MONTHLY INVESTMENT INSIGHTS

MARCH 2016

PSG Wealth Fund of Funds Solutions

Domestic funds

PSG Wealth Enhanced Interest Fund

- The PSG Wealth Enhanced Interest Fund D benefitted from the higher short-term interest rates and returned 0.6% for the month, outperforming the 0.54% of the South African IB Money Market Sector Average.
- The fund also outperformed the sector average for money market funds over all measurement periods of four years and less.

PSG Wealth Income Fund of Funds

- The PSG Wealth Income FoF D ended the month with a return of 0.36% compared to the 0.58% of its benchmark, the SteFi 12-month NCD.
- The best performing manager for the month was the PSG Diversified Income Fund with 0.64%. The worst performer was the Prudential Enhanced Income Fund A. The PSG Diversified Income Fund has a higher exposure to short-term instruments, while the Prudential Enhanced Income Fund A has a higher exposure to longer-dated instruments.

PSG Wealth Preserver Fund of Funds

- The PSG Wealth Preserver FoF D returned 0.8% for the month compared to the 1.0% of its benchmark, CPI+3. Any inflation-linked benchmark is a very difficult benchmark in periods of rising interest rates and/or negative real interest rates.
- However, this was well above the South African MA Low Equity Sector average of 0.5% for the month, as well as for all measurement periods of five years and less.
- The best performing manager for the month was PSG Stable with 1.9%. Investec Cautious Managed recovered well from its recent underperformance and is now our lead manager over a one year period.

PSG Wealth Moderate Fund of Funds

- For the month of February, the PSG Wealth Moderate FoF D returned 1,3%, outperforming the 0.7% of its benchmark, the South African MA High Equity Sector Average, as well as all measurement periods of five years and less.
- The best performer for the month was the 3.9% of the PSG Balanced Fund. Investec Opportunity also recovered from its recent underperformance and is now our lead manager over a one year period.

PSG Wealth Creator Fund of Funds

- The PSG Wealth Creator FoF D returned 1.2% for February compared with the 1.1% of its benchmark, the South African Equity General Sector Average.
- The best performing manager for the month was the PSG Equity Fund with a return of 6.7%. The PSG Equity Fund has underperformed for a while now, but the fact that is the only fund in the portfolio which managed to outperform the benchmark over a one month and three month period clearly indicates it's positioned differently than other managers.

Offshore funds

PSG Wealth Global Creator Fund of Funds (USD)

- The MSCI All Country World Index (ACWI) was down 0.69% for February, driven by negative sentiment as investors remained concerned over the uncertain outlook of global economic growth, commodity prices and central bank policies.
- Emerging markets outperformed developed markets for the month, with the MSCI Emerging Markets index delivering a return of -0.16% vs -0.74% delivered by the MSCI World index.
- Emerging markets benefited from an easing of liquidity concerns and increased expectations for stimulus measures in China which contributed to a rally in commodity-linked stocks.
- By mid-February developed markets where down 12% year-to-date, marking the worst start to a year since 2008. From mid-February markets rallied 6% off their lows, as investor confidence began to improve.
- The PSG Wealth Global Creator FoF D delivered a return of 0.85% for February, outperforming the benchmark sector average (+0.05%) by 0.80% as well as the MSCI ACWI (-0.69%) by 1.54%.

PSG Wealth Global Moderate Feeder Fund (ZAR)

- The PSG Wealth Global Moderate FF D delivered a return of 1.81% in rand terms for February, outperforming the global allocation sector average (0.45%) and the ASISA Global Multi Asset Flexible sector average (0.94%) by 1.36% and 0.87% respectively.
- The rand strengthened over February, and thus reduced the returns of the global portfolios reported in ZAR. However, due to a timing difference between the pricing of the FoF and Feeder fund this effect is not clearly seen in the short-term performance numbers.

PSG Wealth Global Creator Feeder Fund (ZAR)

- The PSG Wealth Global Creator FF D delivered a return of 1.87% in rand terms for February, outperforming the global sector average (-0.67%) and the ASISA Global Equity General sector average (1.44%) by 2.54% and 0.43% respectively.
- The rand strengthened over February, and thus reduced the returns of the global portfolios reported in ZAR. However, due to a timing difference between the pricing of the FoF and Feeder fund this effect is not clearly seen in the short-term performance numbers.

