PSG Asset Management

Quarterly portfolio fund commentaries

September 2021

Contents

Current context

The strong performance we have seen in most equity market indices during 2021 encountered headwinds during September, as both growth and inflationary concerns started to surface. A scaling back of US President Biden's infrastructure spending plan, a global energy price spike, ongoing supply chain disruptions, Chinese regulatory actions and worries around Chinese property developer Evergrande all added to these concerns. The rand weakened over the period, reaching R15.05 at quarter-end. Despite this pull-back, the FTSE/JSE All Share Index delivered year-to-date gains of 12.2% (8.2% excluding dividends) while the S&P 500 delivered 19.4% (18.1% excluding dividends, in rand).

We have previously highlighted how narrow many equity markets are, with a handful of shares driving the overall index performance. For example, despite marginally positive index performance, the average stock on the JSE had been in a 5-year bear market that concluded with the climactic panic of early 2020. Many of these previously out-of-favour shares (and sectors) are starting to attract the attention we believe they deserve. Year to date, JSE small caps increased 46.3%, listed property delivered 26.4%, financials gained 24.7% and JSE mid-caps rose 24.1%. Despite their strong recent performance, however, all these sectors are still laggards when viewed over a five-year period.

Another notable feature more recently has been the outperformance of cheap stocks (value) since November of last year, following a painful 12 years of relative underperformance.

Our perspective

We continue to see two divergent markets: one fuelled by liquidity and very low interest rates, driven by a small subset of widely held winners, and another that is cheap and not widely owned. Market indices are dominated by the former while our client portfolios are focused on the latter.

We remain very confident about the long-term returns on offer from our portfolios and believe that differentiated active managers are positioned to harvest the abundant opportunities available in neglected sectors and geographies. South Africa continues to offer an exaggerated version of the opportunities that abound in these out-of-favour areas. Locally, the prospects for profit growth remain favourable, balance sheets are in good shape and cash returns to shareholders should be high (for most of our investee companies). Our clients own good domestic and global businesses that are very cheap in both relative and absolute terms. We remain confident that patient investors will be rewarded in the long term.

Portfolio performance and positioning

Over the quarter, the PSG Equity Fund returned 9.75% versus the benchmark return of -0.84%. The contributors over this period were industrials (4.04%), foreign equities (2.64%) and financials (2.43%). Real estate detracted over the quarter, returning -0.02%. 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 5.20% versus the benchmark return of 7.21%. Since inception, the fund has performed in the top quartile and produced an annual return of 15.09% versus the benchmark return of 12.94%.

Our portfolios contain several high-conviction global and local stock picks that have been identified by our 3M process. In these market conditions there are abundant opportunities to buy under-appreciated quality companies that are out-of-favour.

Changes in portfolio positioning

Q2 2021		Q3 2021	
Domestic equity	73.3%	Domestic equity	72.8%
Domestic cash	0.0%	Domestic cash	0.0%
Domestic property	2.3%	Domestic property	2.9%
Foreign equity	22.4%	Foreign equity	22.6%
Foreign property	2.0%	Foreign property	1.6%
Foreign cash	0.0%	Foreign cash	0.1%

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

Number of units as at 30 September 2021 (Class A):	35 616 199
Price (net asset value per unit) as at 30 September 2021 (Class A):	R12.21
Number of units as at 30 September 2021 (Class E):	113 524 383
Price (net asset value per unit) as at 30 September 2021 (Class E):	R12.24

All data as per Bloomberg as at 30 September 2021

Total investment charge

PSG Equity Fund Class A

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

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)	0.28
Total investment charge % (incl. VAT)	**2.04**

Total Investment Charge annualised for the period 01/10/2020 to 30/09/2021

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)	0.31
Total investment charge % (incl. VAT)	**2.06**

PSG Equity Fund Class E

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

Total expense ratio % (incl. VAT)	**1.04**
Annual management fee % (incl. VAT)	0.86
Other costs excluding transaction costs % (incl. VAT)	0.03
Performance fee % (incl. VAT)	0.15*
Transaction costs % (incl. VAT)	0.28
Total investment charge % (incl. VAT)	**1.32**

Total Investment Charge annualised for the period 01/10/2020 to 30/09/2021

Total expense ratio % (incl. VAT)	**0.97**
Annual management fee % (incl. VAT)	0.86
Other costs excluding transaction costs % (incl. VAT)	0.02
Performance fee % (incl. VAT)	0.09*
Transaction costs % (incl. VAT)	0.31
Total investment charge % (incl. VAT)	**1.28**

*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

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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.

Current context

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We have previously highlighted how narrow many equity markets are, with a handful of shares driving the overall index performance. For example, despite marginally positive index performance, the average stock on the JSE had been in a 5-year bear market that concluded with the climactic panic of early 2020. Many of these previously out-of-favour shares (and sectors) are starting to attract the attention we believe they deserve. Year to date, JSE small caps increased 46.3%, listed property delivered 26.4%, financials gained 24.7% and JSE mid-caps rose 24.1%. Despite their strong recent performance, however, all these sectors are still laggards when viewed over a five-year period.

Another notable feature more recently has been the outperformance of cheap stocks (value) since November of last year, following a painful 12 years of relative underperformance.

Our perspective

We continue to see two divergent markets: one fuelled by liquidity and very low interest rates, driven by a small subset of widely held winners, and another that is cheap and not widely owned. Market indices are dominated by the former while our client portfolios are focused on the latter.

We remain very confident about the long-term returns on offer from our portfolios and believe that differentiated active managers are positioned to harvest the abundant opportunities available in neglected sectors and geographies. South Africa continues to offer an exaggerated version of the opportunities that abound in these out-of-favour areas. Locally, the prospects for profit growth remain favourable, balance sheets are in good shape and cash returns to shareholders should be high (for most of our investee companies). Our clients own good domestic and global businesses that are very cheap in both relative and absolute terms. We remain confident that patient investors will be rewarded in the long term.

