# PSG Asset Management

# PSG Equity Fund Class A

31 March 2020

## Investment objective (summary of investment policy)

The PSG Equity Fund's objective is to offer investors long-term capital growth without assuming a greater risk, and earn a higher rate of return than that of the South African Equity Market as presented by the FTSE/JSE All Share Index (including income). The investment policy provides for investment in a mix of securities and assets in liquid form and can include listed and unlisted financial instruments (derivatives).

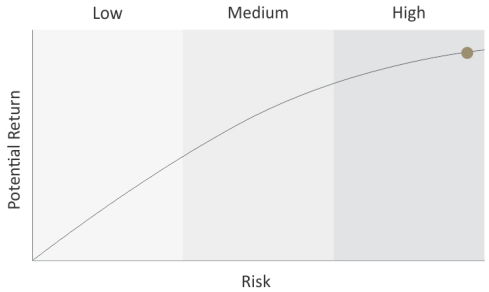
## Who should consider investing?

Fund specific risks: The fund sits at the top end of the risk/reward spectrum and investors should be comfortable with fluctuations in shares on stock markets and be prepared to accept the risk of capital loss. The portfolio is concentrated in local and foreign equities and therefore more volatile and exposed to market and currency risks. Property shares may be included in the portfolio and can carry the same risk as investing directly in real estate which is subject to economic and political conditions, interest rates and tax considerations. Investing in foreign securities may be subject to risks pertaining to overseas jurisdictions and markets, including (but not limited to) local liquidity, macroeconomic, political, tax, settlement risks and currency fluctuations. Changes in the relative values of different currencies may adversely affect the value of investments and any related income.

This 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

## Risk/reward profile




Higher risk requires a longer investment horizon

## Fund details

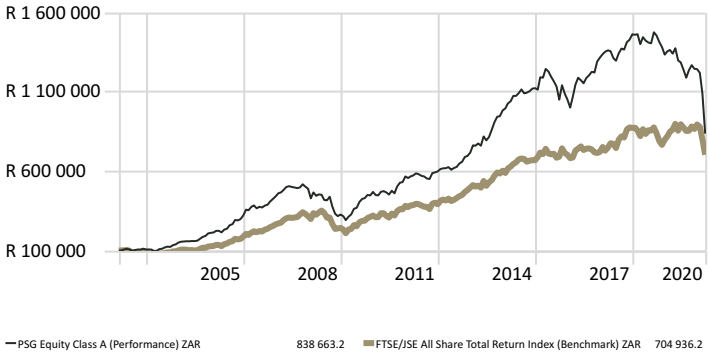
| | |
|---|---|
| Inception Date | 31 December 1997 |
| Fund manager | Shaun le Roux and Gustav Schulenburg |
| Fund size (ZAR) | R 2 856 862 470 |
| Latest Distribution (cpu) | 3.67c ; 14.03c |
| Bi-annual distribution | 29 Feb 20 ; 31 Aug 19 |
| ASISA sector | South African - Equity - General |
| Benchmark | FTSE/JSE All Share Total Return Index |
| Minimum Investment | As per the platform minimum |
| Regulation 28 Compliant | No |

## To invest

This class is only available to existing investors.
Speak to your financial adviser or visit www.psg.co.za.
Cut-off time for daily transactions are determined by investment platforms.

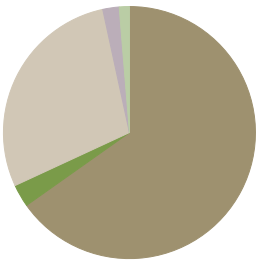
## Cumulative long-term performance

Time Period: 3/01/2002 to 3/31/2020




Value of notional R100,000 invested on 3/01/2002 with all distributions reinvested on reinvestment date after fees. Investment performance is for illustrative purposes only.

## Asset allocation/investment exposure



| | % |
|---|---|
| Domestic equity | 65.2 |
| Domestic cash | 2.9 |
| Foreign equity | 28.5 |
| Foreign property | 2.1 |
| Foreign cash | 1.3 |
| **Total** | **100.0** |

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

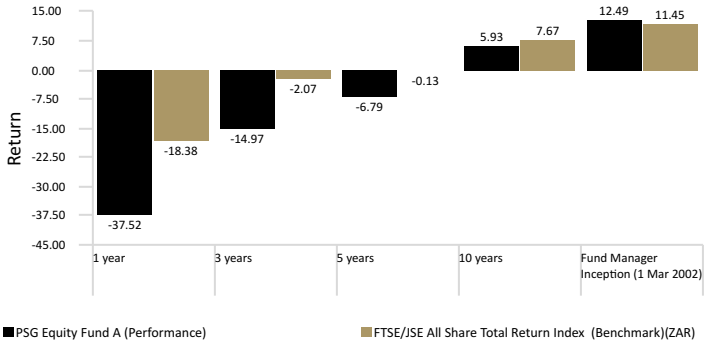
## Top ten equity holdings (%)

As of Date: 03/31/2020

| | |
|---|---|
| Discovery Ltd | 6.7 |
| Japan Post Insurance Co Ltd | 6.2 |
| Liberty Global Inc | 5.0 |
| Anheuser-Busch InBev | 4.5 |
| Glencore plc | 4.4 |
| AECI Ltd | 4.1 |
| Shoprite Holdings Ltd | 3.8 |
| JSE Ltd | 3.7 |
| Old Mutual Ltd | 3.5 |
| Prudential plc | 3.2 |

## Annualised returns % (after fees)

As of Date: 3/31/2020




## Year-to-date (YTD) performance (%)

| | YTD (Cumulative) |
|---|---|
| Return | -32.67 |


Management Company:
PSG Collective Investments (RF) Ltd.

Address: 1st Floor, Alphen Office Park,
Constantia Main Road, Constantia, 7806

Website: www.psg.co.za/asset-management
Toll-free: 0800 600 168

**Current context**

COVID-19 lockdowns across the globe will continue to have a pronounced impact on global economic output and financial markets. The already fragile South African economy will be hit hard. Locally, we have seen a sharp rise in bond yields, a steep fall in the rand and big drops on the JSE. Global policymakers and central banks are scrambling to introduce stimulus packages that compensate for the collapse in demand. Emerging markets like South Africa have fewer stimulus tools at their disposal, although we have seen unprecedented intervention in the form of steep rate cuts, bond buying and support for the banking sector.

South African investors had endured poor returns for the six years until March. Most stocks on the JSE had been in an extended bear market already and the decline in March further exacerbated an already poor investment experience for many. Over the past few years, our portfolios have been invested in cheaper and less-crowded stocks, both at home and abroad. We believe we can earn better long-term returns for our investors by focusing on quality companies that are under-appreciated by the market than by buying into expensive growth stocks. Unfortunately, a low starting point did not provide protection from the COVID-19 markets sell-off. The shock has hit most sectors hard, including already cheap stocks that are more exposed to global or domestic economic cycles. This has been further exacerbated by fragility in the domestic financial sector as a result of mounting credit losses and decreasing asset prices.

**Our perspective**

Our clients have always been well served by times when good companies go on sale. The unprecedented and fluid nature of the current environment, however, results in exceptional levels of uncertainty. This provides fantastic opportunity for future returns, but also introduces significant investment risks. We prefer to invest in an evidence-based fashion, using a long-established process. An extended collapse in demand can have a pronounced impact on the value of a company, particularly if it has high fixed costs and a lot of debt. In vulnerable sectors, company survival may require additional capital injections. The severity of the economic impact has necessitated a stress-test of existing holdings to identify vulnerabilities and to ensure that our portfolios are exposed to the best opportunities. The substantial impact on corporate profits in 2020 needs to be assessed in conjunction with much lower share prices. Our focus has been on assessing the impact of the COVID-19 pandemic on intrinsic value (using our 3M process). Where the intrinsic value of a security has been impaired less than the share price would indicate, we must be prepared to be bold. This has seen us allocating capital to resilient companies at wide margins of safety, while reducing our exposure to those where our conviction is lower and which we believe to be more vulnerable.

Very low share prices sow the seeds for the next bull market in global equities. Our portfolios are well positioned to capture this. Our clients own businesses of sound inherent quality and resilient intrinsic value which trade at wide margins of safety.

**Portfolio positioning**

The Fund was a buyer of AB Inbev, Remgro, Exxaro, Liberty Global, Discovery and Anglogold during the first quarter of 2020. We have reduced our exposure to more vulnerable companies and these buys were funded from the reduced exposure to L Brands, Quilter, Old Mutual, Resona, Absa and Nedbank.

The Fund has retained its full offshore exposure. This reflects both the desire to diversify our geographic and currency exposure as well as the excellent global equity opportunities identified by our research. We expect the economic recovery to come sooner to developed markets though assets appear cheaper in emerging markets like South Africa.

**Changes in portfolio positioning**

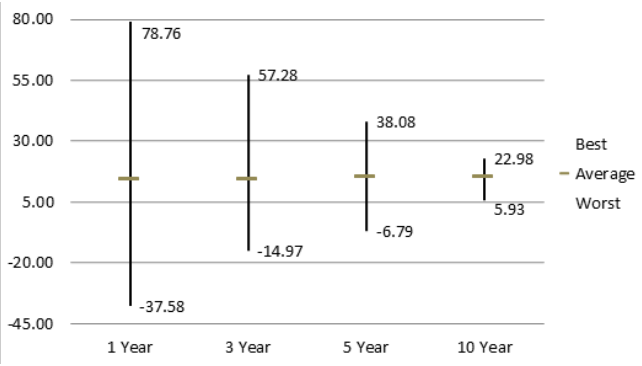
| Q4 2019 | | Q1 2020 | |
|---|---|---|---|
| Domestic equity | 69.2% | Domestic equity | 65.2% |
| Domestic cash | 0.2% | Domestic cash | 2.9% |
| Foreign equity | 27.9% | Foreign equity | 28.5% |
| Foreign property | 2.6% | Foreign property | 2.1% |
| Foreign cash | 0.1% | Foreign cash | 1.3% |

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

**Number of units as at 31 March 2020 (Class A):** 47 770 247
**Price (net asset value per unit) as at 31 March 2020 (Class A):** R6.71
**Number of units as at 31 March 2020 (Class E):** 104 408 227
**Price (net asset value per unit) as at 31 March 2020 (Class E):** R6.74

All data as per Bloomberg as at 31 March 2020

## Rolling returns (%)




This chart shows you how the performance can vary over time. It is an indication of the distribution of historical rolling returns from the portfolio over each rolling 12-month period.

## Total investment charge

Total Investment Charge annualised for the period 1/4/2017 to 31/03/2020

| | |
|---|---|
| **Total Expense Ratio % (incl. VAT)** | **1.75** |
| *Annual Management Fee % (incl. VAT)* | *1.73* |
| *Other costs excl. transaction costs % (incl. VAT)* | *0.02* |
| *Transaction costs % (incl. VAT)* | *0.27* |
| **Total Investment Charge % (incl. VAT)** | **2.02** |

## What is a total expense ratio?

The Total Expense Ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past three years. This percentage of the average Net Asset Value (NAV) of the portfolio was incurred as charges, levies and fees related to the management of the portfolio. A higher TER ratio does not necessarily imply a poor return, nor does a low TER ratio imply a good return. The current TER cannot be regarded as an indication of future TERs. Part of the Annual Management Fee is payable to the financial intermediary. The sum of the TER and transaction costs is shown as the Total Investment Charge. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns.

## Transaction costs

Transaction costs are shown separately and are a necessary cost in administering the Financial Product and impacts Financial Product returns.

Transaction costs should not be considered in isolation as return may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

## Fees

A schedule of fees and 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. 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. Adviser fees are negotiated between the client and adviser and is distinct from the other fees on this document.

**Disclaimer**
Collective Investment Schemes in Securities (CIS) 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. The portfolio may borrow up to 10% of its market value to bridge insufficient liquidity. 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. PSG Collective Investments (RF) Limited does not provide any guarantee either with respect to the capital or the return of the portfolio. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

**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. 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 portfolio including income accruals less permissible deductions divided by the number of units in issue.

**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 Konsult 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 Konsult 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**
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

**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.

This is the Minimum Disclosure Document (MDD) for the PSG Equity Fund A.

# PSG Asset Management

# PSG Flexible Fund Class A

31 March 2020

## Investment objective (summary of investment policy)

The PSG Flexible Fund's objective is 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 be varied based on opportunity. The fund can invest up to 100% in equities of which up to 30% can be invested in foreign equity and may include listed and unlisted financial instruments (derivatives) in its portfolio. The selected sectors of the equity portion of the portfolio will change from time to time in accordance with changing market conditions and economic trends.

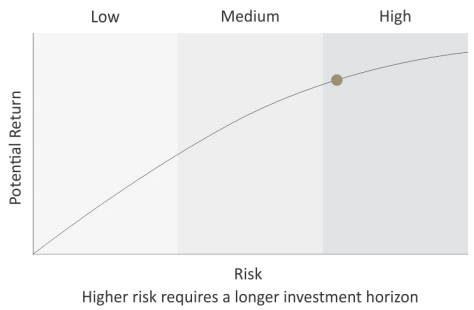
## Who should consider investing?

Fund specific risks: The fund sits within the upper half of the risk/reward spectrum. Investors should be comfortable with fluctuations in stock markets and interest rates. The risk of short-term monetary loss is high. The portfolio is exposed to equity as well as default and interest rate risks. Interest rate risk is the risk that the value of fixed income investments tends to decrease when interest rates and/or inflation rises. Default risk is where the issuers of fixed income instruments may not be able to meet interest or capital repayments. Where derivatives are used, it may increase overall risk by magnifying the effect of both gains and losses and may lead to large financial losses. Property shares may be included in the portfolio which can carry the same risk as investing directly in real estate and is subject to economic and political conditions, interest rates and tax considerations. Investing in foreign securities may be subject to risks pertaining to overseas jurisdictions and markets, including (but not limited to) local liquidity, macroeconomic, political, tax, settlement risks and currency fluctuations. Changes in the relative values of different currencies may adversely affect the value of investments and any related income.

This fund is suitable for investors who:

- 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

## Risk/reward profile




## Fund details

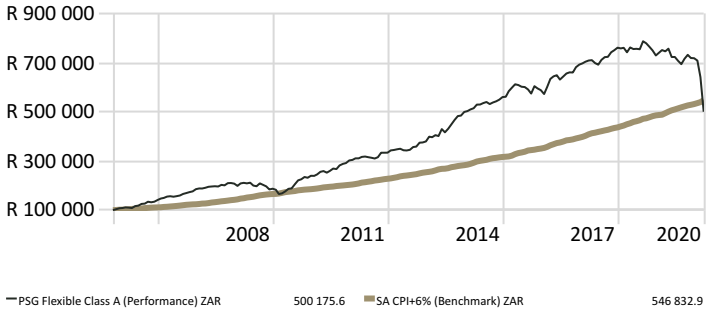
| | |
|---|---|
| Inception Date | 2 November 1998 |
| Fund manager | Shaun le Roux and Mikhail Motala |
| Fund size (ZAR) | R 9 149 182 104 |
| Latest Distribution (cpu) | 5.40c ; 9.44c |
| Bi-annual distribution | 29 Feb 20 ; 31 Aug 19 |
| ASISA sector | South African - Multi Asset - Flexible |
| Benchmark | CPI + 6% |
| Minimum Investment | As per the platform minimum |
| Regulation 28 Compliant | No |

## To invest

This class is only available to existing investors.
Speak to your financial adviser or visit www.psg.co.za.
Cut-off time for daily transactions are determined by investment platforms.

