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# PSG Konsult – Investment case

SBG Securities Financial Conference

27 November 2015



# Contents

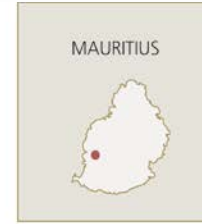
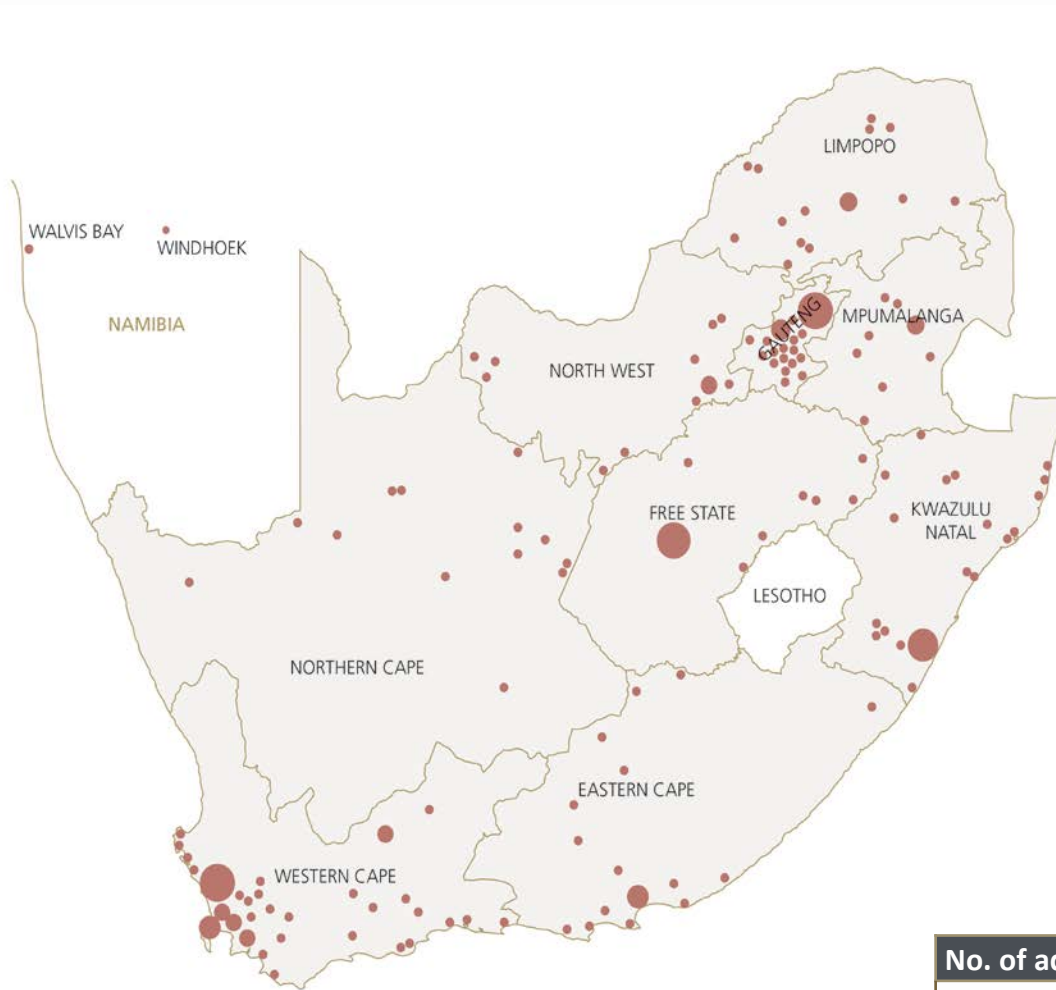
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1. H1 2016 results
2. H1 2016 divisional performance
3. Focus areas
4. Investor returns



