

**2023 in review**

At the outset of 2023, financial markets grappled with historically gloomy expectations, anticipating a global economic slowdown and the looming threat of a recession. At the same time, central banks globally undertook the challenge of combating inflation. Subsequently, the US faced a regional banking crisis, and global geopolitical tensions reached heightened levels.

However, financial markets defied these concerns, highlighting the wisdom of the adage “time in the market beats timing the market”. Recession fears shifted to confidence as central banks signalled a transition from rate hikes to cuts in 2024, accompanied by a notable easing of inflation pressures. Global economic growth exceeded expectations, creating a favourable environment for risk assets and reshaping expectations towards a ‘soft landing’ – a harmonious blend of lower inflation, reduced interest rates and moderate economic growth.

The Bloomberg Aggregate Global Bond Index rebounded gaining 6% in US dollars after a challenging 2022 (-16%). Locally, performance mirrored emerging markets, trailing major developed markets. Cash produced a return of 8%, offering investors an inflation-beating return. With the local currency depreciating by 8% versus the US dollar during the year (2022: -7%), the All Bond Index (ALBI) returned a positive 10% (2022: +4%). Considering the volatility experienced in global bond markets during 2023, local bonds in our view produced a commendable result.

**Looking forward**

Although there are tentative signs that inflation is cooling globally and rate cuts are potentially on the horizon, it is important to acknowledge that the investment landscape today has undergone a profound transformation compared with the pre-Covid-19 era. We maintain the perspective that inflation may persist longer than widely acknowledged, necessitating a supply side response through investment in the capital-starved real economy – a process that could span years before the situation is rectified. This outlook bodes well for commodity-driven emerging markets like South Africa and other beneficiaries globally. Fixed income assets remain very attractive in our view, with the rally experienced in the final quarter of 2023 an indication of the immense value embedded in our bond and cash markets. We are more likely to be closer to the end of the current rate hiking cycle and as a result the negotiable certificate of deposit (NCD) curve has started to reprice lower in anticipation of rate cuts. That said we are still finding value in adding longer-term fixed rates on the NCD curve. While on the Treasury bill curve we have also been presented with an opportunity to add yields at very attractive spreads compared to the same term NCD curve. For example, we were able to buy 6-month Treasury bills at over 9%.

Our focus remains on protecting capital, while providing high levels of liquidity and adequate earnings on money market savings. As mentioned, the past quarter we have been able to add attractive yields to the fund without increasing the risk of capital losses.

**Portfolio performance\***

Over the quarter the PSG Money Market Fund returned 2.1% versus the benchmark return of 1.9%. The fund is suitable for investors who need an interim investment vehicle or ‘parking bay’ for surplus money and a short-term investment horizon. Since inception the fund produced an annualised return of 7.9% versus the benchmark return of 8.0% p.a.

\*Return numbers as per the PSG Money Market Fund Class A

## Changes in portfolio positioning

Q3 2023		Q4 2023	
Linked NCDs/ Floating-rate notes	20.0%	Linked NCDs/Floating-rate notes	19.8%
Step rate notes	9.6%	Step rate notes	10.7%
NCDs	35.6%	NCDs	33.5%
Treasury bills	13.5%	Treasury bills	21.7%
Call deposits	18.8%	Call deposits	8.2%
Listed bond	2.5%	Listed bond	6.1%

There may be slight differences in the totals due to rounding.

Number of units as at 31 December 2023 (Class A):	506 907 574
Price (net asset value per unit) as at 31 December 2023 (Class A):	R1.00
Number of units as at 31 December 2023 (Class F):	406 077 963
Price (net asset value per unit) as at 31 December 2023 (Class F):	R1.00

All data as per Bloomberg as at 31 December 2023.

### Total investment charge

#### PSG Money Market Fund Class A

##### Total Investment Charge annualised for the period 01/01/2021 to 31/12/2023

<b>Total expense ratio % (incl. VAT)</b>	<b>0.59</b>
Annual management fee % (incl. VAT)	0.58
Other costs excluding transaction costs % (incl. VAT)	0.01
Transaction costs % (incl. VAT)	0.02
<b>Total investment charge % (incl. VAT)</b>	<b>0.61</b>

##### Total Investment Charge annualised for the period 01/01/2023 to 31/12/2023

<b>Total expense ratio % (incl. VAT)</b>	<b>0.59</b>
Annual management fee % (incl. VAT)	0.58
Other costs excluding transaction costs % (incl. VAT)	0.01
Transaction costs % (incl. VAT)	0.01
<b>Total investment charge % (incl. VAT)</b>	<b>0.60</b>

#### PSG Money Market Fund Class F

##### Total Investment Charge annualised for the period 01/01/2021 to 31/12/2023

<b>Total expense ratio % (incl. VAT)</b>	<b>0.36</b>
Annual management fee % (incl. VAT)	0.35
Other costs excluding transaction costs % (incl. VAT)	0.01
Transaction costs % (incl. VAT)	0.02
<b>Total investment charge % (incl. VAT)</b>	<b>0.38</b>

##### Total Investment Charge annualised for the period 01/01/2023 to 31/12/2023.

The annual management fee changed to 0.29% from 01/06/2022.

