PSG Asset Management

2nd Quarter 2013

ANGLES & PERSPECTIVES

CONTENTS

THE RIGHT PLACE AT THE RIGHT TIME

By Anet Ahern

Nassim Taleb, the author of "Fooled by Randomness" and "The Black Swan" wrote a paper titled "Why It is No Longer a Good Idea to Be in The Investment Industry". Below is a summary of my views on some of the arguments in the paper.

Taleb says that if you are starting a career, don't choose investment management because success boils down to luck

Professional investors have to be lucky to be successful. "If you are starting a career, move away from investment management and performance-related lotteries as you will be competing with a swelling future spurious tail," Taleb says. "Pick a less commoditised business or a niche where there is a small number of direct competitors." Taleb argues that those who have gained some success within the industry will continue to thrive, but others looking to break in now will fail. He says many of the best money managers earn their success based on "spurious performance" and these folks "rise to the top for no reasons other than mere luck, with subsequent rationalisations, analyses, explanations and attributions." Once they are at the top, though, they get the bulk of the allocations, creating a "winner-take-all effect" that causes distortions in the marketplace, he says. "An operator starting today, no matter his skill level, ability to predict prices, will be outcompeted by the spurious tail," Taleb says in his paper. He backs his arguments with mathematical formulae that look good enough to frame.

He argues that success begets success: larger managers get bigger while smaller managers are dependent on luck

In plain language, he basically believes that success in asset management begets success, and that assets increasingly follow the larger managers. They become bigger and bigger (due to globalisation, according to him), while start-ups face the spurious tail of the distribution curve and its proneness to randomness. Performance success is rewarded with massive scale and financial reward, which means that the chances of the start-up getting there are much more random than one would expect, and more dependent on luck than skill, even if the player is skillful to start with!

We believe that investment management is a business that benefits from scale to a point

Where one can easily agree with Taleb is on the concentration issue. A few large asset managers have enjoyed tremendous support at the expense of several smaller managers in our market over the past decade. Some of the smaller managers, many with demonstrable skill, have therefore not managed to survive.

We challenge two key points in his argument.

1. **Are large managers getting larger because of globalisation?**
   Taleb attributes the phenomenon of larger managers getting even larger to globalisation. We don't think it is that simple, and certainly in our South African market, globalisation is not the only reason for a handful of our managers increasing their market share in the way that they have. We argue that there are other reasons for this.

   a. **The gatekeepers and consultants in our industry are often less scalable.**
      They tend to have limited time and resources. At the same time, they face increasing demands from clients with respect to reporting and fund restructuring. The financial crisis itself led to an intensified level of engagement. This plays a role in the self-fulfilling asset growth of larger managers. They are well known, they provide excellent information, appear solid, and their financial strength make them appear less risky and more likely to remain in business. Why would consultants spend additional time and effort sifting through numerous unknown start-ups with an apparent high risk of failure when you can stick to what is working? One can empathise with this understandable generalisation. But as with all generalisations, it is not always true, as we have been pleased to discover.

   b. **Scale generates larger profits, which increases marketing budgets.**
      We believe that larger managers become larger because scale brings more profits, and with it a larger marketing budget with which to persuade investors. But, at a certain point, scale reduces the investment opportunity set.

2. **Is success in investment management a function of scale, or the accumulation of assets?**
   At PSG Asset Management, we don't determine success by scale alone. We measure success by being an admired and respected manager, and while this does in and of itself

attract assets; the attraction of assets is a consequence of success rather than an aim. This success is only possible if we do a good job for clients and manage to explain what we do for them and why. Many smaller asset managers in South Africa are very successful when evaluated on this basis.

We do agree that barriers to entry remain high in investment management

Tough and increasing regulatory requirements combined with the need for distribution support does make it harder for smaller managers and start-up managers to achieve critical mass. Substantial business infrastructure also needs to be in place before an investment manager is likely to be taken seriously.

But the essential building blocks of success remain the same

You still need to adhere to a disciplined process that works (and that you can explain clearly to clients), the right products, the right talent, a philosophically aligned, financially strong and long-term shareholder and some evidence that you can do the job, in other words, a performance track record. We've got the building blocks for success, and a very wide investment opportunity set.

At PSG Asset Management we are ready to face the challenge of the spurious tail

We don't believe that our industry can be reduced to a set of complicated formulae, so we look forward to demonstrating to Taleb that for every generalisation and formula, there is an exception and contrarian view. We think it is a great idea to be in the investment industry. You just have to be at the right place.

In this edition of our publication, we share our approach and insights with you about a wide range of topics, including the gold value trap and investing pension money. Irrespective of the topic, we believe it is our constant and proven approach to investing that will keep us on track. Thank you for your support. We hope you enjoy the read.

IF IT IS GLISTENING, IT IS PROBABLY NOT GOLD

By Shaun Le Roux

Shaun is a CA(SA) and a CFA charterholder. He has been managing the PSG Equity Fund since 2002.

