



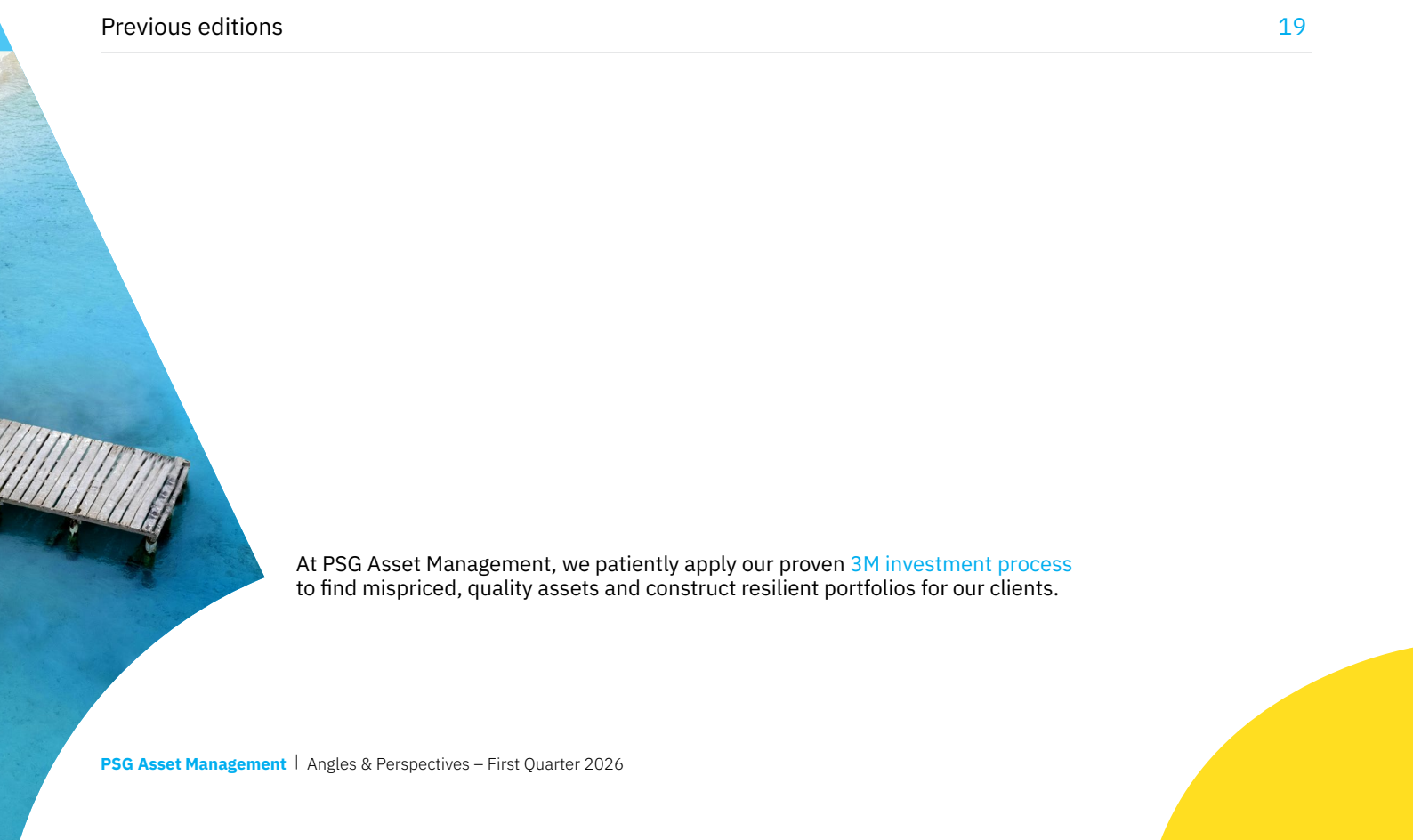
Angles & Perspectives

First Quarter 2026



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At PSG Asset Management, we patiently apply our proven [3M investment process](#) to find mispriced, quality assets and construct resilient portfolios for our clients.



Lyle Sankar

Introduction

Lyle has more than 12 years' experience in the financial services industry. He joined PSG Asset Management in 2014 as a credit analyst and trader before becoming a fund manager on several portfolios in our fixed income range and later Head of Fixed Income. He has been CEO of PSG Asset Management since May 2025. Prior to joining PSG, he completed his articles with Deloitte Cape Town before joining Coronation briefly in business development.

We patiently apply our [3M investment process](#) – grounded in our in-depth and independent research – with the aim of finding an inherent quality the market is overlooking. These overlooked quality assets often reside outside the popular areas of the market, and it requires independent thinking and an open-minded approach to consider investment in such unloved and unpopular areas of the market. However, such an approach can richly reward those who are not afraid to take a differentiated view that runs contrary to the popular consensus, as undervalued assets also provide a margin of safety to our portfolios that helps to improve the overall investor experience. By constructing robust portfolios that offer valuable diversification benefits to our clients, we ensure that our funds remain well positioned to continue rewarding investors as market conditions change. In this edition, we shed more light on the independent thinking that often leads us to take a different viewpoint to the popular consensus.

In the first article – [Depletion rates and oil: Running faster and faster to stand still](#) – Head of Research Kevin Cousins highlights how finding assets with some unappreciated quality at low prices is the foundation for our portfolios. In late 2025, that was a good description of the energy sector, and in this article, we explain the thinking that led us to invest in energy stocks. We also discuss an alternative way to think about the volatility and timing of returns from the energy sector, highlighting the risk mitigation role these counters play in our portfolios.

Next, in [When markets panic, there are opportunities to pick up good stocks at great valuations](#), Chief Investment Officer John Gilchrist shares how a knee-jerk approach that involves buying all market dips indiscriminately is not advised, with the ability to distinguish temporary uncertainty from more material longer-term impacts becoming ever more crucial.

Lastly, Fund Manager Marc Beckenstrater asks: [Is quality investing a trap?](#) He unpacks why, despite being an intuitively appealing idea, quality investing has failed to deliver to investors' expectations over the past few years. He points out that while quality businesses remain exceptional capital allocators over full cycles, over shorter periods, quality indices are vulnerable to losing sight of the fact that the starting price at which an asset is acquired is one of the key determinants of the long-term outcomes that investors achieve.

We trust that you will find these articles insightful, and their guidance valuable in these turbulent times.



Depletion rates and oil: Running faster and faster to stand still



Kevin Cousins

Kevin has over 30 years' experience in investment management. He joined PSG Asset Management as an investment analyst in 2015. He was appointed as Head of Research in 2017.

At PSG Asset Management, our 3M investment process often leads us to search for opportunities in overlooked and unloved areas of the market. Finding assets with some unappreciated quality at low prices is the foundation for our portfolios. In late 2025, that was a good description of the energy sector. In this article, we explain our differentiated viewpoint as to why oil supply is likely to be lower than anticipated in the years to come. Given the current Iran conflict, this may seem like a moot point, but in 2025 the overwhelming consensus was that we were more likely to see an extended oil glut. We also discuss an alternative way to think about the volatility and timing of returns from the energy sector, highlighting the risk mitigation role these counters play in our portfolios.

The first oil crisis and the birth of the International Energy Agency (IEA)

In late 1973 and 1974, the world endured a severe oil crisis. Following the Yom Kippur War, Arab oil exporters embargoed countries they believed were helping Israel. In the US, oil demand growth was outstripping domestic production, with crude imports rising from 1.3 million barrels per day (bpd) in 1970 to 3.7 million bpd on the eve of the crisis in 1973. As the embargo took effect between July 1973 and October 1974, the price of West Texas Intermediate (WTI) more than tripled from \$3.56 to \$11.16 per barrel. A global growth slowdown ensued, with the US enduring its worst recession since the Great Depression of the 1930s.

In response, the US and 16 other countries from the Organisation for Economic Co-operation and Development (OECD) formed the IEA. The IEA's mandate was to maintain emergency oil reserves and enable a coordinated response to oil supply shocks. The goal was to ensure affordable and reliable energy. They would also provide transparency through data on the global oil market, and annually publish the [World Energy Outlook](#) as a key data source for decision-makers in government and industry.

The IEA becomes political

Dr Fatih Birol has been the Executive Director of the IEA since 2015. In November 2017, the IEA launched the Clean Energy Transitions Programme (CETP). Funding for this was by voluntary donations from member governments and has grown to between 25% and 30% of the IEA's total

budget. Under Dr Birol, the IEA started showing signs of methodological bias. Its baseline scenarios incorporated in the *World Energy Outlook* consistently projected much weaker oil demand than what was subsequently recorded. Projections of 'peak' demand have also proved incorrect.

"No new investment is needed"

In their 2021 report *Net Zero by 2050: A Roadmap for the Global Energy Sector* the IEA, an agency created to ensure energy supply security, came to an astounding conclusion: "There is no need for investment in new fossil fuel supply projects in our net zero pathway." By 2024, the *World Energy Outlook* simply ignored current demand trends and based forecasts on assumptions that all nations would successfully achieve their energy transition goals. The key reference data used to guide decisions by policymakers, industry and investors was presented in such a biased fashion that it raised the risk of severe underinvestment and future shortages. It appeared that the IEA had effectively become renewable energy activists working against the oil industry and neglecting the crucial 'affordable and reliable' part of their energy mandate.