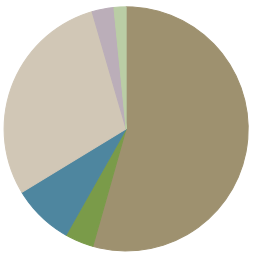
## Cumulative long-term performance

Time Period: 11/01/2004 to 3/31/2020




Value of notional R100,000 invested on 11/1/2004 with all distributions reinvested on reinvestment date after fees. Investment performance is for illustrative purposes only.

## Asset allocation/investment exposure



| | % |
|---|---|
| Domestic equity | 54.4 |
| Domestic cash | 3.8 |
| Domestic bonds | 8.1 |
| Foreign equity | 29.2 |
| Foreign property | 2.9 |
| Foreign cash | 1.6 |
| **Total** | **100.0** |

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

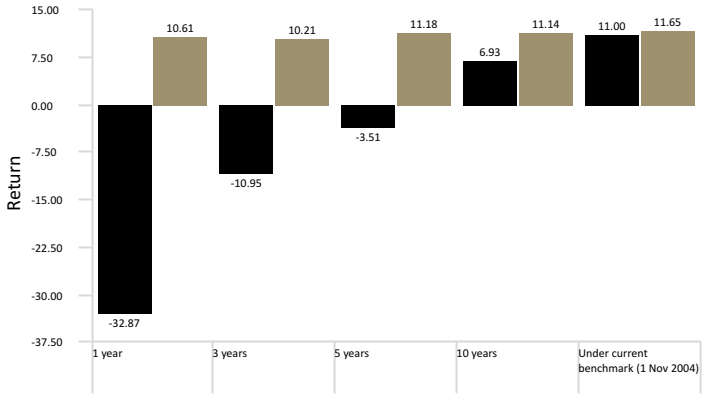
## Top ten equity holdings (%)

As of Date: 03/31/2020

| | |
|---|---|
| Discovery Ltd | 5.7 |
| Japan Post Insurance Co Ltd | 5.5 |
| Liberty Global Inc | 5.0 |
| Anheuser-Busch InBev | 4.9 |
| Glencore plc | 4.3 |
| Prudential plc | 3.5 |
| Shoprite Holding Ltd | 3.4 |
| AECI Ltd | 3.1 |
| Remgro Ltd | 3.1 |
| Old Mutual Ltd | 3.1 |

## Annualised returns % (after fees)

As of Date: 3/31/2020




■PSG Flexible Class A (Performance) ■SA CPI+6% (Benchmark)

## Year-to-date (YTD) performance (%)

| | YTD (Cumulative) |
|---|---|
| Return | -30.31 |

Management Company:
PSG Collective Investments (RF) Ltd.

Address: 1st Floor, Alphen Office Park,
Constantia Main Road, Constantia, 7806

Website: www.psg.co.za/asset-management
Toll-free: 0800 600 168

PSG Asset Management

# PSG Flexible Fund

Quarterly portfolio commentary as at 31 March 2020
by Shaun le Roux and Mikhail Motala

**Current context**

COVID-19 lockdowns across the globe will continue to have a pronounced impact on global economic output and financial markets. The already fragile South African economy will be hit hard. Locally, we have seen a sharp rise in bond yields, a steep fall in the rand and big drops on the JSE. Global policymakers and central banks are scrambling to introduce stimulus packages that compensate for the collapse in demand. Emerging markets like South Africa have fewer stimulus tools at their disposal, although we have seen unprecedented intervention in the form of steep rate cuts, bond buying and support for the banking sector.

South African investors had endured poor returns for the six years until March. Most stocks on the JSE had been in an extended bear market already and the decline in March further exacerbated an already poor investment experience for many. Over the past few years, our portfolios have been invested in cheaper and less-crowded stocks, both at home and abroad. We believe we can earn better long-term returns for our investors by focusing on quality companies that are under-appreciated by the market than by buying into expensive growth stocks. Unfortunately, a low starting point did not provide protection from the COVID-19 markets sell-off. The shock has hit most sectors hard, including already cheap stocks that are more exposed to global or domestic economic cycles. This has been further exacerbated by fragility in the domestic financial sector as a result of mounting credit losses and decreasing asset prices.

**Our perspective**

Our clients have always been well served by times when good companies go on sale. The unprecedented and fluid nature of the current environment, however, results in exceptional levels of uncertainty. This provides fantastic opportunity for future returns, but also introduces significant investment risks. We prefer to invest in an evidence-based fashion, using a long-established process. An extended collapse in demand can have a pronounced impact on the value of a company, particularly if it has high fixed costs and a lot of debt. In vulnerable sectors, company survival may require additional capital injections. The severity of the economic impact has necessitated a stress-test of existing holdings to identify vulnerabilities and to ensure that our portfolios are exposed to the best opportunities. The substantial impact on corporate profits in 2020 needs to be assessed in conjunction with much lower share prices. Our focus has been on assessing the impact of the COVID-19 pandemic on intrinsic value (using our 3M process). Where the intrinsic value of a security has been impaired less than the share price would indicate, we must be prepared to be bold. This has seen us allocating capital to resilient companies at wide margins of safety, while reducing our exposure to those where our conviction is lower and which we believe to be more vulnerable.

Very low share prices sow the seeds for the next bull market in global equities. Our portfolios are well positioned to capture this. Our clients own businesses of sound inherent quality and resilient intrinsic value which trade at wide margins of safety.

**Portfolio positioning**

The Fund was a buyer of AB Inbev, Remgro, Exxaro, Liberty Global and Anglogold during the first quarter of 2020. We have reduced our exposure to more vulnerable companies and these buys were funded from the reduced exposure to L Brands, Quilter, Old Mutual, Absa and Nedbank.

The Fund has retained exposure to long-dated domestic government bonds (8.1%). Yields rose sharply in March - as did other emerging market bonds - despite the improving outlook for domestic inflation, the sharp fall in the oil price and aggressive rate cuts by the SARB. Yields have however since come down, despite the long-awaited Moody's downgrade. We continue to believe that this asset class offers equity-like return characteristics at acceptable levels of risk.

The Fund has retained its full offshore exposure. This reflects both the desire to diversify our geographic and currency exposure as well as the excellent global equity opportunities identified by our research. We expect the economic recovery to come sooner to developed markets though assets appear cheaper in emerging markets like South Africa.

The Fund has more than 5% cash to employ into opportunities that arise. Given the uncertainty and expected volatility we view this as valuable future firepower.

**Changes in portfolio positioning**

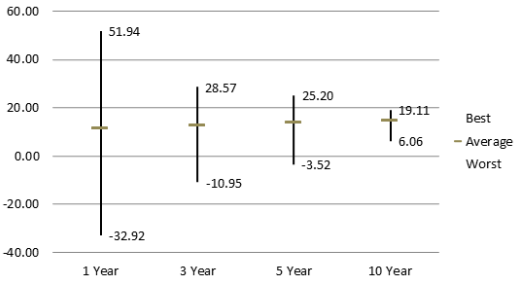
| Q4 2019 | | Q1 2020 | |
|---|---|---|---|
| Domestic equity | 57.9% | Domestic equity | 54.4% |
| Domestic cash | 3.3% | Domestic cash | 3.8% |
| Domestic gold | 0.0% | Domestic gold | 0.0% |
| Domestic bonds | 7.8% | Domestic bonds | 8.1% |
| Foreign equity | 27.0% | Foreign equity | 29.2% |
| Foreign property | 3.6% | Foreign property | 2.9% |
| Foreign cash | 0.4% | Foreign cash | 1.6% |

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

| | |
|---|---|
| **Number of units as at 31 March 2020 (Class A):** | 713 265 508 |
| **Price (net asset value per unit) as at 31 March 2020 (Class A):** | R3.44 |
| **Number of units as at 31 March 2020 (Class E):** | 1 229 653 428 |
| **Price (net asset value per unit) as at 31 March 2020 (Class E):** | R3.44 |

All data as per Bloomberg as at 31 March 2020.

## Rolling returns (%)




This chart shows you how the performance can vary over time. It is an indication of the distribution of historical rolling returns from the portfolio over each rolling 12-month period.

## What is a total expense ratio?

The Total Expense Ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past three years. This percentage of the average Net Asset Value (NAV) of the portfolio was incurred as charges, levies and fees related to the management of the portfolio. A higher TER ratio does not necessarily imply a poor return, nor does a low TER ratio imply a good return. The current TER cannot be regarded as an indication of future TERs. Part of the Annual Management Fee is payable to the financial intermediary. The sum of the TER and transaction costs is shown as the Total Investment Charge. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns.

## Performance fee

The fund's daily net asset value per share (NAV) is compared to the fund's High Water Mark (HWM highest NAV achieved) daily. Where the fund's NAV is greater than the HWM, a performance fee equal to 7% (excl. VAT) of the outperformance is levied. The performance fee is accrued in the unit price daily and collected monthly. No performance fees are charged if the fund NAV is lower than the HWM NAV. The performance fee is uncapped with a since inception High Water Mark.

| | |
|---|---|
| **Base fee** | 1% (excl.VAT) |
| **Threshold** | High Water Mark |
| **Sharing ratio** | 7% (excl.VAT) |
| **Minimum fee** | 1% (excl.VAT) |
| **Maximum fee** | Uncapped, with a since inception High Water Mark. The fund's highest total TER since inception of TER was 3.55% (incl.VAT) |
| **Total Expense Ratio (TER) (3 years)** | **1.49% (incl.VAT)** |

**Example:**
You invest R100,000 in a fund today. The fund earns a 2% return over day 1 and the NAV at R102,000. A performance fee of 7% will be payable on the 2% gain. i.e. 0.14% (excl. Vat)
Over day 2, the NAV reduces by R3,000 to R99,000. No performance fee is payable for day 2.
On day 3, NAV increases to R105,000. The performance fee will be payable on the 2.94% gain ( NAV of R105 000 – R102 000 the previous HWM). The performance will now be 7% of 2.94% i.e. 0.2% (excl. VAT).
The NAV of R105 000 is now the new HWM.

Frequently Asked Questions on Performance Fees are available on the website https://www.psg.co.za/files/asset-management/Performance-Fees-FAQs.pdf.

## Total investment charge

Total Investment Charge annualised for the period 1/4/2017 to 31/03/2020

| | |
|---|---|
| **Total Expense Ratio % (incl. VAT)** | **1.49** |
| *Annual Management Fee % (incl. VAT)* | *1.15* |
| *Other costs excl. transaction costs % (incl. VAT)* | *0.02* |
| *Transaction costs % (incl. VAT)* | *0.27* |
| *Performance Fee (incl. VAT)* | *0.32** |
| **Total Investment Charge % (incl. VAT)** | **1.76** |

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

## Total investment charge

Total Investment Charge annualised for the period 1/4/2019 to 31/03/2020

| | |
|---|---|
| **Total Expense Ratio % (incl. VAT)** | **1.19** |
| *Annual Management Fee % (incl. VAT)* | *1.15* |
| *Other costs excl. transaction costs % (incl. VAT)* | *0.04* |
| *Transaction Costs % (incl. VAT)* | *0.24* |
| **Total Investment Charge % (incl. VAT)** | **1.43** |

## Transaction costs

Transaction costs are shown separately and are a necessary cost in administering the Financial Product and impacts Financial Product returns.

Transaction costs should not be considered in isolation as return may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

## Fees

A schedule of fees and 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. 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. Adviser fees are negotiated between the client and adviser and is distinct from the other fees on this document.

**Disclaimer**
Collective Investment Schemes in Securities (CIS) 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. The portfolio may borrow up to 10% of its market value to bridge insufficient liquidity. 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. PSG Collective Investments (RF) Limited does not provide any guarantee either with respect to the capital or the return of the portfolio. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

**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. 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 portfolio including income accruals less permissible deductions divided by the number of units in issue.

**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 Konsult 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 Konsult 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**
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

**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.

This is the Minimum Disclosure Document (MDD) for the PSG Flexible Fund A.

# PSG Asset Management

# PSG Balanced Fund Class A

31 March 2020

## Investment objective (summary of investment policy)

The PSG Balanced Fund's objective is to achieve long-term growth of capital and a reasonable level of income for investors. The investment policy provides for the active management of the portfolio assets in equities, bonds, property and cash both domestically and in foreign markets. The fund can have up to 75% in equities, 25% in listed property and 30% in foreign markets and may include listed and unlisted financial instruments (derivatives). The fund operates within the constraints of Regulation 28 of the Pension Funds Act.

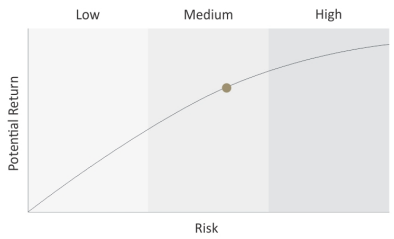
## Who should consider investing?

Fund specific risks: The fund sits in the middle of the risk/reward spectrum and investors should be comfortable with fluctuations in shares on stock markets. The risk of short-term monetary loss is medium, due to moderate exposure to volatility in the stock markets. The portfolio is exposed to equity as well as default and interest rate risks. Interest rate risk is the risk that the value of fixed income investments tends to decrease when interest rates and/or inflation rises. Default risk is where the issuers of fixed income instruments may not be able to meet interest or capital repayments. Property shares may be included in the portfolio which can carry the same risk as investing directly in real estate and is subject to economic and political conditions, interest rates and tax considerations. Investing in foreign securities may be subject to risks pertaining to overseas jurisdictions and markets, including (but not limited to) local liquidity, macroeconomic, political, tax, settlement risks and currency fluctuations. Changes in the relative values of different currencies may adversely affect the value of investments and any related income.

This fund is suitable for investors who:

- aim to build wealth with a balanced portfolio that diversifies the risk over the various asset classes
- are comfortable with market fluctuation risk
- 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

## Risk/reward profile




Higher risk requires a longer investment horizon

## Fund details

| | |
|---|---|
| Inception Date | 1 June 1999 |
| Fund manager | Justin Floor and Dirk Jooste |
| Fund size (ZAR) | R 6 898 132 896 |
| Latest Distribution (cpu) | 87.22c ; 123.39c |
| Bi-annual distribution | 29 Feb 20 ; 31 Aug 19 |
| ASISA sector | South African - Multi Asset - High Equity |
| Benchmark | CPI +5% |
| Minimum investment | As per the platform minimum |
| Duration (years) | 6.65 |

The duration is calculated as the weighted average term to maturity of the fixed interest instruments held in the fund.

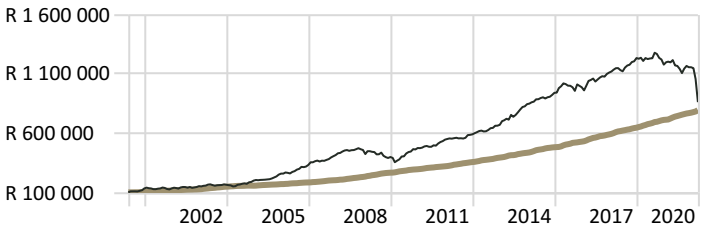
| | |
|---|---|
| Regulation 28 Compliant | Yes |

## To invest

This class is only available to existing investors.
Speak to your financial adviser or visit www.psg.co.za.
Cut-off times for daily transactions are determined by investment platforms.