In mid-April the gold price fell 15% in three days

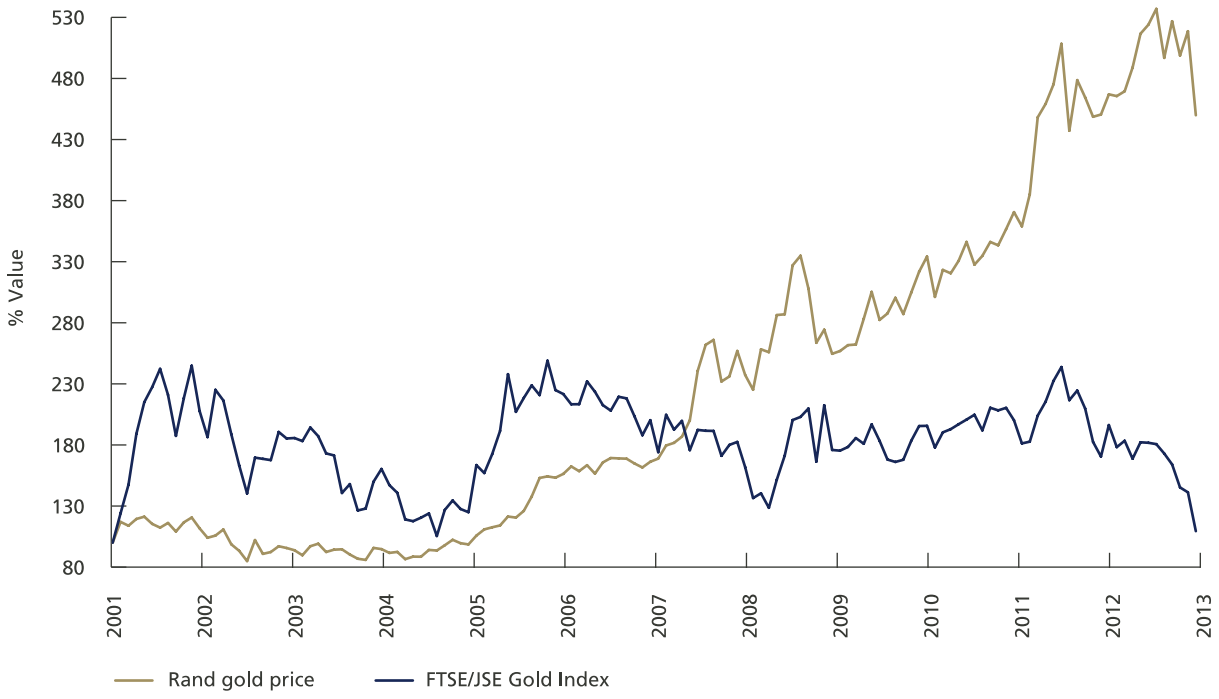
At $1,322 the gold price was 31% below its high of $1,921 reached in September 2011. Some market commentators therefore believe gold now finds itself in a bear market.

The decline in the gold price resulted in a precipitous decline in the share prices of South African-listed gold stocks. At the time of writing, the FTSE/JSE Gold Index has endured a 37% year-to-date decline, following a 20% decline in 2012.

Gold shares have been a very poor investment for some time and the Gold Index is at the same level it was at in 2001

What makes this lack of return all the more shocking is that over this period of more than 11 years the gold price has increased five times in dollars and more than four and a half times in rand terms. The FTSE/JSE All Share Index has tripled over the same period.

Graph 1: FTSE/JSE Gold Index (blue line) and the rand gold price (gold line)



Sources: I-Net Bridge, PSG Asset Management

Gold shares have shown themselves to be classic value traps

A value trap is a stock or sector that appears cheap relative to its history or future expectations and attracts investors looking for a bargain. Interest in the gold sector has been piqued by its material underperformance of the gold price. What has transpired is that expectations have had to be constantly revised downwards as the companies have failed to capitalise on the bull market in gold for the reasons discussed below.

All things being equal, South African gold shares should be positively geared to a rising gold price

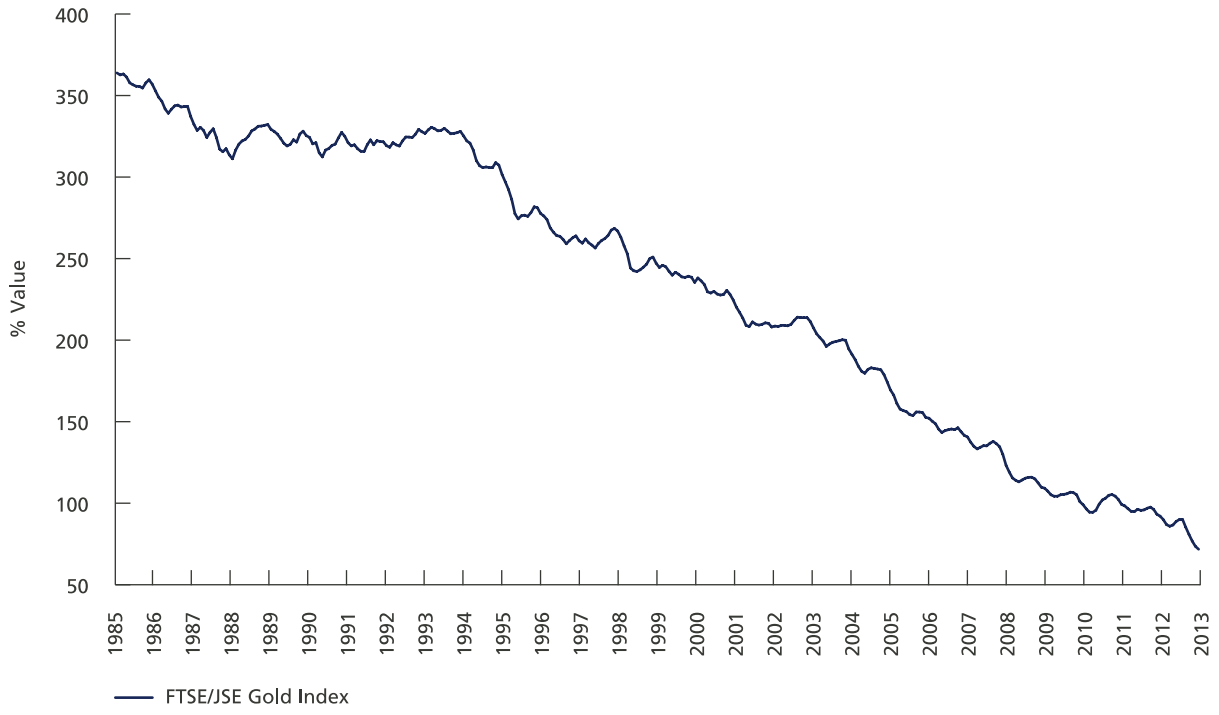
This means that as the rand gold price rises, gold shares should see margins widening as their costs are mostly fixed and incurred in rands. The past decade has however seen no improvement in share prices for the large South African gold miners. This has been largely because the higher gold price has not translated into higher earnings for the companies. All the windfalls from higher realised prices have essentially been wiped out by lower production volumes (see Graph 2) and much higher extraction costs (see Table 1). South African gold mines have gone deeper and deeper, the yields have dropped off and it has become much more difficult and expensive to produce the same number of ounces. Rampant electricity prices, above-inflation wage increases and the implementation of significantly higher safety standards have also resulted in a rapidly expanding cost base. As can be seen from Table 1, on average, the major local gold miners' cash costs have doubled between 2008 and 2013.