Portfolio performance and positioning

Over the quarter, the PSG Flexible Fund returned 9.17% versus the benchmark return of 3.14%. The contributors over this period were industrials (3.87%), foreign equities (2.74%) and financials (2.28%). The fund is suitable for investors with an investment term of 5 years and longer. Over the short term, returns can be volatile and for this reason it is important to measure fund returns over the relevant investment term. Over the 5-year time horizon, the fund returned 6.11% versus the benchmark return of 10.38%. Since inception, the fund has performed in the top quartile and has produced an annual return of 13.78% versus benchmark return of 11.51%.

Our portfolios contain several high-conviction global and local stock picks that have been identified by our 3M process. In these market conditions there are abundant opportunities to buy under-appreciated quality companies that are out-of-favour. As a result, cash levels remain low relative to historical averages

Changes in portfolio positioning

Q2 2021		Q3 2021	
Domestic equity*	67.4%	Domestic equity*	65.8%
Domestic property	1.7%	Domestic property	2.1%
Domestic cash	1.2%	Domestic cash	4.3%
Foreign equity**	21.5%	Foreign equity**	19.6%
Foreign property	3.9%	Foreign property	3.2%
Foreign cash	4.3%	Foreign cash	5.0%
*Includes -0.5% effective derivative exposure **Includes -1.6% effective derivative exposure		*Includes -0.3% effective derivative exposure **Includes -3.4% effective derivative exposure	

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

Number of units as at 30 September 2021 (Class A):	474 656 836
Price (net asset value per unit) as at 30 September 2021 (Class A):	R5.93
Number of units as at 30 September 2021 (Class E):	836 255 561
Price (net asset value per unit) as at 30 September 2021 (Class E):	R5.93

All data as per Bloomberg as at 30 September 2021

Total investment charge

PSG Flexible Fund Class A

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

Total expense ratio % (incl. VAT)	**1.43**
Annual management fee % (incl. VAT)	1.15
Other costs excluding transaction costs % (incl. VAT)	0.04
Performance fee % (incl. VAT)	0.24*
Transaction costs % (incl. VAT)	0.24
Total investment charge % (incl. VAT)	**1.67**

Total Investment Charge annualised for the period 01/10/2020 to 30/09/2021

Total expense ratio % (incl. VAT)	**2.17**
Annual management fee % (incl. VAT)	1.15
Other costs excluding transaction costs % (incl. VAT)	0.05
Performance fee % (incl. VAT)	0.97*
Transaction costs % (incl. VAT)	0.23
Total investment charge % (incl. VAT)	**2.40**

PSG Flexible Fund Class E

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

Total expense ratio % (incl. VAT)	**1.18**
Annual management fee % (incl. VAT)	0.86
Other costs excluding transaction costs % (incl. VAT)	0.04
Performance fee % (incl. VAT)	0.28*
Transaction costs % (incl. VAT)	0.24
Total investment charge % (incl. VAT)	**1.42**

Total Investment Charge annualised for the period 01/10/2020 to 30/09/2021

Total expense ratio % (incl. VAT)	**1.97**
Annual management fee % (incl. VAT)	0.86
Other costs excluding transaction costs % (incl. VAT)	0.05
Performance fee % (incl. VAT)	1.06*
Transaction costs % (incl. VAT)	0.23
Total investment charge % (incl. VAT)	**2.20**

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

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Email: Compliance-PSG@standardbank.co.za

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PSG Asset Management

PSG Balanced Fund

Quarterly portfolio commentary as at 30 September 2021
by Justin Floor and Dirk Jooste

Current context

The strong performance we have seen in most equity market indices during 2021 encountered headwinds during September, as both growth and inflationary concerns started to surface. A scaling back of US President Biden's infrastructure spending plan, a global energy price spike, ongoing supply chain disruptions, Chinese regulatory actions and worries around Chinese property developer Evergrande all added to these concerns. The rand weakened over the period, reaching R15.05 at quarter-end. Despite this pull-back, the FTSE/JSE All Share Index delivered year-to-date gains of 12.2% (8.2% excluding dividends) while the S&P 500 delivered 19.4% (18.1% excluding dividends, in rand).

We have previously highlighted how narrow many equity markets are, with a handful of shares driving the overall index performance. For example, despite marginally positive index performance, the average stock on the JSE had been in a 5-year bear market that concluded with the climactic panic of early 2020. Many of these previously out-of-favour shares (and sectors) are starting to attract the attention we believe they deserve. Year to date, JSE small caps increased 46.3%, listed property delivered 26.4%, financials gained 24.7% and JSE mid-caps rose 24.1%. Despite their strong recent performance, however, all these sectors are still laggards when viewed over a five-year period.

Another notable feature more recently has been the outperformance of cheap stocks (value) since November of last year, following a painful 12 years of relative underperformance.

Our perspective

We continue to see two divergent markets: one fuelled by liquidity and very low interest rates, driven by a small subset of widely held winners, and another that is cheap and not widely owned. Market indices are dominated by the former while our client portfolios are focused on the latter.

We remain very confident about the long-term returns on offer from our portfolios and believe that differentiated active managers are positioned to harvest the abundant opportunities available in neglected sectors and geographies. South Africa continues to offer an exaggerated version of the opportunities that abound in these out-of-favour areas. Locally, the prospects for profit growth remain favourable, balance sheets are in good shape and cash returns to shareholders should be high (for most of our investee companies). Our clients own good domestic and global businesses that are very cheap in both relative and absolute terms. We remain confident that patient investors will be rewarded in the long term.