## Cumulative long-term performance

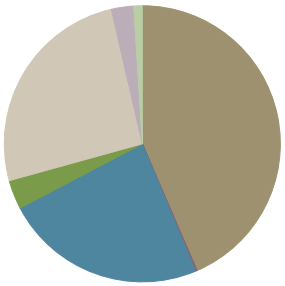
Time Period: 6/01/1999 to 3/31/2020




PSG Balanced Class A (Performance) ZAR 862 926.1 SA CPI+5% (Benchmark) ZAR 794 575.6

Value of notional R100,000 invested on 6/01/1999 with all distributions reinvested on reinvestment date after fees. Investment performance is for illustrative purposes only.

## Asset allocation/investment exposure



| | % |
|---|---|
| Domestic equity | 43.5 |
| Domestic property | 0.2 |
| Domestic bonds | 23.6 |
| Domestic cash & NCDs | 3.4 |
| Foreign equity | 25.7 |
| Foreign property | 2.6 |
| Foreign cash | 1.0 |
| **Total** | **100.0** |

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

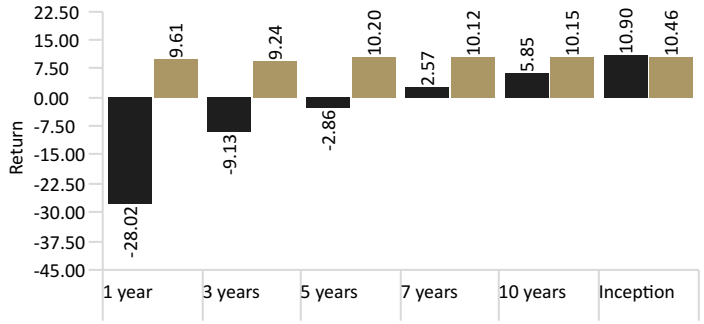
## Top ten equity holdings (%)

As of Date: 03/31/2020

| | |
|---|---|
| Discovery Ltd | 5.1 |
| Japan Post Insurance Co Ltd | 4.9 |
| Anheuser-Busch InBev | 4.8 |
| Prudential plc | 4.6 |
| Liberty Global Inc | 4.3 |
| JSE Ltd | 3.7 |
| AECI Ltd | 2.6 |
| Babcock International Group plc | 2.3 |
| The Mosaic Co | 2.3 |
| Shoprite Holdings Ltd | 2.3 |

## Annualised returns % (after fees)

As of Date: 3/31/2020




PSG Balanced Class A (Performance) SA CPI+5%(Benchmark)

## Year-to-date (YTD) performance (%)

| | YTD (Cumulative) |
|---|---|
| Return | -25.52 |


Management Company:
PSG Collective Investments (RF) Ltd.

Address: 1st Floor, Alphen Office Park,
Constantia Main Road, Constantia, 7806

Website: www.psg.co.za/asset-management
Toll-free: 0800 600 168

PSG Asset Management

# PSG Balanced Fund

Quarterly portfolio commentary as at 31 March 2020

by Justin Floor & Dirk Jooste

**Current context**

COVID-19 lockdowns across the globe had a pronounced impact on global economic output and financial markets. The already fragile South African economy will be hit hard. Locally, we have seen a sharp rise in bond yields, a steep fall in the rand and big drops on the JSE. Global policymakers and central banks are scrambling to introduce stimulus packages that compensate for the collapse in demand. Emerging markets like South Africa have fewer stimulus tools at their disposal, although we have seen unprecedented intervention in the form of steep rate cuts, bond buying and support for the banking sector.

South African investors had endured poor returns for the six years until March. Most stocks on the JSE had been in an extended bear market already and the decline in March further exacerbated an already poor investment experience for many. Over the past few years, our portfolios have been invested in cheaper and less-crowded stocks, both at home and abroad. We believe we can earn better long-term returns for our investors by focusing on quality companies that are under-appreciated by the market than by buying into expensive growth stocks. Unfortunately, a low starting point did not provide protection from the COVID-19 markets sell-off. The shock has hit most sectors hard, including already cheap stocks that are more exposed to global or domestic economic cycles. This has been further exacerbated by fragility in the domestic financial sector as a result of mounting credit losses and decreasing asset prices.

**Our perspective**

Our clients have always been well served by times when good companies go on sale. The unprecedented and fluid nature of the current environment, however, results in exceptional levels of uncertainty. This provides fantastic opportunity for future returns, but also introduces significant investment risks. We prefer to invest in an evidence-based fashion, using a long-established process. An extended collapse in demand can have a pronounced impact on the value of a company, particularly if it has high fixed costs and a lot of debt. In vulnerable sectors, company survival may require additional capital injections. The severity of the economic impact has necessitated a stress-test of existing holdings to identify vulnerabilities and to ensure that our portfolios are exposed to the best opportunities. The substantial impact on corporate profits in 2020 needs to be assessed in conjunction with much lower share prices. Our focus has been on assessing the impact of the COVID-19 pandemic on intrinsic value (using our 3M process). Where the intrinsic value of a security has been impaired less than the share price would indicate, we must be prepared to be bold. This has seen us allocating capital to resilient companies at wide margins of safety, while reducing our exposure to those where our conviction is low and which we believe to be more vulnerable.

Very low share prices sow the seeds for the next equity bull market. Our portfolios are well positioned to capture this. Our clients own businesses of sound inherent quality and resilient intrinsic value which trade at wide margins of safety.

**Portfolio positioning**

Total equity exposure reduced from 72.6% to 69.2% over the quarter, attributable primarily to market movement. In the period the fund was a net buyer of AB Inbev, Discovery, Exxaro and Remgro and a net seller of Nedbank, Old Mutual, Reunert and Motus.

Domestic bond exposure remains reasonably steady at 23.6%, representing a diversified mix of fixed and inflation linked bonds offering exceptional real yields (the highest globally at the time of writing).

Foreign property exposure is little changed at 2.6% and represents our holdings in US REITS with best-in-class balance sheets.

Cash levels in the fund increased to 4.4% of the fund, giving us the valuable option to take advantage of any further dislocations in attractive securities in the months ahead.

The fund remains highly liquid with negligible exposure to illiquid credit instruments.

Changes in portfolio positioning

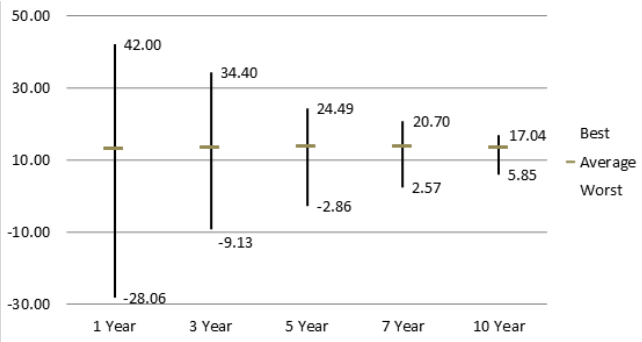
| Q4 2019 | | Q1 2020 | |
|---|---|---|---|
| Domestic equity | 46.4% | Domestic equity | 43.5% |
| Domestic property | 0% | Domestic property | 0.2% |
| Domestic cash and NCDs | 1.2% | Domestic cash and NCDs | 3.4% |
| Domestic bonds | 23.4% | Domestic bonds | 23.6% |
| Foreign equity | 26.2% | Foreign equity | 25.7% |
| Foreign cash | 0.1% | Foreign cash | 1.0% |
| Foreign property | 2.7% | Foreign property | 2.6% |

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

| | |
|---|---|
| **Number of units as at 31 March 2020 (Class A):** | 58 028 802 |
| **Price (net asset value per unit) as at 31 March 2020 (Class A):** | R47.17 |
| **Number of units as at 31 March 2020 (Class E):** | 75 589 816 |
| **Price (net asset value per unit) as at 31 March 2020 (Class E):** | R47.16 |

All data as per Bloomberg as at 31 March 2020.

## Rolling returns (%)




This chart shows you how the performance can vary over time. It is an indication of the distribution of historical rolling returns from the portfolio over each rolling 12-month period.

## What is a total expense ratio?

The Total Expense Ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past three years. This percentage of the average Net Asset Value (NAV) of the portfolio was incurred as charges, levies and fees related to the management of the portfolio. A higher TER ratio does not necessarily imply a poor return, nor does a low TER ratio imply a good return. The current TER cannot be regarded as an indication of future TERs. Part of the Annual Management Fee is payable to the financial intermediary. The sum of the TER and transaction costs is shown as the Total Investment Charge. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns.

## Total investment charge

Total Investment Charge annualised for the period 1/4/2017 to 31/03/2020

| | |
|---|---|
| **Total Expense Ratio % (incl. VAT)** | **1.75** |
| *Annual Management Fee % (incl. VAT)* | *1.73* |
| *Other costs excluding transaction costs (incl. VAT)* | *0.02* |
| *Transaction costs % (incl. VAT)* | *0.26* |
| **Total Investment Charge % (incl. VAT)** | **2.01** |

## Transaction costs

Transaction costs are shown separately and are a necessary cost in administering the Financial Product and impacts Financial Product returns.

Transaction costs should not be considered in isolation as return may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

## Fees

A schedule of fees and 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. 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. Adviser fees are negotiated between the client and adviser and is distinct from the other fees on this document.

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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. 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 portfolio including income accruals less permissible deductions divided by the number of units in issue.

**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 Konsult 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 Konsult 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**
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

**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.

This is the Minimum Disclosure Document (MDD) for the PSG Balanced Fund A.

# PSG Asset Management

# PSG Stable Fund Class A

31 March 2020

## Investment objective (summary of investment policy)

The PSG Stable Fund's objective is to achieve capital appreciation and 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. The investment policy provides for investment in a mix of debt securities, money market instruments, bonds, inflation-linked securities, listed equities and property, preference shares and other high yielding securities and derivatives. The fund may have up to 40% in equities. The fund operates within the constraints of Regulation 28 of the Pension Funds Act.

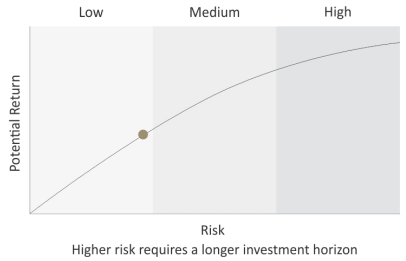
## Who should consider investing?

Fund specific risks: The fund sits in the lower middle of the risk/reward spectrum and investors should be comfortable with fluctuations in markets. The risk of short-term monetary loss is low to medium. The portfolio is exposed to equity as well as default and interest rate risks. Interest rate risk is the risk that the value of fixed income investments tends to decrease when interest rates and/or inflation rises. Default risk is where the issuers of fixed income instruments may not be able to meet interest or capital repayments. Property shares may be included in the portfolio and can carry the same risk as investing directly in real estate which is subject to economic and political conditions, interest rates and tax considerations. Investing in foreign securities may be subject to risks pertaining to overseas jurisdictions and markets, including (but not limited to) local liquidity, macroeconomic, political, tax, settlement risks and currency fluctuations. Changes in the relative values of different currencies may adversely affect the value of investments and any related income.

This fund is suitable for investors who:

- have a low risk appetite but require capital growth in real terms
- have a medium-term investment horizon of three years and longer

## Risk/reward profile




## Fund details

| | |
|---|---|
| Inception Date | 13 September 2011 |
| Fund manager | Dirk Jooste and Justin Floor |
| Fund size (ZAR) | R 2 924 853 305 |
| Latest Distribution (cpu) | 2.92c ; 3.65c |
| Bi-annual distribution | 29 Feb 20 ; 31 Aug 19 |
| ASISA Sector | South African - Multi Asset - Low Equity |
| Benchmark | CPI +3% over rolling 3 years |
| Minimum investment | As per the platform minimum |
| Duration (years) | 4.46 |

The duration is calculated as the weighted average term to maturity of the fixed interest instruments held in the fund.

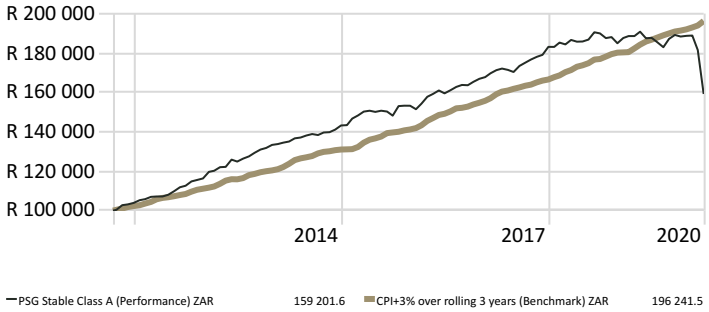
| | |
|---|---|
| Regulation 28 compliant | Yes |

## To invest

This class is only available to existing investors.
Speak to your financial adviser or visit www.psg.co.za.
Cut-off time for daily transactions are determined by investment platforms.

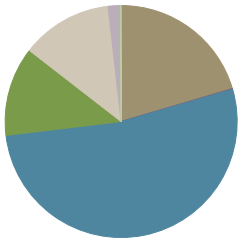
## Cumulative long-term performance

Time Period: 9/13/2011 to 3/31/2020




Value of notional R100,000 invested on 9/13/2011 with all distributions reinvested on reinvestment date after fees. Investment performance is for illustrative purposes only.

## Asset allocation/investment exposure



| | % |
|---|---|
| Domestic equity | 20.4 |
| Domestic property | 0.1 |
| Domestic bonds | 52.6 |
| Domestic cash & NCDs | 12.4 |
| Foreign equity | 12.7 |
| Foreign property | 1.7 |
| Foreign cash | 0.1 |
| **Total** | **100.0** |

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

## Top five equity holdings (%)

As of Date: 03/31/2020

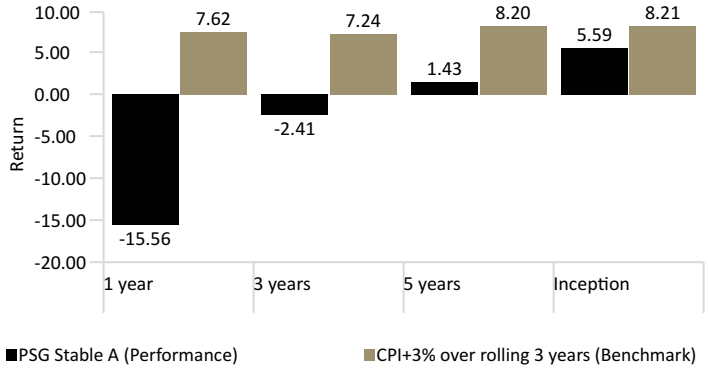
| | |
|---|---|
| Anheuser-Busch InBev | 2.4 |
| Prudential plc | 2.1 |
| Discovery Ltd | 2.1 |
| Japan Post Insurance Co Ltd | 2.1 |
| JSE Ltd | 1.5 |

## Top five issuer exposures (%)

| | |
|---|---|
| The Republic of South Africa | 39.5 |
| FirstRand Bank Ltd | 12.3 |
| Eskom Holdings SOC Ltd | 4.0 |
| Standard Bank of SA Ltd | 3.9 |
| Nedbank Ltd | 2.0 |

## Annualised returns % (after fees)

As of Date: 3/31/2020




## Year-to-date (YTD) performance (%)

| | YTD (Cumulative) |
|---|---|
| Return | -15.64 |

Management Company:
PSG Collective Investments (RF) Ltd.

