

SA Property Equity Portfolio

February 2024

Key information

Benchmark

- FTSE/JSE All Property Index

Minimum portfolio size

- R1 million

Top 10 holdings*
Attacq Ltd
Equites Property Fund Ltd
Fairvest Ltd
Fortress Real Estate Investment
Growthpoint Properties Ltd
Hyprop Investments Ltd
NEPI Rockcastle NV
Redefine Properties Ltd
Resilient REIT Ltd
Vukile Property Fund Ltd

*Sorted alphabetically

About the portfolio manager

Adriaan Pask, Chief Investment Officer

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

About the lead analyst

Vaughan Henkel, Head of Securities Solutions

- 24 years experience in analysis and Portfolio Management
- B Sc (Elec Eng), CFA, CAIA

About the portfolio relationship manager

Thomas Berry, Portfolio Relationship Manager

- 6 years investment experience
- BCom (Hons) (Financial Analysis)
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Overview

The PSG Wealth House View SA Property Equity Portfolio ended the month 0.39% lower underperforming the FTSE/JSE All Property Index which posted a negative return of 0.34%. Four of the 15 portfolio stocks outperformed the benchmark. Since inception, the PSG Wealth House View SA Property Equity Portfolio had an annualised negative return of 2.84%, underperforming the FTSE/JSE All Property Index, which showed an annualised negative return of 2.69%.

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. Finally, we have two additional macro factors investigating the economic environment and liquidity to aid in sector and security selection, with opportunities varying depending on the macro environment. Our process can be summarised as a pragmatic approach to investing.

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 aim to maximise long-term total return (the combination of income and growth of capital) by investing in high-quality JSE Listed property companies and REITs 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

During February, the MSCI Emerging Market Index Net TR (USD) gained 4.76%, outperforming the MSCI World Index Net TR (USD), which posted a positive return of 4.24%. The ALSI TR (USD) underperformed the MSCI Emerging Market Index, losing 5.22% in the month of February. The one-month return for ALSI TR (ZAR) was a negative 2.44%.

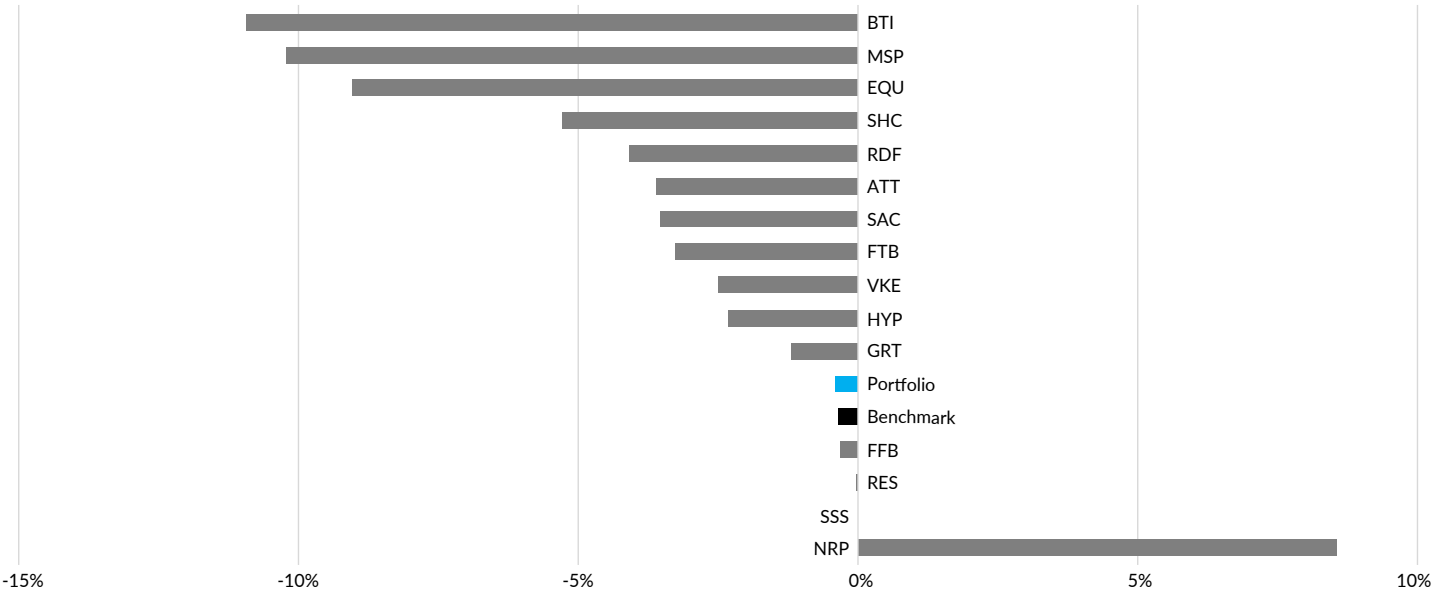
The property sector picked up momentum in November over the last quarter. This resulted in two consecutive months of positive performance of 9.92% and 4.42% for December and January, respectively. In October, the benchmark was down 3.33%. For the year, the sector was up 10.70%.

