PSG | Asset Management

January 2013

PSG Equity Fund

Portfolio information

Fund Manager	Shaun le Roux (since 2002)	
Fund Size	R839.2 million	
Launch Date	31 December 1997	
Initial Fee incl. VAT	Fund Manager: 0% Advisor: Max 2.28%	
Annual Management Fee	Class A : 1.71% Class B : 1.14% + 22.8% of outperformance of the benchmark	
Minimum investment	R2000 lump sum, or R250 monthly debit order	
Risk Profile	High	
Benchmark	FTSE/JSE All Share Index	
Sector	South African - Equity - General	
Distribution per Unit	Class A : 0.03c on 29 Feb 12 Class B : 0.23c on 29 Feb 12 Class C : 0.00c on 29 Feb 12 Class D : 1.02c on 29 Feb 12	Class A : 3.88c on 31 Aug 12 Class B : 5.15c on 31 Aug 12 Class C : 0.00c on 31 Aug 12 Class D : 5.93c on 31 Aug 12
Total Expense Ratio	Class A : 1.74% Class B : 1.33% Class C : 2.72% Class D : 1.00%	

The PSG Equity Fund has Total Expense Ratio's (TER) as listed above. For the period from 1 January 2012 to 31 December 2012 on an annualised basis, the percentages above of the average Net Asset Value of the portfolio was incurred as charges, levies and fees. A Higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER can not be regarded as an indication of future TER's. Included in the TER of Class B of 1.33% is a performance fee of 0.15% of the Net Asset Value of the participatory interest of the portfolio.

Investment Objective and Mandate

The PSG Equity Fund is a general fund and the manager in selecting securities for the portfolio, will seek to offer investors long-term capital growth and earn a higher total rate of return than that of the South African equity market as represented by the All Share Index including income, without assuming a greater risk.

Fund Manager Commentary

Even though 2012 ended up being a very strong year for the stock market and the Fund, we started 2013 with very positive return expectations for the stocks in which we are invested. It is early days but most of the Fund's conviction positions have had a good start to the year. We continue to see two obvious areas of opportunity: carefully selected value in SA and global quality at a good price.

On the other hand, opportunities to buy SA companies with a track record of stable profit growth at a fair price are virtually non-existent. We consider most of the traditional large cap quality SA industrial and financial names overpriced.

In January we further reduced our Nampak position as it closed in on our estimate of fair value. We added to Steinhoff which we consider much more attractively priced.

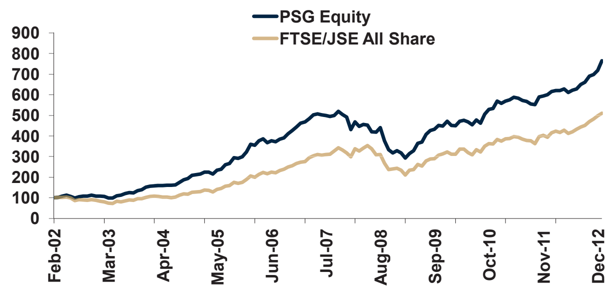
Asset Allocation

Local Resources	22.8%
Local Financials	3.7%
Local Industrials	42.1%
Local Cash	0.8%
Offshore Equity	29.9%
Offshore Cash	0.7%
Total	**100.0%**

Performance

Returns	**Class A**	**Benchmark**
Manager Inception (01 March 2002)	20.5%	16.2%
5 Years	12.2%	11.4%
3 Years	19.2%	18.3%
1 Year	24.2%	23.7%

Performance Graph



Top 10 Holdings

1. Anglo American Plc	6. EOH Holdings Limited
2. Sasol Limited	7. Adcorp Holdings Limited
3. Steinhoff International Holdings Ltd	8.Howden Africa Holdings Limited
4. Tesco Plc	9. Kagiso Media Limited
5. Alstom	10. Capevin Holdings Limited

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PSG COLLECTIVE INVESTMENTS

PSG | Asset Management

December 2012

PSG Flexible Fund

Portfolio information

Fund Manager	Jan Mouton	
Fund Size	R2.48 billion	
Launch Date	2 November 1998	
Initial Fee incl. VAT	Fund Manager: Advisor:	0% Max 2.28%
Annual Fee incl. VAT	1.14%	
Performance Fee incl. VAT	7.98% above high water mark	
Month end NAV Price	297.19c	
Minimum investment	R2000 lump sum, or R250 monthly debit order	
Risk Profile	Moderate to High	
Benchmark	Inflation + 6%	
Fund Category	South African - Multi Asset - Flexible	
Distribution per Unit	0.52c on 29 February 2012 2.38c on 31 August 2012	
Total Expense Ratio	2.39%	

The PSG Flexible Fund has a Total Expense Ratio (TER) of 2.39%. For the period from 1 October 2011 to 30 September 2012, 2.39% of the average Net Asset Value (NAV) of the portfolio was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. Inclusive in the TER of 2.39%, a performance fee of 1.23% of the NAV of the portfolio was recovered.

Mandate

The fund invests in a flexible combination of investments in the equity, bond and money markets.

Investment Objective

The PSG Flexible Fund is a managed flexible portfolio and will seek to follow an investment policy which will aim to achieve superior medium to long term capital growth through exposure to selected sectors of the equity market, and/or gilt market and/or money market. The asset allocation will be actively managed and will continually reflect the portfolio manager's view of the relative attractiveness of the equity, gilt and money markets, both locally and abroad. The selected sectors of the equity portion will change from time to time in accordance with changing market conditions and economic trends.

