PSG Asset Management

Quarterly portfolio fund commentaries

March 2022

Contents

Current context

The first quarter of 2022 was a tumultuous period for global markets given Russia's invasion of Ukraine, an increasingly uncertain inflationary backdrop and the likely start of a global rate hiking cycle (coming from a highly accommodative base). This resulted in most major asset classes losing ground, as reflected by the MSCI World Index falling 5.2% during the quarter under review (in US dollar, including dividends). This was also in stark contrast to the positive return of 21.8% recorded for the year in 2021.

The domestic market fared much better on a relative basis, given buoyant commodity prices and the large weighting of the resources segment on the JSE All Share Index (ALSI). Given the uncertain backdrop, the index delivered a respectable return of 3.8% (in local currency including dividends). In addition, the local equity market attracted net foreign inflows during the quarter of R28 billion compared to R9 billion of outflows experienced during the same period a year ago. Should this trend continue for the rest of 2022, this will mark the first year of strong foreign inflows for more than a decade. It is indicative of improved sentiment toward the local market and improved relative attractiveness compared to other emerging market peers. In line with this, the local currency appreciated 8.3% vs the US dollar during the quarter, bringing the ALSI return in US dollar terms to a positive 13%, reflecting significant outperformance compared to global markets.

Our perspective

Although our investment process intentionally downplays our ability to predict macro-outcomes, we continue to see an increased likelihood that a major market inflection point has been reached, with inflation rising globally. Supply chains, already disrupted by the coronavirus pandemic, are being stretched further because of the war on Ukraine. Globalisation's fragility is being exposed and it is likely entering a transition period, adjusting to a system that is becoming less interconnected and seeking to be more resilient.

With such deep-seated changes afoot, past winners are unlikely to be winners in the future. However, these observations remain in stark contrast to the prevailing market consensus, which appears to extrapolate the last decade's investment environment with unabated certainty. This is likely to have potentially painful consequences down the road.

Large divergences in market valuations, inflation and interest rate dynamics, suggest a wide range of possible outcomes looking forward. This speaks to an environment where there is a high likelihood of security mispricing. This presents a very favourable backdrop for patient, bottom-up and differentiated active managers like ourselves. We remain positive about the long-term returns on offer from our portfolios.

Portfolio performance and positioning

Our buy lists have identified attractive long-term opportunities on both global and domestic markets. These are mainly found in the parts of the market that have underperformed and been out of favour in recent years. These companies are cheap and fundamentals are supportive of sustained growth in profits and dividends.

Over the quarter the PSG Equity Fund returned 8.8% versus the benchmark return of 3.8%. The contributors over this period were financials (4.9%), resources (2.2%) and foreign equities (1.3%). 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 6.2% p.a. versus the benchmark return of 8.9% p.a. Since inception the fund has performed in the top quartile and produced an annual return of 15.5% versus the benchmark return of 13.6%.

Changes in portfolio positioning

Q4 2021		Q1 2022	
Domestic equity	72.8%	Domestic equity	71.1%
Domestic property	2.2%	Domestic property	1.9%
Foreign equity	24.5%	Foreign equity	26.4%
Foreign property	0.5%	Foreign property	0.5%
Foreign cash	0.0%	Foreign cash	0.1%

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

Number of units as at 31 March 2022 (Class A):	32 932 897
Price (net asset value per unit) as at 31 March 2022 (Class A):	R14.05
Number of units as at 31 March 2022 (Class E):	85 917 097
Price (net asset value per unit) as at 31 March 2022 (Class E):	R14.08

All data as per Bloomberg as at 31 March 2022

Total investment charge

PSG Equity Fund Class A

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

Total expense ratio % (incl. VAT)	**1.76**
Annual management fee % (incl. VAT)	1.73
Other costs excluding transaction costs % (incl. VAT)	0.03
Transaction costs % (incl. VAT)	0.26
Total investment charge % (incl. VAT)	**2.02**

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

Total expense ratio % (incl. VAT)	**1.75**
Annual management fee % (incl. VAT)	1.73
Other costs excluding transaction costs % (incl. VAT)	0.02
Transaction costs % (incl. VAT)	0.25
Total investment charge % (incl. VAT)	**2.00**

PSG Equity Fund Class E

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

Total expense ratio % (incl. VAT)	**1.12**
Annual management fee % (incl. VAT)	0.86
Other costs excluding transaction costs % (incl. VAT)	0.03
Performance fee % (incl. VAT)	0.23*
Transaction costs % (incl. VAT)	0.26
Total investment charge % (incl. VAT)	**1.38**

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

Total expense ratio % (incl. VAT)	**1.49**
Annual management fee % (incl. VAT)	0.86
Other costs excluding transaction costs % (incl. VAT)	0.03
Performance fee % (incl. VAT)	0.60*
Transaction costs % (incl. VAT)	0.25
Total investment charge % (incl. VAT)	**1.74**

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

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

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

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

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

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

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

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

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

PSG Flexible Fund

Quarterly portfolio commentary as at 31 March 2022
by Shaun le Roux and Mikhail Motala

Current context

The first quarter of 2022 was a tumultuous period for global markets given Russia's invasion of Ukraine, an increasingly uncertain inflationary backdrop and the likely start of a global rate hiking cycle (coming from a highly accommodative base). This resulted in most major asset classes losing ground, as reflected by the MSCI World Index falling 5.2% during the quarter under review (in US dollar, including dividends). This was also in stark contrast to the positive return of 21.8% recorded for the year in 2021.

The domestic market fared much better on a relative basis, given buoyant commodity prices and the large weighting of the resources segment on the JSE All Share Index (ALSI). Given the uncertain backdrop, the index delivered a respectable return of 3.8% (in local currency including dividends). In addition, the local equity market attracted net foreign inflows during the quarter of R28 billion compared to R9 billion of outflows experienced during the same period a year ago. Should this trend continue for the rest of 2022, this will mark the first year of strong foreign inflows for more than a decade. It is indicative of improved sentiment toward the local market and improved relative attractiveness compared to other emerging market peers. In line with this, the local currency appreciated 8.3% vs the US dollar during the quarter, bringing the ALSI return in US dollar terms to a positive 13%, reflecting significant outperformance compared to global markets.

