PSG Asset Management

Quarterly portfolio fund commentaries

September 2023

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PSG Asset Management

PSG Equity Fund

Quarterly portfolio commentary as at 30 September 2023
by Shaun le Roux and Gustav Schulenburg

Current context

Despite widespread expectations of an imminent recession, the global economy continues to show unexpected resilience in many key areas, and in labour markets in particular. As underlying inflation remains elevated, central banks are signalling a commitment to keeping interest rates high. As a result, financial conditions have tightened materially over the quarter. Meanwhile, the South African economy continues to struggle as underperforming infrastructure and elevated interest rates constrain economic growth.

Globally, equity markets were weak over the quarter. The MSCI World Index declined by 3.4%, as European and other developed equity markets generally struggled. Meanwhile, emerging markets fared better, with the MSCI Emerging Markets Index down 2.8%. Developed market government bonds were notably weak as well, with most developed market bond indices declining by mid-single digits. US 10-year Treasury bond yields rose by 78 basis points and long-duration bonds saw material capital losses. Energy markets were strong, with the Brent crude oil price surging by 27.2% bringing the year-to-date increase to over 10%.

South African assets were also weak over the quarter. The South African rand (ZAR) weakened by 0.4% against the US dollar (USD), which was generally strong against most world currencies. Domestic equities saw weakness as the JSE All Share Index (ALSI) lost 4.8% in local currency while listed property declined by 1.6%. Domestic government bonds fared considerably better than their global counterparts, as the All Bond Index Total Return Index declined by 0.3%. Domestic inflation-linked bonds performed even better, with a local currency gain of 0.8% over the quarter.

Our perspective and positioning

The world is gradually adjusting to a new post-pandemic reality. We have discussed the persistent inflationary forces that seem to have become entrenched extensively in publications like our quarterly *Angles & Perspectives*. Fiscal policy has now taken centre stage, surpassing monetary policy as the primary tool of this era. Governments are leveraging this potent tool by running sizable fiscal deficits, necessitating record levels of debt issuance. Unlike households and businesses, the US government missed the opportunity to secure low interest rates far into the future, resulting in a relatively short maturity profile for US government debt. Consequently, they must now issue a substantial volume of bonds, not only to roll maturing bond issues but also to fund the growing deficit. This is happening at the same time as investors demand higher returns.

Interest rates have rapidly normalised worldwide over the last two years. Government bond yields have increased significantly, leading to substantial capital losses on the asset class that was supposed to be a risk-free portfolio diversifier. Although investors are adapting to this new environment, many still perceive it as temporary, expecting a return to low inflation and interest rates. As a result, many investors are still positioned in long-duration financial assets such as US Treasury bonds, and paying a premium for quality and growth equities. We think there are substantial risks to this consensus view.

These developments hold significant implications for investors:

- **Look elsewhere for safe havens:** US bonds (and expensive bond proxy shares) are unlikely to play a reliable role as portfolio diversifiers like they did in the past. Investors will need to explore alternative risk mitigation options. Depending on the specific mandate of each fund, our portfolios include integrated energy companies, real assets, gold, cash and volatility-driven instruments like put options as safer assets.

- **Opportunities beyond the US:** The era of US exceptionalism characterised by low interest rates and high PE multiples may have already peaked. Many global investors remain heavily concentrated in US assets. We advise diversifying into opportunities outside the US and we own good companies in unloved regions such as the UK, Europe, Hong Kong, Japan and emerging markets where valuations are attractive. Despite the evident challenges locally, we are finding good opportunities in some JSE-listed equities and local government bonds and have been increasing our exposure where appropriate over the last few months.

- **Focus on valuations:** As high interest rates increase the hurdle rate of taking on risk, the price paid for securities becomes increasingly crucial. Valuation spreads, highlighting disparities between expensive and affordable segments of the market, are currently at extreme levels. Identifying well-considered opportunities within the less crowded and cheaper parts of the market is an attractive and a risk-reducing strategy, and one that suits our investment approach.

Our process has identified a number of attractive and under-owned securities (domestic and global) in these extraordinary times. It is also appropriate to construct sensible portfolios that are balanced with an array of portfolio diversifiers well suited to an investment environment characterised by elevated macro volatility and higher interest rates.

Portfolio performance*

Over the quarter the PSG Equity Fund returned 4.1% versus the benchmark return of -3.7%. The largest contributors over this period were industrials (3.1%), foreign equities (1.3%) and financials (0.2%), while real estate (-0.1%) detracted from performance. 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 produced an annualised return of 8.0% versus the benchmark return of 8.6% p.a. Since inception, the fund has performed in the top quartile and produced an annual return of 15.2% versus the benchmark return of 12.7%.

*Return numbers as per the PSG Equity Fund Class A

Changes in portfolio positioning

Q2 2023		Q3 2023	
Domestic equity	65.9%	Domestic equity	66.4%
Domestic property	1.6%	Domestic property	1.7%
Domestic cash	0.0%	Domestic cash	0.1%
Offshore equity	32.5%	Offshore equity	31.8%

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

Number of units as at 30 September 2023 (Class A):	27 853 658
Price (net asset value per unit) as at 30 September 2023 (Class A):	R15.74
Number of units as at 30 September 2023 (Class E):	93 192 381
Price (net asset value per unit) as at 30 September 2023 (Class E):	R15.76

All data as per Bloomberg as at 30 September 2023

Total investment charge

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

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.75**	**1.96**
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	1.07*
Transaction costs % (incl. VAT)	0.24	0.24
Total investment charge % (incl. VAT)	**1.99**	**2.20**

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

Total Investment Charge annualised for the period 01/10/2022 to 30/09/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.75**	**2.59**
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	1.70*
Transaction costs % (incl. VAT)	0.24	0.24
Total investment charge % (incl. VAT)	**1.99**	**2.83**

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

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

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

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

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 Financial Services 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 Financial Services 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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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 SA Equity Fund

Quarterly portfolio commentary as at 30 September 2023
by Gustav Schulenburg and Mikhail Motala

Current context

Despite widespread expectations of an imminent recession, the global economy continues to show unexpected resilience in many key areas, and in labour markets in particular. As underlying inflation remains elevated, central banks are signalling a commitment to keeping interest rates high. As a result, financial conditions have tightened materially over the quarter. Meanwhile, the South African economy continues to struggle as underperforming infrastructure and elevated interest rates constrain economic growth.

Globally, equity markets were weak over the quarter. The MSCI World Index declined by 3.4%, as European and other developed equity markets generally struggled. Meanwhile, emerging markets fared better, with the MSCI Emerging Markets Index down 2.8%. Developed market government bonds were notably weak as well, with most developed market bond indices declining by mid-single digits. US 10-year Treasury bond yields rose by 78 basis points and long-duration bonds saw material capital losses. Energy markets were strong, with the Brent crude oil price surging by 27.2% bringing the year-to-date increase to over 10%.