Fund Manager Commentary

		31 Dec 12	31 Dec 11	PE	P/B	Div %
1	Steinhoff Int Holdings Ltd	9.5%	8.7%	8.7	1.1	2.9%
2	Anglo American Plc	8.8%	5.9%	7.9	1.0	2.6%
3	Sasol Ltd	8.3%	7.1%	8.5	1.7	4.8%
4	Berkshire Hathaway Inc "A"	6.8%	7.0%	14.2	1.2	-
5	Tesco Plc	6.4%	3.4%	9.3	1.5	4.4%
6	ING Group NV	3.4%	2.3%	12.4	0.5	-
7	Grindrod Ltd	3.3%	2.1%	14.0	1.0	1.9%
8	EOH Holdings Ltd	3.2%	3.4%	15.0	3.4	1.9%
9	Capital Shopping Centres	3.1%	3.7%	9.9	0.9	4.2%
10	Eqstra Holdings Ltd	2.7%	1.7%	7.9	0.9	4.6%

The top 10 holdings of the PSG Flexible Fund at 31 Dec 2012 and 31 Dec 2011 is reflected in the table above. We have included the Fund's holding a year ago to show that we are long-term investors, not traders. The top 10 of the Fund also differs from the top shares included in the JSE All Share Index ("ALSI"). We focus on investing in businesses with a sustainable competitive advantage ("a moat"), good management and that can be bought at levels below our estimate of intrinsic value ("a margin of safety"). We disregard a share's weighting in the ALSI and rather invest where we find value. Our top 10 also reflects foreign shares: Berkshire Hathaway, Tesco and ING. The global diversification of the PSG Flexible Fund provides our clients access to industries not available in South Africa and also reduces risk.

On 31 Dec 12 the price-earnings ratio ("PE") of the ALSI was 14.8. Generally the lower the PE the more attractive a share becomes. The weighted average PE of the shares held in the Fund is 9.9, considerably lower than that of the ALSI. Furthermore, all the shares in the top 10, except EOH Holdings Ltd, have lower PE ratios than that of the ALSI. The price to book ratio (P/B) is another potential indicator of value - a lower P/B is generally more attractive. A P/B of less than 1 means that you are able to buy the share at less than the value of the net assets (assets minus liabilities) on the company's balance sheet. Five of the Fund's top 10 trade at or below net asset value. The "Div %" column in the above table shows the dividend yield. Four shares have dividends yields in excess of 4% - attractive on an after tax basis relative to money market returns.

For the year to 31 Dec 2012 the top performing stock in the top 10 was ING which returned 40% in Rand terms. ING is a global bank and insurance company with a Dutch origin. As the largest part of their business is in Europe, they have been affected by the European financial crisis. In times of crisis good opportunities are found – we have been rewarded for investing during the panic.

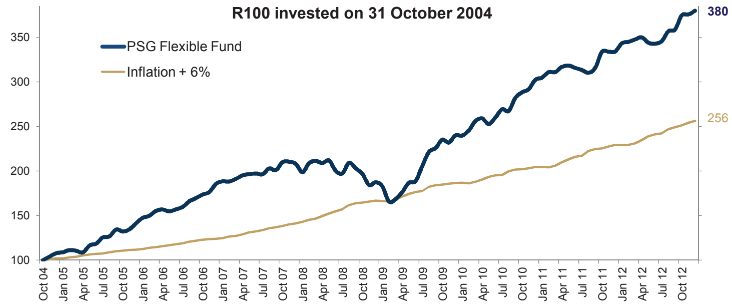
Asset and Sector Allocation

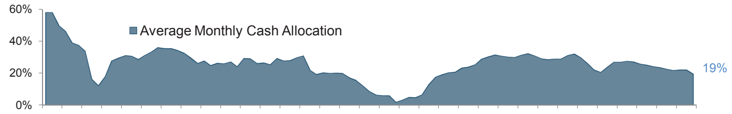
Resources	17.3%
Financials	3.7%
Industrials	30.3%
Property	3.1%
Domestic Equity	**54.4%**
Resources	0.4%
Financials	10.5%
Industrials	15.0%
Foreign Equity	**25.9%**
Domestic Cash	**19.6%**
Foreign Cash	**0.1%**
Total	**100.0%**

Performance Tables (after fees)

Annualised Performance	**Fund**	**Benchmark**
Current manager (since 1 Nov 2004)	17.8%	12.2%
5 Years	12.8%	12.6%
3 Years	16.5%	11.1%
2 Years	12.1%	11.9%
1 Year	13.7%	11.6%

Over the last 5 years	**Fund**	**Sector Average**
Volatility	11.4%	10.6%
Sharpe Ratio	0.5	0.1





All performance data are net of fees, include income, assumes reinvestment of income, on a NAV to NAV basis.
Source: © 2012 Morningstar, Inc. All Rights Reserved and Stats SA (benchmark one month lagged).

