MONTHLY INVESTMENT INSIGHTS

AUGUST 2016

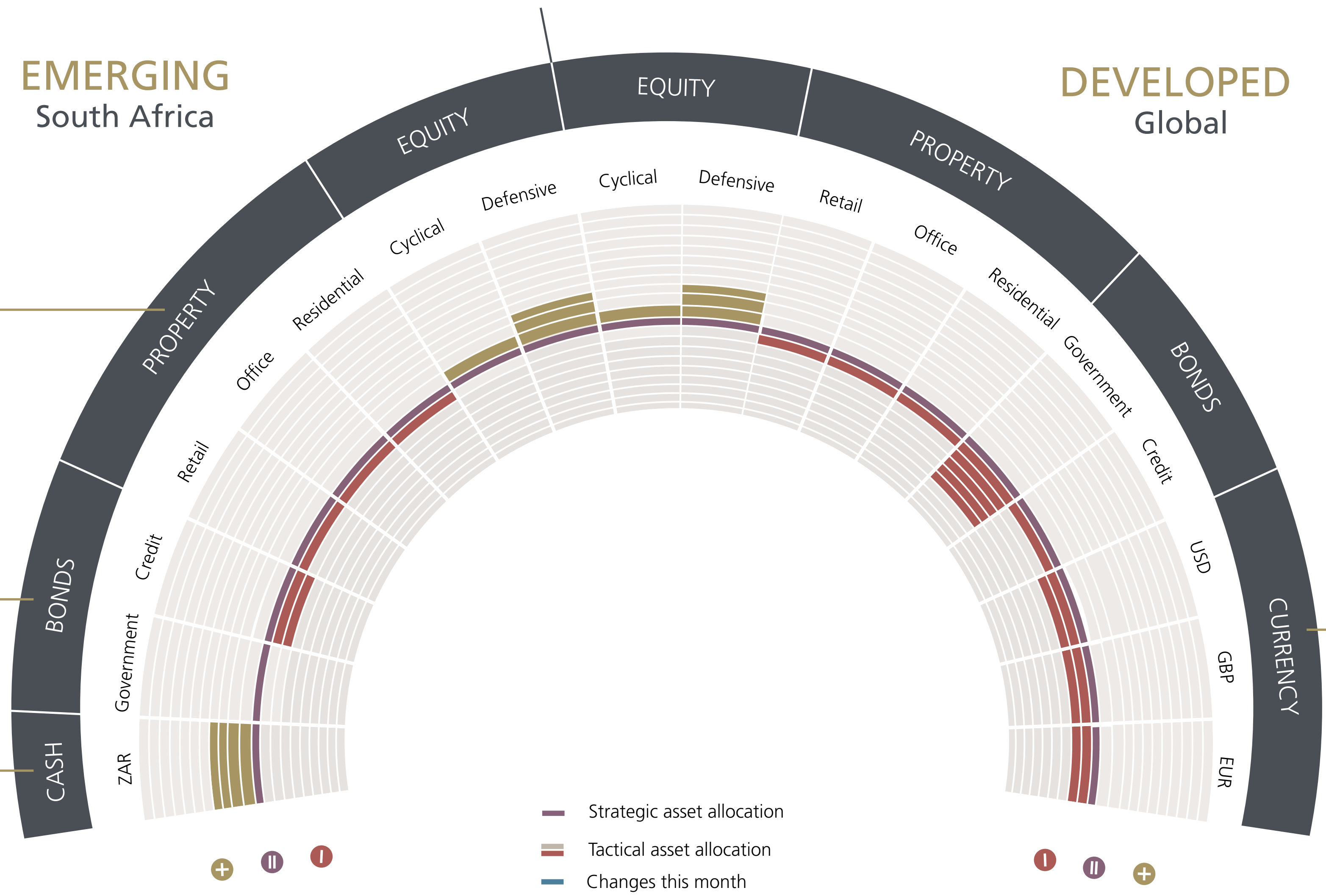
Contents

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.



The rand is still undervalued against major currencies, and we believe the rand will continue to appreciate against the dollar, pound and euro.

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

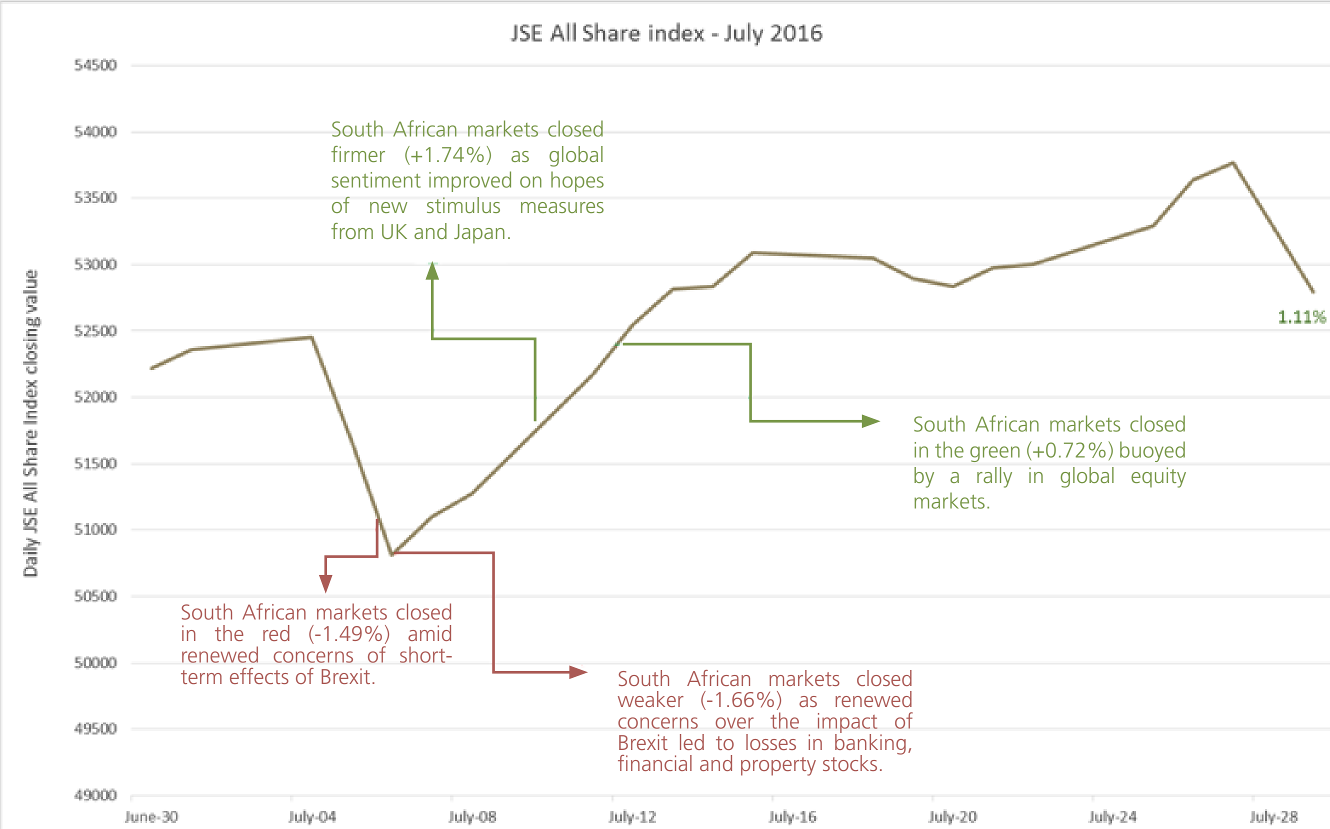
Underweight: Tactical recommendation to hold less of the asset class than specified in the strategic asset allocation