Address: 1st Floor, Alphen Office Park,
Constantia Main Road, Constantia, 7806

Website: www.psg.co.za/asset-management
Toll-free: 0800 600 168

# PSG Stable Fund

Quarterly portfolio commentary as at 31 March 2020
by Dirk Jooste and Justin Floor

**Current context**

COVID-19 lockdowns across the globe had a pronounced impact on global economic output and financial markets. The already fragile South African economy will be hit hard. Locally, we have seen a sharp rise in bond yields, a steep fall in the rand and big drops on the JSE. Global policymakers and central banks are scrambling to introduce stimulus packages that compensate for the collapse in demand. Emerging markets like South Africa have fewer stimulus tools at their disposal, although we have seen unprecedented intervention in the form of steep rate cuts, bond buying and support for the banking sector.

South African investors had endured poor returns for the six years until March. Most stocks on the JSE had been in an extended bear market already and the decline in March further exacerbated an already poor investment experience for many. Over the past few years, our portfolios have been invested in cheaper and less-crowded stocks, both at home and abroad. We believe we can earn better long-term returns for our investors by focusing on quality companies that are under-appreciated by the market than by buying into expensive growth stocks. Unfortunately, a low starting point did not provide protection from the COVID-19 markets sell-off. The shock has hit most sectors hard, including already cheap stocks that are more exposed to global or domestic economic cycles. This has been further exacerbated by fragility in the domestic financial sector as a result of mounting credit losses and decreasing asset prices.

**Our perspective**

Our clients have always been well served by times when good companies go on sale. The unprecedented and fluid nature of the current environment, however, results in exceptional levels of uncertainty. This provides fantastic opportunity for future returns, but also introduces significant investment risks. We prefer to invest in an evidence-based fashion, using a long-established process. An extended collapse in demand can have a pronounced impact on the value of a company, particularly if it has high fixed costs and a lot of debt. In vulnerable sectors, company survival may require additional capital injections. The severity of the economic impact has necessitated a stress-test of existing holdings to identify vulnerabilities and to ensure that our portfolios are exposed to the best opportunities. The substantial impact on corporate profits in 2020 needs to be assessed in conjunction with much lower share prices. Our focus has been on assessing the impact of the COVID-19 pandemic on intrinsic value (using our 3M process). Where the intrinsic value of a security has been impaired less than the share price would indicate, we must be prepared to be bold. This has seen us allocating capital to resilient companies at wide margins of safety, while reducing our exposure to those where our conviction is lower and which we believe to be more vulnerable.

Very low share prices sow the seeds for the next bull market in global equities. Our portfolios are well positioned to capture this. Our clients own businesses of sound inherent quality and resilient intrinsic value which trade at wide margins of safety.

**Portfolio positioning**

Equity exposure decreased from 38.8% to 33.1% over the quarter, largely attributable to market movements. Within our equity holdings we have taken advantage of the broad-based and unprecedented volatility experienced towards the latter stages of the quarter to optimise our exposures at wide margins of safety and to enhance the future resilience of the portfolio.

Domestic cash and NCDs and Domestic Bonds exposure increased over the quarter largely by virtue of relative outperformance compared to equities. We continue to view both nominal and inflation-linked bonds as compelling components of the current portfolio mix, offering very attractive real yields.

Exposure to property decreased from 2.3% to 1.8% over the quarter.

Aggregate liquidity in the fund remains healthy.

**Changes in portfolio positioning**

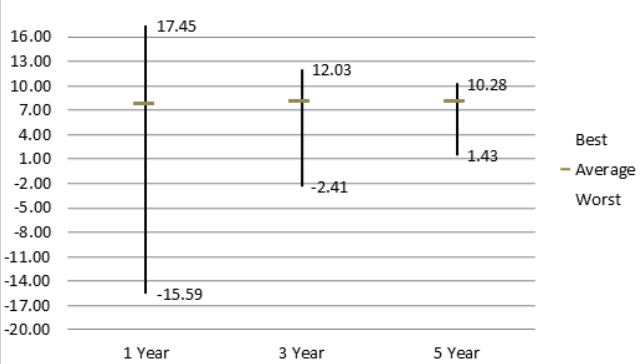
| Q4 2019 | | Q1 2020 | |
|---|---|---|---|
| Domestic equity | 23.4% | Domestic equity | 20.4% |
| Domestic property | 0.0% | Domestic property | 0.1% |
| Domestic cash and NCDs | 9.6% | Domestic cash and NCDs | 12.4% |
| Domestic bonds | 49.0% | Domestic bonds | 52.6% |
| Foreign equity | 15.4% | Foreign equity | 12.7% |
| Foreign cash | 0.3% | Foreign cash | 0.1% |
| Foreign property | 2.3% | Foreign property | 1.7% |

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

**Number of units as at 31 March 2020 (Class A):** 47 504 920
**Price (net asset value per unit) as at 31 March 2020 (Class A):** R1.14
**Number of units as at 31 March 2020 (Class E):** 483 689 734
**Price (net asset value per unit) as at 31 March 2020 (Class E):** R1.14

All data as per Bloomberg as at 31 March 2020

## Rolling returns (%)




This chart shows you how the performance can vary over time. It is an indication of the distribution of historical rolling returns from the portfolio over each rolling 12-month period.

## Total investment charge

Total Investment Charge annualised for the period 1/4/2017 to 31/03/2020

| | |
|---|---|
| **Total Expense Ratio % (incl. VAT)** | **1.75** |
| *Annual Management Fee % (incl. VAT)* | *1.73* |
| *Other costs excl. transaction costs % (incl. VAT)* | *0.02* |
| *Transaction costs % (incl. VAT)* | *0.18* |
| **Total Investment Charge % (incl. VAT)** | **1.93** |

## What is a total expense ratio?

The Total Expense Ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past three years. This percentage of the average Net Asset Value (NAV) of the portfolio was incurred as charges, levies and fees related to the management of the portfolio. A higher TER ratio does not necessarily imply a poor return, nor does a low TER ratio imply a good return. The current TER cannot be regarded as an indication of future TERs. Part of the Annual Management Fee is payable to the financial intermediary. The sum of the TER and transaction costs is shown as the Total Investment Charge. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns.

## Transaction costs

Transaction costs are shown separately and are a necessary cost in administering the Financial Product and impacts Financial Product returns.

Transaction costs should not be considered in isolation as return may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

## Fees

A schedule of fees and 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. 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. Adviser fees are negotiated between the client and adviser and is distinct from the other fees on this document.

**Disclaimer**
Collective Investment Schemes in Securities (CIS) 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. The portfolio may borrow up to 10% of its market value to bridge insufficient liquidity. 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. PSG Collective Investments (RF) Limited does not provide any guarantee either with respect to the capital or the return of the portfolio. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

**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. 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 portfolio including income accruals less permissible deductions divided by the number of units in issue.

**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 Konsult 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 Konsult 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**
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

**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.

This is the Minimum Disclosure Document (MDD) for the PSG Stable Fund A.

# PSG Asset Management

# PSG Diversified Income Fund Class A

31 March 2020

## Investment objective (summary of investment policy)

The PSG Diversified Income Fund's objective is to preserve capital while maximising income returns for investors. The portfolio comprises of a mix of high-yielding securities, property, bonds, preference shares and assets in liquid form (both local and foreign). The fund will optimise the asset allocation to achieve the objective over time. The equity exposure of the porfolio, excluding property shares, is limited to 10%. The portfolio may include financial instruments up to the extent and limits allowed by legislation. The fund operates within the constraints of Regulation 28 of the Pension Funds Act.

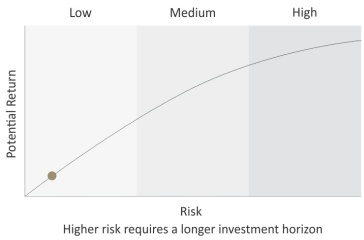
## Who should consider investing?

Fund specific risks: The fund sits in the lower end of the risk/reward spectrum and investors should be comfortable with a small degree of exposure to market and interest rate fluctuations. The risk of short-term monetary loss is low but not completely eliminated. The portfolio is concentrated in bonds and cash with a small exposure to equity. The fund is primarily exposed to default and interest rate risks. Interest rate risk is the risk that the value of fixed income investments tends to decrease when interest rates and/or inflation rises. Default risk is where the issuers of fixed income instruments may not be able to meet interest or capital repayments. Property shares may be included in the portfolio and can carry the same risk as investing directly in real estate which is subject to economic and political conditions, interest rates and tax considerations. Investing in foreign securities may be subject to risks pertaining to overseas jurisdictions and markets, including (but not limited to) local liquidity, macroeconomic, political, tax, settlement risks and currency fluctuations. Changes in the relative values of different currencies may adversely affect the value of investments and any related income.

This fund is suitable for investors who:

- 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

## Risk/reward profile




## Fund details

| | | |
|---|---|---|
| Inception Date | 7 April 2006 | |
| Fund manager | Lyle Sankar, John Gilchrist and Greg Hopkins | |
| Fund size (ZAR) | R 1 393 508 518 | |
| Latest Distribution (cpu) | 1.91c ; 2.06c | 2.10c ; 2.12c |
| Quarterly distribution | 29 Feb 20 ; 30 Nov 19 | 31 Aug 19 ; 31 May 19 |
| ASISA Sector | South African - Multi Asset - Income | |
| Benchmark | CPI + 1% | |
| Minimum investment | As per the platform minimum | |
| Duration (years) | 2.82 | |

The duration is calculated as the weighted average term to maturity of the fixed interest instruments held in the fund.

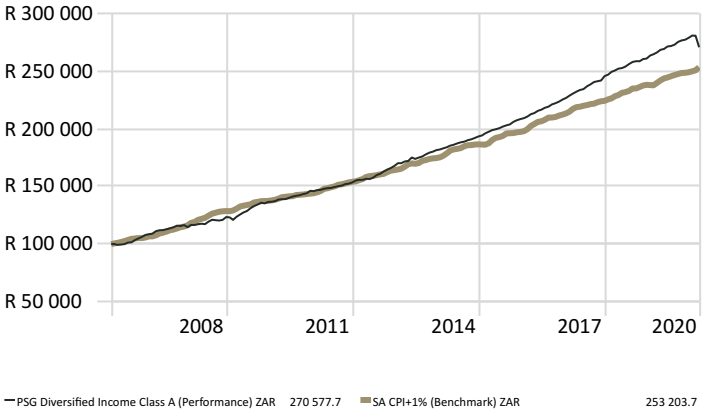
| | |
|---|---|
| Regulation 28 Compliant | Yes |

## To invest

This class is only available to existing investors.
Speak to your financial adviser or visit www.psg.co.za.
Cut-off times for daily transactions are determined by investment platforms.

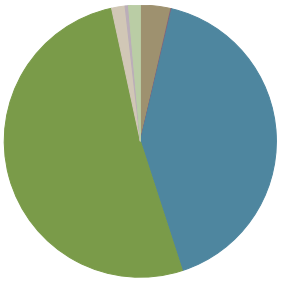
## Cumulative long-term performance

Time Period: 4/08/2006 to 3/31/2020




Value of notional R100,000 invested on 4/08/2006 with all distributions reinvested on reinvestment date after fees. Investment performance is for illustrative purposes only.

## Asset allocation/investment exposure



| | % |
|---|---|
| Domestic equity | 3.6 |
| Domestic property | 0.1 |
| Domestic bonds | 41.3 |
| Domestic cash & NCDs | 51.6 |
| Foreign equity | 1.6 |
| Foreign property | 0.4 |
| Foreign cash | 1.4 |
| **Total** | **100.0** |

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

## Top five equity holdings (%)

As of Date: 03/31/2020

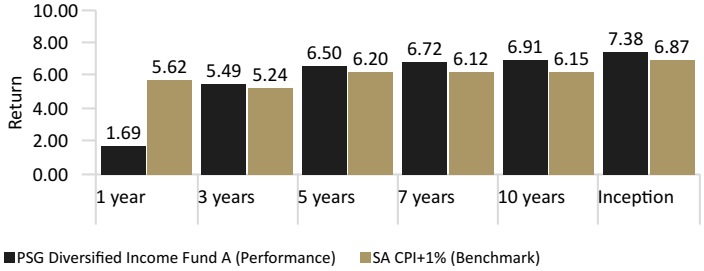
| | |
|---|---|
| Japan Post Insurance Co Ltd | 0.5 |
| JSE Ltd | 0.5 |
| Anheuser-Busch InBev | 0.4 |
| Prudential plc | 0.4 |
| AECI Ltd | 0.3 |

## Top five issuer exposures (%)

| | |
|---|---|
| The Republic of South Africa | 27.0 |
| FirstRand Bank Ltd | 23.9 |
| Standard Bank Group Ltd | 13.0 |
| PSG Money Market Fund | 11.2 |
| Absa Bank Ltd | 6.5 |

## Annualised returns % (after fees)

As of Date: 3/31/2020




## Year-to-date (YTD) performance (%)

| | YTD (Cumulative) |
|---|---|
| Return | -2.92 |

Management Company:
PSG Collective Investments (RF) Ltd.

Address: 1st Floor, Alphen Office Park,
Constantia Main Road, Constantia, 7806

Website: www.psg.co.za/asset-management
Toll-free: 0800 600 168

# PSG Diversified Income Fund

Quarterly portfolio commentary as at 31 March 2020

by Lyle Sankar, John Gilchrist & Greg Hopkins

**Current context**

COVID-19 lockdowns across the globe had a pronounced impact on global economic output and financial markets. The already fragile South African economy will be hit hard. Locally, we have seen a sharp rise in bond yields, a steep fall in the rand and big drops on the JSE. Global policymakers and central banks are scrambling to introduce stimulus packages that compensate for the collapse in demand. Emerging markets like South Africa have fewer stimulus tools at their disposal, although we have seen unprecedented intervention in the form of steep rate cuts, bond buying and support for the banking sector.

South African investors had also endured poor equity returns for the six years until March. Most stocks on the JSE had been in an extended bear market already and the decline in March further exacerbated an already poor investment experience for many.