# A great company

Wealthy clients serviced where they reside



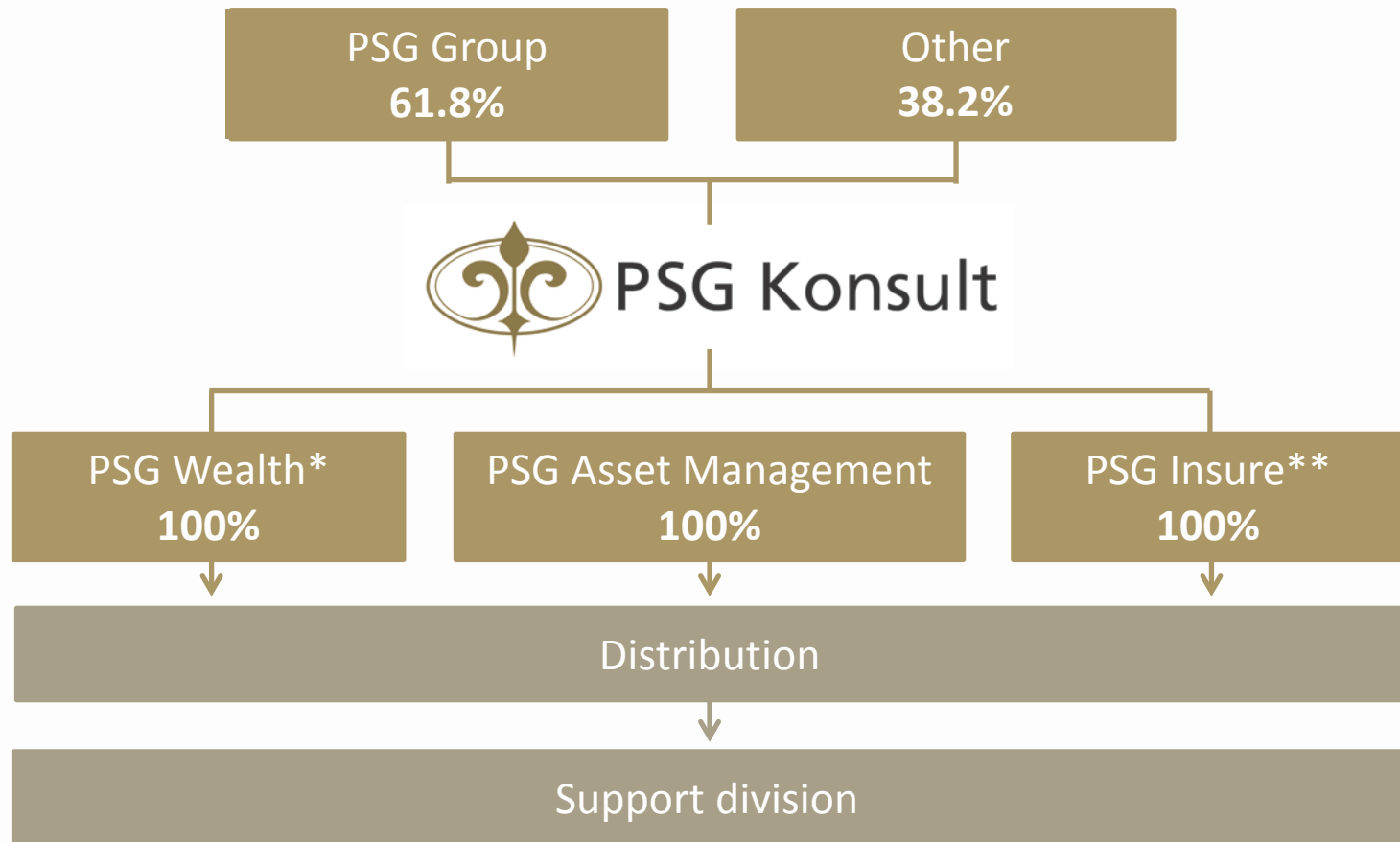
**201**  
Adviser offices



**667**  
Advisers

No. of advisers	H1 2013	H1 2014	H1 2015	H1 2016
PSG Wealth	376	391	419	443
PSG Insure	245	219	210	224
<b>Total</b>	<b>621</b>	<b>610</b>	<b>629</b>	<b>667</b>

# PSG Structure



\* Includes PSG Employee Benefits

\*\* Includes Western National Insurance



# Business characteristics

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- Equity market dependent
- Administration businesses people / systems dependent
- Not very balance sheet intensive
- Free cash flow generative
- Vulnerable to regulatory change



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# 01 | H1 2016 results

# H1 2016 financial results overview

Recurring HEPS grew by 26% for H1 2016

Consolidated results	H1 2014 Rm	%Δ	H1 2015 Rm	%Δ	H1 2016 Rm
Revenue*	1,210	26%	1,530	14%	1,740
PBT	161	44%	232	25%	290
<b>Headline earnings</b>	<b>109</b>	<b>34%</b>	<b>145</b>	<b>28%</b>	<b>187</b>
- Recurring headline earnings	109	36%	147	27%	187
- Non-recurring headline earnings	-	(100%)	(2)	100%	-
Weighted average number of shares (million)	1,221	3%	1,260	1%	1,267
<b>HEPS (Rand cents)</b>	<b>8.9</b>	<b>30%</b>	<b>11.5</b>	<b>28%</b>	<b>14.7</b>
<b>Recurring HEPS (Rand cents)</b>	<b>8.9</b>	<b>32%</b>	<b>11.7</b>	<b>26%</b>	<b>14.7</b>

<b>Assets under management (Rand billion)</b>	<b>93</b>	<b>39%</b>	<b>129</b>	<b>17%</b>	<b>151</b>
<b>Assets under administration (Rand billion)</b>	<b>200</b>	<b>33%</b>	<b>266</b>	<b>21%</b>	<b>321</b>

\* Total income per IFRS includes consolidated fund and policyholder related income

Note: Figures rounded to the nearest Rmillion



# Headline earnings by division

Total recurring headline earnings growth of 27% year on year

Headline earnings*	H1 2014 Rm	%Δ	H1 2015 Rm	%Δ	H1 2016 Rm
Wealth	71	32%	94	28%	120
Asset Management	21	63%	34	37%	46
Insure	17	4%	<sup>^</sup> 17	16%	21
<b>Total</b>	<b>109</b>	<b>34%</b>	<b>145</b>	<b>28%</b>	<b>187</b>

Recurring headline earnings*	H1 2014 Rm	%Δ	H1 2015 Rm	%Δ	H1 2016 Rm
Wealth	71	34%	95	27%	120
Asset Management	21	65%	34	36%	46
Insure	17	8%	<sup>^</sup> 18	12%	21
<b>Total</b>	<b>109</b>	<b>36%</b>	<b>147</b>	<b>27%</b>	<b>187</b>

\* All overhead costs are fully allocated

Source : PSG Finance function

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<sup>^</sup> Adverse impact of dilution in shareholding in Western from 90% to 60% = R5.2 m  
Note: Figures rounded to the nearest R' million





