Quarterly portfolio fund commentaries

September 2022

Contents

PSG Equity Fund

Quarterly portfolio commentary as at 30 September 2022
by Shaun le Roux and Gustav Schulenburg

Current context

2022 has been a grim year for global investment markets so far. The sustained ultra-loose monetary policy conditions that drove very high financial asset prices and remarkable returns between 2009 and 2021 are being sharply reversed as the Federal Reserve (as well as other central banks) seeks to put the brakes on rampant and persistent inflationary pressures. Other economic and geopolitical factors are also resulting in a sharp contraction of global economic growth expectations and raise the likelihood of recession in the West. These include the war in Europe, high energy prices (after a prolonged period of underinvestment), the strong US dollar and a very weak Chinese economy. And, on the domestic front, we have endured aggressive rate hikes, a disastrous flood and chronic load shedding. This challenging backdrop has been a toxic cocktail for risk assets like equities – the S&P 500 Index has lost 24% for the year to date and the FTSE/JSE All Share Index 10%. Developed market sovereign bonds, which many treat as portfolio diversifiers, have become positively correlated to stocks (no small surprise, given the negative real yields of 2021) and the Bloomberg US Aggregate Bond Index lost 15% over the first nine months of the year – the worst outcome in half a century. In contrast, South African government bonds have been significantly more resilient. While the rand suffered against an extremely strong US dollar, the All Bond Index (ALBI) lost only 1.34% this year, and the CILI (inflation-linked bond index) gained 2.23% year to date.

Our perspective

We have argued for some time that clients should prepare for a future where investment outcomes will look very different over the next decade compared to the last. 2022 has shown that most portfolios are poorly positioned in a world of higher inflation, higher interest rates and underinvestment in real assets.

The challenging macro backdrop has caused a sharp decline in investor sentiment to levels last seen during the Global Financial Crisis. This has resulted in especially attractive valuations within a portion of global equity markets. Importantly, we are finding good opportunities to buy stocks that are cheap, out of favour and that we believe will be the beneficiaries of the probable economic conditions over the next decade. Consequently, our buy lists are full of high-conviction ideas that should provide excellent long-run returns. These include resilient domestic businesses and producers of scarce energy resources and materials. Pleasingly, many of these stocks have proved relatively resilient in 2022 amidst the market turmoil. When we contrast the valuations of our portfolio holdings with market indices, especially in the US, we note that the difference remains extremely wide – our clients own stocks that are much cheaper than the widely owned growth stocks (the winners of the past). This is especially the case on the JSE, where most public securities are trading at crisis valuation levels. Hence, it should come as no surprise that there have been several initiatives to acquire and delist domestic small and mid-caps (a number of which were owned by our clients). We expect delistings to continue while securities are this cheap. Furthermore, we believe that most of our equity investments will enjoy robust future profit growth and many will deliver extremely attractive cash returns to shareholders in the form of dividends or buybacks. This situation sees our funds taking on relatively high equity exposures despite the macro and geopolitical challenges. We argue that it is appropriate to embrace some of the current fear to lock in the chance to grow client capital in the future. That said, we have been careful to diversify across geographies (taking advantage of weakness in the UK, Japan and Europe, as well as South Africa). We have also actively implemented other portfolio defences against a very unpredictable future. These defences include gold, oil and gas stocks.

We expect heightened volatility to remain part of the investment landscape. At times like these, investors will do well to remind themselves that market volatility is part and parcel of investing in stocks and that the ability to stomach volatility in times of uncertainty is what typically generates superior long-term returns from equities. Furthermore, when we compare the different valuations on offer, we are convinced that this is a good time for differentiated active stock pickers to add a lot of value for their clients. Some of our strongest performing stocks over the past two years had been acquired in times of turmoil and we have had to be brave and patient. Looking into our portfolios today we are encouraged but aware that patience will be required.

Portfolio performance and positioning*

The fund has outperformed the equity market in 2022 (generating positive performance in very weak markets), mainly because our clients own a number of stocks that have performed well this year. These are primarily beneficiaries of the underinvestment in capacity in real assets like dry bulk or tanker ships and energy production. Top contributors in 2022 include: Hosken Consolidated Investments, Grindrod Shipping Holdings Limited, Grindrod Limited, Glencore plc and Scorpio Tankers Inc. Notably, these are mostly mid- and small caps which is indicative of the opportunity set outside the large-cap universe.

We would be disappointed if most of our high-conviction holdings did not provide strong medium-term returns from this point - companies with favourable prospects are very attractively priced.

Over the quarter the PSG Equity Fund returned 0.6% versus the benchmark return of -1.4%. The largest contributors over this period were resources (0.9%), foreign equities (0.8%) and industrials (0.3%). The largest detractors were financials (-0.9%) and real estate (-0.1%). 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 6.8% p.a. versus the benchmark return of 7.3% p.a. Since inception, the fund has performed in the top quartile and produced an annual return of 14.7% versus the benchmark return of 12.7%.

*Return numbers as per the PSG Equity Fund Class A

Changes in portfolio positioning

Q2 2022		Q3 2022	
Domestic equity	68.3%	Domestic equity	67.5%
Domestic property	1.5%	Domestic property	1.3%
Domestic cash	0.1%	Domestic cash	0.0%
Offshore equity	28.7%	Offshore equity	29.6%
Offshore property	1.4%	Offshore property	1.5%
Offshore cash	0.0%	Offshore cash	0.1%

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

Number of units as at 30 September 2022 (Class A):	28 464 345
Price (net asset value per unit) as at 30 September 2022 (Class A):	R12.72
Number of units as at 30 September 2022 (Class E):	89 678 908
Price (net asset value per unit) as at 30 September 2022 (Class E):	R12.74

All data as per Bloomberg as at 30 September 2022

Total investment charge

Total Investment Charge annualised for the period 01/10/2019 to 30/09/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.75**	**1.39**
Annual management fee % (incl. VAT)	1.73	0.86
Other costs excluding transaction costs % (incl. VAT)	0.02	0.03
Performance fee % (incl. VAT)	0.00	0.50*
Transaction costs % (incl. VAT)	0.26	0.26
Total investment charge % (incl. VAT)	**2.01**	**1.65**

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

Total Investment Charge annualised for the period 01/10/2021 to 30/09/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.75**	**2.15**
Annual management fee % (incl. VAT)	1.73	0.86
Other costs excluding transaction costs % (incl. VAT)	0.02	0.03
Performance fee % (incl. VAT)	0.00	1.26*
Transaction costs % (incl. VAT)	0.17	0.17
Total investment charge % (incl. VAT)	**1.92**	**2.32**

*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

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Company details

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

Conflict of interest disclosure

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Trustees

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Additional information

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

PSG Asset Management

PSG SA Equity Fund

Quarterly portfolio commentary as at 30 September 2022
by Shaun le Roux and Gustav Schulenburg

Current context

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Our perspective

We have argued for some time that clients should prepare for a future where investment outcomes will look very different over the next decade compared to the last. 2022 has shown that most portfolios are poorly positioned in a world of higher inflation, higher interest rates and underinvestment in real assets.