South African assets were also weak over the quarter. The South African rand (ZAR) weakened by 0.4% against the US dollar (USD), which was generally strong against most world currencies. Domestic equities saw weakness as the JSE All Share Index (ALSI) lost 4.8% in local currency while listed property declined by 1.6%. Domestic government bonds fared considerably better than their global counterparts, as the All Bond Index Total Return Index declined by 0.3%. Domestic inflation-linked bonds performed even better, with a local currency gain of 0.8% over the quarter.

Our perspective and positioning

The world is gradually adjusting to a new post-pandemic reality. We have discussed the persistent inflationary forces that seem to have become entrenched extensively in publications like our quarterly *Angles & Perspectives*. Fiscal policy has now taken centre stage, surpassing monetary policy as the primary tool of this era. Governments are leveraging this potent tool by running sizable fiscal deficits, necessitating record levels of debt issuance. Unlike households and businesses, the US government missed the opportunity to secure low interest rates far into the future, resulting in a relatively short maturity profile for US government debt. Consequently, they must now issue a substantial volume of bonds, not only to roll maturing bond issues but also to fund the growing deficit. This is happening at the same time as investors demand higher returns.

Interest rates have rapidly normalised worldwide over the last two years. Government bond yields have increased significantly, leading to substantial capital losses on the asset class that was supposed to be a risk-free portfolio diversifier. Although investors are adapting to this new environment, many still perceive it as temporary, expecting a return to low inflation and interest rates. As a result, many investors are still positioned in long-duration financial assets such as US Treasury bonds, and paying a premium for quality and growth equities. We think there are substantial risks to this consensus view.

These developments hold significant implications for investors:

- **Look elsewhere for safe havens:** US bonds (and expensive bond proxy shares) are unlikely to play a reliable role as portfolio diversifiers like they did in the past. Investors will need to explore alternative risk mitigation options. Depending on the specific mandate of each fund, our portfolios include integrated energy companies, real assets, gold, cash and volatility-driven instruments like put options as safer assets.

- **Opportunities beyond the US:** The era of US exceptionalism characterised by low interest rates and high PE multiples may have already peaked. Many global investors remain heavily concentrated in US assets. We advise diversifying into opportunities outside the US and we own good companies in unloved regions such as the UK, Europe, Hong Kong, Japan and emerging markets where valuations are attractive. Despite the evident challenges locally, we are finding good opportunities in some JSE-listed equities and local government bonds and have been increasing our exposure where appropriate over the last few months.

- **Focus on valuations:** As high interest rates increase the hurdle rate of taking on risk, the price paid for securities becomes increasingly crucial. Valuation spreads, highlighting disparities between expensive and affordable segments of the market, are currently at extreme levels. Identifying well-considered opportunities within the less crowded and cheaper parts of the market is an attractive and a risk-reducing strategy, and one that suits our investment approach.

In these extraordinary times, we have aimed to construct sensible portfolios of attractive and under-owned securities, balanced with an array of portfolio diversifiers well suited to an investment environment characterised by elevated macro volatility and higher interest rates.

Portfolio performance*

The global and local economy remains volatile as the shift towards higher interest rates and inflation becomes a reality and a normalisation of the cost of capital continues. Added to this, the war in the Ukraine, the trade disruptions between East and West, and the underinvestment in global production, are all causing further uncertainty.

Locally, load-shedding seems to have reduced and become stable (for now at least), but confidence and gross domestic product (GDP) remains low. Most investors seem to be reluctant to commit capital to South Africa until we have clarity on the local elections and a path forward for SOEs like Transnet SOC Ltd and Eskom Holdings SOC Ltd.

The PSG SA Equity Fund remains focused on applying its independent research and thinking to uncover the best long-term investment opportunities and positioning clients for the benefit of that.

During the third quarter of 2023, the fund generated an outperformance of 7.7% driven by sizeable exposure to AECI Limited, Wilson Bayly Holmes (WBHO) and Sun International which all returned in excess of 21% during the quarter. These three investments were also key contributors to fund performance over the last 12 months with returns of +41.5% (AECI), +44.3% (WBHO) and +61.5% (Sun International).

Avoiding counters such as Naspers (-11.0%), Prosus (-11.7%) and Richemont (-25.5%), also produced valuable alpha for clients during Q3 2023 (vs the benchmark return of -3.8%).

We continue to be excited by the opportunity set provided by the local- and global markets. Investors who are willing to consider the changing global landscape, where the opportunity set is likely to look very different from the last decade, should be rewarded handsomely over the longer term.

We encourage our clients to focus on the fund's long-term objectives, rather than potential short-term volatility and changes in market sentiment.

Over the quarter the PSG SA Equity Fund returned 3.9% versus the benchmark return of -3.8%. The largest contributors were industrials (3.6%), financials (0.7%) and resources (0.2%), while real estate (-0.1%) detracted from performance. 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 5.7% p.a. versus the benchmark return of 5.5% p.a. Since inception, the fund has produced an annual return of 6.3% versus the benchmark return of 6.7%.

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

Changes in portfolio positioning

Q2 2023		Q3 2023	
Domestic equity	96.9%	Domestic equity	96.0%
Domestic property	2.4%	Domestic property	2.2%
Domestic cash	0.7%	Domestic cash	1.8%

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

Number of units as at 30 September 2023 (Class D):	292 326 480
Price (net asset value per unit) as at 30 September 2023 (Class D):	R1.48
Number of units as at 30 September 2023 (Class F):	11 949 834
Price (net asset value per unit) as at 30 September 2023 (Class F):	R1.50

All data as per Bloomberg as at 30 September 2023

Total investment charge

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

	Class D	Class F
Total expense ratio % (incl. VAT)	**1.07**	**1.32**
Annual management fee % (incl. VAT)	0.98	1.27
Other costs excluding transaction costs % (incl. VAT)	0.09	0.05
Transaction costs % (incl. VAT)	0.34	0.34
Total investment charge % (incl. VAT)	**1.41**	**1.66**

Total Investment Charge annualised for the period 01/10/2022 to 30/09/2023

	Class D	Class F
Total expense ratio % (incl. VAT)	**1.07**	**1.36**
Annual management fee % (incl. VAT)	0.98	1.27
Other costs excluding transaction costs % (incl. VAT)	0.09	0.09
Transaction costs % (incl. VAT)	0.38	0.38
Total investment charge % (incl. VAT)	**1.45**	**1.74**

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Company details
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Our process has identified a number of attractive and under-owned securities (domestic and global) in these extraordinary times. It is also appropriate to construct sensible portfolios that are of attractive and under-owned securities, balanced with an array of portfolio diversifiers well suited to an investment environment characterised by elevated macro volatility and higher interest rates.

Portfolio performance*

Over the quarter the PSG Flexible Fund returned 3.8% versus the benchmark return of 2.8%. The largest contributors over this period were industrials (2.6%), foreign equities (15%) and financials (0.2%). Real estate (-0.1%) and foreign options (-0.1%) detracted from performance. 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 8.5% p.a. versus the benchmark return of 10.9% p.a. Since inception, the fund has performed in the top quartile and has produced an annual return of 13.9% versus benchmark return of 11.6%.