Bottom line

- Until recently the gross real yield on most short-dated money market assets were near zero. On an after-cost-after-tax basis, there was very little to be excited about in this asset class. We do however expect this to change over the coming months, as rate hikes ensue at an increased pace. Cash should form part of a diversified portfolio and even in an increasing interest rate cycle should not be used in isolation.
- Our assessment shows that domestic equity is now roughly 35% overvalued relative to its historic yield. There certainly remains some expensive pockets in the market, and investors should expect continued volatility at current levels.
- With regards to domestic listed property our assessment of fair value shows that domestic property equity is now roughly 23% overvalued relative to its historic yield. In addition, we remain of the view that the interest rate cycle will impact domestic economic strength, affordability and sentiment presenting headwinds for capital growth in the property sector. We therefore expect property yields to normalise on the back of capital value pressure.
- As always however, there are some exceptions. Selected property shares are experiencing growing yields, which may present some opportunities. Although broad-based property exposure is ill-advised at this stage, we do believe there are some shares that can make a contribution to a diversified portfolio.
- Global equity, although trading at a slight premium (19%), remains the most attractive asset class to our mind. The underlying valuations remain sound and there are many quality firms to choose from. The biggest near-term risk for South African investors is the rand. That being said, there are many effective ways in which professional money managers can manage this risk effectively.

Market commentary

Local markets ended the month of July in the green, with the FTSE/JSE All Share Index (ALSI) advancing 1.1% (up 4.2% year-to-date). Financial and basic material counters recorded positive monthly gains, while consumer defensive and energy shares, which includes a number of dual-listed UK shares and other rand hedges, ended the month lower, on the back of a firmer rand.



Source: Bloomberg

Domestic key moves

- Prior to Brexit the rand was one of the worst performing emerging market currencies this year. However, the rand benefitted the most from the Brexit aftermath. The rand ended the month 5.7% stronger, as weaker-than-expected US economic growth data further dampened the possibility of a US interest rate hike in the near term.
- Basic material counters, especially platinum and gold companies, benefited from the uncertainty triggered by June's Brexit vote, with several shares reaching a 52-week high. The US dollar spot price of platinum and gold was up 12.1% and 2.2% respectively for the month.
- Oil prices continued to fall, recording the biggest monthly decline for the year. Brent crude prices fell 13% for the month, as the US drill rig count continued to increase amid a glut of crude and fuel supplies, which are at their highest seasonal level in at least two decades.
- At the Monetary Policy Committee (MPC) meeting the South African Reserve Bank (SARB) left the benchmark interest rate unchanged at 7.0%, with the SARB reiterating its decision to pause their tightening cycle.
- Bonds outperformed equities and cash in July, as the yield on benchmark government bonds continued to fall. The yield on the longer-dated 2026 bond fell 18bp to 8.63%.

Market commentary

Global key moves

Newly named Conservative Party Chairman Patrick McLoughlin says Article 50, which formally starts the UK's exit from Europe, will be triggered before the 2020 election. Appearing on the BBC's "Marr Show," McLoughlin said the UK must secure its borders and get immigration under control, Reuters reports. "I'm quite clear that the referendum result is binding on Parliament," McLoughlin said.

US

- Bond yields continued to slide. In late July the US 10-year yield pressed below 1.32% in early trade, making for the lowest reading on record. The drop in yields has come amid renewed worries over global growth that have resurfaced following the Brexit vote.

- The US economy advanced an annualised 1.2% QoQ in the three months to June. This was well below market expectations of a 2.6% expansion. Consumer spending was the main driver of growth while investment slumped and inventories fell for the first time since 2011.

US GDP growth rate since July 2013

Source: Trading Economics

- The Federal Reserve left the target range for its federal funds rate unchanged at 0.25% to 0.5% for the fifth time during its July 2016 meeting. Policymakers said that the labour market strengthened and near-term risks to growth decreased, suggesting a rate hike is still possible this year. Although any increase would be dependent on incoming economic data.

UK

- There's evidence that Brexit caused a 'dramatic deterioration' of the UK economy. The composite reading for Markit flash PMI fell to 47.4 in June, its lowest reading since March 2009. Additionally, manufacturing PMI sank to a 44-month low of 49.1 and services PMI tumbled to an 87-month low of 47.4. All three readings were below the 50.0 level, meaning those sectors are all contracting. "The downturn, whether manifesting itself in order book cancellations, a lack of new orders, or the postponement or halting of projects, was most commonly attributed in one way or another to 'Brexit,'" Markit's chief economist, Chris Williamson, said in the report.

- In a shocking decision, the Bank of England kept its benchmark interest rate unchanged at 0.50% for an 88th straight meeting. The decision followed the UK's historic decision on 23 June to leave the European Union.

EU

- The Eurozone economy showed 'surprising resilience' after the Brexit vote as the Markit PMI composite reading came in at 52.9 for June, down slightly from May's reading of 53.1. Germany's services sector impressed with a print of 54.6, while its manufacturing sector disappointed with a reading of 53.7. Readings in France impressed across the board, but the manufacturing sector remained in contraction at 48.6, a four-month high.

- The preliminary flash estimate showed that gross-domestic-product growth in the euro area slowed to 0.3% in the second quarter, down from the first quarter's print of up 0.6%. Growth was higher by 1.6% on a year-over-year basis.

- German confidence was hit hard by Brexit. The ZEW Indicator of Economic Sentiment for Germany plunged 26 points in July to -6.8. "Uncertainty about the [Brexit] vote's consequences for the German economy is largely responsible for the substantial decline in economic sentiment," Professor Achim Wambach, the ZEW president, said. "In particular, concerns about the export prospects and the stability of the European banking and financial system are likely to be a burden on the economic outlook."

China

- The Chinese economy expanded at a 6.7% YoY clip in the second quarter, according to the country's National Bureau of Statistics. That was ahead of the 6.6% that economists were expecting and unchanged from the first quarter. Industrial output

Market commentary

and retail sales were also strong, coming in at up 6.2% and up 10.6%. Fixed-asset investment was an outlier, missing estimates with a 9.0% print versus expectations of 9.4%.

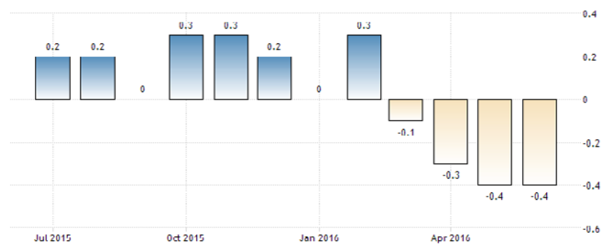
- Data released by China's General Administration of Customs showed that exports fell 4.8% YoY in dollar terms while imports sagged 8.4%. The result was a trade surplus of $48.11 billion in June, which was a bit below the May reading of $49.98 billion. A spokesman for the administration said China's economy was facing "increased downward pressure" from the British referendum and amid expectations of further interest-rate increases in the US.

Japan

- Japan's central bank shocked many by announcing only a small tweak to policy. The BOJ said it would increase the amount of exchange-traded funds it buys to an annual pace of 6 trillion yen, up from its previous pace of 3.3 trillion yen.

- Consumer prices in Japan dropped by 0.4% YoY in June, the same as in May and matching market expectations. It was the fourth straight month of decline, as prices of food increased at a faster pace, the cost of housing declined further and cost of transport fell less than in the preceding month.