Top 10 Holdings

1. Steinhoff Int Holdings Ltd	6. ING Group NV
2. Anglo American Plc	7. Grindrod Ltd
3. Sasol Ltd	8. EOH Holdings Ltd
4. Berkshire Hathaway Inc	9. Capital Shopping Centres Grp Plc
5. Tesco Plc	10. Eqstra Holdings Ltd

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PSG | Asset Management

January 2013

PSG Balanced Fund

Portfolio information

Fund Manager's	Neels van Schaik and Paul Bosman	
Fund Size	R1,665 billion	
Launch Date	1 June 1999	
Initial Fee incl. VAT	Fund Manager:	0%
	Advisor:	Max 2.28%
Annual Fee incl. VAT	Class A : 1.71% Class B : 1.14% + 7.98% of out-performance of High Watermark	
Minimum investment	R2000 lump sum, or R250 monthly debit order	
Risk Profile	Moderate - High	
Benchmark	60% FTSE/JSE All Share Index, 10% All Bond Index, 10% STEFI Cash, 12% MSCI World Index, 4% USD Month Deposit Rate, 4% JPM GBI (All in rands)	
Sector	South African - Multi Asset - High Equity	
Distribution per Unit	Class A : 46.51c on 31 Aug 12 Class B : 52.39c on 31 Aug 12 Class A : 36.50c on 29 Feb 12 Class B : 19.01c on 29 Feb 12	
Total Expense Ratio	Class A : 1.70% Class B : N/A	

The PSG Balanced Fund has a Total Expense Ratio (TER) as listed above. For the period from 1 October 2011 to 30 September 2012 on an annualised basis, the percentages above of the average Net Asset Value of the portfolio was incurred as charges, levis and fees. A Higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER can not be regarded as an indication of future TER's.

Asset Allocation

Local Equity	38.4%
Local Cash	24.6%
Local Bonds	10.1%
Local Property	2.6%
Offshore Equity	24.3%
Total	**100.0%**

Performance

Returns (annualised)	**Class A**	**Benchmark**
Since Inception	15.3%	14.4%
5 Years	10.6%	10.6%
3 Years	14.0%	16.1%
1 Year	17.0%	21.4%

Investment Objective and Mandate

The PSG Balanced Fund will be a specialized portfolio, having the primary objective of long term growth of capital and a reasonable level of income for investors. The manager shall seek to achieve this objective through active management of a portfolio of assets which comprise a mix of securities, non-equity securities, assets in liquid form and participatory interests in collective investment schemes or similar schemes both locally and abroad as legislation permits. The asset allocation will be actively managed and will continually reflect the portfolio manager's view of the relative attractiveness of the equity, gilt and money markets, both locally and abroad. The selected sectors within the equity portion of the portfolio will change from time to time in accordance with changing market conditions and economic trends. The fund will comply with regulations governing retirement funds.

Fund Manager Commentary

At PSG Asset Management we follow a bottom up approach to asset allocation, i.e. we look for compelling investment instruments rather than deriving our preferred asset class from the state of the world. The latter approach is commonly known as top down asset allocation. How do we manage our Asset Allocation Funds (like the PSG Balanced Fund) if we don't do asset allocation? We allocate to yields which make sense, regardless of asset class. What is a yield that makes sense? Let us elaborate.

Yield is simply the cash flow generated by an asset divided by the price. We look for assets which offer attractive yields on a risk adjusted basis. Broadly speaking, there are two risks when buying investment securities. The first is the risk of having to sell for less than you initially paid and the second is the risk of receiving less cash flow from the investment than you bargained for. Though these two occurrences will tend to go hand in hand, separating them is a good way of ensuring that your home work is thorough.

We mitigate the first risk, as far as possible, by estimating a true value for potential investments. If we can't buy it below this value, we don't buy it. Estimating the intrinsic value of an investment is not an exact science, therefore overpaying slightly can be regarded as a misdemeanour. Grossly overpaying, however, is a mortal sin. Small mistakes are inevitable and good investments can recover your mistakes, but big mistakes result in the destruction of clients' wealth. In a rising tide where all boats are lifted, overpaying for an asset is an easy mistake. Buying the cheapest asset (highest yield) of a bad bunch does not necessarily make a good investment if that asset is expensive compared to its own history, or compared to the cash flow it will reasonably generate over its lifetime.

Cheapest is not the same as cheap, just like the fastest car of the 60's hardly defines fast; or the cheapest necklace before Christmas proves to have been retailer robbery when the clearance sales begin. Asset yields need to be compared, not only across assets, but also across time. We recently went through an exercise of estimating the capital loss that investors will incur if the yield on certain asset classes were to revert back to more normal levels. We use rolling averages as an estimate of normal.

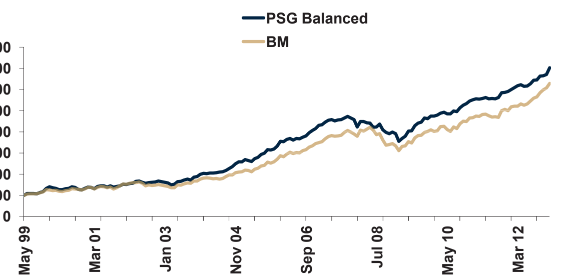
We found that if 10 Year Government Bond Yields were to retract to longer term average levels the capital loss will be in the vicinity of 20%, in the case of 5 year bonds it is closer to 25%. The same exercise applied to listed property indicates a capital loss of about 30%. Bear in mind that these assets are regarded as safe harbours for risk adverse investors. Interestingly, the dividend yield on the JSE All Share Index is at longer term average levels, implying a smaller chance of capital loss. This is hardly the case for every individual company, but it does imply that one is more likely to find attractive risk adjusted opportunities on the JSE.

Our first priority is to not lose your money. Our portfolios therefore hold hardly any nominal bonds (the risky kind) and no SA property. We prefer equities and cash; the risk adjusted yields simply make more sense.