*Return numbers as per the PSG Flexible Fund Class A

Changes in portfolio positioning

Q2 2023		Q3 2023	
Domestic equity*	59.6%	Domestic equity*	58.5%
Domestic property	0.1%	Domestic property	0.2%
Domestic cash, Treasury bills and NCDs	3.6%	Domestic cash, Treasury bills and NCDs	5.0%
Offshore equity**	32.2%	Offshore equity**	32.5%
Offshore property	1.7%	Offshore property	1.5%
Offshore cash	2.8%	Offshore cash	2.3%
*Includes -1.1% effective derivative exposure **Includes -2.8% effective derivative exposure		*Includes -1.6% effective derivative exposure **Includes -2.2% effective derivative exposure	

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

Number of units as at 30 September 2023 (Class A):	374 553 113
Price (net asset value per unit) as at 30 September 2023 (Class A):	R7.61
Number of units as at 30 September 2023 (Class E):	808 565 297
Price (net asset value per unit) as at 30 September 2023 (Class E):	R7.61

All data as per Bloomberg as at 30 September 2023

Total investment charge

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

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.39**	**2.14**
Annual management fee % (incl. VAT)	1.15	0.86
Other costs excluding transaction costs % (incl. VAT)	0.05	0.06
Performance fee % (incl. VAT)	1.19*	1.22*
Transaction costs % (incl. VAT)	0.20	0.20
Total investment charge % (incl. VAT)	**2.59**	**2.34**

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

Total Investment Charge annualised for the period 01/10/2022 to 30/09/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.54**	**2.26**
Annual management fee % (incl. VAT)	1.15	0.86
Other costs excluding transaction costs % (incl. VAT)	0.06	0.06
Performance fee % (incl. VAT)	1.33*	1.34*
Transaction costs % (incl. VAT)	0.23	0.23
Total investment charge % (incl. VAT)	**2.77**	**2.49**

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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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Conflict of interest disclosure
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Trustees
The Standard Bank of South Africa Limited,
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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 2023
by Justin Floor and Dirk Jooste

Current context

Despite widespread expectations of an imminent recession, the global economy continues to show unexpected resilience in many key areas, and in labour markets in particular. As underlying inflation remains elevated, central banks are signalling a commitment to keeping interest rates high. As a result, financial conditions have tightened materially over the quarter. Meanwhile, the South African economy continues to struggle as underperforming infrastructure and elevated interest rates constrain economic growth.

Globally, equity markets were weak over the quarter. The MSCI World Index declined by 3.4%, as European and other developed equity markets generally struggled. Meanwhile, emerging markets fared better, with the MSCI Emerging Markets Index down 2.8%. Developed market government bonds were notably weak as well, with most developed market bond indices declining by mid-single digits. US 10-year Treasury bond yields rose by 78 basis points and long-duration bonds saw material capital losses. Energy markets were strong, with the Brent crude oil price surging by 27.2% bringing the year-to-date increase to over 10%.

South African assets were also weak over the quarter. The South African rand (ZAR) weakened by 0.4% against the US dollar (USD), which was generally strong against most world currencies. Domestic equities saw weakness as the JSE All Share Index (ALSI) lost 4.8% in local currency while listed property declined by 1.6%. Domestic government bonds fared considerably better than their global counterparts, as the All Bond Index Total Return Index declined by 0.3%. Domestic inflation-linked bonds performed even better, with a local currency gain of 0.8% over the quarter.

Our perspective and positioning

The world is gradually adjusting to a new post-pandemic reality. We have discussed the persistent inflationary forces that seem to have become entrenched extensively in publications like our quarterly *Angles & Perspectives*. Fiscal policy has now taken centre stage, surpassing monetary policy as the primary tool of this era. Governments are leveraging this potent tool by running sizable fiscal deficits, necessitating record levels of debt issuance. Unlike households and businesses, the US government missed the opportunity to secure low interest rates far into the future, resulting in a relatively short maturity profile for US government debt. Consequently, they must now issue a substantial volume of bonds, not only to roll maturing bond issues but also to fund the growing deficit. This is happening at the same time as investors demand higher returns.

Interest rates have rapidly normalised worldwide over the last two years. Government bond yields have increased significantly, leading to substantial capital losses on the asset class that was supposed to be a risk-free portfolio diversifier. Although investors are adapting to this new environment, many still perceive it as temporary, expecting a return to low inflation and interest rates. As a result, many investors are still positioned in long-duration financial assets such as US Treasury bonds, and paying a premium for quality and growth equities. We think there are substantial risks to this consensus view.

These developments hold significant implications for investors:

- **Look elsewhere for safe havens:** US bonds (and expensive bond proxy shares) are unlikely to play a reliable role as portfolio diversifiers like they did in the past. Investors will need to explore alternative risk mitigation options. Depending on the specific mandate of each fund, our portfolios include integrated energy companies, real assets, gold, cash and volatility-driven instruments like put options as safer assets.

- **Opportunities beyond the US:** The era of US exceptionalism characterised by low interest rates and high PE multiples may have already peaked. Many global investors remain heavily concentrated in US assets. We advise diversifying into opportunities outside the US and we own good companies in unloved regions such as the UK, Europe, Hong Kong, Japan and emerging markets where valuations are attractive. Despite the evident challenges locally, we are finding good opportunities in some JSE-listed equities and local government bonds and have been increasing our exposure where appropriate over the last few months.

- **Focus on valuations:** As high interest rates increase the hurdle rate of taking on risk, the price paid for securities becomes increasingly crucial. Valuation spreads, highlighting disparities between expensive and affordable segments of the market, are currently at extreme levels. Identifying well-considered opportunities within the less crowded and cheaper parts of the market is an attractive and a risk-reducing strategy, and one that suits our investment approach.

In these extraordinary times, we have aimed to construct sensible portfolios of attractive and under-owned securities, balanced with an array of portfolio diversifiers well suited to an investment environment characterised by elevated macro volatility and higher interest rates.

Portfolio performance*

Over the quarter the PSG Balanced Fund returned 0.5% versus the benchmark (CPI+5%) return of 2.6%, and ahead of the peer category average return of –1.5%. Offshore stock picks Noble Corporation plc, Babcock International Group plc and Jackson Financial Inc contributed most to positive performance. Meanwhile, Pepco Group NV, Prudential plc and Telkom SA SOC Ltd were the primary detractors. The fund is suitable for investors with an investment term of 5 years and longer. Over the short-term, returns can be volatile and for this reason it is important to measure fund returns over the relevant investment term. Over the 5-year time horizon, the fund returned 7.9% p.a. versus the benchmark return of 10.0% p.a. Since inception, the fund has produced an annual return of 12.8% compared to the benchmark return of 10.4%.