The challenging macro backdrop has caused a sharp decline in investor sentiment to levels last seen during the Global Financial Crisis. This has resulted in especially attractive valuations within a portion of global equity markets. Importantly, we are finding good opportunities to buy stocks that are cheap, out of favour and that we believe will be the beneficiaries of the probable economic conditions over the next decade. Consequently, our buy lists are full of high-conviction ideas that should provide excellent long-run returns. These include resilient domestic businesses and producers of scarce energy resources and materials. Pleasingly, many of these stocks have proved relatively resilient in 2022 amidst the market turmoil. When we contrast the valuations of our portfolio holdings with market indices, especially in the US, we note that the difference remains extremely wide – our clients own stocks that are much cheaper than the widely owned growth stocks (the winners of the past). This is especially the case on the JSE, where most public securities are trading at crisis valuation levels. Hence, it should come as no surprise that there have been several initiatives to acquire and delist domestic small and mid-caps (a number of which were owned by our clients). We expect delistings to continue while securities are this cheap. Furthermore, we believe that most of our equity investments will enjoy robust future profit growth and many will deliver extremely attractive cash returns to shareholders in the form of dividends or buybacks. This situation sees our funds taking on relatively high equity exposures despite the macro and geopolitical challenges. We argue that it is appropriate to embrace some of the current fear to lock in the chance to grow client capital in the future. That said, we have been careful to diversify across geographies (taking advantage of weakness in the UK, Japan and Europe, as well as South Africa). We have also actively implemented other portfolio defences against a very unpredictable future. These defences include gold, oil and gas stocks.

We expect heightened volatility to remain part of the investment landscape. At times like these, investors will do well to remind themselves that market volatility is part and parcel of investing in stocks and that the ability to stomach volatility in times of uncertainty is what typically generates superior long-term returns from equities. Furthermore, when we compare the different valuations on offer, we are convinced that this is a good time for differentiated active stock pickers to add a lot of value for their clients. Some of our strongest performing stocks over the past two years had been acquired in times of turmoil and we have had to be brave and patient. Looking into our portfolios today we are encouraged but aware that patience will be required.

Portfolio performance and positioning*

The PSG SA Equity Fund continues to find exceptional opportunities on the JSE and we believe that taking an open-minded, long-term approach to the current market dynamics, will lead to exceptional returns for investors.

We have communicated the view that many businesses on the JSE are trading materially below fair value, and that international investors are increasingly exposing the low valuations by taking JSE-listed counters private. Recent examples include Distell Group Limited and Pioneer Foods. During the third quarter of 2022, investors made successful offers for two of the stocks that we held in the PSG SA Equity Fund, namely Grindrod Shipping Holdings Ltd and Massmart Holdings Limited. The size advantage of this fund allowed our clients to have reasonable exposure to these two counters, and subsequently the fund has the ability to reallocate these proceeds into other, very attractively priced investments.

Portfolio changes during the quarter include reducing exposure to Hosken Consolidated Investments and Grindrod Ltd as these prices rose and upside reduced.
The fund also exited its position in Motus after the stock reached our assessment of intrinsic value.

New additions in the fund include South 32 and AVI Ltd as we believe both trade materially below fair value, and possess under-appreciated optionality for clients. The fund also slightly increased exposure to Afrimat, Wilson Bayly Holmes and Northam Platinum Ltd as fundamentals improved or upside increased.

We continue to favour investments with short duration cash flows to shareholders, and also supply constrained industries that have material upside in a world where we believe the value of tangible assets are still underappreciated.

Over the quarter the PSG SA Equity Fund returned 2.3% versus the benchmark return of -2.4%. The largest contributors were industrials (2.1%) and resources (1.9%), while financials (-1.0%) and real estate (-0.2%) detracted. The fund is suitable for investors with an investment term of 7 years and longer. Over the short-term, returns can be volatile and for this reason it is important to measure fund returns against the relevant investment term. Over the 7-year time horizon, the fund returned 5.0% p.a. versus the benchmark return of 5.1% p.a. Since inception, the fund has produced an annual return of 5.0% versus the benchmark return of 6.2%.

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

Changes in portfolio positioning

Q2 2022		Q3 2022	
Domestic equity	96.3%	Domestic equity	96.6%
Domestic property	2.7%	Domestic property	2.4%
Domestic cash	1.0%	Domestic cash	1.0%

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

Number of units as at 30 September 2022 (Class D):	151 623 402
Price (net asset value per unit) as at 30 September 2022 (Class D):	R1.29
Number of units as at 30 September 2022 (Class F):	101 663
Price (net asset value per unit) as at 30 September 2022 (Class F):	R1.30

All data as per Bloomberg as at 30 September 2022

Total investment charge

Total Investment Charge annualised for the period 01/10/2019 to 30/09/2022

	Class D
Total expense ratio % (incl. VAT)	**1.10**
Annual management fee % (incl. VAT)	0.98
Other costs excluding transaction costs % (incl. VAT)	0.12
Transaction costs % (incl. VAT)	0.45
Total investment charge % (incl. VAT)	**1.55**

Total Investment Charge annualised for the period 01/10/2021 to 30/09/2022

	Class D	Class F
Total expense ratio % (incl. VAT)	**1.05**	**1.44**
Annual management fee % (incl. VAT)	0.98	1.27
Other costs excluding transaction costs % (incl. VAT)	0.07	0.17
Transaction costs % (incl. VAT)	0.31	0.31
Total investment charge % (incl. VAT)	**1.36**	**1.75**

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Performance

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Pricing

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Conflict of interest disclosure

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Company details

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PSG Flexible Fund

Quarterly portfolio commentary as at 30 September 2022
by Shaun le Roux and Mikhail Motala

Current context

2022 has been a grim year for global investment markets so far. The sustained ultra-loose monetary policy conditions that drove very high financial asset prices and remarkable returns between 2009 and 2021 are being sharply reversed as the Federal Reserve (as well as other central banks) seeks to put the brakes on rampant and persistent inflationary pressures. Other economic and geopolitical factors are also resulting in a sharp contraction of global economic growth expectations and raise the likelihood of recession in the West. These include the war in Europe, high energy prices (after a prolonged period of underinvestment), the strong US dollar and a very weak Chinese economy. And, on the domestic front, we have endured aggressive rate hikes, a disastrous flood and chronic load shedding. This challenging backdrop has been a toxic cocktail for risk assets like equities – the S&P 500 Index has lost 24% for the year to date and the FTSE/JSE All Share Index 10%. Developed market sovereign bonds, which many treat as portfolio diversifiers, have become positively correlated to stocks (no small surprise, given the negative real yields of 2021) and the Bloomberg US Aggregate Bond Index lost 15% over the first nine months of the year – the worst outcome in half a century. In contrast, South African government bonds have been significantly more resilient. While the rand suffered against an extremely strong US dollar, the All Bond Index (ALBI) lost only 1.34% this year, and the CILI (inflation-linked bond index) gained 2.23% year to date.

Our perspective

We have argued for some time that clients should prepare for a future where investment outcomes will look very different over the next decade compared to the last. 2022 has shown that most portfolios are poorly positioned in a world of higher inflation, higher interest rates and underinvestment in real assets.

The challenging macro backdrop has caused a sharp decline in investor sentiment to levels last seen during the Global Financial Crisis. This has resulted in especially attractive valuations within a portion of global equity markets. Importantly, we are finding good opportunities to buy stocks that are cheap, out of favour and that we believe will be the beneficiaries of the probable economic conditions over the next decade. Consequently, our buy lists are full of high-conviction ideas that should provide excellent long-run returns. These include resilient domestic businesses and producers of scarce energy resources and materials. Pleasingly, many of these stocks have proved relatively resilient in 2022 amidst the market turmoil. When we contrast the valuations of our portfolio holdings with market indices, especially in the US, we note that the difference remains extremely wide − our clients own stocks that are much cheaper than the widely owned growth stocks (the winners of the past). This is especially the case on the JSE, where most public securities are trading at crisis valuation levels. Hence, it should come as no surprise that there have been several initiatives to acquire and delist domestic small and mid-caps (a number of which were owned by our clients). We expect delistings to continue while securities are this cheap. Furthermore, we believe that most of our equity investments will enjoy robust future profit growth and many will deliver extremely attractive cash returns to shareholders in the form of dividends or buybacks. This situation sees our funds taking on relatively high equity exposures despite the macro and geopolitical challenges. We argue that it is appropriate to embrace some of the current fear to lock in the chance to grow client capital in the future. We expect heightened volatility to remain part of the investment landscape. At times like these, investors will do well to remind themselves that market volatility is part and parcel of investing in stocks and that the ability to stomach volatility in times of uncertainty is what typically generates superior long-term returns from equities. Furthermore, when we compare the different valuations on offer, we are convinced that this is a good time for differentiated active stock pickers to add a lot of value for their clients. Some of our strongest performing stocks over the past two years had been acquired in times of turmoil and we have had to be brave and patient. Looking into our portfolios today we are encouraged but aware that patience will be required.

