PSG Wealth

MONTHLY INVESTMENT INSIGHTS

OCTOBER 2016

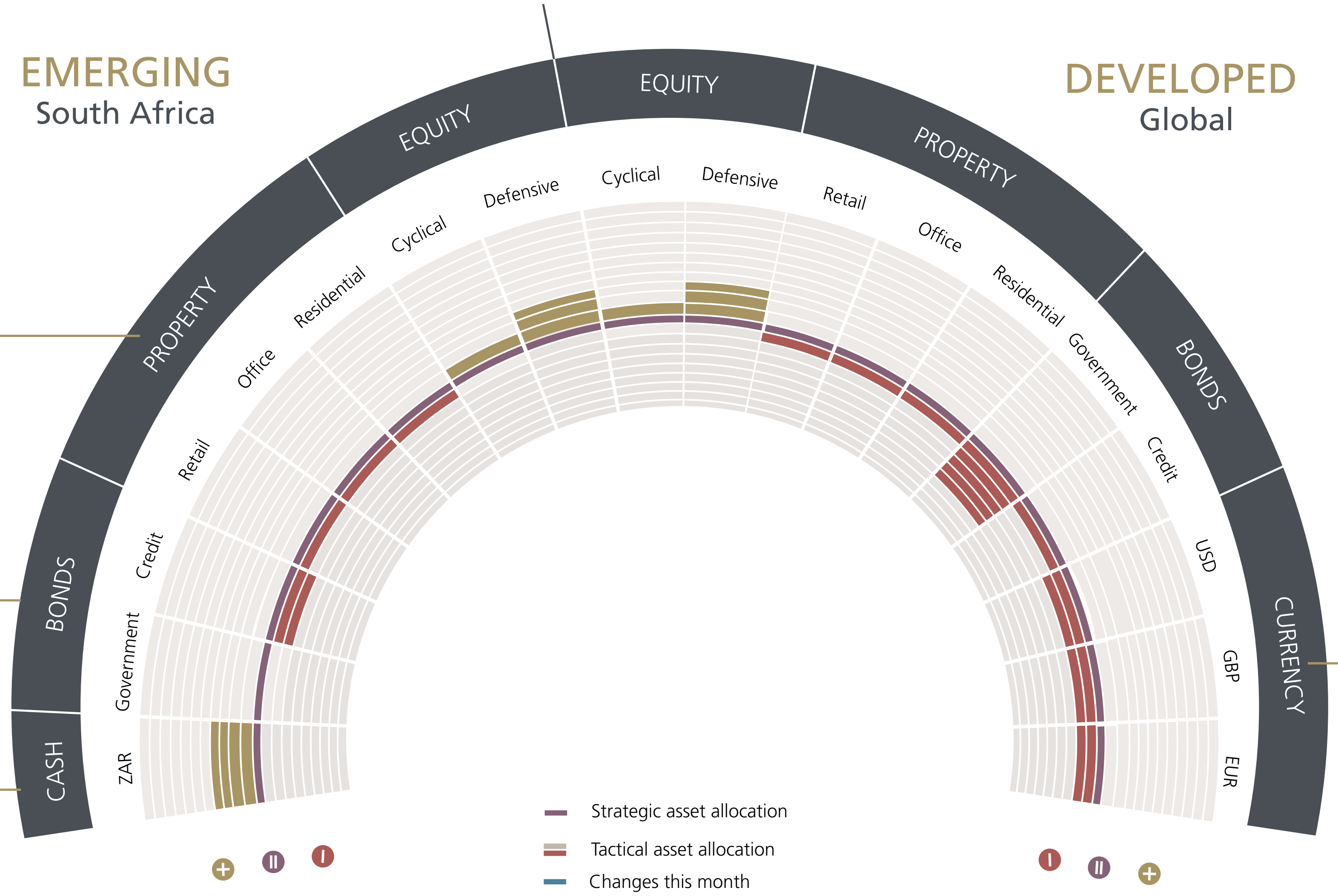
Contents

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

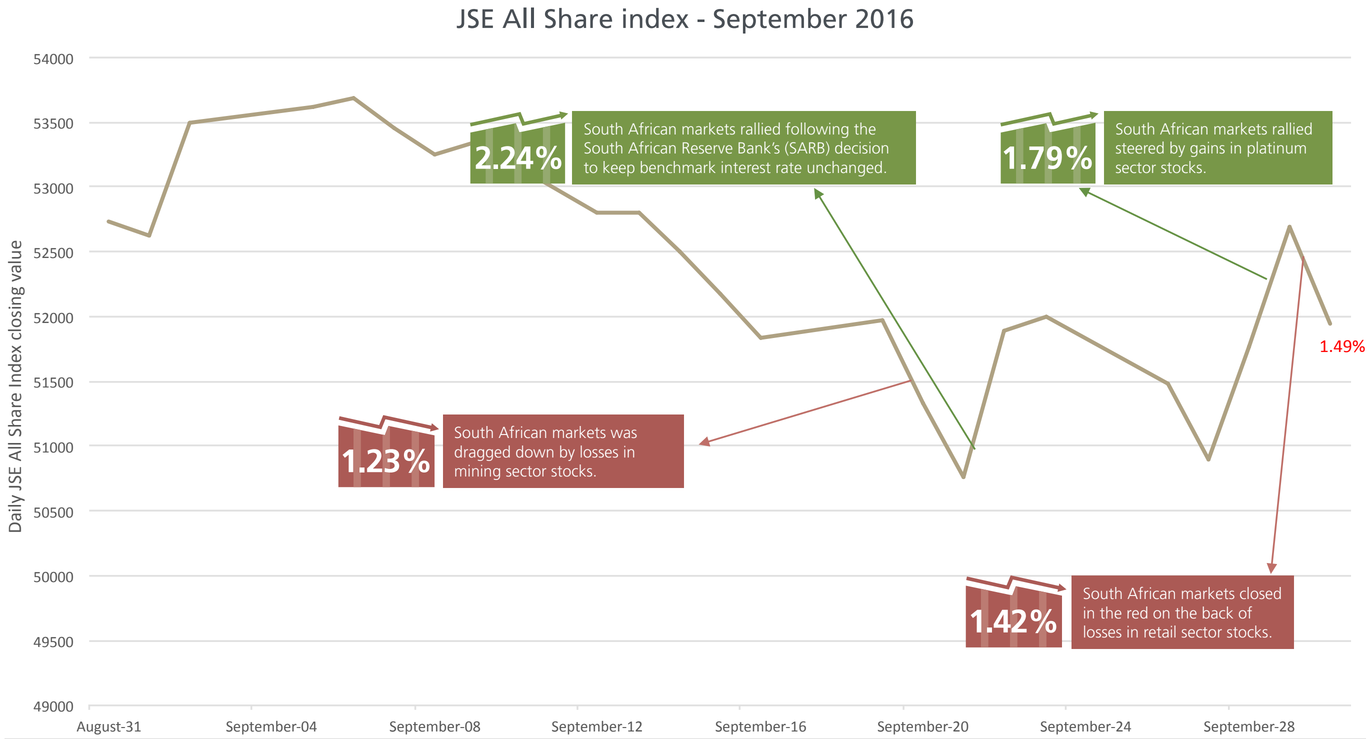
Underweight: Tactical recommendation to hold less of the asset class than specified in the strategic asset allocation

Bottom line

- Until recently the gross real yield on most short-dated money market assets was 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 a subdued pace.
- Our assessment shows that domestic equity is now roughly 37% 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 25% 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

The FTSE/JSE All Share Index (ALSI) lost 1.49% for the month and was strongly influenced by the strengthening of the rand in September. The rand strengthened by 7.4% against the US dollar, 6.6% against the euro and 8.5% against the pound.



