MONTHLY INVESTMENT INSIGHTS

APRIL 2017

Contents

The monthly interview

The future of the Eurozone will be tested this year with national elections scheduled to take place in key economies like France and Germany. Dutch far-right leader Geert Wilders's promise to bring a populist 'revolution' to Europe fell flat on 15 March after his anti-immigrant Party for Freedom failed to live up to supporters' expectations in a closely-watched general election. The possibility that populist movements could gather more support in the rest of Europe still concern investors, especially following the UK pro-Brexit vote. To gain answers to some concerns we spoke to Prof Kalu Ojah, the director of the Master in Finance and Investment school at the University of Witwatersrand. Ojah, originally from Nigeria, holds a BSc in Management/Economics (ORU, USA), and both a MFn and PhD in Finance (Saint Louis, USA). He has been named in Who's Who Among America's Teachers, and nominated for Who's Who in Finance and Industry. His main areas of research are financial markets, corporate finance and governance, financial economics and international business.

Prof. Kalu Ojah

France is facing a presidential election starting April, in which far-right leader Marine Le Pen, who wants to leave the European Union and sharply curb immigration, is expected to make a strong showing. What could happen to the French economy if Le Pen's party is victorious?

If a populist leader does win in France, their economy will take a knock. Especially because they will also start to de-couple themselves from the European Union (EU), like the United Kingdom did in the case of Brexit. Businesses who traditionally had headquarters in France, might decide it is better to move their headquarters to places like Tokyo or New York. This has a further ripple effect on the economy, because businesses which could have paid tax in that specific economy, now exits from this country. And remember reciprocal trade agreements were already in place. All these agreements will now need to be renegotiated. New individual bilateral trade arrangements will need to be made with non-EU countries. And if France still wants to trade with countries that are part of the EU, they will need to renegotiate with the EU, which will more than likely not be as beneficial to countries outside the EU as those that have membership status.

What impact could this sovereign change in France have on the EU economy?

France is currently the third largest economy in Europe and the sixth largest in the world with a GDP of about $2.4 trillion. As such France's economy represents almost 3.30% of the world economy. Its membership in the EU has also benefitted its economy, which will take a nose dive if its leaders decide to exit from the EU. The economic recovery in the EU is currently regarded as resilient and gradually broadening across the region. Strong Purchasing Managers' Index (PMI) numbers have also been seen since November 2016, which indicates a consumer led economic recovery taking place in the EU. Some agencies expect economic growth of 1% to 1.5% in the EU this year. However, if France exits this bloc, as is the case in the UK, only time will tell what type of knock the bloc's economy will take.

Germany is also holding a national election in September this year, do you expect any upsets in this political race?

I am not worried about Germany. Even if Angela Merkel does not win, and the populist party wins, Germany is not as polarising as other EU countries. Especially because of Germany's own history. Since the time of Hitler, Germany has been very cautious not to swing to extremes, even when everybody around them does.

The Dutch-arm of populism has already failed. And if anybody can lend credence to an anti-populist movement it is the Dutch. They are very good at thinking independently and doing what is good for them. So for the Netherlands to have gone the way it did – i.e. not voting for a populist party – I think the movement is less likely to succeed in the rest of Europe. I am not saying that someone from the right wing could not win, but I do not think it will be somebody as dangerous as a Le Pen. If someone like a Le Pen wins, they will be as noisy and disruptive as Donald Trump.

What changes do you think the European Central Bank (ECB) will make this year?

I do not think ECB president, Mario Draghi will change the ECB's policies drastically. They already started their programme of Quantitative Easing (QE) too late. When the Americans were easing monetary policy to ensure that banks were still able to lend money to businesses to produce goods, the ECB acted like an ostrich with its head in the sand – by tightening its belt. So consumers and producers were holding back and uncomfortable to spend. So instead of producing goods with the minimal amount of resources in their possession to keep the economy going, producers said they will hold-off until conditions improve. So QE was started late in the EU, but the ECB had no choice given what was happening in Spain, Italy and Greece. And to some extend Spain and Ireland have turned a corner. Italy and Greece is still shaky, but progress has been made with other interventions like swapping.

The French and German elections are viewed by many as a referendum on Merkel's immigration policy and a demonstration of the anti-immigrant parties that have gained prominence in Europe. Do you think the rising support for populist movements in Europe is a direct result of continued slow economic growth in the region?

The problem is more that people are now turning to fear mongers as leaders who push a divide in societies where there was no divide. In my opinion the Europeans have done a better job than the Americans at managing globalisation. So the average European is not feeling threatened by globalisation in economic terms, they are feeling threatened by globalisation that is allowing migration. And this migration was caused by them, it is the chicken that is coming home to roost. The Rome Treaty of 1957, which led to the formation of the EU, was established on trade and aid. However, these agreements had Europeans pushing their relationship with Africans, Asians and people from the Caribbean in an asymmetrical way. And because these agreements were mainly centered on economic policies, there was no mutual management of politics and security.

Eventually people in former colonies started to realise that their resources were being tapped at a discriminatory price level. So when countries becomes unstable, the citizens decided to migrate to their former colonialist countries. So the chicken came home to roost, and the Europeans don't like that.

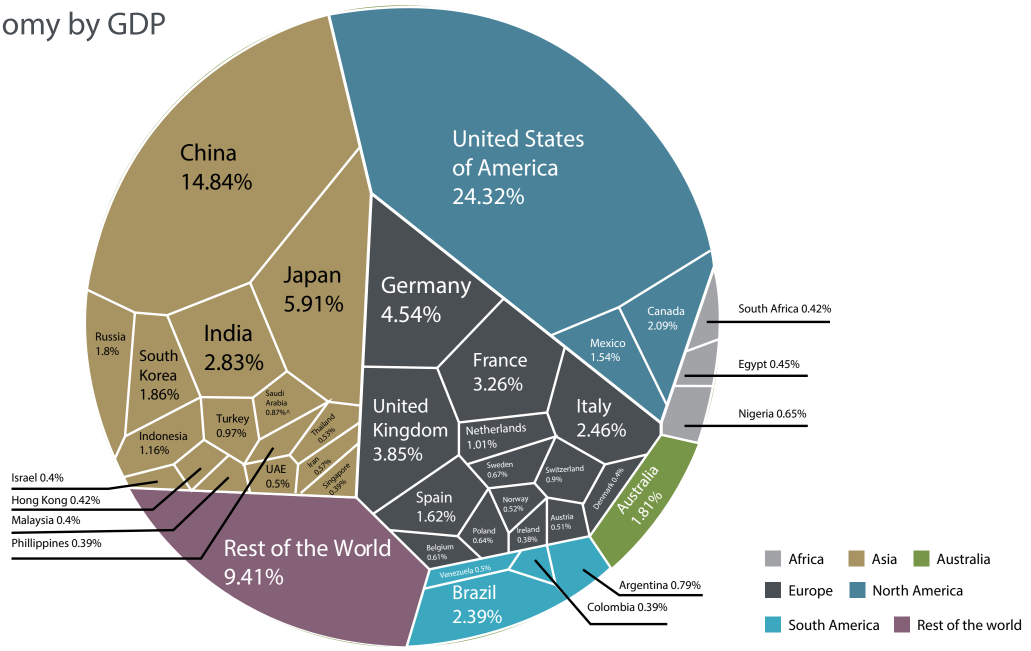
Do you think these populist movements could mean the end of the EU?

Even if there is some level of disintegration, it will not end. While some countries like France and the United Kingdom might pull away, other countries from, for example, Eastern Europe want to become members. And remaining members like Germany will make it work, because they know that their wealth is currently tied to the EU.

Is this then the beginning of the end of globalisation?

Globalisation will not die, but people will start to think, how do we make globalisation beneficial to the majority of our people. We all definitely need to rethink our roles in the global market place and some of the arrangements which have been made. For a while now there has been a challenge to globalisation. Even before Joseph Stiglitz wrote his book Globalisation and Its Discontents published in 2002. I believe the imbalances in globalisation is the problem. It is here that structures need to be re-thinked so that everybody can start to trade on a more equal footing. For example some of the things the British were protesting legitimately against, is the fact that they were losing control of managing the affairs in Britain without ceding everything to the EU.

The global economy by GDP



Source: World Bank

The opinions expressed in this interview are the opinions of the interviewee and not necessarily those of PSG and do not constitute advice. Although the utmost care has been taken in the research and preparation of this document, no responsibility can be taken for actions taken on information in this interview.

So they were unable to solve some of their own domestic issues without EU interference. The European parliament was making decisions on political, fiscal and monetary level. So I think rather than the EU or globalisation coming to an end, leaders will start to examine what should really constitute an economic union. I think the surviving members are likely to think of a new model, a model that is a mixture of what they are currently practicing and what anti-EU countries will be happy to live with. So what constitutes an economic union would need to be relooked, in line with peoples comfort zones, or areas where they are happy to collaboratively make decisions and areas where they think they can return autonomy to individuals states.Fear mongering should not be allowed at a national level. Measures should rather be put in place to identify and mitigate risks. Unfortunately not one nation will ever be able to stop all the negative events caused by human factors, but you can actually mitigate and minimise them by being pre-emptive.

Globalization and Its Discontents was published in 2002 by the 2001 Nobel laureate Joseph E. Stiglitz. The book draws on Stiglitz's personal experience as chairman of the Council of Economic Advisers under Bill Clinton from 1993 and chief economist at the World Bank from 1997. During this period Stiglitz became disillusioned with the IMF and other international institutions, which he came to believe acted against the interests of impoverished developing countries. Stiglitz argues that the policies pursued by the IMF are based on neoliberal assumptions that are fundamentally unsound:

"Behind the free market ideology there is a model, often attributed to Adam Smith, which argues that market forces—the profit motive—drive the economy to efficient outcomes as if by an invisible hand. One of the great achievements of modern economics is to show the sense in which, and the conditions under which, Smith's conclusion is correct. It turns out that these conditions are highly restrictive. Indeed, more recent advances in economic theory—ironically occurring precisely during the period of the most relentless pursuit of the Washington Consensus policies—have shown that whenever information is imperfect and markets incomplete, which is to say always, and especially in developing countries, then the invisible hand works most imperfectly. Significantly, there are desirable government interventions which, in principle, can improve upon the efficiency of the market. These restrictions on the conditions under which markets result in efficiency are important—many of the key activities of government can be understood as responses to the resulting market failures."

Stiglitz argued further that IMF policies contributed to bringing about the East Asian financial crisis, as well as the Argentine economic crisis. Also noted was the failure of Russia's conversion to a market economy and low levels of development in Sub-Saharan Africa. Specific policies criticised by Stiglitz include fiscal austerity, high interest rates, trade liberalization, and the liberalisation, the liberalisation of capital markets and insistence on the privatisation of state assets.

Will these sovereign challenges in the EU have any impact on South Africa's economy and/or our capital markets?