Portfolio performance and positioning

Over the quarter, the PSG Balanced Fund returned 6.3% versus the benchmark return of 2.9%. Domestic equities (3.3%), foreign equities (3.2%) and listed property (0.3%) contributed to overall performance, while the fund's put option positions (-0.2%) were detractors. Notable security contributors included Imperial Logistics (30% return on a buy-out offer) and Royal Dutch Shell (23% return). The fund's holdings in global brewer AB Inbev (down 16%) and Northam Platinum (down 19%) detracted. The fund is suitable for investors with an investment term of 5 years and longer. Over the short term returns can be volatile and for this reason it is important to measure fund returns over the relevant investment term. Over the 5-year time horizon, the fund returned 6.2% versus the benchmark return of 9.4%. Since inception, the fund has produced an annual return of 12.8% compared to a benchmark return of 10.4%.

The fund exited the position in Imperial Logistics after shareholders approved the offer from DP World, resulting in a reduction in domestic equity exposure and an increase in cash levels. The fund retains exposure to our attractive bottom-up opportunity set through healthy exposure to growth assets. We continue to control aggregate portfolio market risk through hedging.

Changes in portfolio positioning

Q2 2021		Q3 2021	
Domestic equity	48.6%	Domestic equity	46.9%
Domestic property	4.6%	Domestic property	5.4%
Domestic cash and NCDs	0.4%	Domestic cash and NCDs	2.3%
Domestic bonds	16.3%	Domestic bonds	15.0%
Foreign equity*	23.2%	Foreign equity*	22.8%
Foreign cash	4.3%	Foreign cash	5.3%
Foreign property	2.6%	Foreign property	2.3%
***Includes -3.3% effective derivative exposure*		***Includes -4.9% effective derivative exposure*	

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

Number of units as at 30 September 2021 (Class A):	55 220 781
Price (net asset value per unit) as at 30 September 2021 (Class A):	R76.51
Number of units as at 30 September 2021 (Class E):	59 289 750
Price (net asset value per unit) as at 30 September 2021 (Class E):	R76.51

All data as per Bloomberg as at 30 September 2021.

Total investment charge

PSG Balanced Fund Class A

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

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 01/10/2020 to 30/09/2021

Total expense ratio % (incl. VAT)	**1.80**
Annual management fee % (incl. VAT)	1.73
Other costs excluding transaction costs % (incl. VAT)	0.07
Transaction costs % (incl. VAT)	0.20
Total investment charge % (incl. VAT)	**2.00**

PSG Balanced Fund Class E

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

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)	0.23
Total investment charge % (incl. VAT)	**1.42**

Total Investment Charge annualised for the period 01/10/2020 to 30/09/2021

Total expense ratio % (incl. VAT)	**1.22**
Annual management fee % (incl. VAT)	1.15
Other costs excluding transaction costs % (incl. VAT)	0.07
Transaction costs % (incl. VAT)	0.20
Total investment charge % (incl. VAT)	**1.42**

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

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PSG Stable Fund

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by John Gilchrist and Dirk Jooste

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Another notable feature more recently has been the outperformance of cheap stocks (value) since November of last year, following a painful 12 years of relative underperformance.

Our perspective

We continue to see two divergent markets: one fuelled by liquidity and very low interest rates, driven by a small subset of widely held winners, and another that is cheap and not widely owned. Market indices are dominated by the former while our client portfolios are focused on the latter.

We remain very confident about the long-term returns on offer from our portfolios and believe that differentiated active managers are positioned to harvest the abundant opportunities available in neglected sectors and geographies. South Africa continues to offer an exaggerated version of the opportunities that abound in these out-of-favour areas. Locally, the prospects for profit growth remain favourable, balance sheets are in good shape and cash returns to shareholders should be high (for most of our investee companies). Our clients own good domestic and global businesses that are very cheap in both relative and absolute terms. We remain confident that patient investors will be rewarded in the long term.

Portfolio performance and positioning

Over the quarter, the PSG Stable Fund returned 3.87% versus the benchmark return of 2.45%. The contributors over this period were foreign equities (1.46%), industrials (1.18%) and financials (0.79%), while foreign options were a detractor (-0.08%) to overall fund performance. The fund is suitable for investors with an investment term of 3 years and longer. Over the 3-year time horizon, the fund returned 5.01% versus the benchmark return of 7.11%. Since inception, the fund has produced annualised returns of 8.16% versus benchmark return of 8.03% per annum.

Domestic equity exposure declined marginally, with purchases of Anheuser Busch and Standard Bank being more than offset by sales of Imperial, Old Mutual, Firstrand and Glencore (inter alia) into strength. Local and Foreign Property exposure remained fairly stable over the quarter. Foreign equity exposure declined, with the impact of equity hedging more than offsetting the positive impact of net foreign equity purchases and rand weakness. Larger foreign equity purchases during the quarter include Wheaton Precious Metals, Hiscox, Nordstrom and Jackson Financial, while the more meaningful sales included trimming exposure to Asahi and Liberty Global. These decisions were driven by a declining margin of safety on existing holdings, and new attractive opportunities being added to the buy-list.

In fixed income, we reduced duration slightly during the quarter, trimming the exposure to longer-dated sovereign nominal bonds and adding to short dated RSA T-bills.