Sentiment around the sector has seen improvement driven by improving property metrics. Office is still a concern however, strategic shifts to improve desirability of spaces, exit out of non-core assets and conversions of some spaces improves the current view of office.

Industrial assets continue to be a well performing property asset type relative to the other types with among the lowest vacancies and with positive rental reversions. Retail has been slowly picking up its pace in improvement showcased in its reversions and stable vacancies.



Performance attribution



Significant contributors and detractors

Nepi Rockcastle: NRP was up by 8.54% after releasing full-year results above expectations and guidance further distributable income per share growth in FY24.

Stor-Age: SSS was flat for the month performing slightly better than the benchmark that fell by 0.34% in February.

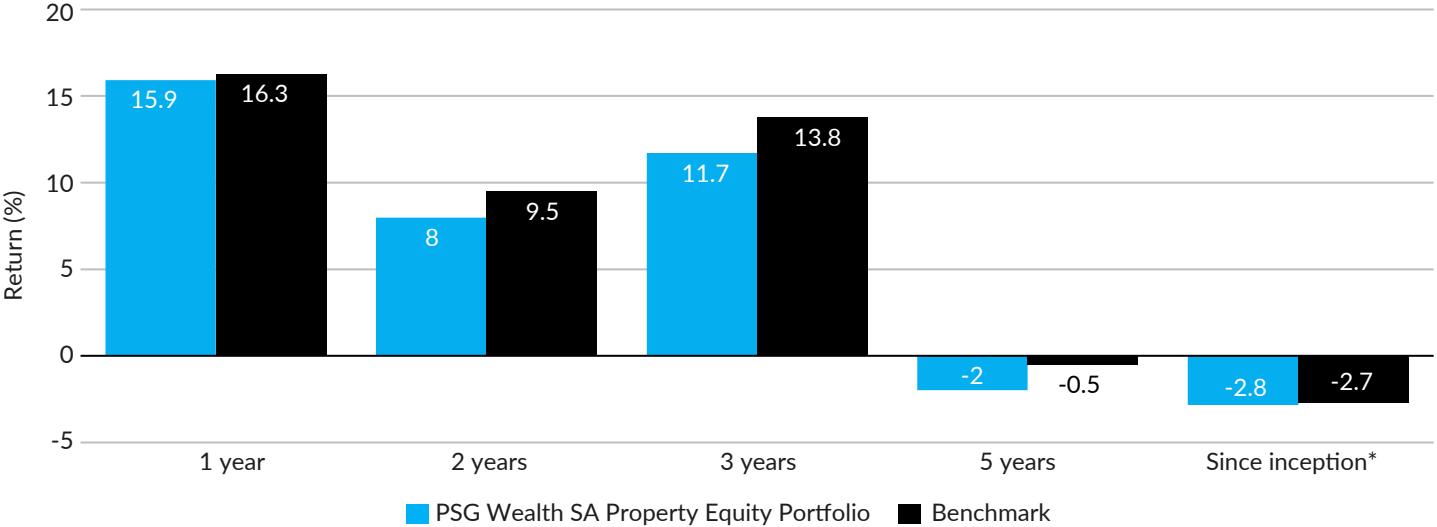
Resilient REIT: RES was down by 0.02% for the month, directionally in line with the performance of the benchmark.

Burstone Group: BTN declined by 10.89% for the month, continuing its downward trajectory from end-January.

MAS P.L.C: MSP fell by 10.22% for the month in anticipation of a results release which saw a downward revision in distributable income growth guidance.

Equities: EQU was down by 9.03% for the month after its pre-close presentation showed unchanged guidance of dividend per share contraction for the full-year and a delay in the sale of the UK development platform with growth prospects still a concern.

Annualised return percentage



*Inception Date: 31 August 2015
Please note that the returns are before fees



Mandatory disclosure

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