Japan inflation rate since July 2015



Source: Trading Economics

PSG Wealth Fund of Funds Solutions

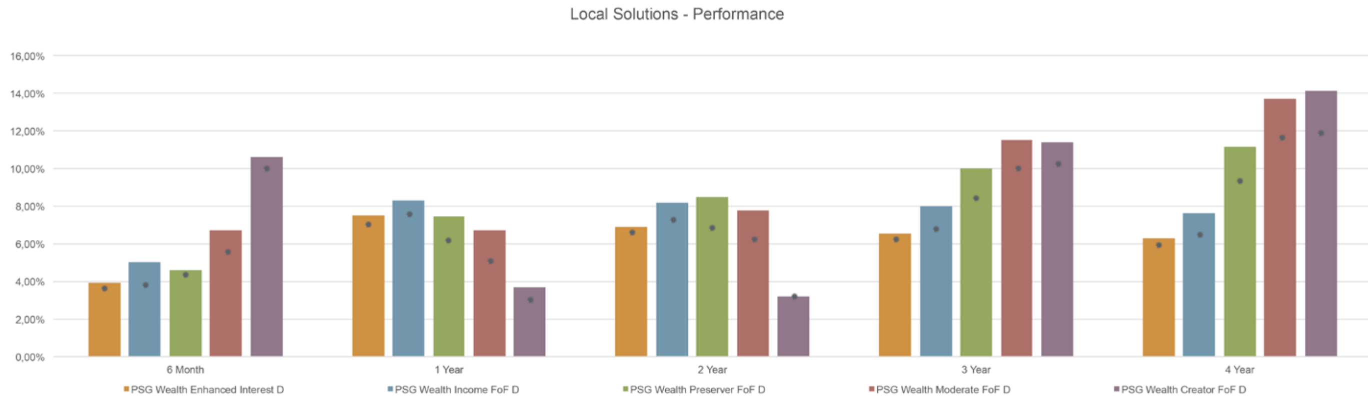
Local funds

Domestic funds performance table

PSG Wealth Solutions						
Fund	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
PSG Wealth Enhanced Interest D	3,92%	7,51%	6,90%	6,57%	6,31%	N/A
PSG Wealth Income FoF D	5,05%	8,31%	8,15%	7,98%	7,61%	8,13%
PSG Wealth Preserver FoF D	4,59%	7,46%	8,46%	9,97%	11,15%	11,78%
PSG Wealth Moderate FoF D	6,70%	6,71%	7,77%	11,51%	13,73%	14,06%
PSG Wealth Creator FoF D	10,60%	3,66%	3,21%	11,38%	14,16%	13,78%

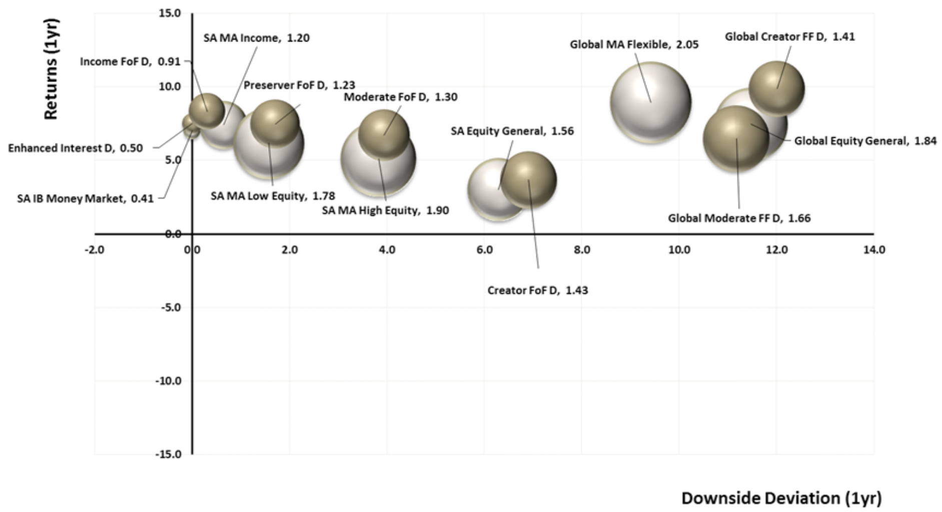
Source: PSG Wealth Investment Division

Domestic funds performance



Source: PSG Wealth Investment Division data as at 30 July 2016 *Dots represent the relevant benchmark

PSG Wealth Local Fund of Funds



Source: PSG Wealth Investment Division

PSG Wealth Fund of Funds Solutions

PSG Wealth Enhanced Interest Fund

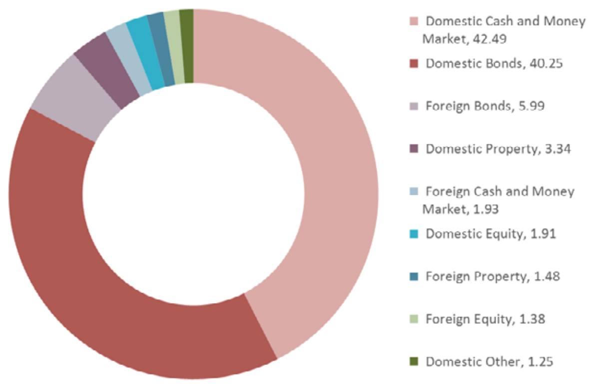
- The PSG Wealth Enhanced Interest fund delivered a return of 0.68% for July 2016, compared to the 0.61% of its benchmark, the South Africa IB Money Market Sector Average.
- The fund again outperformed the benchmark over all measurement periods over four years and less.
- Asset Allocation

Source: PSG Wealth Investment Division

Risk & Expectations: We are confident the fund will continue to deliver returns in access of money market rates in order to offset the negative effects of high inflation on cash.

PSG Wealth Income FoF

- The PSG Wealth Income FoF delivered a return of 0.82% for July 2016, compared to the 0.66% of its benchmark, the Stefi 12 Months NCD.
- It also outperformed the benchmark as well as the South African MA Income Sector Average over all measurement periods over five years and less.
- Asset Allocation



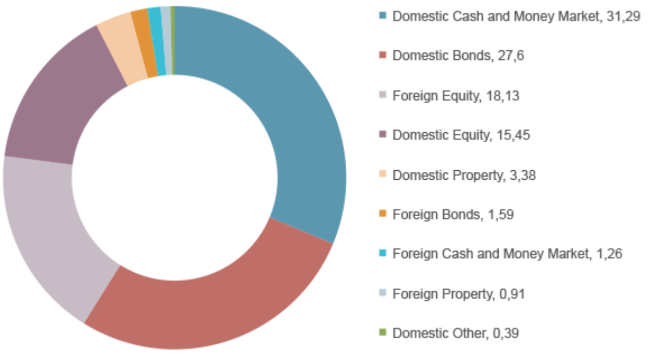
Source: PSG Wealth Investment Division

Risk & Expectations: Higher inflation and rising interest rates may be a drag on performance over the short term, but current indications are that the inflation cycle is near its top. We believe the underlying portfolio managers will be able to lock in the higher yields on short-term instruments in order to deliver attractive returns until well after the interest rate cycle has peaked.

