PSG Wealth

# Offshore Equity Portfolio

June 2022

## Key information

### Benchmark

- DJGT (net of fees)

### Minimum portfolio size

- R2 million (or equivalent in their offshore currency)

| Top 10 holdings* |
|---|
| Berkshire Hathaway Inc |
| Exxon Mobil |
| Intel Corp |
| Johnson & Johnson |
| J.P. Morgan Chase & Co |
| Microsoft Corp |
| Nestlé SA |
| Pfizer Inc |
| Philip Morris International |
| TotalEnergies |

*Sorted alphabetically

## About the portfolio manager

### Adriaan Pask, Chief Investment Officer

- 17 years of investment experience
- BCom (Financial Analysis)
- BCom (Hons) (Financial Management)
- MCom (Business Management)
- PhD (Economic and Management sciences)

## About the lead analyst

### Franco Pretorius, Head of Portfolio Management and Implementation

- 23 years of investment experience
- BCom (Economics)
- BCom (Hons) (Investment Management)

### Overview

The PSG Wealth House View Offshore Equity Portfolio ended the month 9.93% lower, underperforming the Dow Jones Global Titans 50 TR USD, which posted a negative return of 8.41%. Eight of the nineteen portfolio stocks outperformed the benchmark. Since inception, the PSG Wealth House View Offshore Equity Portfolio had an annualised return of 11.71%, outperforming the Dow Jones Global Titans 50 TR USD, which showed an annualised return of 11.46%.

### Philosophy

We apply a disciplined, bottom-up, value-biased investment philosophy in our stock selection. The central concept underlying value investing is a margin of safety. This means that the share price should be trading at a discount to the intrinsic value of its underlying business. In our view, a company that has limited downside, contrasted with growth potential, qualifies as an attractive investment.

Accordingly, we prefer companies that currently seem undervalued in terms of fundamental analysis, while remaining cognisant of the momentum factors that drive shorter-term share price performance. In addition, we look for companies with a strong confidence rating, which means it does not have large or unmanageable debt positions. We ensure that the portfolio is diversified across multiple sectors.

Thus, investments are not only chosen on their potential value but also their quality. As such investments are screened for their profitability, the quality of their reported earnings, dividend policies as well as their financial structure. There is no guarantee that all the chosen companies will outperform; a few will more than likely underperform. However, the portfolio displays below-average risk and is fundamentally undervalued. As a group, their future investment returns should, therefore, be satisfactory.