Source: Bloomberg

Domestic key moves

- The annualised GDP in South Africa advanced 3.3% QoQ in the second quarter of the year. This compares to a drop of 1.2% in the previous quarter.
- The Consumer Price Index slid 0.1% on a monthly basis in August, compared with a rise of 0.8% in the previous month.
- The current account balance to GDP recorded a rise to -3.1%, in the second quarter of 2016, compared with a revised level of -5.3% in the first quarter.
- The current account deficit narrowed to R134.00bn in the second quarter of 2016, more than what markets expected. Expectations was for a current account deficit of R129.00bn.
- The SARB kept its key interest rate unchanged at 7% for a third straight meeting and indicated that it could be nearing the end of its hiking cycle.

Market commentary

Global key moves

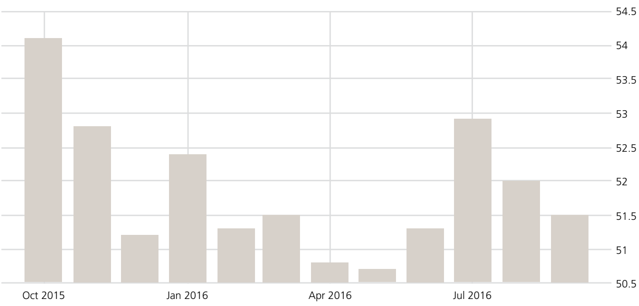
US

0.25% 0.50% After its two-day policy meeting the Federal Open Market Committee (FOMC) voted to hold the US federal funds rate steady between 0.25% and 0.50%. The Fed strongly signalled that it could tighten monetary policy by the end of this year as the US labour market improved further. The Fed's Chair, Janet Yellen, said after that the US economic growth looks stronger and rate increases would be needed to keep the economy from overheating and fuelling high inflation.

7.3% Mortgage applications fell 7.3% in the week ending 16 September 2016. Mortgage applications recorded a rise of 4.2% in the week before.

51.40 The ISM non-manufacturing PMI in the US dropped to 51.40 in August, compared with a level of 55.50 the previous month.

US manufacturing PMI since Oct 2015



Source: Trading Economics

UK

0.25% The Bank of England unanimously voted to leave the benchmark interest rate steady at 0.25%. They also voted 9-0 to keep the bond-buying programme target at £435.00bn and to continue with the plan to buy up to £10.00bn worth of corporate bonds.

£4.50 bn In July, the total trade deficit in the UK narrowed to £4.50bn, more than market expectations of a total trade deficit of £4.20bn.

0.3% In the UK, the Consumer Price Index recorded a rise of 0.3% in August on a monthly basis, lower than market expectations for a rise of 0.4%.

0.4% The Retail Price Index in the UK advanced 0.4%, on monthly basis, to a level of 264.40 in August, higher than market expectations of 264.30.

EU

0.3% On a quarterly basis the seasonally adjusted final GDP registered a rise of 0.3% in the second quarter of 2016, meeting market expectations.

5.40 The ZEW Institute indicated that the Economic Sentiment Index advanced to 5.40 in September, compared with a reading of 4.60 in the previous month.

1.0% In the Eurozone, labour cost recorded a rise of 1.0% in the second quarter of the year on a quarterly basis.

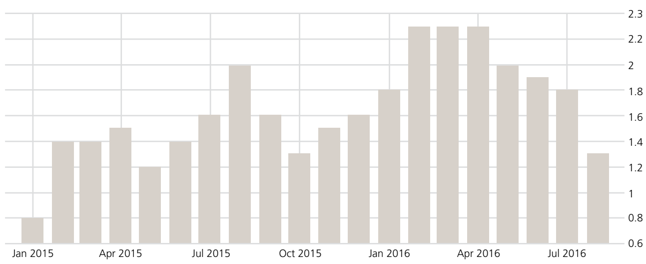
China

9.2% In China, the House Price Index recorded a rise of 9.2% in August on a yearly basis.

$52.05 bn China reported a $52.05 billion trade surplus in August, compared to a $59.68 billion surplus a year earlier and below market estimates. The surplus was recorded as exports fell less than expected while imports rose for the first time in 22 months.

1.3% The Chinese inflation rate stood at a 10-month low when consumer prices in China rose 1.3% YoY in August, slowing from a 1.8% rise in July, while markets expected a 1.7% rise. It was the lowest inflation rate since October 2015 as the politically sensitive food prices increased by 1.3% while non-food cost rose at a faster 1.4%.

Chinese inflation rate since January 2015



Source: Trading Economics

Japan

-0.10% The Bank of Japan kept their key interest rate unchanged at -0.10% and held its monetary policy base steady at 80.00 trillion yen.

8.4% On an annual basis, the final machine tool orders recorded a drop of 8.4% in Japan in August. Machine tool orders dropped 19.7% in the previous month.

PSG Wealth Fund of Funds Solutions

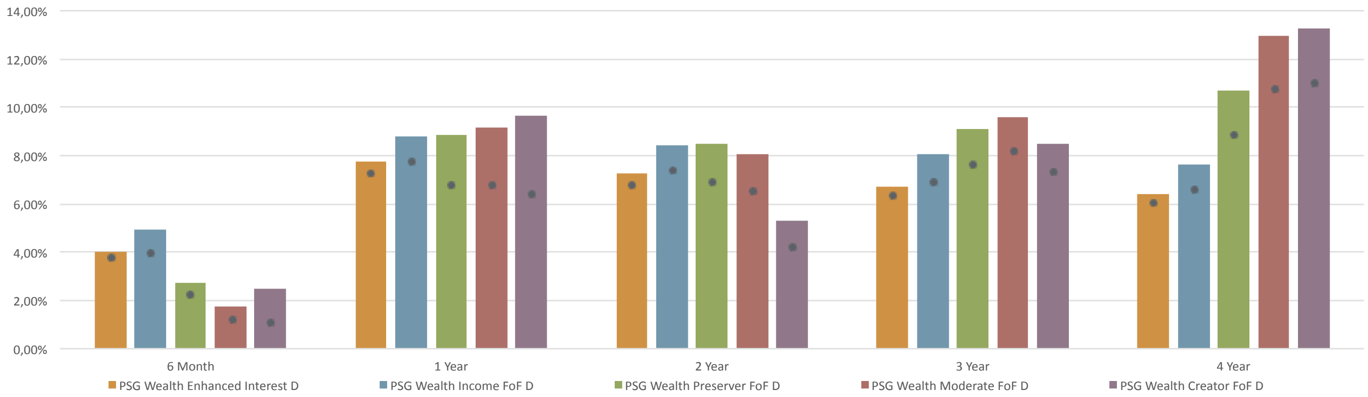
Local funds

Performance table

PSG Wealth Solutions						
Fund	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
PSG Wealth Enhanced Interest D	4.01%	7.77%	7.26%	6.73%	6.43%	N/A
PSG Wealth Income FoF D	4.91%	8.77%	8.44%	8.03%	7.64%	8.08%
PSG Wealth Preserver FoF D	2.72%	8.83%	8.48%	9.09%	10.69%	11.47%
PSG Wealth Moderate FoF D	1.73%	9.17%	8.08%	9.60%	12.95%	14.02%
PSG Wealth Creator FoF D	2.49%	9.68%	5.28%	8.48%	13.26%	14.33%