Our perspective

Although our investment process intentionally downplays our ability to predict macro-outcomes, we continue to see an increased likelihood that a major market inflection point has been reached, with inflation rising globally. Supply chains, already disrupted by the coronavirus pandemic, are being stretched further because of the war on Ukraine. Globalisation's fragility is being exposed and it is likely entering a transition period, adjusting to a system that is becoming less interconnected and seeking to be more resilient.

With such deep-seated changes afoot, past winners are unlikely to be winners in the future. However, these observations remain in stark contrast to the prevailing market consensus, which appears to extrapolate the last decade's investment environment with unabated certainty. This is likely to have potentially painful consequences down the road.

Large divergences in market valuations, inflation and interest rate dynamics, suggest a wide range of possible outcomes looking forward. This speaks to an environment where there is a high likelihood of security mispricing. This presents a very favourable backdrop for patient, bottom-up and differentiated active managers like ourselves. We remain positive about the long-term returns on offer from our portfolios.

Portfolio performance and positioning

Our buy lists have identified attractive long-term opportunities on both global and domestic markets. These are mainly found in the parts of the market that have underperformed and been out of favour in recent years. These companies are cheap and fundamentals are supportive of sustained growth in profits and dividends. As a result, the fund remains offensively positioned with lower levels of cash than average though the fund contains additional portfolio defences in the form of energy, gold and modest equity hedges.

Over the quarter the PSG Flexible Fund returned 7.2% versus the benchmark return of 2.8%. The contributors over this period were financials (4.4%), resources (2.0%) and foreign equities (1.3%). The fund is suitable for investors with an investment term of 5 years and longer. Over the short-term, returns can be volatile and for this reason it is important to measure fund returns over the relevant investment term. Over the 5-year time horizon, the fund returned 7.3% p.a. versus the benchmark return of 10.2% p.a. Since inception, the fund has performed in the top quartile and has produced an annual return of 14.2% versus benchmark return of 11.5%.

Changes in portfolio positioning

Q4 2021		Q1 2022	
Domestic equity*	66.5%	Domestic equity*	64.5%
Domestic property	2.0%	Domestic property	1.9%
Domestic cash, Treasury bills and NCDs	3.5%	Domestic cash, Treasury bills and NCDs	4.3%
Foreign equity**	24.4%	Foreign equity**	25.0%
Foreign property	2.2%	Foreign property	1.9%
Foreign cash	1.4%	Foreign cash	2.4%
*Includes -0.2% effective derivative exposure **Includes -1.1% effective derivative exposure		*Includes -0.1% 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 2022 (Class A):	441 924 410
Price (net asset value per unit) as at 31 March 2022 (Class A):	R6.71
Number of units as at 31 March 2022 (Class E):	832 018 414
Price (net asset value per unit) as at 31 March 2022 (Class E):	R6.72

All data as per Bloomberg as at 31 March 2022

Total investment charge

PSG Flexible Fund Class A

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

Total expense ratio % (incl. VAT)	**1.79**
Annual management fee % (incl. VAT)	1.15
Other costs excluding transaction costs % (incl. VAT)	0.04
Performance fee % (incl. VAT)	0.60*
Transaction costs % (incl. VAT)	0.23
Total investment charge % (incl. VAT)	**2.02**

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

Total expense ratio % (incl. VAT)	**3.20**
Annual management fee % (incl. VAT)	1.15
Other costs excluding transaction costs % (incl. VAT)	0.04
Performance fee % (incl. VAT)	2.01*
Transaction costs % (incl. VAT)	0.21
Total investment charge % (incl. VAT)	**3.41**

PSG Flexible Fund Class E

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

Total expense ratio % (incl. VAT)	**1.56**
Annual management fee % (incl. VAT)	0.86
Other costs excluding transaction costs % (incl. VAT)	0.04
Performance fee % (incl. VAT)	0.66*
Transaction costs % (incl. VAT)	0.23
Total investment charge % (incl. VAT)	**1.79**

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

Total expense ratio % (incl. VAT)	**2.94**
Annual management fee % (incl. VAT)	0.86
Other costs excluding transaction costs % (incl. VAT)	0.04
Performance fee % (incl. VAT)	2.04*
Transaction costs % (incl. VAT)	0.21
Total investment charge % (incl. VAT)	**3.15**

*The 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

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/psg-asset-managementand may include publications, brochures, forms and annual reports.

PSG Asset Management

PSG Balanced Fund

Quarterly portfolio commentary as at 31 March 2022
by Justin Floor and Dirk Jooste

Current context

The first quarter of 2022 was a tumultuous period for global markets given Russia's invasion of Ukraine, an increasingly uncertain inflationary backdrop and the likely start of a global rate hiking cycle (coming from a highly accommodative base). This resulted in most major asset classes losing ground, as reflected by the MSCI World Index falling 5.2% during the quarter under review (in US dollar, including dividends). This was also in stark contrast to the positive return of 21.8% recorded for the year in 2021.

The domestic market fared much better on a relative basis, given buoyant commodity prices and the large weighting of the resources segment on the JSE All Share Index (ALSI). Given the uncertain backdrop, the index delivered a respectable return of 3.8% (in local currency including dividends). In addition, the local equity market attracted net foreign inflows during the quarter of R28 billion compared to R9 billion of outflows experienced during the same period a year ago. Should this trend continue for the rest of 2022, this will mark the first year of strong foreign inflows for more than a decade. It is indicative of improved sentiment toward the local market and improved relative attractiveness compared to other emerging market peers. In line with this, the local currency appreciated 8.3% vs the US dollar during the quarter, bringing the ALSI return in US dollar terms to a positive 13%, reflecting significant outperformance compared to global markets.

Our perspective

Although our investment process intentionally downplays our ability to predict macro-outcomes, we continue to see an increased likelihood that a major market inflection point has been reached, with inflation rising globally. Supply chains, already disrupted by the coronavirus pandemic, are being stretched further because of the war on Ukraine. Globalisation's fragility is being exposed and it is likely entering a transition period, adjusting to a system that is becoming less interconnected and seeking to be more resilient.

With such deep-seated changes afoot, past winners are unlikely to be winners in the future. However, these observations remain in stark contrast to the prevailing market consensus, which appears to extrapolate the last decade's investment environment with unabated certainty. This is likely to have potentially painful consequences down the road.