# Financial trend

We always look at a 10-year rolling track record

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	CAGR %	H1 2015	H1 2016	YoY Gwth %
<b>AUA (Rbn)</b>	14	21	43	53	44	72	97	139	180	235	308	36%	<b>266</b>	<b>321</b>	<b>21%</b>
<b>Premiums (Rbn)</b>	0.1	0.4	0.8	1.0	1.4	1.5	1.6	1.6	2.1*	2.5	2.8	40%	<b>1.4</b>	<b>1.6</b>	<b>14%</b>
<b>Revenues (Rm)</b>	160	246	540	726	823	901	1,018	1,604	1,846	2,557	3,015	34%	<b>1,530</b>	<b>1,740</b>	<b>14%</b>
<b>Headline earnings (Rm)</b>	11	17	46	87	97	90	92	162	174	244	339	41%	<b>145</b>	<b>187</b>	<b>28%</b>
<b>Shares in issue (m)</b>	373	379	695	732	733	730	733	1,072	1,210	1,221	1,261	13%	<b>1,262</b>	<b>1,279</b>	<b>1%</b>
<b>Headline earnings per share (cents)</b>	2.9	4.4	8.2	12.0	13.2	12.3	12.5	15.2	15.4	20.0	26.9	25%	<b>11.5</b>	<b>14.7</b>	<b>28%</b>

\* Includes Western National Premiums from Nov 2012.



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## 02 | H1 2016 divisional performance

# Wealth plans

Growing and protecting clients' wealth

## Wealth management assets overview

Excellence in  
products & services

Top advisers

Superb platform

Wealth assets split (Rm)	FY 2015	Market movement	Net flows	H1 2016	%Δ
Third party funds *	39 436	-99	702	40 039	2%
PSG Multi Managed **	37 468	917	3 578	41 963	12%
Discretionary ***	31 462	484	1 022	32 968	5%
<b>Total managed assets</b>	<b>108 366</b>	<b>1 302</b>	<b>5 302</b>	<b>114 970</b>	<b>6%</b>
Non discretionary	164 627	14 747	-11 764	167 610	2%
Third party administration	8 670	773	438	9 881	14%
<b>Total wealth assets</b>	<b>281 663</b>	<b>16 822</b>	<b>-6 024</b>	<b>292 461</b>	<b>4%</b>

Source: PSG Wealth

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\* Includes PSG single managed funds of R4.8bn for FY2015 and R5.4bn for H12016

\*\* PSG Multi Manager invested in PSG single managed funds of R5.2bn and net flows of R257m YTD

\*\*\* FSB Managers discretionary assets included in non-discretionary and includes R2.6bn of non-fee assets



# Wealth - excellence in products and services

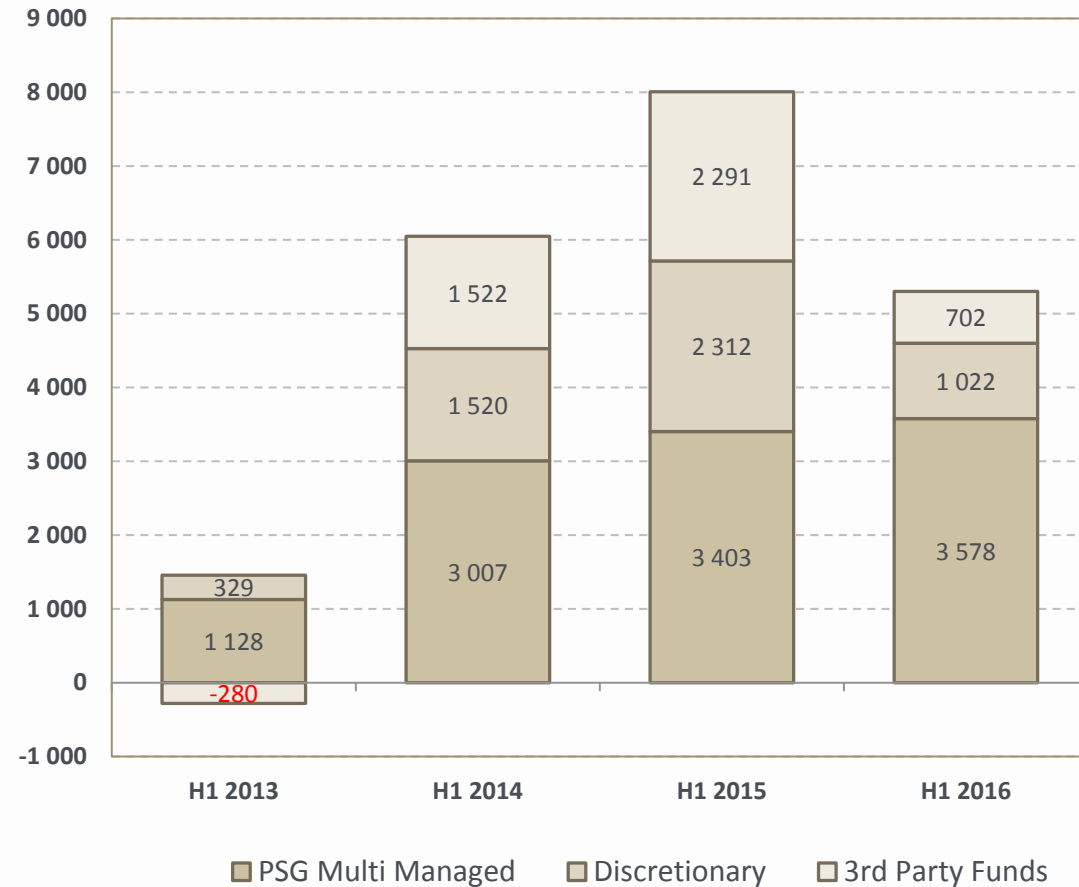
Solid new business flows

Independent process with advisers' oversight (both funds and securities)