Changes in portfolio positioning

Q2 2021		Q3 2021	
Domestic equity*	25.6%	Domestic equity*	25.2%
Domestic property	3.2%	Domestic property	3.0%
Domestic cash and NCDs	7.0%	Domestic cash and NCDs	9.2%
Domestic bonds	47.7%	Domestic bonds	45.0%
Foreign equity**	12.2%	Foreign equity**	11.5%
Foreign cash	2.8%	Foreign cash	4.5%
Foreign bonds	0.3%	Foreign bonds	0.4%
Foreign property	1.2%	Foreign property	1.2%
**Includes -0.0% effective derivative exposure* ***Includes -1.2% effective derivative exposure*		**Includes -0.2% effective derivative exposure* ***Includes -3.0% effective derivative exposure*	

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

Number of units as at 30 September 2021 (Class A):	36 315 766
Price (net asset value per unit) as at 30 September 2021 (Class A):	R1.47
Number of units as at 30 September 2021 (Class E):	318 544 504
Price (net asset value per unit) as at 30 September 2021 (Class E):	R1.47

All data as per Bloomberg as at 30 September 2021

Total investment charge

PSG Stable Fund Class A

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

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)	0.16
Total investment charge % (incl. VAT)	**1.93**

Total Investment Charge annualised for the period 01/10/2020 to 30/09/2021

Total expense ratio % (incl. VAT)	**1.79**
Annual management fee % (incl. VAT)	1.73
Other costs excluding transaction costs % (incl. VAT)	0.06
Transaction costs % (incl. VAT)	0.21
Total investment charge % (incl. VAT)	**1.91**

PSG Stable Fund Class E

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

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)	0.16
Total investment charge % (incl. VAT)	**1.36**

Total Investment Charge annualised for the period 01/10/2020 to 30/09/2021

Total expense ratio % (incl. VAT)	**1.21**
Annual management fee % (incl. VAT)	1.15
Other costs excluding transaction costs % (incl. VAT)	0.06
Transaction costs % (incl. VAT)	0.12
Total investment charge % (incl. VAT)	**1.33**

Disclaimer

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Regulation 28

The fund is managed according to Regulation 28 of the Pension Funds Act. The South African retirement fund industry is governed by the Pension Funds Act No. 24 of 1956. Regulation 28 of the Pension Funds Act prescribes the maximum limits in asset classes that an approved retirement fund may invest in. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value orcharacteristic 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 oninvestors. PSG Collective Investments will keep all investors informed should a situation arise where such suspension is required.

Company details

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Conflict of interest disclosure

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

Trustee

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Additional information

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PSG Diversified Income Fund

Quarterly portfolio commentary as at 30 September 2021
by Lyle Sankar and John Gilchrist

Current context

The solid performance we have seen in 2021 in most markets encountered headwinds during September, as both growth and inflationary concerns started to surface. A scaling back of US President Biden's infrastructure spending plan, a global energy price spike, ongoing supply chain disruptions, Chinese regulatory actions and worries around Chinese property developer Evergrande all added to these concerns. The rand weakened over the period, reaching R15.05 at quarter-end. Nominal bonds had a tough ending to the quarter but despite this, delivered 12.46% over the past year, 8.66% above cash returns. Inflation-linked bonds held up much better over the quarter producing roughly 2% returns, on the back of concerns about higher global inflation and with attractive accruals expected for the final quarter of the year. This highlights the benefits of including a balance of both nominal and inflation-linked bonds, as these two asset classes both remain cheap in our view.

Our perspective

Conditions have changed substantially over the past eighteen months and we believe the weight of the evidence suggests that the market has probably reached an inflection point. In our view, the probability has shifted towards a more reflationary global backdrop, which we believe the market is not yet pricing in. This is likely to have wide-spread implications when considering asset classes that performed well over the last decade, and those that can be expected to deliver real returns at appropriate levels of risk over the next decade. Investors have become accustomed to persistently low inflation and interest rates in developed markets, and despite significant evidence indicating inflation is likely to persist rather than be transient, markets are not yet pricing this in. Locally, SA investors have always had a different problem when dealing with inflation having been sticky around the upper end of the target band (6%) and volatile. In recent years, as such, we have observed how hard it has been for market participants to adjust expectations lower from 6%, despite a very credible South African Reserve Bank showing commitment to achieving a lower inflation outlook.

These changes, while noisy at present, are expected to alter risk-return outcomes when looking ahead. We believe income investors need to consider the following:

- Expecting a quick return to a repo rate of 7% (as in 2018) appears less likely, with inflation contained at present. Therefore, investments into cash, money markets and other shorter dated (low duration) instruments would continue to generate low yields for a sustained period.
- Investors need to consider longer-dated bond yields which offer attractive real yields and stand to benefit from the shift in macroeconomic conditions, off very low expectations.
- A multi-asset approach to investing in addition to the attractive opportunity in bonds, offers an array of other tools which assist the total portfolio in achieving inflation beating income returns in a risk adjusted manner.

While we believe a higher than average duration is very appropriate, an investor need not be all-in by investing only in the longest and highest yielding bonds, with sufficient risk-adjusted opportunities across the government bond curve.

Portfolio performance and positioning

The PSG Diversified Income Fund makes use of the attractive opportunity in both nominal and inflation-linked bonds, carrying an attractive allocation to duration in the 5 to 15 year area of these curves. The fund has very low corporate bond exposure and therefore at low risk of defaults. The fund allows exposure to equities, property and preference shares. Currently, we use the best ideas out of these buy lists – where our 3M process is applied consistently – allowing best application of client capital in order to supplement yields as well as assist in diversifying risks embedded in SA fixed income. With small exposure to these markets, we are able to both improve diversification of SA idiosyncratic risks, as well as gain exposures to very cheap valuations and attractive dividend yields available other than just from property. The fund continues to hold significant cash and liquid assets.

Over the quarter, the PSG Diversified Income Fund returned 1.99% versus the benchmark return of 1.98%. The contributors over this period were equity (0.58%), local government bonds (0.45%) and preference shares (0.34%). Over a 1-year period the fund delivered a return of 10.76% versus the benchmark return of 5.89%.