At the recent high levels in the gold price, the consensus forecasts for the companies in Table 1 indicated expectations for high levels of free cash flow generation (cash flow after capital expenditure) in 2013. After the gold price plunge, these companies will be generating zero to negative free cash flow. This is an important lesson in just how wide the range of possible outcomes is for a single commodity producer and the main reason why we prefer to invest in miners that diversify their portfolios across a basket of commodities.

Why we don't own any gold stocks and have had almost no exposure to gold in recent years

We do not base our investment decisions on a macro view, but instead select the stocks in our portfolios on a bottom-up basis. This means we don't focus on trying to predict where the gold

Graph 2: South African Gold Production Index (based to 100 in 2010, six-month moving average)



Sources: I-Net Bridge, PSG Asset Management

price or rand is going to be at some point in the future. At PSG Asset Management, we have no idea what a 'fair price' for gold is, or even if such a price exists. Investment demand drives the gold price and it is almost impossible to predict future investor sentiment. For a gold share to be an attractive investment proposition, we would like to rule out the chance of losing money on the share.

Table 1: Cash costs for South Africa's major gold miners

Unit cash costs			
	$		%
	2008	2013	Change
Anglogold Ashanti	433	843	95
Gold Fields	517	849	64
Harmony	600	1,121	87
Sibanye Gold	496	1,153	132

Sources: Deutsche Securities, PSG Asset Management

We need a margin of safety

For us to conclude that the gold shares are attractive investment opportunities and that we are unlikely to lose money on an investment, we like to see evidence that:

- high gold prices are sustainable;
- gold mining companies will be able to control costs in the future; and
- there is wholesale capitulation in the sector.

As mentioned, we are not prepared to forecast the gold price. As far as cost control is concerned, almost all of the South African gold shares have horrendous track records of cost control and capital discipline. We are, however, encouraged by recent indications that the respective management teams are likely to be more focused on shareholder returns in the future. A good example of this likely change in modus operandi is Sibanye Gold, which was unbundled from Gold Fields as a South Africa-only gold miner with a strong focus on cost control, free cash flow generation and cash returns to shareholders. If Sibanye is able to reduce unit costs – which they're predicting they'll be able to do – their mineral resource becomes much more valuable as more un-mined ounces become economically viable. However, the current protracted negotiations between Anglo Platinum and government should serve as a timely reminder of the practical difficulties of controlling costs via shaft closures and labour force dismissals in the current regulatory and labour environment.

We are not optimistic about local mining companies being able to manage costs

The gold price and gold shares are currently oversold and a near-term bounce is likely. We cannot satisfy ourselves that we can invest in South African gold shares with an adequate margin of safety – we can find better opportunities on the JSE.

We believe gold miners can become attractive investment opportunities in future. However, for this to happen there should be complete capitulation – a true "blood-in-the-streets" scenario – which should enable us to buy these companies at a large discount to conservatively valued assets and cash flows.

HOW WE MANAGE PENSION MONEY

By Paul Bosman

Paul joined PSG in 2004 when he began working for PSG Capital as an equity analyst. In November 2004 he joined the PSG Tanzanite team as an equity analyst. With the incorporation of PSG Tanzanite into PSG Asset Management, Paul continued as an equity analyst, specialising in both local and offshore listed companies. On 1 September 2011 Paul became a Portfolio Manager at PSG Asset Management and is responsible for the management of the PSG Balanced Fund and Stable Fund.

We appreciate that pension fund trustees entrust us with their members' savings. This article illustrates how we share the fiduciary duty by investing prudently, effectively and legally.

Long-term investing requires careful planning

Saving for your retirement is a very long-term decision and as we all know, time amplifies the consequences of our decisions. It's therefore worth your while to think carefully about how much and where you save for retirement.

The PSG Asset Management investment philosophy and process works well over the long-term; over the very long term it will work very well. This, at least, is our conviction. Why?

We avoid permanent capital losses

We are obsessed with not losing money; it is woven into our entire process. The consequence of losing money increases exponentially with the term of an investment. So how do we go about limiting the capital losses our clients could potentially suffer?

Probably the easiest way to lose money is to buy assets at inflated prices. We have measures in place, across all asset classes, to ensure that we steer clear of this mistake.

For equities, there are three traps to avoid, two big ones and one very big one:

1. the share price could be inflated,
2. the profit could be inflated, or worst of all
3. both could be inflated.

To prevent us from stepping in these traps, we first analyse the quality and sustainability of a company's profits. If we believe that a company can sustain and grow profits over time, our next step is to determine what a fair price would be and then pay no more than that.

This approach should not only prevent big mistakes, but also achieve above average returns as growing profits drive share prices and dividends higher.

Our approach to valuing property is similar to this.

For bonds, the process is slightly different. Here the coupon (interest attached to a bond) is fixed, so there is no risk of inflated profits, only the risk of inflated prices. We buy bonds if we believe we can obtain inflation plus our hurdle rate from the investment. The fact that the coupon does not grow means that you are only going to beat inflation if you pay the right price upfront and nothing more.

We buy high quality companies - and then hold them

The way in which we pick our equity investments should also ensure that our process works well over the long term. As our clients know, we look for companies with some form of sustainable competitive advantage, managed by exceptional management teams. The first challenge is to find such companies; the second is to keep them. We build the quality of companies into our valuation process. We make realistic assumptions about quality companies and do not use conservative assumptions simply for the sake of conservatism. Holding quality companies for the long term allows our clients' investments to compound as profits continue to grow.