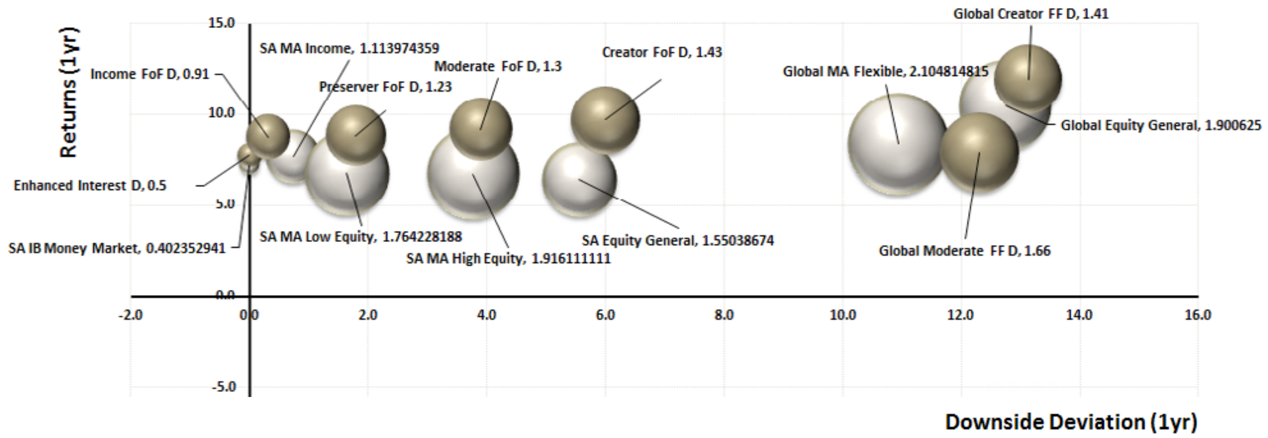
Source: PSG Wealth Investment Division

Domestic funds performance



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

PSG Wealth Local Fund of Funds



Source: PSG Wealth Investment Division

HOW TO READ THE BUBBLE CHARTS

Vertical axis	shows the return of each fund
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)
Size of the bubble	shows TER which is an indication of cost
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 0.66% for September, 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

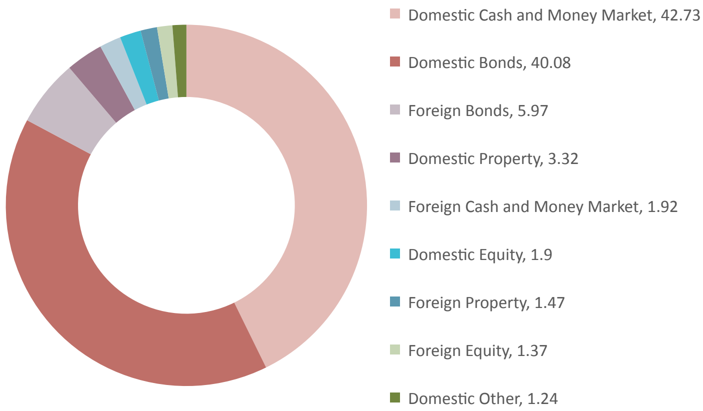
Source: PSG Wealth Investment Division

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 0.71% for September, compared to the 0.65% 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 of seven years and less.

Asset Allocation



Source: PSG Wealth Investment Division

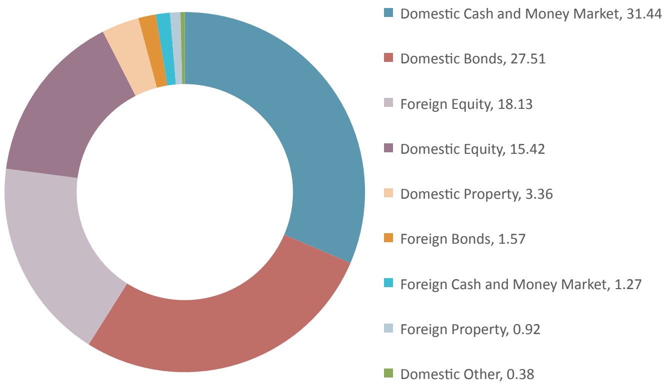
Risk & Expectations: We expected recent higher inflation and rising interest rates could be a drag on performance over the short term, but current indications are that the underlying portfolio managers were able to take advantage of the higher yields on short-term instruments to deliver attractive returns 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.

PSG Wealth Fund of Funds Solutions

PSG Wealth Preserver FoF

- The PSG Wealth Preserver FoF delivered a negative return of -0.7% for September, compared to the -0.6% of the South African MA Low Equity Sector Average.
- However the fund outperformed the sector average over all other measurement periods of month up to seven year.

Asset Allocation



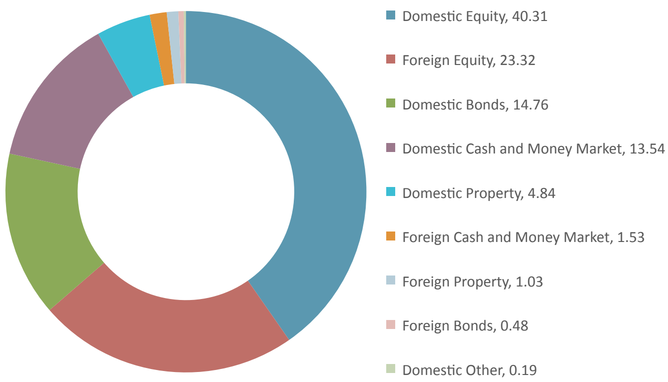
Source: PSG Wealth Investment Division

Risk & Expectations: Rising interest rates may be a drag on performance, but 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 negative markets.

PSG Wealth Moderate FoF

- The PSG Wealth Moderate FoF delivered a return of -1.3% for September, in line with the -1.3% drop of its benchmark, the South African MA High Equity Sector Average.
- However, the fund outperformed the sector average over all measurement periods up to seven years.

Asset Allocation



Source: PSG Wealth Investment Division

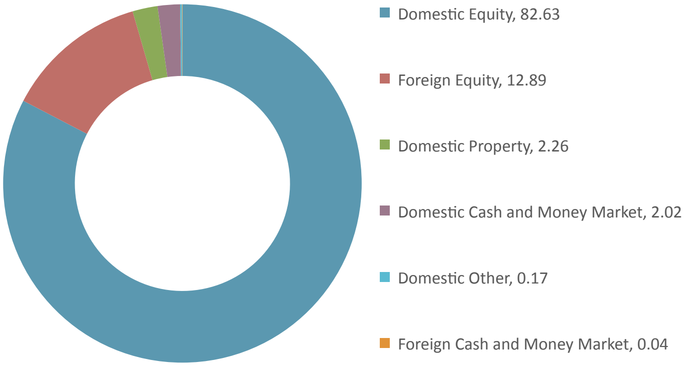
Risk & Expectations: The PSG Wealth Moderate FoF may hold up to 75% in domestic- and offshore equities, which could lead to short-term negative performances in sharp equity corrections or equity bear markets. We are, however, confident that the fund will always deliver positive returns over the preferred 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 various market cycles.

PSG Wealth Fund of Funds Solutions

PSG Wealth Creator FoF

- The PSG Wealth Creator FoF delivered a return of -0.6% for September, compared to the -0.8% of its benchmark, the South African EQ General Sector Average.
- It also outperformed the sector average over all measurement periods up to seven years.