Portfolio performance and positioning*

The fund remains offensively positioned for the reasons described above. That said, we have been careful to diversify across geographies (taking advantage of weakness in the UK, Japan and Europe, as well as South Africa). We have also actively implemented other portfolio defences against a very unpredictable future. These defences include equity hedges, and gold, oil and gas stocks.

The fund has outperformed the equity market in 2022 (generating positive performance in very weak markets) mainly because our clients own a number of stocks that have performed well this year. These are primarily beneficiaries of the underinvestment in capacity in real assets like dry bulk or tanker ships and energy production. Top contributors in 2022 include: Hosken Consolidated Investments, Grindrod Shipping Holdings Ltd, Grindrod Limited, Thungela Resources and Glencore plc. Notably, these are mostly mid- and smallcaps which is indicative of the opportunity set outside of the large-cap universe.

Over the quarter the PSG Flexible Fund returned 1.6% versus the benchmark return of 4.2%. The largest contributors over this period were resources (1.1%), foreign equities (0.9%) and industrials (0.5%). Negative contributors included financials (-0.7%) and real estate (-0.1%). 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 5.6% p.a. versus the benchmark return of 11.0% p.a. Since inception, the fund has performed in the top quartile and has produced an annual return of 13.4% versus the benchmark return of 11.6%.

*Return numbers as per the PSG Flexible Fund Class A

Changes in portfolio positioning

Q2 2022		Q3 2022	
Domestic equity	63.3%	Domestic equity	62.4%
Domestic property	1.8%	Domestic property	0.4%
Domestic cash, Treasury bills and NCDs	2.2%	Domestic cash, Treasury bills and NCDs	2.1%
Offshore equity*	28.1%	Offshore equity*	24.4%
Offshore property	2.8%	Offshore property	2.7%
Offshore cash	1.8%	Offshore cash	8.0%
*Includes -1.4% effective derivative exposure		*Includes -7.9% effective derivative exposure	

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

Number of units as at 30 September 2022 (Class A):	419 371 080
Price (net asset value per unit) as at 30 September 2022 (Class A):	R6.27
Number of units as at 30 September 2022 (Class E):	837 912 534
Price (net asset value per unit) as at 30 September 2022 (Class E):	R6.27

All data as per Bloomberg as at 30 September 2022

Total investment charge

Total Investment Charge annualised for the period 01/10/2019 to 30/09/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.90**	**1.65**
Annual management fee % (incl. VAT)	1.15	0.86
Other costs excluding transaction costs % (incl. VAT)	0.04	0.04
Performance fee % (incl. VAT)	0.71*	0.75*
Transaction costs % (incl. VAT)	0.21	0.21
Total investment charge % (incl. VAT)	**2.11**	**1.86**

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

Total Investment Charge annualised for the period 01/10/2021 to 30/09/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.45**	**2.14**
Annual management fee % (incl. VAT)	0.15	0.86
Other costs excluding transaction costs % (incl. VAT)	0.05	0.05
Performance fee % (incl. VAT)	0.25*	1.23*
Transaction costs % (incl. VAT)	0.14	0.14
Total investment charge % (incl. VAT)	**2.59**	**2.28**

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

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

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

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

Trustees
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Email: Compliance-PSG@standardbank.co.za

Additional information
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PSG Balanced Fund

Quarterly portfolio commentary as at 30 September 2022
by Justin Floor and Dirk Jooste

Current context

2022 has been a grim year for global investment markets so far. The sustained ultra-loose monetary policy conditions that drove very high financial asset prices and remarkable returns between 2009 and 2021 are being sharply reversed as the Federal Reserve (as well as other central banks) seeks to put the brakes on rampant and persistent inflationary pressures. Other economic and geopolitical factors are also resulting in a sharp contraction of global economic growth expectations and raise the likelihood of recession in the West. These include the war in Europe, high energy prices (after a prolonged period of underinvestment), the strong US dollar and a very weak Chinese economy. And, on the domestic front, we have endured aggressive rate hikes, a disastrous flood and chronic load shedding. This challenging backdrop has been a toxic cocktail for risk assets like equities – the S&P 500 Index has lost 24% for the year to date and the FTSE/JSE All Share Index 10%. Developed market sovereign bonds, which many treat as portfolio diversifiers, have become positively correlated to stocks (no small surprise, given the negative real yields of 2021) and the Bloomberg US Aggregate Bond Index lost 15% over the first nine months of the year – the worst outcome in half a century. In contrast, South African government bonds have been significantly more resilient. While the rand suffered against an extremely strong US dollar, the All Bond Index (ALBI) lost only 1.34% this year, and the CILI (inflation-linked bond index) gained 2.23% year to date.

Our perspective

We have argued for some time that clients should prepare for a future where investment outcomes will look very different over the next decade compared to the last. 2022 has shown that most portfolios are poorly positioned in a world of higher inflation, higher interest rates and underinvestment in real assets.

The challenging macro backdrop has caused a sharp decline in investor sentiment to levels last seen during the Global Financial Crisis. This has resulted in especially attractive valuations within a portion of global equity markets. Importantly, we are finding good opportunities to buy stocks that are cheap, out of favour and that we believe will be the beneficiaries of the probable economic conditions over the next decade. Consequently, our buy lists are full of high-conviction ideas that should provide excellent long-run returns. These include resilient domestic businesses and producers of scarce energy resources and materials. Pleasingly, many of these stocks have proved relatively resilient in 2022 amidst the market turmoil. When we contrast the valuations of our portfolio holdings with market indices, especially in the US, we note that the difference remains extremely wide – our clients own stocks that are much cheaper than the widely owned growth stocks (the winners of the past). This is especially the case on the JSE, where most public securities are trading at crisis valuation levels. Hence, it should come as no surprise that there have been several initiatives to acquire and delist domestic small and mid-caps (a number of which were owned by our clients). We expect delistings to continue while securities are this cheap. Furthermore, we believe that most of our equity investments will enjoy robust future profit growth and many will deliver extremely attractive cash returns to shareholders in the form of dividends or buybacks. This situation sees our funds taking on relatively high equity exposures despite the macro and geopolitical challenges. We argue that it is appropriate to embrace some of the current fear to lock in the chance to grow client capital in the future. That said, we have been careful to diversify across geographies (taking advantage of weakness in the UK, Japan and Europe, as well as South Africa). We have also actively implemented other portfolio defences against a very unpredictable future. These defences include equity hedges, and gold, oil and gas stocks.

We expect heightened volatility to remain part of the investment landscape. At times like these, investors will do well to remind themselves that market volatility is part and parcel of investing in stocks and that the ability to stomach volatility in times of uncertainty is what typically generates superior long-term returns from equities. Furthermore, when we compare the different valuations on offer, we are convinced that this is a good time for differentiated active stock pickers to add a lot of value for their clients. Some of our strongest performing stocks over the past two years had been acquired in times of turmoil and we have had to be brave and patient. Looking into our portfolios today we are encouraged but aware that patience will be required.

