

OFFSHORE EQUITY PORTFOLIO

SEPTEMBER 2019

Key information

Benchmark

- DJGT (net of fees)

Fees

- 1% per annum (excl. VAT)

Minimum portfolio size

- R2 million (or equivalent in their offshore currency)

Top 10 holdings*

Berkshire Hathaway Inc
Brookfield Asset Management Inc
Chevron Corp
Johnson & Johnson
J.P. Morgan Chase & Co
Mastercard Inc
Microsoft Corp
Nestlé SA
Roche Holding AG
Walt Disney Co/The

*Sorted alphabetically

About the portfolio manager

Adriaan Pask, Chief Investment Officer

- 14 years of investment experience
- 12 years with PSG Wealth (Pty) Ltd
- BCom (Financial Analysis)
- BCom (Hons) (Financial Management)
- MCom (Business Management)
- PhD (Economic and Management sciences)

About the lead analyst

Franco Pretorius, Head of Equity Research

- 20 years of investment experience
- BCom (Economics)
- BCom (Hons) (Investment Management)

Overview

In September, the PSG Wealth House View Offshore Equity Portfolio advanced 1.04% (USD), underperforming the Dow Jones Global Titans 50 TR USD (net of fees) benchmark, which closed 2.22% higher for the month. Eight of the 20 stocks had returns that were ahead of the benchmark. Since inception, the PSG Wealth House View Offshore Equity Portfolio had an annualised return of 9.99% (USD), underperforming the Dow Jones Global Titans 50 TR USD (net of fees), which had an annualised return of 10.85%.

Philosophy

We apply a disciplined, bottom-up, value-biased investment philosophy in our stock selection. The central concept underlying value investing is a margin of safety. This means that the share price should be trading at a discount to the intrinsic value of its underlying business. In our view, a company that has limited downside, contrasted with growth potential, qualifies as an attractive investment.

Accordingly, we prefer companies that currently seem undervalued in terms of fundamental analysis, while remaining cognisant of the momentum factors that drive shorter-term share price performance. In addition, we look for companies with a strong confidence rating, which means it does not have large or unmanageable debt positions. We ensure that the portfolio is diversified across multiple sectors.

Thus, investments are not only chosen on their potential value but also their quality. As such investments are screened for their profitability, the quality of their reported earnings, dividend policies as well as their financial structure. There is no guarantee that all the chosen companies will outperform; a few will more than likely underperform. However, the portfolio displays below-average risk and is fundamentally undervalued. As a group, their future investment returns should, therefore, be satisfactory.

Investment objective

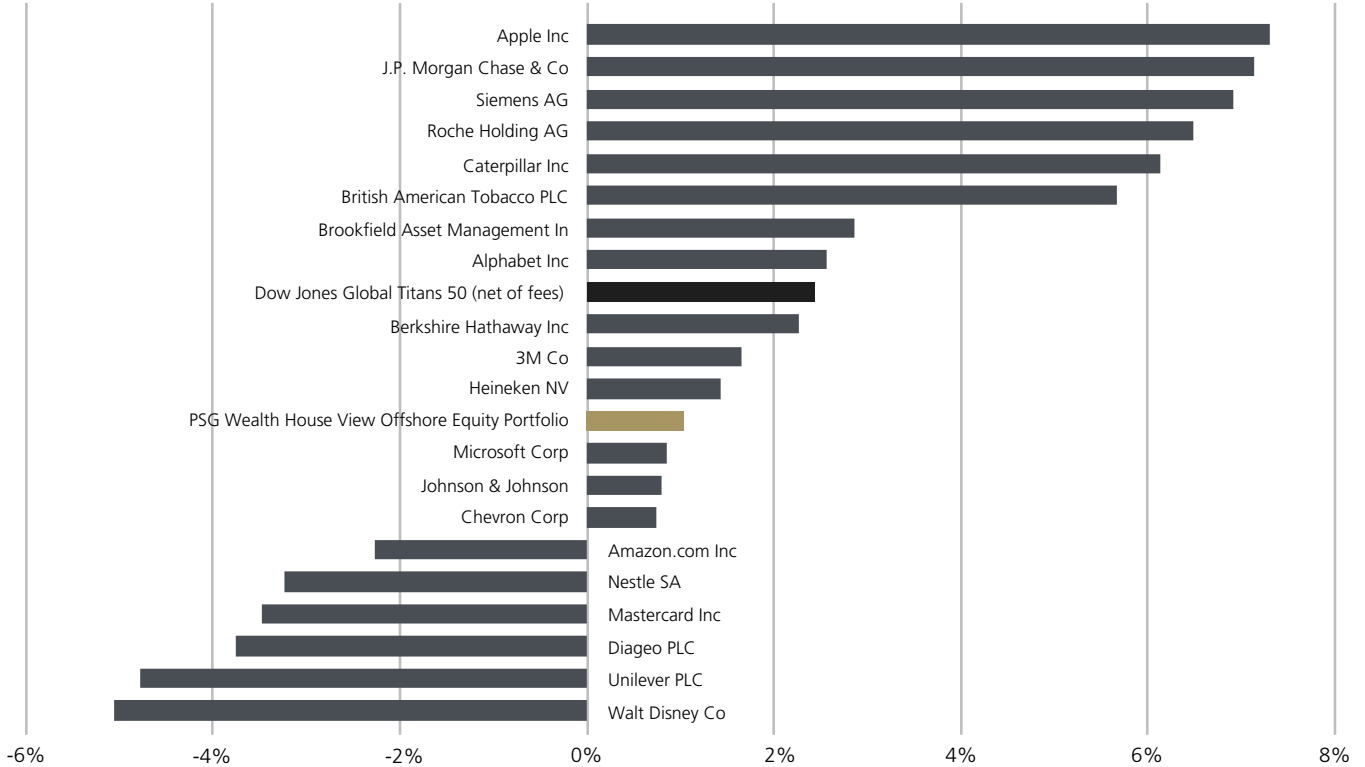
In short, we strive to buy high-quality assets trading at a discount to our estimation of its intrinsic value. We expect the investment to re-rate to its intrinsic value over the medium term, which, if consistently applied, should lead to long-term capital growth. Through this process, we aim to grow wealth while consistently guarding clients against the risk of permanent capital loss.