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

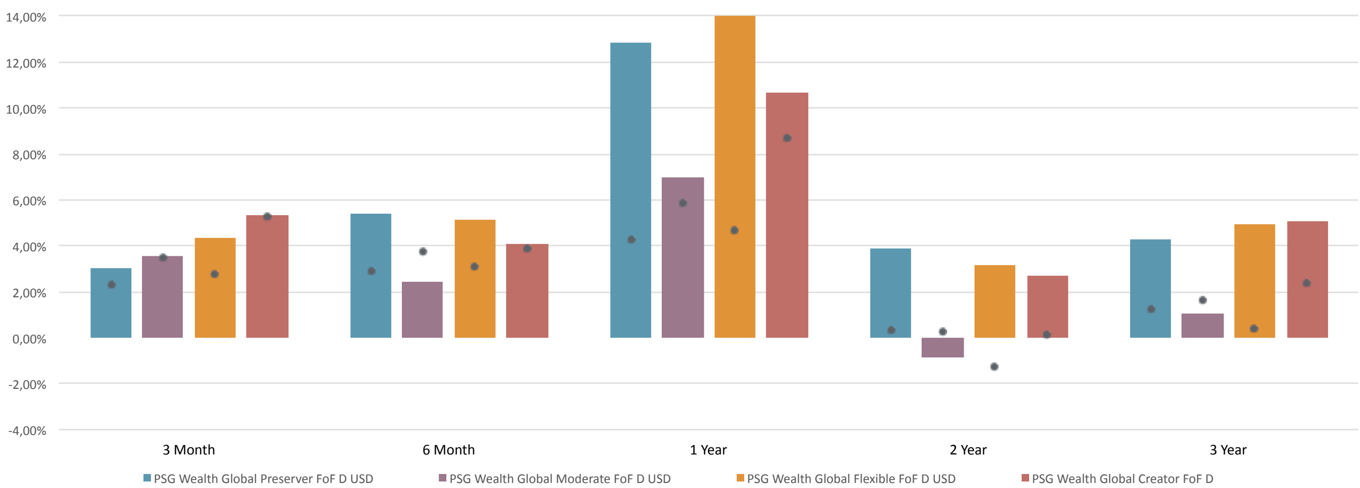
Offshore funds

Performance table

PSG Wealth Solutions - Offshore (Reported in USD)						
Fund	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
PSG Wealth Global Preserver FoF D USD	5.37%	12.86%	3.89%	4.28%	4.18%	4.90%
PSG Wealth Global Moderate FoF D USD	2.41%	6.99%	-0.87%	1.07%	4.02%	N/A
PSG Wealth Global Flexible FoF D USD	5.13%	14.27%	3.16%	4.93%	7.57%	9.01%
PSG Wealth Global Creator FoF D	4.06%	10.64%	2.68%	5.10%	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 Global Preserver FoF D GBP	12.89%	25.32%	11.65%	9.80%	8.79%	8.80%
PSG Wealth Global Flexible FoF D GBP	14.30%	28.75%	13.83%	12.14%	12.29%	12.46%

Source: PSG Wealth Investment Division.

Offshore funds performance



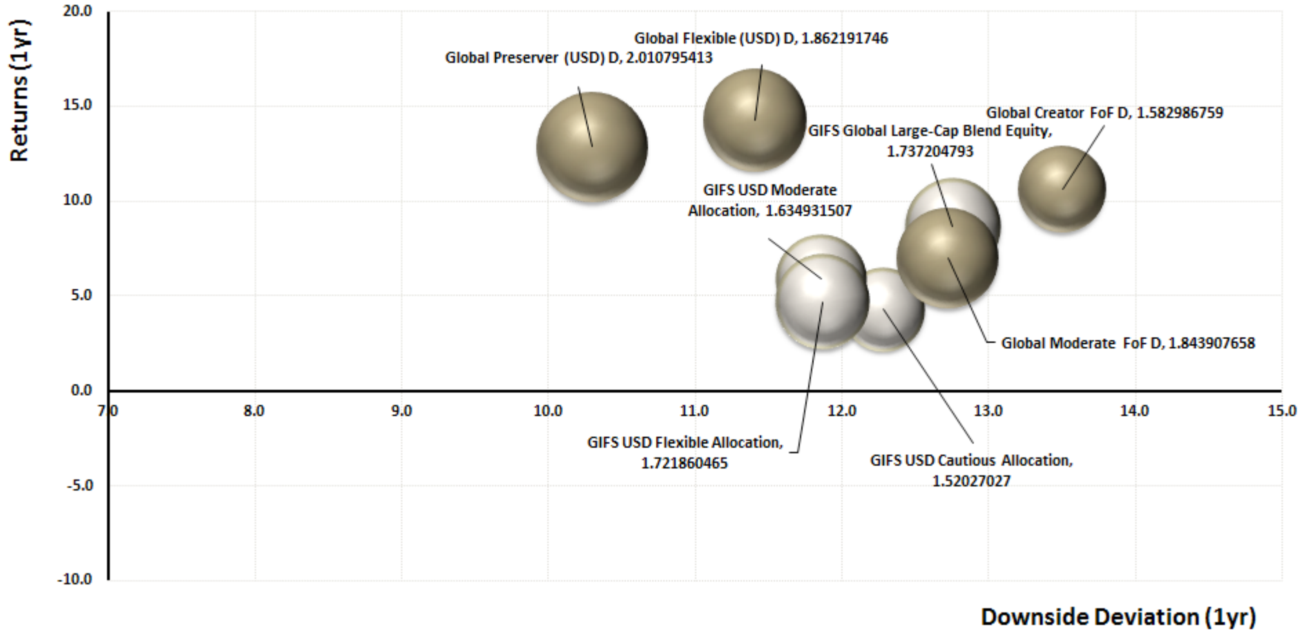
Source: PSG Wealth Investment Division data as at 30 September 2016.

*Dots represent the relevant benchmark

All performance is reported in USD unless specified otherwise.

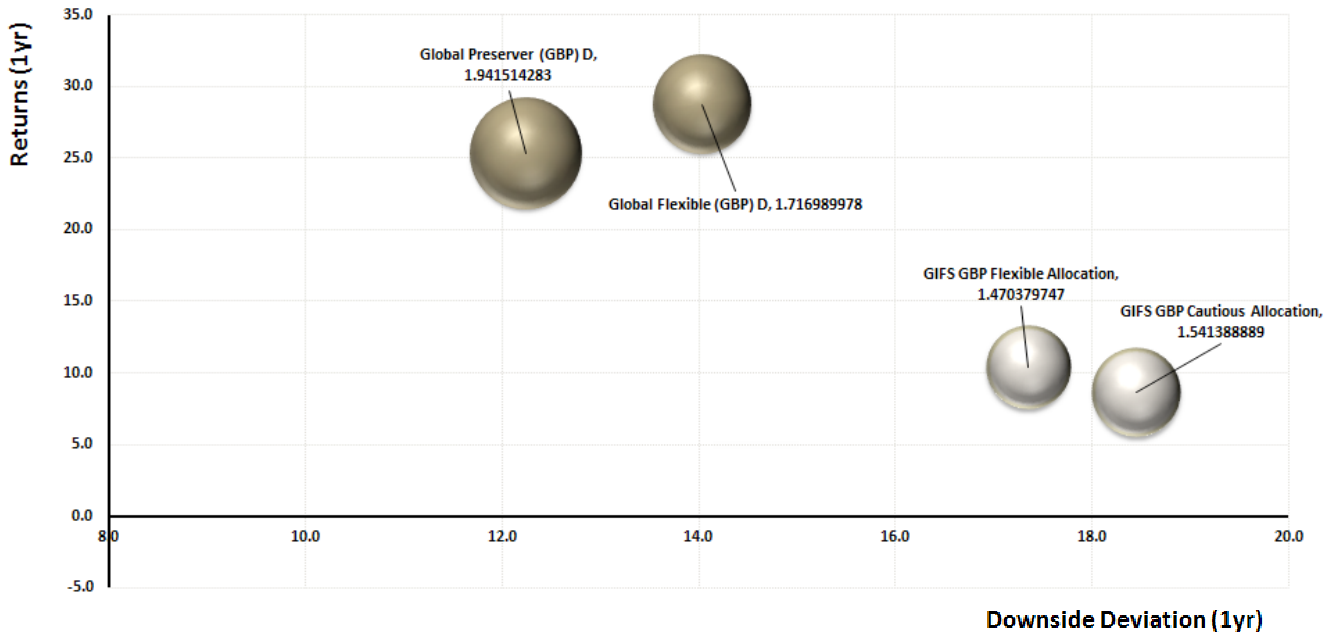
PSG Wealth Fund of Funds Solutions

PSG Wealth Offshore Fund of Funds (USD)