The IEA backtracks

In the 2025 *World Energy Outlook* the IEA reinstated the use of a Current Policy Scenario (CPS), which provides a more realistic baseline for its projections (reference 3). It shows no peak in oil demand, as far out as 2050. Why the change of heart? Importantly, the IEA had also updated its work on depletion rates, publishing *The Implications of Oil and Gas Field Decline Rates* in September 2025 (reference 1). This excellent piece of research highlighted how the natural decline rates of existing oil and gas fields had increased. The Natural Decline Rate is the speed at which production slows if no new capital investment is made in existing fields. The IEA estimated for 2024 a natural decline rate of 8% per annum for oil and 9% per annum for gas.

"Our analysis shows that accelerating decline rates, increased reliance on unconventional resources, and shifts in project development patterns are reshaping the oil and gas supply landscape. These trends indicate that efforts to sustain global production at current levels will require ongoing, targeted investment mainly to maintain existing assets, but also to develop new projects to meet demand..."



So, the IEA has changed its position to one that views new investments in fossil fuels as very clearly necessary.

Why have depletion rates increased?

Conventional oil fields have dropped from 97% of production in 2000 to 77% in 2024 (conventional gas is 70%). The proportion of oil and gas coming from unconventional sources, primarily 'tight' oil and gas from shale, greatly increases the decline rates, as it is much more difficult to extract. **The IEA estimates the natural depletion rate of today's aggregate tight oil and gas fields to be a huge 30% in the next 12 months and 15% in the following year.**

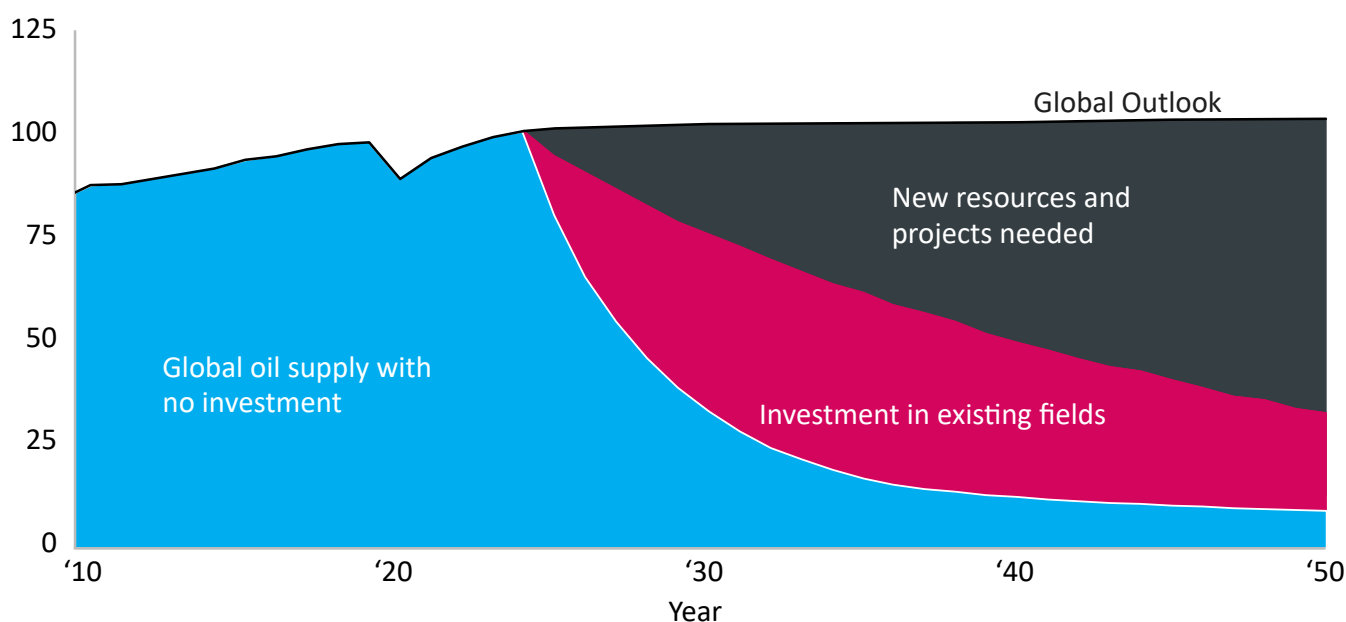
In our opinion, no analysis of the oil and gas supply outlook is complete without a detailed consideration of the impact of high depletion rates, yet this topic tends to be largely ignored. In late 2025, the consensus view was that we would see many years of surplus production, yet the potential rate of depletion, its impact on required capex and subsequent oil supply were hardly covered.

ExxonMobil, experts in tight oil extraction, believe that, going forward, depletion rates will be much faster than historical rates modelled by the IEA. ExxonMobil's *Global Outlook: Our view to 2050*, published in 2024, says the following:

"Our outlook reflects oil production naturally declining at a rate of about 15% per year. That's nearly double the IEA's prior estimates of about 8%. This increase is the result of the world's shifting energy mix toward 'unconventional' sources of oil and natural gas. These are mostly shale and dense rock formations where oil and gas production typically declines faster.

To put it in concrete terms: With no new investment, global oil supplies would fall by more than 15 million barrels per day in the first year alone. At that rate, by 2030, oil supplies would fall from 100 million barrels per day to less than 30 million – that's 70 million barrels short of what's needed to meet demand every day."

Impact of depletion on oil production



Source: ExxonMobil

Current oil production scenarios may be overly optimistic

The IEA's backward-looking natural depletion estimate for oil of 8% as at 2024 appears conservative relative to ExxonMobil's forward-looking 15% rate. Whatever the exact rate will be, we do know that high depletion rates require

very large amounts of capex to just maintain production. In other words, the world's energy producers have to "run faster and faster just to stand still". Current research estimates of future oil and gas supply frequently do not address depletion rate assumptions. The probability that future oil supply is substantially over-estimated, is significant.



The role of energy stocks in our portfolios

We believe it is important to know what the role is of every asset that is held in a portfolio. As discussed, we hold the view that insufficient investment is being made in the energy sector once the impact of high depletion rates is factored in. This implies higher oil prices and good earnings delivery by the energy stocks over the long term, making them attractive holdings based on their fundamentals. As a cyclical sector with hard-to-forecast earnings and high price volatility, conventional wisdom is that energy stocks are risky. We would disagree with this view, and have long recognised that energy stocks play an important safe-haven role in our portfolios. **Their volatility of return is of much less importance than when they deliver above-market gains. Returns delivered in environments where many other sectors and asset classes are struggling are especially valuable.**

Two relevant quotes from a few years ago:
[Assessing risk in the energy sector](#), *PSG Angles & Perspectives*, First Quarter 2024:

“... where the primary fear relates to inflation and constraints on policymakers’ responses, as it did in 2022, the energy sector can take on the role of a safe-haven asset and deliver dramatic outperformance and positive nominal returns. In addition, if investors become nervous about geopolitical risks, energy can once again act as a portfolio safe haven.

This characteristic of the energy sector has effectively lain dormant over the decade of secular stagnation and low macro and geopolitical turmoil prior to 2021/22. This means this environment does not appear in the typical quantitative risk model’s look-back period, and hence the inflation and geopolitical safe-haven character is unappreciated by most risk systems.”

[Rethinking ‘safe haven’ assets](#), *PSG Angles & Perspectives*, Third Quarter 2023:

“Finally, the energy and gold sectors have embedded optionality to the price spikes that typify geopolitical upheavals. Recent events have been a sombre reminder of how important this may be for portfolios in the future.”

In the first quarter of 2026, our funds’ energy stocks performed their role: they provided excellent absolute returns at a particularly difficult time in markets and hence were also very effective risk mitigators for our portfolios.

Further reading (references):

1. The Implications of Oil and Gas Field Decline Rates, International Energy Agency, 2025
2. ExxonMobil Global Outlook: Our view to 2050, 2024
3. The Return of Realism in Global Oil Forecasts: A Critique of the International Energy Agency’s World Energy Outlook 2025, National Center for Energy Analytics, January 2026



John Gilchrist

When markets panic, there are opportunities to pick up good stocks at great valuations

John has been with PSG since December 2018. He is CIO and a portfolio manager on the PSG Stable Fund and PSG Diversified Income Fund. John has over 22 years' investment experience and was previously co-head of the Customised Solutions Boutique at OMIGSA. He is a CA(SA) and has an MBA from Insead in France.

Market dislocations are uncomfortable, often disorderly, and almost always accompanied by a compelling narrative explaining why this time is different. Yet history suggests that periods of panic tend to create attractive opportunities for long-term investors. However, a knee-jerk approach that involves buying all market dips indiscriminately is not advised, with the ability to distinguish temporary uncertainty from permanent impairment becoming ever more crucial.