Portfolio manager's comments

The MSCI Emerging Market Index Net TR (USD) ended September up 1.91%, underperforming the MSCI World Index Net TR (USD), which advanced 2.13% over the same period. The ALSI TR (USD) underperformed the MSCI Emerging Market Index, showing a return of 0.36%. The ALSI TR (ZAR) was up 0.19% for the month.

In the US, the Dow Jones Industrial Average (USD) and S&P 500 (USD) showed gains for the month, posting returns of 1.95% and 1.72% respectively. The NASDAQ (USD) advanced 0.76%. In Europe, Germany's DAX (USD) was up by 3.29%, France's CAC (USD) by 2.80% and the UK's FTSE (USD) by 3.84% for September. In Asia, Hong Kong's Hang Seng (USD) advanced 1.46%, and Japan's Nikkei (USD) 3.34% during the month.

Performance attribution



Significant contributors and detractors

Apple Inc: Apple was the top performing stock in the portfolio, ending the month 7.30% higher.

J.P. Morgan Chase & Co: J.P. Morgan was up 7.13% for September.

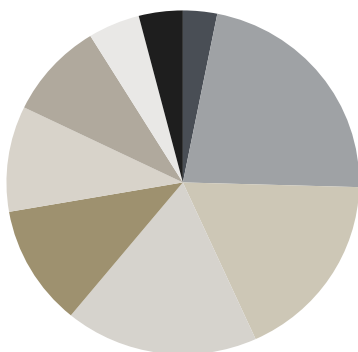
Siemens AG: Siemens ended the month higher, with a return of 6.92%.

Walt Disney Co: Disney was the worst performing stock for the month, ending 5.06% lower.

Unilever PLC: Unilever was the second-worst performing stock in the portfolio, posting a negative return of 4.78% for September.

Diageo PLC: Diageo pulled back 3.75% for the month.

Sector allocation



Consumer Discretionary	3.1
Financials	22.3
Information Technology	17.8
Consumer Staples	17.7
Healthcare	11.3
Telecommunication Services	9.9
Industrials	9.0
Energy	4.8
Materials	0
Real Estate	0
Utilities	0
Cash	4.0
Total	100

- An underweight exposure to the information technology sector, paired with an overweight position in the consumer staples sector, detracted from the portfolio's relative performance.
- Underweight exposures toward the healthcare and consumer discretionary sectors aided the portfolio's alpha generation.

Risk and Return Attribution Analysis

Performance since common inception

Time period: 01/09/2015 to 30/09/2019	Currency: US dollar		Source data: total, daily return					
	Return	Std dev	Excess return	Sharpe ratio	Worst quarter	Max drawdown	Up capture ratio	Down capture ratio
PSG Wealth House View Offshore Equity Portfolio	9.99	0.78	-0.86	0.05	-7.37	-12.96	79.68	77.55
Dow Jones Global Titans 50 (net of fees)	10.85	0.81	N/A	0.05	-14.41	-19.61	100	100

One-month performance

Time period: 31/08/2019 to 30/09/2019	Currency: US dollar		Source data: total, daily return			
	Return	Std dev	Excess return	Sharpe ratio	Max drawdown	
PSG Wealth House View Offshore Equity Portfolio	1.04	0.51	-1.18	0.08	-1.49	
Dow Jones Global Titans 50 (net of fees)	2.22	0.56	N/A	0.19	-1.27	

Notes on our reporting technique/method

1. Initial investments are always made within the specified target. Market movements may, from time-to-time results in active weights that are in excess of the target. Material deviations will be addressed through rebalancing within a 12-month period.
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3. The proportion of stocks held in the portfolio that have an investment grade rating according to Bloomberg's default risk rating. Cash is added to this total.
4. Reflects the impact on the relative performance of the portfolio if the stock falls by 25%, assuming all other stocks are flat. Calculated as the active weight, multiplied by -25% for the largest active position.
5. Reflects the impact on the relative performance of the portfolio if the sector falls by 25%, assuming all other sectors are flat. Calculated as the active weight multiplied by -25% for the largest active position.
6. The percentage may occasionally rise above the specified target due to market movements, interest and dividend payments. Material deviations will be addressed through rebalancing within a 12-month period.
7. Total sales expressed as a percentage of the portfolio's market value at the end of the reporting period.

Mandatory disclosure

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