Changes in portfolio positioning

Q2 2021		Q3 2021	
Domestic equity	3.8%	Domestic equity	3.6%
Domestic preference shares	3.1%	Domestic preference shares	3.3%
Domestic property	1.0%	Domestic property	0.8%
Domestic cash and NCDs	22.8%	Domestic cash and NCDs	34.0%
Domestic bonds	62.5%	Domestic bonds	50.7%
Foreign equity	1.5%	Foreign equity	1.5%
Foreign bonds	0.7%	Foreign bonds	0.7%
Foreign cash	4.2%	Foreign cash	5.1%
Foreign property	0.4%	Foreign property	0.3%

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

Number of units as at 30 September 2021 (Class A):	1 252 348 474
Price (net asset value per unit) as at 30 September 2021 (Class A):	R1.28
Number of units as at 30 September 2021 (Class E):	390 107 261
Price (net asset value per unit) as at 30 September 2021 (Class E):	R1.28

All data as per Bloomberg as at 30 September 2021.

Total investment charge

PSG Diversified Income Fund Class A

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

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 01/10/2020 to 30/09/2021

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)	0.12
Total investment charge % (incl. VAT)	**1.31**

PSG Diversified Income Fund Class E

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

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 01/10/2020 to 30/09/2021

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)	0.12
Total investment charge % (incl. VAT)	**0.85**

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Performance
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Pricing
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Redemptions
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Yield
The yield for the portion attributable to fixed income instruments is calculated daily on an annualised basis and is based on the historic yield of the fixed income instruments. The fund returns include returns from property and equity instruments.

Company details
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Conflict of interest disclosure
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PSG Asset Management

PSG Income Fund

Quarterly portfolio commentary as at 30 September 2021
by Lyle Sankar and Duayne Le Roux

Current context

The solid performance we have seen in 2021 in most markets encountered headwinds during September, as both growth and inflationary concerns started to surface. A scaling back of US President Biden's infrastructure spending plan, a global energy price spike, ongoing supply chain disruptions, Chinese regulatory actions and worries around Chinese property developer Evergrande all added to these concerns. The rand weakened over the period, reaching R15.05 at quarter-end. Nominal bonds had a tough ending to the quarter but despite this, delivered 12.46% over the past year, 8.66% above cash returns. Inflation-linked bonds held up much better over the quarter producing roughly 2% returns, on the back of concerns about higher global inflation and with attractive accruals expected for the final quarter of the year. This highlights the benefits of including a balance of both nominal and inflation-linked bonds, as these two asset classes both remain cheap in our view.

Our perspective

Conditions have changed substantially over the past eighteen months and we believe the weight of the evidence suggests that the market has probably reached an inflection point. In our view, the probability has shifted towards a more reflationary global backdrop, which we believe the market is not yet pricing in. This is likely to have wide-spread implications when considering asset classes that performed well over the last decade, and those that can be expected to deliver real returns at appropriate levels of risk over the next decade. Investors have become accustomed to persistently low inflation and interest rates in developed markets, and despite significant evidence indicating inflation is likely to persist rather than be transient, markets are not yet pricing this in. Locally, SA investors have always had a different problem when dealing with inflation having been sticky around the upper end of the target band (6%) and volatile. In recent years, as such, we have observed how hard it has been for market participants to adjust expectations lower from 6%, despite a very credible South African Reserve Bank showing commitment to achieving a lower inflation outlook.

These changes, while noisy at present, are expected to alter risk-return outcomes when looking ahead. We believe income investors need to consider the following:

- Expecting a quick return to a repo rate of 7% (as in 2018) appears less likely, with inflation contained at present. Therefore, investments into cash, money markets and other shorter dated (low duration) instruments would continue to generate low yields for a sustained period.
- Investors need to consider longer-dated bond yields which offer attractive real yields and stand to benefit from the shift in macroeconomic conditions, off very low expectations.

While we believe a higher than average duration is very appropriate, an investor need not be all-in by investing only in the longest and highest yielding bonds, with sufficient risk-adjusted opportunities across the government bond curve.

Portfolio performance and positioning

The Income Fund makes use of the attractive opportunity in both nominal and inflation linked bonds, carrying an attractive but risk conscious allocation to duration in the 5 to15 year areas of these curves. The fund has very low corporate bond exposure and is therefore at low risk of defaults. We have recently begun to add exposure to the money market curve, specifically in fixed rate notes where we have seen some weakness. The fund continues to hold significant cash and liquid assets.

Over the quarter, the PSG Income Fund returned 1.04% versus the benchmark return of 0.95%. The major contributors over this period were cash (1.17%) and local government bonds (0.45%), being positioned in the short end of the curve. Over a 1-year period, the fund delivered a return of 7.14% versus the benchmark return of 6.21%.

Changes in portfolio positioning

Q2 2021		Q3 2021	
Domestic bonds	59.6%	Domestic bonds	51.9%
Domestic cash and NCDs	40.4%	Domestic cash and NCDs	48.1%

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

Number of units as at 30 September 2021 (Class A):	289 884 671
Price (net asset value per unit) as at 30 September 2021 (Class A):	R1.07
Number of units as at 30 September 2021 (Class E):	1 621 245 538
Price (net asset value per unit) as at 30 September 2021 (Class E):	R1.07

All data as per Bloomberg as at 30 September 2021.