PSG Wealth Fund of Funds Solutions

PSG Wealth Preserver FoF

- The PSG Wealth Preserver FoF delivered a return of 0.5% for July 2016 compared to the 0.6% of the South African MA Low Equity Sector Average.
- It outperformed the sector average over all other measurement periods from three months up to five years.
- Asset Allocation

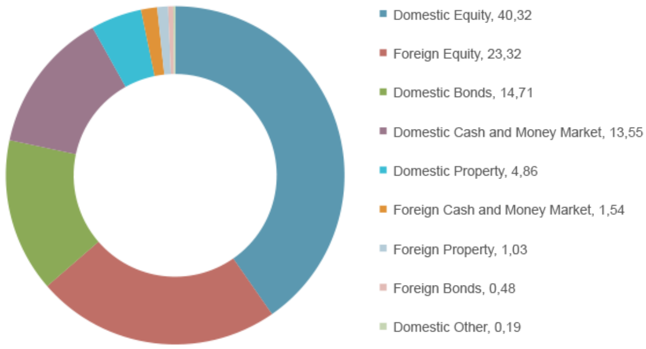


Source: PSG Wealth Investment Division

Risk & Expectations: Higher inflation increases the performance hurdle of the fund, but rising interest rates, due to higher inflation, could be a drag on performance. 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 negative markets.

PSG Wealth Moderate FoF

- The PSG Wealth Moderate FoF delivered a return of 1.0% for July 2016 compared to the 0.9% of its benchmark, the South African MA High Equity Sector Average.
- It outperformed the sector average over all measurement periods from six months up to five years.
- Asset Allocation



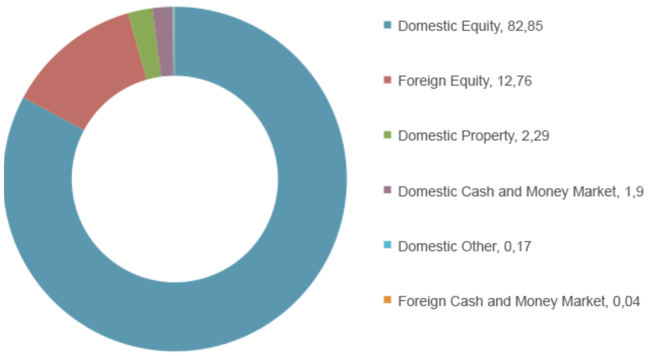
Source: PSG Wealth Investment Division

Risk & 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 all market cycles.

PSG Wealth Fund of Funds Solutions

PSG Wealth Creator FoF

- The PSG Wealth Creator FoF delivered a return of 1.8% for July 2016, compared to the 1.6% of its benchmark, the South African EQ General Sector Average.
- It outperformed the sector average over all measurement periods over six months and longer. The Prudential Equity Fund was the only underlying manager that underperformed over all investment periods of one year and less.
- Asset Allocation



Source: PSG Wealth Investment Division

Risk & Expectations: Although the outlook for equities has deteriorated due to higher valuations and weaker earnings growth, 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 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.

PSG Wealth Fund of Funds Solutions

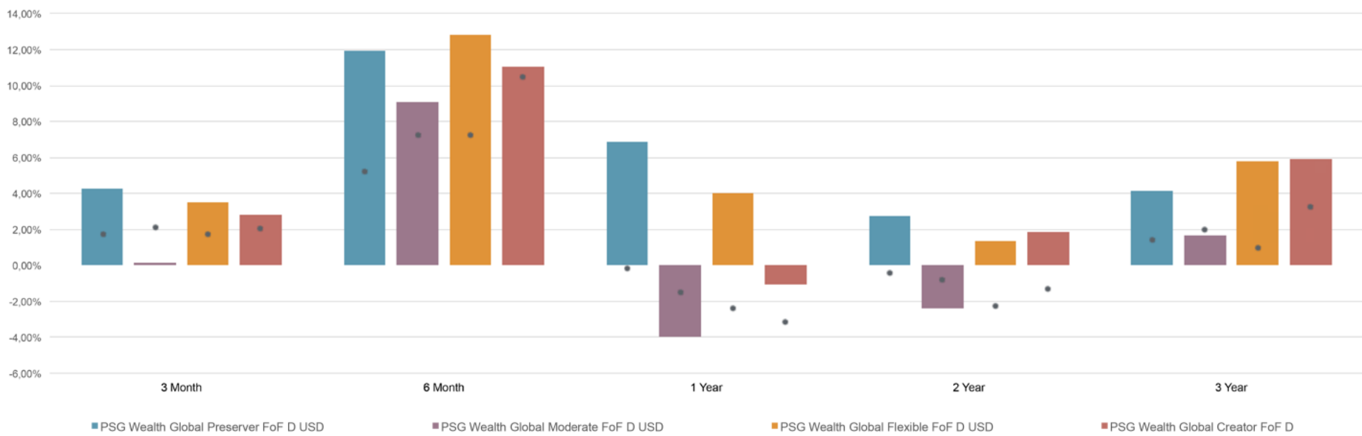
Offshore funds

Performance table

PSG Wealth Solutions - Offshore (Reported in USD)						
Fund	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
PSG Wealth Preserver FoF D USD	11,95%	6,86%	2,76%	4,12%	4,58%	3,74%
PSG Wealth Moderate FoF D	9,09%	-3,97%	-2,40%	1,67%	4,75%	N/A
PSG Wealth Flexible FoF D USD	12,80%	4,04%	1,38%	5,81%	8,77%	5,56%
PSG Wealth Creator FoF D	11,03%	-1,08%	1,84%	5,89%	N/A	N/A
PSG Wealth Solutions - Offshore (Reported in GBP)						
Fund	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
PSG Wealth Preserver FoF D USD GBP	17,83%	19,98%	11,20%	8,85%	8,76%	7,56%
PSG Wealth Flexible FoF D USD GBP	21,44%	18,47%	13,92%	10,53%	12,46%	9,79%

Source: PSG Wealth Investment Division as on 30 July 2016.

Offshore funds performance

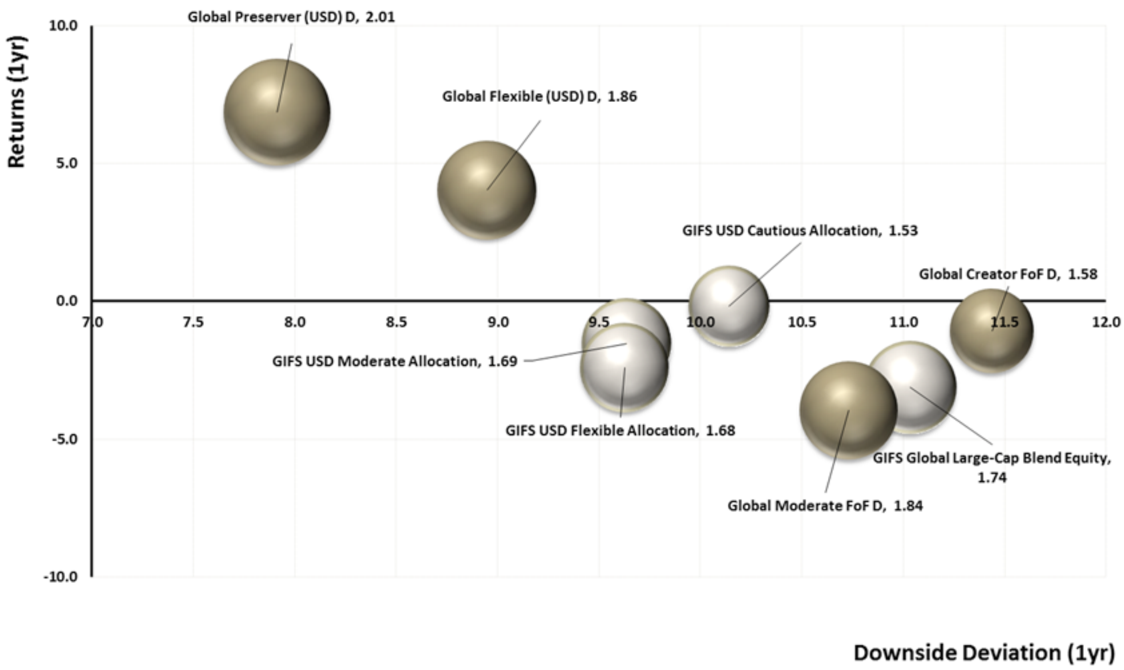


Source: PSG Wealth Investment Division data as at 30 July 2016. *Dots represent the relevant benchmark

All performance is reported in USD unless specified otherwise.