Large divergences in market valuations, inflation and interest rate dynamics, suggest a wide range of possible outcomes looking forward. This speaks to an environment where there is a high likelihood of security mispricing. This presents a very favourable backdrop for patient, bottom-up and differentiated active managers. We remain positive about the long-term returns on offer from our portfolios.

Portfolio performance and positioning

The PSG Balanced Fund had a strong quarter and returned 4.6% versus the benchmark return of 2.6% and well ahead of the peer group which averaged a negative return. Local equity was the asset class which contributed the most this quarter where holdings in Discovery (up 26%), Grindrod Shipping (up 41%) and HCI (up 59%) were particularly additive. Pleasingly the foreign equity positions also contributed strong positive returns (in contrast to weak global equity markets), as did our fixed income holdings. Meanwhile, global and listed property holdings detracted from performance (-0.5%). The fund is suitable for investors with an investment term of 5 years and longer. Over the short-term returns can be volatile and for this reason it is important to measure fund returns over the relevant investment term. Over the 5-year time horizon, the fund returned 7.5% p.a. versus the benchmark return of 9.3% p.a. Since inception the fund has produced an annual return of 13.1% compared to the benchmark return of 10.4%.

There were no material changes to the portfolio positioning this quarter.

Changes in portfolio positioning

Q4 2021		Q1 2022	
Domestic equity	48.2%	Domestic equity	48.0%
Domestic property	5.5%	Domestic property	5.0%
Domestic cash, Treasury bills and NCDs	1.9%	Domestic cash, Treasury bills and NCDs	2.2%
Domestic bonds	16.1%	Domestic bonds	16.7%
Foreign equity*	25.1%	Foreign equity*	24.9%
Foreign cash	1.9%	Foreign cash	1.6%
Foreign property	1.3%	Foreign property	1.6%
*Includes -1.6% 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 31 March 2022 (Class A):	50 170 220
Price (net asset value per unit) as at 31 March 2022 (Class A):	R85.54
Number of units as at 31 March 2022 (Class E):	60 318 390
Price (net asset value per unit) as at 31 March 2022 (Class E):	R85.56

All data as per Bloomberg as at 31 March 2022.

Total investment charge

PSG Balanced Fund Class A

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

Total expense ratio % (incl. VAT)	**1.77**
Annual management fee % (incl. VAT)	1.73
Other costs excluding transaction costs % (incl. VAT)	0.04
Transaction costs % (incl. VAT)	0.23
Total investment charge % (incl. VAT)	**2.00**

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

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

PSG Balanced Fund Class E

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

Total expense ratio % (incl. VAT)	**1.20**
Annual management fee % (incl. VAT)	1.15
Other costs excluding transaction costs % (incl. VAT)	0.05
Transaction costs % (incl. VAT)	0.23
Total investment charge % (incl. VAT)	**1.43**

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

Total expense ratio % (incl. VAT)	**1.20**
Annual management fee % (incl. VAT)	1.15
Other costs excluding transaction costs % (incl. VAT)	0.05
Transaction costs % (incl. VAT)	0.22
Total investment charge % (incl. VAT)	**1.42**

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.

Regulation 28

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

Performance

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

Pricing

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

Redemptions

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

Company details

PSG Collective Investments (RF) Limited is registered as a CIS Manager with the Financial Sector Conduct Authority, and a member of the Association of Savings and Investments South Africa (ASISA) through its holdings company PSG Konsult Limited. The management of the portfolio is delegated to PSG Asset Management (Pty) Ltd, an 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 Stable Fund

Quarterly portfolio commentary as at 31 March 2022
by John Gilchrist and Dirk Jooste

Current context

The first quarter of 2022 was a tumultuous period for global markets given Russia's invasion of Ukraine, an increasingly uncertain inflationary backdrop and the likely start of a global rate hiking cycle (coming from a highly accommodative base). This resulted in most major asset classes losing ground, as reflected by the MSCI World Index falling 5.2% during the quarter under review (in US dollar, including dividends). This was also in stark contrast to the positive return of 21.8% recorded for the year in 2021.

The domestic market fared much better on a relative basis, given buoyant commodity prices and the large weighting of the resources segment on the JSE All Share Index (ALSI). Given the uncertain backdrop, the index delivered a respectable return of 3.8% (in local currency, including dividends). In addition, the local equity market attracted net foreign inflows during the quarter of R28 billion compared to R9 billion of outflows experienced during the same period a year ago. Should this trend continue for the rest of 2022, this will mark the first year of strong foreign inflows for more than a decade. It is indicative of improved sentiment toward the local market and improved relative attractiveness compared to other emerging market peers. In line with this, the local currency appreciated 8.3% vs the US dollar during the quarter, bringing the ALSI return in US dollar terms to a positive 13%, reflecting significant outperformance compared to global markets.

Our perspective

Although our investment process intentionally downplays our ability to predict macro-outcomes, we continue to see an increased likelihood that a major market inflection point has been reached, with inflation rising globally. Supply chains, already disrupted by the coronavirus pandemic, are being stretched further because of the war on Ukraine. Globalisation's fragility is being exposed and it is likely entering a transition period, adjusting to a system that is becoming less interconnected and seeking to be more resilient.

With such deep-seated changes afoot, past winners are unlikely to be winners in the future. However, these observations remain in stark contrast to the prevailing market consensus, which appears to extrapolate the last decade's investment environment with unabated certainty. This is likely to have potentially painful consequences down the road.

Large divergences in market valuations, inflation and interest rate dynamics, suggest a wide range of possible outcomes looking forward. This speaks to an environment where there is a high likelihood of security mispricing. This presents a very favourable backdrop for patient, bottom-up and differentiated active managers like ourselves. We remain positive about the long-term returns on offer from our portfolios.

Portfolio performance and positioning*

Domestic equity exposure declined marginally, with purchases of Quilter and Long4Life being more than offset by sales of Discovery and AngloGold (among others) into market strength. Local property exposure also declined slightly over the quarter while foreign property exposure was increased. Foreign equity exposure declined, primarily due to the rand strengthening 8% over the quarter. Larger foreign equity purchases during the quarter include Pepco and Prudential, while the more meaningful sales included trimming exposure to Mosaic and Glencore. These sales were driven by share price increases leading to a declining margin of safety. In South African fixed income, we maintained our large position in government bonds (both nominal and inflation-linked) and added to fixed NCDs at attractive rates.

