

Performance Fees: FAQs

PSG Equity Fund Class B and Class E

PSG Flexible Fund Class A and Class E

PSG Global Flexible Sub-Fund Class A and Class B

PSG Multi-Management Global Flexible Fund (Dollar)

Fund management fees charged by investment managers are structured to cover and provide for various costs involved with managing and administering funds. These are referred to as flat fees and can include:

- costs to manage the investments of the fund
- costs to comply with regulation
- costs to comply with mandate restrictions
- investment administration costs
- IT and system operating and licensing costs
- reporting to investors, including income tax and withholding tax
- marketing and other operational costs

Performance fees are a type of fund management fee expressed in variable terms (as opposed to a flat fee). This variable charging structure, when well-constructed, should align the interest of both clients and managers.

The below questions and answers explain performance fees. If you have any further questions, please contact your financial adviser or phone us on 0800 600 168.

What are the minimum fees for the relevant funds and classes?

This is the minimum annual management fee that may be recovered from the fund by the Manager.

The minimum fees will be the allowable fees charged against the portfolio. These include annual management fees and other fund-related expenses, like audit and trustee fees, VAT and transaction costs. A schedule of fees and charges and maximum commissions is available on our website www.psg.co.za/asset-management or can be requested from PSG Collective Investments (RF) Limited.

What are the base fees for the relevant funds and classes?

The base fee is the portion of the annual management fee charged before any performance is taken into account.

PSG local funds

PSG Equity Fund Class B 1.00%
 PSG Equity Fund Class E 0.75%
 PSG Flexible Fund Class A 1.00%
 PSG Flexible Fund E 0.75%

PSG offshore funds

PSG Global Flexible Sub-Fund A 1.00%
 PSG Global Flexible Sub-Fund Class B 0.50%
 PSG Multi-Management Global Flexible Fund (Dollar) 1.50%

The above fees are stated exclusive of VAT.

VAT is not applicable on offshore funds.

	Performance fee calculation methodology	Measurement period	Are the fee hurdles the same as the relevant fund benchmarks?
PSG Equity Fund Class B	The performance fee is calculated at 20% of outperformance of its benchmark. The fund's benchmark is the FTSE/JSE All Share Total Return Index. No high-water mark methodology is used.	Calculated daily against a rolling 24-month hurdle.	Yes
PSG Equity Fund Class E			
PSG Flexible Fund Class A	The performance fee is calculated as: <ul style="list-style-type: none"> - nil, if the net asset value (NAV) before performance fees is less than or equal to the high-water mark. - 7% (excluding VAT) of outperformance if the NAV before performance fees exceeds that of the high-water mark. 	Calculated daily against the high-water mark.	No. The fund's daily NAV is compared to its high-water mark (highest NAV achieved) daily.
PSG Flexible Fund Class E			
PSG Global Flexible Sub-Fund Class A	The performance fee is calculated as: <ul style="list-style-type: none"> - nil, if the NAV before performance fees is less than or equal to the high-water mark. - 7% (excluding VAT) of outperformance if the NAV before performance fees exceeds that of the high-water mark. 	Calculated daily against the high-water mark.	No. The fund's daily NAV is compared to its high-water mark (highest NAV achieved) daily.
PSG Global Flexible Sub-Fund Class B			
PSG Multi-Management Global Flexible Fund (Dollar)	The performance fee is calculated as: <ul style="list-style-type: none"> - nil, if the NAV before performance fees is less than or equal to the high-water mark. - 10% (excluding VAT) of outperformance, provided that the performance fee does not result in the NAV per share reducing to below the hurdle rate of the previous dealing day. 	Calculated daily against the fee hurdle and high-water mark.	Yes - the fee hurdle is the Citigroup 3-month Treasury Bill Index plus 2%.
High-water mark	A high-water mark is the highest value that a unit price has ever reached.		

	Local funds (incl. VAT unless otherwise stated)				Offshore funds		
	PSG Equity Fund Class B	PSG Equity Fund Class E	PSG Flexible Fund Class A	PSG Flexible Fund Class E	PSG Global Flexible Sub-Fund Class A	PSG Global Flexible Sub-Fund Class B	PSG Multi-Management Global Flexible Fund (Dollar)
Fund benchmark	FTSE/JSE All Share Total Return Index		Inflation + 6%		US Inflation + 6%		Citigroup 3-month Treasury Bill Index plus 2%
What are the performance fees at benchmark for the relevant funds and classes?	0%	0%	0.96%	0.96%	0.62%	0.62%	0%
What are the maximum performance fees for the relevant funds and classes?	The performance fee is capped at 2% (excluding VAT) per annum.		The performance fee for the fund is uncapped. Maximum performance fees will therefore depend on the level of performance of the fund.				
At which performance levels (also called fee hurdles) will the Manager charge more than the fees at benchmark?	The Manager will charge more fees than the fees at benchmark if the fund outperforms the benchmark (FTSE/JSE All Share Total Return Index).		The Manager will charge more fees than the fees at benchmark as soon as the fund's NAV is higher than the high-water mark.				
What is the performance fee measurement period?	Calculated daily against a rolling 24-month hurdle		Calculated daily against the high-water mark.				Calculated daily against hurdle and high-water mark.
Will more than the base fee be charged regardless of whether the fund is experiencing positive or negative performance over the performance fee measurement period?	Yes, it is possible for the PSG Equity Fund, where performance fees are levied for relative outperformance to its benchmark that can experience negative returns. There can thus be performance fees levied for relative outperformance even though the benchmark returns that it tracks might be delivering negative returns.		No. A fee greater than the base fee will only be charged if the fund is experiencing positive performance above the fee hurdle, subject to the benchmark or high-water mark (as applicable).				