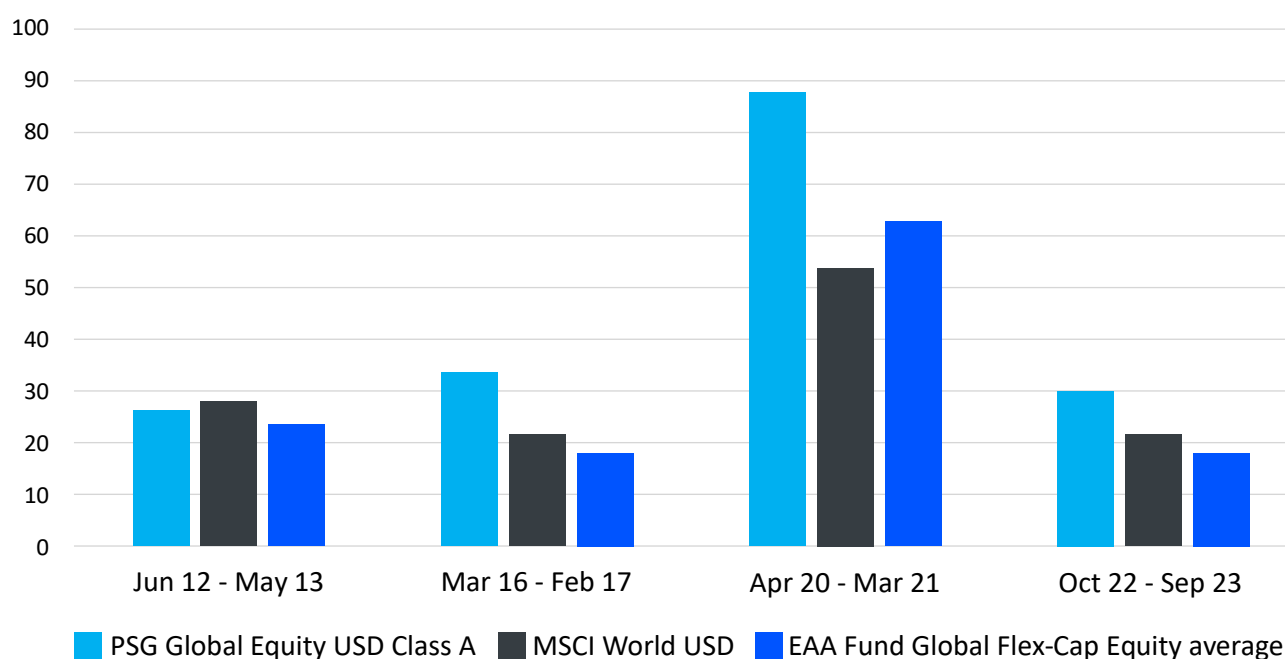
Learning from past dislocations

While each market crisis has a unique trigger, the behavioural response of market participants tends to be consistent: forced selling, liquidity constraints, and the indiscriminate repricing of risk. This creates opportunities to acquire high-quality businesses at significant discounts to intrinsic value.

Over the years, PSG Asset Management has shown the ability to allocate capital in a disciplined fashion during periods of market stress, using times of panic to buy quality companies that have been sold off indiscriminately or assets that will deliver excellent returns in the future environment. These well-timed purchases have allowed our funds to perform extremely well in the rebound that often follows excessive sell-offs.

Over the more than 15 years we have been managing the [PSG Global Equity Sub-Fund](#), there have been four periods when the MSCI World Index dropped more than 10% (measured monthly) over a rolling 1-year period: in May 2012 following the eurozone debt crisis, in February 2016 on the back of a growth and commodity slump, the Covid-19 pandemic in March 2020, and the global inflation scare in September 2022. The performance of our PSG Global Equity Sub-Fund versus the MSCI World Index and the category average over the subsequent 12-month periods is shown below.

% return 12 months after trough 1-year MSCI World return



Sources: Morningstar and PSG Asset Management



This chart supports the historic value of buying during periods of market panic (the MSCI World Index delivered 31.3% on average in the periods above), and shows how we have used these opportunities to buy attractive assets, including high-quality businesses at low prices, helping to deliver subsequent outperformance.

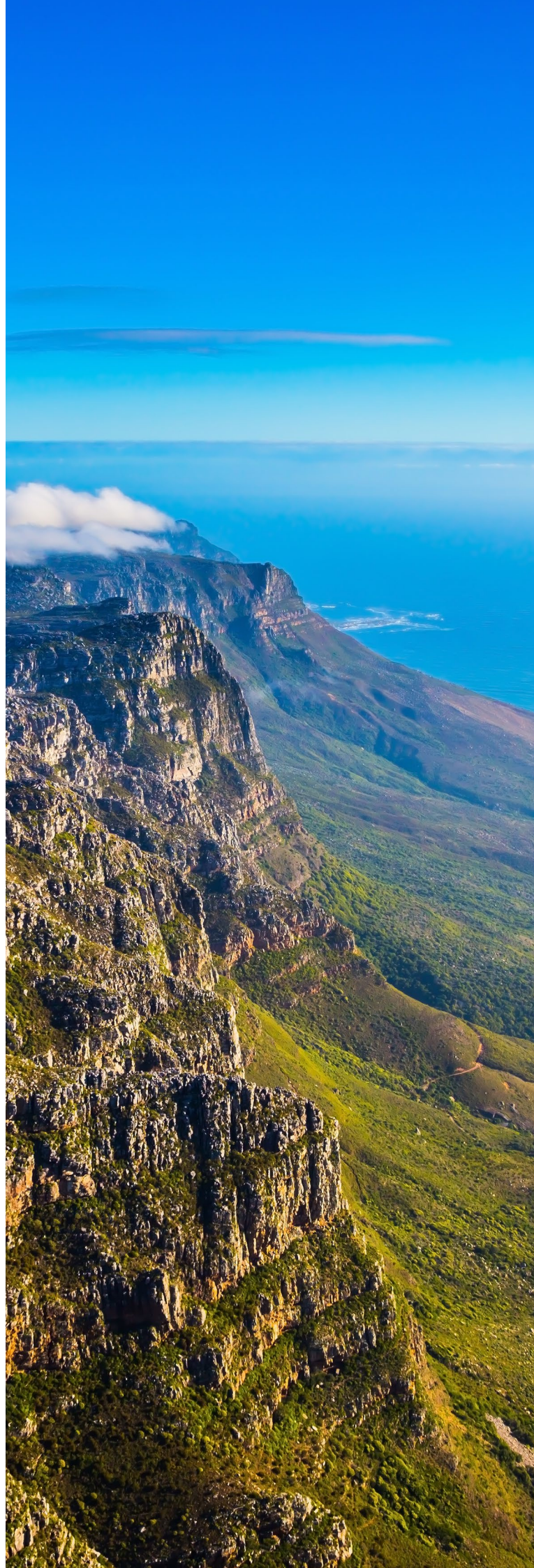
Historic examples include purchases of high-quality US equities in 2016, such as Berkshire Hathaway, Brookfield and Microsoft. During the Covid-19 market volatility in 2020, notable additions included Anheuser-Busch InBev, which faced severe lockdown-related disruptions to its on-premise business, and Shell plc, which has cut its dividend for the first time since World War II in April 2020, at a time when oil prices went negative. More recently, the fund added companies positioned to benefit from the heightened levels of inflation seen in 2022 following the invasion of Ukraine.

Why does buying into market weakness work?

“Buy on the sound of cannons, sell on the sound of trumpets” is a famous investment adage attributed to the 19th century banker Nathan Rothschild, advising investors to purchase assets during times of geopolitical panic or war, and to sell when peace and optimism return.

Over the years, investors have realised that following Rothschild’s advice and “buying the dip” can be incredibly profitable, especially when compared to the immense value destruction associated with selling out of fear. This strategy is successful for a number of reasons:

- During market corrections, the ratings of shares decline (price/earnings, price-to-book value, etc.) while forward earnings are relatively stable, frequently making selective equities cheap. As we have noted many times in the past, the price you pay is a key determinant of the returns you subsequently earn from an asset.
- Markets are resilient and adaptable, with companies quickly adjusting to new conditions to continue generating (and growing) earnings.
- The environment leading to panic and short-term market corrections generally resolves over time, allowing equity markets (which are fundamentally long-term focused and forward-looking) to rebound too.
- The US Federal Reserve (Fed) has frequently cut rates and embarked on quantitative easing (buying bonds) when US equity markets come under pressure, effectively providing the markets with a put option. The so-called Greenspan put evolved from the Fed’s 1987 emergency interest rate cuts, which established an unofficial policy of lowering rates to backstop market downturns. This has the tendency to create a ‘moral hazard’ with investors taking on excessive risk, trusting the Fed to bail them out in the event of a significant market correction. Subsequent periods of extreme speculation and bursting of asset bubbles (including the Global Financial Crisis) have been attributed to this Fed put.