<b>Total expense ratio % (incl. VAT)</b>	<b>0.31</b>
Annual management fee % (incl. VAT)	0.29
Other costs excluding transaction costs % (incl. VAT)	0.02
Transaction costs % (incl. VAT)	0.01
<b>Total investment charge % (incl. VAT)</b>	<b>0.32</b>

**Disclaimer**

Collective Investment Schemes in Securities (CIS) are generally medium to long-term investments. The value of participatory interests (units) or the investment may go down as well as up and past performance is not a guide to future performance. Fluctuations or movements in the exchange rates may cause the value of underlying international investments to go up or down. CIS are traded at ruling prices and can engage in borrowing and scrip lending. The portfolio may borrow up to 10% of its market value to bridge insufficient liquidity. Where foreign securities are included in a portfolio, the portfolio is exposed to risks such as potential constraints on liquidity and the repatriation of funds, macroeconomic, political, foreign exchange, tax, settlement and potential limitations on the availability of market information. The portfolios may be capped at any time in order for them to be managed in accordance with their mandate. PSG Collective Investments (RF) Limited does not provide any guarantee either with respect to the capital or the return of the portfolio. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

**Money Market**

The PSG Money Market Fund maintains a constant price and is targeted at a constant value. The quoted yield is calculated by annualizing the average 7 day yield. A money market portfolio is not a bank deposit account. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures and in such circumstances a process of ring-fencing of withdrawal instructions and managed payouts over time may be followed. The total return to the investor is made up of interest received and any gain or loss made on any particular instrument. In most cases the return will merely have the effect of increasing or decreasing the daily yield but in the case of abnormal losses it can have the effect of reducing the capital value of the portfolio.

**Regulation 28**

The fund is managed according to Regulation 28 of the Pension Funds Act. The South African retirement fund industry is governed by the Pension Funds Act No. 24 of 1956. Regulation 28 of the Pension Funds Act prescribes the maximum limits in asset classes that an approved retirement fund may invest in. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a reasonable time period.

**Performance**

All performance data for a lump sum, net of fees, include income and assumes reinvestment of income on a NAV to NAV basis. Annualised performances show longer term performance rescaled over a 12 month period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Performance is calculated for the portfolio and individual investor performance may differ as a result thereof. The portfolio is valued at 15h00 daily. Cut-off time is determined by the platform. Income distributions are net of any applicable taxes. Actual annual figures are available to the investor on request. Prices are published daily and available on the website [www.psg.co.za/asset-management](http://www.psg.co.za/asset-management) and in the daily newspapers. Figures quoted are from Morningstar Inc.

**Pricing**

Forward pricing is used. Unit trust prices are calculated on a net asset value (NAV) basis, which is the market value of all assets in the Fund including income accruals less permissible deductions divided by the number of units in issue.

**Redemptions**

The ability of a portfolio to repurchase is dependent upon the liquidity of the securities and cash of the portfolio. To protect investors, a manager may suspend repurchases for a period, subject to regulatory approval, to await liquidity. A suspension ensures that the sale of a large number of units will not force PSG Collective Investments to sell the underlying investments at a price in the market which could have a negative impact on investors. PSG Collective Investments will keep all investors informed should a situation arise where such suspension is required.

**Company details**

PSG Collective Investments (RF) Limited is registered as a CIS Manager with the Financial Sector Conduct Authority, and a member of the Association of Savings and Investments South Africa (ASISA) through its holdings company PSG Financial Services Limited. The management of the portfolio is delegated to PSG Asset Management (Pty) Ltd, an authorized Financial Services Provider under the Financial Advisory and Intermediary Services Act 2002, FSP no 29524. PSG Asset Management (Pty) Ltd and PSG Collective Investments (RF) Limited are subsidiaries of PSG Financial Services Limited. PSG Collective Investments (RF) Limited can be contacted on +27(21) 799 8000; (toll free) 0800 600 168, via email [assetmanagement@psg.co.za](mailto:assetmanagement@psg.co.za).

**Conflict of Interest Disclosure**

The fund manager may use the brokerage services of a related party, PSG Securities Ltd.

**Trustees**

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**Additional information**

Additional information is available free of charge on the website [www.psg.co.za/asset-management](http://www.psg.co.za/asset-management) and may include publications, brochures, forms and annual reports.