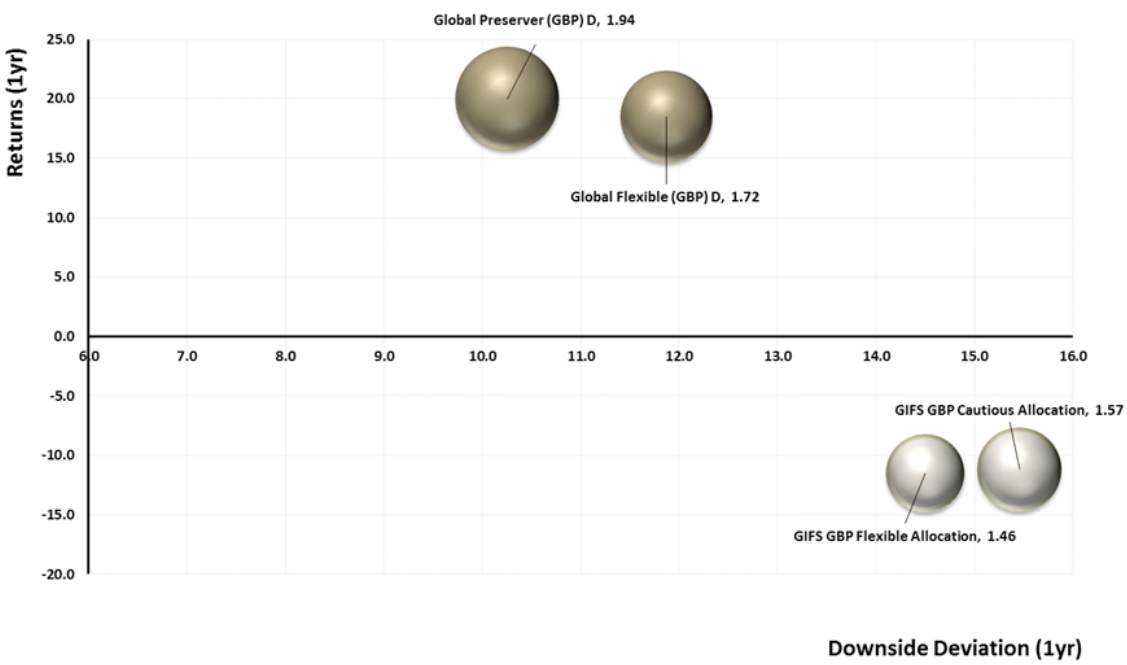
PSG Wealth Fund of Funds Solutions

PSG Wealth Offshore Fund of Funds (USD)



Source: PSG Wealth Investment Division

PSG Wealth Offshore Fund of Funds (GBP)

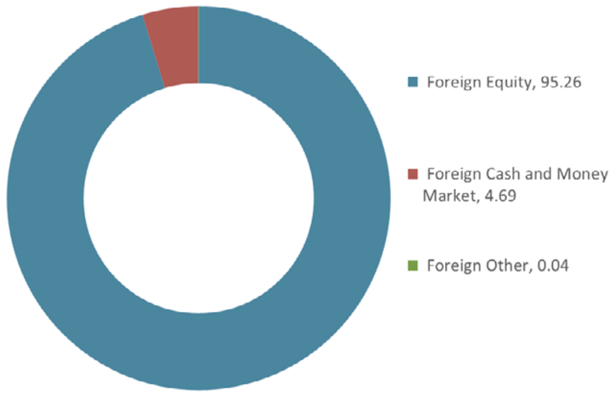


Source: PSG Wealth Investment Division

PSG Wealth Fund of Funds Solutions

PSG Wealth Global Creator Fund of Funds (USD)

- The PSG Wealth Global Creator FoF returned 4.90% for July, outperforming the benchmark GIFS Global Large-Cap Blend equity sector average which delivered 4.66%, as well as the MSCI All Country World index which returned 4.31%.
- The best performing fund for the month was the T. Rowe Price Global Focused Growth fund which delivered 6.93%. An overweight to information technology, coupled with stock selection, contributed the most to relative performance. Shares of software-as-a-service provider NetSuite spiked over the last few days of the month after Oracle agreed to pay $9.3 billion to acquire the firm. An overweight to the consumer discretionary sector, coupled with stock selection, also aided relative returns.
- The worst performing fund was the Investec Global Franchise fund which delivered 1.71%, the strategy's investment process seeks to identify companies that boast a durable competitive advantage and a strong financial position. These attributes saw the strategy benefit post-Brexit as market turmoil spread. However, as the appetite for risk returned in July, the defensive nature of the strategy saw it underperform the index as riskier stocks rallied.
- Developed markets underperformed emerging markets during July, the MSCI Emerging Market Index delivering 5.03% against 4.22% by the MSCI World Index. European markets recovered somewhat from last month's Brexit shock, with the Euro Stoxx 50 index returning 5.20% for the month. However, UK equities lagged behind most markets in July, the FTSE 100 index delivering only 2.73% in USD.

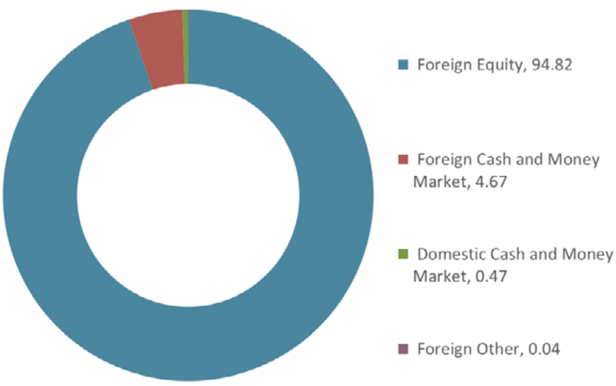


Source: PSG Wealth Investment Divison

Risk: Given the overweight to developed markets in our portfolio (97%) and the general defensive positioning by most of our underlying managers, we expect to underperform global markets when sentiment is very positive and risky assets, such as emerging market equities, perform strongly.

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. We are comfortable with the overall defensive positioning of our fund.

PSG Wealth Global Creator Feeder Fund (FF) (ZAR)



Source: PSG Wealth Investment Division

- The PSG Wealth Global Creator FF D delivered a return of 0.85% for July in rand terms, outperforming the global sector average which returned -0.93%. The rand strengthened by approximately 6.3% against the US dollar over July, thus reducing global portfolio returns reported in rand.