Markets are adaptive

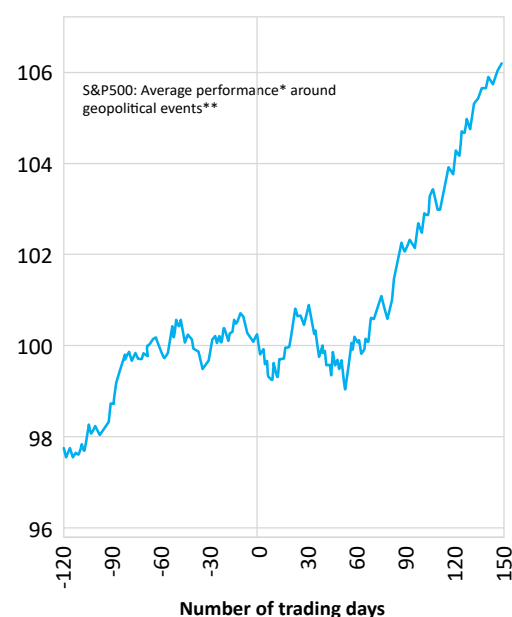
Markets are adaptive, learning from past events. This causes reflexivity (a theory popularised by George Soros), a two-way feedback loop where investors' learnings about the past influence current actions, which in turn alter the future 'fundamentals' they were trying to predict. Along the same vein, Andrew Lo developed the Adaptive Markets Hypothesis in 2004, which proposes that markets are not efficient in a static way, but instead evolve. Market participants learn from past mistakes and successes, adapting their strategies accordingly. As more participants learn and adapt to a particular pattern (e.g. a specific crash type), that pattern changes or disappears, making history less relevant.

What does this mean for the current environment?

In March 2026, we saw another market sell-off on the back of the Iran war. However, unlike many other examples where markets over-reacted to bad news flow, in early March we saw relatively muted global equity market moves

(as measured by the MSCI World Index). It was apparent that the market saw this conflict, and the closing of the Strait of Hormuz, as causing simply a short-term inflation spike, with limited concerns about growth and second-order inflationary impacts stemming from a potentially sustained shutdown. In contrast to many other larger risk-off events, we did not see panic selling; nor did we see many quality companies go on sale as a result.

The lack of panic, and muted global equity market moves, were probably also a function of numerous global strategists/economists advising clients to buy into equity market weakness, noting that historically buying during periods of geopolitical tension had delivered strong returns (as highlighted by BCA's research in 2024), with the S&P 500 Index higher 12 months after a geopolitical crisis 85% of the time.



*Rebased to first day of geopolitical event = 100.

**Includes 57 major geopolitical events from the Hungarian revolution in 1956 to the April 2024 Iranian strikes against Israel

Event	Date	Total drawdown	1 year later
Pearl Harbour attack	7 Dec 1941	-19.8%	11.4%
Hungarian uprising	23 Oct 1956	-0.8%	-8.2%
Suez crisis	29 Oct 1956	-1.5%	-8.8%
Cuban missile crisis	16 Oct 1962	-6.6%	32.1%
Kennedy assassination	22 Nov 1963	-2.8%	27.8%
Munich Olympics	5 Sep 1972	-4.3%	-3.1%
Yom Kippur War	6 Oct 1973	-0.6%	-41.1%
Iraq's invasion of Kuwait	2 Aug 1990	-16.9%	14.0%
US terrorist attacks	11 Sep 2001	-11.6%	-11.2%
Bombing of Syria	7 Apr 2017	-1.2%	12.7%
Iranian general killed in airstrike	3 Jan 2020	-0.7%	18.2%
Russian invasion of Ukraine	17 Feb 2022	-6.8%	-5.3%
Israel-Hamas War	9 Oct 2023	-4.5%	35.5%
Israel airstrikes on Iran nuclear sites	12 Jun 2025	Ongoing	Ongoing
US-Iran strikes	23 Feb 2026	Ongoing	Ongoing

Sources: BCA Research / Macrobond and Investopedia referencing LFL Financial research



Market participants learn from past mistakes and successes, adapting their strategies accordingly.

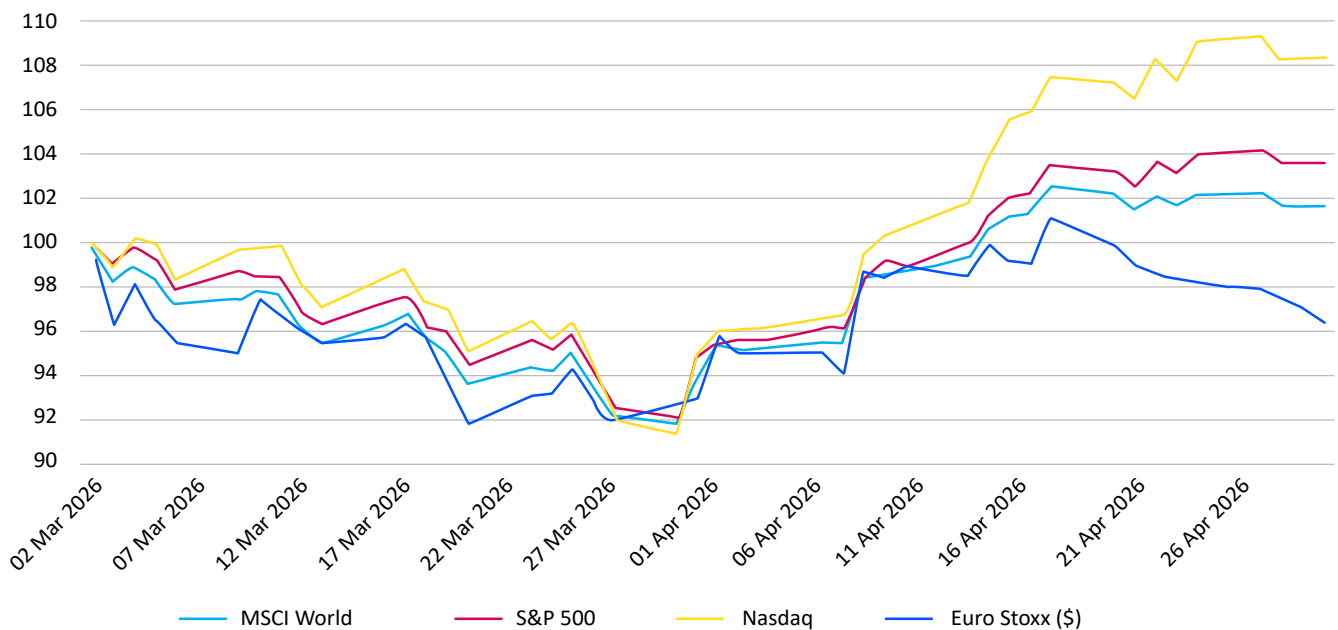


In this case, the limited reaction to a significant geopolitical event (i.e. relatively low levels of panic selling) makes the likelihood of a strong subsequent rebound lower than history would indicate.

In addition, US-domiciled companies dominate the MSCI World Index and, with the headline takeaway that the US is energy self-sufficient (based on overall energy demand

and supply) and is relatively lower risk, the US markets outperformed most other equity markets over the recent period, supporting the MSCI World Index. Finally, a recent substantial increase in forecast consensus earnings for the S&P 500 Index, combined with a resurgence of the AI narrative and eye-watering gains for semi-conductor shares, has also underpinned the index performance.

Performance of various indices (in USD) since the start of the Iran war



Sources: Bloomberg and PSG Asset Management

How have we responded?

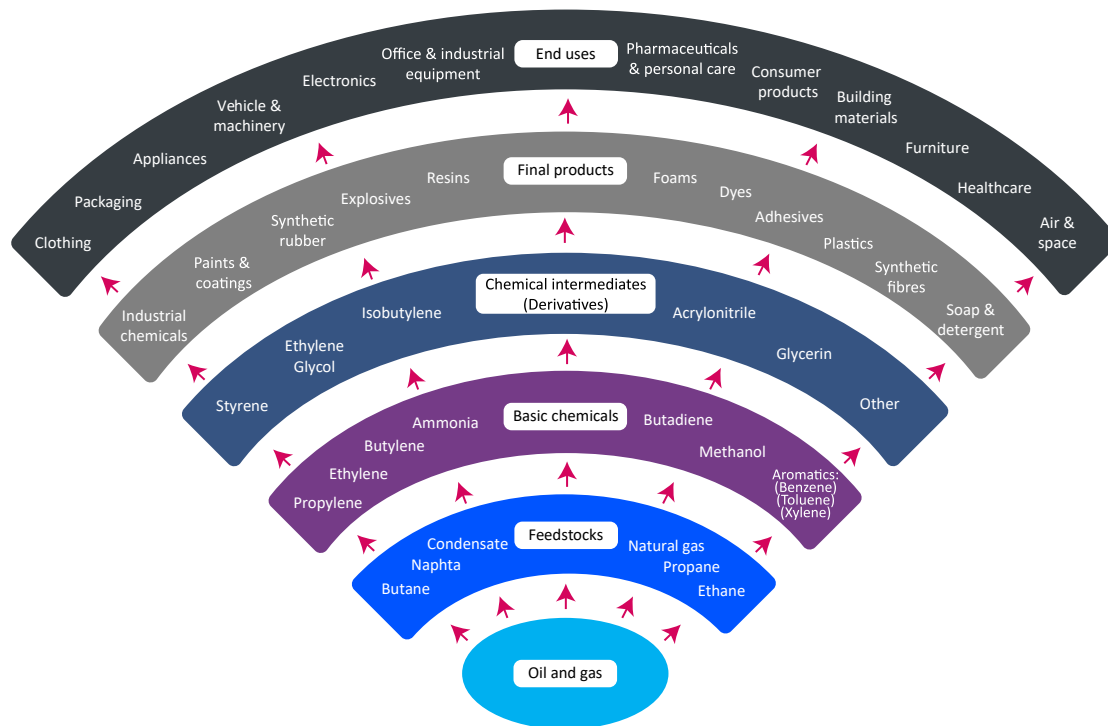
We were well positioned across our fund range going into March 2026 (refer to the [April 2026 Angle](#)) and on the front foot in terms of looking to exploit any opportunities that presented themselves. However, instead of the panic that creates excellent opportunities, we have actually seen what we view as market complacency. We attribute this to the

