PSG Wealth

SA Property Equity Portfolio

March 2024

Key information

Benchmark

- FTSE/JSE All Property Index

Minimum portfolio size

- R1 million

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

*Sorted alphabetically

About the portfolio manager

Adriaan Pask, Chief Investment Officer

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

About the lead analyst

Vaughan Henkel, Head of Securities Solutions

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

About the portfolio relationship manager

Thomas Berry, Portfolio Relationship Manager

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

The PSG Wealth House View SA Property Equity Portfolio ended the month 1.42% lower underperforming the FTSE/JSE All Property Index which posted a negative return of 0.58%. Six of the 15 portfolio stocks outperformed the benchmark. Since inception, the PSG Wealth House View SA Property Equity Portfolio had an annualised negative return of 2.98%, underperforming the FTSE/JSE All Property Index, which showed an annualised negative return of 2.73%.

Philosophy

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

Accordingly, we prefer companies that currently seem undervalued in terms of fundamental analysis, while remaining cognisant of the momentum factors that drive shorter-term share price performance. In addition, we look for companies with a strong confidence rating, which means it does not have large or unmanageable debt positions. We ensure that the portfolio is diversified across multiple sectors. Finally, we have two additional macro factors investigating the economic environment and liquidity to aid in sector and security selection, with opportunities varying depending on the macro environment. Our process can be summarised as a pragmatic approach to investing.

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

Investment objective

In short, we aim to maximise long-term total return (the combination of income and growth of capital) by investing in high-quality JSE Listed property companies and REITs trading at a discount to our estimation of its intrinsic value.

We expect the investment to rerate to its intrinsic value over the medium term, which if consistently applied, should lead to long-term capital growth. Through this process, we aim to grow wealth while consistently guarding clients against the risk of permanent capital loss.

Market commentary

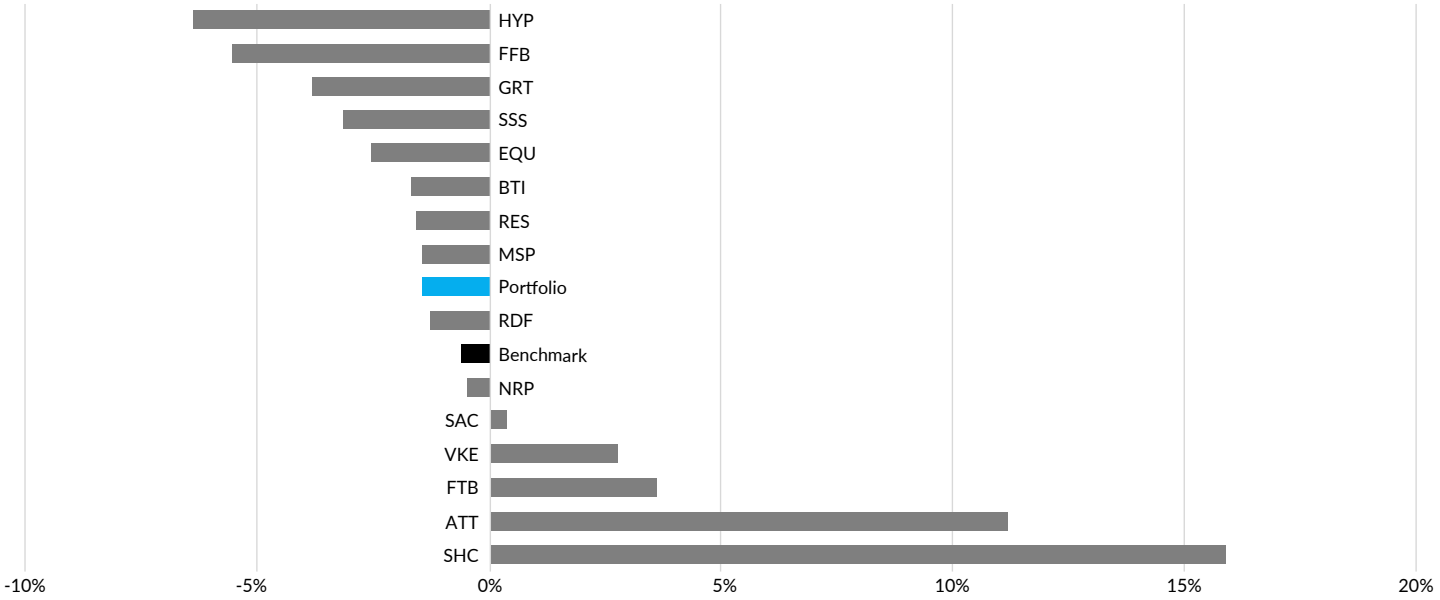
During March, the MSCI Emerging Market Index Net TR (USD) gained 2.20%, underperforming the MSCI World Index Net TR (USD), which posted a positive return of 3.18%. The ALSI TR (USD) outperformed the MSCI Emerging Market Index, gaining 4.73% in the month of March. The one-month return for ALSI TR (ZAR) was a positive 3.23%.