It will have an impact on African markets, because we are so closely tied to the strength of their economies. That's why I always say that the global financial crisis should be considered a blessing in disguise for Africa. During and after the crisis many Western countries told us that they are in trouble, and that they would not be able to provide the same amount of aid as they used to. Africa needs to strengthen its own economic power and must start to cut our economical umbilical cord to Europe and America. Suppose Europe goes the same route as the UK and it starts to fall apart. Common agreements that led to the Treaty of Rome will start to disintegrate. If it disintegrates Africa cannot be waiting for preferential trade and aid. We need to put our house in order economically so we can begin to renegotiate bilateral trade agreements and start trading on a more equal footing.

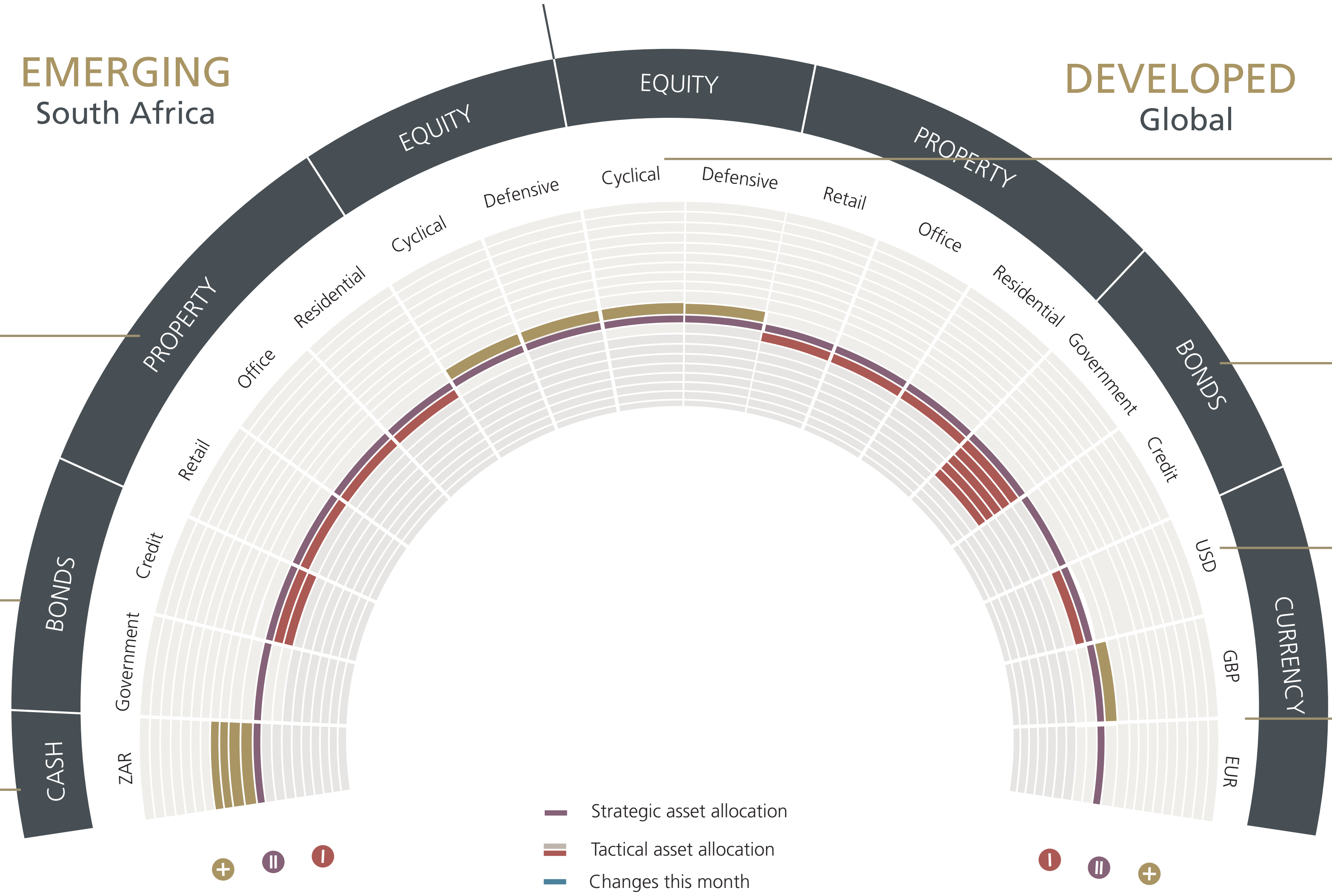
Here were need to learn a lesson from China and even India to a lesser extent. The Asian powers like China, South Korea, Malaysia and even Thailand, decided that they were not going to rely on handouts anymore. The Treaty of Rome was based on trade and aid – short of saying I will provide you with opportunities to trade with me, and then give you aid. However, countries became dependent on the aid provided, rather than on methods of how we could add value to our own resources. So the Asian powers decided we have no problem with mutual trade, mutual security or to help find ways to solve problems, like global warming, which could affect us all. But they stood strong on agreements of trade that would be beneficial to both parties. The global financial crisis should be a wakeup call for Africa to think more strategically about its engagement in the global economy. And for me that starts with a stronger economy.

Tactical asset allocation preferences

Challenging economic conditions persist, but a lot of the negative sentiment have already been priced into the valuations of property. Given the poor sentiment, we may view this as an attractive entry point into selected securities.

Our current view on government bonds is neutral, while we assess pockets of risk and opportunity. If the rand strengthens beyond our base view we expect bonds are likely to rally and yields could decline.

Our view on this asset has improved as the interest rate cycle has turned. A slower pace of hikes is now expected. Cash should form part of diversified portfolio.



There has been some recovery in the earnings in this sector. Some of these sectors are attractively priced

Particularly in the US, stronger growth favours credit over government bonds, although there exists a caveat for high quality, investment grade exposure, and very selective buying.

The dollar has strengthened considerably in the past few months. Since July 2016 the USD has strengthened against the GBP by 8.64% and against the euro by 3.48%.

The sterling is still undervalued against major currencies. We believe the sterling is currently the weakest major currency.

Overweight:
Tactical recommendation to hold more of the asset class than specified in the strategic asset allocation

Neutral:
Tactical recommendation to hold the asset class in line with its weight in the strategic asset allocation

Underweight:
Tactical recommendation to hold less of the asset class than specified in the strategic asset allocation

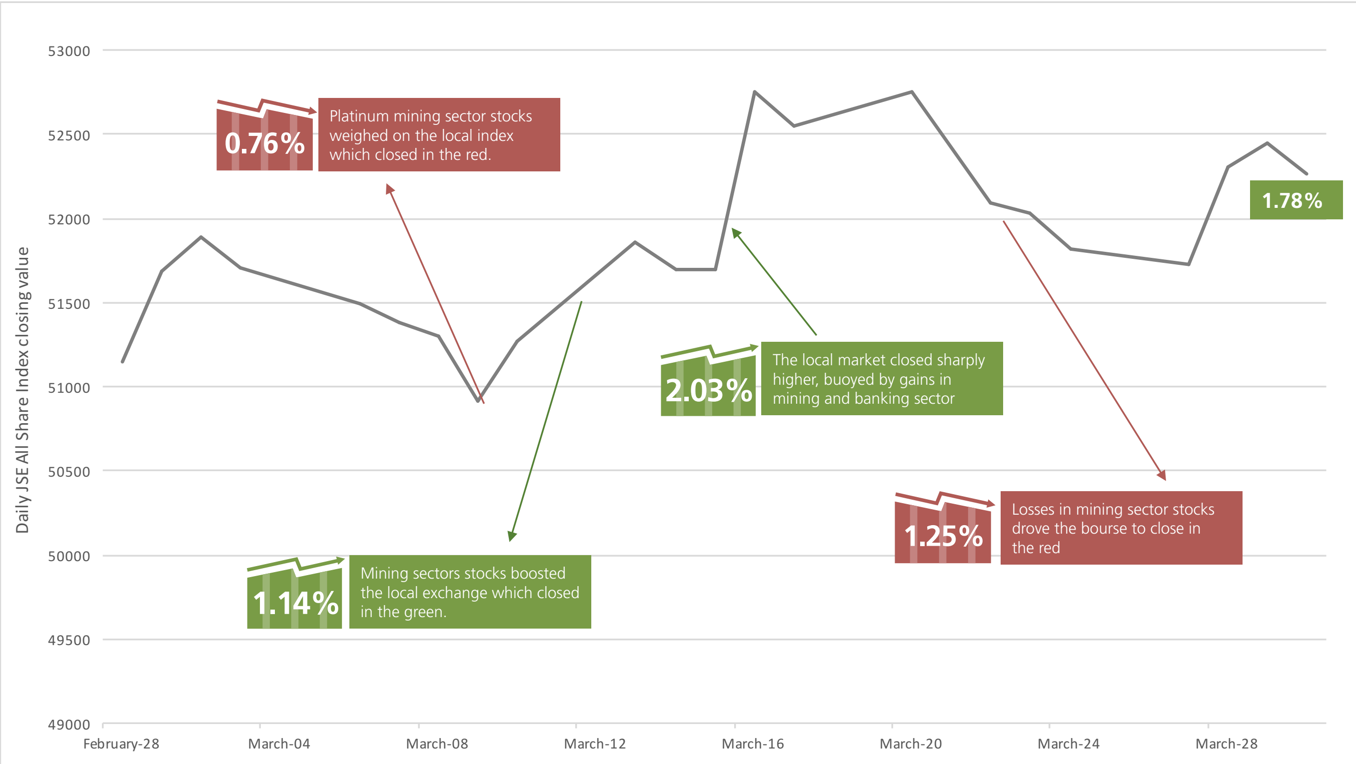
Bottom line

- Our assessment shows that domestic equity is now roughly 24.6% overvalued relative to its historic yield. Some pockets of the market are expensive and investors should expect continued volatility at current levels. That being said, skilled stock pickers should be able to find value in selected shares
- Domestic listed property is overvalued by 24.5% relative to its historic earnings yield. In addition, we remain of the opinion that the interest rate cycle will impact the strength and sentiment of the domestic economy, and the affordability of the property sector specifically. This will present headwinds for capital growth in the property sector. We expect property yields, which are calculated as a percentage of capital, to normalise on the back of downward pressure on capital values.
- Similarly, domestic bonds are, in general, also overvalued by more than 23.8% and will struggle if domestic interest rates normalise. There are always exceptions, but generally speaking bond yields seem stretched.
- Domestic cash is most likely generating a negative real return for investors, after fees and taxes. We remain of the view that although cash can play a strategic role in a portfolio, there is a material trade-off over the long term.
- Global equity is overvalued (22.6%) on a historic earnings basis, although the shift towards fiscal stimulus could support the asset class. In the US, further aims at deregulation will support corporate earnings, although the timing of fiscal support policies and potential deregulation is uncertain at this stage.