Total investment charge

PSG Income Fund Class A

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

Total expense ratio % (incl. VAT)	**0.81**
Annual management fee % (incl. VAT)	0.75
Other costs excluding transaction costs % (incl. VAT)	0.06
Transaction costs % (incl. VAT)	0.11
Total investment charge % (incl. VAT)	**0.92**

Total Investment Charge annualised for the period 01/10/2020 to 30/09/2021

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)	0.09
Total investment charge % (incl. VAT)	**0.89**

PSG Income Fund Class E

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

Total expense ratio % (incl. VAT)	**0.52**
Annual management fee % (incl. VAT)	0.46
Other costs excluding transaction costs % (incl. VAT)	0.06
Transaction costs % (incl. VAT)	0.11
Total investment charge % (incl. VAT)	**0.63**

Total Investment Charge annualised for the period 01/10/2020 to 30/09/2021

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)	0.09
Total investment charge % (incl. VAT)	**0.60**

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Yield

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

Performance

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

Pricing

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Redemptions

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PSG Asset Management

PSG Money Market Fund

Quarterly portfolio commentary as at 30 September 2021
by Duayne le Roux and Lyle Sankar

Current context

The solid performance we have seen in 2021 in most markets encountered headwinds during September, as both growth and inflationary concerns started to surface. A scaling back of US President Biden's infrastructure spending plan, a global energy price spike, ongoing supply chain disruptions, Chinese regulatory actions and worries around Chinese property developer Evergrande all added to these concerns. The rand weakened over the period, reaching R15,05 at quarter-end. Nominal bonds had a tough ending to the quarter but despite this, delivered 12.46% over the past year, 8.66% above cash returns. Inflation-linked bonds held up much better over the quarter producing roughly 2% returns, on the back of concerns about higher global inflation and with attractive accruals expected for the final quarter of the year. This highlights the benefits of including a balance of both nominal and inflation-linked bonds, as these two asset classes both remain cheap in our view.

Our perspective

Conditions have changed substantially over the past eighteen months and we believe the weight of the evidence suggests that the market has probably reached an inflection point. In our view, the probability has shifted towards a more reflationary global backdrop, which we believe the market is not yet pricing in. This is likely to have wide-spread implications when considering asset classes that performed well over the last decade, and those that can be expected to deliver real returns at appropriate levels of risk over the next decade. Investors have become accustomed to persistently low inflation and interest rates in developed markets, and despite significant evidence indicating inflation is likely to persist rather than be transient, markets are not yet pricing this in. Locally, SA investors have always had a different problem when dealing with inflation having been sticky around the upper end of the target band (6%) and volatile. In recent years, as such, we have observed how hard it has been for market participants to adjust expectations lower from 6%, despite a very credible South African Reserve Bank showing commitment to achieving a lower inflation outlook.

These changes, while noisy at present, are expected to alter risk-return outcomes when looking ahead. We believe money market investors need to consider the following:

- Expecting a quick return to a repo rate of 7% (as in 2018) appears less likely, with inflation contained at present.
- Therefore, although money market rates are expected to increase, they will likely normalise over an extended period of time.
- Fund return rates are likely to follow this slow path of normalisation as positioning moves incrementally up cash curves.

Over the past quarter we've seen steepness in the NCD curve move from moderate to attractive levels, and have increased allocation to those parts of the curve where this has been particularly valuable.

At the start of this quarter Treasury Bill rates offered attractive yields compared to the NCD curve. Over the course of the quarter this yield pick-up from Treasury Bills over NCDs has moderated to more average levels. As such, we've opted to allocate away from Treasury Bills in favor of NCDs.

We believe that the fund should increasingly reflect a higher cash rate environment as markets continue to reflect the potential for a higher inflation and repo rate going forward. As communicated before, the fund should outperform cash accounts over the near-term, as well as offer diversification against any individual bank risk.

Portfolio performance and positioning

Over the quarter, the PSG Money Market Fund returned 0.91% versus the benchmark return of 0.90%. The fund is suitable for investors who need an interim investment vehicle or 'parking bay' for surplus money and a short-term investment horizon.

The fund's exposure to bank NCDs has increased from the previous quarter. This is due to the fund taking advantage of the excessive steepness in the NCD curve. The fund has decreased exposure to Treasury bills as the yield pick-up compared to NCDs has moderated, it continues however to help maintain adequate levels of liquidity and improve credit quality.

Changes in portfolio positioning

Q2 2021		Q3 2021	
Linked NCDs/ Floating-rate notes	0.0%	Linked NCDs/Floating-rate notes	0.7%
Step rate notes	15.6%	Step rate notes	14.0%
NCDs	23.2%	NCDs	37.0%
Treasury bills	59.5%	Treasury bills	42.5%
Call deposits	0.9%	Call deposits	5.8%
Corporate bonds	0.8%	Corporate bonds	0.0%

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

Number of units as at 30 September 2021 (Class A):	553 926 108
Price (net asset value per unit) as at 30 September 2021 (Class A):	R1.00
Number of units as at 30 September 2021 (Class F):	392 672 838
Price (net asset value per unit) as at 30 September 2021 (Class F):	R1.00

All *data* as per Bloomberg as at 30 September 2021.

Total investment charge

PSG Money Market Fund Class A

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

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)	0.10
Total investment charge % (incl. VAT)	**0.69**

Total Investment Charge annualised for the period 01/10/2020 to 30/09/2021

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)	0.09
Total investment charge % (incl. VAT)	**0.68**

PSG Money Market Fund Class F

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

Total expense ratio % (incl. VAT)	**0.39**
Annual management fee % (incl. VAT)	0.35
Other costs excluding transaction costs % (incl. VAT)	0.01
Transaction costs % (incl. VAT)	0.10
Total investment charge % (incl. VAT)	**0.46**

Total Investment Charge annualised for the period 01/10/2020 to 30/09/2021

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)	0.09
Total investment charge % (incl. VAT)	**0.45**

Disclaimer
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Money Market
The PSG Money Market Fund maintains a constant price and is targeted at a constant value. The quoted yield is calculated by annualizing the average 7 day yield. A money market portfolio is not a bank deposit account. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures and in such circumstances a process of ring-fencing of withdrawal instructions and managed payouts over time may be followed. The total return to the investor is made up of interest received and any gain or loss made on any particular instrument. In most cases the returnwill merely have the effect of increasing or decreasing the daily yield but inthe 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 oninvestors. 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 isdelegated 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 manager may use the brokerage services of a related party, PSG Securities Ltd.