*Return numbers as per the PSG Balanced Fund Class A

Changes in portfolio positioning

Q2 2023		Q3 2023	
Domestic equity*	44.1%	Domestic equity*	46.4%
Domestic property	3.1%	Domestic property	3.0%
Domestic cash, Treasury bills and NCDs	1.3%	Domestic cash, Treasury bills and NCDs	2.3%
Domestic bonds	21.6%	Domestic bonds	19.9%
Offshore equity**	24.4%	Offshore equity**	23.6%
Offshore cash	3.0%	Offshore cash	2.3%
Offshore bonds	2.5%	Offshore bonds	2.5%
*Includes -0.9% effective derivative exposure **Includes -2.7% effective derivative exposure		*Includes -1.3% effective derivative exposure **Includes -2.2% effective derivative exposure	

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

Number of units as at 30 September 2023 (Class A):	53 351 533
Price (net asset value per unit) as at 30 September 2023 (Class A):	R91.14
Number of units as at 30 September 2023 (Class E):	68 858 441
Price (net asset value per unit) as at 30 September 2023 (Class E):	R91.17

All data as per Bloomberg as at 30 September 2023.

Total investment charge

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

	Class A	Class E
Total expense ratio % (incl. VAT)	**1.78**	**1.21**
Annual management fee % (incl. VAT)	1.73	1.15
Other costs excluding transaction costs % (incl. VAT)	0.05	0.06
Transaction costs % (incl. VAT)	0.18	0.18
Total investment charge % (incl. VAT)	**1.96**	**1.39**

Total Investment Charge annualised for the period 01/10/2022 to 30/09/2023

	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)	0.17	0.17
Total investment charge % (incl. VAT)	**1.95**	**1.37**

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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.

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PSG Asset Management

PSG Stable Fund

Quarterly portfolio commentary as at 30 September 2023
by John Gilchrist and Dirk Jooste

Current context

Despite widespread expectations of an imminent recession, the global economy continues to show unexpected resilience in many key areas, and in labour markets in particular. As underlying inflation remains elevated, central banks are signalling a commitment to keeping interest rates high. As a result, financial conditions have tightened materially over the quarter. Meanwhile, the South African economy continues to struggle as underperforming infrastructure and elevated interest rates constrain economic growth.

Globally, equity markets were weak over the quarter. The MSCI World Index declined by 3.4%, as European and other developed equity markets generally struggled. Meanwhile, emerging markets fared better, with the MSCI Emerging Markets Index down 2.8%. Developed market government bonds were notably weak as well, with most developed market bond indices declining by mid-single digits. US 10-year Treasury bond yields rose by 78 basis points and long-duration bonds saw material capital losses. Energy markets were strong, with the Brent crude oil price surging by 27.2% bringing the year-to-date increase to over 10%.

South African assets were also weak over the quarter. The South African rand (ZAR) weakened by 0.4% against the US dollar (USD), which was generally strong against most world currencies. Domestic equities saw weakness as the JSE All Share Index (ALSI) lost 4.8% in local currency while listed property declined by 1.6%. Domestic government bonds fared considerably better than their global counterparts, as the All Bond Index Total Return Index declined by 0.3%. Domestic inflation-linked bonds performed even better, with a local currency gain of 0.8% over the quarter.

Our perspective and positioning

The world is gradually adjusting to a new post-pandemic reality. We have discussed the persistent inflationary forces that seem to have become entrenched extensively in publications like our quarterly *Angles & Perspectives*. Fiscal policy has now taken centre stage, surpassing monetary policy as the primary tool of this era. Governments are leveraging this potent tool by running sizable fiscal deficits, necessitating record levels of debt issuance. Unlike households and businesses, the US government missed the opportunity to secure low interest rates far into the future, resulting in a relatively short maturity profile for US government debt. Consequently, they must now issue a substantial volume of bonds, not only to roll maturing bond issues but also to fund the growing deficit. This is happening at the same time as investors demand higher returns.

Interest rates have rapidly normalised worldwide over the last two years. Government bond yields have increased significantly, leading to substantial capital losses on the asset class that was supposed to be a risk-free portfolio diversifier. Although investors are adapting to this new environment, many still perceive it as temporary, expecting a return to low inflation and interest rates. As a result, many investors are still positioned in long-duration financial assets such as US Treasury bonds, and paying a premium for quality and growth equities. We think there are substantial risks to this consensus view.

These developments hold significant implications for investors:

- **Look elsewhere for safe havens:** US bonds (and expensive bond proxy shares) are unlikely to play a reliable role as portfolio diversifiers like they did in the past. Investors will need to explore alternative risk mitigation options. Depending on the specific mandate of each fund, our portfolios include integrated energy companies, real assets, gold, cash and volatility-driven instruments like put options as safer assets.

- **Opportunities beyond the US:** The era of US exceptionalism characterised by low interest rates and high PE multiples may have already peaked. Many global investors remain heavily concentrated in US assets. We advise diversifying into opportunities outside the US and we own good companies in unloved regions such as the UK, Europe, Hong Kong, Japan and emerging markets where valuations are attractive. Despite the evident challenges locally, we are finding good opportunities in some JSE-listed equities and local government bonds and have been increasing our exposure where appropriate over the last few months.

- **Focus on valuations:** As high interest rates increase the hurdle rate of taking on risk, the price paid for securities becomes increasingly crucial. Valuation spreads, highlighting disparities between expensive and affordable segments of the market, are currently at extreme levels. Identifying well-considered opportunities within the less crowded and cheaper parts of the market is an attractive and a risk-reducing strategy, and one that suits our investment approach.

In these extraordinary times, we have aimed to construct sensible portfolios of attractive and under-owned securities, balanced with an array of portfolio diversifiers well suited to an investment environment characterised by elevated macro volatility and higher interest rates.

Portfolio performance*

Over the quarter the PSG Stable Fund returned 0.8% versus the benchmark return of 2.1%. The contributors over this period were industrials (0.8%), local money market instruments (0.3%) and financials (0.1%). Local government bonds (-0.1) detracted from 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 13.5% p.a. versus the benchmark return of 8.8% p.a. Since inception, the fund has produced annualised returns of 8.2% versus benchmark return of 8.2%.

*Return numbers as per the PSG Stable Fund Class A

Changes in portfolio positioning

Q2 2023		Q3 2023	
Domestic equity*	21.0%	Domestic equity*	21.8%
Domestic property	1.4%	Domestic property	1.4%
Domestic cash, Treasury bills and NCDs	16.5%	Domestic cash, Treasury bills and NCDs	16.0%
Domestic bonds	42.2%	Domestic bonds	41.9%
Offshore equity**	13.2%	Offshore equity**	13.5%
Offshore cash	1.3%	Offshore cash	1.0%
Offshore bonds	3.8%	Offshore bonds	3.9%
Offshore property	0.6%	Offshore property	0.5%
*Includes -1.2% effective derivative exposure **Includes -1.1% effective derivative exposure		*Includes -1.8% effective derivative exposure **Includes -0.9% effective derivative exposure	

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

Number of units as at 30 September 2023 (Class A):	22 478 164
Price (net asset value per unit) as at 30 September 2023 (Class A):	R1.58
Number of units as at 30 September 2023 (Class E):	417 990 877
Price (net asset value per unit) as at 30 September 2023 (Class E):	R1.58

All data as per Bloomberg as at 30 September 2023

Total investment charge

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

	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)	0.09	0.09
Total investment charge % (incl. VAT)	**1.87**	**1.29**

Total Investment Charge annualised for the period 01/10/2022 to 30/09/2023

	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)	0.08	0.08
Total investment charge % (incl. VAT)	**1.85**	**1.28**

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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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Redemptions

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Additional information

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PSG Asset Management

PSG Diversified Income Fund

Quarterly portfolio commentary as at 30 September 2023
by Lyle Sankar, Ané Craig and John Gilchrist

Current context

Despite widespread expectations of an imminent recession, the global economy continues to show unexpected resilience in many key areas, and in labour markets in particular. As underlying inflation remains elevated, central banks are signalling a commitment to keeping interest rates high. As a result, financial conditions have tightened materially over the quarter. Meanwhile, the South African economy continues to struggle as underperforming infrastructure and elevated interest rates constrain economic growth.