We take the hurdle rate into account when it comes to asset allocation

Asset allocation – the allocation of capital to cash, bonds, property and equities – is integral to managing pension money.

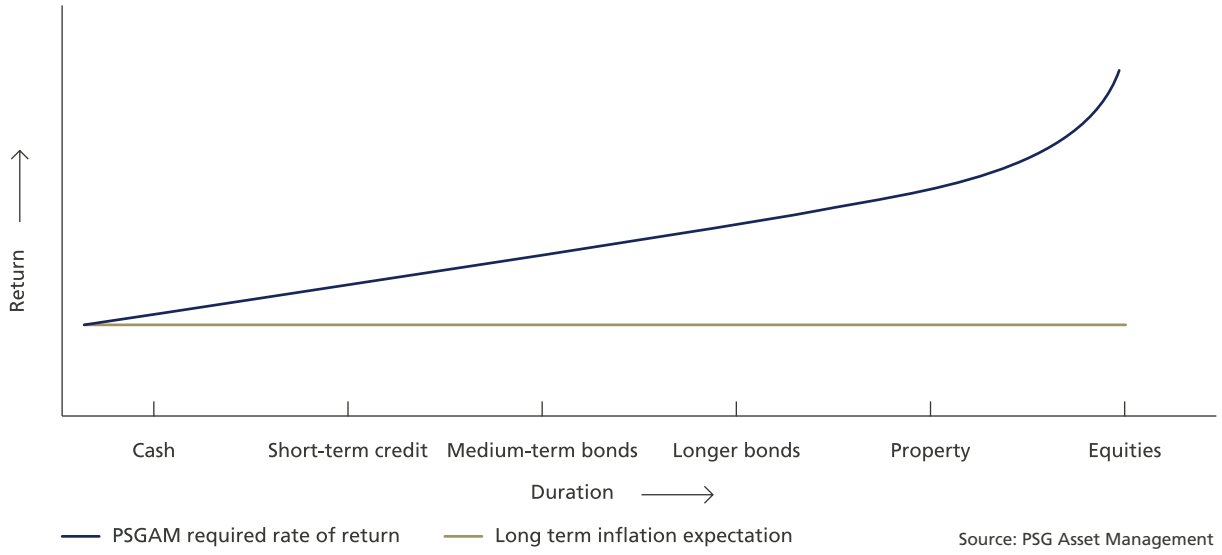
It's important to note that our benchmarks are real returns, not performance relative to peers or indices. For our clients to be relatively less poor when they retire is hardly a commendable achievement. We want to maximise real returns within the constraints of our mandates and risk process.

We have a minimum hurdle rate that we require from all investments. This rate varies according to the riskiness of the investment. The hurdle rate always exceeds inflation, with cash being the only exception. (See Graph 1.) Cash is the corner from where we pounce when opportunities arise. Our asset allocation decisions are a function of the extent to which specific securities exceed our hurdle rate. The required rate increases with the duration of the investment, because when cash payments are further away, they are less certain. The hurdle rate also increases exponentially when dealing with property and equities. This is because dividend payments are less certain than interest payments (bond coupons), because dividends are only paid if the company has something left after paying all operating costs and creditors.

How the funds are currently positioned

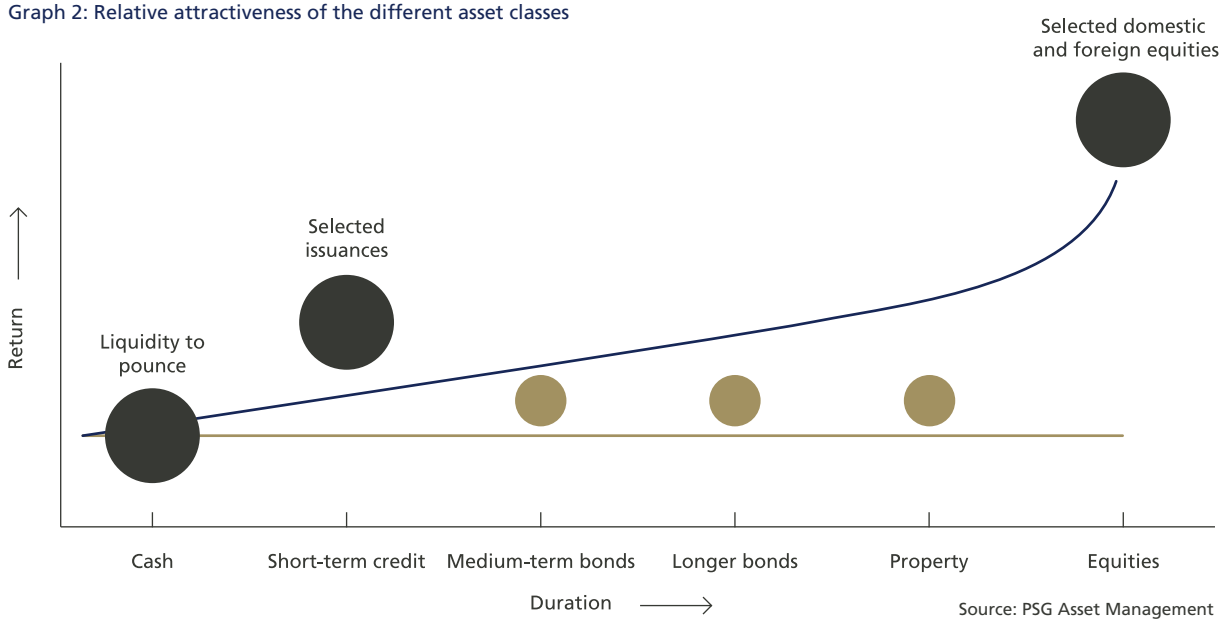
Graph 2 shows the relative attractiveness to us of the different asset classes.

