

SA Property Equity Portfolio

March 2025

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

- 19 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

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

Overview

The PSG Wealth House View SA Property Equity Portfolio ended the month 1.97% lower underperforming the FTSE/JSE All Property Index which posted a negative return of 1.54%. Nine 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 0.55%, underperforming the FTSE/JSE All Property Index, which showed an annualised negative return of 0.51%.

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

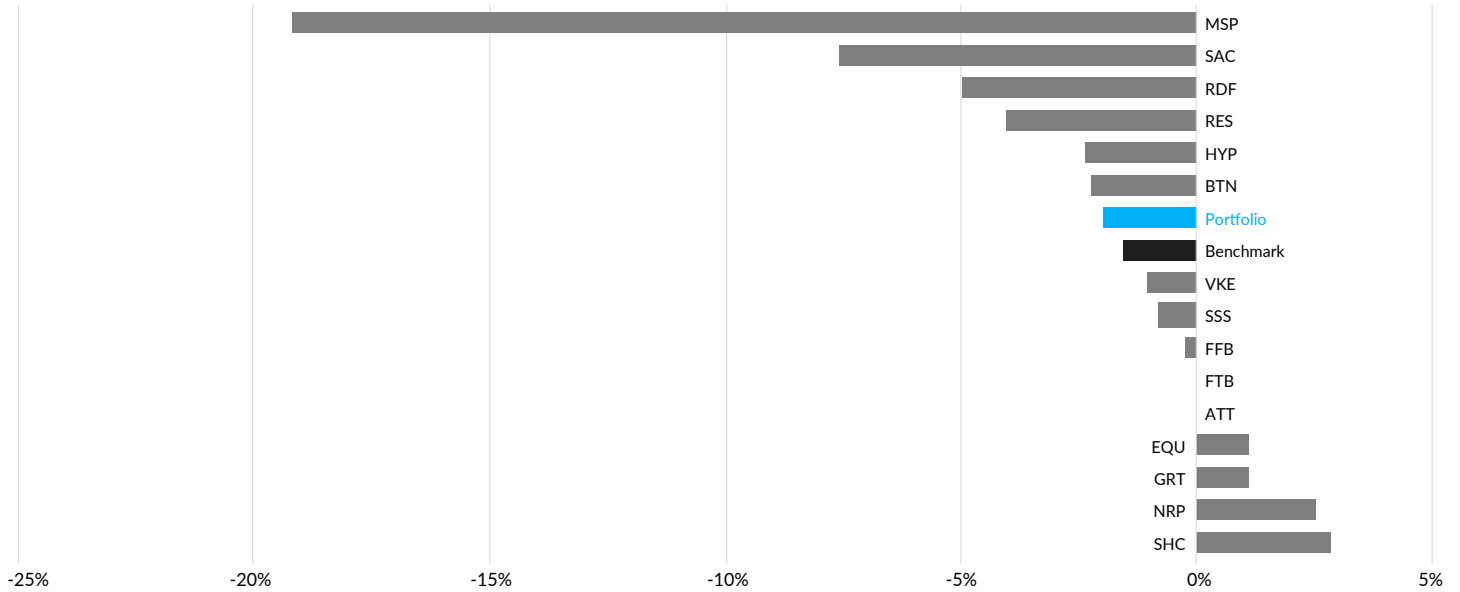
In March, the MSCI Emerging Market Index Net TR (USD) gained 0.63%, outperforming the MSCI World Index Net TR (USD), which posted a negative return of 4.45%. The ALSI TR (USD) outperformed the MSCI Emerging Market Index, gaining 4.57% in the month of March. The one-month return for ALSI TR (ZAR) was a positive 3.14%.

The All-Property Index over 1Q25 was down 4.25%. Over the same period, the SA 10-year bond yield was up 29 basis points and with that we saw the directional relationship between bond prices and listed property performance at play.