market assuming that there will be a short-term resolution to this crisis. In addition, it appears that the delayed impact of a blockage in the Strait of Hormuz on oil, gas and related markets (see graphic below) and the associated global supply chains, and the second-order effects thereof, are not fully appreciated.



However, instead of the panic that creates excellent opportunities, we have actually seen what we view as market complacency. We attribute this to the market assuming that there will be a short-term resolution to this crisis.

The petrochemical products flow chart



Source: Canada Energy Regulator

In March 2026, the International Energy Agency (IEA) announced a 400 million barrel (mb) release of emergency oil reserves, offsetting an estimated supply loss of 360mb in March. However, reserves are finite, and will have to be rebuilt over time. For example, the US Strategic Petroleum Reserve had fallen to 243mb by late March, the lowest level since the 1980s (and approaching minimum viable levels). Forecast supply losses for April 2026 are projected at 440mb, with the last tanker to clear the Strait in late February arriving at its destination in mid-April 2026, emphasising the delayed impact of blockages. Even if the Strait of Hormuz is fully opened, it will take several months for the physical challenges in the energy and related markets to be resolved. Valero, one of the largest refiners in the US, estimates that every one day Hormuz is closed results in three days of energy market disruption, implying abnormal markets until the fourth quarter of 2026, even with an immediate end to the conflict.

As a result, while we have opportunistically redeployed capital since the start of the Iran war from select winners into laggards that met our 3M investment process, we have not materially changed the composition of our portfolios; nor have we added substantial equity exposure in our multi-asset funds. Our analysis suggests that we are appropriately positioned in the current market environment to maximise client returns while managing risk appropriately.

Understanding the drivers of volatility remains key

Periods of panic remain the most fertile ground for long-term investors. However, complacency can be equally dangerous. The key is not simply to react to volatility, but to understand its drivers and position portfolios accordingly.

We continue to monitor market events and market movements, looking to apply our philosophy and 3M research process to take advantage of any longer-term opportunities as they present themselves.



Marc Beckenstrater

Is quality investing a trap?

Marc joined PSG in May 2025 as a fund manager. Prior to joining PSG, Marc held various roles at firms both in South Africa and abroad, including as analyst, portfolio manager, head of research and chief investment officer.

One of the most intuitively appealing ideas in investment management is a focus on buying quality shares. And yet, this approach has not rewarded global investors over the past four years. The question is why. We believe this is because the methodology does not include a price overlay, like other factor approaches that autocorrect to take price movements into account. This leaves investors exposed to lengthy periods of underperformance – even though they hold quality companies that should, on the face of it, make for great investments.

What is quality investing?

In quality investing, the focus is on buying and holding the shares of exceptional businesses for the long term. Quality companies have high returns on capital, defensible franchises, recurring earnings growth, and strong balance sheets. So, buying and investing in these companies seems like an easy recipe to follow, and one which should surely guarantee success. Yet, quality investing has had a difficult few years. A closer look at the mechanics underpinning this approach provides some clues as to why this is the case.

Factors in investing: what are they, and why do fund selectors use them?

Eugene Fama and Kenneth French were able to explain up to 95% of a diversified stock portfolio's returns by focusing on a broad classification of types of shares and their overall contribution to performance. They originally focused on three factors – i.e. size, value and excess market return – but subsequent research and analysis have seen several variants emerge. Thus, market participants are now able to analyse several 'factors' that explain the bulk of equity returns and risk over time. Today, portfolio constructors generally favour five factors – i.e. quality, value, momentum, growth and size – to fine-tune portfolio construction, target preferred outcomes, and ensure risks remain within parameters tolerable to clients.

Index construction matters

For many investors, the factor investing journey starts by looking at the constituents of different indices, so understanding the nuances of how these indices are constructed matters, and it impacts the outcomes that are achieved.

Quality indices include shares that meet specified financial criteria, including return on equity, earnings variability and good debt-to-equity ratios. However, they do not take into account share price or valuation. In contrast, value indices are self-correcting. As stocks become expensive, their weight diminishes and cheaper names rotate in. Momentum indices rebalance by definition, selling what has stopped working. However, quality indices do neither. A quality business that doubles in valuation remains in the index at twice the weight. There is no automatic mean-reversion mechanism, no discipline that forces a price check. The result is that quality indices can, and do, accumulate enormous valuation premiums with no corrective signal, and this represents a crucial vulnerability to quality investing.

The data bears this out. The relative price-to-book ratio of the MSCI World Quality Index versus the broad market peaked at 3.2x in May 2020 before compressing to 2.3x today. The relative enterprise value (EV)/sales premium built steadily from 2013 and reached a peak in 2023, before retreating. Perhaps most strikingly, quality stocks entered 2013 trading at virtually the same forward P/E as the broader market. Quality was in effect available for free, before commanding a near -30% earnings premium at the 2024 peak. This outcome is unavoidable when no valuation overlay is taken into account and markets are running hot in a world of extraordinary monetary accommodation.



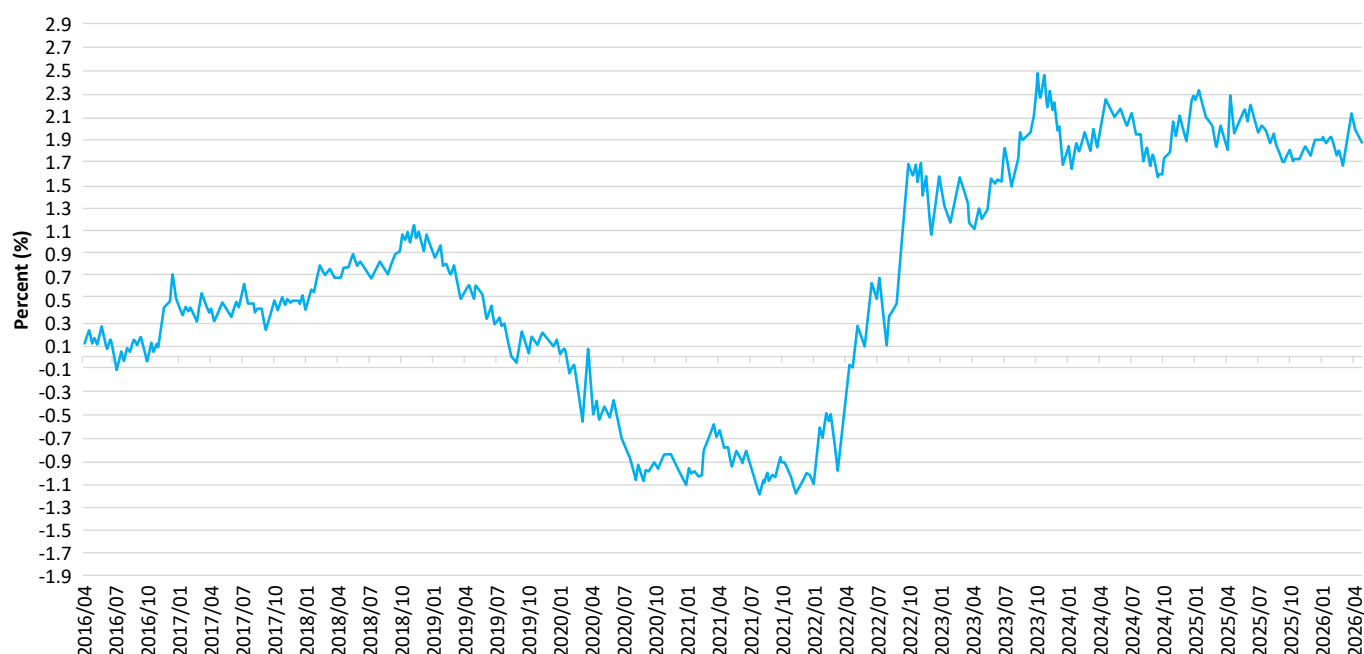
Quality businesses benefited in the low interest rate environment

Quality businesses are long-duration assets. Their value is heavily concentrated in distant future cash flows, which makes them acutely sensitive to the discount rate applied to those flows. A decade of near-zero real interest rates was not merely a benign backdrop for quality investing – it was the primary driver of its outperformance.