Top 10 Holdings

1. Anglo American Plc	6. Super Group Limited
2. Steinhoff International Holdings Ltd	7. Kagiso Media Limited
3. Sasol Limited	8. Microsoft Corp
4. Tesco Plc	9. Capital Shopping Centre Group
5. EOH Holdings	10.Heineken Holding NV

Performance Graph



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PSG COLLECTIVE INVESTMENTS

PSG | Asset Management

January 2013

PSG Stable Fund

Portfolio information

Fund Manager's	Paul Bosman and Neels van Schaik	
Fund Size	R47.1 million	
Launch Date	1 September 2011	
Initial Fee incl. VAT	Fund Manager:	0%
	Advisor:	Max 2.28%
Performance Fee incl. VAT	7.98% of outperformance of High Watermark	
Annual Fee incl. VAT	1.14%	
Minimum investment	R2,000 lump sum, or R250 monthly debit order	
Risk Profile	Moderate - Low	
Benchmark	CPI + 3% over rolling 3 year period	
Sector	South African - Multi Asset - Low Equity	
Distribution per Unit	1.26c on 29 Feb 12 1.52c on 31 Aug 12	
Month end NAV Price	116.62c	
Total Expense Ratio	1.80%	

The PSG Stable Fund has Total Expense Ratio (TER) as listed above. For the period form 1 October 2011 to 30 September 2012 on an annualised basis, the percentage above of the average Net Asset Value of the portfolio was incurred as charges, levies and fees. A Higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER can not be regarded as an indication of future TER's . Included in the TER of 1.80% is a performance fee of 0.01% of the Net Asset Value of the participatory interest of the portfolio.

Asset Allocation

Local Equity	**18.9%**
Resources	4.1%
Industrials	13.6%
Financials	1.2%
Foreign Equity	**16.7%**
Industrials	13.5%
Financials	3.2%
Domestic Cash	**43.1%**
Domestic Property	**1.2%**
Domestic Bonds	**20.1%**
Total	**100.0%**

Performance

Annualised Returns	**Fund**	**Benchmark**
Since Inception	13.8%	8.1%
1 Year	13.7%	8.7%

Top 10 Equity Holdings

1. Tesco Plc	6. Anglo American Plc
2. Berkshire Hathaway Inc	7. Roche Holdings AG
3. Microsoft Corporation	8. Capevin Holdings Limited
4. Super Group Limited	9. EOH Holdings Limited
5. Sasol Limited	10. International Business Machines Corp

Investment Objective and Mandate

The PSG Stable Fund will seek to generate a performance return of CPI + 3% over a rolling three year period after costs, while aiming to achieve capital appreciation with low volatility and a low correlation to equity markets through all market cycles. This fund will comply with regulations governing retirement funds.

Fund Manager Commentary

At PSG Asset Management we follow a bottom up approach to asset allocation, i.e. we look for compelling investment instruments rather than deriving our preferred asset class from the state of the world. The latter approach is commonly known as top down asset allocation. How do we manage our Asset Allocation Funds (like the PSG Stable Fund) if we don't do asset allocation? We allocate to yields which make sense, regardless of asset class. What is a yield that makes sense? Let us elaborate.

Yield is simply the cash flow generated by an asset divided by the price. We look for assets which offer attractive yields on a risk adjusted basis. Broadly speaking, there are two risks when buying investment securities. The first is the risk of having to sell for less than you initially paid and the second is the risk of receiving less cash flow from the investment than you bargained for. Though these two occurrences will tend to go hand in hand, separating them is a good way of ensuring that your home work is thorough.

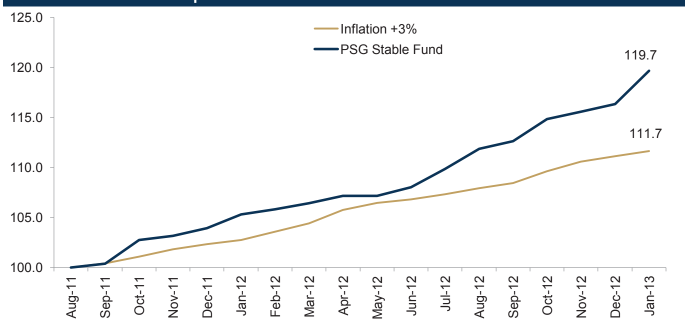
We mitigate the first risk, as far as possible, by estimating a true value for potential investments. If we can't buy it below this value, we don't buy it. Estimating the intrinsic value of an investment is not an exact science, therefore overpaying slightly can be regarded as a misdemeanour. Grossly overpaying, however, is a mortal sin. Small mistakes are inevitable and good investments can recover your mistakes, but big mistakes result in the destruction of clients' wealth. In a rising tide, where all boats are lifted, overpaying for an asset is an easy mistake. Buying the cheapest asset (highest yield) of a bad bunch does not necessarily make a good investment if that asset is expensive compared to its own history, or compared to the cash flow it will reasonably generate over its lifetime.

Cheapest is not the same as cheap, just like the fastest car of the 60's hardly defines fast; or the cheapest necklace before Christmas proves to have been retailer robbery when the clearance sales begin. Asset yields need to be compared, not only across assets, but also across time. We recently went through an exercise of estimating the capital loss that investors will incur if the yield on certain asset classes were to revert back to more normal levels. We use rolling averages as an estimate of normal.