Over the quarter the PSG Stable Fund returned 2.6% versus the benchmark return of 2.1%. The contributors over this period were financials (1.5%), local government bonds (0.9%) and resources (0.5%). Foreign cash, foreign properties and foreign equities detracted by -0.2%, -0.1% and -0.1% respectively. The fund is suitable for investors with an investment term of 3 years and longer. Over the 3-year time horizon, the fund returned 7.6% pa. Since inception, the fund has produced annualised returns of 8.4% versus benchmark return of 8.1%.

*Return numbers as per the PSG Stable Fund Class A

Changes in portfolio positioning

Q4 2021		Q1 2022	
Domestic equity*	23.4%	Domestic equity*	22.9%
Domestic property	2.7%	Domestic property	2.2%
Domestic cash, Treasury bills and NCDs	10.2%	Domestic cash, Treasury bills and NCDs	13.1%
Domestic bonds	46.8%	Domestic bonds	46.2%
Foreign equity**	13.7%	Foreign equity**	12.3%
Foreign cash	2.3%	Foreign cash	2.2%
Foreign bonds	0.4%	Foreign bonds	0.3%
Foreign property	0.5%	Foreign property	0.8%
*Includes -0.2% effective derivative exposure **Includes -1.0% effective derivative exposure		*Includes -0.05% effective derivative exposure **Includes -0.9% effective derivative exposure	

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

Number of units as at 31 March 2022 (Class A):	32 690 227
Price (net asset value per unit) as at 31 March 2022 (Class A):	R1.54
Number of units as at 31 March 2022 (Class E):	319 108 291
Price (net asset value per unit) as at 31 March 2022 (Class E):	R1.54

All data as per Bloomberg as at 31 March 2022

Total investment charge

PSG Stable Fund Class A

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

Total expense ratio % (incl. VAT)	**1.78**
Annual management fee % (incl. VAT)	1.73
Other costs excluding transaction costs % (incl. VAT)	0.05
Transaction costs % (incl. VAT)	0.15
Total investment charge % (incl. VAT)	**1.93**

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

Total expense ratio % (incl. VAT)	**1.77**
Annual management fee % (incl. VAT)	1.73
Other costs excluding transaction costs % (incl. VAT)	0.04
Transaction costs % (incl. VAT)	0.11
Total investment charge % (incl. VAT)	**1.88**

PSG Stable Fund Class E

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

Total expense ratio % (incl. VAT)	**1.20**
Annual management fee % (incl. VAT)	1.15
Other costs excluding transaction costs % (incl. VAT)	0.05
Transaction costs % (incl. VAT)	0.15
Total investment charge % (incl. VAT)	**1.35**

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

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

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.

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 characteristicof an asset, e.g. market value fluctuations, in which case they will be corrected within a reasonable time period.

Performance

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

Pricing

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

Redemptions

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

Company details

PSG Collective Investments (RF) Limited is registered as a CIS Manager with the Financial Sector Conduct Authority, and a member of the Association of Savings and Investments South Africa (ASISA) through its holdings company PSG Konsult Limited. The management of the portfolio is delegated to PSG Asset Management (Pty) Ltd, an 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 Diversified Income Fund

Quarterly portfolio commentary as at 31 March 2022
by Lyle Sankar and John Gilchrist

Current context

The first quarter of 2022 was a tumultuous period for global markets given Russia's invasion of Ukraine, an increasingly uncertain inflationary backdrop and the likely start of a global rate hiking cycle (coming from a highly accommodative base). This resulted in most major asset classes losing ground, as reflected by the MSCI World Index falling 5.2% during the quarter under review (in US dollar, including dividends). This was also in stark contrast to the positive return of 21.8% recorded for the year in 2021.

The domestic market fared much better on a relative basis, given buoyant commodity prices and the large weighting of the resources segment on the JSE All Share Index (ALSI). Given the uncertain backdrop, the index delivered a respectable return of 3.8% (in local currency including dividends). In addition, the local equity market attracted net foreign inflows during the quarter of R28 billion compared to R9 billion of outflows experienced during the same period a year ago. Should this trend continue for the rest of 2022, this will mark the first year of strong foreign inflows for more than a decade. The nominal bond market delivered a commendable 1.86% against cash returns of 1.03% for the quarter while the inflation-linked bond market (CILI) underperformed cash delivering 0.31% for the quarter. It is indicative of improved sentiment toward the local market and improved relative attractiveness compared to other emerging market peers. In line with this, the local currency appreciated 8.3% vs the US dollar during the quarter, bringing the ALSI return in US dollar terms to a positive 13%, reflecting significant outperformance compared to global markets.

Our perspective

Although our investment process intentionally downplays our ability to predict macro-outcomes, we continue to see an increased likelihood that a major market inflection point has been reached, with inflation rising globally. Supply chains, already disrupted by the coronavirus pandemic, are being stretched further because of the war on Ukraine. Globalisation's fragility is being exposed and it is likely entering a transition period, adjusting to a system that is becoming less interconnected and seeking to be more resilient.

With such deep-seated changes afoot, past winners are unlikely to be winners in the future. However, these observations remain in stark contrast to the prevailing market consensus, which appears to extrapolate the last decade's investment environment with unabated certainty. This is likely to have potentially painful consequences down the road.

Large divergences in market valuations, inflation and interest rate dynamics, suggest a wide range of possible outcomes looking forward. This speaks to an environment where there is a high likelihood of security mispricing. This presents a very favourable backdrop for patient, bottom-up and differentiated active managers like ourselves. We remain positive about the long-term returns on offer from our portfolios.

Portfolio performance and positioning

The South African Reserve Bank (SARB) continued its rate hiking path with risks to inflation to the upside. While the SARB has turned hawkish in their messaging and with near-term inflation likely to be significantly higher, we believe they adopt a measured approach in their response to inflation by increasing the repo rate on a steady path in line with prevailing data. As a result of these pressures, the market has begun to price almost 2.5% in rate hikes over the next 12 months, providing an opportunity to buy short-dated fixed rate instruments with attractive yields. We continue to see value in having duration in our portfolios. In recent years, it has benefitted our clients to be both exposed to attractive inflation-beating nominal and inflation-linked bonds in SA as we continue to deploy that strategy. In light of good performance across the asset classes we use, we have reduced exposure to preference shares and continue to sell corporate bonds.