Market commentary

The FTSE/JSE All Share Index (ALSI) rose by 1.78% for the month. Emerging markets outperformed developed markets during March 2017, the MSCI Emerging Market Index delivering 2.52% against 1.07% by the MSCI World Index. US markets had a weak month, the S&P 500 returning only 0.12%. In comparison, European markets had a good month, the Euro Stoxx 50 index returning 6.34% in USD.

FTSE/JSE All Share Index - March 2017



Source: PSG Wealth research team, Bloomberg

Domestic key moves

1.78% The FTSE/All Share Index (ALSI) close 1.78% higher in March, despite the Cabinet reshuffle in which former Finance Minister Pravin Gordhan lost his position.

2.17% The rand weakened by 2.17% against the US dollar in the month, by 3.64% against the British pound and 3.02% against the euro.

7% SARB kept its benchmark repo rate on hold at 7% at its 30 March meeting, in line with expectations. Policymakers said the inflation outlook has improved although the exchange rate became a risk due to recent political uncertainties.

Global key moves

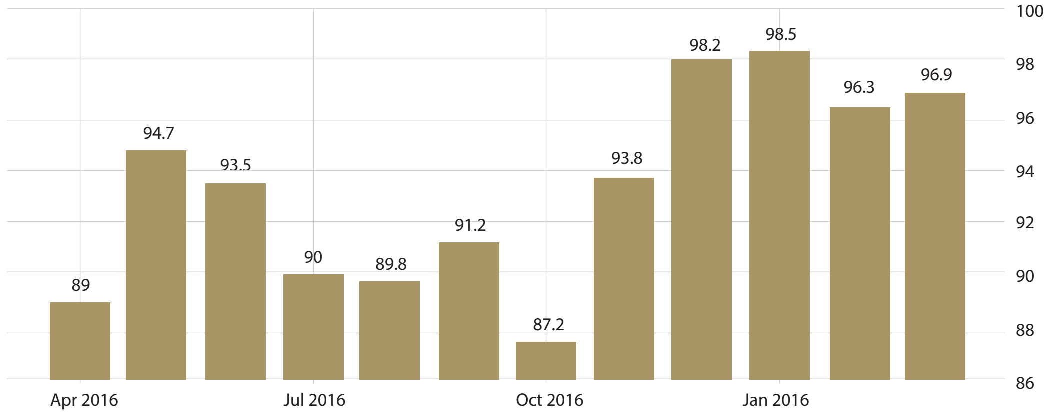
US

2.1% The GDP growth rate in the US revised up to 2.1% in Q42016. This was higher than estimate of 1.9% previously reported. Consumer spending and inventories increased faster than anticipated while investment rose less and net trade subtracted more from growth. In 2016, the GDP expanded by 1.6%, the lowest since 2011.

96.9 The final reading for consumer sentiment in the US was revised down in March. The final reading of the University of Michigan's consumer sentiment for the US fell to 96.9 in March, from a preliminary reading of 97.6, but was higher than 96.3 in February. Both current conditions and futures expectations were revised slightly down.

Market commentary

US consumer sentiment since April 2016



Source: Trading Economics

UK

1.9%

The British economy expanded 1.9% y/y in the fourth quarter of 2016, following a 2% expansion in the previous period and below the second estimate of 2%. Fixed investment and household consumption were the main drivers of growth while business investment contracted for the fourth straight period. Looking at 2016 as a whole, growth slowed to 1.8% from 2.2% in 2015 and 3.1% in 2014.

2.3%

The inflation rate in the UK increased to 2.3% y/y in February, above the 1.8% in January and beating expectations of 2.1%. It is the highest inflation rate since September 2013, boosted by rising fuel prices while food cost increased for the first time in 34 months.

EU

1.5%

Consumer prices in the Eurozone are expected to rise 1.5% y/y in March, easing from a 2% increase the previous month and below market expectations of 1.8%. It is the lowest inflation rate in three months, preliminary estimates showed.

€0.6bn

The Eurozone posted its biggest trade gap since 2013. The trade balance shifted to a €0.6 billion deficit in January, from a €4.8 billion surplus in the same month of the previous year. It was the first trade gap since January 2014, and the biggest since January 2013. Exports increased by 13% to €163.9 billion while imports went up at a faster 17% to €164.5 billion.

2%

Inflation in the Eurozone was confirmed at a four-year high of 2%. It increase y/y in February, up from 1.8% in January and in line with preliminary figures. It is the highest inflation rate since January 2013, due to a rise in energy prices.

China

0.8%

The inflation rate in China slowed to a 2-year low in February. China's consumer prices rose 0.8% y/y in February 2017, compared to a 2.5% rise in January while markets expected a 1.7% gain. It was the lowest inflation rate since January 2015, as cost of transport and communication rose at a slower pace while food prices fell.

The Chinese inflation rate since 2012

Source: Trading Economics

$9.15

China posted its first monthly trade gap in three years. China unexpectedly reported a $9.15 billion trade deficit in February 2017, compared to a $28.2 billion surplus a year earlier and missing market expectations of a $25.75 billion surplus. It was the first monthly trade gap since February 2014, as imports surged while exports fell.

JAPAN

2.8%

The jobless rate in Japan declined to 2.8% in February, from 3.0% in January and below market expectations of 3.0%. It was the lowest figure since June 1994. The jobs-to-applicants ratio was 1.43, the same as in the previous two months and remaining at the highest since July 1991.

-0.1%

The Bank of Japan (BoJ) held its monetary policy steady after the US hiked its rate. The key short-term interest rate was left unchanged at -0.1% at its March 2017 meeting, hours after the Federal Reserve raised its benchmark rate. Policymakers also decided to keep its 10-year government bond yield target around zero percent and maintained its upbeat economic view.

PSG Wealth Fund of Funds Solutions

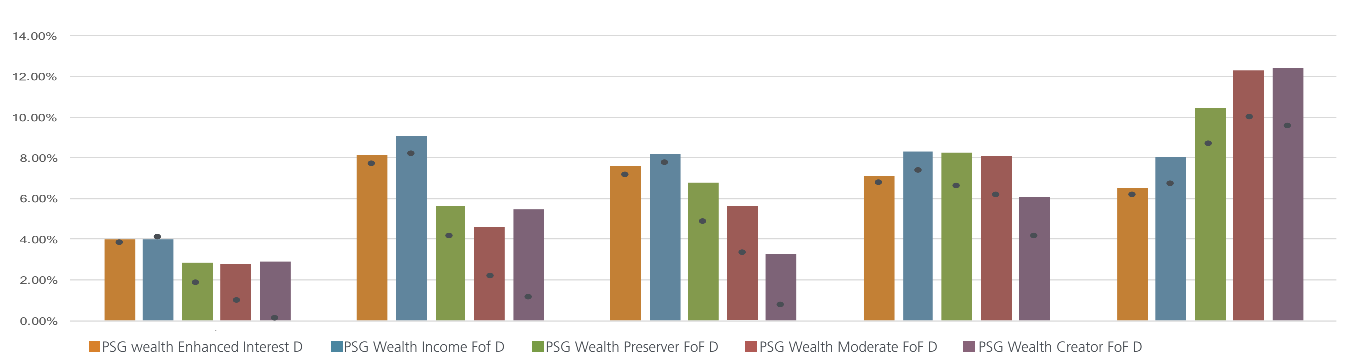
Local funds

Performance table

PSG Wealth Solutions						
Fund	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
PSG Wealth Enhanced Interest D	3.98%	8.15%	7.62%	7.14%	6.77%	6.53%
PSG Wealth Income FoF D	4.00%	9.10%	8.20%	8.30%	7.64%	8.04%
PSG Wealth Preserver FoF D	2.85%	5.66%	6.76%	8.27%	9.01%	10.44%
PSG Wealth Moderate FoF D	2.82%	4.59%	5.66%	8.07%	10.51%	12.29%
PSG Wealth Creator FoF D	2.93%	5.49%	3.27%	6.08%	10.46%	12.43%

Source: PSG Wealth research team

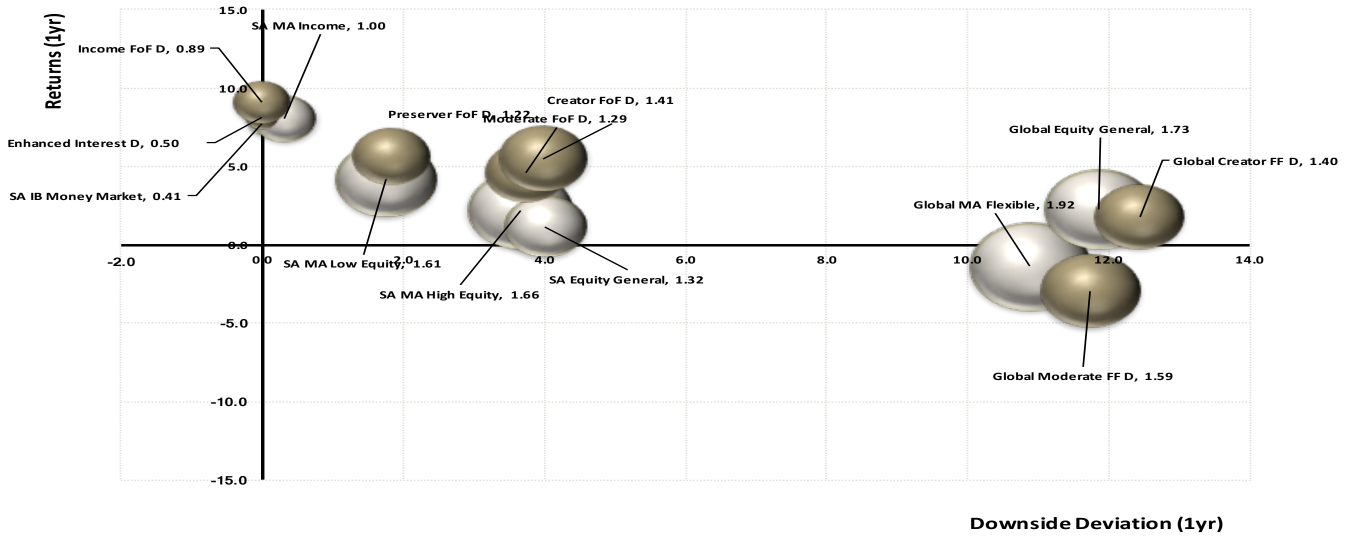
Fund performance



Source: PSG Wealth research team data as at 31 March 2017

*Dots represent the relevant benchmark

PSG Wealth Local Fund of Funds



Source: PSG Wealth research team

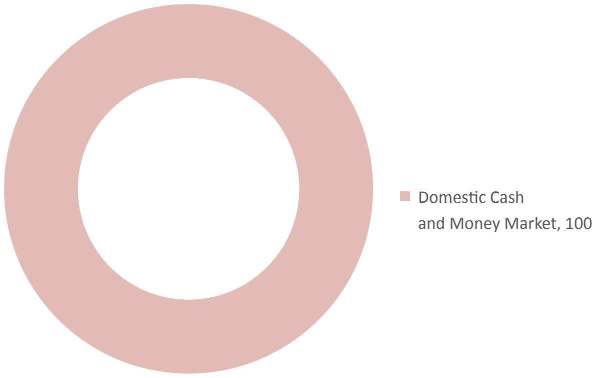
HOW TO READ THE BUBBLE CHARTS			
Vertical axis	shows the return of each fund	**Size of the bubble**	shows TER which is an indication of cost
Horizontal axis	shows the downside deviation which is a measure of downside risk that focuses on returns that fall below a minimum threshold or minimum acceptable return (MAR)	**Grey bubbles**	indicate fund peers
		Gold bubbles	represent PSG Wealth solutions

PSG Wealth Fund of Funds Solutions

PSG Wealth Enhanced Interest Fund

- The PSG Wealth Enhanced Interest Fund delivered a return of 0.64% for March, outperforming the 0.62% of its benchmark, the South Africa IB Money Market Sector Average.
- This fund has an investment horizon of one-year, and the fund has outperformed its benchmark comfortably over any one-year period.
- The fund again outperformed the benchmark over all measurement periods over five years and less.