Listed property sector performance has pulled back in the last quarter and particularly in the SA biased stocks. With the SA 10-year bond yield significantly retreating from its October 2023 high, and the sector having performed well during that period, the upside from decreased finance costs is now limited. This has prompted a strategic take on stock selection in SA focused stocks while the level that yields are reaching are prompting a possible start of a pivot towards offshore listed property on the index.



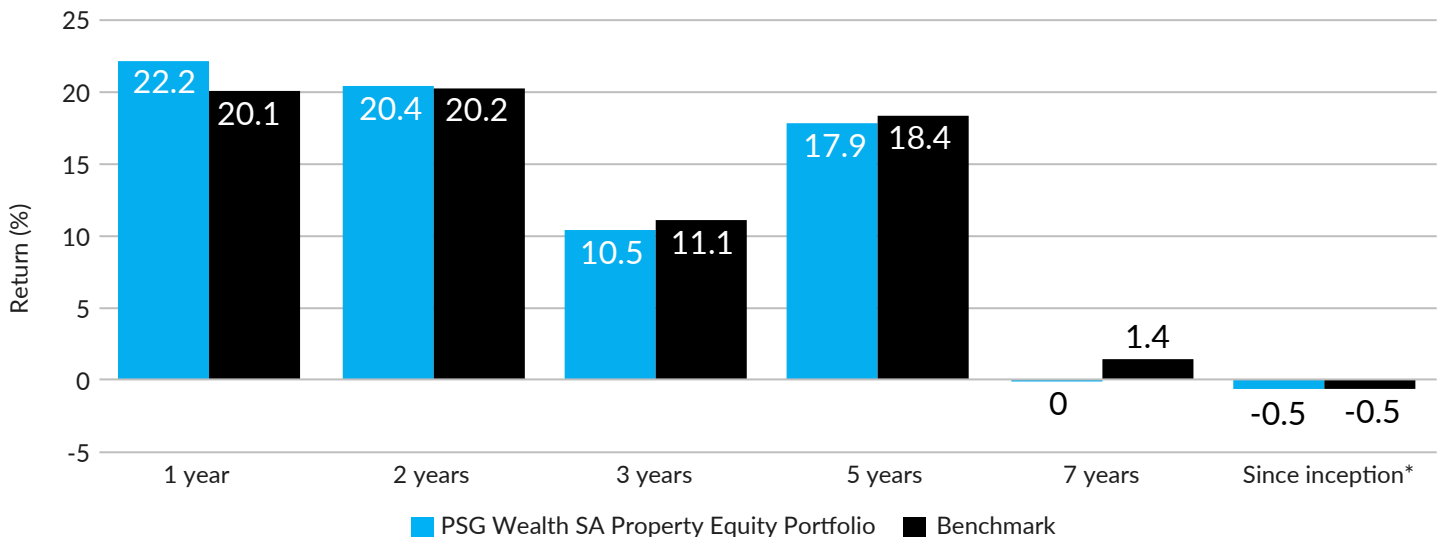
Performance attribution



Significant contributors and detractors

- Shaftesbury Capital:** SHC was up 2.85% in line with its offshore focused peers and ahead of the ALPI that was down 1.54.
- NEPI Rockcastle:** NRP was up 2.55% in line with its offshore peers and ahead of the ALPI for the month.
- Growthpoint Properties:** GRT was up 1.09% ahead of the benchmark and local peers after a trading update on better-than-expected interim results and an update on full year guidance.
- Redefine Properties:** RDF was down 5%, lagging the ALPI for the month but moving in line with its local focused peers in direction.
- SA Corporate Real Estate:** SAC was down 7.61% despite releasing results showcasing growth in distributions and maintaining a 90% payout ratio for FY24.
- MAS PLC:** MSP was down 19.17% despite entering into a transaction to repurchase the remaining unowned portion of the JV and possibly returning to dividends payments sooner than expected.

Annualised return percentage



*Inception Date: 30 November 2015
Please note that the returns are before fees



Mandatory disclosure

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