Review all counterparties

Negotiation with product providers

Year-on-year Wealth managed asset net flows (Rm)



Source: PSG Wealth

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# Wealth - top advisers

We continue to add top advisers to our Wealth advice business

**Growing number of advisers**

**Focus on penetrating the JHB area**

**Contributing to our growth in revenue**

Wealth advisers (Incl. EB)	H1 13	H1 14	H1 15	H1 16
Balance – Opening*	376	376	391	419
Net acquisitions**	-	15	28	24
<b>Balance - Closing</b>	<b>376</b>	<b>391</b>	<b>419</b>	<b>443</b>
<b>Growth</b>	<b>0%</b>	<b>4%</b>	<b>7%</b>	<b>6%</b>

\* Restated to exclude advisers that moved from Wealth to Insure

\*\* Reflects a 12-month period



# Asset management plans

Net new money at acceptable margin

## Asset management assets overview

Focused marketing

Investment performance

Superb platform

AM assets split (Rm)	FY 2015	Market movement	Net flows	H1 2016	%Δ
PSG Single manager	18 432	-29	2 371	20 774	13%
PSG Money market and related assets	2 232	-	624	2 856	28%
PSG Segregated Portfolios	3 148	-106	-397	2 645	-16%
<b>Total assets under management</b>	<b>23 812</b>	<b>-135</b>	<b>2 598</b>	<b>26 275</b>	<b>10%</b>
PSG Wealth administered assets *	37 468	917	3 578	41 963	12%
PSG White Label **	3 445	87	-891	2 641	-23%
<b>Total AM assets</b>	<b>64 725</b>	<b>869</b>	<b>5 285</b>	<b>70 879</b>	<b>10%</b>

Source: PSG Asset Management

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\* Excluded from total PSG assets under administration to eliminate duplication

\*\* During the year PSG decided to cancel all white label contracts



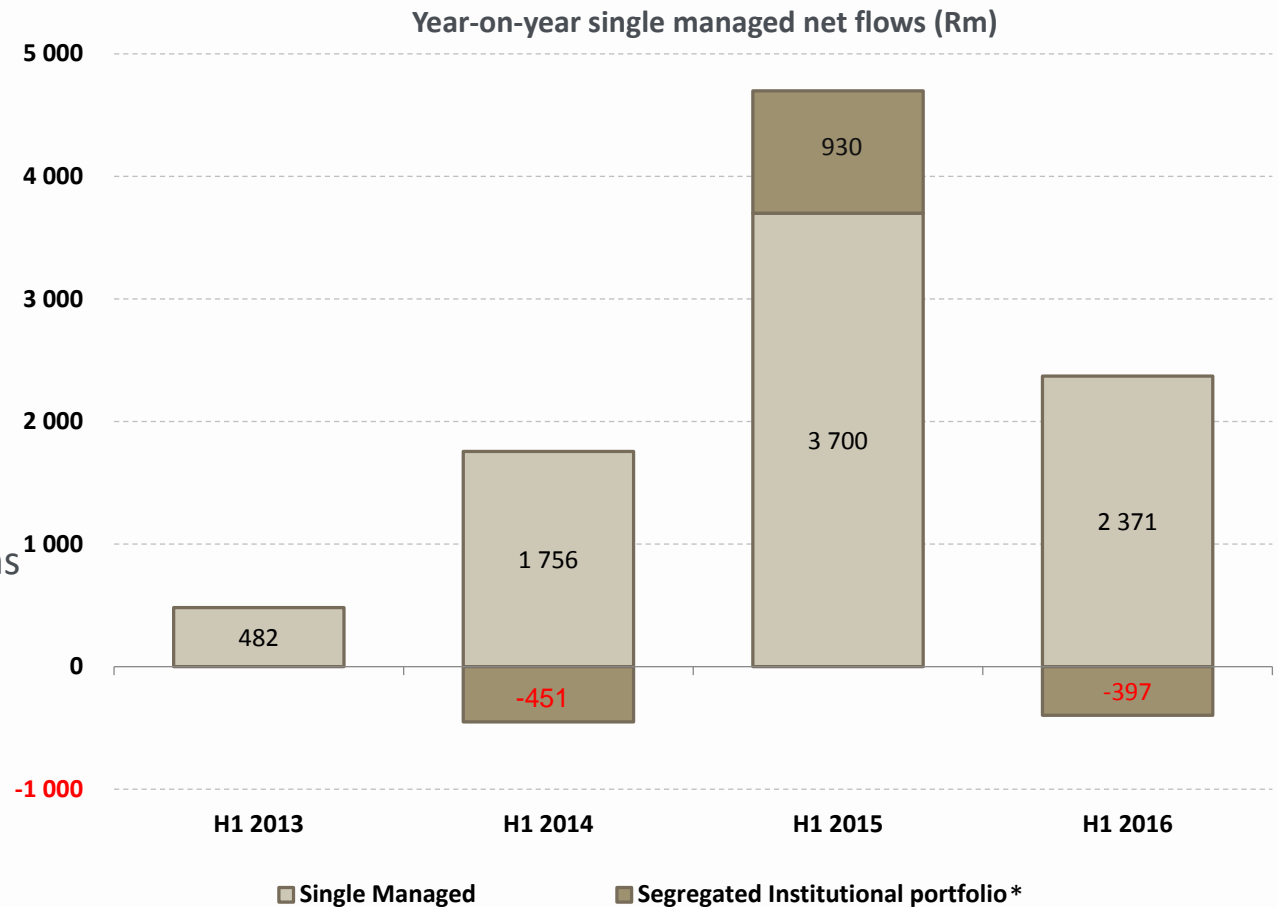
ASISA stats: PSG's weighted average net flows excl. money market past 12 months 3.2% vs 1.1% weighted average market share