Asset allocation



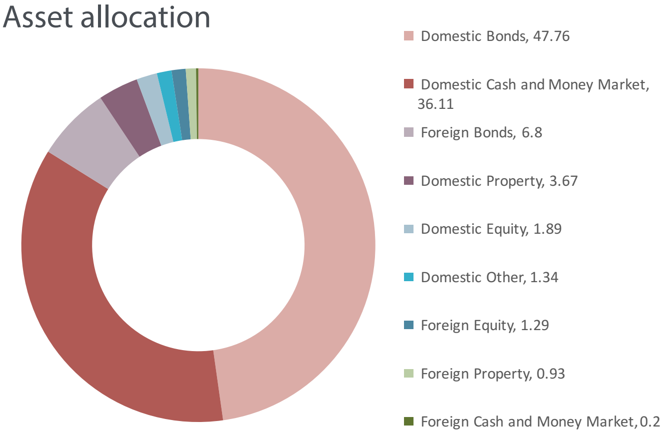
Source: PSG Wealth research team

Risk and expectations: We are confident the fund will continue to deliver returns in access of money market rates in order to reduce the negative effects of high inflation on cash.
Radar: No funds on the radar screen.
Changes: No changes to underlying funds.

PSG Wealth Income FoF

- The PSG Wealth Income FoF delivered a return of 0.82% for March, compared to the 0.69% of its benchmark, the STeFi 12 Months NCD.
- The PSG Wealth Income FoF has an investment horison of two years, and the FoF has outperformed its benchmark comfortably over any two-year period. It also outperformed the South African MA Income Sector Average, over all measurement periods of seven years and less.
- The FoF delivered second quartile performance over the six-month measurement period, and first quartile performance over all other measurement periods of seven years and less.

Asset allocation



Source: PSG Wealth research team

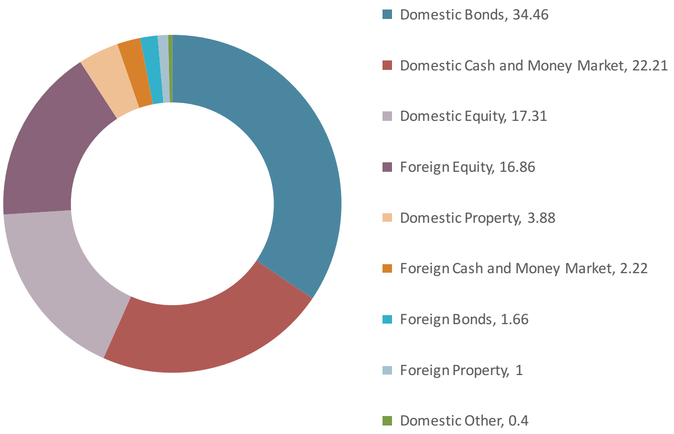
Risk and expectations: We expected recent higher inflation and rising interest rates may have been a drag on performance over the short term, but current indications are that the underlying portfolio managers were able to take advantage of the higher yields on short-term instruments to deliver attractive returns close to the top of the inflation cycle. We are confident that the underlying portfolio managers will continue to deliver attractive above-average returns until well after the interest rate cycle has peaked.
Radar: No funds on the radar screen.
Changes: No changes to underlying funds.

PSG Wealth Fund of Funds Solutions

PSG Wealth Preserver FoF

- The PSG Wealth Preserver FoF delivered a return of 1.3% for March, outperforming the 0.4% of its performance target of CPI plus 3%.
- The FoF also outperformed its performance target over the three-month measurement period and all other measurement periods of longer than three years.
- The FoF delivered second quartile performance over the one-month measurement period, and first quartile performances over all other measurement periods of seven years and less.

Asset allocation



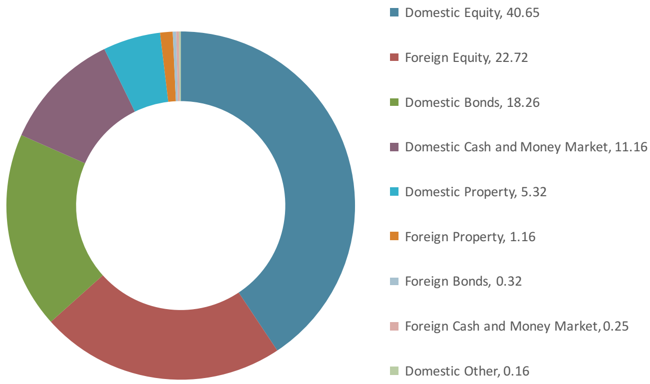
Source: PSG Wealth research team

Risk and expectations: Rising interest rates will be a drag on the FoF's performance, and the coinciding higher inflation target itself will make the consistent outperformance of the performance target almost impossible. The PSG Wealth Preserver FoF may hold up to a total of 40% in domestic- and offshore equities, and may deliver negative short-term performances in sharp equity corrections or equity bear markets. However, we are confident that the fund will continue to outperform its benchmark over the preferred investment period of three years and longer, and that it will protect the capital of clients during severe market corrections.
Radar: The Prudential Inflation Plus Fund was added to the radar screen
Changes: No changes to underlying funds.

PSG Wealth Moderate FoF

- The PSG Wealth Moderate FoF delivered a return of 1.7% for March, outperforming its benchmark, the South African MA High Equity Sector Average, which delivered 1.5%.
- The FoF has an investment horison of five years, and the FoF outperformed its benchmark comfortably over any five-year period. It also outperformed the sector average over all measurement periods of one month and longer.
- The FoF delivered second quartile performance over the one-month measurement period, and first quartile performances over all other measurement periods of seven years and less.

Asset allocation



Source: PSG Wealth research team

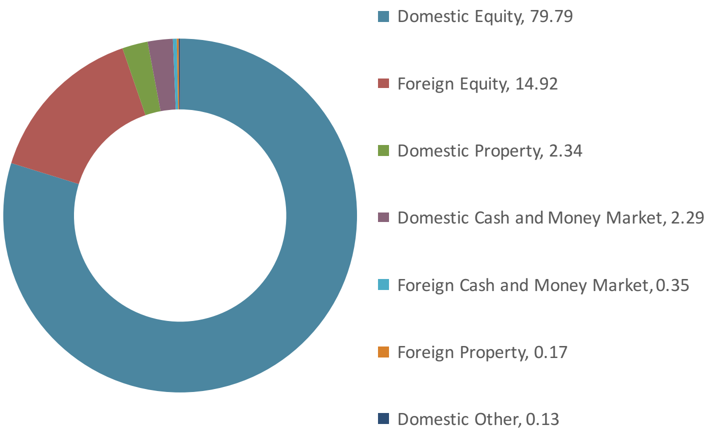
Risk and expectations: The PSG Wealth Moderate FoF may hold up to 75% in domestic- and offshore equities, which could lead to short-term negative performances in sharp equity corrections or equity bear markets. We are, however, confident that the fund will always deliver positive returns over the preferred investment period of five years and longer. We are of the opinion that it will continue to deliver above-average long-term returns with below average risk over various market cycles.
Radar: No funds on the radar screen.
Changes: No changes to underlying funds

PSG Wealth Fund of Funds Solutions

PSG Wealth Creator FoF

- The PSG Wealth Creator FoF delivered a return of 1.4% for March, on par with the return of 1.4% of its benchmark, the South African EQ General Sector Average.
- This FoF has an investment horison of five years and longer, and the FoF outperformed its benchmark over any period of five years and longer. It also outperformed the sector average over all measurement periods of two months and longer.
- The FoF delivered first or second quartile performances for all measurement periods of three-months up to seven-years.

Asset allocation



Source: PSG Wealth research team

Risk and expectations: Although the outlook for equities are still uncertain we are confident that the relative performance of the underlying managers in the fund will continue to improve in the near future. The managers are all active managers that have demonstrated the ability to add alpha through careful stock selection, particularly during turbulent equity markets. The PSG Wealth Creator FoF will always maintain an equity exposure of close to 100% in domestic- and offshore equities, and may deliver negative short-term performances in sharp equity corrections or equity bear markets. We are, however, confident that the fund will always deliver positive returns over the preferred investment period of five years and longer, and that it will continue to deliver above-average long-term returns with below-average risk over all market cycles.
Radar: The Investec Equity Fund and Old Mutual Investors Fund remain on the radar screen.
Changes: No changes to underlying funds.