Given the wider range of market outcomes, we have reduced risk in certain areas of the portfolio. This includes a reduction in aggregate duration, but more importantly, the blend of assets making up the duration. We have significantly increased exposure to lower risk inflation-linked bonds, which will benefit as near-term inflation rises in SA – we expect some of the best risk-adjusted returns available in the year ahead. This implies clients can achieve their objectives, and remain exposed to attractive bond markets, but see a tighter range of outcomes. The potential inflation-beating returns in the portfolio remain highly attractive and will be particularly important as inflation becomes more of an issue for income seeking investors. Our portfolio remains very liquid with ample cash to take advantage of the current environment.

Over the quarter the PSG Diversified Income Fund returned 0.8% versus the benchmark return of 1.6%. The contributors over this period were local government bonds (0.8%), local money market instruments (0.4%) and corporate bonds (0.1%) while offshore cash detracted. Over the 2-year investment horizon, the fund delivered an annualized return of 11.0% versus the benchmark return of 5.3%.

Changes in portfolio positioning

Q4 2021		Q1 2022	
Domestic equity	3.3%	Domestic equity	2.6%
Domestic preference shares	3.1%	Domestic preference shares	1.7%
Domestic property	0.7%	Domestic property	0.6%
Domestic cash, Treasury bills and NCDs	41.4%	Domestic cash, Treasury bills and NCDs	43.0%
Domestic bonds	46.7%	Domestic bonds	45.7%
Foreign equity	1.1%	Foreign equity	0.8%
Foreign bonds	0.6%	Foreign bonds	0.5%
Foreign cash	2.8%	Foreign cash	4.9%
Foreign property	0.3%	Foreign property	0.2%

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

Number of units as at 31 March 2022 (Class A):	1 461 592 158
Price (net asset value per unit) as at 31 March 2022 (Class A):	R1.29
Number of units as at 31 March 2022 (Class E):	634 800 386
Price (net asset value per unit) as at 31 March 2022 (Class E):	R1.28

All data as per Bloomberg as at 31 March 2022.

Total investment charge

PSG Diversified Income Fund Class A

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

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

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

Total expense ratio % (incl. VAT)	**1.19**
Annual management fee % (incl. VAT)	1.15
Other costs excluding transaction costs % (incl. VAT)	0.04
Transaction costs % (incl. VAT)	0.13
Total investment charge % (incl. VAT)	**1.32**

PSG Diversified Income Fund Class E

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

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

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

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)	0.13
Total investment charge % (incl. VAT)	**0.86**

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.

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 Providerunder the Financial Advisory and Intermediary Services Act 2002, FSP no 29524. PSG Asset Management (Pty) Ltd and PSG Collective Investments (RF) Limited are subsidiaries of PSG Konsult Limited. PSG Collective Investments (RF) Limited can be contacted on +27(21) 799 8000; (toll free) 0800 600 168, via email assetmanagement@psg.co.za.

Conflict of interest disclosure

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

Trustee

The Standard Bank of South Africa Limited,
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 31 March 2022
by Lyle Sankar and Duayne Le Roux

Current context

The first quarter of 2022 was a tumultuous period for global markets given Russia's invasion of Ukraine, an increasingly uncertain inflationary backdrop and the likely start of a global rate hiking cycle (coming from a highly accommodative base). This resulted in most major asset classes losing ground, as reflected by the MSCI World Index falling 5.2% during the quarter under review (in US dollar, including dividends). This was also in stark contrast to the positive return of 21.8% recorded for the year in 2021.

The domestic market fared much better on a relative basis, given buoyant commodity prices and the large weighting of the resources segment on the JSE All Share Index (ALSI). Given the uncertain backdrop, the index delivered a respectable return of 3.8% (in local currency including dividends). In addition, the local equity market attracted net foreign inflows during the quarter of R28 billion compared to R9 billion of outflows experienced during the same period a year ago. Should this trend continue for the rest of 2022, this will mark the first year of strong foreign inflows for more than a decade. It is indicative of improved sentiment toward the local market and improved relative attractiveness compared to other emerging market peers. In line with this, the local currency appreciated 8.3% vs the US dollar during the quarter.

Our perspective

Although our investment process intentionally downplays our ability to predict macro-outcomes, we continue to see an increased likelihood that a major market inflection point has been reached, with inflation rising globally. Supply chains, already disrupted by the coronavirus pandemic, are being stretched further because of the war on Ukraine. Globalisation's fragility is being exposed and it is likely entering a transition period, adjusting to a system that is becoming less interconnected and seeking to be more resilient.

With such deep-seated changes afoot, past winners are unlikely to be winners in the future. However, these observations remain in stark contrast to the prevailing market consensus, which appears to extrapolate the last decade's investment environment with unabated certainty. This is likely to have potentially painful consequences down the road.

Large divergences in market valuations, inflation and interest rate dynamics, suggest a wide range of possible outcomes looking forward. This speaks to an environment where there is a high likelihood of security mispricing. This presents a very favourable backdrop for patient, bottom-up and differentiated active managers like ourselves. We remain positive about the long-term returns on offer from our portfolios.

Portfolio performance and positioning

The South African Reserve Bank (SARB) continued its rate hiking path with risks to inflation to the upside. While the SARB has turned hawkish in their messaging and with near-term inflation likely to be significantly higher, we believe they will be measured in their response to inflation by increasing the repo rate on a steady path in line with prevailing data. As a result of these pressures, the market has begun to price almost 2.5% in rate hikes over the next 12 months, providing an opportunity to buy short-dated fixed rate instruments with attractive yields. We continue to see value in having duration in our portfolios. In recent years, it has benefitted our clients to be both exposed to attractive inflation-beating nominal bonds and inflation-linked bonds and we continue to deploy that strategy.

Given the wider range of possible market outcomes, we have reduced risk in certain areas of the portfolio. This includes a change to the blend of exposures by adding exposure towards very short-dated inflation-linked bonds and 2 to 3-year NCDs which are pricing in significant rate hikes already. This implies clients can achieve their objectives, and remain exposed to attractive bond markets, but within a tighter range of outcomes. The potential cash beating returns remain highly attractive in the portfolio, and as emphasised previously, income funds tend to outperform money market funds consistently after deep rate cutting cycles. Our portfolio remains very liquid with ample cash to take advantage of the current environment.