# Asset management - focused marketing

'Brick by Brick' strategy

## Our approach

- Long-term assets (Retail emphasis)
- Getting adequate margins
- Protect our capacity



\* Includes private clients and segregated money market portfolios

Source: PSG Asset Management and PSG Wealth



# Asset management - investment performance

Consistent process across funds and over time

Single manager funds		Aug 2015 Performance	1-year rank	3-year rank	5-year rank	10-year rank
PSG Flexible	Rank		18	9	12	3
	Return		11.19%	18.34%	17.20%	16.65%
PSG Equity A	Rank		54	3	6	11
	Return		3.87%	20.42%	19.71%	15.57%
PSG Balanced A	Rank		15	19	18	12
	Return		10.59%	15.43%	14.84%	12.72%
PSG Stable	Rank		32	41		
	Return		8.63%	10.35%		



Tower Watson survey for December 2014: PSG Balanced Fund lowest in terms of absolute risk

Source : MorningStar Aug 2015 report

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... lower risk





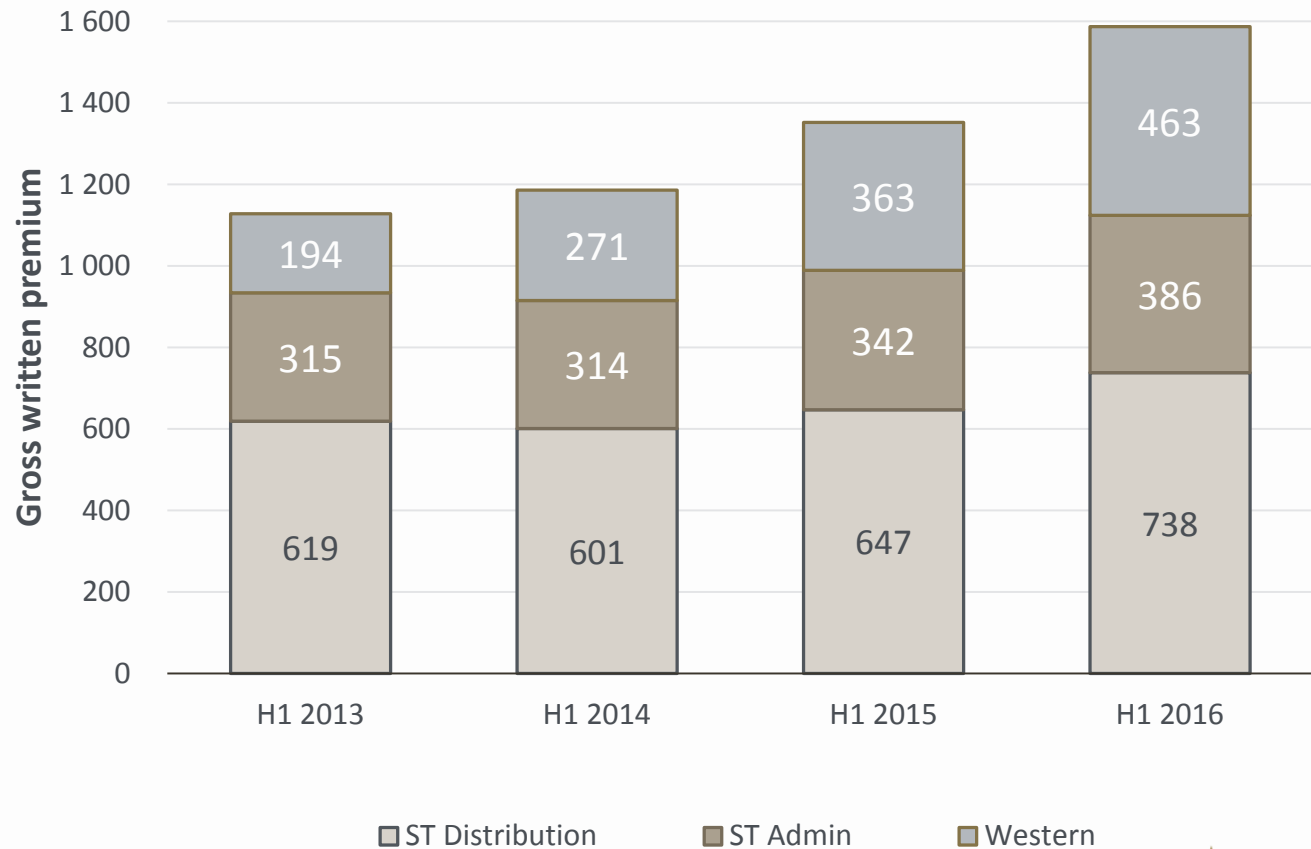
# Insure management plans

Top advisers

Excellence in underwriting

Superb platform

Half yearly PSG Insure gross written premium (Rm)