**Our perspective**

Our fixed income allocation has for a long period been focused on nominal and inflation-linked government bonds alongside a healthy exposure to fixed-rate NCDs in line with our views of lower inflation, and therefore higher implied real yields. We have for some time preferred exposure to these areas rather than corporate credit, where spreads have not met our required risk-adjusted returns. Our holdings in corporate credit are at long-term lows across our funds. The sell-off in yields in local fixed income markets have been significant during the month of March, largely in government bonds. The key drivers of this move have been foreign selling, as well as tighter liquidity among local holders of these bonds. Conversely, as government bonds have been indiscriminately sold during March, the SARB had cut the repo rate by 1%, forcing NCD yields lower as the market continued to price in further rate cuts. Corporate and bank credit initially remained resilient given a lack of trading, however this has begun to reprice as spreads have started to move up steadily to reflect the poorer medium-term outlook for the economy. In assessing these moves, we have focused on evidence-based research, and have looked to re-assess our views on the real returns we require in the government bond market. A normalisation from current yields to reflect lower interest rates and inflation is expected to deliver attractive returns for clients. Despite the slower move higher in yields, we believe corporate credit is likely in the initial stages of repricing,

Our clients have always been well served by times when good companies go on sale. The unprecedented and fluid nature of the current environment, however, results in exceptional levels of uncertainty. This provides fantastic opportunity for future returns, but also introduces significant investment risks. We prefer to invest in an evidence-based fashion, using a long-established process. An extended collapse in demand can have a pronounced impact on the value of a company, particularly if it has high fixed costs and a lot of debt. In vulnerable sectors, company survival may require additional capital injections. The severity of the economic impact has necessitated a stress-test of existing holdings to identify vulnerabilities and to ensure that our portfolios are exposed to the best opportunities. The substantial impact on corporate profits in 2020 needs to be assessed in conjunction with much lower share prices. Our focus has been on assessing the impact of the COVID-19 pandemic on intrinsic value (using our 3M process). Where the intrinsic value of a security has been impaired less than the share price would indicate, we must be prepared to be bold. This has seen us allocating capital to resilient companies at wide margins of safety, while reducing our exposure to those where our conviction is low and which we believe to be more vulnerable.

Very low share prices sow the seeds for the next equity bull market. Our portfolios are well positioned to capture this. Our clients own businesses of sound inherent quality and resilient intrinsic value which trade at wide margins of safety.

**Portfolio positioning**

We believe successfully navigating this crisis requires a focus on liquidity, and we have focused on enhancing this aspect for our clients over the period. As a result, the fund used the strength we have seen in the NCD market by selling at the prevailing lower yields and moving into cash. As at the end of the period, the fund held roughly 20% in cash with significant liquidity to be a buyer into any weakness we may see ahead. We have looked to add selectively to the R186 government bond, where the curve appears to be most mispriced. We continue to hold low risk of default in the fund. The fund has also looked to reallocate to higher conviction equity ideas, while still focusing on the high real yields we are seeing in pockets of the fixed income market.

**Changes in portfolio positioning**

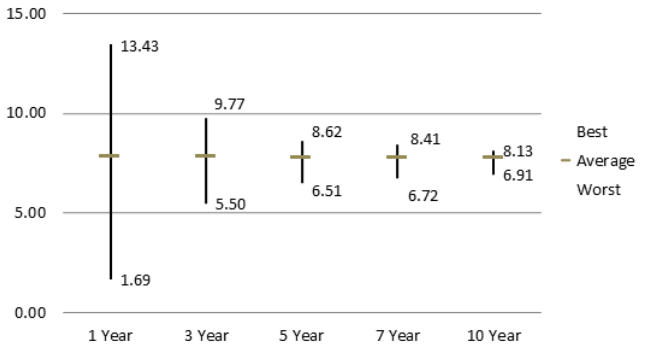
| Q4 2019 | | Q1 2020 | |
|---|---|---|---|
| Domestic equity | 4.4% | Domestic equity | 3.6% |
| Domestic preference shares | 0.1% | Domestic preference shares | 0.0% |
| Domestic property | 0.0% | Domestic property | 0.1% |
| Domestic cash and NCDs | 46.9% | Domestic cash and NCDs | 51.6% |
| Domestic bonds | 41.3% | Domestic bonds | 41.3% |
| Foreign equity | 2.0% | Foreign equity | 1.6% |
| Foreign cash | 4.7% | Foreign cash | 1.4% |
| Foreign property | 0.6% | Foreign property | 0.4% |

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

| | |
|---|---|
| **Number of units as at 31 March 2020 (Class A):** | 924 299 182 |
| **Price (net asset value per unit) as at 31 March 2020 (Class A):** | R1.16 |
| **Number of units as at 31 March 2020 (Class E):** | 259 308 846 |
| **Price (net asset value per unit) as at 31 March 2020 (Class E):** | R1.16 |

All data as per Bloomberg as at 31 March 2020.

## Rolling returns (%)




This chart shows you how the performance can vary over time. It is an indication of the distribution of historical rolling returns from the portfolio over each rolling 12-month period.

## What is a total expense ratio?

The Total Expense Ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past three years. This percentage of the average Net Asset Value (NAV) of the portfolio was incurred as charges, levies and fees related to the management of the portfolio. A higher TER ratio does not necessarily imply a poor return, nor does a low TER ratio imply a good return. The current TER cannot be regarded as an indication of future TERs. Part of the Annual Management Fee is payable to the financial intermediary. The sum of the TER and transaction costs is shown as the Total Investment Charge. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns.

## Total investment charge

Total Investment Charge annualised for the period 1/4/2017 to 31/03/2020

| | |
|---|---|
| **Total Expense Ratio % (incl. VAT)** | **1.19** |
| *Annual Management Fee % (incl. VAT)* | *1.15* |
| *Other costs excl. transaction costs % (incl. VAT)* | *0.04* |
| *Transaction costs % (incl. VAT)* | *0.13* |
| **Total Investment Charge % (incl. VAT)** | **1.32** |

## Transaction costs

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Transaction costs should not be considered in isolation as return may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

## Fees

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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. 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 portfolio including income accruals less permissible deductions divided by the number of units in issue.

**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 Konsult 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 Konsult 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**
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
**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.

This is the Minimum Disclosure Document (MDD) for the PSG Diversified Income Fund A.

# PSG Asset Management

# PSG Income Fund Class A

31 March 2020

## Investment objective (summary of investment policy)

The PSG Income Fund's objective is to maximise income while achieving as much long-term capital appreciation as interest rate cycles allow. The investment policy provides for investment in assets in liquid form, a diversified range of fixed-interest securities, loan stock, debentures stock, bonds, unsecured notes, as well as other non-equity securities and financial instruments. The fund cannot invest in property, equities and preference shares.

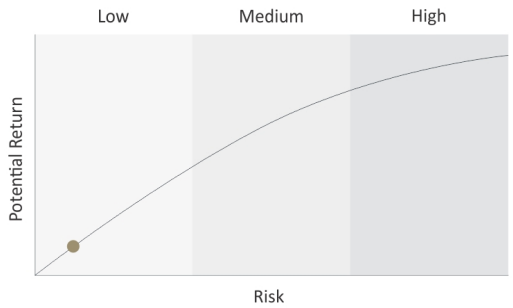
## Who should consider investing?

Fund specific risks: The fund sits within the lower end of the risk/reward spectrum. Investors should be comfortable with exposure to interest rate fluctuations and market volatility. The risk of short-term monetary loss is low but not completely eliminated. The portfolio is exposed to default and interest rate risks. Interest rate risk is the risk that the value of fixed income investments tends to decrease when interest rates and/or inflation rises. Default risk is where the issuers of fixed income instruments may not be able to meet interest or capital repayments.

This fund is suitable for investors who:

- have a low risk appetite
- require an income
- have an investment horizon of one year and longer

## Risk/reward profile




Higher risk requires a longer investment horizon

## Fund details

| | | |
|---|---|---|
| Class Launch Date | 1 September 2011 | |
| Fund manager | Lyle Sankar, Duayne Le Roux and Greg Hopkins | |
| Fund size (ZAR) | R 304 649 812 | |
| Latest Distribution (cpu) | 1.86c ; 1.88c | 1.90c ; 1.96c |
| Quarterly distribution | 29 Feb 20 ; 30 Nov 19 | 31 Aug 19 ; 31 May 19 |
| ASISA sector | South African - Interest Bearing - Short Term | |
| Benchmark | STEFI Composite Index | |
| Minimum investment | As per the platform minimum | |
| Duration (years) | 1.25 | |

The duration is calculated as the weighted average term to maturity of the fixed interest instruments held in the fund.

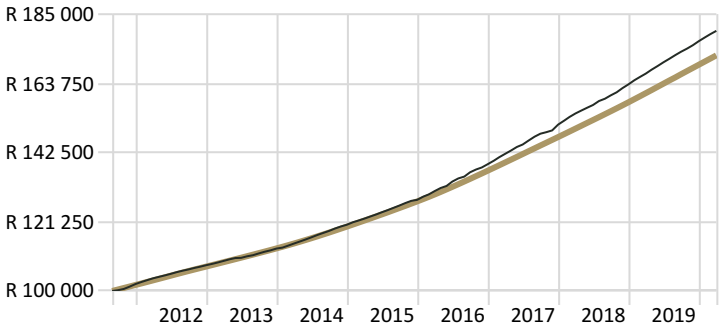
Regulation 28 Compliant No

## To invest

This class is only available to existing investors.
Speak to your financial adviser or visit www.psg.co.za.
Cut-off time for daily transactions are determined by investment platforms.

## Cumulative long-term performance

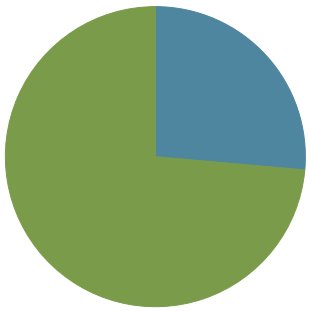
Time Period: 9/01/2011 to 3/31/2020




PSG Income Class A (Performance) ZAR 179 840.1 STeFI Composite Index (Benchmark) ZAR 172 309.8

Value of notional R100,000 invested on 9/1/2011 with all distributions reinvested on reinvestment date after fees. Investment performance is for illustrative purposes only.

## Asset allocation/investment exposure



| | % |
|---|---|
| Domestic bonds | 26.4 |
| Domestic cash & NCDs | 73.6 |
| **Total** | **100.0** |

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

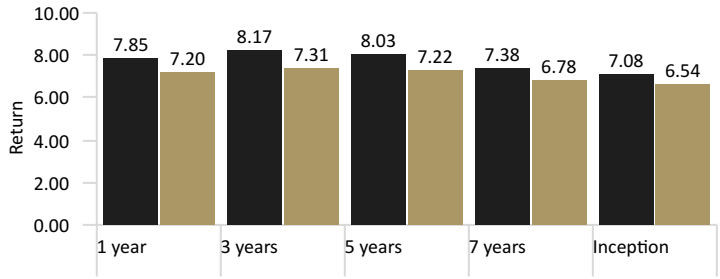
## Top ten issuer exposures (%)

As of Date: 03/31/2020

| | |
|---|---|
| Standard Bank of SA Ltd | 24.3 |
| FirstRand Bank Ltd | 22.4 |
| PSG Money Market Fund | 15.1 |
| Absa Bank Ltd | 11.7 |
| The Republic of South Africa | 11.6 |
| Nedbank Ltd | 4.8 |
| Capitec Bank Ltd | 3.0 |
| Eskom Holdings SOC Ltd | 2.7 |
| The Thekwini Fund 14 (RF) Ltd | 2.2 |
| The Thekwini Fund 15 (RF) Ltd | 1.3 |

## Annualised returns % (after fees)

As of Date: 3/31/2020




PSG Income Class A (Performance) STeFI Composite Index (Benchmark)

## Year-to-date (YTD) performance (%)

| | YTD (Cumulative) |
|---|---|
| Return | 1.79 |


Management Company:
PSG Collective Investments (RF) Ltd.

Address: 1st Floor, Alphen Office Park,
Constantia Main Road, Constantia, 7806

Website: www.psg.co.za/asset-management
Toll-free: 0800 600 168

# PSG Income Fund

Quarterly portfolio commentary as at 31 March 2020
by Lyle Sankar, Duayne Le Roux & Greg Hopkins

**Current context**

COVID-19 lockdowns across the globe had a pronounced impact on global economic output and financial markets. The already fragile South African economy will be hit hard. Locally, we have seen a sharp rise in bond yields, a steep fall in the rand and big drops on the JSE. Global policymakers and central banks are scrambling to introduce stimulus packages that compensate for the collapse in demand. Emerging markets like South Africa have fewer stimulus tools at their disposal, although we have seen unprecedented intervention in the form of steep rate cuts, bond buying and support for the banking sector.

South African investors had endured poor returns for the six years until March. Most stocks on the JSE had been in an extended bear market already and the decline in March further exacerbated an already poor investment experience for many. Over the past few years, our portfolios have been invested in cheaper and less-crowded stocks, both at home and abroad. We believe we can earn better long-term returns for our investors by focusing on quality companies that are under-appreciated by the market than by buying into expensive growth stocks. Unfortunately, a low starting point did not provide protection from the COVID-19 markets sell-off. The shock has hit most sectors hard, including already cheap stocks that are more exposed to global or domestic economic cycles. This has been further exacerbated by fragility in the domestic financial sector as a result of mounting credit losses and decreasing asset prices.

**Our perspective**

Our approach to managing the fund has always been to offer a risk-adjusted yields, limiting the potential for permanent capital loss. Our allocations in the fund have therefore for long been focused on a healthy diversified exposure to fixed rate bank NCDs, alongside nominal and inflation-linked government bonds in line with our views of lower inflation and therefore higher implied real yields. We have for some time preferred exposure to these areas rather than corporate credit, as the available spreads have not met our required risk-adjusted returns. Our holdings in corporate credit are at long term lows across our funds. The sell-off in yields in local fixed income markets have been significant during the month of March, largely in government bonds. The key drivers of this move have been foreign selling, as well as tighter liquidity among local holders of these bonds. Conversely, as government bonds have been indiscriminately sold during March, the SARB had cut the repo rate by 1%, forcing NCD yields lower as the market continued to price in further rate cuts. The implication for our allocation to fixed rate NCDs is that the fund continues to earn the high real yields as we have locked these in for an extended period. Importantly, in addition to the high earnings yield, these instruments now offer the potential to unlock significant value as the current market rates are significantly lower than when we had purchased these assets. Corporate and bank credit initially remained resilient given a lack of trading, however this has begun to reprice as spreads have started to move up steadily to reflect the poorer medium-term outlook for the economy. In assessing these moves, we have focused on evidence-based research, and have looked to re-assess our views on the real returns we require in the government bond market. A normalisation from current yields to reflect lower interest rates and inflation is expected to deliver attractive returns for clients. Despite the slower move higher in yields, we believe corporate credit is likely in the initial stages of repricing,

**Portfolio positioning**

We believe successfully navigating this crisis requires a focus on liquidity, and we have focused on enhancing this aspect for our clients over the period. As a result, the fund used the strength we have seen in the NCD market by selling at the prevailing lower yields and moving into cash. This has largely helped the fund to avoid much of the volatility we have seen recently in areas of the market, resulting in stability of income distributions. As at the end of the period, the fund held roughly 30% in cash, providing significant liquidity to be a selective buyer into any weakness we may see ahead, while still offering an attractive income yield significantly above money markets at low levels of risk. We have looked to add selectively to the R186 government bond, where the curve appears to be most mispriced. We continue to hold instruments which carry low risk of default in the fund as well as the exposure to longer-dated fixed NCDs which should continue to deliver value for the fund.