PSG Wealth Global Moderate Fund of Funds (USD)

- The PSG Wealth Global Moderate FoF D returned 1% in February, well above the global allocation sector average of 0.45% and also significantly outperformed the MSCI ACWI (-0.69%).
- Global government bonds continued to benefit from the uncertainty experienced by investors, the JPM GBI Global index returning 2.86% for February. Global bonds has generated a return of 4.41% year to date, the best start to a year for government debt since 1993.
- However JP Morgan asset management notes in their monthly market review that as central banks begin to experiment with negative interest rates, yields in fixed income markets are starting to slide. Almost 27% of global government bonds are now yielding below 0%, while 65% of global government bond market yields are less than 1%.
- In global corporate bond markets, investment grade and high yield credit indices delivered positive total returns but underperformed government bonds. The investment grade BofA Merrill Lynch Global Corporate Index generated a total return of 0.5%.
- Emerging market bonds also had a good month, the local currency JP Morgan GB-EM Global Diversified index gained 1.4%.
- Global property markets returned 0.92% for the month.

Disclaimer: The performance of all offshore funds are reported in U.S. dollar, except for the Feeder Funds whose performance figures are reported in South African rand.

PSG Wealth Equity Portfolios

PSG Wealth Property Portfolio

- The JSE SA Listed Property Index rose by 3.65%, outperforming the PSG Wealth Property portfolio which returned 1.13% over the period. Seven of the 10 stocks in the portfolio recorded positive returns over the period.
- Given the subdued growth that property companies face in SA impacted by weak economic growth, a volatile currency and a more challenging environment to raise capital, more and more REITs are expanding their assets beyond our borders to take advantage of better real estate fundamentals.
- During the month, Redefine Properties were the latest to join other local players with plans to diversify their assets offshore.

PSG Wealth SA Equity Portfolio

- The market recovered slightly from the previous month, with the JSE Capped ALSI returning 1.02% during February.
- The PSG Wealth SA Equity Portfolio was 0.56% ahead of its benchmark with a return of 1.58%.
- The month was characterised by exceptionally strong returns in the commodity counters with renewed optimism within the sector.