Graph 1: Hurdle rate for PSG Asset Management investments



Source: PSG Asset Management

Graph 2: Relative attractiveness of the different asset classes



Source: PSG Asset Management

Taking into account these levels of attractiveness, our funds are allocated as follows:

We are currently utilising between 75% and 85% of the total permissible allocation of each portfolio to equities. The PSG Balanced Fund is fully utilising the allowed 25% allocation to offshore equities. More than half the equities held in our Stable Fund are in offshore listed companies. We have no exposure to fixed long- and medium-duration bonds and some exposure to shorter duration instruments, from which the majority pays coupons linked to interest rates. These bonds hold less capital risk as coupons adjust for interest rate changes rather than the bond price. They do, however, still hold liquidity and credit risk.

In summary, our process aims to ensure that our clients who save diligently have more than enough spending money by the time they retire.

WALGREENS: AN EXAMPLE OF AN ASYMMETRICAL OPPORTUNITY

By Greg Hopkins

Greg is a CA (SA) and a CFA Charterholder. Greg is PSG Asset Management's Chief Investment Officer.

How we define our perfect type of investment

We often talk about our perfect type of investment as being a high quality business that has temporarily lost its way or has a large but fixable problem. The well-publicised problems typically drive down the share price to a level that makes it an attractive asymmetrical opportunity. We often then get the best of both a compounding share with a large mean reversion valuation opportunity. The inherent risks are also typically reduced. This is because the reasons for the cheap valuation are well known and can be addressed through evidenced-based research and a simple valuation analysis. The latter point also allows us to discharge one of the golden rules in investing – understanding the bear case as well as or better than the bears.

A great example of this type of asymmetrical opportunity is one of our foreign holdings, Walgreen.

Walgreens: A simple business model with highly successful results

Walgreens is the largest pharmacy retailer in the US and was founded in 1901 by Charles Walgreens. Over the past 112 years it has built an enviable countrywide footprint of 8,200 stores visited weekly by 40 million shoppers and filling 819 million scripts annually. In fact, one could argue that Walgreens has managed to secure the best retail corner store footprint in the US. Walgreen's management estimates that 80% of the US population lives within five miles of a Walgreens store. The business model is also relatively simple - create a hook in your customer by offering a regulated prescription medicine business and then charge a high margin on the general convenience merchandise they buy in the front of the store. An ageing population that uses more prescription medicine is the cherry on top.

Walgreens: Understanding how it fits into the healthcare industry

Before we invest in an idea we like to draw an industry map (Graph 1) to help us understand how the company fits into the industry and who will be the likely future winners or losers.

We would caution readers not to spend too much time on the diagram, other than to understand that consolidation amongst the companies in the gold box, the pharmacy benefit managers (PBMs), have potentially shifted the balance of power in the chain towards themselves. In fact, Walgreens had a public spat with a large PBM, Express Scripts, in 2012, which prompted many commentators in the industry to suggest that the pharmacy business model had changed forever. In addition, the weak US economy had also resulted in fewer visits to their stores, reducing growth estimates for the company. We had in place the necessary conditions for our perfect type of investment – a high quality company with a large fixable problem or a temporary headwind.

Walgreen's market capitalisation shrunk 35% over a short time period (see Graph 2) and the company traded at a normalised PE ratio of 9.6x.

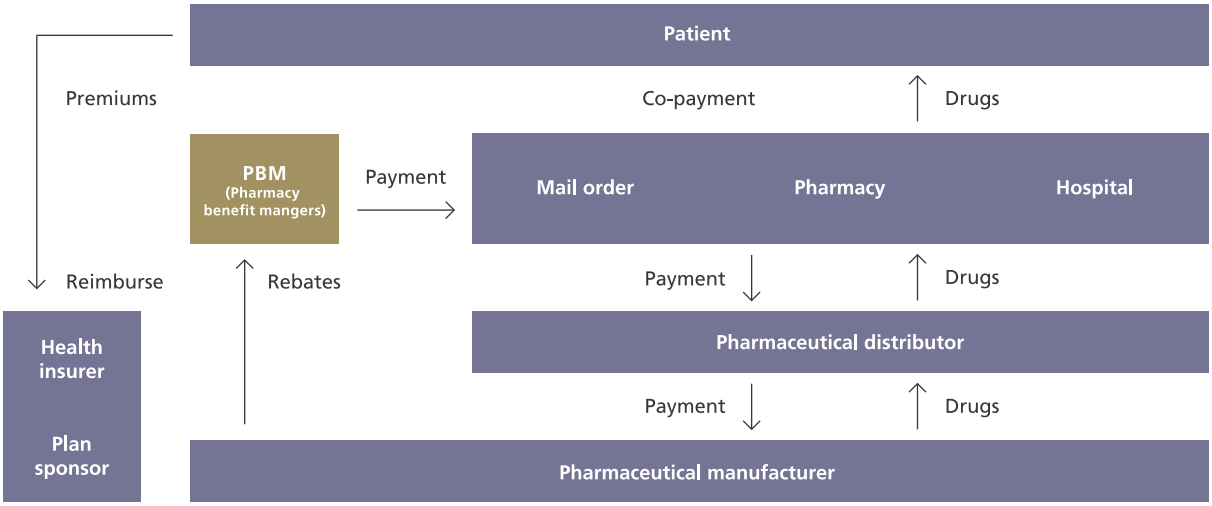
Merger with Alliance Boots signalled a powerful alliance

In June 2012, Walgreens announced a merger with Alliance Boots, an integrated European pharmacy comprising the iconic Boots the Chemist and the world's largest wholesale medicine distributor, Alliance Unichem. When we looked at the deal, something interesting struck us. The founder of Alliance Unichem, Stefano Pessina, a self-made billionaire who is arguably one of the most successful healthcare entrepreneurs of his generation, decided to roll his whole shareholding in Alliance Boots into Walgreens' shares, making him the largest shareholder in Walgreens. The value of the shareholding was over $2 billion.