Over the quarter the PSG Income Fund returned 1.4% versus the benchmark return of 1.0%. The major contributors over this period were local money market instruments (0.5%), local government bonds (0.5%) and corporate bonds (0.2%) while cash (-0.6%) detracted. Over a 1-year period, the fund delivered a return of 5.6% versus the benchmark return of 3.9%.

Changes in portfolio positioning

Q4 2021		Q1 2022	
Domestic bonds	52.1%	Domestic bonds	38.8%
Domestic cash, Treasury bills and NCDs	47.9%	Domestic cash, Treasury bills and NCDs	61.2%

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

Number of units as at 31 March 2022 (Class A):	340 302 913
Price (net asset value per unit) as at 31 March 2022 (Class A):	R1.07
Number of units as at 31 March 2022 (Class E):	1 494 209 195
Price (net asset value per unit) as at 31 March 2022 (Class E):	R1.07

All data as per Bloomberg as at 31 March 2022.

Total investment charge

PSG Income Fund Class A

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

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

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

Total expense ratio % (incl. VAT)	**0.79**
Annual management fee % (incl. VAT)	0.75
Other costs excluding transaction costs % (incl. VAT)	0.04
Transaction costs % (incl. VAT)	0.13
Total investment charge % (incl. VAT)	**0.92**

PSG Income Fund Class E

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

Total expense ratio % (incl. VAT)	**0.51**
Annual management fee % (incl. VAT)	0.46
Other costs excluding transaction costs % (incl. VAT)	0.05
Transaction costs % (incl. VAT)	0.11
Total investment charge % (incl. VAT)	**0.62**

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

Total expense ratio % (incl. VAT)	**0.50**
Annual management fee % (incl. VAT)	0.46
Other costs excluding transaction costs % (incl. VAT)	0.04
Transaction costs % (incl. VAT)	0.13
Total investment charge % (incl. VAT)	**0.63**

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.

Yield

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

Performance

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

Pricing

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

Redemptions

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

Company details

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

Conflict of interest disclosure

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

Trustee

The Standard Bank of South Africa Limited,
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 Money Market Fund

Quarterly portfolio commentary as at 31 March 2022
by Duayne le Roux and Lyle Sankar

Current context

Over the past quarter we have witnessed a significant upward shift in inflation expectations due to rising energy and food prices globally. The focus has shifted somewhat from fiscal pressures in SA to managing these external shocks, which we expect to significantly influence our current monetary policy stance. With historically low interest rates in SA, we have seen a more aggressive message on the need for policy tightening in SA. So far, the South African Reserve Bank (SARB) has increased the repo rate by 0.5%, with more repo rate hikes expected over the course of the next year.

Interest rates in the market have therefore adjusted in line with these expectations. The negotiated certificate of deposit (NCD) curve has both shifted higher and increased in steepness this quarter. We have seen the spreads in bank floating- rate notes increase as well. While treasury bills (government notes) in the past have offered higher yield to bank notes, the premium has moderated as a result.

Our perspective

The recent moves in yields available to money market funds alongside expectations of further rate increases imply that the period of exceptionally low yields for cash is reversing. In an environment where there is the potential for sustained inflationary pressures, markets will continue to price for interest rate hikes. As we have seen in previous rate hiking cycles, the market can often build in significantly high expectations at the start of a cycle, which we see reflected in the yields available today. The fund is positioned to take advantage of this where we see fixed rate notes already providing in excess of 2% protection against repo rate hikes in the year ahead.

Portfolio performance and positioning

The attractiveness of treasury bills has reduced relative to NCDs. While we continue to hold an attractive exposure to treasury bills bought in periods of distress, we expect to continue reducing this exposure over time in favour of the steep NCD curve. The fund has continued to add to select points on the fixed rate NCD curve where the steepness has been most valuable, around the 6-month and 9-month area earning yields 5.2% and 5.75% for fixed rate notes respectively. In addition, while we do believe fixed rate notes are offering the best value, we have increased the exposure to floating rate notes to ensure diversification in volatile markets.

Over the quarter the PSG Money Market Fund matched the return of its benchmark at 1.0%. The fund is suitable for investors who need an interim investment vehicle or 'parking bay' for surplus money and a short-term investment horizon. Overall, we expect the fund to outperform cash accounts over the near term, as well as offer diversification against individual bank risk.

Changes in portfolio positioning

Q4 2021		Q1 2022	
Linked NCDs/ Floating-rate notes	0.0%	Linked NCDs/Floating-rate notes	12.6%
Step rate notes	13.5%	Step rate notes	11.5%
NCDs	36.9%	NCDs	27.2%
Treasury bills	33.4%	Treasury bills	29.2%
Call deposits	12.0%	Call deposits	15.9%
Listed bond	4.2%	Listed bond	3.6%

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

Number of units as at 31 March 2022 (Class A):	656 732 823
Price (net asset value per unit) as at 31 March 2022 (Class A):	R1.00
Number of units as at 31 March 2022 (Class F):	457 065 622
Price (net asset value per unit) as at 31 March 2022 (Class F):	R1.00

All data as per Bloomberg as at 31 March 2022.

Total investment charge

PSG Money Market Fund Class A

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

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)	0.11
Total investment charge % (incl. VAT)	**0.70**

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

Total expense ratio % (incl. VAT)	**0.60**
Annual management fee % (incl. VAT)	0.58
Other costs excluding transaction costs % (incl. VAT)	0.02
Transaction costs % (incl. VAT)	0.17
Total investment charge % (incl. VAT)	**0.77**

PSG Money Market Fund Class F

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

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)	0.11
Total investment charge % (incl. VAT)	**0.47**

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

Total expense ratio % (incl. VAT)	**0.37**
Annual management fee % (incl. VAT)	0.35
Other costs excluding transaction costs % (incl. VAT)	0.02
Transaction costs % (incl. VAT)	0.17
Total investment charge % (incl. VAT)	**0.54**

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.