Western acquisition – Nov'12

Source : PSG Insure

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# Insure - top advisers

Growing number of advisers

Focus on penetrating the JHB area

Contributing to our growth in revenue

Insure advisers	H1 13	H1 14	H1 15	H1 16
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Balance – Opening*	259	245	219	210
Net acquisitions**	-14	-26	-9	14
<b>Balance - Closing</b>	<b>245</b>	<b>219</b>	<b>210</b>	<b>224</b>
<b>Growth</b>	<b>-5%</b>	<b>-11%</b>	<b>-4%</b>	<b>7%</b>

\* Restated to include advisers that moved from Wealth to Insure

\*\* Reflects a 12-month period - decrease due to amalgamations and consolidations



# Insure – Western National

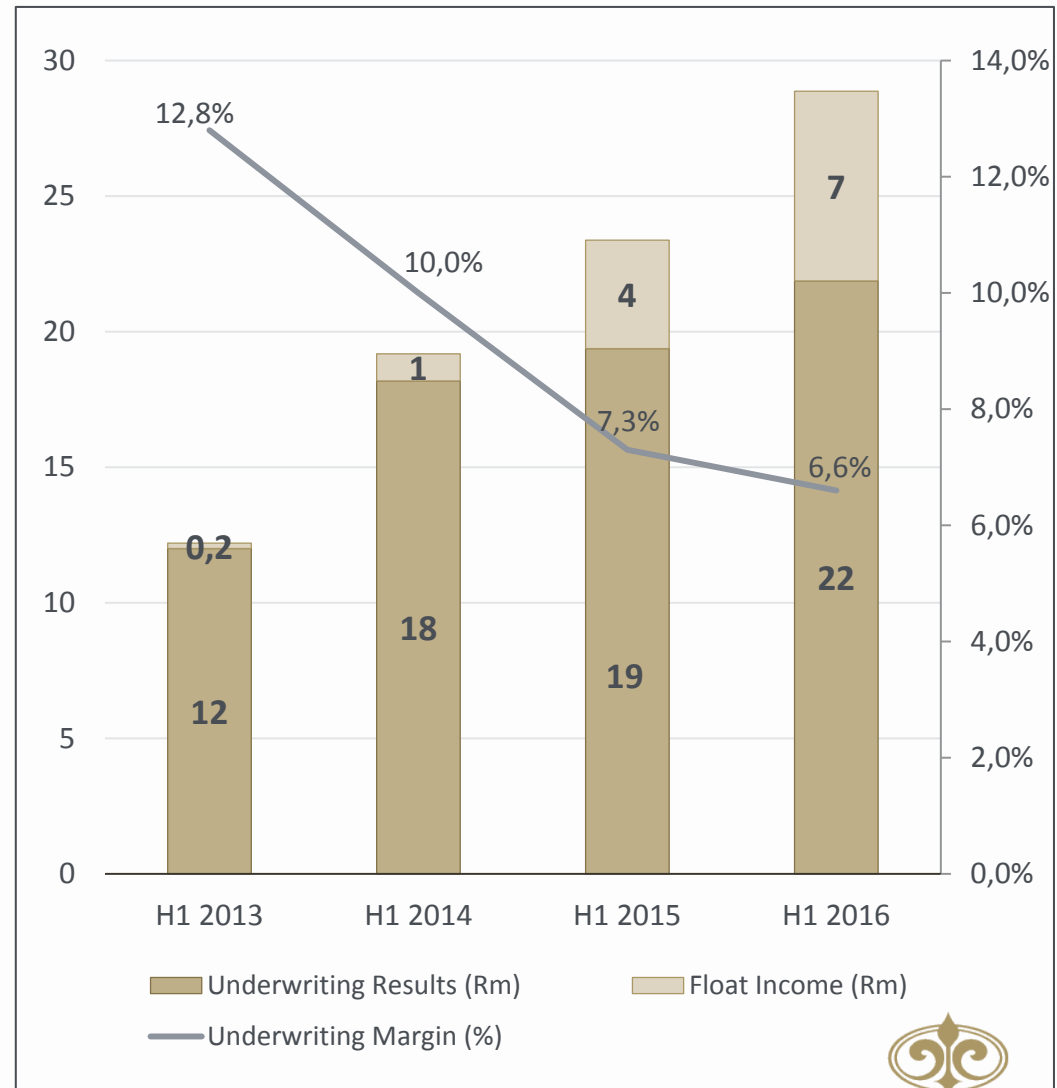
## Insurance results

### Key differentiators

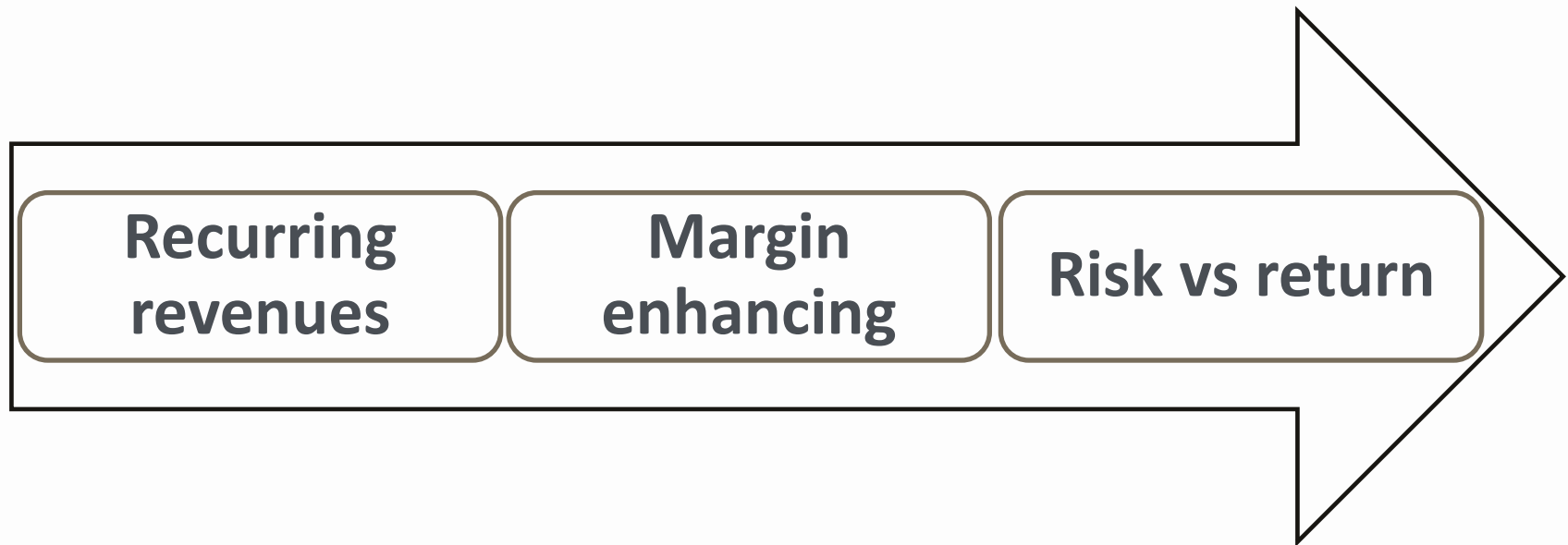
- Highly personalised service to brokers
- Focus on commercial business

### Excellence in underwriting

- Healthy insurance float level >R480m
- Limited insurance and investment risk retention levels



# Reducing risk



	<u>H1 14</u>	<u>H1 15</u>	<u>H1 16</u>
Perf fees/HE	10.2%	7.0%	7.5%
Recurring HEPS	8.9c	11.7c	14.7c

	<u>H1 14</u>	<u>H1 15</u>	<u>H1 16</u>
Op margin	13.0%	14.1%	14.2%
C:I %	66.2%	63.0%	63.0%

	<u>H1 14</u>	<u>H1 15</u>	<u>H1 16</u>
ROE	23.8%	24.0%	23.9%
Debt : Equity	16.5%	4.6%	0.7%