**Changes in portfolio positioning**

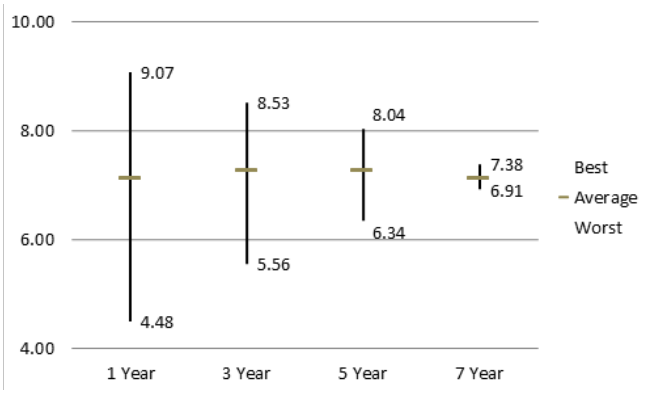
| | Q4 2019 | Q1 2020 |
|---|---|---|
| Domestic bonds | 25.0% | 26.4% |
| Domestic cash and NCDs | 75.0% | 73.6% |

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

| | |
|---|---|
| **Number of units as at 31 March 2020 (Class A):** | 21 677 805 |
| **Price (net asset value per unit) as at 31 March 2020 (Class A):** | R1.03 |
| **Number of units as at 31 March 2020 (Class E):** | 273 319 975 |
| **Price (net asset value per unit) as at 31 March 2020 (Class E):** | R1.03 |

All data as per Bloomberg as at 31 March 2020

## Rolling returns (%)




This chart shows you how the performance can vary over time. It is an indication of the distribution of historical rolling returns from the portfolio over each rolling 12-month period.

## Total investment charge

Total Investment Charge annualised for the period 1/4/2017 to 31/03/2020

| | |
|---|---|
| **Total Expense Ratio % (incl. VAT)** | **0.82** |
| *Annual Management Fee % (incl. VAT)* | *0.75* |
| *Other costs excluding transaction costs % (incl. VAT)* | *0.07* |
| *Transaction costs % (incl. VAT)* | *0.13* |
| **Total Investment Charge % (incl. VAT)** | **0.95** |

## Transaction costs

Transaction costs are shown separately and are a necessary cost in administering the Financial Product and impacts Financial Product returns.

Transaction costs should not be considered in isolation as return may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

## What is a total expense ratio?

The Total Expense Ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past three years. This percentage of the average Net Asset Value (NAV) of the portfolio was incurred as charges, levies and fees related to the management of the portfolio. A higher TER ratio does not necessarily imply a poor return, nor does a low TER ratio imply a good return. The current TER cannot be regarded as an indication of future TERs. Part of the Annual Management Fee is payable to the financial intermediary. The sum of the TER and transaction costs is shown as the Total Investment Charge. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns.

## Fees

A schedule of fees and 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. 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. Adviser fees are negotiated between the client and adviser and is distinct from the other fees on this document.

**Disclaimer**
Collective Investment Schemes in Securities (CIS) 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. The portfolio may borrow up to 10% of its market value to bridge insufficient liquidity. 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. PSG Collective Investments (RF) Limited does not provide any guarantee either with respect to the capital or the return of the portfolio. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

**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. 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 portfolio including income accruals less permissible deductions divided by the number of units in issue.

**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 Konsult 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 Konsult 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**
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

**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.

This is the Minimum Disclosure Document (MDD) for the PSG Income Fund A.

# PSG Asset Management

# PSG Money Market Fund Class A

31 March 2020

## Investment objective (summary of investment policy)

The PSG Money Market Fund's objective is to provide capital security, a steady income and easy access to your money. The fund invests in selected money market instruments issued by government, parastatals, corporates and banks with a maturity term of less than 13 months. The fund operates within the constraints of Regulation 28 of the Pension Funds Act.

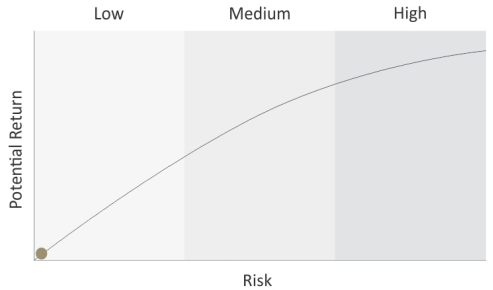
## Who should consider investing?

Fund specific risks: The fund sits at the bottom of the risk/reward spectrum. A money market fund offers a secure investment, but is not completely risk free and severe losses may reduce the capital value of the portfolio. The portfolio is exposed to default and interest rate risks. Interest rate risk is the risk that the value of fixed income investments tends to decrease when interest rates and/or inflation rises. Default risk is where the issuers of fixed income instruments may not be able to meet interest or capital repayments.

This fund is suitable for investors who:

- 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

## Risk/reward profile




Higher risk requires a longer investment horizon

## Fund details

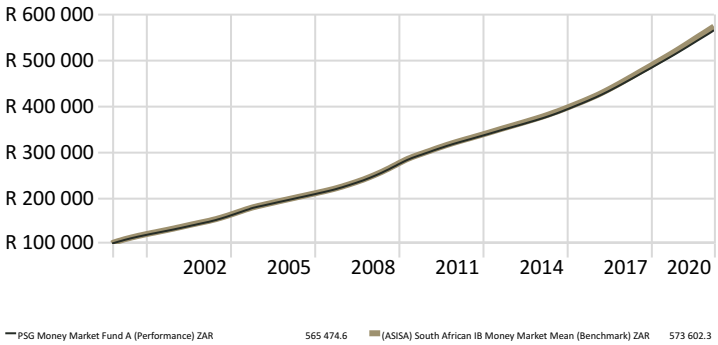
| | | |
|---|---|---|
| Inception Date | 19 October 1998 | |
| Fund manager | Lyle Sankar and Duayne Le Roux | |
| Fund size (ZAR) | R 2 296 285 964 | |
| Latest Distribution (cpu) | 0.6413 ; 0.5486 | 31 Mar 20 - 29 Feb 20 |
| Monthly distribution | 31 Jan 20 - 0.5813<br>31 Dec 19 - 0.5706<br><br>30 Nov 19 - 0.5652<br>31 Oct 19 - 0.5706<br><br>30 Sep 19 - 0.5620<br>31 Aug 19 - 0.6043 | 31 July 19 - 0.5963<br>30 June 19 - 0.5846<br><br>31 May 19 - 0.6075<br>30 Apr 19 - 0.5788 |
| ASISA sector | South African - Interest Bearing - Money Market | |
| Benchmark | South African - Interest Bearing - Money Market Mean | |
| Minimum investment | R25000 lump sum | |
| Regulation 28 Compliant | Yes | |

## To invest

This class is only available to existing investors.
Speak to your financial adviser or visit www.psg.co.za.
Cut-off time for daily transactions are determined by investment platforms.

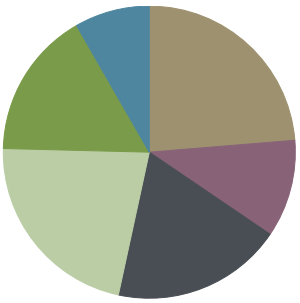
## Cumulative long-term performance

Time Period: 10/19/1998 to 3/31/2020




Value of notional R100,000 invested on 10/19/1998 with all distributions reinvested on reinvestment date after fees. Investment performance is for illustrative purposes only.

## Asset allocation/investment exposure



| | % |
|---|---|
| NCDs | 23.7 |
| Treasury Bill | 10.8 |
| Linked NCD/Floating rate notes | 18.9 |
| Step rate notes | 22.0 |
| Call | 16.3 |
| Corporate bonds | 8.3 |
| **Total** | **100.0** |

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

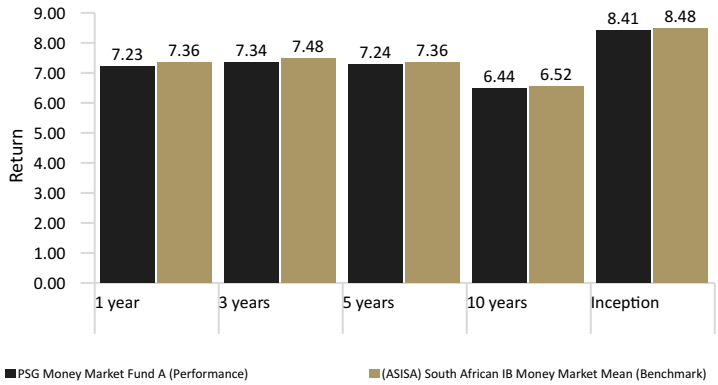
## Top issuer exposures (%)

As of Date: 03/31/2020

| | |
|---|---|
| Nedbank Ltd | 22.7 |
| Standard Bank of SA Ltd | 22.4 |
| Absa Bank Ltd | 20.4 |
| FirstRand Bank Ltd | 18.6 |
| The Republic of South Africa | 10.8 |
| Capitec Bank Ltd | 2.3 |
| Investec Bank Ltd | 2.2 |
| The Thekwini Fund 15 (RF) Ltd | 0.6 |

## Annualised returns % (after fees)

As of Date: 3/31/2020




## Year-to-date (YTD) performance (%)

| | YTD (Cumulative) |
|---|---|
| Return | 1.78 |

Management Company:
PSG Collective Investments (RF) Ltd.

Address: 1st Floor, Alphen Office Park,
Constantia Main Road, Constantia, 7806

Website: www.psg.co.za/asset-management
Toll-free: 0800 600 168

PSG Asset Management

# PSG Money Market Fund

Quarterly portfolio commentary as at 31 March 2020
by Lyle Sankar and Duayne le Roux

**Current context**

COVID-19 lockdowns across the globe had a pronounced impact on global economic output and financial markets. The already fragile South African economy will be hit hard. Locally, we have seen a sharp rise in bond yields, a steep fall in the rand and big drops on the JSE. Global policymakers and central banks are scrambling to introduce stimulus packages that compensate for the collapse in demand. Emerging markets like South Africa have fewer stimulus tools at their disposal, although we have seen unprecedented intervention in the form of steep rate cuts, bond buying and support for the banking sector.

South African investors had endured poor returns for the six years until March. Most stocks on the JSE had been in an extended bear market already and the decline in March further exacerbated an already poor investment experience for many. Over the past few years, our portfolios have been invested in cheaper and less-crowded stocks, both at home and abroad. We believe we can earn better long-term returns for our investors by focusing on quality companies that are under-appreciated by the market than by buying into expensive growth stocks. Unfortunately, a low starting point did not provide protection from the COVID-19 markets sell-off. The shock has hit most sectors hard, including already cheap stocks that are more exposed to global or domestic economic cycles. This has been further exacerbated by fragility in the domestic financial sector as a result of mounting credit losses and decreasing asset prices.

**Our perspective**

Our approach to managing the fund has always been to offer a risk-adjusted yields, limiting the potential for permanent capital loss and, importantly, maintaining high levels of liquidity in the fund. Our allocation in the fund have therefore for long been focused on a healthy diversified exposure to fixed- and floating-rate bank NCDs, with relatively high liquidity and attractive real yields in line with our views of lower inflation. We have for some time preferred exposure to NCDs rather than corporate credit, as the available spreads have not met our required risk-adjusted returns. Our holdings in corporate credit are at long-term lows across our funds. Specifically, for money market funds, an allocation to corporate has been conservatively viewed as an allocation to less liquid assets, requiring a high hurdle for inclusion.

During the past year, we have seen inflation consistently anchored within the SARB's inflation targeting band and due to the recent downward shock to oil prices, inflation is likely to be skewed to the lower end of this band over the coming year. This had enabled the SARB to cut rates by 0.25% in January 2020, but also importantly, by an additional 2% since the start of this crisis. The sell-off in yields in local fixed income markets have been significant during the month of March, largely in government bonds. The key drivers of this move have been foreign selling, as well as tighter liquidity among local holders of these bonds. Conversely, as government bonds have been indiscriminately sold, the SARB had cut the repo rate, forcing NCD yields lower as the market continued to price in further rate cuts. The implication for our allocation to fixed rate NCDs is that the fund continues to earn high real yields where we have been buyers of fixed rate NCDs. Corporate and bank credit initially remained resilient given a lack of trading, however this has begun to reprice as spreads have started to move up steadily to reflect the poorer medium-term outlook for the economy. In assessing these moves, we have focused on evidence-based research, and have looked to re-assess our views on the real returns we require from the instruments we buy.

**Portfolio positioning**

The fund continues to hold a diversified book of bank NCDs earning yields above the cash rates offered by the banks, as well as above the near-term expected inflation rate. Ensuring additional liquidity in the fund during the crisis is a sensible measure to support any additional liquidity needs from our clients. As such, we hold a higher cash allocation than in a normal cycle, as well as conservatively holding a low allocation to corporate bonds. While we have allocated significant holdings to fixed rate NCDs, which should continue to offer higher income yields over the near term, we expect that the fall in rates will eventually translate into lower income distributions for clients. Importantly, we are comfortable that the risk of default is low.

**Changes in portfolio positioning**

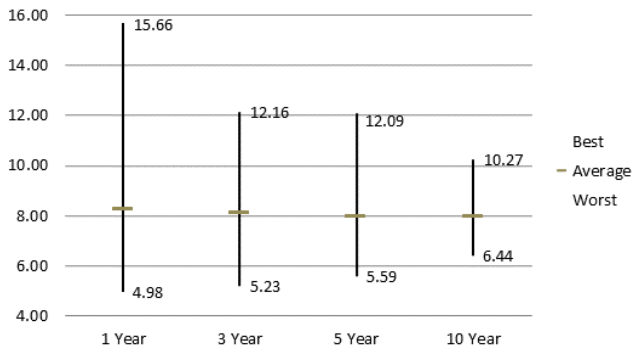
| Q4 2019 | | Q1 2020 | |
|---|---|---|---|
| Linked NCDs/ Floating-rate notes | 22.8% | Linked NCDs/Floating-rate notes | 18.9% |
| Step rate notes | 13.3% | Step rate notes | 22.0% |
| NCDs | 34.9% | NCDs | 23.7% |
| Treasury bills | 13.8% | Treasury bills | 10.8% |
| Call deposits | 13.3% | Call deposits | 16.3% |
| Corporate bonds | 1.9% | Corporate bonds | 8.3% |

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

| | |
|---|---|
| **Number of units as at 31 March 2020 (Class A):** | 817 814 867 |
| **Price (net asset value per unit) as at 31 March 2020 (Class A):** | R1.00 |
| **Number of units as at 31 March 2020 (Class F):** | 433 700 436 |
| **Price (net asset value per unit) as at 31 March 2020 (Class F):** | R1.00 |

All data as per Bloomberg as at 31 March 2020.

## Rolling returns (%)




This chart shows you how the performance can vary over time. It is an indication of the distribution of historical rolling returns from the portfolio over each rolling 12-month period.

## What is a total expense ratio?

The Total Expense Ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past three years. This percentage of the average Net Asset Value (NAV) of the portfolio was incurred as charges, levies and fees related to the management of the portfolio. A higher TER ratio does not necessarily imply a poor return, nor does a low TER ratio imply a good return. The current TER cannot be regarded as an indication of future TERs. Part of the Annual Management Fee is payable to the financial intermediary. The sum of the TER and transaction costs is shown as the Total Investment Charge. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns.

## Total investment charge

Total Investment Charge annualised for the period 1/4/2017 to 31/03/2020

| | |
|---|---|
| **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)* | *0.12* |
| **Total Investment Charge % (incl. VAT)** | **0.71** |

## Transaction costs

Transaction costs are shown separately and are a necessary cost in administering the Financial Product and impacts Financial Product returns.

Transaction costs should not be considered in isolation as return may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

## Fees

A schedule of fees and 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. 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. Adviser fees are negotiated between the client and adviser and is distinct from the other fees on this document.

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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**
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. 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 portfolio including income accruals less permissible deductions divided by the number of units in issue.