PSG Wealth Fund of Funds Solutions

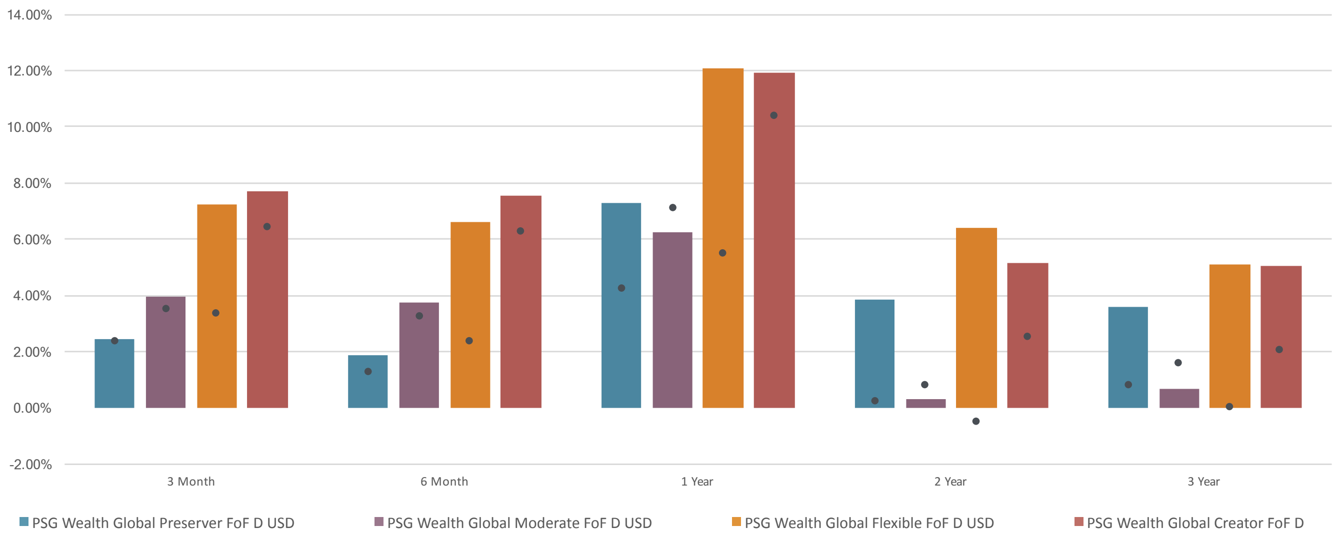
Offshore funds

Performance table

PSG Wealth Solutions - Offshore (Reported in USD)						
Fund	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
PSG Wealth Global Preserver FoF D USD	1.84%	7.31%	3.87%	3.57%	3.79%	4.06%
PSG Wealth Global Moderate FoF D USD	3.76%	6.27%	0.31%	0.67%	3.38%	4.16%
PSG Wealth Global Flexible FoF D USD	6.62%	12.08%	6.41%	5.09%	7.13%	7.32%
PSG Wealth Global Creator FoF D	7.55%	11.92%	5.13%	5.07%	7.51%	N/A
PSG Wealth Solutions - Offshore (Reported in GBP)						
Fund	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
PSG Wealth Global Preserver FoF D GBP	4.19%	17.62%	9.90%	10.07%	8.04%	8.32%
PSG Wealth Global Flexible FoF D GBP	10.50%	26.30%	13.42%	14.61%	11.57%	12.11%

Source: PSG Wealth research team

Offshore funds performance



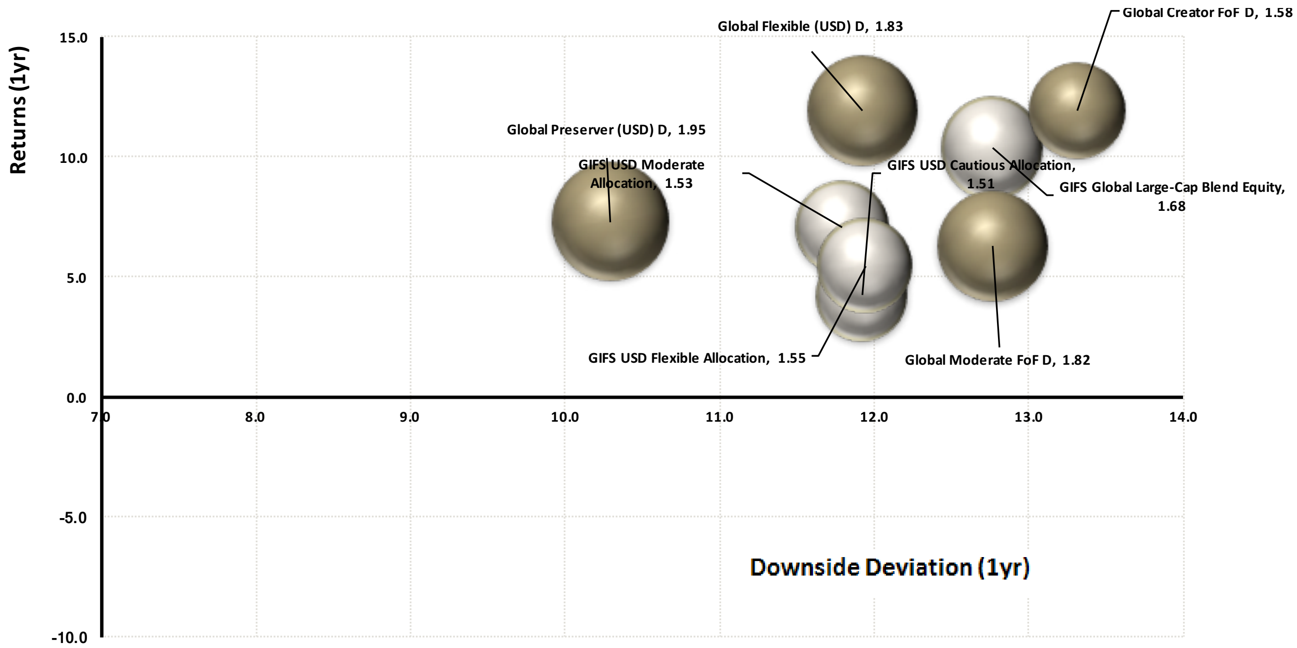
Source: PSG Wealth research team data as at 31 March 2017.

*Dots represent the relevant benchmark

All performance is reported in USD unless specified otherwise.

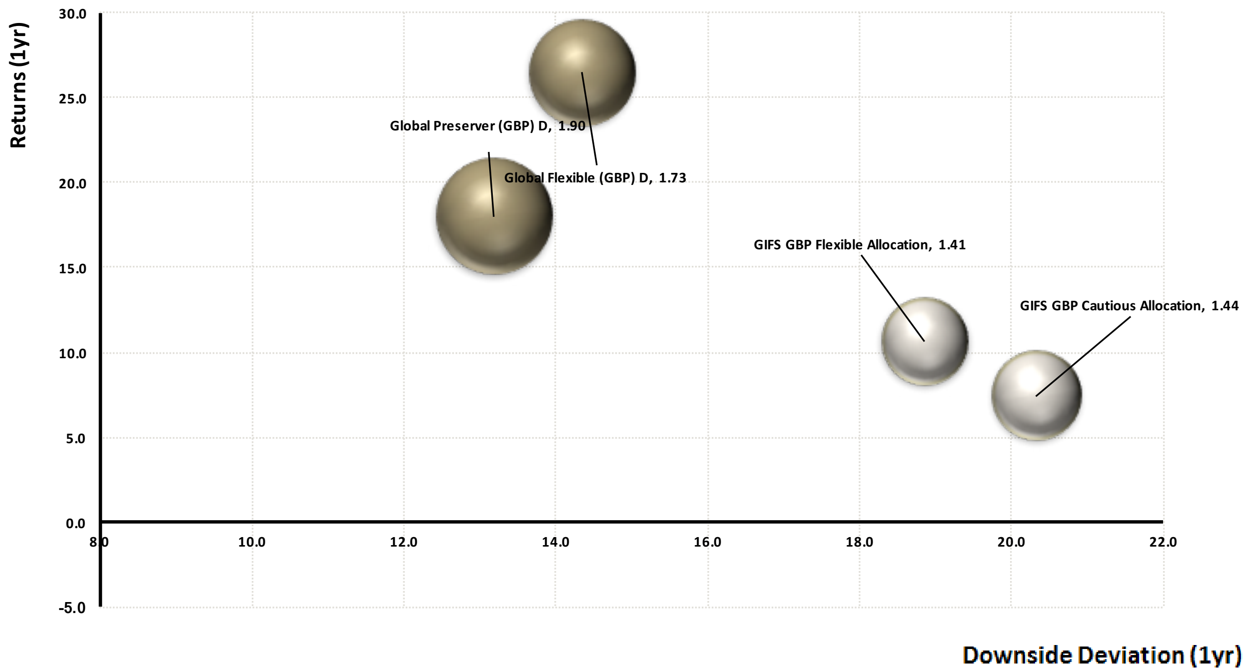
PSG Wealth Fund of Funds Solutions

PSG Wealth Offshore Fund of Funds (USD)



Source: PSG Wealth research team

PSG Wealth Offshore Fund of Funds (GBP)



Source: PSG Wealth research team

HOW TO READ THE BUBBLE CHARTS			
Vertical axis	shows the return of each fund	**Size of the bubble**	shows TER which is an indication of cost
Horizontal axis	shows the downside deviation which is a measure of downside risk that focuses on returns that fall below a minimum threshold or minimum acceptable return (MAR)	**Grey bubbles**	indicate fund peers
		Gold bubbles	represent PSG Wealth solutions

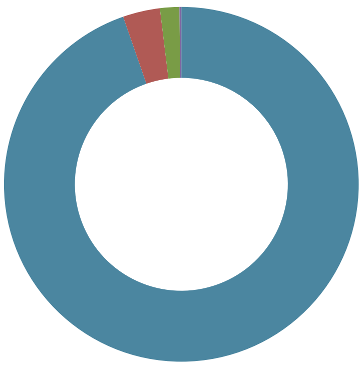
All performance is reported in USD unless specified otherwise.

PSG Wealth Fund of Funds Solutions

PSG Wealth Global Creator Fund of Funds (USD)

- For the first quarter of 2017, the PSG Wealth Global Creator FoF delivered 7.71%, outperforming the GIFS Global Large cap blend sector as well as the ASISA Global equity sector which returned 6.42% and 6.06% respectively. The FoF also outperformed the MSCI World Index which returned 6.38%.
- The PSG Wealth Global Creator FoF returned 1.40% for March, outperforming the benchmark GIFS Global Large-Cap Blend equity sector average which delivered 1.28%. The FoF also outperformed the MSCI World index and ASISA Global Equity sector which returned 1.07% and 1.02% respectively.
- This FoF is ranked in the first quartile of global equity funds since inception in December 2012. The ranking universe is not restricted to only funds registered for sale in South Africa and includes the full range of global open-ended funds falling within the Morningstar GIFS Global Large Cap Blend sector.

Asset allocation



Source: PSG Wealth research team

Risk: Most of our underlying managers remain relatively defensively positioned, with a preference for quality stocks with very strong balance sheets, strong moats and steady earnings outlooks. Given the high allocation to quality large caps, mostly in developed markets, we expect to underperform global markets when sentiment is very positive and relatively risky assets, such as emerging market equities, perform strongly (risk-on trade).

Expectation: We are confident that our underlying managers will adjust the positioning of their portfolios (including exposure to emerging markets) as they find opportunities that offer good returns relative to the risk taken. We expect volatility to remain high in the short term with fluctuating market sentiment in global equity markets, thus we are comfortable with the overall defensive positioning of our fund.

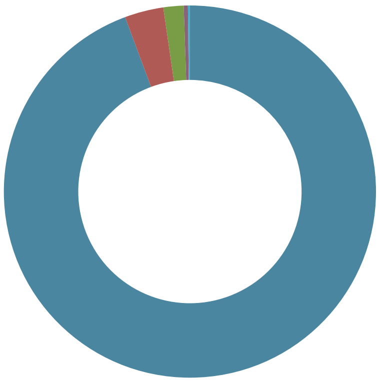
Radar: The Goldman Sachs Global Equity Partners fund was added to the quantitative radar in March.

Changes: No changes made to underlying funds.