The US investment community greeted the deal with scepticism, sending the shares down 6% on the day. There were concerns that the deal would not solve the structural issues that the company faced and that Walgreens was adding European exposure as investors ran the other way. This was despite Mr Pessina's public assertions on his motivation for making the deal:

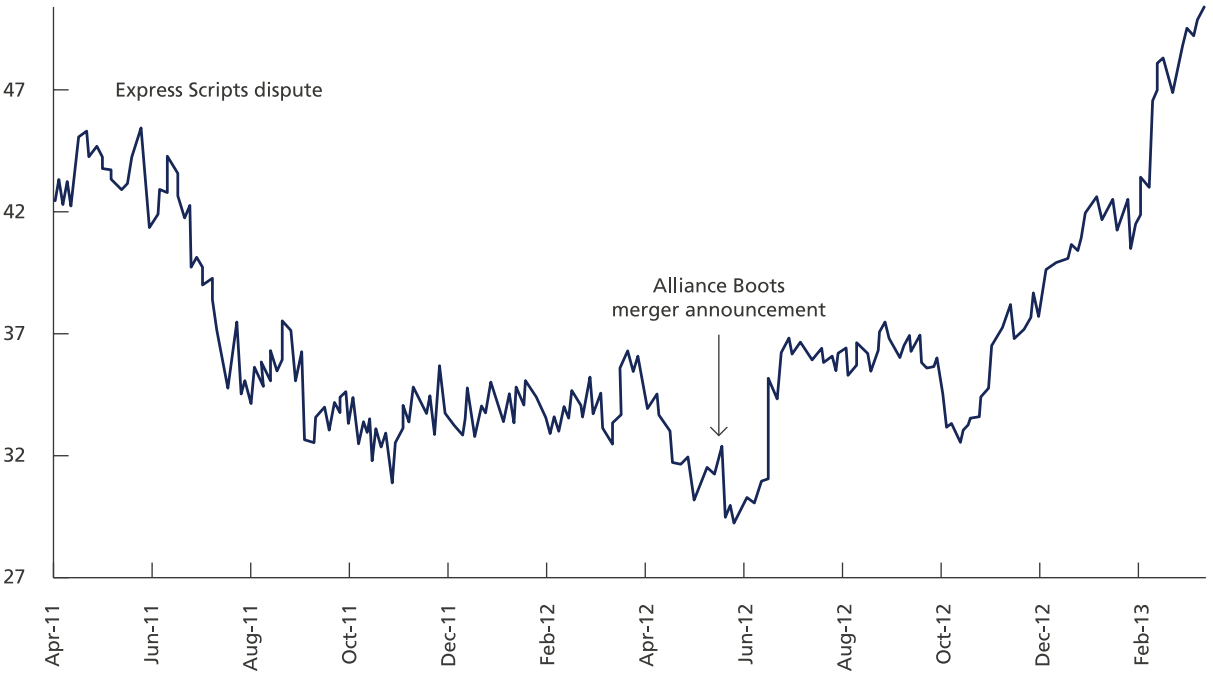
"This deal, I am sure, will be highly successful. And because this deal is really creating a new standard for the industry... we will have the advantage of the first mover. And we will be really a

Graph 1: Industry map of the pharmaceutical industry



Sources: PSGAM, JP Morgan

Graph 2: Walgreen's market capitalisation (April 2011-February 2013)



Sources: PSGAM, Bloomberg

point of reference for the emerging markets... And the future of this industry is in the emerging markets.

I will invest all of the profits that I have from this deal into the business. I won't take $1 or £1 in cash. And this of course is because I believe in this business and also because I've spent 35 years building it. But believe me, I am not doing this just for an emotional attachment to this industry. I do it because I really believe that this is the best investment I can do."

Stefano Pessina, Company Conference Call, June 2012

A profitable alliance and a satisfactory margin of safety confirmed the attractiveness of the investment

In essence, we had an industry insider with a best–in-class track record putting a large sum of his own money into a great opportunity.

Luckily the scales fell from our eyes and we invested alongside Mr Pessina in Walgreens. The margin of safety also appeared to be significant. Alliance Boots had the opportunity to leverage the top Walgreens platform in the emerging markets and it will become the largest global purchaser of medicines, potentially unlocking $1 billion of synergies by the company's estimates. We believe that these actions alone can translate into significantly higher earnings power in the future, more than offsetting any potential headwinds from PBM pricing pressure. It does so happen that Walgreens managed to resolve its dispute with Express Scripts, providing a further tailwind to the investment case.

The market from time to time pitches these types of opportunities to us. Investors in our funds can be assured that we continue to scour the global investment universe for the next Walgreens opportunity.

MEET THE CEO

Anet was appointed CEO of PSG Asset Management on 1 March 2013

Welcome to PSG Asset Management! For those people who may not be familiar with your career thus far, please tell us a little about your background and what you have done before joining our team.

I started my career at Allan Gray in the trading office. Over the years I have worked at Syfrets, BoE and Sanlam and have been fortunate to have been involved in fund management, trading, multi management and the management of businesses. I have also been involved in global and local businesses.

What encouraged you to accept the position as CEO of PSG Asset Management?

I firmly believe that the South African market is ready for another substantial asset manager. By that I mean one with a solid shareholder that is admired and successful and can be considered by both large and small clients. The barriers to entry in our business have been raised significantly over the past decade and it is much harder for a start-up asset manager to get to critical mass. However, the concentration of flows to the handful of large asset managers is at an extremely high level. At some point, investors are going to want an alternative, a manager that is hungry and nimble, with a shareholder that will ensure they are around for the long run. Many of the boxes that a start-up should meet are already ticked at PSG Asset Management. Accepting this position was an obvious choice and I believe that this role is an extremely rare opportunity.

What do you think are some of the key areas in which you would like to lead PSG Asset Management?

I am amazed that so few people know about the great track records of the PSG Asset Management Funds, so that is both a key focus area and a challenge. I have also been impressed by the structure and discipline of the investment process. This means that we can be taken a lot more seriously by both the institutional and retail market, both of which have become a lot more sophisticated in recent years. Fortunately I am quite outgoing and not shy to share, so I will definitely do my bit to make sure more people can benefit from what has been built here at PSG Asset Management.

Looking at the asset management industry in general, both locally and globally, what characteristics do you think companies will have that will thrive and succeed over the next decade?