Money Market

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

Regulation 28

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

Performance

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

Pricing

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

Redemptions

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

Company details

PSG Collective Investments (RF) Limited is registered as a CIS Manager with the Financial Sector Conduct Authority, and a member of the Association of Savings and Investments South Africa (ASISA) through its holdings company PSG Konsult Limited. The management of the portfolio is delegated to PSG Asset Management (Pty) Ltd, an 3authorized Financial Services Provider under the Financial Advisory and Intermediary Services Act 2002, FSP no 29524. PSG Asset Management (Pty) Ltd and PSG Collective Investments (RF) Limited are subsidiaries of PSG Konsult Limited. PSG Collective Investments (RF) Limited can be contacted on +27(21) 799 8000; (toll free) 0800 600 168, via email assetmanagement@psg.co.za.

Conflict of Interest Disclosure

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

Trustees

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

Additional information

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

PSG Asset Management

Quarterly portfolio commentary as at 31 March 2022
by Greg Hopkins, Philipp Wörz and Justin Floor

Current context

The first quarter of 2022 was a tumultuous period for global markets given Russia's invasion of Ukraine, an increasingly uncertain inflationary backdrop and the likely start of a global rate hiking cycle (coming from a highly accommodative base). This resulted in most major asset classes losing ground, as reflected by the MSCI World Index falling 5.2% during the quarter under review (in US dollar, including dividends). This was also in stark contrast to the positive return of 21.8% recorded for the year in 2021.

The MSCI Emerging Markets Index continued its underperformance losing 7% during the quarter, mainly driven by weakness in China (-14.2%) and Russia, while markets in resource rich countries such as Brazil (+34.5% in US dollar) and South Africa (+13% in US dollar) performed well.

After a strong 2021, the energy sector continued its stellar performance gaining 31% (MSCI World Energy Index) during the quarter, which stands in stark contrast to the declines in information technology (-10.1%), communication services (-10.4%) and consumer discretionary (-10.6%) stocks.

While US long dated bonds rallied during Russia's initial invasion of Ukraine, the highest US inflation rates since 1982 and a continued resilient US economy put the focus back on interest rate increases by the US Federal Reserve. US bond markets witnessed one of the sharpest selloffs in history with the US 10-year government bond yield closing the quarter at 2.34% (2.75% by mid-April) compared to 1.51% at the end of 2021.

Our perspective

Although our investment process intentionally downplays our ability to predict macro-outcomes, we continue to see an increased likelihood that a major market inflection point has been reached, with inflation rising globally. Supply chains, already disrupted by the coronavirus pandemic, are being stretched further because of the war on Ukraine. Globalisation's fragility is being exposed and it is likely entering a transition period, adjusting to a system that is becoming less interconnected and seeking to be more resilient.

With such deep-seated changes afoot, past winners are unlikely to be winners in the future. However, these observations remain in stark contrast to the prevailing market consensus, which appears to extrapolate the last decade's investment environment with unabated certainty. This is likely to have potentially painful consequences down the road.

Large divergences in market valuations, inflation and interest rate dynamics, suggest a wide range of possible outcomes looking forward. This speaks to an environment where there is a high likelihood of security mispricing. This presents a very favourable backdrop for patient, bottom-up and differentiated active managers like ourselves. We remain positive about the long-term returns on offer from our portfolios.

Portfolio performance and positioning

Over the quarter the fund increased exposure to leading shipping companies Scorpio Tankers and Euronav, Bayer AG (owner of the world's leading crop science business), Pepco Group (European discount retail) and Liberty Global (UK and European telecoms) on the back of share price weakness.

Surging fertiliser prices drove The Mosaic Company's share price to decade high levels and 10 times above March 2020 levels. As a result of a significantly diminished margin of safety, the fund materially reduced its holding.

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

Over the quarter the PSG Global Equity Feeder Fund returned 2.4% versus the benchmark return of -13.2%. The contributors over this period were energy (5.2%), materials (3.4%) and financials (2.5%) while detractors included real estate (-0.6%) and communications (-0.3%). The contributors and detractors are that of the main fund (PSG Global Equity sub-fund). The fund is suitable for investors with an investment term of 7 years and longer. Over the short-term, returns can be volatile and for this reason it is important to measure fund returns over the relevant investment term. Over the 7-year time horizon, the fund returned 8.8% p.a. versus the benchmark return of 13.3% p.a. Since inception the fund produced an annual return of 12.1% versus the benchmark return of 17.9%.

Changes in portfolio positioning

Q4 2021		Q1 2022	
Equities	99.5%	Equities	97.0%
Cash	0.5%	Cash	3.0%

Q4 2021		Q1 2022	
US	39.3%	US	37.7%
Europe	12.6%	Europe	13.5%
UK	29.7%	UK	28.5%
Japan	12.5%	Japan	11.2%
Africa	5.3%	Africa	5.6%
Other	0.0%	Other	0.5%
Cash	0.6%	Cash	3.0%

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 2022 (Class A):	4 950 504
Price (net asset value per unit) as at 31 March 2022 (Class A):	R3.48
Number of units as at 31 March 2022 (Class E):	36 066 270
Price (net asset value per unit) as at 31 March 2022 (Class E):	R3.58

All data as per Bloomberg as at 31 March 2022.

Total investment charge

PSG Equity Feeder Fund Class A

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

Total expense ratio % (incl. VAT)	**2.71**
Annual management fee % (incl. VAT)	0.86
Other costs excluding transaction costs % (incl. VAT)	1.85
Transaction costs % (incl. VAT)	0.32
Total investment charge % (incl. VAT)	**3.03**

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

Total expense ratio % (incl. VAT)	**2.62**
Annual management fee % (incl. VAT)	0.86
Other costs excluding transaction costs % (incl. VAT)	1.76
Transaction costs % (incl. VAT)	0.39
Total investment charge % (incl. VAT)	**3.01**

PSG Equity Feeder Fund Class E

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

Total expense ratio % (incl. VAT)	**2.13**
Annual management fee % (incl. VAT)	0.29
Other costs excluding transaction costs % (incl. VAT)	1.84
Transaction costs % (incl. VAT)	**0.32**
Total investment charge % (incl. VAT)	**2.45**

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

Total expense ratio % (incl. VAT)	**2.04**
Annual management fee % (incl. VAT)	0.29
Other costs excluding transaction costs % (incl. VAT)	1.75
Transaction costs % (incl. VAT)	**0.39**
Total investment charge % (incl. VAT)	**2.43**

Disclaimer

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

Feeder Funds

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

Performance

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

Pricing

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

Redemptions

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

Company details

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

Conflict of interest disclosure

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

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

Quarterly portfolio commentary as at 31 March 2022
by Greg Hopkins, Philipp Wörz and Justin Floor

Current context

The first quarter of 2022 was a tumultuous period for global markets given Russia's invasion of Ukraine, an increasingly uncertain inflationary backdrop and the likely start of a global rate hiking cycle (coming from a highly accommodative base). This resulted in most major asset classes losing ground, as reflected by the MSCI World Index falling 5.2% during the quarter under review (in US dollar, including dividends). This was also in stark contrast to the positive return of 21.8% recorded for the year in 2021.