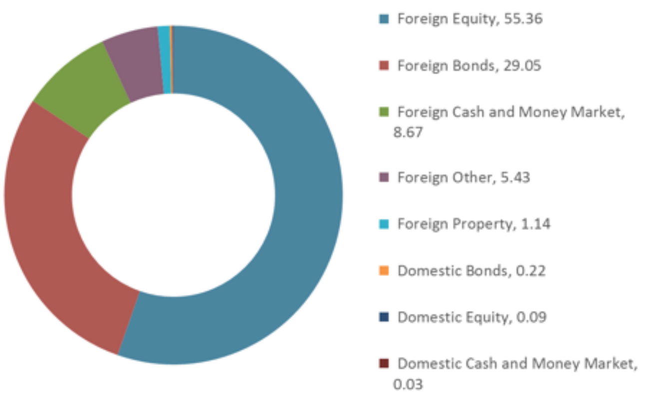
Risk & expectation: We expect the rand to strengthen in the short term, which could result in depressed ZAR returns for our global funds. However, over longer periods (7 years +) we expect the currency effect will be relatively flat and given the relative valuation of global equities we still believe 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)

- The PSG Wealth Global Moderate FoF returned 2.76% for July, slightly underperforming the GIFS USD Moderate Allocation sector average, which delivered 2.85%.
- During July the Coronation Global Managed, Foord International Trust and PSG Global Flexible was replaced with the MFS Meridian Global Total Return, Schroders ISF Global Multi Asset Flexible and T. Rowe Price Global Allocation funds.
- JP Morgan noted in their monthly insights that European markets and news were dominated by two key issues: Brexit and banks. The shock to the markets caused by the referendum result was more or less absorbed in July, but the subsequent data releases and Bank of England (BoE) meetings revealed how companies and the central bank were coping. The Purchasing Managers Indices (PMI) for both services and manufacturing fell not only to contractionary territory, but to levels not seen since 2009.
- The unsung asset class of the year so far has been emerging market (EM) debt, with year-to-date returns of above 13%. These large gains can be attributed to a stabilisation in China's fundamentals, an uptick in EM earnings expectations and investors' never ending search for yield in this lower-for-longer world.



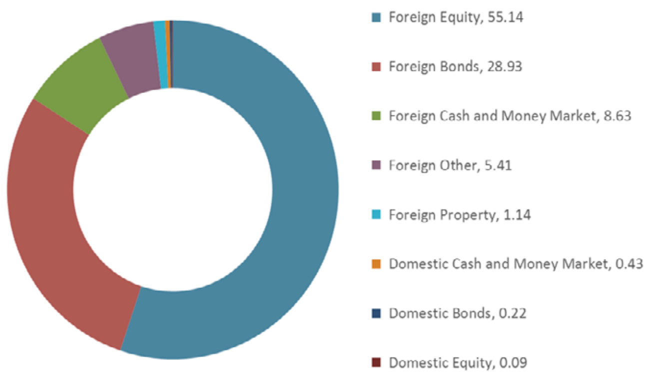
Source: PSG Wealth Investment Division

Risk: After changes made in July to the underlying funds within the portfolio, the cash position has decreased from 13.7% to 8.7% - thus reducing the risk of a cash drag on short-term performance. However, the portfolio is very defensively positioned and performance will likely be muted during periods of positive market sentiment when risky assets such as emerging markets outperform.

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.

PSG Wealth Global Moderate Feeder Fund (ZAR)

- The PSG Wealth Global Moderate FF D delivered a return of -1.15% in rand terms for July, outperforming both the GIFS USD Moderate allocation sector average and the ASISA Global Multi Asset Flexible allocation sector average, which returned -2.64% and -1.45% respectively.



Source: PSG Wealth Investment Division

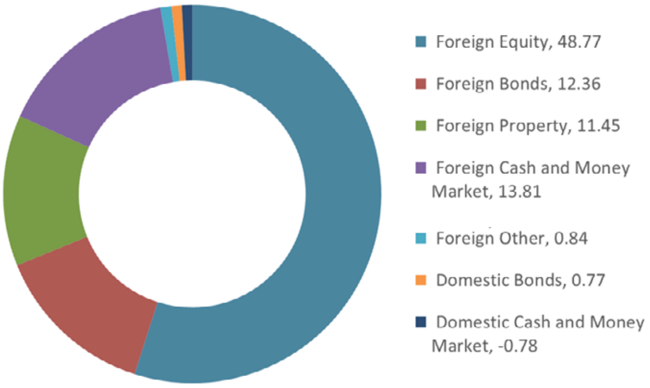
Risk & expectation: We expect the rand to strengthen in the short term, which could result in depressed ZAR returns for our global funds. However, over longer periods (7 years +) we expect the currency effect will be relatively flat. Given the relative valuation of global equities we still believe the fund offers good opportunities.

Disclaimer: All performance is reported in USD unless specified otherwise.

PSG Wealth Fund of Funds Solutions

PSG Wealth Global Preserver FoF (USD)

- The PSG Wealth Global Preserver FoF (USD) returned 2.55% for July outperforming the benchmark GIFS USD Cautious allocation sector average, which delivered 1.85%.
- The best performing fund was the Orbis Global Equity fund which delivered 5.59%, and the worst performing fund the Orbis Optimal Fund which returned 0.14%.

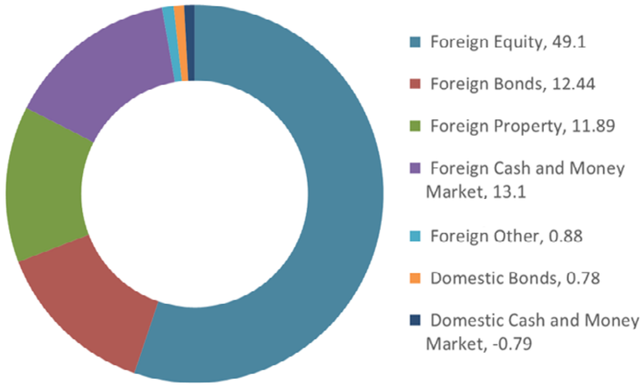


Source: PSG Wealth Investment Division

Risk & expectation: The portfolio is positioned to benefit from strong equity markets which could lead to above-sector average volatility in the short term. 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.

PSG Wealth Global Preserver FoF (GBP)

- The PSG Wealth Global Preserver FoF (GBP) returned 3.44% in GBP for July, outperforming the benchmark GIFS GBP Cautious allocation sector average, which delivered 2.39%.
- The best performing fund was the Sarasin IE Real Estate fund which delivered 6.17% in GBP, and the worst performing fund was the Schroder ISF Global Multi Asset Income fund which returned 1.92%.



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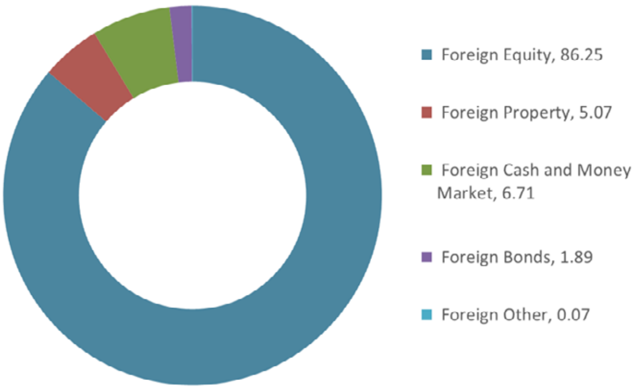
All performance is reported in USD unless specified otherwise.