PSG Wealth Global Creator Feeder Fund (ZAR)

- For the first quarter of 2017, the PSG Wealth Global Creator FF D returned 4.66% in rand terms, outperforming the global sector average and MSCI World index, which delivered 4.34% and 4.30%.
- The PSG Wealth Global Creator FF D delivered a return of 3.95% for March in rand terms, outperforming the global sector average which returned 3.82%.
- The PSG Wealth Global Creator FF D delivered top quartile returns since inception. Over the last three years the FoF outperformed the ASISA Global Equity General sector average by 2.5% per annum.

Asset allocation



Source: PSG Wealth research team

Risk & expectation: Increased political uncertainty has reduced the probability of the rand strengthening in the short-term. However, according to the purchasing power parity (PPP) the rand is still undervalued relative to its expected level against the USD. We expect increased volatility in the rand over the short term, which could have a significant impact on ZAR returns for our global funds. However, over longer periods (7 years +) we expect the currency effect will be relatively flat and given the relative valuation of global equities we still believe the fund offers good opportunities.

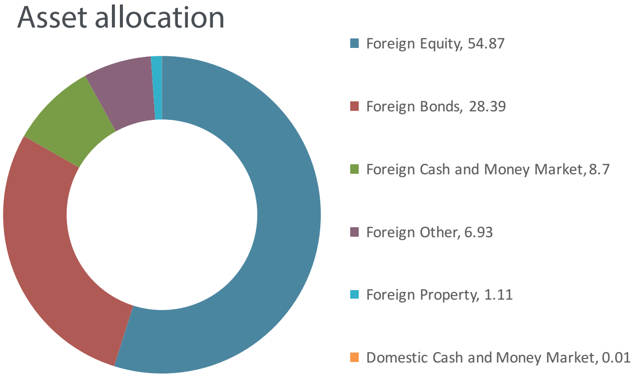
All performance is reported in USD unless specified otherwise.

PSG Wealth Fund of Funds Solutions

PSG Wealth Global Moderate FoF (USD)

- For the first quarter of 2017, the PSG Wealth Global Moderate FoF delivered 3.96%, outperforming the GIFS USD Moderate allocation sector, which returned 3.46%.
- The PSG Wealth Global Moderate FoF returned 0.81% for March, outperforming the GIFS USD Moderate Allocation sector average, which delivered 0.54%.
- Since its inception, the PSG Wealth Global Moderate FoF D has consistently outperformed the sector average, delivering over 2% in excess returns per annum and is ranked in the second quartile of Global Moderate Allocation funds.
- In their quarterly market review, Schroders notes that global equities delivered robust gains in the first quarter amid an upswing in global economic data. Emerging market equities were particularly strong while bond markets saw more mixed performance. An upturn in global growth and a lack of follow-through on protectionist trade policies from the Trump administration supported risk appetite. In bond markets, high yield corporate bonds performed particularly well, while government bonds were more mixed.

Asset allocation



Source: PSG Wealth research team

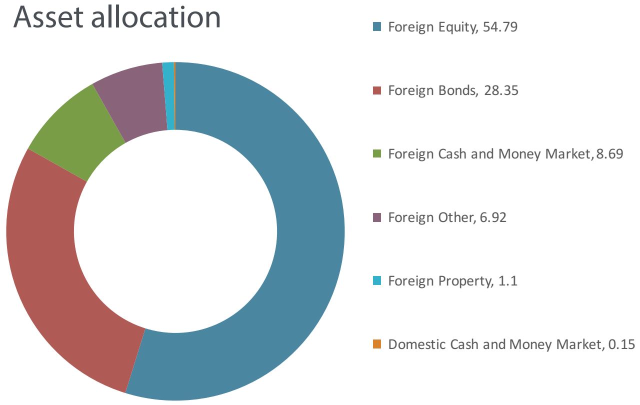
Risk: The portfolio is defensively positioned with a developed market overweight. Performance will likely be muted during periods of positive market sentiment when risky assets such as emerging markets outperform. The portfolio currently has 28.4% in bonds which could be negatively impacted by any unexpected interest rate increases. However, this risk is mitigated to an extent by relatively large equity allocation, 54.9%.
Expectation: We expect volatility to remain high in the short term with fluctuating market sentiment in global equity markets. The cash position provides a buffer against market downturns. Our underlying managers are also able to deploy this cash when they find more attractive opportunities in the market. Interest rate risk is actively managed by our underlying managers, with most positioned on the shorter end of the yield curve.

Radar: The Schroder Global Multi Asset Flexible Fund remains on the quantitative radar. No new flows are allocated to managers on the quantitative radar, and the team evaluates the causes of underperformance and discussions are held with the relevant managers
Changes: No changes made to underlying funds.

PSG Wealth Global Moderate Feeder Fund (ZAR)

- For the first quarter of 2017, the PSG Wealth Global Moderate FF D delivered a return of 1.18% in rand terms, underperforming the GIFS USD Moderate allocation sector average which delivered 1.45%.
- The PSG Wealth Global Moderate FF D delivered a return of 3.33% in rand terms for March, outperforming the GIFS USD Moderate allocation sector average which delivered 3.06%.
- The PSG Wealth Global Moderate FF D delivered top quartile returns since inception.

Asset allocation



Source: PSG Wealth research team

Risk and expectation: Increased political uncertainty has reduced the probability of the rand strengthening in the short-term. However, according to purchasing power parity (PPP) the rand is still undervalued relative to its expected level against the USD. We expect increased volatility in the rand over the short term, which could have a significant impact on ZAR returns for our global funds. However, over longer periods (7 years +) we expect the currency effect will be relatively flat and given the relative valuation of global equities we still believe the fund offers good opportunities.

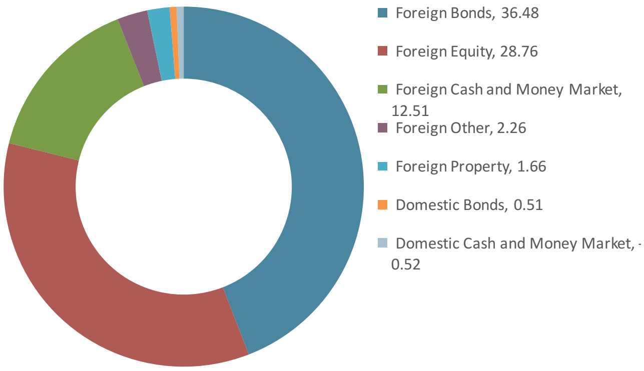
All performance is reported in USD unless specified otherwise.

PSG Wealth Fund of Funds Solutions

PSG Wealth Global Preserver FoF (USD)

- For the first quarter of 2017, the PSG Wealth Global Preserver FoF USD delivered 2.44%, outperforming the GIFS USD Cautious allocation sector which returned 2.33%.
- The PSG Wealth Global Preserver FoF USD returned -0.27% for March, underperforming the benchmark GIFS USD Cautious allocation sector average, which delivered 0.34%.
- The PSG Wealth Global Preserver FoF USD ranked in the top quartile of its global sector over all periods and is ranked first out of 56 funds over the last five years. The FoF has delivered 1.55% returns per annum above the benchmark sector average since inception.

Asset allocation



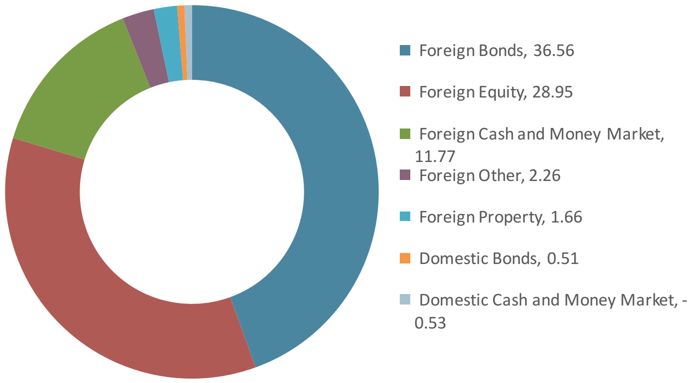
Source: PSG Wealth research team

Risk and expectation: Rising global interest rates could result in capital losses on the fixed interest and property portions of the portfolio, however the portfolio has sufficient diversification through its overweight allocation to equities to protect the portfolio in the event of any unexpected interest rate increases.
Radar and changes: During the first quarter of 2017, we disinvested from the Firststate Global Listed Infrastructure and Sarasin Global Real Estate funds within the PSG Wealth Global Preserver FoF USD & GBP. These funds were replaced with the Fidelity Global Multi Asset Income Fund and Blackrock Global Multi Asset Income funds. The changes were made to align the mandates of the underlying funds with the mandate of the PSG Wealth Global Preserver FoF. Both new portfolios have mandates focused on global income generation and capital preservation, experienced globally positioned investment teams and a record of consistent performance within global cautious allocation mandates.

PSG Wealth Global Preserver FoF (GBP)

- For the first quarter of 2017, the PSG Wealth Global Preserver FoF GBP delivered 1.58%, slightly underperforming the GIFS GBP Cautious allocation sector which returned 1.90%.
- The PSG Wealth Global Preserver FoF GBP returned -0.58% for March in GBP, underperforming the benchmark GIFS GBP Cautious allocation sector average, which delivered 0.27%.
- The PSG Wealth Global Preserver FoF GBP ranked in the top quartile of its global sector over all periods and is ranked 14th out of 170 funds over the last five years. The FoF has delivered 2.29% returns per annum above the benchmark sector average since inception.

Asset allocation



Source: PSG Wealth research team

Risk and expectation: Rising global interest rates could result in capital losses on the fixed interest portion of the portfolio, however the portfolio has sufficient diversification through its overweight allocation to equities to protect the portfolio in the event of any unexpected interest rate increases.
Radar: No funds are on the qualitative radar.
Changes: No changes made to underlying funds.

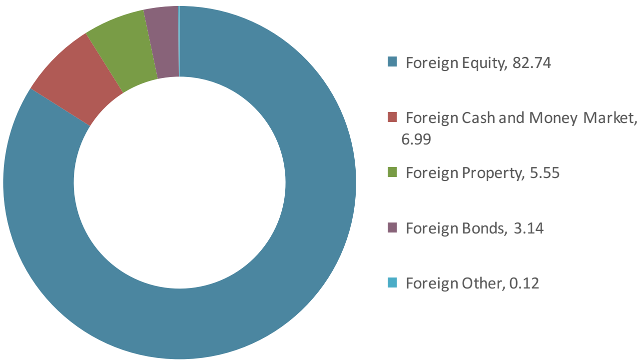
All performance is reported in USD unless specified otherwise.

PSG Wealth Fund of Funds Solutions

PSG Wealth Global Flexible FoF (USD)

- For the first quarter of 2017, the PSG Wealth Global Flexible FoF USD delivered 7.23%, significantly outperforming the GIFS USD Flexible allocation sector which returned 3.31%.
- The PSG Wealth Global Flexible FoF USD returned 0.58% for March outperforming the benchmark GIFS USD Flexible allocation sector average which delivered 0.40%.
- The PSG Wealth Global Flexible FoF USD ranked in the top quartile of its global sector over all periods and is ranked fifth out of 49 funds over the last five years. The FoF has delivered 5.6% returns per annum above the benchmark sector average since inception.