What fee rate will be charged if the fund delivers the following relative performance over its performance measurement period:	PSG Equity Fund Class B	PSG Equity Fund Class E	PSG Flexible Fund Class A	PSG Flexible Fund Class E	PSG Global Flexible Sub-Fund Class A	PSG Global Flexible Sub-Fund Class B	PSG Multi-Management Global Flexible Fund (Dollar)
the funds perform in line with the performance fee benchmark	0%	0%	0.96%	0.96%	0.62%	0.62%	0%
<i>Calculations</i>			(1)		(2)		
the fund returns 10% p.a. less than the performance fee benchmark	0%	0%	0.09%	0.09%	0%	0%	0%
<i>Calculations</i>			(3)				
the fund returns 5% p.a. less than the performance fee benchmark	0%	0%	0.53%	0.53%	0.25%	0.25%	0%
<i>Calculations</i>			(4)		(5)		
the fund returns 5% p.a. more than the performance fee benchmark	1.49%	1.49%	1.40%	1.40%	1.00%	1.00%	0.56%
<i>Calculations</i>	(6)		(7)		(8)		(9)
the fund returns 10% p.a. more than the performance fee benchmark	2.30% (Capped)	2.30% (Capped)	1.84%	1.84%	1.38%	1.38%	1.11%
<i>Calculations</i>	(10)		(11)		(12)		(13)
Are performance fees accrued daily (i.e. what is the performance fee accrual frequency)?	All performance fees are accrued daily						
Do performance fee accruals relate to performance periods of more than a month before accrual?	Yes, where rolling measurement periods apply.			No			
Is a rolling measurement period used?	Yes – a rolling 24-month period.			No			
How often is the performance fee paid to the Manager (i.e. what is the performance fee payment frequency)?	The performance fee, if any, will be: <ul style="list-style-type: none"> - calculated and accrued daily - payable monthly - recovered from the portfolio as part of the service charge 						
If the fund underperforms the fee hurdle, for how long is that underperformance held against the Manager? At what point would that underperformance be written off when calculating fees? (Such a 'write-off' may be as a result of a reset in the high-water mark, the length of the rolling calculation period, or	The funds will only charge performance fees once the fee hurdle or high-water mark is exceeded. Fee write-offs are therefore not applicable.						

another factor that impacts how performance fees are calculated.)		
Does outperformance of the hurdle need to overcome prior underperformance (also called a high-water mark system)?	No	Yes
Calculation assumptions:		
Citigroup 3-month Treasury Bill	1.00%	
Inflation	5.00%	
US Inflation	2.3%	
Calculations:		
(1) Benchmark = Inflation + 6% = 11.0%; at benchmark= 11.0%; 11.96% GP x 8.05% PF = 0.96%; therefore 11.96% GP less PF of 0.96% = 11.00% NP		
(2) Benchmark = US Inflation + 6% = 8.30%; at benchmark= 8.30%; 8.92% GP x 7.00% PF = 0.62%; therefore 8.92% GP less PF of 0.62% = 8.30% NP		
(3) Benchmark = Inflation + 6% = 11.0%; less 10.0% = 1.0%; 1.09% GP x 8.05% PF= 0.09%; therefore 1.09% GP less PF of 0.09% = 1.00% NP		
(4) Benchmark = Inflation + 6% = 11.0%; less 5.0% = 6.0%; 6.53% GP x 8.05% PF= 0.53%; therefore 6.53% GP less PF of 0.53% = 6.00% NP		
(5) Benchmark = US Inflation + 6% = 8.30%; less 5.0% = 3.30%; 3.55% GP x 7.00% PF= 0.25%; therefore 3.55% GP less PF of 0.25% = 3.30% NP		
(6) PF of 20% excl. VAT of outperformance = 6.49% GP x 23.0% PF= 1.49%; therefore 6.49% GP less PF of 1.49% = 5.00% NP in excess of benchmark performance		
(7) Benchmark = Inflation + 6% = 11.0%; plus 5.0% = 16.0%; 17.40% GP x 8.05% PF = 1.40%; therefore 17.40% GP less PF of 1.40% = 16.00% NP		
(8) Benchmark = US Inflation + 6% = 8.30%; plus 5.0% = 13.30%; 14.30% GP x 7.00% PF= 1.00%; therefore 14.30% GP less PF of 1.00% = 13.30% NP		
(9) PF of 10% excl. VAT of outperformance = 5.56% GP x 10.0% PF= 0.56%; therefore 5.56% GP less PF of 0.56% = 5.00% NP in excess of benchmark performance		
(10) PF of 20% excl. VAT of outperformance = 12.99% GP x 23.0% PF= 2.99% BUT PF is capped at 2.30% incl. VAT; therefore 12.99% GP less PF of 2.30% = 10.69% NP in excess of benchmark performance		
(11) Benchmark = Inflation + 6% = 11%; plus 10% = 21%; 22.84% GP x 8.05% PF= 1.84%; therefore 22.84% GP less PF of 1.84% = 21.0% NP		
(12) Benchmark = US Inflation + 6% = 8.30%; plus 10%= 18.30%; 19.68% GP x 7.00% PF= 1.38%; therefore 19.68% GP less PF of 1.38% = 18.30% NP		
(13) PF of 10% excl. VAT of outperformance = 11.1% GP x 10.0% PF= 1.11%; therefore 11.1% GP less PF of 1.11% = 10.0% NP in excess of benchmark performance		
GP = Gross Performance i.e. fund performance after all fees except the performance fee.		
PF = Performance fee i.e. managers share or participation in the fund performance		
NP = Net Performance i.e. fund performance after all fees including the performance fee.		