Source: PSG Wealth Investment Division

PSG Wealth Offshore Fund of Funds (GBP)



Source: PSG Wealth Investment Division

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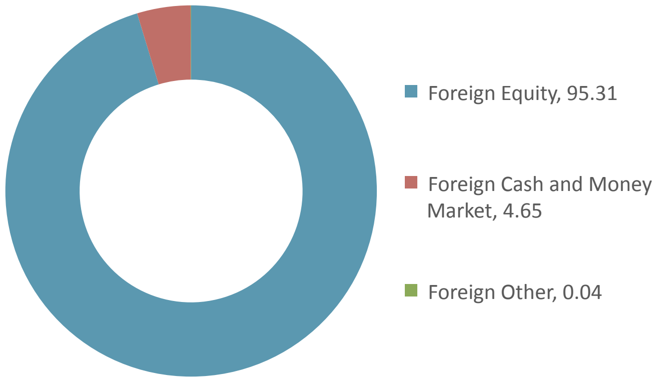
All performance is reported in USD unless specified otherwise.

PSG Wealth Fund of Funds Solutions

PSG Wealth Global Creator Fund of Funds (USD)

- The PSG Wealth Global Creator FoF returned -0.26% for September, underperforming the benchmark GIFS Global Large-Cap Blend equity sector average which delivered 0.41%. For the third quarter of 2016 the Global Creator FoF delivered 5.31%, ahead of both the global sector average which returned 5.24% and the MSCI World Index which delivered 4.87%.
- The best performing fund for the month was the T. Rowe Price Global Focused Growth Fund which delivered 2.02%, the fund was also the top performer for the third quarter with a return of 10.33%. The worst performing fund in September was the Goldman Sachs Global Equity Partners Fund which delivered –1.01%. Funds with a focus on quality, defensive companies such as the Goldman Sachs Global Equity Partners, Investec Global Franchise and Schroder QEP Global Core underperformed during September as risk-on trade largely prevailed in global markets.
- Developed markets continued underperforming emerging markets, the MSCI Emerging Market Index delivering 1.29% against 0.53% by the MSCI World Index in September. Hong Kong markets had another strong month, the Hang Seng Index delivering 1.83% in US dollars. US markets underperformed, the S&P 500 returning only 0.02% for the month. Over the third quarter of 2016 emerging markets delivered 9.03%, well ahead of developed markets which returned 4.87%.
- Over the last three months many of our underlying managers have found more opportunities in emerging markets, and the Global Creator FoFs exposure to emerging markets has increased from 3% to 10%.

Asset Allocation



Source: PSG Wealth Investment Divison

Risk: Given the overweight to developed markets in our portfolio (95.3%) 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.

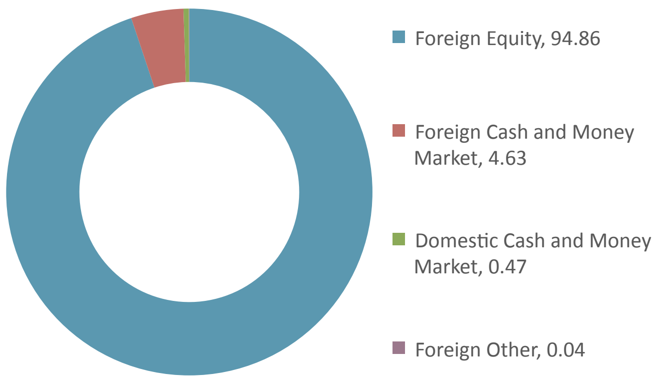
Expectation: We are confident that our underlying managers will adjust the positioning of their portfolios (including exposure to emerging markets) as they find opportunities that offer good returns relative to the risk taken. We expect volatility to remain high in the short term with fluctuating market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

PSG Wealth Global Creator Feeder Fund (ZAR)

- The PSG Wealth Global Creator FF D delivered a return of -5.50% for September in rand terms, outperforming the global sector average which returned -6.16% as well as the ASISA Global Equity General sector average, which returned -5.86%. The rand strengthened by approximately 7.4% against the US dollar over September, thus decreasing global portfolio returns reported in ZAR.

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.

Asset Allocation



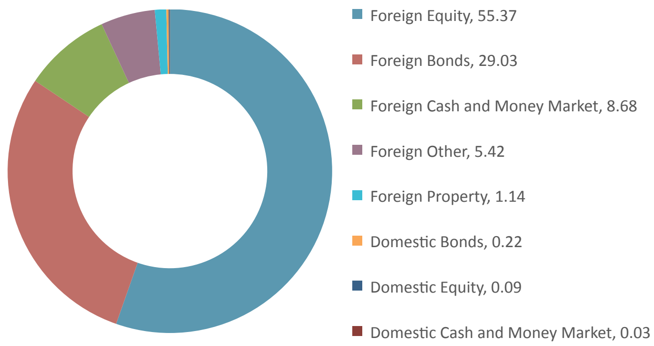
Source: PSG Wealth Investment Division

PSG Wealth Fund of Funds Solutions

PSG Wealth Global Moderate FoF (USD)

- The PSG Wealth Global Moderate FoF returned 0.09% for September slightly outperforming the GIFS USD Moderate Allocation sector average, which delivered 0.08%. For the third quarter of 2016 the Global Moderate FoF delivered 3.56%, outperforming the global sector average which returned 3.50%.
- The best performing fund for the month was the Investec Global Strategic Managed which returned 0.98% and the worst performing fund was the Schroders Global Multi Asset Flexible which returned -0.70%.
- In their quarterly markets review, Schroders notes that it was generally a positive quarter for markets. Volatility across equities and fixed income was markedly lower compared to recent quarters.
- Bond markets were relatively calm in Q3, after an initial negative market reaction to the surprise Brexit vote passed quickly. In July markets returned to the more familiar ground of assessing policy moves from the world's major central banks. The 10-year US Treasury yield climbed from 1.47% to 1.59% in Q3. The extension of policy accommodation by the Bank of England in August pressed gilt yields lower, while the European Central Bank's decision to leave its current range of support measures unaltered meant that bund yields barely moved.

Asset Allocation



Source: PSG Wealth Investment Division

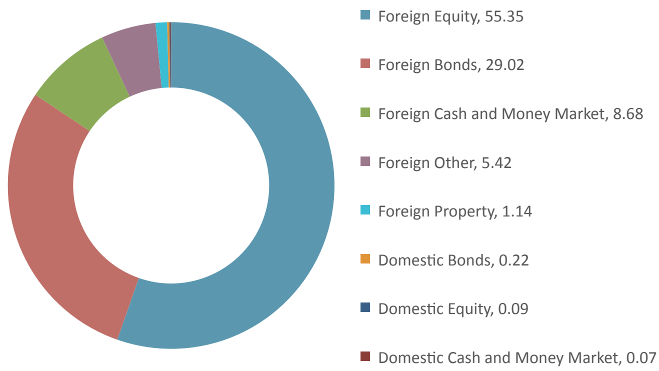
Risk: The portfolio is very defensively positioned with a developed market overweight. Performance will likely be muted during periods of positive market sentiment when risky assets such as emerging markets outperform. The portfolio currently has 29% in bonds which could be negatively impacted by any unexpected interest rate increases.
Expectation: We expect volatility to remain high in the short term with fluctuating market sentiment in global equity markets. However, 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.

