PSG Global Equity Sub-Fund

Quarterly portfolio commentary as at 31 December 2023

by Greg Hopkins, Philipp Wörz and Justin Floor

2023 in review

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

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

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

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

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

Looking forward

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

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

Portfolio performance*

Over the quarter the PSG Global Equity Sub-Fund returned 6.7% versus the benchmark return of 11.4%. The largest contributors over this period were financials (2.7%), materials (1.5%) and consumer discretionary (1.4%). Healthcare (-1.1%) and energy (-0.6%) detracted from performance. The fund is suitable for investors with an investment term of 4 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 7.5% p.a. versus the benchmark return of 10.7% p.a. Since inception, the fund has delivered an annual return of 5.7% versus the benchmark 10.1% (USD denominated returns).

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

Changes in portfolio positioning

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

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

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

Number of units as at 31 December 2023 (Class A):	12 679 546
Price (net asset value per unit) as at 31 December 2023 (Class A):	$2.17
Number of units as at 31 December 2023 (Class B):	413 128
Price (net asset value per unit) as at 31 December 2023 (Class B):	$2.24

All data as per Bloomberg as at 31 December 2023.

Total investment charge

PSG Global Equity Sub-Fund Class A

Total Investment Charge annualised for the period 01/10/2020 to 30/09/2023

Total expense ratio %	**2.18**
Annual management fee %	1.50
Other costs excluding transaction costs %	0.53
Administrative fee %	0.15
Transaction costs %	0.25
Total investment charge %	**2.43**

Total Investment Charge annualised for the period 02/10/2023 to 31/12/2023.
The annual management fee changed to 1.35% from 02/10/2023.

Total expense ratio %	**1.92**
Annual management fee %	1.35
Other costs excluding transaction costs %	0.42
Administrative fee %	0.15
Transaction costs %	0.19
Total investment charge %	**2.11**

PSG Global Equity Sub-Fund Class B

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

Total expense ratio % (incl. VAT)	**1.66**
Annual management fee % (incl. VAT)	1.00
Other costs excluding transaction costs % (incl. VAT)	0.51
Administrative fee %	0.15
Transaction costs % (incl. VAT)	0.24
Total investment charge % (incl. VAT)	**1.90**

Total Investment Charge annualised for the period 01/01/2023 to 31/12/2023.
The annual management fee changed to 0.85% from 01/06/2022.

Total expense ratio % (incl. VAT)	**1.42**
Annual management fee % (incl. VAT)	0.85
Other costs excluding transaction costs % (incl. VAT)	0.42
Administrative fee %	0.15
Transaction costs % (incl. VAT)	0.19
Total investment charge % (incl. VAT)	**1.61**

General information and risks
Collective Investment Schemes (CIS) in securities 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. 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. 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 portfolio may borrow up to 10% of its market value to bridge insufficient liquidity.

Past performance is not a reliable indicator of future results and you may get back less than you originally invested. This publication is for private circulation and information purposes only and does not constitute a personal recommendation or investment advice or an offer to buy/sell or an invitation to buy/sell securities in the fund. The information and any opinions have been obtained from or are based on sources believed to be reliable, but accuracy cannot be guaranteed. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

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The Fund’s risk and reward category may not capture all material risks to which the Fund may be subject, such as:

Geopolitical Risk - investments in equities issued or listed in different countries may imply the application of different standards and regulations, exposure to changes in laws or restrictions applicable to such investments, changes in exchange control regulations or price volatility.

Liquidity Risk - in extreme market conditions some equities may become hard to value or sell at a desired price.

Exchange Rate Risk - The Fund may invest in equities denominated in currencies other than US Dollars, this exposes the Fund to fluctuations in exchange rates. Further information on risks may be found in the “Risk Factors” section in the Fund's Prospectus.

Performance
All performance data for a lump sum, net of fees, includes 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 23:59 (CET) on each dealing day. Actual annual figures are available to the investor on request. Figures and benchmark quoted are from Morningstar, Inc. Prices are published daily and available on the website https://psgkglobal.com and in the daily newspapers. PSG Fund Management (Malta) Ltd does not provide any guarantee with the respect of the capital or the return of the portfolio.

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.

Cut-off times
The cut-off time for submitting investment transactions is twelve noon one business day prior to dealing day.

Company details
PSG Fund Management (Malta) Limited as General Manager is licensed by the Malta Financial Services Authority ("MFSA") and PSG Asset Management Group Services (Pty) Limited as Administrator is licensed by the South African Financial Sector Conduct Authority as a registered Financial Services Provider. The fund is a UCITS compliant fund regulated by the MFSA. The Management of the fund has been delegated to PSG Asset Management (Pty) Limited, which is registered with the South African Financial Sector Conduct Authority as a registered Financial Services Provider (FSP no. 29524) and is licensed to operate under the Financial Advisory and Intermediary Services Act, 2002.

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Additional information
Additional information is available free of charge on the website https://psgkglobal.com and may include publications, brochures, forms and annual reports.