



Online funds' performance for the quarter ended 31 December 2023

Performance and positioning

South African equities enjoyed a robust quarter, surging 8.20% quarter on quarter (q/q) at the end of last year. Real estate (+16.40% q/q) led the charge, followed by financials (+12.30%). Industrials and resources contributed meaningfully with gains of 5.90% and 3% respectively. Meanwhile, local fixed income markets saw the FTSE/JSE All Bond Index (ALBI) climb 8.10%. Internationally, offshore equities responded positively after the US Federal Reserve (the Fed) noted that interest rates have likely peaked, with growth-oriented segments leading the rally.

Table 1: Asset class returns in rand terms (%)

Asset class (in rand)	3-months	6-months	1-year	3-years	5-years	7-years
SA equity	8.2	4.1	7.9	12.7	9.0	6.9
SA property	16.4	15.2	10.1	14.9	0.2	-1.7
SA bonds	8.1	7.7	9.7	7.4	8.2	8.4
SA cash	2.1	4.2	8.1	5.7	5.9	6.4
Global equity	8.2	4.1	33.0	15.4	18.4	15.4
Global bonds	4.9	0.9	13.6	1.7	4.6	4.9

Source: PSG Wealth research team

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PSG Investment Management domestic Funds of Funds

The three domestic multi-asset solutions delivered positive absolute returns over the quarter to end the calendar year ahead of inflation. Local government and corporate bonds led the charge within the fixed income building block, reaffirming their income generation capabilities. The equity component also contributed positively to absolute gains, with security selection in the industrial and resources sectors adding the most value. However, an underweight position in real estate, which had a stellar quarter, detracted from relative performance. Afrimat, AB InBev and Northam Platinum were among the biggest contributors to returns, while Sasol, Anglo American and Absa Group limited gains.

In September 2023, PSG Investment Management expanded its range with the launch of the PSG Investment Management Opportunity Equity Fund of Funds. This diversified portfolio of skilled equity managers employs a best-of-breed approach. By allocating capital to managers wielding value, growth, active, passive and blended strategies, the fund seeks to capitalise on diverse market opportunities. Mazi Capital, All Weather, Vunani, Perpetua and Sentio, all established managers with a long-term capital appreciation focus, were chosen as initial partners. The solution caters to investors with a moderate to high risk tolerance seeking strong real returns over a 5-year or longer-term horizon. The fund has delivered positive absolute returns since its launch, demonstrating its potential for value creation.

In September 2023, PSG Investment Management expanded its range with the launch of the PSG Wealth Investment Management Opportunity Equity Fund of Funds.

Table 2: Fund performance versus sector average

Fund	1-month		3-months		6-months		12-months		2-years		3-years	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
PSG IM Multi-Ast Inc FoF D	1.2	35	3.5	89	5.0	103	8.7	97	7.7	57	7.8	18
South African MA Income Sector Average	1.1	126	3.9	123	5.6	120	9.4	115	7.4	108	7.2	103
PSG IM Cautious FoF D	1.9	37	3.8	137	6.2	14	9.6	128	9.2	2	12.5	4
South African MA Low Equity Sector Average	1.6	154	5.4	153	5.0	151	11.0	150	6.1	146	8.5	143
PSG IM Growth FoF D	2.8	32	4.5	200	7.2	7	10.3	159	10.8	5	16.7	5
South African MA High Equity Sector Average	2.0	221	6.2	221	4.6	213	12.3	207	5.9	199	10.5	194
PSG IM Opportunity Equity FoF D	1.5	115	5.4	114								
South African EQ General Sector Average	2.1	174	6.2	172								

Source: PSG Wealth research team



Sector and asset allocation

No changes were made to the underlying funds used in the solutions. In the PSG Investment Management Multi-Asset Income FoF, our underlying fixed income managers cautiously extended duration with increased allocations to inflation-linked and longer-dated bonds. Dry powder was also increased with an eye on future opportunities. The solution delivered another positive quarter and has continued to outperform peers over the 2-year minimum investment period and since inception.

The equity building block used in both the Cautious and Growth FoFs delivered positive absolute returns, driven by contributions from AB InBev, AngloGold Ashanti and Standard Bank. Sasol, Thungela and Absa, along with an underweight in real estate, slightly dampened returns. Overall, the Cautious FoF achieved an above-inflation return for 2023 and has maintained its top quartile performance in the Multi-Asset Low Equity sector since inception. The Growth FoF benefited from its higher exposure to growth assets, generating a positive absolute return and maintaining top quartile performance relative to its ASISA peer group since inception.