PSG Wealth Global Moderate Feeder Fund (ZAR)

- The PSG Wealth Global Moderate FF D delivered a return of -5.49% in rand terms for September, outperforming the GIFS USD Moderate allocation sector average which delivered -6.47%. The portfolio slightly outperformed the ASISA Global Multi Asset Flexible sector, which returned -5.56%.
- The rand strengthened by approximately 7.4% against the US dollar over September, thus decreasing global portfolio returns reported in ZAR.

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.

Asset Allocation



Source: PSG Wealth Investment Division

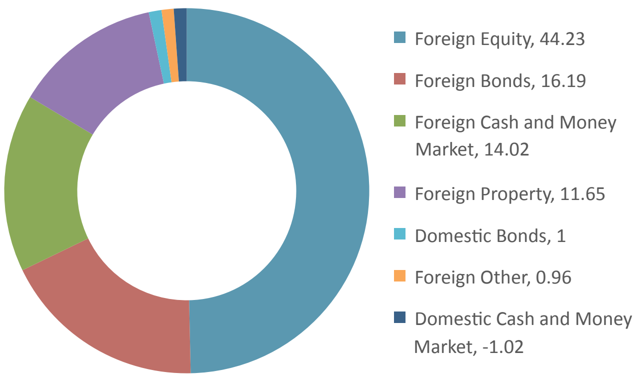
Disclaimer: All performance is reported in USD unless specified otherwise.

PSG Wealth Fund of Funds Solutions

PSG Wealth Global Preserver FoF (USD)

- The PSG Wealth Global Preserver FoF USD returned 0.41% for September outperforming the benchmark GIFS USD Cautious Allocation sector average, which delivered 0.09%. The Global Preserver FoF USD delivered 3.0% for the third quarter, outperforming the Global Multi Asset Cautious sector average which returned 2.29%.
- The worst performing fund was Investec Global Multi Asset Income Fund which returned -0.37%, due mostly to the defensive positioning of the fund which underperformed as risk-on trade prevailed during the month in global markets.
- The Sarasin Real Estate Equity Global Fund delivered -0.28% as global property lagged behind most asset classes during September. The S&P Global Property Index returning -0.60% compared to 0.61% for the MSCI ACWI Global Equity Index and 0.54% for the JPM Global Bond Index.

Asset Allocation



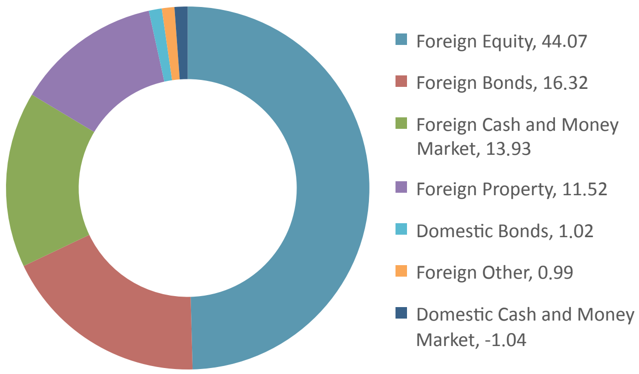
Source: PSG Wealth Investment Division

Risk & 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.

PSG Wealth Global Preserver FoF (GBP)

- The PSG Wealth Global Preserver FoF (GBP) returned 1.19% for September in pound sterling, outperforming the benchmark GIFS GBP Cautious Allocation sector average, which delivered -0.02%. The Global Preserver FoF (GBP) delivered 4.94% in pounds for the third quarter, outperforming the Global Multi Asset Flexible sector average which returned 3.43%.
- The best performing fund was the First State Global Infrastructure Fund which delivered 2.80% in pound sterling. The worst performing fund was the Schroder Global Multi Income Fund which returned -0.18% in pounds.

Asset Allocation



Source: PSG Wealth Investment Division

Risk & 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.

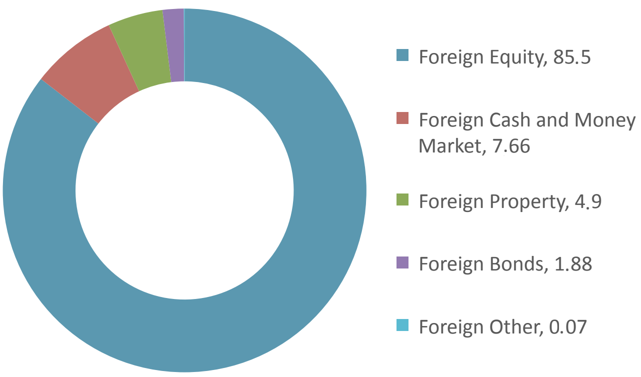
All performance is reported in USD unless specified otherwise.

PSG Wealth Fund of Funds Solutions

PSG Wealth Global Flexible FoF (USD)

- The PSG Wealth Global Flexible FoF (USD) returned -0.08% for September underperforming the benchmark GIFS USD Flexible Allocation sector average which delivered 0.06%. For the third quarter of 2015 the Global Flexible FoF (USD) delivered 4.34%, outperforming the Global Multi Asset Flexible sector average which returned 2.74%.
- The best performing fund in September was the Orbis Global Equity Fund which returned 3.06%, and the worst performing was the Nedgroup Investments Global Equity Fund (managed by Veritas Asset Management) which returned -0.87%. In both cases relative performance was driven mostly by security selection.
- In their market notes for the quarter, JP Morgan notes that back in January, the typical member of the Federal Reserve's key policy committee was expecting to raise the policy rate four times in 2016. However, this quarter saw the Fed delay this hike yet again, though the Fed Chairwoman, Janet Yellen, did remark that the case for a rate rise had 'strengthened in recent months'. The combination of an improving US economy and a lack of policy tightening has supported markets over the quarter.

Asset Allocation



Source: PSG Wealth Investment Division

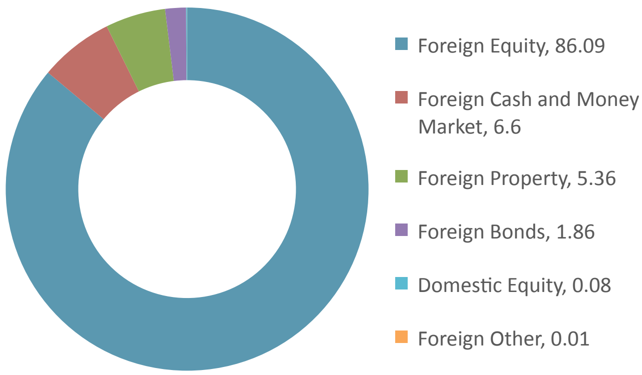
Risk & expectation: The portfolio currently has an equity allocation of 85.5% which is above the average in the global flexible sector. The portfolio will likely underperform should there be a significant correction in global equity markets. We expect volatility to remain high in the short term with 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.

All performance is reported in USD unless specified otherwise.

PSG Wealth Global Flexible FoF (GBP)

- The PSG Wealth Global Flexible FoF (GBP) returned 0.36% in pound sterling for September, slightly outperforming the benchmark GIFS GBP Flexible Allocation sector average which delivered 0.32%. The Global Flexible FoF (GBP) returned 7.73% in pound for the third quarter, outperforming the Global Multi Asset Flexible sector average which delivered 4.09%.
- The best performing fund in September was the Coronation Global Equity Select Fund which returned 2.01% in pound sterling. The fund's performance was boosted by an overweight position in emerging markets.
- JP Morgan notes that another factor supporting markets this quarter has been the relatively benign initial response to Brexit from the UK economy. And a growing confidence among investors that any fallout from the decision is likely to be local, rather than global. This helped global equity markets to recover from their initial post-referendum losses, while the large fall in sterling helped support UK equities.