Globally, equity markets were weak over the quarter. Developed market government bonds were notably weak as well, with most developed market bond indices declining by mid-single digits. Energy markets were strong, with the Brent crude oil price surging by 27.2% bringing the year-to-date increase to over 10%. Alongside growing concerns over the size of debt issuance in developed markets, the re-emergence of inflation risks have resulted in higher bond yields globally. The US 10-year Treasury bond yields rose by 78 basis points and long duration bonds saw material capital losses.

South African assets were also weak over the quarter. The South African rand (ZAR) weakened by 0.4% against the US dollar (USD), which was generally strong against most world currencies. Domestic government bonds underperformed cash as yields rose in response to rising global yields. However, these bonds fared considerably better than their global counterparts, as the All Bond Total Return Index declined by 0.3%. Domestic inflation-linked bonds performed even better, with a local currency gain of 0.8% over the quarter. This has been a tough period for investors in local bonds.

Our perspective and positioning

The world is gradually adjusting to a new post-pandemic reality. We have discussed the persistent inflationary forces that seem to have become entrenched extensively in publications like our quarterly *Angles & Perspectives*. Fiscal policy has now taken centre stage, surpassing monetary policy as the primary tool of this era. Governments are leveraging this potent tool by running sizable fiscal deficits, necessitating record levels of debt issuance. Unlike households and businesses, the US government missed the opportunity to secure low interest rates far into the future, resulting in a relatively short maturity profile for US government debt. Consequently, they must now issue a substantial volume of bonds, not only to roll maturing bond issues but also to fund the growing deficit. Locally, the concern about South Africa's debt burden, given the low growth environment, is of great concern to investors.

South African nominal government bonds currently offer yields in excess of 12% in light of the current backdrop. We continue to perform detailed work on assessing the likelihood of losing capital in these bonds. We share the concerns in the market regarding the impact of low growth while underperforming budgeted revenue targets, with the debt to GDP ratio expected to reach 80% in the next year. However, we gain comfort from the fact that our debt remains extremely well structured (one of the longest maturity profiles globally, in sharp contrast to the US) with very little debt maturing in the next 3 years. The likelihood of a default — in our view — is lower than what is priced into the market. Further, we are comfortable that domestic inflation remains contained. In combination, we therefore remain of the view that SA government bonds are likely to provide clients with low risk of capital loss and attractive real yields. Even in a muddle-through growth environment, local fixed income investors are well placed to deliver on income needs. Investors in addition need to consider the likelihood of South Africa entering into a rate cutting cycle, a probability that has grown in our view. In this type of environment, alongside improving growth prospects (albeit likely to be moderate) due to loadshedding improving in the next year, these bonds provide sufficient margin of safety and an attractive skew of outcomes in favour of investors.

Portfolio performance*

The fund continues to hold a healthy exposure to government bonds, an area of the market that has struggled since Lady R (May 2023). We favour the attractive real yields available in these bonds ahead of exposure to corporate bonds which we believe do not offer attractive risk-adjusted yields and carry higher risk of permanent capital loss. As a result, the recent market turmoil has resulted in disappointing short-term performance. We do however believe the fund has significant embedded value, having used market weakness to improve the overall portfolio positioning (both running yield and stability of yield ahead). Further, we offer much-needed diversification away from risks in the corporate bond market.

Over the quarter the PSG Diversified Income Fund returned 0.8% versus the benchmark return of 1.6%. The contributors over this period were local money market instruments (0.8%), equity (0.2%) and corporate bonds (0.1%), while local government bonds (-0.3%) detracted from performance. Over the 2-year investment horizon, the fund delivered an annualised return of 6.8% versus the benchmark return of 7.2%.

*Return numbers as per the PSG Diversified Income Class A

Changes in portfolio positioning

Q2 2023		Q3 2023	
Domestic equity	2.4%	Domestic equity	2.9%
Domestic preference shares	2.4%	Domestic preference shares	2.6%
Domestic property	0.4%	Domestic property	0.4%
Domestic cash, Treasury bills and NCDs	49.8%	Domestic cash, Treasury bills and NCDs	47.3%
Domestic bonds	40.3%	Domestic bonds	43.1%
Offshore equity	1.0%	Offshore equity	1.0%
Offshore bonds	3.4%	Offshore bonds	2.6%
Offshore cash	0.3%	Offshore cash	0.1%

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

Number of units as at 30 September 2023 (Class A):	1 741 827 121
Price (net asset value per unit) as at 30 September 2023 (Class A):	R1.28
Number of units as at 30 September 2023 (Class E):	1 223 775 607
Price (net asset value per unit) as at 30 September 2023 (Class E):	R1.28

All data as per Bloomberg as at 30 September 2023.

Total investment charge

PSG Diversified Income Fund Class A

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

Total expense ratio % (incl. VAT)	**1.18**
Annual management fee % (incl. VAT)	1.15
Other costs excluding transaction costs % (incl. VAT)	0.03
Transaction costs % (incl. VAT)	0.06
Total investment charge % (incl. VAT)	**1.23**

Total Investment Charge annualised for the period 01/10/2022 to 30/09/2023

Total expense ratio % (incl. VAT)	**1.18**
Annual management fee % (incl. VAT)	1.15
Other costs excluding transaction costs % (incl. VAT)	0.03
Transaction costs % (incl. VAT)	0.04
Total investment charge % (incl. VAT)	**1.22**

PSG Diversified Income Fund Class E

Total Investment Charge annualised for the period 01/07/2020 to 31/05/2022

Total expense ratio % (incl. VAT)	**0.72**
Annual management fee % (incl. VAT)	0.69
Other costs excluding transaction costs % (incl. VAT)	0.03
Transaction costs % (incl. VAT)	0.05
Total investment charge % (incl. VAT)	**0.77**

Total Investment Charge annualised for the period 01/10/2022 to 30/09/2023.
The annual management fee changed to 0.52% from 01/06/2022.

Total expense ratio % (incl. VAT)	**0.54**
Annual management fee % (incl. VAT)	0.52
Other costs excluding transaction costs % (incl. VAT)	0.02
Transaction costs % (incl. VAT)	0.04
Total investment charge % (incl. VAT)	**0.58**

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 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 inissue.