The earnings yield of the MSCI World Quality Index minus the US 10-year TIPS yield tells the story precisely. Through the zero interest rate policy (ZIRP) era, quality offered

investors nearly 4 percentage points of earnings yield above the real risk-free rate on average – a compelling compensation for equity risk. At the April 2020 trough, that spread reached almost 6%. It was rational for investors to pay up. By June 2024, that same spread had compressed to 1.4%, a level that only made sense if real rates were going to zero and staying there. They did not. Today the spread sits at 2.0%, still 170 basis points below its long-run average. The valuation derating is not complete.

US 10-year real interest rate



Sources: PSG Asset Management and Bloomberg, using 10-year Treasury Inflation-Protected Securities (TIPS) as the reference rate.

The dividend yield picture is equally stark. Quality stocks now offer a dividend yield below the real risk-free rate: a spread of -0.4% versus a long-run average of +1.1%. The income logic that underpinned a generation of quality investing has structurally reversed. Risk-free real rates of 2% change the calculus for every long-duration asset, and quality equities are among the longest duration instruments in public markets.

Active management has not achieved better outcomes

Active management did not compensate for the weaknesses in index construction either. We examined a selection of well-known quality managers with Section 65 approved funds available to South African investors. Over the 10 years to March 2026, the MSCI World Quality Index outperformed the broad MSCI World Index, returning 13.4% p.a. versus 11.8% p.a. Yet, across our sample of active quality managers, every single fund underperformed the broad market over the same period, with relative returns ranging from -22% to -33% against the MSCI World Index.



The picture since the rate cycle turned in 2022 is more severe. The quality index itself underperformed the broad market over this period, returning 7.7% p.a. versus 8.3% p.a. (from 31 December 2021 to 31 March 2026). Active quality managers fared worse, with total returns ranging from negative territory to low single digits over four years in which the MSCI World Index delivered over 40%.

What this means for South African investors

South African fund allocators have a well-documented concentration problem in offshore equity. The typical multi-manager or discretionary portfolio assembled over the past decade reflects a period in which quality was the dominant performance narrative. The result is that many SA investors hold multiple quality managers who, despite different names and marketing materials, own substantially overlapping portfolios of the same 30 to 50 global businesses, priced (until recently) for a world of permanent zero real rates.

This is not a case against quality as an investment philosophy. Quality businesses remain exceptional capital allocators over full cycles, and the valuation derating of recent years has made the entry point meaningfully more attractive than it was in 2021. The relative forward P/E of the quality index has now reverted to its long-run median. However, over shorter periods, quality indices are vulnerable to losing sight of the fact that the starting price at which an asset is acquired is one of the key determinants of the long-term outcomes the investors achieve.

Investors need to be vigilant against a concentration of style exposure. Blending valuation-sensitive managers, those who treat price as an input rather than an afterthought, with managers who are genuinely unconstrained by factor purity, would have materially reduced the damage of the past four years. This would also position a portfolio to participate in the recovery should the quality factor mean-revert, while maintaining exposure to managers who can generate returns in a wider range of market environments.

When pursuing quality investments, manager style diversification matters, because the quality of a business and the quality of an investment are not the same thing. Starting valuations have always mattered. The past four years have simply made that lesson unusually expensive.



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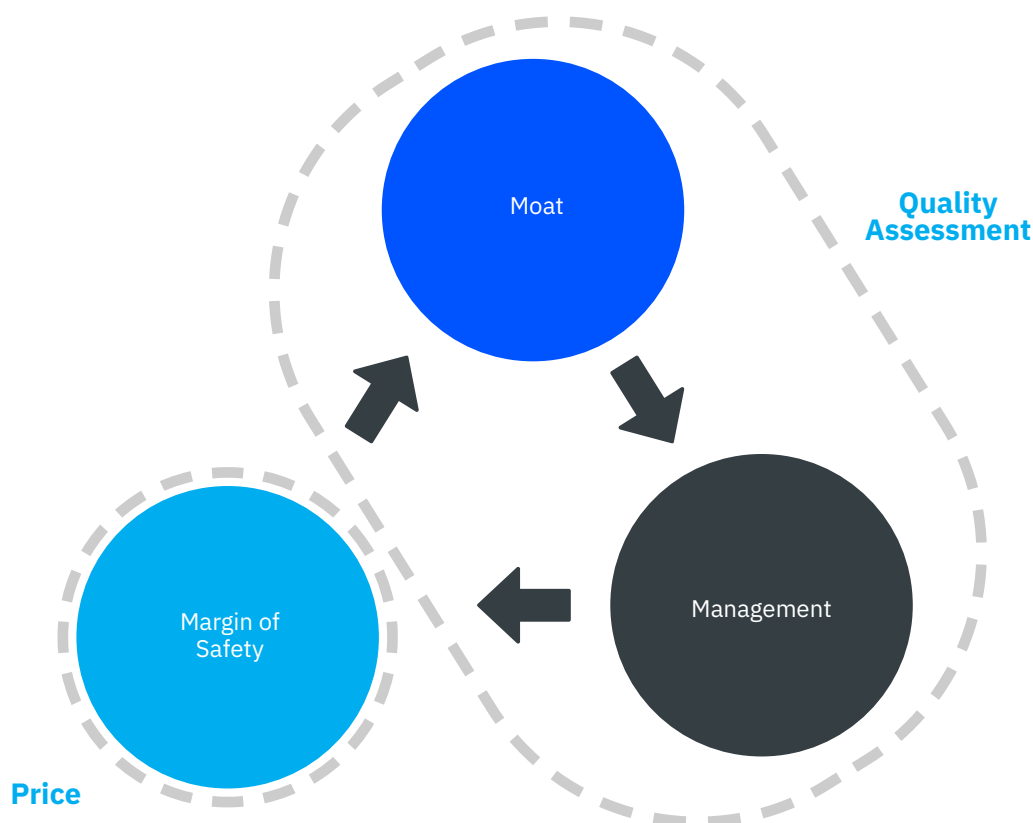


A quick reminder of our 3M process

As investment professionals, we seek to generate consistent long-term returns for our clients. A robust and proven investment process is at the heart of our ability to do so consistently over time, even as market cycles come and go and stocks fall in and out of favour. We understand that generating strong long-term returns for our clients rests on the ability to buy low, invest for the long run and sell high.

To find the most attractive opportunities, we look in the uncrowded areas of the market that offer the best chance of mispricing (generally those characterised by fear, uncertainty or neglect). We further improve our chances of success by applying our [3M process](#).

The first two M's help us evaluate the quality of companies. These are the strength of 'management' and evidence of a competitive advantage that serves as a 'moat', setting the company apart from its peers. Our third M is the 'margin of safety', reflected in how far a security is trading from its fair value (or, viewed differently, whether its current price is setting us up to 'buy low'). Essentially, we are looking for some inherent quality that the market might be missing. As a result, we tend to invest in companies that are as good as the market or better, but trading at a discount. We believe that if we apply this methodology consistently, we will tend to buy quality companies at affordable valuations, helping our clients in growing their investments over time.