PSG Wealth Fund of Funds Solutions

PSG Wealth Global Flexible FoF (USD)

- The PSG Wealth Global Flexible FoF (USD) returned 3.67% for July, significantly outperforming the benchmark GIFS USD Flexible allocation sector average which delivered 2.63%.
- The best performing fund was the Orbis Global Equity fund which returned 5.59%, and the worst performing fund was the Schroder ISF Global Multi Asset Income fund which returned 1.95%.

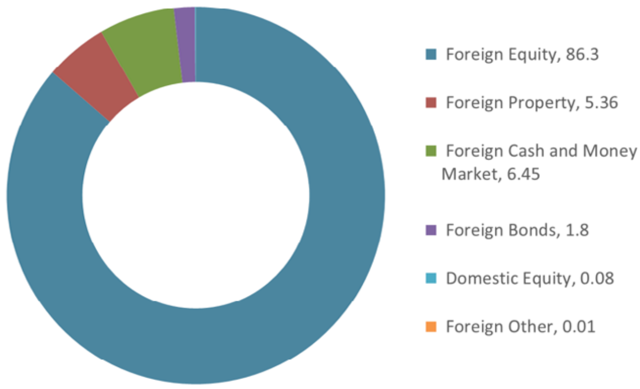


Source: PSG Wealth Investment Division

Risk & expectation: The portfolio currently has an equity allocation of 86.3% 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.

PSG Wealth Global Flexible FoF (GBP)

- The PSG Wealth Global Flexible FoF GBP returned 3.44% in GBP for July, outperforming the benchmark GIFS GBP Flexible allocation sector average which delivered 2.39%
- The best performing fund was the Sarasin IE Real Estate fund which returned 6.17% in GBP, and the worst performing fund was the Orbis Optimal fund which returned 0.83%.



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All performance is reported in USD unless specified otherwise.

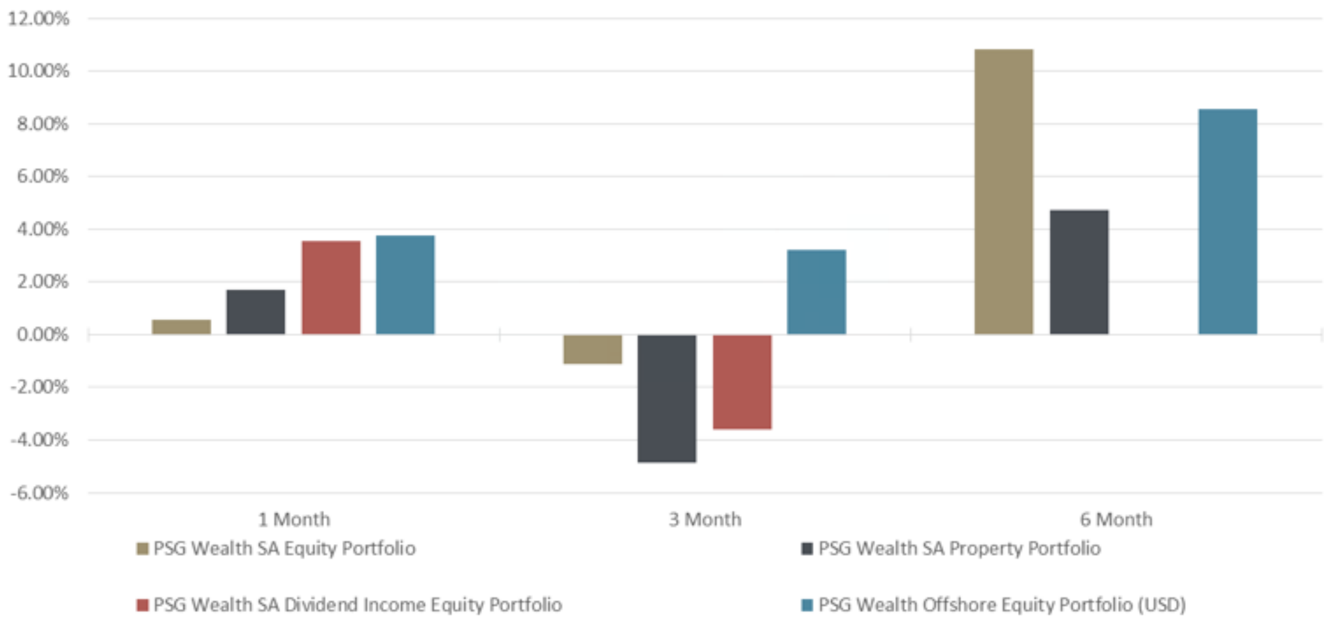
PSG Wealth Equity Portfolios

Performance table

PSG Wealth Equity portfolios				
Fund	1 Month	3 Month	6 Month	Since inception
PSG Wealth SA Equity Portfolio	0,57%	-1,12%	10,81%	9,28%
PSG Wealth SA Property Equity Portfolio	1,69%	-4,85%	4,74%	-3,92%
PSG Wealth SA Dividend Income Equity Portfolio	3,77%	3,23%	8,57%	8,87%
PSG Wealth Offshore Equity Portfolio (USD)	3,54%	-3,60%	N/A	-3,60%

Source: PSG Wealth Investment Division

Equity portfolios performance



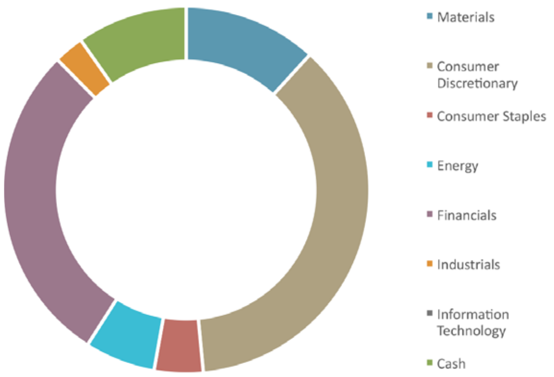
Source: PSG Wealth Investment Division data as at 30 July 2016

PSG Wealth Equity Portfolios

PSG Wealth SA Equity Portfolio

- The PSG Wealth SA Equity Portfolio returned 0.57% for the month, underperforming its benchmark, the FTSE/JSE All Share Capped TR (net of fees), which gained 1.36% over the same period.
- Returns for 12 of the 19 (63%) stocks were higher than the benchmark, while six investments had negative returns for the month.

Asset Allocation



Source: PSG Wealth Investment Division

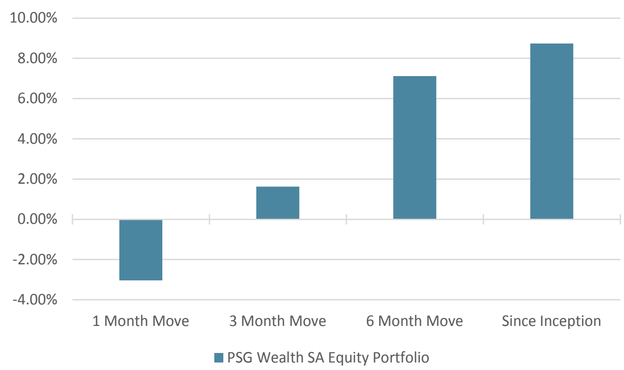
Expectations:

- Exchange rate movements will remain a dominant driver of short-term equity market returns.
- Given the diversification of the portfolio and its quality investments, we believe its performance should not be fundamentally dependent on exchange rate movements.
- The portfolio is weighted towards domestic value investments and offshore growth stocks.
- Valuation differentials between sectors are not obvious, but we prefer the consumer discretionary sector compared to the consumer staples sector.
- 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 rates and interest rates, can have an impact on portfolio values.
- Unsustainable central bank support to developed economies 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 due to valuation concerns. This could lead to portfolio underperformance.
- Overestimating growth and operational improvements in highly-rated international counters.