The underlying managers in the Opportunity Equity FoF currently favour industrials and financials, with diverse preferences within these sectors driven by their processes and philosophies. All five managers delivered positive absolute returns over the quarter in a rising domestic equity market. Vunani, with its larger weightings in real estate and financials, added the most value, while Mazi, with lower exposure to these sectors in the solution, detracted the most on a relative basis. Overall, the underlying managers see attractive domestic opportunities and have increased exposure over the quarter where deemed appropriate.

PSG IM MA Income FoF has maintained its top quartile position in the ASISA MA Income category since inception, with positive returns last calendar year building on its long-term track record.

The PSG IM Cautious FoF capped off last quarter with a positive return, solidifying its position in the top quartile among sector peers over its recommended holding period.

The PSG IM Growth FoF delivered an above-inflation return over the calendar year, bolstering its established track record of consistent growth.

Table 3: Local FoF composition (%)

		PSG IM Multi-Asset Income FoF		PSG IM Cautious FoF		PSG IM Growth FoF		PSG IM Opportunity Equity FoF	
		Previous quarter	Current quarter	Previous quarter	Current quarter	Previous quarter	Current quarter	Previous quarter	Current quarter
South Africa	Resources	1.7	1.8	7.3	7.9	13.3	14.4	23.4	23.5
	Financials (excl. Real estate)	2.3	1.8	9.8	7.9	18.0	14.3	27.1	25.7
	Industrials	5.1	5.5	21.5	23.0	39.4	42.0	42.9	43.9
	Other equities	-	-	-	-	-	-	-	-
	Equity hedges (+ Long/ - Short)	-	-	-	-	-	-	-	-
	Total Equities (excl. Real Estate)	9.1	9.1	38.7	38.8	70.7	70.7	93.4	93.1
	Real estate	0.3	0.3	1.0	0.9	1.8	1.6	3.8	4.7
	Preference shares	0.4	0.5	-	-	-	-	-	-
	Inflation Linked bonds	6.9	7.6	4.1	4.4	1.8	1.9	-	-
	Bonds 7+ yrs	13.7	14.5	7.5	7.7	3.4	3.4	-	-
	Bonds 3-7 yrs	17.9	16.6	12.7	11.3	5.7	5.0	-	-
	Bonds 1 - 3 yrs	15.3	14.1	11.3	10.7	5.1	4.7	-	-
	Cash, Derivatives and money market	35.5	36.7	24.8	26.2	11.6	12.7	2.8	2.1
	Total Non-equities (incl. Real Estate)	90.1	90.2	61.3	61.2	29.3	29.3	6.6	6.9
Global	Equities	0.2	0.2	-	-	-	-	-	-
	Real estate	-	-	-	-	-	-	-	-
	Bonds	0.6	0.5	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-
	Cash, Derivatives and money market	0.1	0.0	-	-	-	-	-	-
	Total foreign	0.8	0.7	-	-	-	-	-	-
Total	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Total equities	9.3	9.3	38.7	38.8	70.7	70.7	93.4	93.1
	Domestic	9.1	9.1	38.7	38.8	70.7	70.7	93.4	93.1
	Foreign	0.2	0.2	-	-	-	-	-	-
	Total Non-equities	90.7	90.7	61.3	61.2	29.3	29.3	6.6	6.9
	Domestic	90.1	90.2	61.3	61.2	29.3	29.3	6.6	6.9
	Foreign	0.7	0.5	-	-	-	-	-	-
	Total domestic	99.2	99.3	100.0	100.0	100.0	100.0	100.0	100.0
	Total foreign	0.8	0.7	-	-	-	-	-	-

Source: PSG Wealth research team



PSG Investment Management (IM) Global Flexible Dollar Fund

Strong global equity performance powered our growth-oriented underlying managers, who made the most significant contributions to overall solution returns, both in absolute and relative terms at the end of last year. Baillie Gifford and Ninety One were the standout performers, while Veritas had the largest relative negative impact. The fund composition of the solution remained unchanged throughout the quarter. Baillie Gifford and Ninety One were the biggest contributors to returns over Q4, while Veritas detracted the most on a relative basis.

The PSG IM Global Flexible Dollar Fund had a good quarter as offshore growth assets rose.

Table 4: Relative ranking

Name	1-month to 30/06/2023	Rank	3-months to 30/06/2023	Rank	6-months to 30/06/2023	Rank	1-year to 30/06/2023	Rank	3-years to 30/06/2023	Rank	5-years to 30/06/2023	Rank	7-years to 30/06/2023	Rank
PSG IM Glb Flex FoF (USD)	4.9	39	8.3	75	4.2	125	7.6	141	-2.2	143	4.6	67	3.5	57
BM: Morningstar USD Flexible allocation	3.7	209	7.2	207	4.7	205	10.2	194	0.9	163	4.5	126	3.6	94
Excess (vs BM) - Morningstar USD Flexible allocation	1.3		1.1		-0.6		-2.6		-3.1		0.1		-0.1	

Source: Morningstar Direct