Asset Allocation



Source: PSG Wealth Investment Division

Risk & Expectation: The portfolio currently has an equity allocation of about 86% 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.

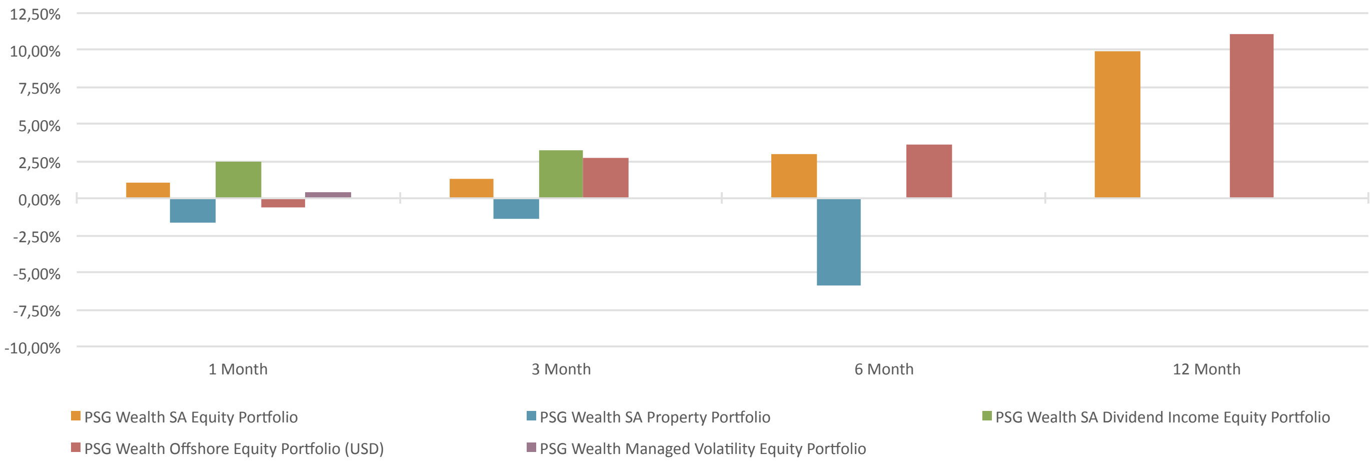
PSG Wealth Equity Portfolios

Performance table

PSG Wealth Equity portfolios					
Fund	1 Month	3 Month	6 Month	12 Month	Since Inception
PSG Wealth SA Equity Portfolio	1.02%	1.27%	2.92%	9.93%	10.04%
PSG Wealth SA Property Portfolio	-1.62%	-1.35%	-5.85%	N/A	-6.79%
PSG Wealth Offshore Equity Portfolio (USD)	-0.66%	2.70%	3.65%	11.02%	7.75%
PSG Wealth SA Dividend Income Equity Portfolio	2.51%	3.22%	N/A	N/A	-3.90%
PSG Wealth Managed Volatility Equity Portfolio	0.38%	N/A	N/A	N/A	-0.10%

Source: PSG Wealth Investment Division

Equity portfolios performance



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

PSG Wealth Equity Portfolios

PSG Wealth SA Equity Portfolio

- The PSG Wealth SA Equity Portfolio outperformed its benchmark in September. The portfolio rose by 1.02%, while the FTSE/JSE Capped All Share TR (net of fees) ended -0.90% lower in September.
- The fund outperformed the benchmark over 3-, 6- and 12-months.

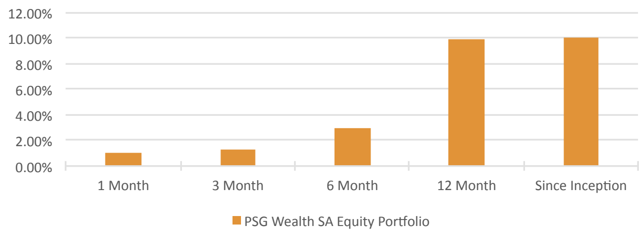
Expectations:

- Ongoing political and policy uncertainty will continue to pose downside risk.
- 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.
- Locally, value is concentrated in the financial and general retail sector, but near-term catalysts for unlocking this value is not obvious.
- 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:

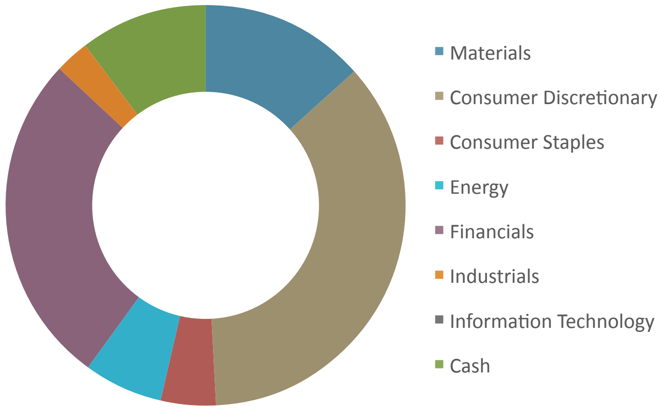
- Changes in the perception of sovereign risk (positive and negative) and its flow through to exchange rates and interest rates, can have an impact on portfolio values.
- The possibility of rating agencies downgrading the country's sovereign rating by more than one notch, could have a substantial adverse 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 at 30 September 2016. *Inception date: 30 August 2015

Asset Allocation



Source: PSG Wealth Investment Division

PSG Wealth Equity Portfolios

PSG Wealth SA Property Portfolio

- The PSG Wealth SA Property Equity Portfolio declined by 1.62% during the month of September, outperforming the FTSE/JSE SA Listed Property Capped TR (net of fees) which delivered a negative return of 1.89%.
- Since its inception this fund has outperformed its benchmark

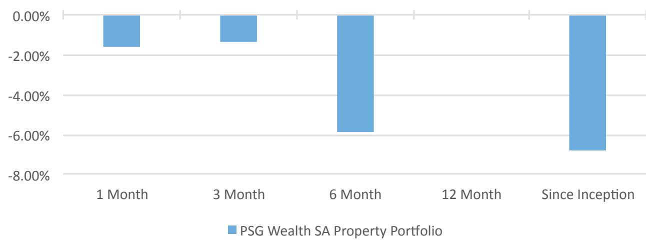
Expectations:

- 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:

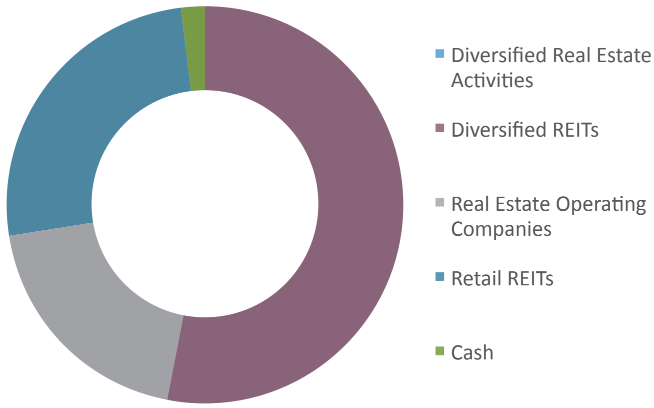
- Weaker-than-expected growth could erode dividends underpinning the current valuations.
- Low global bond yields have aided valuations – a reversal of this trend and tighter US monetary policy could impact valuations.
- Changes in sovereign risk (positive and negative) and its flow through to capital 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 Investment Division data as at 30 September 2016. *Inception date: 1 December 2015.