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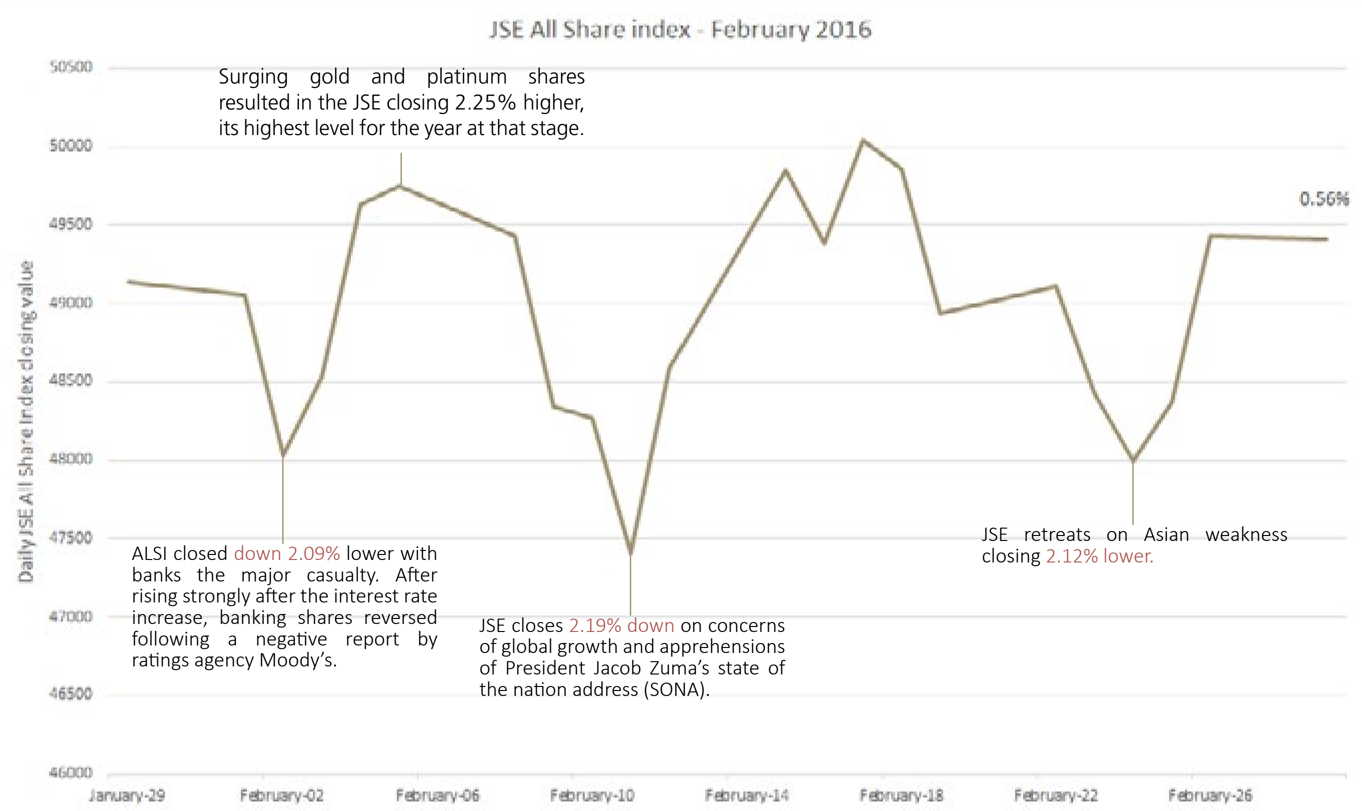
Market commentary

The domestic market remained particularly volatile in February with the ALSI fluctuating between 47 385 and 50 430 points before ending the month at 49 415.



Source: Bloomberg

Global key moves

- Global equity markets started off the month lower, as weaker commodity prices and investor's fears that a new financial crisis could be imminent sparked a sell-off in financial stocks. Towards the end of the period, talk of further stimulus measures from the European Central Bank and People's Bank of China provided support for equities.
- Egged on by signs of a pickup in U.S. inflation (core PCE up 1.7%yoy in January) and signs of sustained domestic demand—as well as firmer oil prices—futures markets have now shifted to price in at least one Fed rate hike over the course of 2016. This represents a sharp turnaround since mid-February, when markets ascribed just a 10% chance to any rate hike at all this year.
- An increase in oil prices (up over 25% from January lows, with Brent futures near $37/barrel) has been particularly beneficial for frontier markets. Signs of increasing cutbacks in U.S. oil production in recent weeks have been supportive, and while repeated efforts at coordinated production cutbacks have disappointed, OPEC members will meet again with Russia and other producers in Moscow on 20 March to resume talks on an output cap.