Portfolio performance and positioning*

Over the quarter the PSG Balanced Fund returned 0% (marginally ahead of the peer average) whereas the benchmark returned 4.0%. Top contributors to performance were Grindrod Shipping Holdings Ltd, Euronav NV and Maersk Drilling, all of which are involved in some form of favourable corporate action. The equity derivative positions also contributed to performance given weaker global market indices. Negative contributors were Discovery Ltd, Liberty Global Inc–A and Prudential plc. In terms of portfolio activity, the fund bought shares in Kaap Agri, Jackson Financial Inc-A and Bayer AG and reduced exposure to Hosken Consolidated Investments and Grindrod Limited after strong price performance. Asset class exposures have been reasonably stable with the largest change over the period being an increase in the effect of put option hedges reducing equity exposure.

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 5.3% p.a. versus the benchmark return of 10.0% p.a. Since inception, the fund has produced an annual return of 12.4% compared to the benchmark return of 10.5%.

*Return numbers as per the PSG Balanced Fund Class A

Changes in portfolio positioning

Q2 2022		Q3 2022	
Domestic equity	47.8%	Domestic equity*	43.8%
Domestic property	4.6%	Domestic property	3.8%
Domestic cash, Treasury bills and NCDs	0.4%	Domestic cash, Treasury bills and NCDs	3.8%
Domestic bonds	17.6%	Domestic bonds	18.0%
Offshore equity*	25.6%	Offshore equity**	21.8%
Offshore cash	1.4%	Offshore cash	6.0%
Offshore property	2.6%	Offshore property	2.8%
*Includes -1.3% effective derivative exposure		*Includes -2.2% effective derivative exposure **Includes -5.9% effective derivative exposure	

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

Number of units as at 30 September 2022 (Class A):	52 749 043
Price (net asset value per unit) as at 30 September 2022 (Class A):	R77.51
Number of units as at 30 September 2022 (Class E):	62 808 850
Price (net asset value per unit) as at 30 September 2022 (Class E):	R77.52

All data as per Bloomberg as at 30 September 2022.

Total investment charge

Total Investment Charge annualised for the period 01/10/2019 to 30/09/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.78**	**1.20**
Annual management fee % (incl. VAT)	1.73	1.15
Other costs excluding transaction costs % (incl. VAT)	0.05	0.05
Transaction costs % (incl. VAT)	0.22	0.22
Total investment charge % (incl. VAT)	**2.00**	**1.42**

Total Investment Charge annualised for the period 01/10/2021 to 30/09/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.77**	**1.20**
Annual management fee % (incl. VAT)	1.73	1.15
Other costs excluding transaction costs % (incl. VAT)	0.04	0.05
Transaction costs % (incl. VAT)	0.19	0.19
Total investment charge % (incl. VAT)	**1.96**	**1.39**

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Regulation 28

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

Performance

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

Pricing

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Redemptions

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Additional information

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PSG Asset Management

PSG Stable Fund

Quarterly portfolio commentary as at 30 September 2022
by John Gilchrist and Dirk Jooste

Current context

2022 has been a grim year for global investment markets so far. The sustained ultra-loose monetary policy conditions that drove very high financial asset prices and remarkable returns between 2009 and 2021 are being sharply reversed as the Federal Reserve (as well as other central banks) seeks to put the brakes on rampant and persistent inflationary pressures. Other economic and geopolitical factors are also resulting in a sharp contraction of global economic growth expectations and raise the likelihood of recession in the West. These include the war in Europe, high energy prices (after a prolonged period of underinvestment), the strong US dollar and a very weak Chinese economy. And, on the domestic front, we have endured aggressive rate hikes, a disastrous flood and chronic load shedding. This challenging backdrop has been a toxic cocktail for risk assets like equities – the S&P 500 Index has lost 24% for the year to date and the FTSE/JSE All Share Index 10%. Developed market sovereign bonds, which many treat as portfolio diversifiers, have become positively correlated to stocks (no small surprise, given the negative real yields of 2021) and the Bloomberg US Aggregate Bond Index lost 15% over the first nine months of the year – the worst outcome in half a century. In contrast, South African government bonds have been significantly more resilient. While the rand suffered against an extremely strong US dollar, the All Bond Index (ALBI) lost only 1.34% this year, and the CILI (inflation-linked bond index) gained 2.23% year to date.

Our perspective

We have argued for some time that clients should prepare for a future where investment outcomes will look very different over the next decade compared to the last. 2022 has shown that most portfolios are poorly positioned in a world of higher inflation, higher interest rates and underinvestment in real assets.

The challenging macro backdrop has caused a sharp decline in investor sentiment to levels last seen during the Global Financial Crisis. This has resulted in especially attractive valuations within a portion of global equity markets. Importantly, we are finding good opportunities to buy stocks that are cheap, out of favour and that we believe will be the beneficiaries of the probable economic conditions over the next decade. Consequently, our buy lists are full of high-conviction ideas that should provide excellent long-run returns. These include resilient domestic businesses and producers of scarce energy resources and materials. Pleasingly, many of these stocks have proved relatively resilient in 2022 amidst the market turmoil. When we contrast the valuations of our portfolio holdings with market indices, especially in the US, we note that the difference remains extremely wide – our clients own stocks that are much cheaper than the widely owned growth stocks (the winners of the past). This is especially the case on the JSE, where most public securities are trading at crisis valuation levels. Hence, it should come as no surprise that there have been several initiatives to acquire and delist domestic small and mid-caps (a number of which were owned by our clients). We expect delistings to continue while securities are this cheap. Furthermore, we believe that most of our equity investments will enjoy robust future profit growth and many will deliver extremely attractive cash returns to shareholders in the form of dividends or buybacks. This situation sees our funds taking on relatively high equity exposures despite the macro and geopolitical challenges. We argue that it is appropriate to embrace some of the current fear to lock in the chance to grow client capital in the future. That said, we have been careful to diversify across geographies (taking advantage of weakness in the UK, Japan and Europe, as well as South Africa). We have also actively implemented other portfolio defences against a very unpredictable future. These defences include equity hedges, and gold, oil and gas stocks.

We expect heightened volatility to remain part of the investment landscape. At times like these, investors will do well to remind themselves that market volatility is part and parcel of investing in stocks and that the ability to stomach volatility in times of uncertainty is what typically generates superior long-term returns from equities. Furthermore, when we compare the different valuations on offer, we are convinced that this is a good time for differentiated active stock pickers to add a lot of value for their clients. Some of our strongest performing stocks over the past two years had been acquired in times of turmoil and we have had to be brave and patient. Looking into our portfolios today we are encouraged but aware that patience will be required.

Portfolio performance and positioning*

Domestic equity exposure declined over the quarter, with sales of Grindrod Limited and Anheuser-Busch Inbev SA/NV more than offsetting purchases of Afrimat and Discovery Ltd. Domestic property dropped marginally, while offshore property exposure was maintained. Offshore equity declined, primarily as a result of an increase in protection from offshore put options (the S&P 500 Index lost 9.3% in September 2022). Physical offshore equity exposure was relatively unchanged, with sales of Centene Corp, Philip Morris International Inc and M&G plc. offsetting purchases of Bayer AG, Jackson Financial Inc and BP plc. The rand lost 11.1% against the dollar over the quarter. In South African fixed income, we trimmed our large position in government bonds, opportunistically switching inflation-linked bond positions into a combination of nominal bonds and longer-dated negotiated certificates of deposit (NCDs) with attractive yields. The allocation to domestic cash, Treasury bills and NCDs increased over the period as a result.