A strong long-term shareholder, a process that you can explain and that works, a team of talented people, products that help people reach their financial goals, a strong operational foundation and a sales team who can tell your story.

Do you believe that, because you are a woman, you face additional expectations in the industry and at PSG Asset Management? Do you believe that female executives have additional or different responsibilities?

I've always tried to overlook gender issues at work and focus on delivering on the business goals. Having said that, I have had some hairy experiences over the years. However, this is a tough business for anyone and if you want to succeed, you must remain very determined. You cannot get involved in the side-shows.

I have to add, though, that a working wife and mom may have a bit more on her plate with a household to take care of too – and that is why a loyal au pair ranks right up there with a supportive husband. Fortunately, I have both. I recall a business trip where I had to take a frantic call from my au pair when she misplaced the tooth that came out that day and we had to bail out the tooth fairy. Fortunately I had a spare tooth hidden in my study as a memento – no kidding! My daughter is used to me working and has offered to help me with fee calculations on spread sheets during her break at school. Failing that, she is happy to offer fashion advice in the mornings. She cannot understand why anyone would want to work in an office though.

Tell us a little about what makes Anet tick outside of a work environment.

My daughter is rapidly heading for her teens, so that takes up a fair amount of energy and time outside work. She is wise beyond her years and recently told me that "everyone should just give up on wishing for world peace and be happy with the peace they have" – certainly food for thought. I am a yoga addict – in my ideal life I would have a full session every day. It helps you deal with the challenges of business and of life in so many ways, and saves you a lot of money on physio bills. I love reading and always have at least three books on the go. I listen to audiobooks on the way to work and am currently working my way through The Winds of War by Herman Wouk, all 46 hours of it. It gives amazing insight into what mobilises a nation, and how wars are fought and won. I love music, and my husband and I have recently acquired a vinyl collection from an estate. The daughter said to us that she believed her late dad loved his family only slightly more than his record collection. It is very rewarding to play music without the random button and without the sanitisation of the MP3 file process. I am also a slightly obsessive knitter, for those few minutes that I manage to sit still. But sometimes it is the simple things that bring the most pleasure, like sitting down to a glass of good wine, pizza and a box series of British crime with my family.

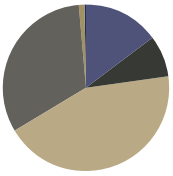
PORTFOLIO HOLDINGS AS AT 31 MARCH 2013

PSG Equity Fund

Top 10 equities

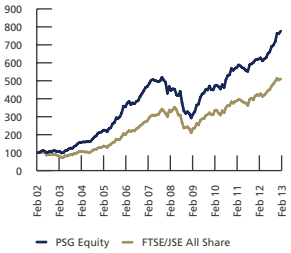
Steinhoff International Holdings Ltd
Anglo American Plc
Microsoft Corporation
Walgreen Co
Tesco Plc
Alstom
Cisco Systems Inc
Lab Corp of America Holdings
Berkshire Hathaway
BP Plc

Asset allocation



Resources	14.9%
Financials	8.0%
Industrials	43.6%
Foreign equity	32.2%
Domestic cash	1.1%
Foreign cash	0.2%
Total	**100%**

Performance

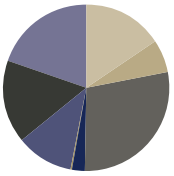


PSG Flexible Fund

Top 10 equities

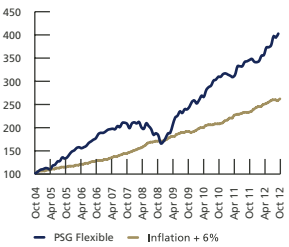
Steinhoff International Holdings Ltd
Anglo American Plc
Berkshire Hathaway Inc
Sasol Ltd
Tesco Plc
EOH Holdings
Grindrod Ltd
Super Group Ltd
Eqstra Holdings Ltd
ING Group NV

Asset allocation



Resources	15.8%
Financials	6.2%
Industrials	28.5%
Property	2.3%
Domestic equity	**52.8%**
Resources	0.4%
Financials	11.0%
Industrials	16.3%
Foreign equity	**27.7%**
Domestic cash	19.5%
Total	**100%**

Performance

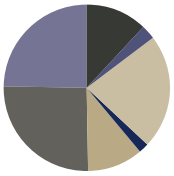


PSG Balanced Fund

Top 10 equities

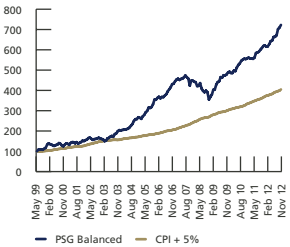
Anglo American Plc
Sasol Ltd
Super Group Ltd
Steinhoff International Holdings Ltd
EOH Holdings
Tesco Plc
Kagiso Media Ltd
Heineken Holding NV
Microsoft Corporation
Brimstone Investment Corp Ltd

Asset allocation



Resources	12.0%
Financials	2.9%
Industrials	22.0%
Domestic equity	**36.9%**
Domestic property	2.0%
Domestic bonds	10.8%
Domestic cash	25.5%
Foreign equity	**24.8%**
Total	**100%**

Performance

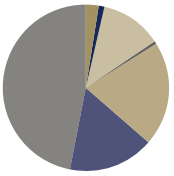


PSG Stable Fund

Top 10 equities

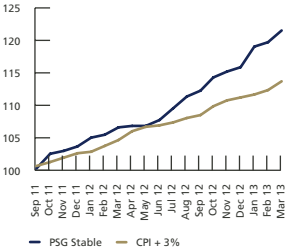
Tesco Plc
Super Group Ltd
Berkshire Hathaway Inc
Microsoft Corp
EOH Holdings
Roche Holding
Sasol Ltd
International Business Machines Corp
Capevin Holdings Ltd
Heineken Holding NV

Asset allocation



Resources	2.6%
Financials	1.2%
Industrials	12.0%
Domestic equity	**16.3%**
Property	0.5%
Domestic bonds	20.3%
Foreign equity	16.5%
Domestic cash	46.9%
Total	**100%**