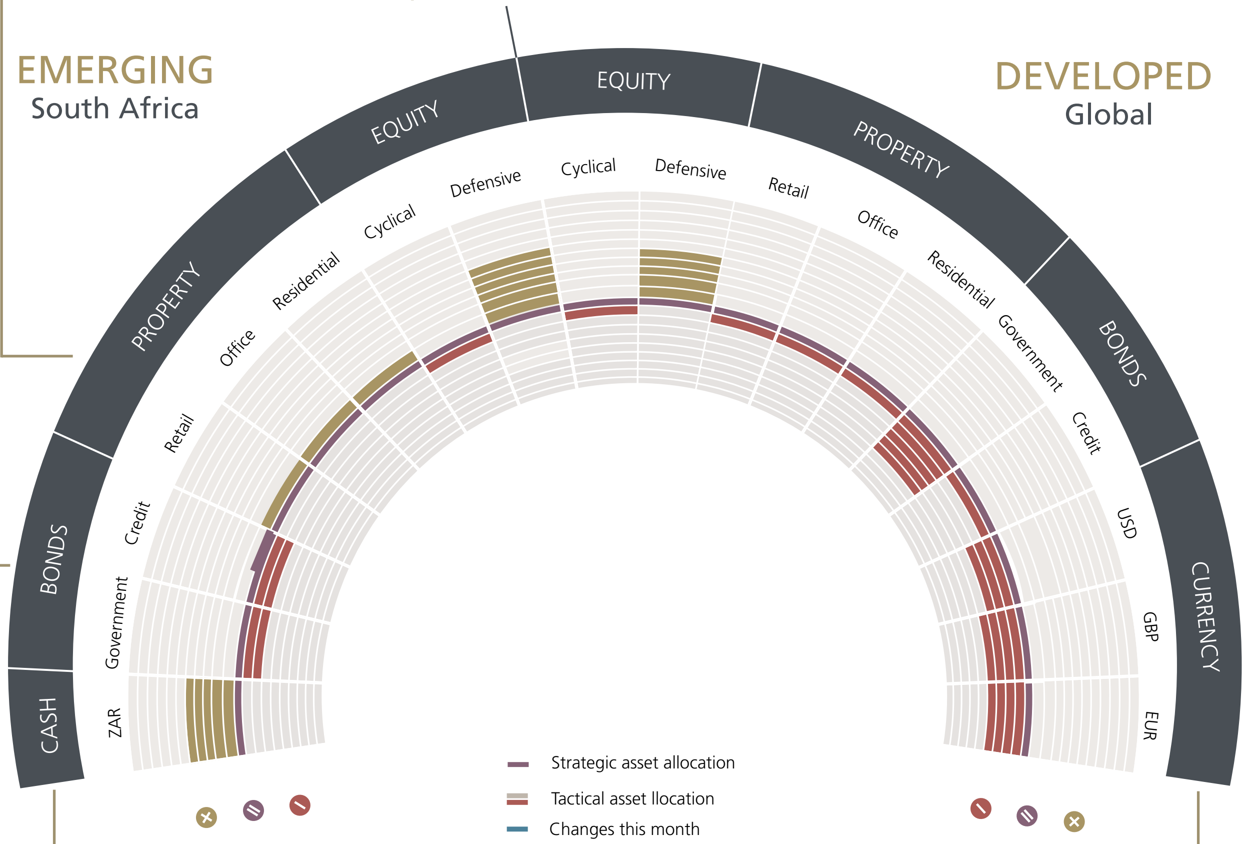
- David Cameron looks set to go head-to-head with Boris Johnson and other senior members of his Conservative Party over Britain's membership of the EU. The prime minister announced the date for the referendum on 23 June, and will campaign for Britain to remain in the union, saying the UK will be "safer and stronger" as part of the EU.
- The European Central Bank is on course for more aggressive monetary easing to boost flagging growth and weak inflation, amid fresh warnings about the outlook for the global economy. Mario Draghi, the ECB president, has won wide support for further policy action, according to minutes of the bank's January policy meeting.
- Chinese consumer prices rose in January, an encouraging sign for the world's second largest economy, in a month characterised by turbulent financial markets. The consumer price index rose by 1.8% year-on-year in January, up from 1.6% in December 2015.
- The latest readings of Markit's PMI figures continued to disappoint, with global manufacturing and services PMIs in February falling close to the breakeven level. Of the 13 countries that released February services PMI data over the past week, 10 saw a decline from January, with the U.S. and France falling below 50, indicating contraction.

*Sources: Nedbank, IFF, St. James Place Wealth Management

Tactical asset allocation preferences

Our view on bonds remain negative given the tightening of interest rates in the U.S.

Challenging economic conditions persists, but a lot of the negative sentiments 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.



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

Our view on this asset has improved as inflation continues to rise.

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

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Previous publications - 2015

Daily

Published on a daily basis

Weekly

1 March
23 Feb
11 Dec
20 Nov
16 Nov

Monthly

Feb 2016
Dec 2015
Nov 2015
Oct 2015
Sept 2015
Aug 2015
July 2015
June 2015
May 2015

Quarterly

Summer 2015
Spring 2015

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