Risk
Higher risk requires a longer investment horizon



	South African portfolios									Rand-denominated offshore	
	PSG Equity Fund MDD	PSG SA Equity Fund MDD	PSG Flexible Fund MDD	PSG Balanced Fund MDD	PSG Stable Fund MDD	PSG Diversified Income Fund MDD	PSG Bond Fund MDD	PSG Income Fund MDD	PSG Money Market Fund MDD	PSG Global Equity Feeder Fund MDD	PSG Global Flexible Feeder Fund MDD
Fund category (ASISA classification)	South African - Equity - General	South African - Equity - SA General	South African - Multi-asset - Flexible	South African - Multi-asset - High Equity	South African - Multi-asset - Low Equity	South African - Multi-asset - Income	South African - Interest-bearing - Variable-term	South African - Interest-bearing - Short-term	South African - Interest-bearing - SA Money Market	Global - Equity - General	Global - Multi-asset - Flexible
Investment objective	Aims to offer investors long-term capital growth without assuming a greater risk, and to earn a higher rate of return than that of the South African equity market as presented by the composite of 80% FTSE/JSE Capped All Share Net Total Return Index and 20% MSCI Daily Total Return Net World USD Index (including income).	Aims to provide long-term capital growth (highest returns above inflation) and to outperform the FTSE/JSE Capped All Share Net Total Return Index by investing mainly in South African shares. The investment policy provides for investment in domestic listed securities and assets in liquid form, including shares, participatory interests in listed property shares, loan stock and derivative instruments.	Aims to achieve superior medium- to long-term capital growth by investing in selected sectors of the equity, gilt and money markets, both locally and abroad. The fund has a flexible asset allocation mandate and equity exposure will vary based on opportunity.	Aims to achieve long-term capital growth and a reasonable level of income for investors. The investment policy provides for active management of the portfolio assets that include equities, bonds, property and cash, both domestically and in foreign markets.	Aims to achieve capital appreciation and to generate a performance return of CPI + 3% over a rolling three-year period, with low volatility and low correlation to equity markets through all market cycles.	Aims to preserve capital while maximising income returns for investors. The portfolio comprises a mix of high-yielding securities, property, bonds, preference shares and assets in liquid form (both local and foreign).	Aims to offer a combination of a high level of income and the potential for capital growth by primarily investing in fixed income instruments.	Aims to maximise income while achieving as much long-term capital appreciation as interest rate cycles allow.	Aims to provide capital security, a steady income and easy access to your money.	Aims to achieve capital growth over the long term, with the generation of income not being the main objective of the portfolio. It is a rand-denominated equity feeder fund with an investment policy providing for investment solely in the PSG Global Equity Sub-Fund.	Aims to achieve superior medium- to long-term capital growth through exposure to selected sectors of the global equity, bond and money markets. It is a rand-denominated feeder fund with an investment policy providing for investment solely in the PSG Global Flexible Sub-Fund.
Benchmark	Composite of 80% FTSE/JSE Capped All Share Net Total Return Index and 20% MSCI Daily Total Return Net World USD Index	FTSE/JSE Capped All Share Net Total Return Index	SA CPI + 6%	SA CPI + 5%	SA CPI + 3% over a rolling 3-year period	SA CPI + 1%	FTSE/JSE All Bond Index over rolling 36 months	STeFI Composite Index	(ASISA) South African - Interest-bearing - SA Money Market Mean	MSCI Daily Total Return Net World USD Index (in ZAR)	US CPI + 6% (in ZAR)
Risk rating	High	High	Moderate - High	Moderate - High	Moderate	Low - Moderate	Medium	Low - Moderate	Low	High	Moderate - High
Time horizon	7 years and longer	7 years and longer	5 years and longer	5 years and longer	3 years and longer	2 years and longer	3 years and longer	1 year and longer	Minimum of 1 day	7 years and longer	5 years and longer
The fund is suitable for investors who:	- want an equity-focused portfolio that should produce high real returns above inflation and capital appreciation over the long term - are comfortable with significant stock market fluctuations - are willing to accept potential capital loss - have a long-term investment horizon of seven years and longer	- want exposure to local shares - are comfortable with stock market (equity market) fluctuations - have a long-term investment horizon of seven years and longer	- want exposure to the equity market, but with managed risk levels - aim to build wealth - are willing to accept potential capital loss - have a medium- to long-term investment horizon of five years and longer	- aim to build wealth with a balanced portfolio that diversifies the risk over the various asset classes - are comfortable with market fluctuation risk - are willing to accept potential capital loss - would prefer the fund manager to make the asset allocation decisions - have an investment horizon of five years and longer	- have a moderate risk appetite but require capital growth in real terms - have a medium-term investment horizon of three years and longer - are comfortable with fluctuations in markets	- have a low risk appetite - want to earn an income, but need to try and beat inflation - have a short- to medium-term investment horizon of two years and longer	- seek stable income and reasonable capital growth over the long term - want to include bonds in their investment portfolio - have an investment time horizon of longer than three years - seek returns greater than those provided by money market funds and are comfortable with the higher risk of capital loss than in a money market fund	- have a low risk appetite - require an income - have an investment horizon of one year and longer	- seek capital stability, interest income and easy access to their money through a low-risk investment - need an interim investment vehicle or 'parking bay' for surplus money - have a short-term investment horizon	- want exposure to global equities without personally expatriating funds - are comfortable with international equity market and currency fluctuations - have a long-term investment horizon of seven years and longer	- want exposure to global equities without personally expatriating funds - are comfortable with international equity market and currency fluctuations - have a long-term investment horizon of five years and longer
Net equity exposure	80% - 100%	80% - 100%	0% - 100%	0% - 75%	0% - 40%	0% - 10%	0%	0%	0%	80% - 100%	0% - 100%
Income distribution	Bi-annually	Bi-annually	Bi-annually	Bi-annually	Bi-annually	Quarterly	Bi-annually	Quarterly	Monthly	Annually	Annually
Minimum investment	As per the platform minimum	As per the platform minimum	As per the platform minimum	As per the platform minimum	As per the platform minimum	As per the platform minimum	As per the platform minimum	As per the platform minimum	R25 000 lump sum	As per the platform minimum	As per the platform minimum
Fees (excl. VAT)	Annual management fee: Class A: 1.50% Class E: 0.75% + 20.00% performance fee on outperformance of the benchmark	Annual management fee: Class D: 0.85% Class F: 1.1%	Annual management fee: Class A: 1.00% + 7.00% performance fee on outperformance of the high-water mark Class E: 0.75% + 7.00% performance fee on outperformance of the high-water mark	Annual management fee: Class A: 1.50% Class E: 1.00%	Annual management fee: Class A: 1.50% Class E: 1.00%	Annual management fee: Class A: 1.00% Class E: 0.45%	Annual management fee: Class A: 0.40%	Annual management fee: Class A: 0.65% Class E: 0.40%	Annual management fee: Class A: 0.50% Class F: 0.25%	Annual management fee: Class A: 0.75% Class E: 0.25%	Annual management fee: Class A: 0.75% Class B: 0.25%
Compliance with Prudential Investment Guidelines (Regulation 28)	No	No	No	Yes	Yes	Yes	Yes	No	Yes	No	No

For full disclosure on all risks, costs and fees, as well as performance fee FAQs, refer to the fund fact sheets on our website: <https://www.psg.co.za/asset-management/about-us>. The A classes have been closed to new investors.



	US Dollar-denominated	
	PSG Global Equity Sub-FundMDD	PSG Global Flexible Sub-FundMDD
Fund category Morningstar category	EAA Fund Global Large-Cap Blend Equity	EAA Fund USD Flexible Allocation
Denomination	US dollar	US dollar
Investment objective and strategy	The fund’s objective is to invest in worldwide equities with the aim of outperforming the average of the world’s equity markets, as represented by the MSCI Daily Total Return Net World USD Index (the benchmark). It is a US dollar-denominated global equity fund, domiciled in Malta, whose investment policy provides for it to invest mainly in global listed securities and that aims to reduce the comparative risk (against the benchmark) of loss over an investment period of four or more years.	The fund’s objective is to achieve medium- to long-term capital growth through exposure to selected sectors of the global equity market, bond market or money market. The fund is denominated in US dollars and domiciled in Malta. The investment policy provides for an actively managed and a flexible asset allocation according to changing market conditions.
Benchmark	MSCI Daily Total Return Net World USD Index	US inflation + 6%
Risk rating	High	Moderate - High
The Fund is suitable for investors who	• seek an equity-focused portfolio with outstanding growth potential • aim to maximise potential returns while being comfortable with significant stock market fluctuations • have a long-term investment horizon of at least four years	• want a managed solution in offshore markets • are comfortable with global equity market risk • have a medium- to long-term investment horizon of four years and longer
Net equity exposure	100%	Up to 100%
Income distribution	This fund does not distribute	This fund does not distribute
Minimum initial investment	US\$5 000 lump sum	US\$5 000 lump sum
Fees (direct, excl. VAT)	Class A: 1.35% Class B: 0.85%	Class A: 1.00% plus a performance fee of 7% of the net trading gain above the high water mark Class B: 0.50% plus a performance fee of 7% of the net trading gain above the high water mark

For full disclosure on all risks, costs and fees, as well as performance fee FAQs, refer to the fund fact sheets on our website: <https://www.psg.co.za/asset-management/about-us>. The A classes have been closed to new investors.

General information and risks

Collective Investment Schemes (CIS) in securities are generally medium- to long-term investments. The value of participatory interests (units) or the investment may go down as well as up and past performance is not a guide to future performance. Fluctuations or movements in the exchange rates may cause the value of underlying international investments to go up or down. CIS are traded at ruling prices and can engage in borrowing and scrip lending. Where foreign securities are included in a portfolio, the portfolio is exposed to risks such as potential constraints on liquidity and the repatriation of funds, macroeconomic, political, foreign exchange, tax, settlement and potential limitations on the availability of market information. The portfolios may be capped at any time in order for them to be managed in accordance with their mandate. 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 fund may borrow up to 10% of the market value to bridge insufficient liquidity.

Past performance is not a reliable indicator of future results and you may get back less than you originally invested. This publication is for private circulation and information purposes only and does not constitute a personal recommendation or investment advice or an offer to buy/sell or an invitation to buy/sell securities in the fund. The information and any opinions have been obtained from or are based on sources believed to be reliable, but accuracy cannot be guaranteed. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

No responsibility can be accepted for any consequential loss arising from the use of this information. The information is expressed at its date and is issued only to and directed only at those individuals who are permitted to receive such information in accordance with Malta laws and regulations. In some countries the distribution of this publication may be restricted. It is your responsibility to find out what those restrictions are and to observe them. Please always refer to the fund’s prospectus.