Redemptions

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

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 Financial Services 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 Financial Services Limited. PSG Collective Investments (RF) Limited can be contacted on +27(21) 799 8000; (toll free) 0800 600 168, via email assetmanagement@psg.co.za.

Conflict of interest disclosure

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

Trustee

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Additional information

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PSG Income Fund

Quarterly portfolio commentary as at 30 September 2023
by Lyle Sankar and Duayne Le Roux

Current context

Despite widespread expectations of an imminent recession, the global economy continues to show unexpected resilience in many key areas, and in labour markets in particular. As underlying inflation remains elevated, central banks are signalling a commitment to keeping interest rates high. As a result, financial conditions have tightened materially over the quarter. Meanwhile, the South African economy continues to struggle as underperforming infrastructure and elevated interest rates constrain economic growth.

Globally, equity markets were weak over the quarter. Developed market government bonds were notably weak as well, with most developed market bond indices declining by mid-single digits. Energy markets were strong, with the Brent crude oil price surging by 27.2% bringing the year-to-date increase to over 10%. Alongside growing concerns over the size of debt issuance in developed markets, the re-emergence of inflation risks have resulted in higher bond yields globally. The US 10-year Treasury bond yields rose by 78 basis points and long-duration bonds saw material capital losses.

South African assets were also weak over the quarter. The South African rand (ZAR) weakened by 0.4% against the US dollar (USD), which was generally strong against most world currencies. Domestic government bonds underperformed cash as yields rose in response to rising global yields. However, these bonds fared considerably better than their global counterparts, as the All Bond Index Total Return Index declined by 0.3%. Domestic inflation-linked bonds performed even better, with a local currency gain of 0.8% over the quarter. This has been a tough period for investors in local bonds.

Our perspective and positioning

The world is gradually adjusting to a new post-pandemic reality. We have discussed the persistent inflationary forces that seem to have become entrenched extensively in publications like our quarterly *Angles & Perspectives*. Fiscal policy has now taken centre stage, surpassing monetary policy as the primary tool of this era. Governments are leveraging this potent tool by running sizable fiscal deficits, necessitating record levels of debt issuance. Unlike households and businesses, the US government missed the opportunity to secure low interest rates far into the future, resulting in a relatively short maturity profile for US government debt. Consequently, they must now issue a substantial volume of bonds, not only to roll maturing bond issues but also to fund the growing deficit. Locally, the concern about South Africa's debt burden, given the low growth environment, is of great concern to investors.

South African nominal government bonds currently offer yields in excess of 12% in light of the current backdrop. We continue to perform detailed work on assessing the likelihood of losing capital in these bonds. We share the concerns in the market regarding the impact of low growth while underperforming budgeted revenue targets, with the debt to GDP ratio expected to reach 80% in the next year. However, we gain comfort from the fact that our debt remains extremely well structured (one of the longest maturity profiles globally, in sharp contrast to the US) with very little debt maturing in the next 3 years. The likelihood of a default — in our view — is lower than what is priced into the market. Further, we are comfortable that domestic inflation remains contained. In combination, we therefore remain of the view that SA government bonds are likely to provide clients with low risk of capital loss and attractive real yields. Even in a muddle-through growth environment, local fixed income investors are well placed to deliver on income needs. Investors in addition need to consider the likelihood of South Africa entering into a rate cutting cycle, a probability that has grown in our view. In this type of environment, alongside improving growth prospects (albeit likely to be moderate) due to loadshedding improving in the next year, these bonds provide sufficient margin of safety and an attractive skew of outcomes in favour of investors.

Portfolio performance*

The fund continues to hold a healthy exposure to government bonds, an area of the market that has struggled since Lady R (May 2023). We favour the attractive real yields available in these bonds ahead of exposure to corporate bonds which we believe do not offer attractive risk-adjusted yields and carry higher risk of permanent capital loss. As a result, the recent market turmoil has resulted in disappointing short-term performance. We do however believe the fund has significant embedded value, having used market weakness to improve the overall portfolio positioning (both running yield and stability of yield ahead). Further, we offer well needed diversification away from risks in the corporate bond market.

Over the quarter, the PSG Income Fund returned 1.4% versus the benchmark return of 2.1%. The major contributor over this period were corporate bonds (0.3%), while local money market instruments (-0.3) detracted from performance. Over a 1-year period, the fund delivered a return of 7.2% versus the benchmark return of 7.5%.

*Return numbers as per the PSG Income Fund Class A

Changes in portfolio positioning

Q2 2023		Q3 2023	
Domestic bonds	35.5%	Domestic bonds	38.1%
Domestic cash, Treasury bills and NCDs	64.5%	Domestic cash, Treasury bills and NCDs	61.9%

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

Number of units as at 30 September 2023 (Class A):	445 726 342
Price (net asset value per unit) as at 30 September 2023 (Class A):	R1.06
Number of units as at 30 September 2023 (Class E):	1 479 817 981
Price (net asset value per unit) as at 30 September 2023 (Class E):	R1.06

All data as per Bloomberg as at 30 September 2023.

Total investment charge

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

	Class A	Class E
Total expense ratio % (incl. VAT)	**0.77**	**0.49**
Annual management fee % (incl. VAT)	0.75	0.46
Other costs excluding transaction costs % (incl. VAT)	0.02	0.03
Transaction costs % (incl. VAT)	0.03	0.03
Total investment charge % (incl. VAT)	**0.80**	**0.52**

Total Investment Charge annualised for the period 01/10/2022 to 30/09/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**0.77**	**0.49**
Annual management fee % (incl. VAT)	0.75	0.46
Other costs excluding transaction costs % (incl. VAT)	0.02	0.03
Transaction costs % (incl. VAT)	0.01	0.01
Total investment charge % (incl. VAT)	**0.78**	**0.50**

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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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Company details

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Conflict of interest disclosure

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Trustee

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Additional information

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PSG Money Market Fund

Quarterly portfolio commentary as at 30 September 2023
by Duayne le Roux and Lyle Sankar

Current context

Despite widespread expectations of an imminent recession, the global economy continues to show unexpected resilience in many key areas, and in labour markets in particular. As underlying inflation remains elevated, central banks are signalling a commitment to keeping interest rates high. As a result, financial conditions have tightened materially over the quarter. Meanwhile, the South African economy continues to struggle as underperforming infrastructure and elevated interest rates constrain economic growth. Developed market government bonds were notably weak as well, with most developed market bond indices declining by mid-single digits. Energy markets were strong, with the Brent crude oil price surging by 27.2% bringing the year-to-date increase to over 10%. Alongside growing concerns over the size of debt issuance in developed markets, the re-emergence of inflation risks have resulted in higher bond yields globally. The US 10-year Treasury bond yields rose by 78 basis points and long-duration bonds saw material capital losses.

South African assets were also weak over the quarter. The South African rand (ZAR) weakened by 0.4% against the US dollar (USD), which was generally strong against most world currencies. Domestic government bonds underperformed cash as yields rose in response to rising global yields. South Africa's inflation is currently within the South African Reserve Bank's (SARB's) target band and it is likely that without any additional external shocks, the SARB should be close to the peak of interest rates. The rate hiking cycle, and particular the sharp increases in 2023, has resulted in attractive returns for money market portfolios during the year.