Over the quarter the PSG Stable Fund returned 0.3% versus the benchmark return of 3.5%. The contributors over this period were local government bonds (0.4%), industrials (0.2%) and local corporate bonds (0.2%). Foreign equities and financials detracted by -0.4% and -0.3% 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 6.9% p.a. versus the benchmark return of 8.2% p.a. Since inception, the fund has produced annualised returns of 7.8% versus the benchmark return of 8.3%.

*Return numbers as per the PSG Stable Fund Class A

Changes in portfolio positioning

Q2 2022		Q3 2022	
Domestic equity	21.7%	Domestic equity*	19.8%
Domestic property	1.9%	Domestic property	1.7%
Domestic cash, Treasury bills and NCDs	12.5%	Domestic cash, Treasury bills and NCDs	16.0%
Domestic bonds	45.7%	Domestic bonds	44.2%
Offshore equity*	13.7%	Offshore equity**	10.3%
Offshore cash	1.7%	Offshore cash	5.0%
Offshore bonds	0.9%	Offshore bonds	1.0%
Offshore property	1.9%	Offshore property	2.0%
*Includes -1.0% effective derivative exposure		*Includes -1.3% effective derivative exposure **Includes -4.3% effective derivative exposure	

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

Number of units as at 30 September 2022 (Class A): 29 702 373
Price (net asset value per unit) as at 30 September 2022 (Class A): R1.46
Number of units as at 30 September 2022 (Class E): 324 826 955
Price (net asset value per unit) as at 30 September 2022 (Class E): R1.46

All data as per Bloomberg as at 30 September 2022

Total investment charge

Total Investment Charge annualised for the period 01/10/2019 to 30/09/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.77**	**1.20**
Annual management fee % (incl. VAT)	1.73	1.15
Other costs excluding transaction costs % (incl. VAT)	0.04	0.05
Transaction costs % (incl. VAT)	0.13	0.13
Total investment charge % (incl. VAT)	**1.90**	**1.33**

Total Investment Charge annualised for the period 01/10/2021 to 30/09/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.77**	**1.20**
Annual management fee % (incl. VAT)	1.73	1.15
Other costs excluding transaction costs % (incl. VAT)	0.04	0.05
Transaction costs % (incl. VAT)	0.10	0.10
Total investment charge % (incl. VAT)	**1.87**	**1.30**

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Regulation 28

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Performance

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Pricing

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Redemptions

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Trustee

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Additional information

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PSG Diversified Income Fund

Quarterly portfolio commentary as at 30 September 2022
by Lyle Sankar, Ané Craig and John Gilchrist

Current context

2022 has been a grim year for global investment markets so far. The sustained ultra-loose monetary policy conditions that drove very high financial asset prices and remarkable returns between 2009 and 2021 are being sharply reversed as the Federal Reserve (as well as other central banks) seeks to put the brakes on rampant and persistent inflationary pressures. Other economic and geopolitical factors are also resulting in a sharp contraction of global economic growth expectations and raise the likelihood of recession in the West. These include the war in Europe, high energy prices (after a prolonged period of underinvestment), the strong US dollar and a very weak Chinese economy. And, on the domestic front, we have endured aggressive rate hikes, a disastrous flood and chronic load shedding. This challenging backdrop has been a toxic cocktail for longer-dated fixed income assets. Developed market sovereign bonds, which many treat as portfolio diversifiers, have become positively correlated to stocks (no small surprise, given the negative real yields of 2021) and the Bloomberg US Aggregate Bond Index lost 15% over the first nine months of the year − the worst outcome in half a century. In contrast, South African government bonds have been significantly more resilient. While the rand suffered against an extremely strong US dollar, the All Bond Index (ALBI) lost only 1.34% this year, and the CILI (inflation-linked bond index) gained 2.23% year to date. The SARB hiked interest rates by a significant 1.5% over the quarter in response to higher short-term SA inflation and tighter global monetary policy conditions.

Our perspective

The challenging macro backdrop has caused a sharp decline in investor sentiment to levels last seen during the Global Financial Crisis. The speed at which the South African Reserve Bank (SARB) has progressed with monetary policy has further caused concerns for income seeking investors. Investors in income assets need to differentiate the impact of actual interest rates and market expectations on inflation. Markets typically adjust quickly for expected higher inflation by demanding more from fixed rate investments. Over the year, these instruments adjusted early, well ahead of actual hikes by the SARB. The result is that current market rates are pricing in significant future rate hikes while at the same time offering an attractive premium above inflation. This, at a point where the market largely expects inflation to ease in SA. For example, we are now able to buy 1- to 5-year fixed rate instruments at rates in the range of 8.35% to 9.75% due to the sharp adjustment in expectations. For investors in income funds, this is an attractive inflation beating option at very low risk of capital loss and high liquidity, as we can trade frequently to remain as agile as needed. We have seen a similar impact on longer-dated fixed rate government bonds, together with adjustments for higher for global risk-off sentiment. We have advocated and implemented for some time a diversification between inflation-linked and fixed rate bonds due to the attractive offsetting drivers of return. As a result, we have held large positions in inflation-linked bonds with positive real yields throughout the year, which held up well as fixed rate instruments adjusted higher. The result is two-fold:

- Resilient portfolio performance in tough global markets with attractive and stable income returns.
- An area of the portfolio providing liquidity to buy into weaker and more attractive fixed rates.

Portfolio performance and positioning*

We continue to focus on tilting the odds of stable, reliable income returns in our clients' favour. Included in this strategy is a sharp focus on liquidity to adjust quickly to changing markets. Considering the above relative outperformance of inflation-linked bonds, the fund has significantly reduced this exposure and currently holds significant cash to buy into higher real rates. We expect this to both increase the running yield of the fund, and further place us in a very attractive and unique position to lock in returns for the years ahead.

The shorter term has been particularly tough for this category of funds, largely driven by the bond markets underperformance. Over this year, with the fast-changing fixed income market, we have focused on constructing portfolios that will protect the downside. Over the quarter the PSG Diversified Income Fund returned 1.5% versus the benchmark return of 3.0%. The contributors over this period were local money market instruments (0.6%), local government bonds (0.6%) and corporate bonds (0.2%). Over the 2-year investment horizon, the fund delivered an annualised return of 8.0% versus the benchmark return of 7.3%. We continue to manage the portfolio consistently, balancing the attractive opportunity set with a focus on risk management.

*Return numbers as per the PSG Diversified Income Class A

Changes in portfolio positioning

Q2 2022		Q3 2022	
Domestic equity	2.4%	Domestic equity	2.1%
Domestic preference shares	1.6%	Domestic preference shares	1.6%
Domestic property	0.5%	Domestic property	0.5%
Domestic cash, Treasury bills and NCDs	39.2%	Domestic cash, Treasury bills and NCDs	56.9%
Domestic bonds	50.1%	Domestic bonds	33.5%
Offshore equity	0.9%	Offshore equity	0.6%
Offshore bonds	1.0%	Offshore bonds	0.9%
Offshore cash	4.0%	Offshore cash	3.6%
Offshore property	0.3%	Offshore property	0.3%

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

Number of units as at 30 September 2022 (Class A): 1 861 478 893
Price (net asset value per unit) as at 30 September 2022 (Class A): R1.27
Number of units as at 30 September 2022 (Class E): 779 317 204
Price (net asset value per unit) as at 30 September 2022 (Class E): R1.27

All data as per Bloomberg as at 30 September 2022.