**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 Konsult 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 Konsult 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 manager may use the brokerage services of a related party, PSG Securities Ltd.

**Trustees**
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

**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.

This is the Minimum Disclosure Document (MDD) for the PSG Money Market Fund A.

# PSG Asset Management

# PSG Global Equity Feeder Fund Class A

31 March 2020

## Investment objective (summary of investment policy)

The PSG Global Equity Feeder Fund's investment objective is 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 whose investment policy provides for it to invest solely into the PSG Global Equity Sub-Fund, a sub-fund of PSG Global Funds SICAV plc, denominated in US dollars. The underlying fund invests mainly in global listed securities and aims to reduce risk relative to its benchmark. Please refer to the Minimum Disclosure Document of the PSG Global Equity Sub-Fund for more information.

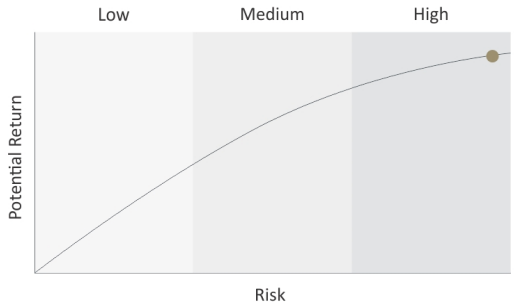
## Who should consider investing?

Fund specific risks: The fund sits at the top end of the risk/reward spectrum and investors should be comfortable with fluctuations in global equity markets. The risk of short-term monetary loss is high due to volatility of exchange rates and global markets. The portfolio is exposed to equity and currency risk. Investing in foreign securities may be subject to risks pertaining to overseas jurisdictions and markets, including (but not limited to) local liquidity, macroeconomic, political, tax, settlement risks and currency fluctuations. Changes in the relative values of different currencies may adversely affect the value of investments and any related income.

This fund is suitable for investors who:

- want exposure to global equities without personally expatriating rands
- are comfortable with international equity market and currency fluctuations
- have a long-term investment horizon of seven years and longer

## Risk/reward profile




Higher risk requires a longer investment horizon

## Fund details

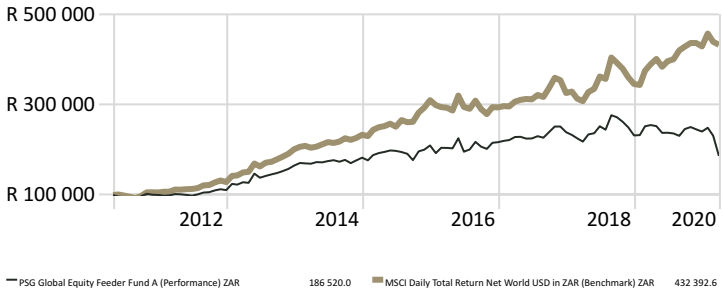
| | |
|---|---|
| Inception Date | 3 May 2011 |
| Fund manager | Philipp Wörz and Greg Hopkins |
| Fund size (ZAR) | R 87 821 621 |
| Latest Distribution (cpu) | 0.00c |
| Annual distribution | 29 Feb 20 |
| Sector | Global - Equity - General |
| Benchmark | MSCI Daily Total Return Net World USD Index (in ZAR) |
| Minimum investment | As per the platform minimum |
| Regulation 28 Compliant | No |

## To invest

This class is only available to existing investors.
Speak to your financial adviser or visit www.psg.co.za.
Cut-off time for daily transactions are determined by investment platforms.

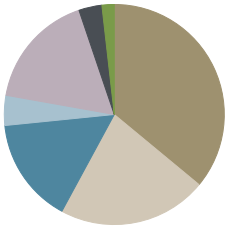
## Cumulative long-term performance

Time Period: 5/04/2011 to 3/31/2020




Value of notional R100,000 invested on 5/04/2011 with all distributions reinvested on reinvestment date after fees. Investment performance is for illustrative purposes only.

## Regional allocation



| | % |
|---|---|
| United States | 36.0 |
| United Kingdom | 21.9 |
| Europe | 15.5 |
| Canada | 4.4 |
| Japan | 17.0 |
| Africa | 3.4 |
| Cash | 1.8 |
| **Total** | **100.0** |

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

## Asset allocation/investment exposure (%)

As of Date: 03/31/2020

| | |
|---|---|
| Domestic equity | 3.4 |
| Foreign equity | 89.4 |
| Foreign property | 5.4 |
| Foreign cash | 1.8 |
| **Total** | **100** |

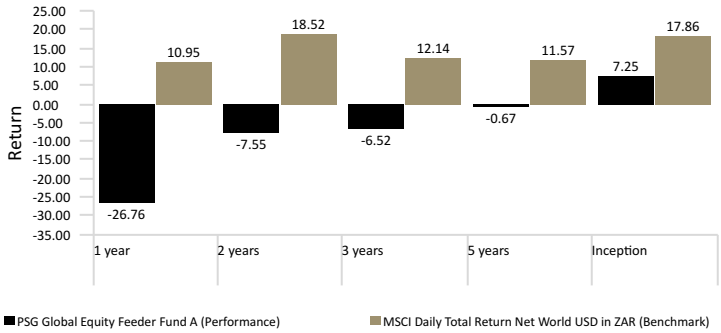
## Top ten equity holdings (%)

As of Date: 03/31/2020

| | |
|---|---|
| Liberty Global Inc | 7.4 |
| Prudential plc | 6.7 |
| Anheuser-Busch InBev | 6.6 |
| Japan Post Insurance Co Ltd | 6.6 |
| The Mosaic Co | 6.3 |
| Asahi Group Holdings Ltd | 5.7 |
| Resona Holdings Inc | 4.7 |
| Brookfield Asset Management Inc | 4.4 |
| Glencore plc | 3.9 |
| Royal Dutch Shell plc | 3.9 |

## Annualised returns % (after fees)

As of Date: 3/31/2020




## Year-to-date (YTD) performance (%)

| | YTD (Cumulative) |
|---|---|
| Return | -22.45 |

Management Company:
PSG Collective Investments (RF) Ltd.

Address: 1st Floor, Alphen Office Park,
Constantia Main Road, Constantia, 7806

Website: www.psg.co.za/asset-management
Toll-free: 0800 600 168

PSG Asset Management

# PSG Global Equity Feeder Fund

Quarterly portfolio commentary as at 31 March 2020

by Philipp Wörz and Greg Hopkins

**Current context**

COVID-19 lockdowns across the globe had a pronounced impact on global economic output and financial markets. Coming off record high levels during the middle of February, global markets experienced one of their quickest sell-offs in history, with the MSCI World Index dropping 34% from its high to the most recent market low on 23 March 2020. US bonds recorded their lowest ever yields during the turmoil, with the 10-year yield falling to 0.54% in early March compared to 1.92% at the beginning of the year. Many emerging markets, whose economies had already been fragile for some time, experienced significant capital outflows, sharp rises in bond yields and currency devaluations. Global policymakers and central banks are scrambling to introduce stimulus packages that compensate for the collapse in demand. Indeed, the global fiscal measures we are currently witnessing are set to far exceed those during the global financial crisis.

While global and US returns specifically had been particularly strong up to February, these returns masked the reality of a narrow market, in which few sectors and stocks drove outperformance, most notably technology and high quality defensive industrial companies, while large parts of the market underperformed. Over the past few years, our portfolios have been invested in cheaper and less-crowded stocks. We believe we can earn better long-term returns for our investors by focusing on quality companies that are under-appreciated by the market than by buying into expensive growth stocks. Unfortunately, a low starting point did not provide protection from the COVID-19 markets sell-off. The shock has hit most sectors hard, including already cheap stocks that are more exposed to global economic cycles.

**Our perspective**

Our clients have always been well served by times when good companies go on sale. The unprecedented and fluid nature of the current environment, however, results in exceptional levels of uncertainty. This provides fantastic opportunity for future returns, but also introduces significant investment risks. We prefer to invest in an evidence-based fashion, using a long-established process. An extended collapse in demand can have a pronounced impact on the value of a company, particularly if it has high fixed costs and a lot of debt. In vulnerable sectors, company survival may require additional capital injections. The severity of the economic impact has necessitated a stress-test of existing holdings to identify vulnerabilities and to ensure that our portfolios are exposed to the best opportunities. The substantial impact on corporate profits in 2020 needs to be assessed in conjunction with much lower share prices. Our focus has been on assessing the impact of the COVID-19 pandemic on intrinsic value (using our 3M process). Where the intrinsic value of a security has been impaired less than the share price would indicate, we must be prepared to be bold. This has seen us allocating capital to resilient companies at wide margins of safety, while reducing our exposure to those where our conviction is lower and which we believe to be more vulnerable. Very low share prices sow the seeds for the next equity bull market. Our portfolios are well positioned to capture this. Our clients own businesses of sound inherent quality and resilient intrinsic value which trade at wide margins of safety.

**Portfolio positioning**

The quarter was a tale of two halves, the first being the continuation of the global bull market in momentum stocks specifically, while the second saw the most vicious sell-off since the financial crisis in 2008 and 2009. Portfolio adjustments need to be seen in this context.

In January and the early parts of February we took advantage of sharply rising share prices and significantly reduced our holdings in Brookfield Asset Management, Nordstrom, Babcock, Pandora and L Brands as their margins of safety narrowed. New additions into the fund were Du Pont de Nemours, The Kroger Company and Ardmore Shipping, while we also added to our existing positions in Royal Dutch Shell and Tanger Factory Outlets during periods of falling share prices.

Even though we cannot time the market or predict the bottom, we are using the turmoil in markets to optimise the portfolio. These actions should be seen in various buckets.

1. We significantly increased our conviction in Anheuser-Busch and Prudential plc as these high-quality companies went on sale. Anheuser-Busch's share price dropped 67% from its most recent high in August 2019 while Prudential plc declined 58% within the space of one month (both in US Dollars). We also responded to excessive share price movements by significantly adding to M&G plc, Simon Property Group, Tanger Factory Outlets, Royal Dutch Shell and Brookfield Asset Management. While several of these businesses face shorter term uncertainties as a result of the COVID-19 shutdown, we are of the strong view that their moats, business models and balance sheets will remain intact until conditions start to normalise. Additionally, once the initial demand shock starts to dissipate, the odds of inflationary pressures emanating are more than negligible given the unprecedented global fiscal stimuli referred to above. We therefore added to the fund's position in Wheaton Precious Metals which derives the majority of its earnings from the price of gold.
2. The fund reduced exposure to areas which held up relatively better and we sold Japan Post Bank and reduced Japan Post Insurance and Resona Holdings.
3. We had previously stress-tested the earnings and balance sheets of all holdings in the portfolio and were of the view they would survive a recession. However, as lockdowns became more widespread and the effect of the virus more pronounced, the probability increased that some companies carrying too much leverage may require significantly more equity capital at distressed prices, which may be highly dilutive to shareholders. The fund therefore sold its holdings in Transocean and Washington Prime. In both instances we switched the proceeds into higher conviction opportunities at share prices that are similarly affected by the sell-off, yet at lower levels of balance sheet risk.

Global markets have recovered some of their drawdowns since the recent March lows and the future range of economic and health outcomes remains wide. We are of the view that the fund's holdings are deeply undervalued, offering strong embedded returns and are comfortable that they will be able to deal with these uncertainties We also remain highly focused on finding new opportunities that this environment inevitably brings.

**Changes in portfolio positioning**

| Q4 2019 | | Q1 2020 | |
|---|---|---|---|
| Equities | 94.1% | Equities | 98.1% |
| Cash | 5.9% | Cash | 1.9% |

| Q4 2019 | | Q1 2020 | |
|---|---|---|---|
| US | 35.8% | US | 36.0% |
| Europe | 8.9% | Europe | 15.5% |
| UK | 21.5% | UK | 21.9% |
| Asia ex Japan | 0.0% | Asia ex Japan | 0.0% |
| Japan | 18.8% | Japan | 17.0% |
| Canada | 5.6% | Canada | 4.4% |
| Africa | 3.5% | Africa | 3.3% |
| Cash | 5.9% | Cash | 1.9% |

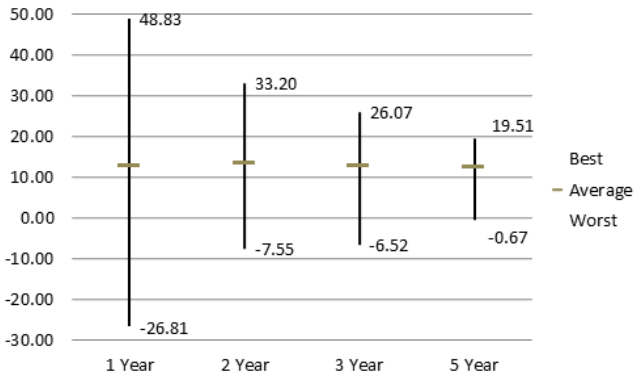
*There may be slight differences in the totals due to rounding.*

*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 31 March 2020 (Class A):** | 5 529 839 |
| **Price (net asset value per unit) as at 31 March 2020 (Class A):** | R1.87 |
| **Number of units as at 31 March 2020 (Class E):** | 40 301 240 |
| **Price (net asset value per unit) as at 31 March 2020 (Class E):** | R1.92 |

All data as per Bloomberg as at 31 March 2020.

## Rolling returns (%)




This chart shows you how the performance can vary over time. It is an indication of the distribution of historical rolling returns from the portfolio over each rolling 12-month period.

## Total investment charge

Total Investment Charge annualised for the period 1/4/2017 to 31/03/2020

| | |
|---|---|
| **Total Expense Ratio % (incl. VAT)** | **2.51** |
| *Annual Management Fee % (incl. VAT)* | *0.86* |
| *Other costs excluding transaction costs % (incl. VAT)* | *1.65* |
| *Transaction costs % (incl. VAT)* | *0.29* |
| **Total Investment Charge % (incl. VAT)** | **2.80** |

## What is a total expense ratio?

The Total Expense Ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past three years. This percentage of the average Net Asset Value (NAV) of the portfolio was incurred as charges, levies and fees related to the management of the portfolio. A higher TER ratio does not necessarily imply a poor return, nor does a low TER ratio imply a good return. The current TER cannot be regarded as an indication of future TERs. Part of the Annual Management Fee is payable to the financial intermediary. The sum of the TER and transaction costs is shown as the Total Investment Charge. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns.

## Transaction costs

Transaction costs are shown separately and are a necessary cost in administering the Financial Product and impacts Financial Product returns.

Transaction costs should not be considered in isolation as return may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

## Fees

A schedule of fees and 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. 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. Adviser fees are negotiated between the client and adviser and is distinct from the other fees on this document.

**Disclaimer**
Collective Investment Schemes in Securities (CIS) 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. The portfolio may borrow up to 10% of its market value to bridge insufficient liquidity. 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. PSG Collective Investments (RF) Limited does not provide any guarantee either with respect to the capital or the return of the portfolio. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

**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. 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 portfolio including income accruals less permissible deductions divided by the number of units in issue.

**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 Konsult 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 Konsult 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**
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

**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.

This is the Minimum Disclosure Document (MDD) for the PSG Global Equity Feeder Fund A.

