre-pandemic record-high set in 2018. It delivered its strongest first quarter performance in 15 years, posting a quarterly total return of 13.2% in rand and 12.5% in US dollar.

Rising inflation expectations saw global bonds sell off during the quarter (from arguably elevated levels), with the US 10-year bond yield rising from 0.9% in December 2020 to above 1.7% at the end of the first quarter.

Our perspective

Different parts of the market continue to dominate performance. The initial sharp recovery after the March 2020 crash was largely driven by technology and staples companies that received a boost from pandemic-driven demand and 'work-from-home' arrangements. However, markets have recently seen a major rotation away from what had previously worked (mostly growth stocks) into investments that have not performed well to date, and which were harder hit by the pandemic. These include value funds, cheap and smaller companies, emerging markets, contrarian investment strategies and companies positively correlated to rising rates and global reflation in particular.

We have previously written about the large valuation divergences evident across markets as a result of the extraordinary levels of crowding into past winners and the capitulation out of what had not worked, and we have advocated for different positioning to the consensus view.

The key question on many investors' minds, given this sharp recent rotation, is: where to from here?

It is hard to deny that index levels are high and given the valuation backdrop across many major markets, prudent future return expectations from major indices should be relatively low. While PSG Asset Management is macro aware, we are bottom-up investors and tend to favour opportunities in less popular areas. Given the uncertainty about the ultimate impact of the pandemic on many economies and industries, and the potential path of inflation and interest rates, pockets of the market still provide highly fertile conditions to construct a portfolio of mispriced securities.

Portfolio performance and positioning

Many companies held in the fund enjoyed a very healthy price recovery since November 2020, but it is important to point out the inherently low base we are coming off and the preference for uncrowded positioning in most of the fund's holdings.
Additionally, the fund's equity holdings can be characterised as follows:

- Businesses with a sound inherent quality that the market is overlooking or under-appreciating.
- Well positioned for strong growth in profits, cash flow and dividends (initially via post-pandemic recovery and thereafter a result of their strong market positions).
- Generating high levels of free cash flow that can be used for payment of dividends or pay-down of debt, which in the case of leveraged companies serves as a powerful tool to transfer value from debt to equity holders.
- Being at valuation levels that are extremely attractive in relation to future earnings power and which provide a healthy buffer against adverse macro outcomes.

During the quarter, the fund exited its holdings of DuPont, Compass Group and Amadeus IT after a significant rise in share prices above our estimates of intrinsic value. Improving agricultural and fertiliser market fundamentals resulted in a strong price appreciation of longer held conviction positions and we reduced the fund's holdings in The Mosaic Company and ICL Group considerably as a result. Furthermore, following substantial price increases and as a consequence narrower margins of safety, we reduced US outlet center operator Tanger Factory Outlets, department store chain Nordstrom and UK-listed but Asia focused Prudential Plc, which was the fund's largest position at the beginning of the quarter. These sales allowed us to recycle capital into new opportunities in the global energy space and add to existing positions in Philip Morris International Inc, M&G Plc and Centene Corporation.

Over the quarter the PSG Global Equity Feeder Fund returned 15.50% versus the benchmark return of 5.48%. The contributors over this period were financials (4.84%), industrials (2.64%) and other (2.26%). The contributors are the same as 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. Since inception the fund produced an annual return of 11.57% versus the benchmark return of 18.78%.

Changes in portfolio positioning

Q4 2020		Q1 2021	
Equities	99.4%	Equities	93.3%
Cash	0.6%	Cash	6.7%

Q4 2020		Q1 2021	
US	41.2%	US	36.6%
Europe	15.4%	Europe	15.6%
UK	22.5%	UK	19.6%
Asia ex Japan	0.0%	Asia ex Japan	0.0%
Japan	13.5%	Japan	14.0%
Canada	2.9%	Canada	3.1%
Africa	3.9%	Africa	4.4%
Cash	0.6%	Cash	6.7%

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 31 March 2021 (Class A):	5 049 760
Price (net asset value per unit) as at 31 March 2021 (Class A):	R2.96
Number of units as at 31 March 2021 (Class E):	28 536 043
Price (net asset value per unit) as at 31 March 2021 (Class E):	R3.03

All data as per Bloomberg as at 31 March 2021.

Disclaimer

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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 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.

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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,
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Tel: +27 21 401 2443
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PSG Asset Management PSG Global Flexible Feeder Fund

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

Current context

Global equities continued displaying strong positive momentum since markets reached a low in March 2020. By the end of the first quarter of 2021, the MSCI World Index had recovered 79% from its March 2020 low and returned 5% during the quarter under review (in US dollar, including dividends). Some of the factors contributing to the sharp recovery are continued record central bank liquidity injections, accelerating global vaccine rollouts, a gradual re-opening of economies and speculative behaviour in pockets of the market.