### Investment objective

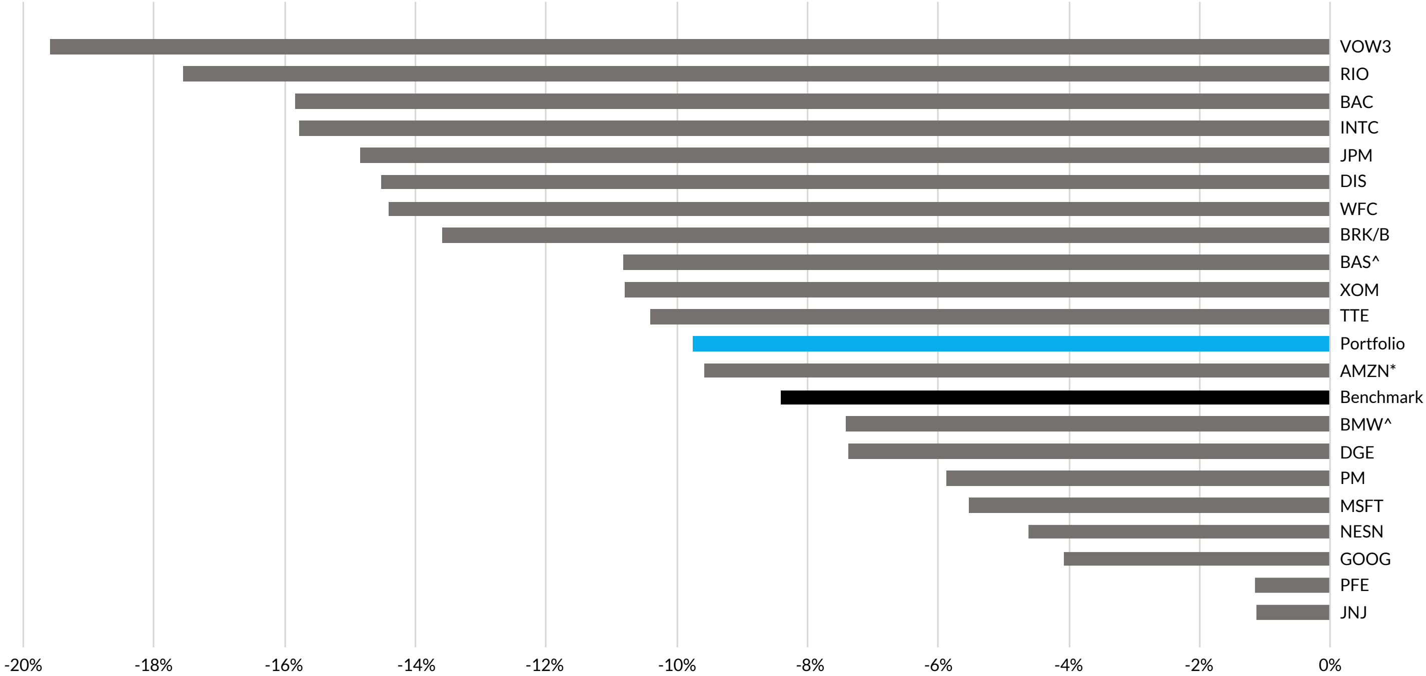
In short, we strive to buy high-quality assets trading at a discount to our estimation of its intrinsic value. We expect the investment to rerate to its intrinsic value over the medium term, which, if consistently applied, should lead to long-term capital growth. Through this process, we aim to grow wealth while consistently guarding clients against the risk of permanent capital loss.

### Market commentary

In June 2022, the MSCI Emerging Market Index Net TR (USD) lost 6.65%, outperforming the MSCI World Index Net TR (USD), which posted a negative return of 8.66%. The ALSI TR (USD) underperformed the MSCI Emerging Market Index, losing 11.85% in the month. The 1-month return for ALSI TR (ZAR) was a negative 8.01%.

In the US, the Dow Jones Industrial Average TR (USD) and S&P 500 TR (USD) posted negative returns of 6.56% and 8.25%, respectively. The NASDAQ Composite (USD) declined 8.71%. In Europe, Germany's DAX (USD) was down by 13.21%, France's CAC TR (USD) by 10.56%, and UK's FTSE TR (USD) by 8.85% for the month. In Asia, Hong Kong's Hang Seng (USD) gained 2.07%, while Japan's Nikkei TR (USD) ended June 2022 8.33% lower.

## Performance attribution




*Sold during the month
^Bought during the month

## Significant contributors and detractors

**Johnson & Johnson:** JNJ US closed down 1.13% for the month amid the bout of market volatility as defensive stocks were less impacted than cyclicals.

**Pfizer:** PFE US fell 1.15% in June 2022 amid the market selloff as defensive stocks were less impacted than cyclicals.

**Alphabet:** GOOG US was one of the portfolio's best performers in June 2022, with a return of negative 4.09%. As concerns regarding the slowing growth of tech companies increased, reports that Google emerged as a front-runner to partner with Netflix's advertising package were received well by the market.

**Volkswagen:** VOW3 GR's share price fell 19.60% due to growing worries about hawkish central banks and a potential recession.

**Rio Tinto:** RIO LN fell 17.55%, reflecting market concerns around a potential recessionary environment. Iron ore and aluminium prices declined by 5% and 11% over the same period.