Performance

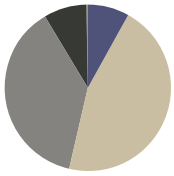


PSG Optimal Income Fund

Top 10 equities and bonds

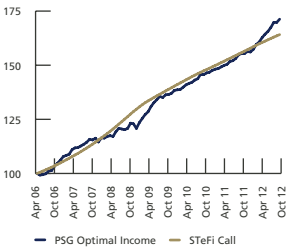
Tesco Plc
Heineken Holding NV
Microsoft Corp
Capevin Investments Ltd
Sasol Ltd
MET01-Metropolitan Group Ltd
SSA02-Sappi Southern Africa (Pty) Ltd
IBL19-Investec Bank Ltd
ABFN06-Absa Bank Ltd
OML01-Old Mutual Life Assurance Co

Asset allocation



Local Equity	8.1%
Local Cash	45.6%
Local Bonds	37.8%
Offshore Equity	8.3%
Offshore Cash	0.2%
Total	**100%**

Performance

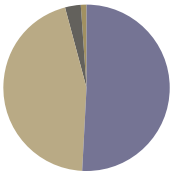


PSG Income Fund

Top 10 FI assets

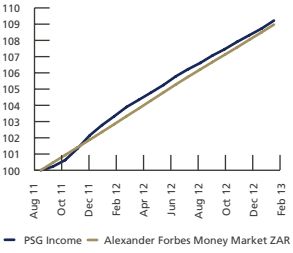
FirstRand
Nedbank
Standard Bank
Capitec Bank
ABSA
Investec Bank Ltd
Steinhoff International Holdings Ltd
Eqstra
Sanlam
Imperial Holdings

Asset allocation



Listed bonds	51.0%
Floating rate notes	45.0%
NCDs	3.0%
Call and cash	1.0%
Total	**100%**

Performance

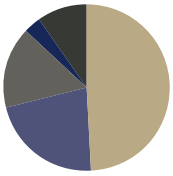


PSG Global Equity Fund

Top 10 equities

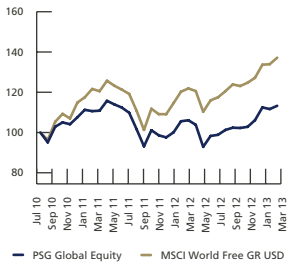
Tesco Plc
Berkshire Hathaway
Alstom
Bank of New York Mellon Corp
Heineken Holding NV
Microsoft Corporation
Unilever
Walgreen Co
JP Morgan Chase and Co
Becton Dickinson and Co

Regional allocation



US	49.4%
Europe	21.9%
UK	15.9%
Africa	3.1%
China	0.1%
Foreign equity	**90.4%**
Cash	9.6%
Total	**100%**

Performance



PERFORMANCE TO 31 MARCH 2013

FUND PERFORMANCE							
		1 Year			2 Years**		
Fund	Fund Size***	Return	Sector Rank	Sector Count	Return	Sector Rank	Sector Count
LOCAL FUNDS							
PSG Equity A	R 833 788 279	25,13	6	114	16.22	23	99
FTSE/JSE All Share TR ZAR		22.47			14.76		
(ASISA) South African EQ General		15.85			12.73		
PSG Flexible	R 2 671 862 274	16.55	34	69	14.16	26	65
PSG Flexible BM: CPI +6%		11.83			11.99		
(ASISA) South African MA Flexible		17.10			13.49		
PSG Balanced A	R 1 717 174 600	16.82	55	100	14.19	32	86
PSG Balanced BM: CPI +5%		10.81			10.97		
(ASISA) South African MA High Equity		16.57			12.76		
PSG Stable	R 49 419 150	14.07	45	86			
CPI+3%		8.81					
PSG Optimal Income	R 96 187 053	10.20			8.02		
STeFI Call Deposit ZAR		4.87			5.09		
PSG Income	R 35 864 008	5.12					
Alexander Forbes Money Market		5.46					
PSG Money Market	R 2 999 402 889	5.16	22	26	5.29	18	26
(ASISA) South African IB Money Market		5.29			5.37		
PSG Global Equity Feeder Fund	R 31 678 677	25.61	21	23			
MSCI World Free ZAR		34.52					
OFFSHORE FUNDS							
PSG Global Equity	$ 30 388 781	6.76	346	557	1.09	266	511
MSCI World Free GR USD		12.53			6.68		
GIFS Global Large-Cap Blend		7.52			1.26		

* Manager inception dates
** Annualised (for periods greater than 12 months)
*** Fund Size as at 31 March 2013
All the performance data is net of fees, for a lump sum, includes income, and assumes reinvestment of income on a NAV to NAV basis.

													VOLATILITY
	3 Years**			5 Years**			Inception**				3 Years**		
	Return	Sector Rank	Sector Count	Return	Sector Rank	Sector Count	Inception Date	Return	Sector Rank	Sector Count	Std. Dev.	Sector Reverse Rank	Sector Count
	18.09	8	92	11.73	13	80	01/03/2002*	20.31	5	43	10.38	41	92
	14.89			9.32				15.84			12.46		
	13.07			8.82				17.42			9.98		
	16.55	13	62	13.91	5	53	01/11/2004*	18.08	3	17	6.94	25	62
	11.23			12.01				11.94			2.39		
	12.31			9.13				15.37			6.11		
	13.94	14	72	10.03	15	61	01/06/1999	15.37	4	13	4.82	19	72
	10.22			10.98				10.63			1.03		
	11.36			8.47				13.77			5.45		
							13/09/2011	13.74	43	81			
								8.40					
	7.37			8.04			10/04/2006	8.05			1.50		
	5.35			6.93				7.42			0.16		
							01/09/2011	5.74					
								5.58					
	5.66	16	25	7.38	12	21	31/10/1998	9.19	4	6	0.19	13	25
	5.73			7.42				9.18			0.18		
							04/05/2011	14.01	20	21			
								24.35					
							23/07/2010	4.52	386	479			
								13.02					
								7.60					

NOTES

NOTES

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