The MSCI Emerging Markets Index continued its underperformance losing 7% during the quarter, mainly driven by weakness in China (-14.2%) and Russia, while markets in resource rich countries such as Brazil (+34.5% in US dollar) and South Africa (+13% in US dollar) performed well.

After a strong 2021, the energy sector continued its stellar performance gaining 31% (MSCI World Energy Index) during the quarter, which stands in stark contrast to the declines in information technology (-10.1%), communication services (-10.4%) and consumer discretionary (-10.6%) stocks.

While US long dated bonds rallied during Russia's initial invasion of Ukraine, the highest US inflation rates since 1982 and a continued resilient US economy put the focus back on interest rate increases by the US Federal Reserve. US bond markets witnessed one of the sharpest selloffs in history with the US 10-year government bond yield closing the quarter at 2.34% (2.75% by mid-April) compared to 1.51% at the end of 2021.

Our perspective

Although our investment process intentionally downplays our ability to predict macro-outcomes, we continue to see an increased likelihood that a major market inflection point has been reached, with inflation rising globally. Supply chains, already disrupted by the coronavirus pandemic, are being stretched further because of the war on Ukraine. Globalisation's fragility is being exposed and it is likely entering a transition period, adjusting to a system that is becoming less interconnected and seeking to be more resilient.

With such deep-seated changes afoot, past winners are unlikely to be winners in the future. However, these observations remain in stark contrast to the prevailing market consensus, which appears to extrapolate the last decade's investment environment with unabated certainty. This is likely to have potentially painful consequences down the road.

Large divergences in market valuations, inflation and interest rate dynamics, suggest a wide range of possible outcomes looking forward. This speaks to an environment where there is a high likelihood of security mispricing. This presents a very favourable backdrop for patient, bottom-up and differentiated active managers like ourselves. We remain positive about the long-term returns on offer from our portfolios.

Portfolio performance and positioning

Over the quarter the fund increased exposure to leading shipping companies Scorpio Tankers and Euronav, Bayer AG (owner of the world's leading crop science business), Pepco Group (European discount retail) and Liberty Global (UK and European telecoms) on the back of share price weakness.

Surging fertiliser prices drove The Mosaic Company's share price to decade high levels and 10 times above March 2020 levels. As a result of a significantly diminished margin of safety, the fund materially reduced its holding.

The fund is diversified across geographies, currencies and sectors but has zero exposure to technology shares, as we are still finding better opportunities in other parts of global markets currently. The PSG Global Flexible Fund ended the quarter with 9.9% in cash and bonds, reflecting conviction in the portfolio's equity holdings.

Over the quarter the PSG Global Flexible Feeder Fund returned 0.6% versus the benchmark return of -5.3%. The contributors over this period were energy (4.5%), materials (2.9%) and financials (2.1%), while real estate (-0.6%) and communications (-0.3%) detracted. The contributors and detractors are that of the main fund (PSG Global flexible sub-fund). The fund is suitable for investors with an investment term of 5 years and longer. Over the short-term, returns can be volatile and for this reason it is important to measure fund returns against the relevant investment term. Over the 5-year time horizon, the fund returned 8.9% p.a. versus the benchmark return of 11.0% p.a. Since inception the fund produced an annual return of 12.1% versus the benchmark return of 14.5%.

Changes in portfolio positioning

Q4 2021		Q1 2022	
Equities	90.7%	Equities	90.1%
Bonds	0.7%	Bonds	0.7%
Cash	8.6%	Cash	9.2%

Q4 2021		Q1 2022	
US	35.5%	US	34.4%
Europe	11.6%	Europe	12.1%
UK	27.8%	UK	27.0%
Japan	11.6%	Japan	11.0%
Africa	4.2%	Africa	4.9%
Other	0.0%	Other	0.6%
Cash and Bonds	9.3%	Cash and Bonds	10.0%

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

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

Number of units as at 31 March 2022 (Class A):	13 550 165
Price (net asset value per unit) as at 31 March 2022 (Class A):	R2.78
Number of units as at 31 March 2022 (Class B):	130 123 895
Price (net asset value per unit) as at 31 March 2022 (Class B):	R2.89

All data as per Bloomberg as at 31 March 2022.

Total investment charge

PSG Flexible Feeder Fund Class A

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

Total expense ratio % (incl. VAT)	**2.48**
Annual management fee % (incl. VAT)	0.86
Other costs excluding transaction costs % (incl. VAT)	1.62
Transaction costs % (incl. VAT)	0.20
Total investment charge % (incl. VAT)	**2.68**

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

Total expense ratio % (incl. VAT)	**2.83**
Annual management fee % (incl. VAT)	0.86
Other costs excluding transaction costs % (incl. VAT)	1.97
Transaction costs % (incl. VAT)	0.19
Total investment charge % (incl. VAT)	**3.02**

PSG Flexible Feeder Fund Class B

Total Investment Charge annualised for the period 01/04/2019 to 31/03/2022

Total expense ratio % (incl. VAT)	**1.90**
Annual management fee % (incl. VAT)	0.29
Other costs excluding transaction costs % (incl. VAT)	1.61
Transaction costs % (incl. VAT)	0.20
Total investment charge % (incl. VAT)	**2.10**

Total Investment Charge annualised for the period 01/04/2021 to 31/03/2022

Total expense ratio % (incl. VAT)	**2.26**
Annual management fee % (incl. VAT)	0.29
Other costs excluding transaction costs % (incl. VAT)	1.97
Transaction costs % (incl. VAT)	0.19
Total investment charge % (incl. VAT)	**2.45**

Disclaimer

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

Feeder Funds

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

Performance

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

Pricing

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

Redemptions

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

Company details

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

Conflict of interest disclosure

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

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.