We found that if 10 Year Government Bond Yields were to retract to longer term average levels the capital loss will be in the vicinity of 20%, in the case of 5 year bonds it is closer to 25%. The same exercise applied to listed property indicates a capital loss of about 30%. Bear in mind that these assets are regarded as safe harbours for risk adverse investors. Interestingly, the dividend yield on the JSE All Share Index is at longer term average levels, implying a smaller chance of capital loss. This is hardly the case for every individual company, but it does imply that one is more likely to find attractive risk adjusted opportunities on the JSE.

Our first priority is to not lose your money. Our portfolios therefore hold hardly any nominal bonds (the risky kind) and no SA property. We prefer equities and cash; the risk adjusted yields simply make more sense.

Performance Graph



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PSG Collective Investments

PSG | Asset Management

January 2013

PSG Preferred Dividend Fund

Portfolio information

Fund Manager	Heinrich Dietzsch
Fund Size	R112.3m
Launch Date	01 November 2006
Initial Fee incl. VAT	0%
Max Advice Fee incl. VAT	2.28%
Annual Fee incl. VAT	0.97%
Minimum Investment	R2 000 lump sum or
	R250 monthly debit order
Risk Profile	Low to Moderate
Benchmark	60% of Prime after Costs
Sector	South African Equity
	Other
Distribution per Unit	1.75c on 30 Nov 12
	0.99c on 31 Aug 12
	2.40c on 30 May 12
	0.22c on 29 Feb 12
Total Expense Ratio (TER)	1.14%

The PSG Preferred Dividend Fund has a Total Expense Ratio (TER) as listed above. For the period from 1 October 2011 to 30 September 2012 the percentage above of the average Net Asset Value of the portfolio were incurred as charges, levies and fees related to the management of the portfolio. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER can not be regarded as an indication of future TER's.

Fund Performance

Performance	Fund	Benchmark
1 Year	3.33%	5.24%
2 Year	5.58%	5.32%
3 Year	7.45%	5.50%

All performance data are net of fees, include income, assumes investment of income, on a NAV to NAV basis. Source: © 2013 Morningstar, Inc. All Rights Reserved and South African Reserve Bank (benchmark).

Percentage Month End Yield after Costs of the Portfolio

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg. for Yr.
2008								11.5	11.7	12.6	12.2	11.6	11.9
2009	11.8	11.3	10.2	9.9	8.1	8.2	7.7	8.2	8.0	7.5	7.6	7.3	8.8
2010	7.1	7.3	6.9	6.6	6.7	6.7	6.7	6.7	6.2	6.3	5.7	5.9	6.6
2011	5.9	6.2	6.1	6.1	6.2	6.1	6.2	6.2	6.0	5.9	5.9	5.8	6.1
2012	5.7	6.0	5.8	6.3	6.2	6.6	6.2	6.4	6.1	6.1	6.5	6.7	6.2
2013	6.9												

Investment Objective

The PSG Preferred Dividend Fund is a specialist portfolio. The objective of the PSG Preferred Dividend Fund is to seek to preserve capital and to maximise dividend income returns for investors. The portfolio will comprise a mix of high dividend yielding listed equity securities, listed preference shares, derivative instruments, money market instruments and assets in liquid form, both locally and abroad, thereby generating a high level of dividend income, whilst preserving capital. The portfolio will optimise the asset allocation in order to achieve the fund objective over time. The portfolio may be fully invested in listed preference shares, but may not invest more than 20% of its market value in preference shares that are convertible into ordinary shares. The exposure to securities, other than listed preference shares, will be limited to a maximum of 40% of the market value of the portfolio. The portfolio may also include participatory interests.

Fund Manager Commentary

The monthly returns on preference shares were mostly negative over January with Capitec and Imperial Holdings declining by more than 4%. The prices of the preference shares of FirstRand and Standard Bank remained steady, while ABSA and Nedbank in contrast, fell by 3.1% and 2.6% respectively.

The decline in preference share prices have improved the dividend yield of the preference shares. The expected running yield of the fund equates to 81% of the prime overdraft rate.

Asset & Sector Allocation

Financials	66%
Industrials	33%
Cash	1%

Top Holdings

ABSA Bank	Nedbank
Capitec Bank	PSG
FirstRand	Standard Bank
Grindrod	Sasfin Holdings
Investec Bank	Steinhoff International

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PSG Collective Investments

January 2013

PSG Optimal Income Fund

Portfolio information

Fund Manager's	Paul Bosman and Neels van Schaik	
Fund Size	R107.9 million	
Launch Date	7 April 2006	
Initial Fee incl. VAT	Fund Manager:	0%
	Advisor:	Max 0.57%
Annual Fee incl. VAT	1.14%	
Minimum investment	R2000 lump sum, or R250 monthly debit order	
Risk Profile	Low - Moderate	
Benchmark	Alexander Forbes Short Term Fixed Interest (STEFI) Index	
Sector	South African - Multi Asset - Income	
Distribution per Unit	1.42c on 30 Nov 12 0.97c on 31 Aug 12 1.33c on 31 May 12 0.97c on 29 Feb 12	
Total Expense Ratio	1.24%	

The PSG Optimal Income Fund has a Total Expense Ratio (TER) as listed above. For the period from 1 October 2011 to 30 September 2012 on an annualised basis, the percentages above of the average Net Asset Value of the portfolio was incurred as charges, levis and fees. A Higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER can not be regarded as an indication of future TER's.