Asset allocation



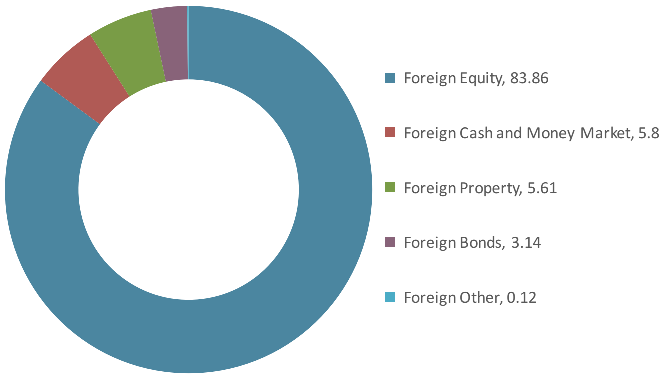
Source: PSG Wealth research team

Risk and expectation: The portfolio currently has an equity allocation of 82.8% which is above the average in the global flexible sector. As such the portfolio will likely underperform should there be a significant correction in global equity markets. We expect volatility to remain high in the short term with fluctuating market sentiment in global equity markets. However we are confident that our underlying managers will adjust the positioning of their portfolios as they find opportunities that offer good returns relative to the risk taken.
Radar: No funds on the quantitative or qualitative radar.
Changes: No changes made to underlying funds.

PSG Wealth Global Flexible FoF (GBP)

- For the first quarter of 2017, the PSG Wealth Global Flexible FoF GBP delivered 5.52%, significantly outperforming the GIFS GBP Flexible allocation sector which returned 2.56%.
- The PSG Wealth Global Flexible FoF GBP returned 0.40% in GBP for March, slightly outperforming the benchmark GIFS GBP Flexible allocation sector average which delivered 0.39%.
- The PSG Wealth Global Flexible FoF GBP ranked in the top quartile of its global sector over all periods and is ranked 14th out of 170 funds over the last five years. The FoF has delivered 7.4% returns per annum above the benchmark sector average since inception.

Asset allocation



Source: PSG Wealth research team

Risk and expectation: The portfolio currently has an equity allocation of about 83.8% which is above the average in the global flexible sector. The portfolio will likely underperform should there be a significant correction in global equity markets. We expect volatility to remain high in the short term with fluctuating market sentiment in global equity markets. However we are confident that our underlying managers will adjust the positioning of their portfolios as they find opportunities that offer good returns relative to the risk taken.
Radar: No funds on the quantitative or qualitative radar.
Changes: No changes made to underlying funds.

All performance is reported in USD unless specified otherwise.

PSG Wealth Equity Portfolios

Performance table

PSG Wealth Equity portfolios					
Fund	1 Month	3 Month	6 Month	12 Month	Since Inception
PSG Wealth SA Equity Portfolio	1.57%	2.07%	3.42%	7.18%	16.63%
PSG Wealth SA Property Portfolio	0.42%	0.82%	0.56%	-4.82%	-5.73%
PSG Wealth Offshore Equity Portfolio (USD)	1.18%	6.86%	6.58%	11.67%	16.72%
PSG Wealth SA Dividend Income Equity Portfolio	-0.14%	0.83%	4.02%	N/A	0.53%
PSG Wealth Managed Volatility Equity Portfolio	-0.27%	2.32%	0.74%	N/A	0.79%

Source: PSG Wealth research team

Overview of equity portfolios

PSG Wealth SA Equity Portfolio
Appropriate for investors seeking real returns in capital that exceed the local equity market returns, but who are comfortable with the capital fluctuations that characterizes an investment of this type.

PSG Wealth SA Managed Volatility Equity
Tailored for investors who require a smoother path to long-term returns by reducing downside risk while maintaining full exposure to the equity risk premium in the long run. Benefits of this strategy should be more pronounced during periods of heightened volatility.

PSG Wealth Offshore Equity Portfolio
Appropriate or investors seeking real returns in capital that exceed the international benchmark returns.

PSG Wealth SA Dividend Income Equity Portfolio
Suitable to the investor that requires a regular and growing stream of income derived from dividends with the potential of a real growth in capital value.

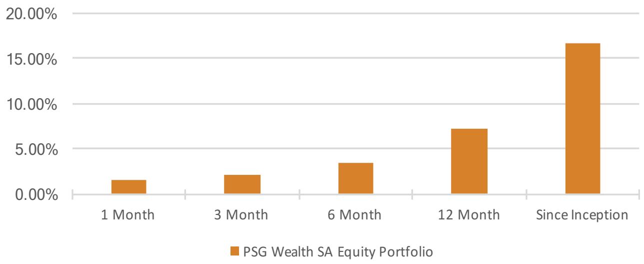
PSG Wealth SA Property Equity Portfolio
For the more risk adverse investor who requires a regular income with a high degree of capital stability.

PSG Wealth Equity Portfolios

PSG Wealth SA Equity Portfolio

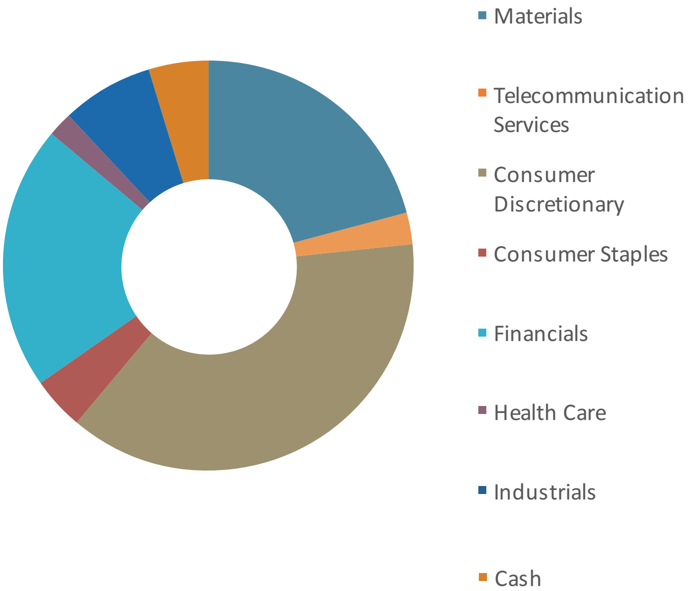
- The PSG Wealth SA Equity Portfolio underperformed its benchmark in March. The portfolio returned 1.57%, while the FTSE/JSE Capped All Share TR rose by 2.32%.
- Since its inception the fund has outperformed its benchmark.

Performance since inception



Source: PSG Wealth research team data as on 31 March 2017
*Inception date: 30 August 2015

Asset allocation



Source: PSG Wealth research team

Expectations:

- Equity market returns are slightly behind their long-term averages.
- With multiples marginally ahead of their long-term averages, we expect returns to materialise primarily through growth in earnings and not through a material change in valuation multiples.
- We expect value to outperform growth and have tilted the portfolio's exposure accordingly.
- We see the most value in the financial sector while the healthcare sector is starting to reflect value following a material derating.
- Our largest underweight position is towards the consumer stable sector primarily due to concerns regarding the valuation of food and drug retailers.
- Our foreign exposure is through domestic investments with international exposure rather than through pure rand hedges which we feel offer less value.
- Selected large rand-hedges, however, continue to hold value on a relative basis.
- Exchange rate movements will remain a dominant driver of short-term equity market returns.
- Ongoing political and policy uncertainty will continue to create volatility.
- A weaker exchange rate is likely to be a headwind to relative returns but given the diversification of the portfolio and the quality of its investments, we believe its performance should not be fundamentally dependent on exchange rate movements.
- Global investment markets are expected to remain volatile given the difficulty to forecast macro-variables.
- Our focus will remain on the underlying fundamentals of the individual companies rather than on broad macro-issues.

Risk:

- Changes in the perception of sovereign risk (positive and negative) and its flow through to exchange- and interest rates, can have an impact on portfolio values.
- Accommodative monetary policy continues to provide support to developed economies and creates artificial demand for high yielding emerging market securities. Should foreign capital inflows from these markets come to an abrupt end, it will have an adverse impact on market valuations.
- The portfolio is likely to underperform should international monetary easing prove sustainable. An environment of sustained monetary easing should support 'bond-proxy stocks' to which the portfolio is under exposed to due to our valuation concerns. This could lead to portfolio underperformance.
- Overestimating growth and operational improvements in highly-rated international counters.
- improvements in highly-rated international counters.

PSG Wealth Equity Portfolios

PSG Wealth SA Property Portfolio

- The PSG Wealth SA Property Equity Portfolio returned 0.42% during March, outperforming the FTSE/JSE SA Listed Property Capped TR which delivered 0.17%.
- A total of 10 (56%) of the 18 counters in this portfolio performed above the benchmark.

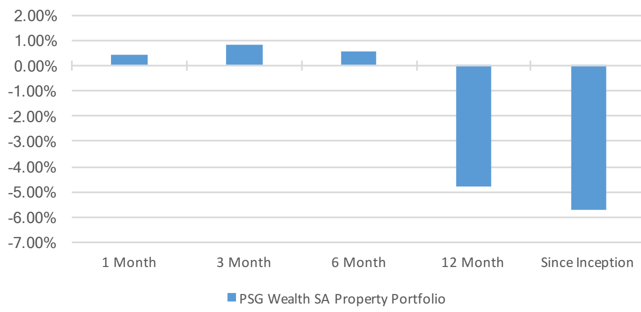
Expectations:

- The sluggish economic environment will continue to place pressure on the real estate sector.
- There is generally an oversupply of office space. New local developments could lead to a higher supply while demand is weak.
- Demand for vacant space will remain muted, placing further pressure on rentals. Weak economic growth might result in higher vacancy profiles and rental reversions.
- Due to the highly competitive and weak market dynamics, attracting and retaining tenants has become more costly with retail companies increasing incentives for tenants.
- Improving tenant retention rates have come at the expense of lower escalations.
- Capital market changes generally dominate short-term returns.