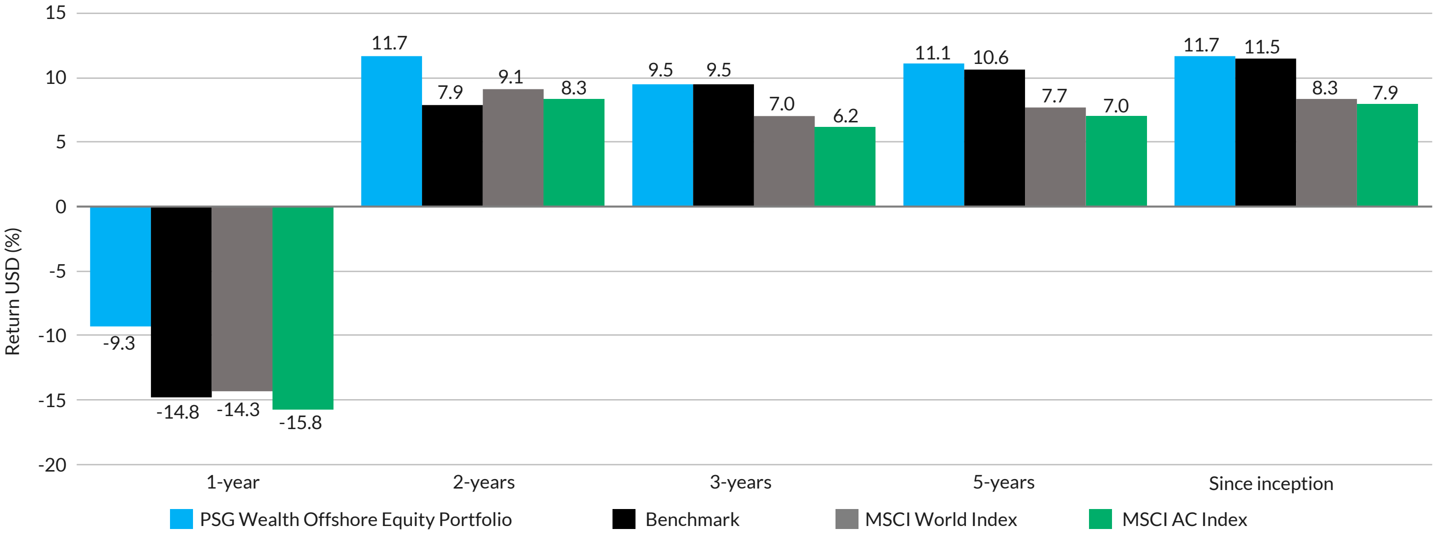
**Bank of America:** BAC US declined 15.84% in line with its peers, following concerns surrounding higher inflation, rising rates, and a potential recessionary environment. 13% of the decline occurred between 7 and 14 June 2022.

## Sector allocation

| | |
|---|---|
| Communication services | 5.20% |
| Consumer discretionary | 6.74% |
| Consumer staples | 16.66% |
| Energy | 12.65% |
| Financials | 23.03% |
| Healthcare | 15.41% |
| Information technology | 10.96% |
| Cash | 4.67% |
| Materials | 4.68% |
| **Total** | **100%** |

- The stock selection within the energy sector contributed the most to the portfolio's alpha generation.
- The sector allocation to the financial sector detracted the most from the portfolio's alpha.

## Annualised return percentage




*Gross fees

## Notes on our reporting technique/method

1. Initial investments are always made within the specified target. Market movements may from time-to-time result in weights that are in excess of the target. Material deviations will be addressed through rebalancing within a 12-month period.
2. The proportion of stocks held in the portfolio that have an investment grade rating according to Bloomberg's default risk rating. Cash is added to this total.
3. Reflects the impact on the relative performance of the portfolio if the stock falls by 25%, assuming all other stocks are flat. Calculated as the active weight multiplied by -25% for the largest active position.
4. The percentage may occasionally rise above the specified target due to market movements, interest received, dividends and portfolio flows. Material deviations will be addressed through rebalancing within a 12-month period.
5. Total sales expressed as a percentage of the portfolio's market value at the end of the reporting period.
6. Management fees are not standardised. Return calculations are based on management fees of 1.5% for illustrative purposes.




### Contact information

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