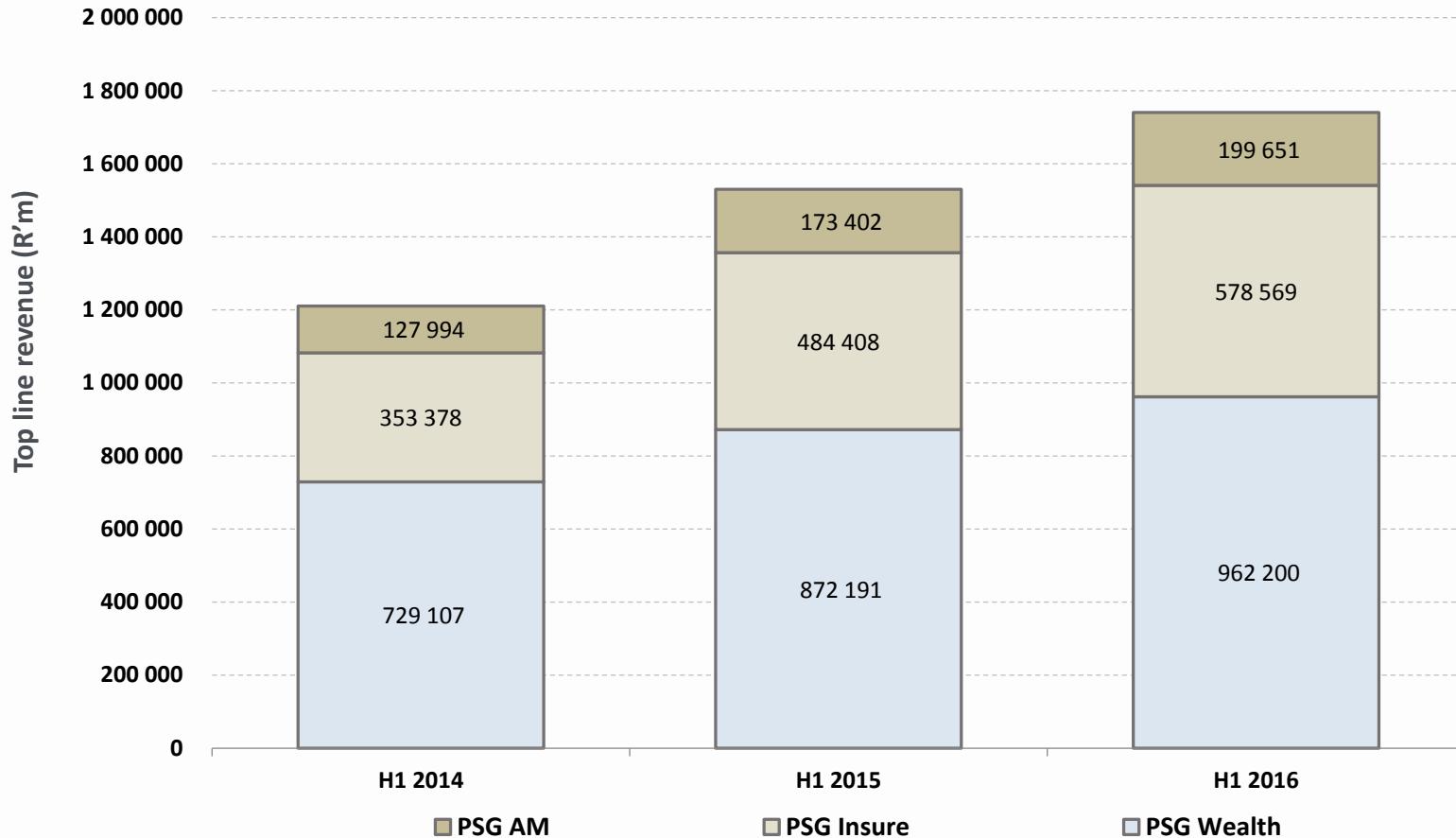


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## 03 | Focus areas

# Top line focus

Continued growth in revenue



Total income contribution per division

Source : PSG Finance function

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# Our focus

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<p><b>High quality Advice</b></p> <p>✓</p>	<p><b>Product and service excellence</b></p> <p>✓</p>	<p><b>Superb platforms</b></p> <p>✓</p>
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# 04 Investor returns



# PSG Konsult's TRI

PSG Konsult performed better than JSE ALSI during tough times (in USD terms) .....

**Investment of R100 000 in PSG Konsult shares on 11 April 2005, and reinvesting all dividends received (net of DWT) and other distributions over period vs R100 000 invested on JSE ALSI**

Date	Number of PSG Konsult shares	PSG Konsult investment (R)	PSG Konsult investment (USD)	Annual growth in investment (R)	Annual growth in investment (USD)	JSE ALSI Total Return Index	JSE ALSI Investment (R)	JSE ALSI Investment (USD)	Annual growth in investment (R)	Annual growth in investment (USD)
2005-04-11	250 000	100 000	16 379			1 311	100 000	16 379		
2006-02-28	260 725	286 797	46 461	187%	184%	1 926	146 929	23 802	47%	45%
2007-02-28	297 398	490 706	67 645	71%	46%	2 670	203 678	28 078	39%	18%
2008-02-28	309 914	526 854	69 012	7%	2%	3 255	248 335	32 529	22%	16%
2009-02-28	327 703	426 014	42 816	(19%)	(38%)	2 032	154 988	15 577	(38%)	(52%)
2010-02-28	351 652	509 895	65 490	20%	53%	3 013	229 848	29 521	48%	90%
2011-02-28	373 653	597 845	85 553	17%	31%	3 723	284 027	40 645	24%	38%
2012-02-28	395 168	790 336	105 692	32%	24%	4 082	311 393	41 643	10%	2%
2013-02-28	422 411	1 203 871	136 169	52%	29%	4 870	371 546	42 025	19%	1%
2014-02-28	435 546	2 177 731	203 194	81%	49%	5 981	456 251	42 571	23%	1%
2015-02-28	441 856	3 190 197	277 314	46%	36%	6 946	529 912	46 064	16%	8%
2015-10-31	445 664	3 632 159	262 882	14%	(5%)	7 204	549 577	39 776	4%	(14%)
		<b>3 632 159</b>					<b>549 577</b>			
<b>CAGR</b>				<b>40.5%</b>	<b>30.1%</b>				<b>17.5%</b>	<b>8.8%</b>

Source: Finance Team

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Source : PSG Finance function



# Trading Statistics

## Creating shareholder value

Statistic	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	YTD Oct 2015
No. of shares in issue (millions)	733	730	733	1 072	1 210	1 222	<b>1 262</b>	<b>1 278</b>
No. of shares traded (millions)	1.7	6.7	9.5	14.9	21.2	31.4	<b>61.8</b>	<b>92.8</b>
% of shares traded	0.2%	0.9%	1.3%	1.4%	1.8%	2.6%	<b>4.9%</b>	<b>7.3%</b>
Market capitalisation (Rm)	953	1 059	1 173	2 145	3 447	6 110	<b>9 115</b>	<b>10 423</b>
Value of shares traded (Rm)	2	9	13	24	47	129	<b>429</b>	<b>742</b>
% of market cap traded	0.3%	0.8%	1.1%	1.1%	1.4%	2.1%	<b>4.7%</b>	<b>7.1%</b>
Number of trades	103	125	191	272	726	2 369	<b>11 878</b>	<b>11 650</b>

Source: Finance Team



# Conclusion

## Business features underpinning our expectations for future success

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- Largest independent adviser network in South Africa, with a broad geographic footprint
- Strong governance structures
- Strong brand supported by various industry recognition awards
- Highly cash generative business with a sound financial position
- Clear growth opportunities for our businesses
- History of superior shareholder returns



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**END** | thank you

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