Performance since inception



Source: PSG Wealth Investment Division data as on 30 July 2016. *Inception date: 30 August 2015.

PSG Wealth Equity Portfolios

PSG Wealth SA Property Equity Portfolio

- The PSG Wealth SA Property Equity Portfolio returned 1.69% for the month of July, outperforming the FTSE/JSE SA Listed Property Capped TR (net of fees) which delivered 1.51% for the month.
- Twelve out of the 16 stocks in the portfolio (75%) recorded positive returns, while 69% of the individual investments outperformed the benchmark.

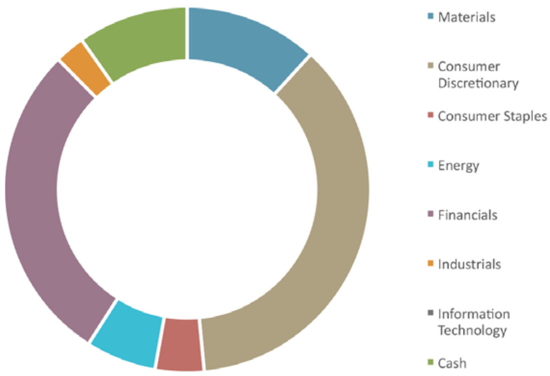
Expectations:
- New local developments could lead to a higher supply while demand is weak.
- Weak economic growth might result in higher vacancy profiles and rental reversions.
- Capital market changes generally dominate short-term returns

Risk:
- Weaker-than-expected growth could eroding dividends underpinning the current valuations.
- Falling 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 leading which could lead to the inability to sell underperforming assets quickly.

Performance since inception

Source: PSG Wealth Investment Division data as on 30 July 2016 *Inception date: 1 December 2015

Asset Allocation



Source: PSG Wealth Investment Division

PSG Wealth Equity Portfolios

PSG Wealth Offshore Equity Portfolio

- The PSG Wealth Offshore Equity Portfolio outperformed its benchmark with a return of 3.77%. The Dow Jones Global Titans 50 TR USD (net of fees) returned 3.45% for July. In rand terms, the portfolio lost 2.34%.
- Nine of the 15 (60%) stocks outperformed the benchmark and only three (20%) had negative returns for the month.

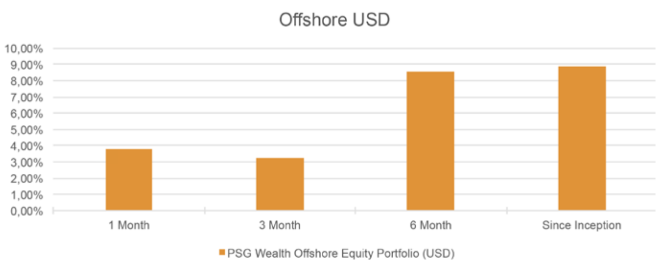
Expectations:

- 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:

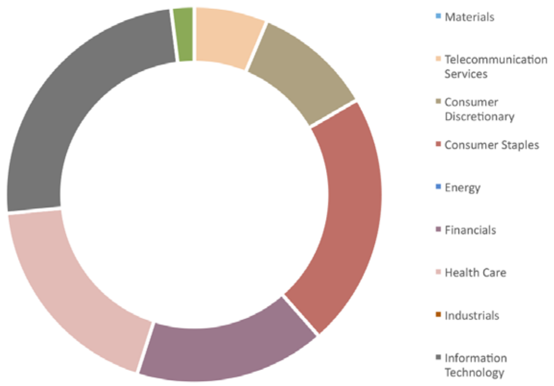
- Sustained international monetary easing creates demand for quality, stable, high yielding equities. This provides a valuation underpin to investments in the portfolio. The portfolio is likely to underperform should this diminish.

Performance since inception



Source: PSG Wealth Investment Division data as at 30 July 2016.
*Inception date: 30 August 2015

Asset Allocation



Source: PSG Wealth Investment Division

PSG Wealth Equity Portfolios

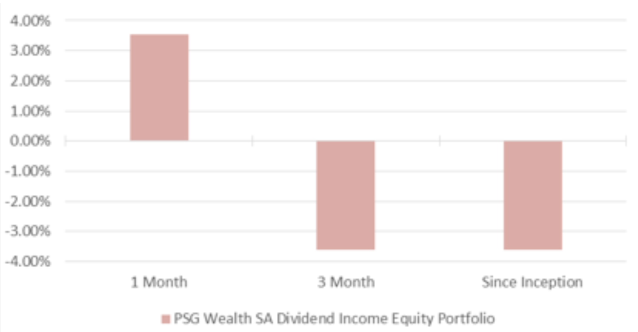
PSG Wealth SA Dividend Income Equity Portfolio

- The PSG Wealth SA Dividend Income Equity Portfolio returned 3.54% for the month, underperforming its benchmark, the FTSE/JSE Dividend Plus TR (net of fees), which gained 4.12% over the same period.
- Returns for nine of the 20 (45%) stocks were higher than the benchmark, while eight investments had negative returns for the month.

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

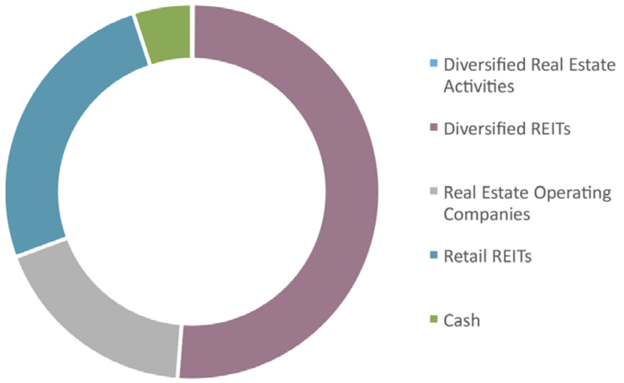
Risk:
- Changes in the perception of sovereign risk (positive and negative) and its flow through to exchange rates and interest rates can have an impact on portfolio values.
- Unsustainable central bank support to developed economies creates artificial demand for high yielding emerging market securities. It will have an adverse impact on market valuations should foreign capital inflows from these markets come to an abrupt end.
- 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 due to valuation concerns.

Performance since inception



Source: PSG Wealth Investment Division data as at 30 July 2016
*Inception date: 29 April 2016

Asset Allocation



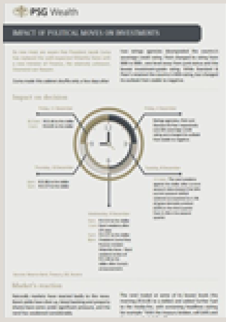
Source: PSG Wealth Investment Division

Other publications

Previous publications

Daily

24 Aug



Weekly

17 Aug
10 Aug
2 Aug
27 Jul
13 Jul
6 Jul
29 June
22 June
15 June
8 June
1 June
25 May
18 May
11 May
4 May
26 Apr
20 Apr
12 Apr
5 Apr
30 Mar
23 Mar
16 Mar
9 Mar
1 Mar
23 Feb
11 Dec
20 Nov
16 Nov

Monthly

July 2016
22 June 2016
31 May 2016
22 Apr 2016
16 Mar 2016
1 Feb 2016
7 Dec 2015
9 Nov 2015
14 Oct 2015

Research & Strategy Report

Winter 2016

Autumn 2016

Summer 2015

Spring 2015

PSG Wealth

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