Risk:

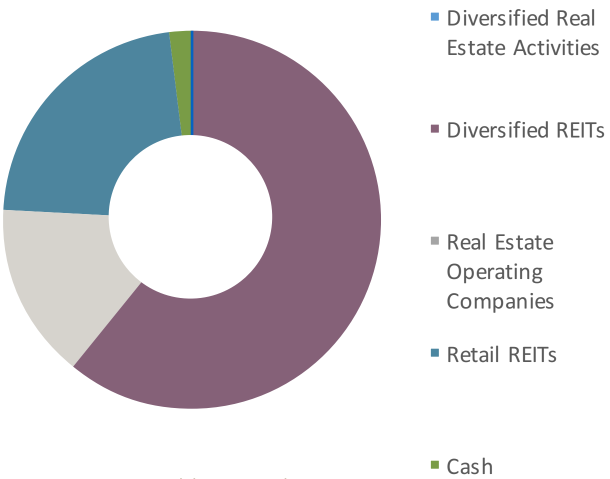
- Weaker-than-expected growth could erode dividends underpinning the current valuations.
- Cannibalisation is a risk in the retail segment.
- Low global bond yields have aided valuations – a reversal of this trend and tighter US monetary policy could impact valuations.
- Changes in sovereign risk (positive and negative) and its flow through to capital markets can have a significant impact on valuations.
- Value-destructive acquisitions, especially in offshore territories where management has less experience, could impact the portfolio.
- Liquidity risk which could lead to the inability to sell underperforming assets quickly.

Performance since inception



Source: PSG Wealth research team data as on 31 March 2017
*Inception date: 1 December 2015.

Asset allocation



Source: PSG Wealth research team

PSG Wealth Equity Portfolios

PSG Wealth Offshore Equity Portfolio

- The PSG Wealth Offshore Equity Portfolio returned 1.18% in March, outperforming the Dow Jones Global Titans 50 TR which ended the month 1.01% higher.
- Nine (60%) of the 15 stocks in the portfolio ended in positive territory, while four (27%) closed below that of the benchmark.

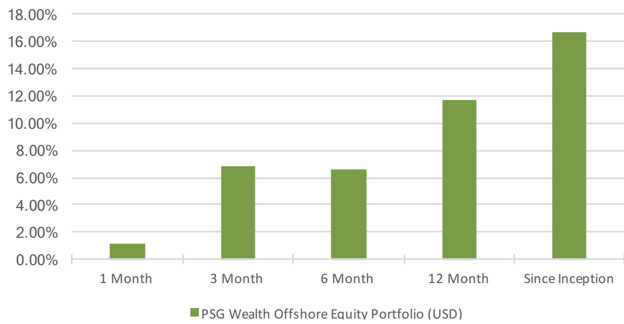
Expectations:

- Investment markets are expected to remain volatile given the high amount of uncertainty in forecasting macro variables.
- Given the diversification of the portfolio and the quality of its chosen investments, we believe that the impact of macro variables should be reduced.
- Our focus will remain on the underlying fundamentals of the individual companies rather than on broad macro issues.

Risk:

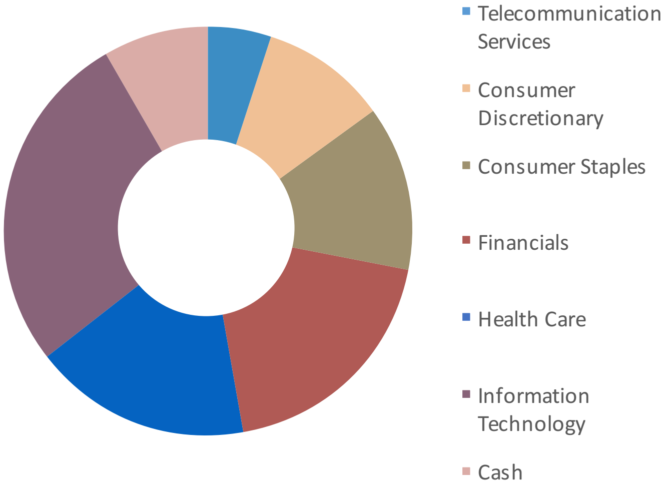
- Sustained international monetary easing creates demand for quality, stable, high yielding equities. This provides a valuation underpin to investments in the portfolio. The portfolio is likely to underperform should this deteriorate.

Performance since inception



Source: PSG Wealth research team data as at 31 March 2017.
*Inception date: 30 August 2015

Asset allocation



Source: PSG Wealth research team

PSG Wealth Equity Portfolios

PSG Wealth SA Dividend Income Equity Portfolio

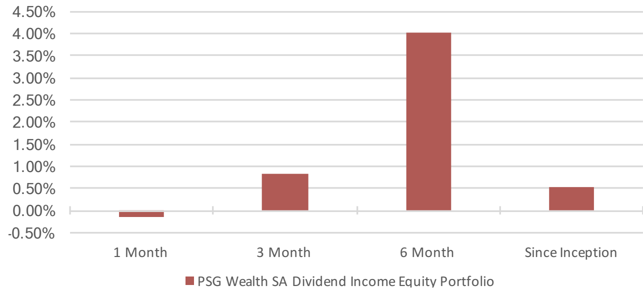
- The PSG Wealth SA Dividend Income Equity Portfolio returned a negative 0.14% during the month. Underperforming the benchmark, the FTSE/JSE Dividend Plus TR, which delivered 1.80% over the same period.
- Nine (45%) of the 20 stocks in the portfolio ended ahead of the benchmark.

Expectations:
- Investment markets are expected to remain volatile given the difficulty to forecast macro variables.
- A shift from highly-valued, high-quality defensive stocks towards more reasonable priced consumer cyclicals and financial stocks in the medium term.

Risk:

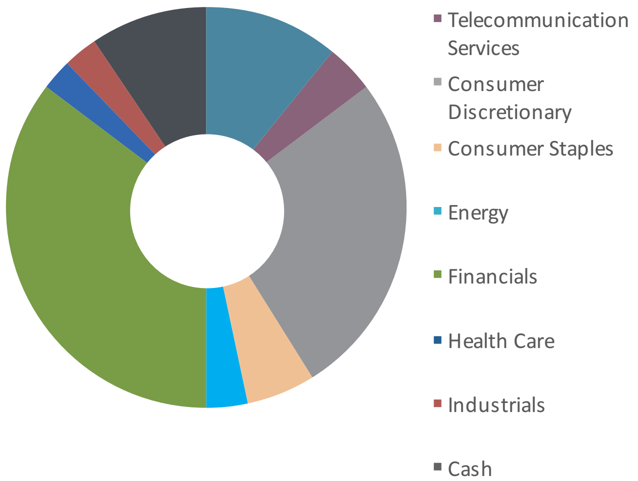
- Changes in the perception of sovereign risk (positive and negative) and its flow through to exchange rates and interest rates can have an impact on portfolio values.
- The portfolio is likely to underperform should international monetary easing prove sustainable. An environment of sustained monetary easing should support 'bond-proxy stocks' to which the portfolio is under exposed to due to valuation concerns.

Performance since inception



Source: PSG Wealth research team data as at 31 March 2017
*Inception date: 29 April 2016

Asset allocation



Source: PSG Wealth research team

PSG Wealth Equity Portfolios

PSG Wealth SA Managed Volatility Equity Portfolio

- The PSG Wealth SA Managed Volatility Equity Portfolio delivered a negative return of 0.27% for March, underperforming the benchmark, the PSG Wealth Custom Low Volatility Index TR, which ended the month 0.09% higher.
- Nine (53%) of the 17 counters in this portfolio closed above the benchmark.

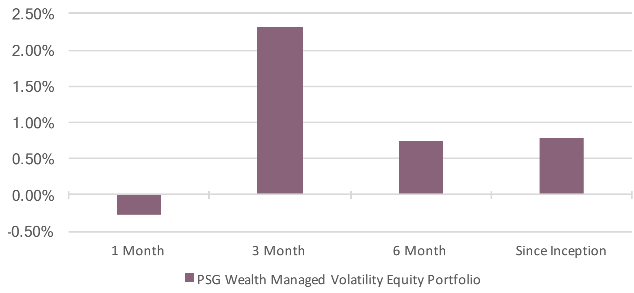
Expectations:

- The valuation of most benchmark constituents currently seem elevated.
- Relative outperformance against the benchmark through not owning the most expensive pockets of shares.
- Lower portfolio drawdown, while still participating in equity market returns.
- Low volatility investing in a defensive way to take risks.
- Portfolio outperformance relative to local equity markets during periods of stress.
- Positive relative performance over the longer term

Risk:

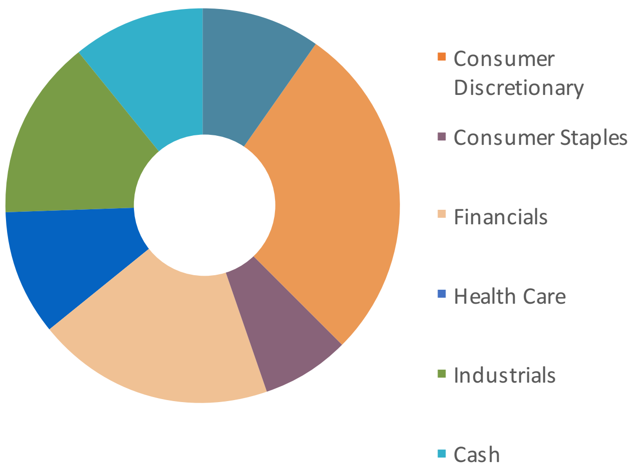
- A negative performance relative to the local equity market during strong bull markets.

Performance since inception



Source: PSG Wealth research team data as at 31 March 2017
*Inception date: 28 July 2016

Asset allocation

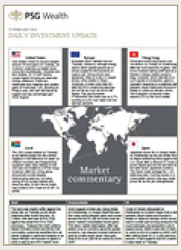


Source: PSG Wealth research team

Other publications

Previous publications

Daily

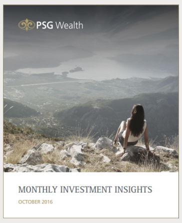


26 April 2017

Weekly

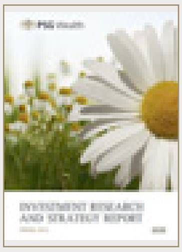
19 Apr	14 Dec	07 Sep	08 Jun
12 Apr	07 Dec	31 Aug	01 Jun
5 Apr	30 Nov	17 Aug	25 May
22 Mar	16 Nov	10 Aug	18 May
15 Mar	09 Nov	02 Aug	11 May
8 Mar	02 Nov	27 Jul	04 May
1 Mar	26 Oct	13 Jul	26 Apr
15 Feb	12 Oct	06 Jul	20 Apr
06 Feb	05 Oct	29 Jun	12 Apr
18 Jan	28 Sep	22 Jun	05 Apr
11 Jan	14 Sep	15 Jun	30 Mar

Monthly



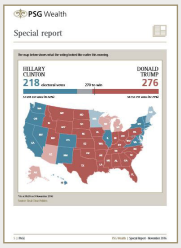
Mar	2017	Feb	2016
Feb	2017	Dec	2015
Jan	2017	Nov	2015
Nov	2016	Oct	2015
Oct	2016	Sep	2015
Sep	2016	Aug	2015
Aug	2016	July	2015
Jul	2016	Jun	2015
Jun	2016	May	2015
May	2016		
Apr	2016		

Quarterly



Summer	2017
Spring	2016
Winter	2016
Autumn	2016
Summer	2015
Spring	2015

Special Reports



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Wealth Perspective

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PSG Wealth

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