Trustees
The Standard Bank of South Africa Limited,
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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

Quarterly portfolio commentary as at 30 September 2021
by Greg Hopkins, Philipp Wörz and Justin Floor

Current context

The strong equity performance we have seen in 2021 in most markets encountered headwinds during September, as both growth and inflationary concerns started to surface. A scaling back of US President Biden's infrastructure spending plan, a global energy price spike, ongoing supply chain disruptions, Chinese regulatory actions and worries around Chinese property developer Evergrande all added to these concerns. Despite this pullback, the MSCI World Index ended the quarter unchanged and delivered a total return of 13% year to date. Emerging market indices continued to be weighed down by the underperformance of Chinese equities and the MSCI World Emerging Markets Index posted a negative total return of 8% for the quarter and negative 1.2% year to date (source: Bloomberg, total return in US dollar).

Another notable feature has been the outperformance of cheap stocks (value) since November last year, following a painful 12 years of relative underperformance.

Our perspective

Investors are currently grappling with whether current inflation is likely to be transitory or sustained, and its impact on markets and the global economy. Global indices are dominated by equities trading at high valuations and offering low yields (long duration assets), such as technology and communication services companies. These counters are supported by historically low interest rates and abundant liquidity, and thus they require inflation pressures to subside to justify current lofty valuations.

On the other hand, sectors such as energy, materials and financials have been out of favour over the past decade, have a low weighting in indices, trade at attractive valuations and would be beneficiaries of higher levels of inflation and interest rates.

Given this divergence within markets, making general predictions is therefore very difficult and market participants should brace for volatility ahead. The price paid for an asset has a material impact on future returns and investors willing to take a longer-term view should be able to generate strong returns by investing in less crowded and cheaper areas that are differentiated from major indices. These also tend to be more idiosyncratic in nature and are not beneficiaries of passive flows or low interest rates. We believe active managers like ourselves can harvest these opportunities and we remain very confident about the long-term returns on offer from our portfolios.

Portfolio performance and positioning

The fund exited its long-term holding in Brookfield Asset Management as share price strength resulted in a diminished margin of safety. Brookfield has been a highly profitable investment for our clients and delivered a compound annual return of 21.7% over the past 5 years and 70% over the past 12 months to the end of July. We also exited Berkshire Hathaway and ICL Group in favour of other opportunities.

As flagged in previous commentaries, supply and demand dynamics across several materials and energy markets favour strong commodity prices and as a result we increased the fund's exposure to Royal Dutch Shell and CNX Resources at attractive valuations. We also increased conviction in insurer Hiscox, defence contractor Babcock International and fertiliser miner The Mosaic Company.

Over the quarter, the PSG Global Equity Feeder Fund returned 5.15% versus the benchmark return of 5.36%. The contributors over this period were industrials (1.63%), energy (1.28%) and financials (0.76%) while detractors included consumer staples (-1.33%) and real estate (-0.77%). 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 8.58% versus the benchmark return of 15.12%. Since inception, the fund produced an annual return of 11.69% versus the benchmark return of 18.86%.

Changes in portfolio positioning

Q2 2021		Q3 2021	
Equities	95.9%	Equities	99.4%
Cash	4.1%	Cash	0.6%

Q2 2021		Q3 2021	
US	35.9%	US	35.6%
Europe	14.8%	Europe	13.2%
UK	24.8%	UK	31%
Asia ex Japan	0.0%	Asia ex Japan	0.0%
Japan	14.9%	Japan	14.4%
Canada	1.6%	Canada	0.0%
Africa	3.9%	Africa	5.2%
Cash	4.1%	Cash	0.6%

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 andtranslation differences between the two funds.

Number of units as at 30 September 2021 (Class A):	4 968 076
Price (net asset value per unit) as at 30 September 2021 (Class A):	R3.16
Number of units as at 30 September 2021 (Class E):	31 054 839
Price (net asset value per unit) as at 30 September 2021 (Class E):	R3.25

All data as per Bloomberg as at 30 September 2021.

Total investment charge

PSG Equity Feeder Fund Class A

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

Total expense ratio % (incl. VAT)	**2.65**
Annual management fee % (incl. VAT)	0.86
Other costs excluding transaction costs % (incl. VAT)	1.79
Transaction costs % (incl. VAT)	0.31
Total investment charge % (incl. VAT)	**2.96**

Total Investment Charge annualised for the period 01/10/2020 to 30/09/2021

Total expense ratio % (incl. VAT)	**2.69**
Annual management fee % (incl. VAT)	0.86
Other costs excluding transaction costs % (incl. VAT)	1.83
Transaction costs % (incl. VAT)	0.38
Total investment charge % (incl. VAT)	**3.07**

PSG Equity Feeder Fund Class E

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

Total expense ratio % (incl. VAT)	**2.07**
Annual management fee % (incl. VAT)	0.29
Other costs excluding transaction costs % (incl. VAT)	1.78
Transaction costs % (incl. VAT)	**0.31**
Total investment charge % (incl. VAT)	**2.38**

Total Investment Charge annualised for the period 01/10/2020 to 30/09/2021

Total expense ratio % (incl. VAT)	**2.12**
Annual management fee % (incl. VAT)	0.29
Other costs excluding transaction costs % (incl. VAT)	1.83
Transaction costs % (incl. VAT)	**0.38**
Total investment charge % (incl. VAT)	**2.50**

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Feeder Funds

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

Performance

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

Pricing

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

Redemptions

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 oninvestors. PSG Collective Investments will keep all investors informed should a situation arise where such suspension is required.