Asset Allocation

Local Equity	9.0%
Local Cash	37.5%
Local Property	1.9%
Local Bonds	44.3%
Offshore Equity	7.1%
Offshore Cash	0.2%
Total	**100.0%**

Investment Objective and Mandate

The PSG Optimal Income Fund is a specialist portfolio. The objective of the portfolio is to seek to preserve capital and to maximise income returns for investors. The portfolio will comprise a mix of high yielding equity securities, property, bonds, preference shares and assets in liquid form, both locally and abroad, thereby generating both tax free and taxable income, whilst preserving capital. The fund will comply with regulations governing retirement funds.

Fund Manager Commentary

At PSG Asset Management we follow a bottom up approach to asset allocation, i.e. we look for compelling investment instruments rather than deriving our preferred asset class from the state of the world. The latter approach is commonly known as top down asset allocation. How do we manage our Asset Allocation Funds (like the PSG Optimal Income Fund) if we don't do asset allocation? We allocate to yields which make sense, regardless of asset class. What is a yield that makes sense? Let us elaborate.

Yield is simply the cash flow generated by an asset divided by the price. We look for assets which offer attractive yields on a risk adjusted basis. Broadly speaking, there are two risks when buying investment securities. The first is the risk of having to sell for less than you initially paid and the second is the risk of receiving less cash flow from the investment than you bargained for. Though these two occurrences will tend to go hand in hand, separating them is a good way of ensuring that your home work is thorough.

We mitigate the first risk, as far as possible, by estimating a true value for potential investments. If we can't buy it below this value, we don't buy it. Estimating the intrinsic value of an investment is not an exact science, therefore overpaying slightly can be regarded as a misdemeanour. Grossly overpaying, however, is a mortal sin. Small mistakes are inevitable and good investments can recover your mistakes, but big mistakes result in the destruction of clients' wealth. In a rising tide, where all boats are lifted, overpaying for an asset is an easy mistake. Buying the cheapest asset (highest yield) of a bad bunch does not necessarily make a good investment if that asset is expensive compared to its own history, or compared to the cash flow it will reasonably generate over its lifetime.

Cheapest is not the same as cheap, just like the fastest car of the 60's hardly defines fast; or the cheapest necklace before Christmas proves to have been retailer robbery when the clearance sales begin. Asset yields need to be compared, not only across assets, but also across time. We recently went through an exercise of estimating the capital loss that investors will incur if the yield on certain asset classes were to revert back to more normal levels. We use rolling averages as an estimate of normal.

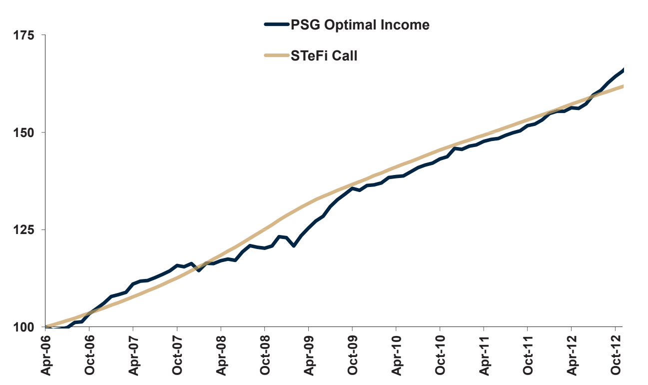
We found that if 10 Year Government Bond Yields were to retract to longer term average levels the capital loss will be in the vicinity of 20%, in the case of 5 year bonds it is closer to 25%. The same exercise applied to listed property indicates a capital loss of about 30%. Bear in mind that these assets are regarded as safe harbours for risk adverse investors. Interestingly, the dividend yield on the JSE All Share Index is at longer term average levels, implying a smaller chance of capital loss. This is hardly the case for every individual company, but it does imply that one is more likely to find attractive risk adjusted opportunities on the JSE.

Our first priority is to not lose your money. Our portfolios therefore hold hardly any nominal bonds (the risky kind) and no SA property. We prefer equities and cash; the risk adjusted yields simply make more sense.

Performance

Returns (annualised)	Fund	Benchmark
Since Inception	8.1%	7.5%
5 Years	8.2%	7.1%
3 Years	7.6%	5.5%
1 Year	9.7%	8.0%

Performance Graph



Top 5 Equity Holdings		Top 5 Local Bonds	
1. Sasol Limited	2.0%	1. MET01	4.9%
2. Tesco Plc	2.0%	2. IBL19	4.7%
3. Capital Shopping Centre Group	1.9%	3. SSA02	4.7%
4. Steinhoff International Holdings	1.3%	4. ABFN06	4.7%
5. Heineken Holding NV	1.3%	5. OML01	4.0%

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PSG Collective Investments

PSG | Asset Management

January 2013

PSG Income Fund

Portfolio information

Fund Manager	Heinrich Dietzsch
Fund Size	R37.9 million
Launch Date	1 September 2011
Initial Fee incl. VAT	Fund Manager: 0%
	Advisor: Max 0.57%
Annual Fee incl. VAT	1.14%
Minimum investment	R2,000 lump sum, or R250 monthly debit order
Risk Profile	Low
Benchmark	Alexander Forbes Money Market Index after costs
Sector	South African - Interest Bearing - Variable
Distribution per Unit	1.27c on 30 Nov 12
	1.31c on 31 Aug 12
	1.34c on 31 May 12
	1.13c on 28 Feb 12

Distributions are quarterly at the end of Nov, Feb, May and Aug

Total Expense Ratio	1.31%

The PSG Income Fund has a Total Expense Ratio (TER) as listed above. For the period from 1 January 2012 to 31 December 2012 on an annualised basis, the percentages above of the average Net Asset Value of the portfolio was incurred as charges, levis and fees. A Higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER can not be regarded as an indication of future TER's.