# PSG Asset Management

# PSG Global Flexible Feeder Fund Class A

31 March 2020

## Investment objective (summary of investment policy)

The PSG Global Flexible Feeder Fund's investment objective is to achieve superior medium- to long-term capital growth through exposure to selected sectors of the global equity market, bond market and money market. The fund is a rand-denominated feeder fund, whose investment policy provides for it to invest solely into the PSG Global Flexible Sub-Fund, a sub-fund of PSG International Funds SICAV plc. The underlying fund has a flexible asset allocation mandate and equity exposure will be varied based on opportunity. The fund may invest up to 100% in equities, along with debt instruments or money market instruments. Please refer to the Minimum Disclosure Document of the PSG Global Flexible Sub¬Fund for full information.

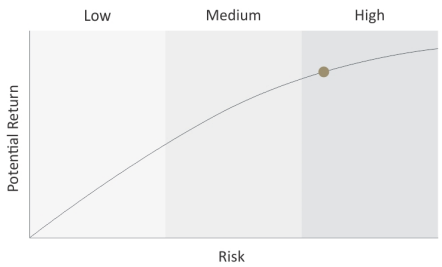
## Who should consider investing?

Fund specific risks: The fund sits at the top end of the risk/reward spectrum and investors should be comfortable with fluctuations in global equity markets. The risk of short-term monetary loss is high due to volatility of exchange rates and global markets. The portfolio is exposed to equity as well as default and interest rate risks. Interest rate risk is the risk that the value of fixed income investments tends to decrease when interest rates and/or inflation rises. Default risk is where the issuers of fixed income instruments may not be able to meet interest or capital repayments. Investing in foreign securities may be subject to risks pertaining to overseas jurisdictions and markets, including (but not limited to) local liquidity, macroeconomic, political, tax, settlement risks and currency fluctuations. Changes in the relative values of different currencies may adversely affect the value of investments and any related income.

This fund is suitable for investors who:

- want exposure to global equities without personally expatriating rands
- are comfortable with international equity market and currency fluctuations
- have a long-term investment horizon of five years and longer

## Risk/reward profile




Higher risk requires a longer investment horizon

## Fund details

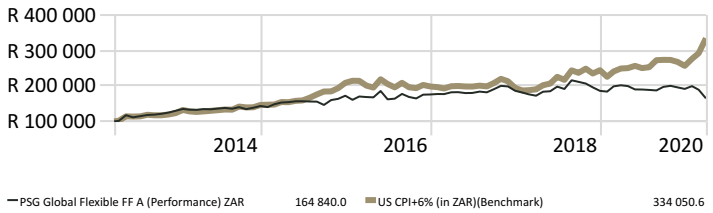
| | |
|---|---|
| Inception Date | 11 April 2013 |
| Fund manager | Philipp Wörz and Greg Hopkins |
| Fund size (ZAR) | R 369 498 187 |
| Latest Distribution (cpu) | 0.00c |
| Annual distribution | 29 Feb 20 |
| Sector | Global - Multi Asset - Flexible |
| Benchmark | US CPI +6% (in ZAR) |
| Minimum Investment | As per the platform minimum |
| Regulation 28 Compliant | No |

## To invest

This class is only available to existing investors.
Speak to your financial adviser or visit www.psg.co.za.
Cut-off time for daily transactions are determined by investment platforms.

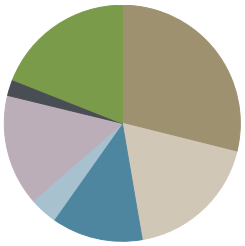
## Cumulative long-term performance

Time Period: 4/11/2013 to 3/31/2020




Value of notional R100,000 invested on 4/11/2013 with all distributions reinvested on reinvestment date after fees. Investment performance is for illustrative purposes only.

## Regional allocation



| | % |
|---|---|
| United States | 28.9 |
| United Kingdom | 18.4 |
| Europe | 12.5 |
| Canada | 3.8 |
| Japan | 15.2 |
| Africa | 2.2 |
| Cash and bonds | 19.0 |
| **Total** | **100.0** |

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

## Asset allocation/investment exposure (%)

As of Date: 03/31/2020

| | |
|---|---|
| Domestic equity | 2.2 |
| Domestic bonds | 0.9 |
| Domestic cash | 0.4 |
| Foreign equity | 74.3 |
| Foreign property | 4.5 |
| Foreign cash | 17.7 |
| **Total** | **100** |

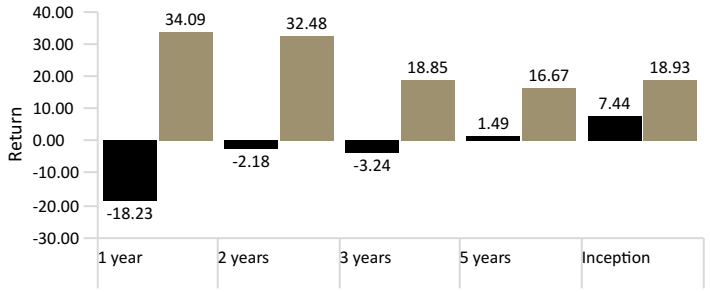
## Top ten equity holdings (%)

As of Date: 03/31/2020

| | |
|---|---|
| Liberty Global Inc | 6.2 |
| Prudential plc | 6.2 |
| Anheuser-Busch InBev | 6.0 |
| Japan Post Insurance Co Ltd | 6.0 |
| Asahi Group Holdings Ltd | 5.0 |
| The Mosaic Co | 4.8 |
| Resona Holdings Inc | 4.2 |
| Weaton Pretious Metals Corp | 3.8 |
| Brookfield Asset Management Inc | 3.8 |
| Babcock International Group plc | 3.1 |

## Annualised returns % (after fees)

As of Date: 3/31/2020




PSG Global Flexible FF A (Performance) US CPI+6% (in ZAR)(Benchmark)

## Year-to-date (YTD) performance (%)

| | YTD (Cumulative) |
|---|---|
| Return | -13.91 |


Management Company:
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Address: 1st Floor, Alphen Office Park,
Constantia Main Road, Constantia, 7806

Website: www.psg.co.za/asset-management
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PSG Asset Management

# PSG Global Flexible Feeder Fund

Quarterly portfolio commentary as at 31 March 2020

by Philipp Wörz and Greg Hopkins

**Current context**

COVID-19 lockdowns across the globe had a pronounced impact on global economic output and financial markets. Coming off record high levels during the middle of February, global markets experienced one of their quickest sell-offs in history, with the MSCI World Index dropping 34% from its high to the most recent market low on 23 March 2020. US bonds recorded their lowest ever yields during the turmoil, with the 10-year yield falling to 0.54% in early March compared to 1.92% at the beginning of the year. Many emerging markets, whose economies had already been fragile for some time, experienced significant capital outflows, sharp rises in bond yields and currency devaluations. Global policymakers and central banks are scrambling to introduce stimulus packages that compensate for the collapse in demand. Indeed, the global fiscal measures we are currently witnessing are set to far exceed those during the global financial crisis.

While global and US returns specifically had been particularly strong up to February, these returns masked the reality of a narrow market, in which few sectors and stocks drove outperformance, most notably technology and high quality defensive industrial companies, while large parts of the market underperformed. Over the past few years, our portfolios have been invested in cheaper and less-crowded stocks. We believe we can earn better long-term returns for our investors by focusing on quality companies that are under-appreciated by the market than by buying into expensive growth stocks. Unfortunately, a low starting point did not provide protection from the COVID-19 markets sell-off. The shock has hit most sectors hard, including already cheap stocks that are more exposed to global economic cycles.

**Our perspective**

Our clients have always been well served by times when good companies go on sale. The unprecedented and fluid nature of the current environment, however, results in exceptional levels of uncertainty. This provides fantastic opportunity for future returns, but also introduces significant investment risks. We prefer to invest in an evidence-based fashion, using a long-established process. An extended collapse in demand can have a pronounced impact on the value of a company, particularly if it has high fixed costs and a lot of debt. In vulnerable sectors, company survival may require additional capital injections. The severity of the economic impact has necessitated a stress-test of existing holdings to identify vulnerabilities and to ensure that our portfolios are exposed to the best opportunities. The substantial impact on corporate profits in 2020 needs to be assessed in conjunction with much lower share prices. Our focus has been on assessing the impact of the COVID-19 pandemic on intrinsic value (using our 3M process). Where the intrinsic value of a security has been impaired less than the share price would indicate, we must be prepared to be bold. This has seen us allocating capital to resilient companies at wide margins of safety, while reducing our exposure to those where our conviction is lower and which we believe to be more vulnerable. Very low share prices sow the seeds for the next equity bull market. Our portfolios are well positioned to capture this. Our clients own businesses of sound inherent quality and resilient intrinsic value which trade at wide margins of safety.

**Portfolio positioning**

The quarter was a tale of two halves, the first being the continuation of the global bull market in momentum stocks specifically, while the second saw the most vicious sell-off since the financial crisis in 2008 and 2009. Portfolio adjustments need to be seen in this context.

In January and the early parts of February we took advantage of sharply rising share prices and significantly reduced our holdings in Brookfield Asset Management, Nordstrom, Babcock, Pandora and L Brands as their margins of safety narrowed. New additions into the fund were Du Pont de Nemours, The Kroger Company and Ardmore Shipping, while we also added to our existing positions in Royal Dutch Shell and Tanger Factory Outlets during periods of falling share prices.

Even though we cannot time the market or predict the bottom, we are using the turmoil in markets to optimise the portfolio. These actions should be seen in various buckets.

1. We significantly increased our conviction in Anheuser-Busch and Prudential plc as these high-quality companies went on sale. Anheuser-Busch's share price dropped 67% from its most recent high in August 2019 while Prudential plc declined 58% within the space of one month (both in US Dollars). We also responded to excessive share price movements by significantly adding to M&G plc, Simon Property Group, Tanger Factory Outlets, Royal Dutch Shell and Brookfield Asset Management. While several of these businesses face shorter term uncertainties as a result of the COVID-19 shutdown, we are of the strong view that their moats, business models and balance sheets will remain intact until conditions start to normalise. Additionally, once the initial demand shock starts to dissipate, the odds of inflationary pressures emanating are more than negligible given the unprecedented global fiscal stimuli referred to above. We therefore added to the fund's position in Wheaton Precious Metals which derives the majority of its earnings from the price of gold.
2. The fund reduced exposure to areas which held up relatively better and we sold Japan Post Bank and reduced Japan Post Insurance and Resona Holdings.
3. We had previously stress-tested the earnings and balance sheets of all holdings in the portfolio and were of the view they would survive a recession. However, as lockdowns became more widespread and the effect of the virus more pronounced, the probability increased that some companies carrying too much leverage may require significantly more equity capital at distressed prices, which may be highly dilutive to shareholders. The fund therefore sold its holdings in Transocean and Washington Prime. In both instances we switched the proceeds into higher conviction opportunities at share prices that are similarly affected by the sell-off, yet at lower levels of balance sheet risk.

Global markets have recovered some of their drawdowns since the recent March lows and the future range of economic and health outcomes remains wide. We are of the view that the fund's holdings are deeply undervalued, offering strong embedded returns and are comfortable that they will be able to deal with these uncertainties We also remain highly focused on finding new opportunities that this environment inevitably brings. While we have been large buyers of stocks during the sell-off, given the large drawdown experienced across most of the funds' holdings, percentage cash levels in the PSG Global Flexible Fund only reduced from 23% in mid-February to 19% at the end of March, providing the fund with valuable firepower in the event of further market dislocations.

**Changes in portfolio positioning**

| Q4 2019 | | Q1 2020 | |
|---|---|---|---|
| Equities | 80.6% | Equities | 81.1% |
| Bonds | 0.9% | Bonds | 0.9% |
| Cash | 18.5% | Cash | 18.0% |

| Q4 2019 | | Q1 2020 | |
|---|---|---|---|
| US | 30.5% | US | 28.9% |
| Europe | 7.1% | Europe | 12.5% |
| UK | 18.5% | UK | 18.5% |
| Asia ex Japan | 0.0% | Asia ex Japan | 0.0% |
| Japan | 16.6% | Japan | 15.2% |
| Canada | 5.4% | Canada | 3.8% |
| Africa | 2.5% | Africa | 2.2% |
| Cash and Bonds | 19.4% | Cash and Bonds | 18.9% |

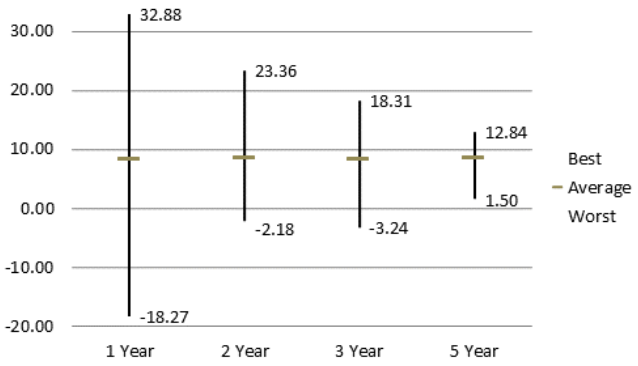
*There may be slight differences in the totals due to rounding.*

*Please note that the above commentary and portfolio positioning is for the US dollar-denominated PSG Global Flexible Sub-Fund. The PSG Global Flexible 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 31 March 2020 (Class A):** | 23 326 656 |
| **Price (net asset value per unit) as at 31 March 2020 (Class A):** | R1.65 |
| **Number of units as at 31 March 2020 (Class B):** | 193 138 918 |
| **Price (net asset value per unit) as at 31 March 2020 (Class B):** | R1.71 |

All data as per Bloomberg as at 31 March 2020.

## Rolling returns (%)




This chart shows you how the performance can vary over time. It is an indication of the distribution of historical rolling returns from the portfolio over each rolling 12-month period.

## Total investment charge

Total Investment Charge annualised for the period 1/4/2017 to 31/03/2020

| | |
|---|---|
| **Total Expense Ratio % (incl. VAT)** | **2.17** |
| *Annual Management Fee % (incl. VAT)* | *0.86* |
| *Other costs excluding transaction costs % (incl. VAT)* | *1.31* |
| *Transaction costs % (incl. VAT)* | *0.24* |
| **Total Investment Charge % (incl. VAT)** | **2.41** |

## What is a total expense ratio?

The Total Expense Ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past three years. This percentage of the average Net Asset Value (NAV) of the portfolio was incurred as charges, levies and fees related to the management of the portfolio. A higher TER ratio does not necessarily imply a poor return, nor does a low TER ratio imply a good return. The current TER cannot be regarded as an indication of future TERs. Part of the Annual Management Fee is payable to the financial intermediary. The sum of the TER and transaction costs is shown as the Total Investment Charge. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns.

## Transaction costs

Transaction costs are shown separately and are a necessary cost in administering the Financial Product and impacts Financial Product returns.

Transaction costs should not be considered in isolation as return may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

## Fees

A schedule of fees and 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. 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. Adviser fees are negotiated between the client and adviser and is distinct from the other fees on this document.

**Disclaimer**
Collective Investment Schemes in Securities (CIS) 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. The portfolio may borrow up to 10% of its market value to bridge insufficient liquidity. 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. PSG Collective Investments (RF) Limited does not provide any guarantee either with respect to the capital or the return of the portfolio. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

**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. 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 portfolio including income accruals less permissible deductions divided by the number of units in issue.

**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 Konsult 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 Konsult 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.

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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.

This is the Minimum Disclosure Document (MDD) for the PSG Global Flexible Feeder Fund A.