Company details

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Conflict of interest disclosure

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

Trustees

The Standard Bank of South Africa Limited,
The Towers, 2 Heerengracht Street,
Cnr Hertzog Boulevard,
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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 Global Flexible Feeder Fund

Quarterly portfolio commentary as at 30 September 2021
by Greg Hopkins, Philipp Wörz and Justin Floor

Current context

The strong equity performance we have seen in 2021 in most markets encountered headwinds during September, as both growth and inflationary concerns started to surface. A scaling back of US President Biden's infrastructure spending plan, a global energy price spike, ongoing supply chain disruptions, Chinese regulatory actions and worries around Chinese property developer Evergrande all added to these concerns. Despite this pullback, the MSCI World Index ended the quarter unchanged and delivered a total return of 13% year to date. Emerging market indices continued to be weighed down by the underperformance of Chinese equities and the MSCI World Emerging Markets Index posted a negative total return of 8% for the quarter and negative 1.2% year to date (source: Bloomberg, total return in US dollar).

Another notable feature has been the outperformance of cheap stocks (value) since November last year, following a painful 12 years of relative underperformance.

Our perspective

Investors are currently grappling with whether current inflation is likely to be transitory or sustained, and its impact on markets and the global economy. Global indices are dominated by equities trading at high valuations and offering low yields (long duration assets), such as technology and communication services companies. These counters are supported by historically low interest rates and abundant liquidity, and thus they require inflation pressures to subside to justify current lofty valuations.

On the other hand, sectors such as energy, materials and financials have been out of favour over the past decade, have a low weighting in indices, trade at attractive valuations and would be beneficiaries of higher levels of inflation and interest rates.

Given this divergence within markets, making general predictions is therefore very difficult and market participants should brace for volatility ahead. The price paid for an asset has a material impact on future returns and investors willing to take a longer-term view should be able to generate strong returns by investing in less crowded and cheaper areas that are differentiated from major indices. These also tend to be more idiosyncratic in nature and are not beneficiaries of passive flows or low interest rates. We believe active managers like ourselves can harvest these opportunities and we remain very confident about the long-term returns on offer from our portfolios.

Portfolio performance and positioning

Despite overall markets trading at high levels, we have low levels of cash in the funds as our bottom-up work has led to increased conviction levels across our buylist, with equity exposure increasing to 92.5% at the end of September. The fund exited its long-term holding in Brookfield Asset Management as share price strength resulted in a diminished margin of safety. Brookfield has been a highly profitable investment for our clients and delivered a compound annual return of 21.7% over the past 5 years and 70% over the past 12 months to the end of July. We also exited Berkshire Hathaway and ICL Group in favour of other opportunities.

As flagged in previous commentaries, supply and demand dynamics across several materials and energy markets favour strong commodity prices and as a result we increased the fund's exposure to Royal Dutch Shell and CNX Resources at attractive valuations. We also increased conviction in insurer Hiscox, defence contractor Babcock International and fertiliser miner The Mosaic Company.

Over the quarter, the PSG Global Flexible Feeder Fund returned 5.18% versus the benchmark return of 8.55%. The contributors over this period were industrials (1.49%), energy (1.25%) and financials (0.67%), while consumer staples (-1.28%) and real estate (-0.60%) detracted from overall fund performance. 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 8.90% versus the benchmark return of 10.55%. Since inception the fund produced an annual return of 11.86% versus the benchmark return of 14.91%.

Changes in portfolio positioning

Q2 2021		Q3 2021	
Equities	88.8%	Equities	92.5%
Bonds	0.8%	Bonds	0.7%
Cash	10.4%	Cash	6.8%

Q2 2021		Q3 2021	
US	34.3%	US	34.4%
Europe	13.4%	Europe	11.7%
UK	23.3%	UK	28.6%
Asia ex Japan	0.0%	Asia ex Japan	0.0%
Japan	13.3%	Japan	13.5%
Canada	1.3%	Canada	0.0%
Africa	3.2%	Africa	4.2%
Cash and Bonds	11.2%	Cash and Bonds	7.6%

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

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

Number of units as at 30 September 2021 (Class A): 13 951 584
Price (net asset value per unit) as at 30 September 2021 (Class A): R2.58
Number of units as at 30 September 2021 (Class B): 132 993 815
Price (net asset value per unit) as at 30 September 2021 (Class B): R2.67

All data as per Bloomberg as at 30 September 2021.

Total investment charge

PSG Flexible Feeder Fund Class A

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

Total expense ratio % (incl. VAT)	**2.30**
Annual management fee % (incl. VAT)	0.86
Other costs excluding transaction costs % (incl. VAT)	1.44
Transaction costs % (incl. VAT)	0.22
Total investment charge % (incl. VAT)	**2.52**

Total Investment Charge annualised for the period 01/10/2020 to 30/09/2021

Total expense ratio % (incl. VAT)	**3.13**
Annual management fee % (incl. VAT)	0.86
Other costs excluding transaction costs % (incl. VAT)	2.27
Transaction costs % (incl. VAT)	0.21
Total investment charge % (incl. VAT)	**3.34**

PSG Flexible Feeder Fund Class B

Total Investment Charge annualised for the period 1/10/2018 to 30/09/2021

Total expense ratio % (incl. VAT)	**1.72**
Annual management fee % (incl. VAT)	0.29
Other costs excluding transaction costs % (incl. VAT)	1.43
Transaction costs % (incl. VAT)	0.22
Total investment charge % (incl. VAT)	**1.94**

Total Investment Charge annualised for the period 01/10/2020 to 30/09/2021

Total expense ratio % (incl. VAT)	**2.55**
Annual management fee % (incl. VAT)	0.29
Other costs excluding transaction costs % (incl. VAT)	2.26
Transaction costs % (incl. VAT)	0.21
Total investment charge % (incl. VAT)	**2.76**

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Feeder Funds

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Performance

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

Pricing

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Redemptions

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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.