The fund's risk and reward category may not capture all material risks to which the fund may be subject, such as:

Geopolitical risk – Investments in equities issued or listed in different countries may imply the application of different standards and regulations, exposure to changes in laws or restrictions applicable to such investments, changes in exchange control regulations, or price volatility. **Liquidity risk** – In extreme market conditions some equities may become hard to value or sell at a desired price. **Exchange rate risk** – The fund may invest in equities denominated in currencies other than US dollars, which exposes the fund to fluctuations in exchange rates. Further information on risks may be found in the 'Risk factors' section in the fund's prospectus.

Performance: All performance data for a lump sum, net of fees, includes 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 23:59 (CET) on each dealing day. Actual annual figures are available to the investor on request. Figures and benchmarks quoted are from Morningstar, Inc. Prices are published daily and are available on the website <https://www.psgkglobal.com/about-us/all-funds>. PSG Fund Management (Malta) Limited does not provide any guarantee with respect to the capital or the return of the portfolio. **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. **Cut-off times:** Subscription Notice Deadline: By 15:30 (CET) on the relevant Subscription Day provided the funds are cleared and reflecting in our bank account by 15:30. Redemption Notice Deadline: By 15:30 (CET) one (1) Business Day prior to the relevant Redemption Day. Redemption requests will be settled within seven Business Days from the relevant Redemption Day. **Company details:** PSG Fund Management (Malta) Limited as General Manager is licensed by the Malta Financial Services Authority (MFSA) and PSG Asset Management Group Services (Pty) Limited as Administrator is licensed by the South African Financial Sector Conduct Authority (FSCA). The fund is a UCITS-compliant fund regulated by the MFSA. The management of the fund has been delegated to PSG Asset Management (Pty) Limited, which is registered with the FSCA as a registered Financial Services Provider (FSP no. 29524) and is licensed to operate under the Financial Advisory and Intermediary Services Act, 2002. The Investment Manager may, to the extent permissible under the applicable laws (including MFSA Rules), enter into transactions with companies or other entities forming part of the same group of companies as the Investment Manager or which are associated directly or indirectly with the Investment Manager. Should any conflict of interest arise, the Investment Manager and the associated entity will endeavour to ensure that it is recorded fairly and in your best interest, in accordance with the applicable conflicts of interest policy and that you as the client is not disadvantaged. **Custodian:** Sparkasse Bank Malta plc, 101 Townsquare, 1x-Xatt ta Qui-si-Sana, Sliema, SLM3112, Malta. Contact no. (+356) 21335705. **Additional information:** Additional information is available free of charge on the website <https://www.psgkglobal.com> and may include publications, brochures, forms and annual reports.



Percentage annualised performance to 31 March 2026 (net of fees)

Local funds						
	1 Year	3 Years	5 Years	10 Years	Inception	Fund inception date
PSG Equity Fund A*	39.32	20.06	20.52	11.81	15.93**	31/12/1997
Composite of 80% FTSE/JSE Capped All Share Net Total Return Index and 20% MSCI Daily Total Return Net World USD Index	29.73	18.50	16.25	12.61	14.04	
PSG SA Equity Fund F	42.05	23.20	23.35	11.94	10.94	01/11/2013
FTSE/JSE Capped All Share Net Total Return Index	34.12	18.71	16.34	11.85	11.37	
PSG Flexible Fund A†	31.88	16.93	18.05	11.05	14.47††	02/11/1998
SA Inflation + 6%	8.97	9.89	10.87	10.61	11.34	
PSG Balanced Fund E	28.26	16.45	17.64	11.31	11.45	03/09/2013
SA Inflation + 5%	7.97	8.89	9.87	9.62	9.80	
PSG Stable Fund E	20.26	13.13	13.07	9.37	9.32	03/09/2013
SA Inflation + 3% over a rolling 3-year period	5.97	6.89	7.87	7.62	7.80	
PSG Diversified Income Fund E	13.18	11.25	10.44	9.24	8.98	03/09/2013
SA Inflation + 1%	3.96	4.89	5.86	5.62	5.80	
PSG Income Fund E	10.53	9.59	8.35	8.49	8.17	03/09/2013
STeFI Composite Index	7.28	7.98	6.76	6.78	6.65	
PSG Money Market Fund F	7.32	8.08	6.89	6.42	5.68	02/09/2013
(ASISA) SA – Interest-bearing – SA Money Market Mean	7.11	7.71	6.48	6.71	6.59	
PSG Global Equity Feeder Fund E^	24.79	12.96	16.21	12.10	12.56	03/09/2013
MSCI Daily Total Return Net World USD Index (in ZAR)	10.66	15.38	13.58	13.51	15.14	
PSG Global Flexible Feeder Fund B^^	20.79	11.34	14.17	11.02	12.96	11/04/2013
US Inflation + 6% (in ZAR)	0.90	7.51	13.76	10.94	14.33	

International funds						
	1 Year	3 Years	5 Years	10 Years	Inception	Fund inception date
PSG Global Equity Sub-Fund B	35.43	14.95	13.23	-	10.09	02/07/2018
MSCI Daily Total Return Net World USD Index	18.90	16.77	10.27	-	11.41	
PSG Global Flexible Sub-Fund B	30.92	13.25	11.32	9.72	8.05	22/04/2013
US Inflation + 6%	8.42	8.80	10.44	9.26	8.71	

* The A class performance shows performance over a longer term of the PSG Equity Fund and the A class is closed to new investments. Class E (clean class) is available for investment via a platform. [Click here](#) for the Minimum Disclosure Document showing full details and performance of this class.

** Fund manager inception date 01/03/2002

† The A class performance shows performance over a longer term of the PSG Flexible Fund and the A class is closed to new investments. Class E (clean class) is available for investment via a platform. [Click here](#) for the Minimum Disclosure Document showing full details and performance of this class.

†† Current benchmark inception date 01/11/2004

^ The PSG Global Equity Feeder Fund feeds into the PSG Global Equity Sub-Fund.

^^ The PSG Global Flexible Feeder Fund feeds into the PSG Global Flexible Sub-Fund.

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Annualised performances show longer-term performance rescaled over a 12-month period.

Annualised performance is the average return per year over the period.

Past performance is not necessarily a guide to future performance.



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Prices are published daily and available on the website www.psg.co.za/asset-management and in the daily newspapers. Unit trust prices are calculated on a net asset value (NAV) basis, which is the total 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. **Fees:** A schedule of fees, charges and maximum commissions is available on request from PSG Collective Investments (RF) Limited. Commission and incentives may be paid and, if so, are included in the overall costs. **Performance:** All performance data is for a lump sum, net of fees, includes income and assumes reinvestment of income on a NAV-to-NAV basis. Performance is calculated for the portfolio and individual investor performance may differ as a result thereof. Different classes of participatory interest can apply to these portfolios and are subject to different fees, charges and possibly dividend withholding tax and will thus have differing performances. Annualised performance shows 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. Investment performance data is for illustrative purposes only. Income distributions are net of any applicable taxes. Actual performance figures are available on request. **Yield:** Where a portfolio derives its income from interest-bearing instruments, the yield is calculated daily based on the historical yield of such instruments. **Source of performance:** Figures quoted are from Morningstar, Inc. **Cut-off times:** The cut-off time for processing investment transactions is 14:30 daily, with the exception of the PSG Money Market Fund, with a cut-off time of 11:00. Different cut-off times may be prescribed by investment platforms. The portfolio is valued at 15:00 daily. **Additional information:** Additional information is available free of charge on the website and may include publications, brochures, application forms and annual reports. **Company details:** PSG Collective Investments (RF) Limited is registered as a CIS Manager with the Financial Sector Conduct Authority (FSCA), and is a member of the Association for Savings and Investment South Africa (ASISA) through its holding company PSG Financial Services Limited. The management of the portfolios is delegated to PSG Asset Management (Pty) Limited, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act 2002, FSP no. 29524. PSG Asset Management (Pty) Limited and PSG Collective Investments (RF) Limited are subsidiaries of PSG Financial Services Limited. **Money Market:** The PSG Money Market Fund maintains a constant price and is targeted at a constant value. The quoted yield is calculated by annualising 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. **Fund of funds:** A fund of funds portfolio only invests in portfolios of CIS, which levy their own charges, which could result in a higher fee structure for fund of funds portfolios. **Feeder funds:** A feeder fund is a portfolio that, apart from assets in liquid form, invests in a single portfolio of a CIS, which levies its own charges, and which could result in a higher fee structure for that feeder fund.

Trustee: The Standard Bank of South Africa Limited, The Towers, 2 Heerengracht Street, Cnr Hertzog Boulevard, Cape Town 8001. Tel: +27 (21) 401 2443. Email: Compliance-PSG@standardbank.co.za. **Conflict of Interest disclosure:** The funds 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 investor. Neither PSG Collective Investments (RF) Limited nor PSG Asset Management (Pty) Limited retains any portion of such discount for their own accounts. The Fund Manager may use the brokerage services of a related party, PSG Securities Limited.

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