Asset Type

Listed Bonds	46%
NCDs	11%
Call and Cash	1%
Floating Rate Notes	42%
Total	**100%**

Performance

Returns (annualised)	Fund	Benchmark
Inception	**5.8%**	**5.6%**
1 Year	**5.4%**	**5.6%**

Top 10 FI assets

1. FirstRand	6. Investec Bank
2. Nedbank	7. Steinhoff International
3. Standard Bank	8. Eqstra
4. ABSA	9. Sanlam
5. Capitec Bank	10. Imperial Holdings

Investment Objective and Mandate

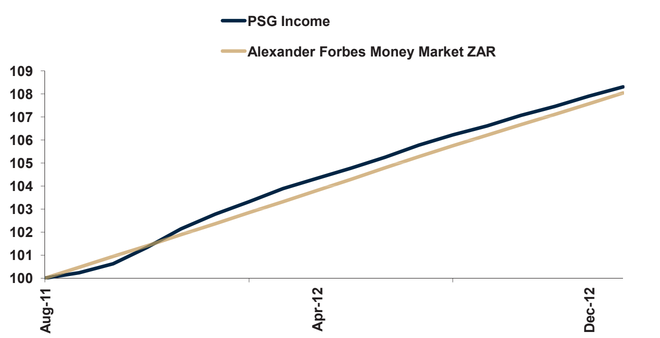
The investment objective of the PSG Income Fund is to maximise income while achieving long term capital appreciation as interest rate cycles allow. The fund will comply with regulations governing retirement funds.

Fund Manager Commentary

The first meeting of the MPC for 2013, saw the repo rate being kept on hold at 5.0%. The stage is set for rates to remain sideways for the rest of the year, all things remaining equal. Still of concern is the deterioration of the inflation outlook, against the backdrop of weaker domestic growth, which would constrain the SARB from any further rate moves.

Headline CPI for December was released at 5.70% year-on-year (previous month was 5.60%). Threats to the upside persist due to higher fuel and food prices, and the depreciation of the rand. The rand depreciation can be ascribed to the Fitch rating downgrade during the month, and the renewed strike action affecting the country's farming sector.

Performance Graph



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PSG COLLECTIVE INVESTMENTS

PSG | Asset Management

January 2013

PSG Money Market Fund Class A

Portfolio information

Fund Manager	Heinrich Dietzsch
Fund Size	R2.51bn
Launch Date	19 October 1998
Initial Fee	No initial fee
Max Advice Fee	No advice fee
Annual Fee incl. VAT	0.57%
Minimum Investment	R25 000 lump sum
Risk Profile	Low
Benchmark	Mstar (ASISA) Dom. FI Money Market Average
Sector	South African Interest Bearing Money Market
Total Expense Ratio (TER)	0.59%

The PSG Money Market Fund Class A has a Total Expense Ratio (TER) as listed above. For the period from 1 October 2011 to 30 September 2012, 0.59% of the average Net Asset Value of the portfolio were incurred as charges, levies and fees related to the management of the portfolio. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER can not be regarded as an indication of future TER's.

Investment Objective

The investment objective of the fund is to provide a medium whereby investors can obtain undivided participation in a diversified portfolio of such money market instruments as defined from time to time.

The primary performance objective of the fund is to obtain as high a level of current income as is consistent with capital preservation and liquidity. Capital gains will be of an incidental nature. The PSG Money Market Fund actively invests in South African cash deposits and highly liquid, fixed-interest securities such as Negotiable Certificates of Deposit, Bankers' Acceptances, Treasury Bills, Debentures, Gilts and Semi-Gilts. A spread of investments in top-quality financial instruments and institutions moderates risk through diversification. Only short-term instruments with a maturity of one year or less are permitted, however the fund will maintain a weighted average maturity of no more than 90 days. This reduces the fund's exposure to price fluctuations and interest rate volatility and ensures added capital stability. Returns consist of interest income. The fund aims to outperform traditional savings vehicles such as fixed deposits and call accounts over the long term and to provide capital security, a steady income yield and high liquidity.

Performance Tables

Annualised Performance	Fund	Benchmark
1 Year	5.26%	5.36%
2 Years	5.35%	5.41%
3 Years	5.81%	5.87%
5 Years	7.59%	7.62%
Inception	9.24%	9.23%

All performance data for the PSG Money Market Fund Class A are net of fees, include income, assumes investment of income, on a NAV to NAV basis. Source: © 2013 Morningstar, Inc. All Rights Reserved.

Fund Manager Commentary

The first meeting of the MPC for 2013, saw the repo rate being kept on hold at 5.0%. The stage is set for rates to remain sideways for the rest of the year, all things remaining equal. Still of concern is the deterioration of the inflation outlook, against the backdrop of weaker domestic growth, which would constrain the SARB from any further rate moves.

Headline CPI for December was released at 5.70% year-on-year (previous month was 5.60%). Threats to the upside persist due to higher fuel and food prices, and the depreciation of the rand. The rand depreciation can be ascribed to the Fitch rating downgrade during the month, and the renewed strike action affecting the country's farming sector.