After a strong start to the year during which emerging market equities rose 12% by mid-February, the MSCI Emerging Markets Index delivered a total return of 2.2% for the quarter. South African equities were the standout performers in emerging markets during the quarter, with the JSE All Share Index (ALSI) finally breaking through the pre-pandemic record-high set in 2018. It delivered its strongest first quarter performance in 15 years, posting a quarterly total return of 13.2% in rand and 12.5% in US dollar.

Rising inflation expectations saw global bonds sell off during the quarter (from arguably elevated levels), with the US 10-year bond yield rising from 0.9% in December 2020 to above 1.7% at the end of the first quarter.

Our perspective

Different parts of the market continue to dominate performance. The initial sharp recovery after the March 2020 crash was largely driven by technology and staples companies that received a boost from pandemic-driven demand and 'work-from-home' arrangements. However, markets have recently seen a major rotation away from what had previously worked (mostly growth stocks) into investments that have not performed well to date, and which were harder hit by the pandemic. These include value funds, cheap and smaller companies, emerging markets, contrarian investment strategies and companies positively correlated to rising rates and global reflation in particular.

We have previously written about the large valuation divergences evident across markets as a result of the extraordinary levels of crowding into past winners and the capitulation out of what had not worked, and we have advocated for different positioning to the consensus view.

The key question on many investors' minds, given this sharp recent rotation, is: where to from here?

It is hard to deny that index levels are high and given the valuation backdrop across many major markets, prudent future return expectations from major indices should be relatively low. While PSG Asset Management is macro aware, we are bottom-up investors and tend to favour opportunities in less popular areas. Given the uncertainty about the ultimate impact of the pandemic on many economies and industries, the potential path of inflation and interest rates, pockets of the market still provide highly fertile conditions to construct a portfolio of mispriced securities.

Portfolio performance and positioning

Many companies held in the fund enjoyed a very healthy price recovery since November 2020, but it is important to point out the inherently low base we are coming off and the preference for uncrowded positioning in most of the fund's holdings.
Additionally, the fund's equity holdings can be characterised as follows:

- Businesses with a sound inherent quality that the market is overlooking or under-appreciating.
- Well positioned for strong growth in profits, cash flow and dividends (initially via post-pandemic recovery and thereafter a result of their strong market positions).
- Generating high levels of free cash flow that can be used for payment of dividends or pay-down of debt, which in the case of leveraged companies serves as a powerful tool to transfer value from debt to equity holders.
- Being at valuation levels that are extremely attractive in relation to future earnings power and which provide a healthy buffer against adverse macro outcomes.

During the quarter, the fund exited its holdings of DuPont, Compass Group and Amadeus IT after a significant rise in share prices above our estimates of intrinsic value. Improving agricultural and fertiliser market fundamentals resulted in a strong price appreciation of longer held conviction positions and we reduced the fund's holdings in The Mosaic Company and ICL Group considerably as a result. Furthermore, following substantial price increases and as a consequence narrower margins of safety, we reduced US outlet center operator Tanger Factory Outlets, department store chain Nordstrom and UK-listed but Asia focused Prudential Plc, which was the fund's largest position at the beginning of the quarter. These sales allowed us to recycle capital into new opportunities in the global energy space and add to existing positions in Philip Morris International Inc, M&G Plc and Centene Corporation.

Cash and bond levels rose to 12.5% at the end of the quarter compared to 9.1% at the end of December 2020. While this provides additional firepower in the event of market dislocations, the fund's relatively high equity exposure is informed by the attractive opportunity set and return profile.

Over the quarter the PSG Global Flexible Feeder Fund returned 12.27% versus the benchmark return of 3.03%. The contributors over this period were financials (4.52%), industrials (2.19%) and energy (1.63%). The contributors 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. Since inception the fund produced an annual return of 11.77% versus the benchmark return of 15.12%.

Changes in portfolio positioning

Q4 2020		Q1 2021	
Equities	90.9%	Equities	87.5%
Bonds	8.2%	Bonds	0.7%
Cash	0.9%	Cash	11.8%

Q4 2020		Q1 2021	
US	37.4%	US	34.8%
Europe	14.9%	Europe	14.7%
UK	20.5%	UK	18.7%
Asia ex Japan	0.0%	Asia ex Japan	0.0%
Japan	12.4%	Japan	12.7%
Canada	2.7%	Canada	3.2%
Africa	3.0%	Africa	3.4%
Cash and Bonds	9.1%	Cash and Bonds	12.5%

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Number of units as at 31 March 2021 (Class A):	14 297 968
Price (net asset value per unit) as at 31 March 2021 (Class A):	R2.43
Number of units as at 31 March 2021 (Class B):	130 756 541
Price (net asset value per unit) as at 31 March 2021 (Class B):	R2.50

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