The All-Property Index over the first quarter of 2024 is up by 3.47% versus being down by 4.81% in the same period in 2023. The sector sustained its positive performance in 3Q23 into 1Q24 as sentiment around the sector improves and interest cut expectations within the year continue to loom.

The South African 10-bond yields have increased close to a percent since the start of the 1Q24 and we have seen a slowdown in momentum in the property sector performance. The South African environment remains uncertain but on part of the property sector, improving and stabilizing property fundamentals and metrics provides a base for better performance boosted by a possible correction in the elevated bond yield levels.

Office assets continue to be a concern with the primary area of focus being Gauteng. Retail has been picking up pace in stabilizing vacancies and improving rental reversions. Industrial assets continue to be a well performing asset- having some of the lowest vacancies as well as positive rental reversions speaking to demand.

Performance attribution



Significant contributors and detractors

Shaftesbury Capital: SHC was up by 15.87% after releasing its full-year results, showing strong rental growth since the completion of its merger.

Attacq: ATT rose by 11.15% after its interim results showed balance sheet improvement post the GEPF transaction with the balance sheet expected to improve further over the full year.

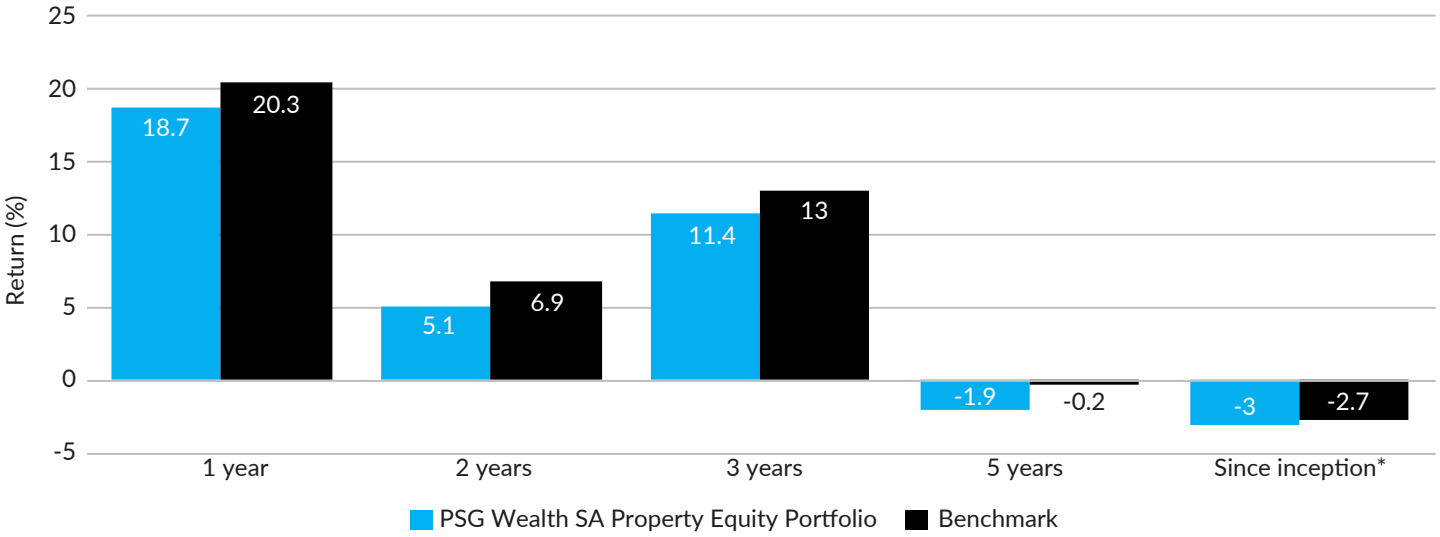
Fairvest: FTB increased by 3.66% for the month after its pre-close operational update highlighted limited risk from PIK exposure as well as guiding improving group leverage in the interim period.

Hyprop: HYP was down by 6.38% after it decided not to declare an interim dividend in its latest results.

Growthpoint: GRT fell by 3.84% after reporting a decline in interim distributions in its interim results and a tightening of its full year guidance albeit still being negative.

Stor-age: SSS declined by 3.14% for the month lagging the sector that was down 0.58% for the period.

Annualised return percentage



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

Mandatory disclosure

Contact information

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