Top 10 Holdings

- ABSA
- Nedbank
- FirstRand
- Standard Bank
- Investec Bank
- Steinhoff International
- Capitec Bank
- Landbank
- Nampak
- Grayston

Asset Allocation

Floating Rate Notes	67%
NCD's	14%
Promissory Notes	12%
Treasury Bills	0%
Call & Cash	5%
Listed Bonds	1%
Fixed Deposits	1%
Total	100%

A constant price will be maintained. Past performance is not necessarily a guide to future performance. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. Unit trusts can engage in borrowing and scrip lending. Commission and incentives may be paid and if so, would be included in the overall costs. Forward pricing is used. Figures quoted are from Source: © 2013 Morningstar, Inc. All Rights Reserved as at 31 January 2013, for a lump sum using NAV-NAV prices, with income distributions reinvested. PSG Collective Investments Limited is a member of the Association for Savings and Investment South Africa (ASISA). **Conflict of Interest Disclosure:** PSG Collective Investments and PSG Asset Management (Pty) Ltd are wholly owned by PSG Konsult (Pty) Ltd.

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PSG Collective Investments

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January 2013

PSG Global Equity Feeder Fund

Portfolio information

Fund Manager	Greg Hopkins	
Fund Size	R25.8 million	
Launch Date	3 May 2011	
Initial Fee incl. VAT	Fund Manager:	0%
	Advisor:	Max 2.28%
Annual Management Fee	0.86% (incl VAT)	
Minimum investment	R2,000 lump sum	
Risk Profile	High	
Benchmark	MSCI World Free ZAR Index	
Sector	Global - Equity - General	
Distribution per Unit	0.00c on 29 Feb 12	
Total Expense Ratio	2.09%	

The PSG Global Equity Feeder Fund has a Total Expense Ratio (TER) as listed above. For the period from 1 October 2011 to 30 September 2012 on an annualised basis, the percentatge above of the average Net Asset Value of the portfolio was incurred as charges, levis and fees. A Higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER can not be regarded as an indication of future TERs.

Sector Allocation

Consumer Staples	20.7%
Financials	16.7%
Industrials	14.4%
Technology	11.9%
Healthcare	11.6%
Materials	10.5%
Energy	7.0%
Cash	3.6%
Utilities	2.2%
Consumer Discretionary	1.4%
Total	**100.0%**

Regional Allocation

US	49.9%
Europe	26.3%
United Kingdom	16.4%
Cash	3.6%
Africa	3.6%
China	0.2%
Total	**100.0%**

Performance

Returns (annualised)	**Fund**	**Benchmark**
Since Inception	13.5%	23.1%
1 Year	26.4%	33.6%

Top 10 Holdings

1. Tesco Plc	5.8%	6. Heineken Holding NV	4.0%
2. Alstom	5.2%	7. Steinhoff International Holdings Ltd	3.6%
3. Berkshire Hathaway Inc	4.7%	8. JP Morgan Chase & Co	3.4%
4. Bank of New York Mellon Corp	4.5%	9. Microsoft Corp	3.4%
5. Unilever	4.1%	10. Vinci SA	3.3%

Investment Objective and Mandate

The PSG Global Equity Feeder Fund is a rand denominated equity Feeder Fund, feeding solely into the PSG Global Equity Fund (USD), a protected cell under the PSG Mutual Fund PCC Limited, approved for distribution in the Republic of South Africa. The portfolio aims to outperform the average of the world's equity markets, as represented by the MSCI Daily Total Return Net World USD. The portfolio's investment strategy will attempt to reduce the comparative risk (against the benchmark) of loss over an investment period of 4 or more years.

Ideal Investor

The portfolio will be best suited to investors looking for capital growth by being invested in a portfolio of equity holdings.

Fund Manager Commentary

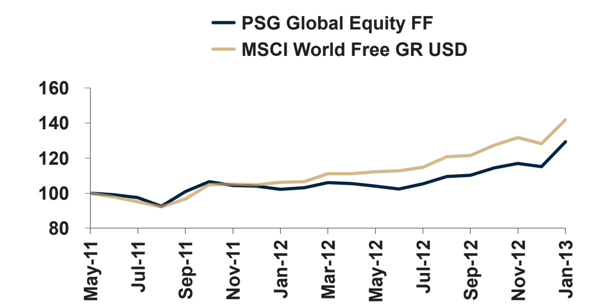
Despite the uncertain backdrop we believe that there continues to be an opportunity to invest in high quality, household name global equities. We believe that applying a simple, consistent philosophy in the global arena will reap dividends - to invest in companies with long track records, simple to understand businesses, and a moat that provides protection against the marauding competition. The fund's holdings are focused in the developed markets where we find the best opportunities at present. They often have significant emerging market exposure (for example, Unilever with over 50% of its revenues coming from developing markets), although they continue to trade at large discounts to their emerging market peers.

We typically favour investments in industries with stable, staple-like businesses, or those that provide essential services. We expect these products will be in increasing demand as incomes continue to rise in the developing world. We also typically favour companies with rock solid balance sheets.

Our holdings in household quality names are supplemented from time to time in smaller capitalization stocks and stocks with more cyclical cash flows when we feel that we are rewarded with a significant margin of safety. The recent sell off in the markets continue to provide opportunities in this latter space, particularly in Europe.

Recession fears, sovereign debt concerns in the developed world, particularly in Europe and fears of another round of banking crises continue to weigh on equity markets. We remain sanguine about the prospects for the holdings in the fund over the medium term. Current dividend yields and future expected growth rates in dividends further support our constructive view.

Performance Graph



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