Total investment charge

PSG Diversified Income Fund Class A

Total Investment Charge annualised for the period 01/10/2019 to 30/09/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.19**	**0.70**
Annual management fee % (incl. VAT)	1.15	0.52
Other costs excluding transaction costs % (incl. VAT)	0.04	0.18
Transaction costs % (incl. VAT)	0.14	0.14
Total investment charge % (incl. VAT)	**1.33**	**0.84**

Total Investment Charge annualised for the period 01/10/2021 to 30/09/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.18**	**0.66**
Annual management fee % (incl. VAT)	1.15	0.52
Other costs excluding transaction costs % (incl. VAT)	0.03	0.14
Transaction costs % (incl. VAT)	0.11	0.11
Total investment charge % (incl. VAT)	**1.29**	**0.77**

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 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.

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

PSG Income Fund

Quarterly portfolio commentary as at 30 September 2022
by Lyle Sankar and Duayne Le Roux

Current context

2022 has been a grim year for global investment markets so far. The sustained ultra-loose monetary policy conditions that drove very high financial asset prices and remarkable returns between 2009 and 2021 are being sharply reversed as the Federal Reserve (as well as other central banks) seeks to put the brakes on rampant and persistent inflationary pressures. Other economic and geopolitical factors are also resulting in a sharp contraction of global economic growth expectations and raise the likelihood of recession in the West. These include the war in Europe, high energy prices (after a prolonged period of underinvestment), the strong US dollar and a very weak Chinese economy. And, on the domestic front, we have endured aggressive rate hikes, a disastrous flood and chronic load shedding. This challenging backdrop has been a toxic cocktail for longer-dated fixed income assets. Developed market sovereign bonds, which many treat as portfolio diversifiers, have become positively correlated to stocks (no small surprise, given the negative real yields of 2021) and the Bloomberg US Aggregate Bond Index lost 15% over the first nine months of the year − the worst outcome in half a century. In contrast, South African government bonds have been significantly more resilient. While the rand suffered against an extremely strong US dollar, the All Bond Index (ALBI) lost only 1.34% this year, and the CILI (inflation-linked bond index) gained 2.23% year to date. The SARB hiked interest rates by a significant 1.5% over the quarter in response to higher short-term SA inflation and tighter global monetary policy conditions.

Our perspective

The challenging macro backdrop has caused a sharp decline in investor sentiment to levels last seen during the Global Financial Crisis. The speed at which the South African Reserve Bank (SARB) has progressed with monetary policy has further caused concerns for income seeking investors. Investors in income assets need to differentiate the impact of actual interest rates and market expectations on inflation. Markets typically adjust quickly for expected higher inflation by demanding more from fixed rate investments. Over the year, these instruments adjusted early, well ahead of actual hikes by the SARB. The result is that current market rates are pricing in significant future rate hikes (bar any inflation upside surprises) are expected by the market, and rates while at the same time already offering an attractive premium above inflation. This, at a point where the market largely expects inflation to ease in SA. For example, we are now able to buy 1- to 5-year fixed rate instruments at rates in the range of 8.35% to 9.75% due to the sharp adjustment in expectations. For investors in income funds, this is an attractive inflation-beating option at very low risk of capital loss and high liquidity, as we can trade frequently to remain as agile as needed. We have seen a similar impact on longer-dated fixed rate government bonds, together with adjustments for higher for global risk-off sentiment. We have advocated and implemented for some time a diversification between inflation-linked and fixed rate bonds due to the attractive offsetting drivers of return. As a result, we have held large positions in inflation-linked bonds with positive real yields throughout the year, which held up well as fixed rate instruments adjusted higher. The result is two-fold:

- Resilient portfolio performance in tough global markets with attractive and stable income returns.
- An area of the portfolio providing liquidity to buy into weaker and more attractive fixed rates.

Portfolio performance and positioning*

We continue to focus on tilting the odds of stable, reliable income returns in our clients' favour. Included in this strategy is a sharp focus on liquidity to adjust quickly to changing markets. Considering the above relative outperformance of inflation-linked bonds, the fund has significantly reduced this exposure and currently holds significant cash to buy into higher real rates. We expect this to both increase the running yield of the fund, and further place us in a very attractive and unique position to lock in returns for the years ahead.

Over the quarter, both the PSG Income Fund and the fund's benchmark produced returns of 1.4%. The major contributors over this period were local money market instruments (0.7%), local government bonds (0.6%) and corporate bonds (0.2%). Over a 1-year period, the fund delivered a return of 5.4% versus the benchmark return of 4.6%. The significant decrease in bonds relates to the fund creating additional liquidity (cash) to deploy into market weakness, particularly into the attractive fixed rate NCD opportunity.

*Return numbers as per the PSG Income Fund Class A

Changes in portfolio positioning

Q2 2022		Q3 2022	
Domestic bonds	43.0%	Domestic bonds	27.5%
Domestic cash, Treasury bills and NCDs	57.0%	Domestic cash, Treasury bills and NCDs	72.5%

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

Number of units as at 30 September 2022 (Class A):	389 092 219
Price (net asset value per unit) as at 30 September 2022 (Class A):	R1.07
Number of units as at 30 September 2022 (Class E):	1 443 466 490
Price (net asset value per unit) as at 30 September 2022 (Class E):	R1.06

All data as per Bloomberg as at 30 September 2022.

Total investment charge

Total Investment Charge annualised for the period 01/10/2019 to 30/09/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**0.79**	**0.51**
Annual management fee % (incl. VAT)	0.75	0.46
Other costs excluding transaction costs % (incl. VAT)	0.04	0.05
Transaction costs % (incl. VAT)	0.13	0.13
Total investment charge % (incl. VAT)	**0.92**	**0.64**

Total Investment Charge annualised for the period 01/10/2021 to 30/09/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**0.78**	**0.49**
Annual management fee % (incl. VAT)	0.75	0.46
Other costs excluding transaction costs % (incl. VAT)	0.03	0.03
Transaction costs % (incl. VAT)	0.14	0.14
Total investment charge % (incl. VAT)	**0.92**	**0.63**

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

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

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Email: Compliance-PSG@standardbank.co.za

Additional information
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Current context

2022 has been a grim year for global investment markets so far. The sustained ultra-loose monetary policy conditions that drove very high financial asset prices and remarkable returns between 2009 and 2021 are being sharply reversed as the Federal Reserve (as well as other central banks) seeks to put the brakes on rampant and persistent inflationary pressures. Other economic and geopolitical factors are also resulting in a sharp contraction of global economic growth expectations and raise the likelihood of recession in the West. These include the war in Europe, high energy prices (after a prolonged period of underinvestment), the strong US dollar and a very weak Chinese economy. And, on the domestic front, we have endured aggressive rate hikes, a disastrous flood and chronic load shedding. This challenging backdrop has been a toxic cocktail for longer dated fixed income assets. Developed market sovereign bonds, which many treat as portfolio diversifiers, have become positively correlated to stocks (no small surprise, given the negative real yields of 2021) and the Bloomberg US Aggregate Bond Index lost 15% over the first nine months of the year – the worst outcome in half a century. In contrast, South African government bonds have been significantly more resilient. While the rand suffered against an extremely strong US dollar, the All Bond Index (ALBI) lost only 1.34% this year, and the CILI (inflation-linked bond index) gained 2.23% year to date. The SARB hiked interest rates by a significant 1.5% over the quarter in response to higher short-term SA inflation and tighter global monetary policy conditions.