Our perspective and positioning

The world is gradually adjusting to a new post-pandemic reality. We have discussed the persistent inflationary forces that seem to have become entrenched extensively in publications like our quarterly *Angles & Perspectives*. Fiscal policy has now taken centre stage, surpassing monetary policy as the primary tool of this era. Governments are leveraging this potent tool by running sizable fiscal deficits, necessitating record levels of debt issuance. Unlike households and businesses, the US government missed the opportunity to secure low interest rates far into the future, resulting in a relatively short maturity profile for US government debt. Consequently, they must now issue a substantial volume of bonds, not only to roll maturing bond issues but also to fund the growing deficit. Locally, the concern about South Africa's debt burden, given the low growth environment, is of great concern to investors. We continue to perform detailed work on assessing the likelihood of losing capital in these bonds. We share the concerns in the market regarding the impact of low growth while underperforming budgeted revenue targets, with the debt to GDP ratio expected to reach 80% in the next year. However, we gain comfort from the fact that our debt remains extremely well structured (one of the longest maturity profiles globally, in sharp contrast to the US) with very little debt maturing in the next 3 years. The likelihood of a default — in our view — is lower than what is priced into the market. Further, we are comfortable that domestic inflation remains contained.

As a result, we see an increased need to lock in longer-term fixed rates available to money market funds. We are in an enviable position when considering cash rates are in excess of 2% and 3% above inflation, with the growing possibility of rate cuts. We are currently able to buy 1-year bank instruments at yields in excess of 9.25%, an attractive low risk investment. We have therefore used the recent market volatility to improve the yield offering of the fund without increasing the risk of capital losses, which we deem extremely low in the fund.

Portfolio performance*

Over the quarter the PSG Money Market Fund returned 2.0% versus the benchmark return of 1.9%. The fund is suitable for investors who need an interim investment vehicle or 'parking bay' for surplus money and a short-term investment horizon. Since inception the fund produced an annualised return of 7.9% versus the benchmark return of 8.0% p.a.

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

Changes in portfolio positioning

Q2 2023		Q3 2023	
Linked NCDs/ Floating-rate notes	16.8%	Linked NCDs/Floating-rate notes	20.0%
Step rate notes	10.6%	Step rate notes	9.6%
NCDs	38.1%	NCDs	35.6%
Treasury bills	4.7%	Treasury bills	13.5%
Call deposits	21.1%	Call deposits	18.8%
Listed bond	1.9%	Listed bond	2.5%
Commercial paper	6.8%	Commercial paper	0.0%

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

Number of units as at 30 September 2023 (Class A):	518 807 340
Price (net asset value per unit) as at 30 September 2023 (Class A):	R1.00
Number of units as at 30 September 2023 (Class F):	355 479 426
Price (net asset value per unit) as at 30 September 2023 (Class F):	R1.00

All data as per Bloomberg as at 30 September 2023.

Total investment charge

PSG Money Market Fund Class A

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

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)	0.02
Total investment charge % (incl. VAT)	**0.61**

Total Investment Charge annualised for the period 01/10/2022 to 30/09/2023

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)	0.01
Total investment charge % (incl. VAT)	**0.60**

PSG Money Market Fund Class F

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

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)	0.02
Total investment charge % (incl. VAT)	**0.38**

Total Investment Charge annualised for the period 01/10/2022 to 30/09/2023.
The annual management fee changed to 0.29% from 01/06/2022.

Total expense ratio % (incl. VAT)	**0.30**
Annual management fee % (incl. VAT)	0.29
Other costs excluding transaction costs % (incl. VAT)	0.01
Transaction costs % (incl. VAT)	0.01
Total investment charge % (incl. VAT)	**0.31**

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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

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

Performance

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Pricing

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Redemptions

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Conflict of Interest Disclosure

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Trustees

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Additional information

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PSG Global Equity Feeder Fund

Quarterly portfolio commentary as at 30 September 2023
by Greg Hopkins, Philipp Wörz and Justin Floor

Current context

Despite widespread expectations of an imminent recession, the global economy continues to show unexpected resilience in many key areas, and in labour markets in particular. As underlying inflation remains elevated, central banks are signalling a commitment to keeping interest rates high. As a result, financial conditions have tightened materially over the quarter.

Globally, equity markets were weak over the quarter. The MSCI World Index declined by 3.4%, while emerging markets fared a bit better with the MSCI Emerging Markets index down 2.8%. Developed market government bonds were notably weak as well, with most developed market bond indices declining by mid-single digits. US 10-year Treasury bond yields rose by 78 basis points and long-duration bonds saw material capital losses. Energy markets were strong, with the Brent crude oil price surging by 27.2% bringing the year-to-date increase to over 10%.

Our perspective and positioning

The world is gradually adjusting to a new post-pandemic reality. We have discussed the persistent inflationary forces that seem to have become entrenched extensively in publications like our quarterly *Angles & Perspectives*. Fiscal policy has now taken centre stage, surpassing monetary policy as the primary tool of this era. Governments are leveraging this potent tool by running sizable fiscal deficits, necessitating record levels of debt issuance. Unlike households and businesses, the US government missed the opportunity to secure low interest rates far into the future, resulting in a relatively short maturity profile for US government debt. Consequently, they must now issue a substantial volume of bonds, not only to roll maturing bond issues but also to fund the growing deficit. This is happening at the same time as investors demand higher returns.

Interest rates have rapidly normalised worldwide over the last two years. Government bond yields have increased significantly, leading to substantial capital losses on the asset class that was supposed to be a risk-free portfolio diversifier. Although investors are adapting to this new environment, many still perceive it as temporary, expecting a return to low inflation and interest rates. As a result, many investors are still positioned in long-duration financial assets such as US Treasury bonds, and paying a premium for quality and growth equities. We think there are substantial risks to this consensus view.

These developments hold significant implications for investors:

- **Look elsewhere for safe havens:** US bonds (and expensive bond proxy shares) are unlikely to play a reliable role as portfolio diversifiers like they did in the past. Investors will need to explore alternative risk mitigation options. Depending on the specific mandate of each fund, our portfolios include integrated energy companies, real assets and gold as safer assets.

- **Opportunities beyond the US:** The era of US exceptionalism characterised by low interest rates and high PE multiples may have already peaked. Many global investors remain heavily concentrated in US assets. We advise diversifying into opportunities outside the US and we own good companies in unloved regions such as the UK, Europe, Hong Kong, Japan and emerging markets where valuations are attractive.

- **Focus on valuations:** As high interest rates increase the hurdle rate of taking on risk, the price paid for securities becomes increasingly crucial. Valuation spreads, highlighting disparities between expensive and affordable segments of the market, are currently at extreme levels. Identifying well-considered opportunities within the less crowded and cheaper parts of the market is an attractive and a risk-reducing strategy, and one that suits our investment approach.

In these extraordinary times, we have aimed to construct sensible portfolios of attractive and under-owned securities, balanced with an array of portfolio diversifiers well suited to an investment environment characterised by elevated macro volatility and higher interest rates.