Asset Allocation



Source: PSG Wealth Investment Division

PSG Wealth Equity Portfolios

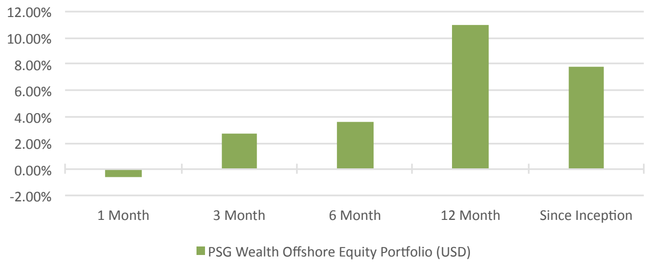
PSG Wealth Offshore Equity Portfolio

- The PSG Wealth Offshore Equity Portfolio fell by 0.66% in September, underperforming the Dow Jones Global Titans 50 TR (net of fees) which ended the month 0.32% higher.

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.

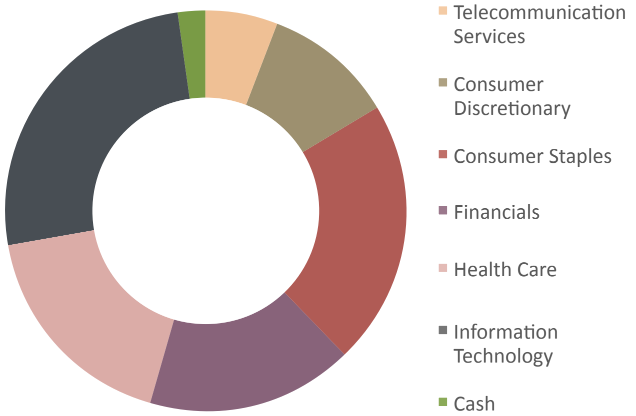
Risk:
- Sustained international monetary easing creates demand for quality, stable, high yielding equities. This provides a valuation underpin to investments in the portfolio. The portfolio is likely to underperform should this diminish.

Performance since inception



Source: PSG Wealth Investment Division data as on 30 September 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 rose by 2.51% during the month. This was ahead of the benchmark, the FTSE/JSE Dividend Plus TR (net of fees), which by 1.35% over the same period.
- Since its inception this fund outperformed its benchmark.

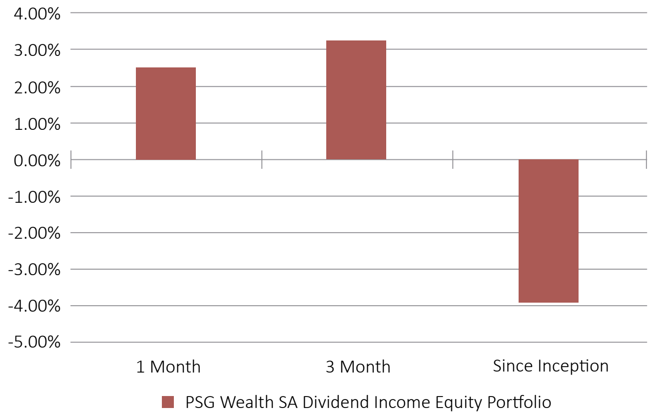
Expectations:

- 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 in the medium term.

Risk:

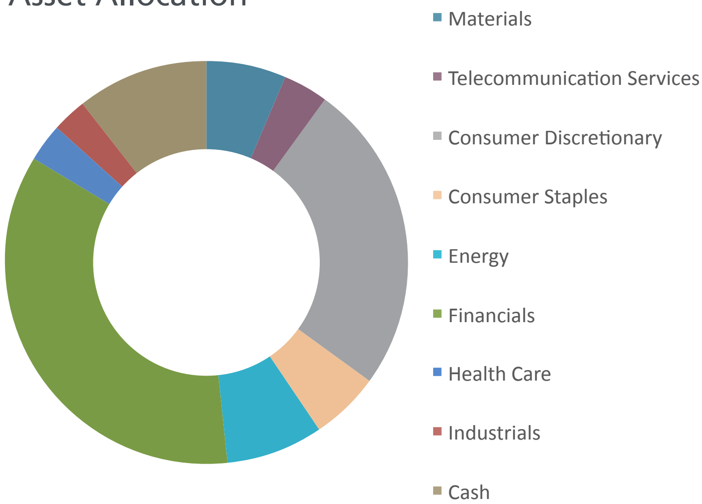
- Changes in the perception of sovereign risk (positive and negative) and its flow through to exchange rates and interest rates can have an impact on portfolio values.
- Unsustainable central bank support to developed economies creates artificial demand for high yielding emerging market securities. It 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 September 2016 *Inception date: 29 April 2016

Asset Allocation



Source: PSG Wealth Investment Division

PSG Wealth Equity Portfolios

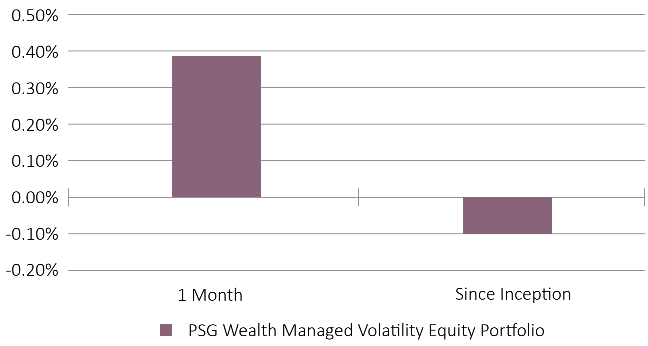
PSG Wealth SA Managed Volatility Equity Portfolio

- The PSG Wealth SA Managed Volatility Equity Portfolio returned 0.38% for September. This was ahead of the benchmark, the PSG Wealth Custom Low Volatility Index TR (net of fees), which ended the month 0.53% lower.
- Nine out of the 13 stocks in the portfolio outperformed the benchmark.

Expectations:
- Local equity market valuations currently seem elevated.
- 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.

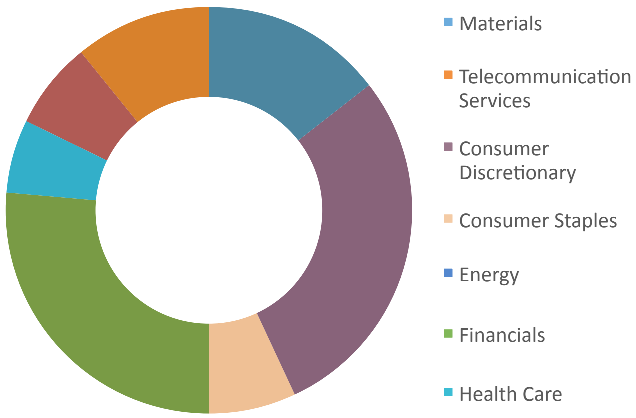
Risk:
- A negative performance relative to the local equity market during strong bull markets.

Performance since inception



Source: PSG Wealth Investment Division data as at 30 September 2016
*Inception date: 28 July 2016

Asset Allocation



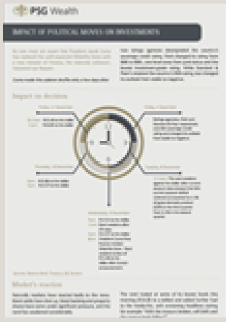
Source: PSG Wealth Investment Division

Other publications

Previous publications

Daily

20 Oct



Weekly

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Oct 2015

Research & Strategy Report

Winter 2016

Autumn 2016

Summer 2015

Spring 2015

PSG Wealth

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