Our perspective

The challenging macro backdrop has caused a sharp decline in investor sentiment to levels last seen during the Global Financial Crisis. The speed at which the South African Reserve Bank (SARB) has progressed with monetary policy has further caused concerns for income seeking investors. Investors in income assets need to differentiate the impact of actual interest rates and market expectations on inflation. Markets typically adjust quickly for expected higher inflation by demanding more from fixed rate investments. Over the year, these instruments adjusted early, well ahead of actual hikes by the SARB. The result is that current market rates are pricing in significant future rate hikes while at the same time offering an attractive premium above inflation. This, at a point where the market largely expects inflation to ease in SA. For example, we are now able to buy 1- to 5-year fixed rate instruments at rates in the range of 8.35% to 9.75% due to the sharp adjustment in expectations. For investors in income funds, this is an attractive inflation beating option at very low risk of capital loss and high liquidity, as we can trade frequently to remain as agile as needed. We have seen a similar impact on longer-dated fixed rate government bonds, together with adjustments for higher for global risk-off sentiment.

Portfolio performance and positioning*

Over the quarter, the fund has added exposure to the negotiated certificates of deposit (NCD) curve where the steepness in the curve has been most rewarding, particularly at the 6- and 7-month points. Additionally, the fund has been monetising this steepness by periodically selling shorter-dated instruments in favour of longer-dated instruments. Over the quarter, the fund has also added shorter-dated bonds at attractive credit spreads. And lastly, given the increased volatility of markets, the fund has taken a decision to hold marginally more call deposits.

Over the quarter the PSG Money Market Fund returned 1.4% versus the benchmark return of 1.3%. The fund is suitable for investors who need an interim investment vehicle or 'parking bay' for surplus money and who have a short-term investment horizon. Since inception, the fund and the fund’s benchmark both produced annual returns of 8.0%.

*Return numbers as per the PSG Money Market Fund Class A

Changes in portfolio positioning

Q2 2022		Q3 2022	
Linked NCDs/ Floating-rate notes	12.8%	Linked NCDs/Floating-rate notes	14.2%
Step rate notes	11.6%	Step rate notes	10.7%
NCDs	44.8%	NCDs	32.7%
Treasury bills	7.9%	Treasury bills	0.0%
Call deposits	20.9%	Call deposits	34.2%
Listed bond	2.0%	Listed bond	8.2%

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

Number of units as at 30 September 2022 (Class A):	620 854 097
Price (net asset value per unit) as at 30 September 2022 (Class A):	R1.00
Number of units as at 30 September 2022 (Class F):	405 561 872
Price (net asset value per unit) as at 30 September 2022 (Class F):	R1.00

All data as per Bloomberg as at 30 September 2022.

Total investment charge

Total Investment Charge annualised for the period 01/10/2019 to 30/09/2022

	Class A	Class F
Total expense ratio % (incl. VAT)	**0.59**	**0.36**
Annual management fee % (incl. VAT)	0.58	0.29
Other costs excluding transaction costs % (incl. VAT)	0.01	0.07
Transaction costs % (incl. VAT)	0.14	0.14
Total investment charge % (incl. VAT)	**0.73**	**0.50**

Total Investment Charge annualised for the period 01/10/2021 to 30/09/2022

	Class A	Class F
Total expense ratio % (incl. VAT)	**0.60**	**0.35**
Annual management fee % (incl. VAT)	0.58	0.29
Other costs excluding transaction costs % (incl. VAT)	0.02	0.06
Transaction costs % (incl. VAT)	0.20	0.20
Total investment charge % (incl. VAT)	**0.80**	**0.55**

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Money Market

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

Regulation 28

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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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Conflict of Interest Disclosure

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Trustees

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PSG Asset Management

PSG Global Equity Feeder Fund

Quarterly portfolio commentary as at 30 September 2022
by Greg Hopkins, Philipp Wörz and Justin Floor

Current context

2022 has been a grim year for global investment markets so far. The sustained ultra-loose monetary policy conditions that drove very high financial asset prices and remarkable returns between 2009 and 2021 are being sharply reversed as the Federal Reserve (as well as other central banks) seeks to put the brakes on rampant and persistent inflationary pressures. Other economic and geopolitical factors are also resulting in a sharp contraction of global economic growth expectations and raise the likelihood of recession in the West. These include the war in Europe, high energy prices (after a prolonged period of underinvestment), the strong US dollar and a very weak Chinese economy. This challenging backdrop has been a toxic cocktail for risk assets like equities – the MSCI World Index has lost 25% year to date and the technology heavy Nasdaq Composite Index 32%. Developed market sovereign bonds, which many treat as portfolio diversifiers, have become positively correlated to stocks (no small surprise, given the negative real yields of 2021) and the Bloomberg US Aggregate Bond Index lost 15% over the first nine months of the year – the worst outcome in half a century.

Our perspective

We have argued for some time that clients should prepare for a future where investment outcomes will look very different over the next decade compared to the last. 2022 has shown that most portfolios are poorly positioned in a world of higher inflation, higher interest rates and underinvestment in real assets.

The challenging macro backdrop has caused a sharp decline in investor sentiment to levels last seen during the Global Financial Crisis. This has resulted in especially attractive valuations within a portion of global equity markets. Importantly, we are finding good opportunities to buy stocks that are cheap, out of favour and that we believe will be the beneficiaries of the probable economic conditions over the next decade. Consequently, our buy lists are full of high-conviction ideas that should provide excellent long-run returns. These include resilient global businesses and producers of scarce energy resources and materials. Pleasingly, many of these stocks have proved relatively resilient in 2022 amidst the market turmoil. When we contrast the valuations of our portfolio holdings with market indices, especially in the US, we note that the difference remains extremely wide – our clients own stocks that are much cheaper than the widely owned growth stocks (the winners of the past). We believe that most of our equity investments will enjoy robust future profit growth and many will deliver extremely attractive cash returns to shareholders in the form of dividends or buybacks. This situation sees our funds taking on relatively high equity exposures despite the macro and geopolitical challenges. We argue that it is appropriate to embrace some of the current fear to lock in the chance to grow client capital in the future. That said, we have been careful to diversify across geographies (taking advantage of weakness in the UK, Japan and Europe). We have also actively diversified our portfolios to cater for a very unpredictable future. These defences include idiosyncratic, less correlated companies, gold, oil and gas stocks.

We expect heightened volatility to remain part of the investment landscape. At times like these, investors will do well to remind themselves that market volatility is part and parcel of investing in stocks and that the ability to stomach volatility in times of uncertainty is what typically generates superior long-term returns from equities. Furthermore, when we compare the different valuations on offer, we are convinced that this is a good time for differentiated active stock pickers to add a lot of value for their clients. Some of our strongest performing stocks over the past two years had been acquired in times of turmoil and we have had to be brave and patient. Looking into our portfolios today we are encouraged but aware that patience will be required.

Portfolio performance and positioning

Several of the fund's economically defensive shares such as Kroger Co, Philip Morris International Inc and Centene Corp played an important portfolio role over the past several years, including during the market turmoil in recent quarters. Strong share prices and narrowing valuation discounts allowed us to recycle capital out of these holdings into attractive opportunities that have materially fallen out of favour. The fund increased exposure to existing positions in Glencore plc (diversified mining), Mosaic Co (fertiliser), Noble Corp (offshore oil and gas drilling), Lloyds reinsurer Hiscox Ltd and reintroduced Exor NV (the investment holding company of assets such as Ferrari, Stellantis and CNH Industrial) at a price 25% lower than when we exited the position in 2021.

Our global buylists are currently full and price to value across the fund is at levels to be expected at bear market lows, which informs our positioning.