Portfolio performance*

Over the quarter the PSG Global Equity Feeder Fund returned 3.6% versus the benchmark return of -3.7%. The largest contributors over this period were energy (4.9%), industrials (2.2%) and communications (0.1%). Consumer discretionary (-2.0%), financials (-1.1%) and healthcare (-0.6%) detracted from performance. 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 11.8% p.a. versus the benchmark return of 14.3% p.a. Since inception, the fund produced an annual return of 13.0% versus the benchmark return of 17.5%.

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

Changes in portfolio positioning

Q2 2023		Q3 2023	
Equities	97.9%	Equities	97.8%
Cash	2.1%	Cash	2.2%

Q2 2023		Q3 2023	
US	35.2%	US	33.5%
Europe	20.2%	Europe	18.7%
UK	32.0%	UK	34.8%
Japan	5.5%	Japan	5.5%
Africa	5.0%	Africa	5.3%
Cash	2.1%	Cash	2.2%

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 2023 (Class A):	4 496 547
Price (net asset value per unit) as at 30 September 2023 (Class A):	R4.53
Number of units as at 30 September 2023 (Class E):	77 443 227
Price (net asset value per unit) as at 30 September 2023 (Class E):	R4.69

All data as per Bloomberg as at 30 September 2023.

Total investment charge

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

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.54**	**1.96**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.68	1.67
Transaction costs % (incl. VAT)	0.35	**0.35**
Total investment charge % (incl. VAT)	**2.89**	**2.31**

Total Investment Charge annualised for the period 01/10/2022 to 30/09/2023

	Class A	Class E
Total expense ratio % (incl. VAT)	**2.37**	**1.79**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.51	1.50
Transaction costs % (incl. VAT)	0.31	**0.31**
Total investment charge % (incl. VAT)	**2.68**	**2.10**

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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 on investors. 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.

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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 2023
by Greg Hopkins, Philipp Wörz and Justin Floor

Current context

Despite widespread expectations of an imminent recession, the global economy continues to show unexpected resilience in many key areas, and in labour markets in particular. As underlying inflation remains elevated, central banks are signalling a commitment to keeping interest rates high. As a result, financial conditions have tightened materially over the quarter.

Globally, equity markets were weak over the quarter. The MSCI World Index declined by 3.4%, while emerging markets fared a bit better with the MSCI Emerging Markets index down 2.8%. Developed market government bonds were notably weak as well, with most developed market bond indices declining by mid-single digits. US 10-year Treasury bond yields rose by 78 basis points and long-duration bonds saw material capital losses. Energy markets were strong, with the Brent crude oil price surging by 27.2% bringing the year-to-date increase to over 10%.

Our perspective and positioning

The world is gradually adjusting to a new post-pandemic reality. We have discussed the persistent inflationary forces that seem to have become entrenched extensively in publications like our quarterly *Angles & Perspectives*. Fiscal policy has now taken centre stage, surpassing monetary policy as the primary tool of this era. Governments are leveraging this potent tool by running sizable fiscal deficits, necessitating record levels of debt issuance. Unlike households and businesses, the US government missed the opportunity to secure low interest rates far into the future, resulting in a relatively short maturity profile for US government debt. Consequently, they must now issue a substantial volume of bonds, not only to roll maturing bond issues but also to fund the growing deficit. This is happening at the same time as investors demand higher returns.

Interest rates have rapidly normalised worldwide over the last two years. Government bond yields have increased significantly, leading to substantial capital losses on the asset class that was supposed to be a risk-free portfolio diversifier. Although investors are adapting to this new environment, many still perceive it as temporary, expecting a return to low inflation and interest rates. As a result, many investors are still positioned in long-duration financial assets such as US Treasury bonds, and paying a premium for quality and growth equities. We think there are substantial risks to this consensus view.

These developments hold significant implications for investors:

- **Look elsewhere for safe havens:** US bonds (and expensive bond proxy shares) are unlikely to play a reliable role as portfolio diversifiers like they did in the past. Investors will need to explore alternative risk mitigation options. Depending on the specific mandate of each fund, our portfolios include integrated energy companies, real assets, cash, and volatility-driven instruments like put options as safer assets.

- **Opportunities beyond the US:** The era of US exceptionalism characterised by low interest rates and high PE multiples may have already peaked. Many global investors remain heavily concentrated in US assets. We advise diversifying into opportunities outside the US and we own good companies in unloved regions such as the UK, Europe, Hong Kong, Japan and emerging markets where valuations are attractive.

- **Focus on valuations:** As high interest rates increase the hurdle rate of taking on risk, the price paid for securities becomes increasingly crucial. Valuation spreads, highlighting disparities between expensive and affordable segments of the market, are currently at extreme levels. Identifying well-considered opportunities within the less crowded and cheaper parts of the market is an attractive and a risk-reducing strategy, and one that suits our investment approach.

In these extraordinary times, we have aimed to construct sensible portfolios of attractive and under-owned securities, balanced with an array of portfolio diversifiers well suited to an investment environment characterised by elevated macro volatility and higher interest rates.

Portfolio performance*

Over the quarter the PSG Global Flexible Feeder Fund returned 2.2% versus the benchmark return of 2.1%. The largest contributors over this period were energy (3.7%), industrials (1.9%) and communications (0.1%). The largest detractors over this period were consumer discretionary (-1.8%), financials (-1.1%) and healthcare (-0.5%). 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 10.7% p.a. versus the benchmark return of 16.5% p.a. Since inception the fund produced an annual return of 12.8% versus the benchmark return of 16.8%.

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

Changes in portfolio positioning

Q2 2023		Q3 2023	
Equities	91.4%	Equities	92.9%
Bonds	0.5%	Bonds	1.2%
Cash	8.1%	Cash	5.9%

Q2 2023		Q3 2023	
US	34.2%	US	32.5%
Europe	16.7%	Europe	15.4%
UK	30.8%	UK	34%
Japan	5.1%	Japan	5.9%
Africa	4.4%	Africa	4.7%
Cash and Bonds	8.8%	Cash and Bonds	7.5%

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Number of units as at 30 September 2023 (Class A):	11 714 773
Price (net asset value per unit) as at 30 September 2023 (Class A):	R3.51
Number of units as at 30 September 2023 (Class B):	136 603 705
Price (net asset value per unit) as at 30 September 2023 (Class B):	R3.68

All data as per Bloomberg as at 30 September 2023.

Total investment charge

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

	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)	0.15	0.15
Total investment charge % (incl. VAT)	**2.60**	**2.03**

Total Investment Charge annualised for the period 01/10/2022 to 30/09/2023

	Class A	Class B
Total expense ratio % (incl. VAT)	**2.05**	**1.48**
Annual management fee % (incl. VAT)	0.86	0.29
Other costs excluding transaction costs % (incl. VAT)	1.19	1.19
Transaction costs % (incl. VAT)	0.15	0.15
Total investment charge % (incl. VAT)	**2.20**	**1.63**

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Additional information
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