Over the quarter the PSG Global Equity Feeder Fund returned -3.3% versus the benchmark return of 2.9%. Energy was the only positive contributor with a contribution to return of 1.8%. The largest detractors were financials (-2.9%), consumer staples (-1.6%) and industrials (-1.4%). 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 9.4% p.a. versus the benchmark return of 12.0% p.a. Since inception, the fund produced an annual return of 11.1% versus the benchmark return of 16.7%.

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

Changes in portfolio positioning

Q2 2022		Q3 2022	
Equities	99.3%	Equities	99.6%
Cash	0.7%	Cash	0.4%

Q2 2022		Q3 2022	
US	37.0%	US	37.3%
Europe	14.5%	Europe	16.4%
UK	29.9%	UK	29.7%
Japan	12.2%	Japan	11.6%
Africa	4.6%	Africa	4.1%
Other	0.5%	Other	0.5%
Cash	0.7%	Cash	0.4%

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

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

Number of units as at 30 September 2022 (Class A):	5 057 318
Price (net asset value per unit) as at 30 September 2022 (Class A):	R3.33
Number of units as at 30 September 2022 (Class E):	53 871 405
Price (net asset value per unit) as at 30 September 2022 (Class E):	R3.43

All data as per Bloomberg as at 30 September 2022.

Total investment charge

Total Investment Charge annualised for the period 01/10/2019 to 30/09/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.65**	**2.08**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.79	1.79
Transaction costs % (incl. VAT)	0.35	**0.35**
Total investment charge % (incl. VAT)	**3.00**	**2.43**

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Total Investment Charge annualised for the period 01/10/2021 to 30/09/2022

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.50**	**1.92**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.64	1.63
Transaction costs % (incl. VAT)	0.37	**0.37**
Total investment charge % (incl. VAT)	**2.87**	**2.29**

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

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

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

PSG Global Flexible Feeder Fund

Quarterly portfolio commentary as at 30 September 2022
by Greg Hopkins, Philipp Wörz and Justin Floor

Current context

2022 has been a grim year for global investment markets so far. The sustained ultra-loose monetary policy conditions that drove very high financial asset prices and remarkable returns between 2009 and 2021 are being sharply reversed as the Federal Reserve (as well as other central banks) seeks to put the brakes on rampant and persistent inflationary pressures. Other economic and geopolitical factors are also resulting in a sharp contraction of global economic growth expectations and raise the likelihood of recession in the West. These include the war in Europe, high energy prices (after a prolonged period of underinvestment), the strong US dollar and a very weak Chinese economy. This challenging backdrop has been a toxic cocktail for risk assets like equities – the MSCI World Index has lost 25% year to date and the technology heavy Nasdaq Composite Index 32%. Developed market sovereign bonds, which many treat as portfolio diversifiers, have become positively correlated to stocks (no small surprise, given the negative real yields of 2021) and the Bloomberg US Aggregate Bond Index lost 15% over the first nine months of the year – the worst outcome in half a century.

Our perspective

We have argued for some time that clients should prepare for a future where investment outcomes will look very different over the next decade compared to the last. 2022 has shown that most portfolios are poorly positioned in a world of higher inflation, higher interest rates and underinvestment in real assets.

The challenging macro backdrop has caused a sharp decline in investor sentiment to levels last seen during the Global Financial Crisis. This has resulted in especially attractive valuations within a portion of global equity markets. Importantly, we are finding good opportunities to buy stocks that are cheap, out of favour and that we believe will be the beneficiaries of the probable economic conditions over the next decade. Consequently, our buy lists are full of high-conviction ideas that should provide excellent long-run returns. These include resilient global businesses and producers of scarce energy resources and materials. Pleasingly, many of these stocks have proved relatively resilient in 2022 amidst the market turmoil. When we contrast the valuations of our portfolio holdings with market indices, especially in the US, we note that the difference remains extremely wide – our clients own stocks that are much cheaper than the widely owned growth stocks (the winners of the past). We believe that most of our equity investments will enjoy robust future profit growth and many will deliver extremely attractive cash returns to shareholders in the form of dividends or buybacks. This situation sees our funds taking on relatively high equity exposures despite the macro and geopolitical challenges. We argue that it is appropriate to embrace some of the current fear to lock in the chance to grow client capital in the future. That said, we have been careful to diversify across geographies (taking advantage of weakness in the UK, Japan and Europe). We have also actively diversified our portfolios to cater for a very unpredictable future. These defences include idiosyncratic, less correlated companies, gold, oil and gas stocks.

We expect heightened volatility to remain part of the investment landscape. At times like these, investors will do well to remind themselves that market volatility is part and parcel of investing in stocks and that the ability to stomach volatility in times of uncertainty is what typically generates superior long-term returns from equities. Furthermore, when we compare the different valuations on offer, we are convinced that this is a good time for differentiated active stock pickers to add a lot of value for their clients. Some of our strongest performing stocks over the past two years had been acquired in times of turmoil and we have had to be brave and patient. Looking into our portfolios today we are encouraged but aware that patience will be required.

Portfolio performance and positioning

Several of the fund's economically defensive shares such as Kroger Co, Philip Morris International Inc and Centene Corp played an important portfolio role over the past several years, including during the market turmoil in recent quarters. Strong share prices and narrowing valuation discounts allowed us to recycle capital out of these holdings into attractive opportunities that have materially fallen out of favour. The fund increased exposure to existing positions in Glencore plc (diversified mining), Mosaic Co (fertiliser), Noble Corp (offshore oil and gas drilling), Lloyds reinsurer Hiscox Ltd and reintroduced Exor NV (the investment holding company of assets such as Ferrari, Stellantis and CNH Industrial) at a price 25% lower than when we exited the position in 2021.

Our global buylists are currently full and price to value across the fund is at levels to be expected at bear market lows, which informs our positioning and low cash levels in the fund.

Over the quarter the PSG Global Flexible Feeder Fund returned -3.2% versus the benchmark return of 12.7%. Energy was the only positive contributor with a contribution to return of 1.5%. The largest detractors were financials (-2.7%), consumer staples (-1.7%) and industrials (-1.4%). 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 6.8% p.a. versus the benchmark return of 16.3% p.a. Since inception, the fund produced an annual return of 10.8% versus the benchmark return of 17.0%.

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

Changes in portfolio positioning

Q2 2022		Q3 2022	
Equities	93.9%	Equities	91.9%
Bonds	0.7%	Bonds	0.7%
Cash	5.4%	Cash	7.4%

Q2 2022		Q3 2022	
US	35.2%	US	34.4%
Europe	12.6%	Europe	14.1%
UK	29.1%	UK	27.9%
Japan	12.0%	Japan	11.4%
Africa	4.0%	Africa	3.5%
Other	0.7%	Other	0.7%
Cash and Bonds	6.1%	Cash and Bonds	8.0%

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

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Number of units as at 30 September 2022 (Class A):	13 113 235
Price (net asset value per unit) as at 30 September 2022 (Class A):	R2.65
Number of units as at 30 September 2022 (Class B):	130 184 139
Price (net asset value per unit) as at 30 September 2022 (Class B):	R2.76

All data as per Bloomberg as at 30 September 2022.

Total investment charge

Total Investment Charge annualised for the period 01/10/2019 to 30/09/2022

	Class A	Class B
Total expense ratio % (incl. VAT)	**2.45**	**1.88**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.59	1.59
Transaction costs % (incl. VAT)	0.19	0.19
Total investment charge % (incl. VAT)	**2.64**	**2.07**

Total Investment Charge annualised for the period 01/10/2021 to 30/09/2022

	Class A	Class B
Total expense ratio % (incl. VAT)	**2.25**	**1.68**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.39	1.39
Transaction costs % (incl. VAT)	0.13	0.13
Total investment charge % (incl. VAT)	**2.38**	**1.81**

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