

# Offshore Equity Portfolio

November 2022

## Key information

### Benchmark

- MSCI World Index

### Minimum portfolio size

- R2 million (or equivalent in their offshore currency)

Top 10 holdings*
Berkshire Hathaway Inc
Exxon Mobil
Johnson & Johnson
J.P. Morgan Chase & Co.
Microsoft Corp
Pfizer Inc
Philip Morris International In
Raytheon Technologies Corp
TotalEnergies
Volkswagen AG

\*Sorted alphabetically

## About the portfolio manager

### Adriaan Pask, Chief Investment Officer

- 17 years of investment experience
- BCom (Financial Analysis)
- BCom (Hons) (Financial Management)
- MCom (Business Management)
- PhD (Economic and Management sciences)

## About the lead analyst

### Vaughan Henkel, Head of Securities Solutions

- 23 years of investment experience
- BSc Electrical Engineering
- CFA
- CAIA

## Overview

The PSG Wealth House View Offshore Equity Portfolio ended the month 7.32% higher outperforming the MSCI World Index TR USD which posted a return of 6.95%. Thirteen of the 20 portfolio stocks outperformed the benchmark. Since inception, the PSG Wealth House View Offshore Equity Portfolio had an annualised return of 12.36%, outperforming the MSCI World Index TR USD, which showed an annualised positive return of 9.10%.

## 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. Finally, we have two additional macro factors investigating the economic environment and liquidity to aid in sector and security selection, with opportunities varying depending on the macro environment. Our process can be summarised as a pragmatic approach to investing.

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 rerate 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.

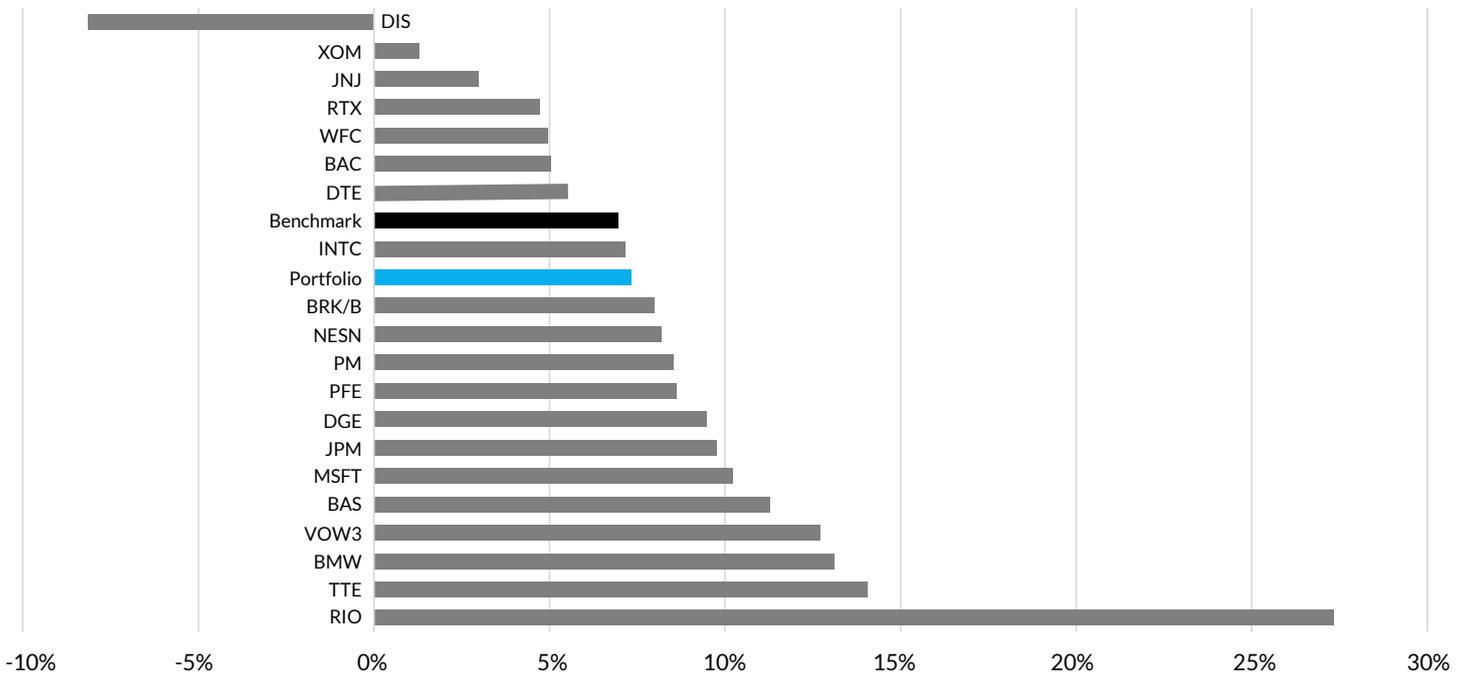
## Market commentary

During November 2022, the MSCI Emerging Market Index Net TR (USD) gained 14.83%, outperforming the MSCI World Index Net TR (USD), which posted a return of 6.95%. The ALSI TR (USD) outperformed the MSCI Emerging Market Index, gaining 21.58% in the month of November. The one-month return for ALSI TR (ZAR) yielded 12.33%.

In the US, the Dow Jones Industrial Average TR (USD) and S&P 500 TR (USD) posted positive returns of 6.04% and 5.59% respectively. The NASDAQ Composite (USD) gained 4.37%. In Europe, Germany's DAX (USD) was up by 13.33%, France's CAC TR (USD) up by 12.18%, and UK's FTSE TR (USD) up by 11.56% for the month. In Asia, Hong Kong's Hang Seng (USD) gained 27.31% and Japan's Nikkei TR (USD) was up, ending November 8.11% higher.



## Performance attribution



## Significant contributors and detractors

**Rio Tinto:** RIO LN increased 27.3% during the month on stronger commodity prices amidst a potential reopening of China as Covid-19 restrictions are likely to be relaxed.

**TotalEnergies:** TTE FP was up 14.1% for the month benefitting from higher gas prices as the Henry Hub spot price increased by 38% for the month combined with the continuance of its share repurchase program.

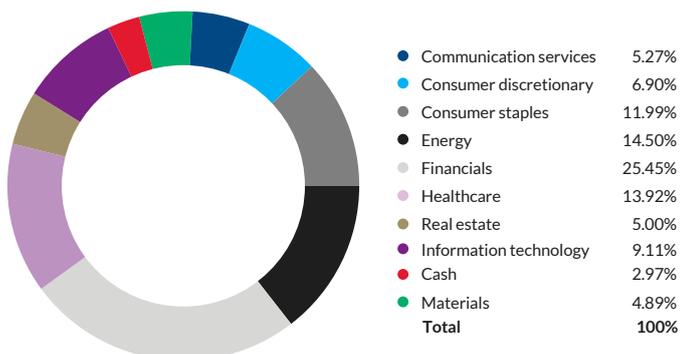
**BMW:** BMW GR saw a positive rerating following a good set of results in the previous month.

**Walt Disney Company:** DIS US was down 8.1% for the month. They released results during the month which fell short of market expectations despite record annual results at its Parks business. Additionally, CEO Bob Chapek stepped down and will be replaced by the previous CEO Bob Iger in a move that was well received by the market.

**Exxon Mobil:** XOM US was up 1.3% for the month. The 38% increase in Henry Hub gas price was offset by a decrease of 10% in the Brent crude oil price.

**Johnson & Johnson:** JNJ US was up 2.3% for the month which is normal volatility.

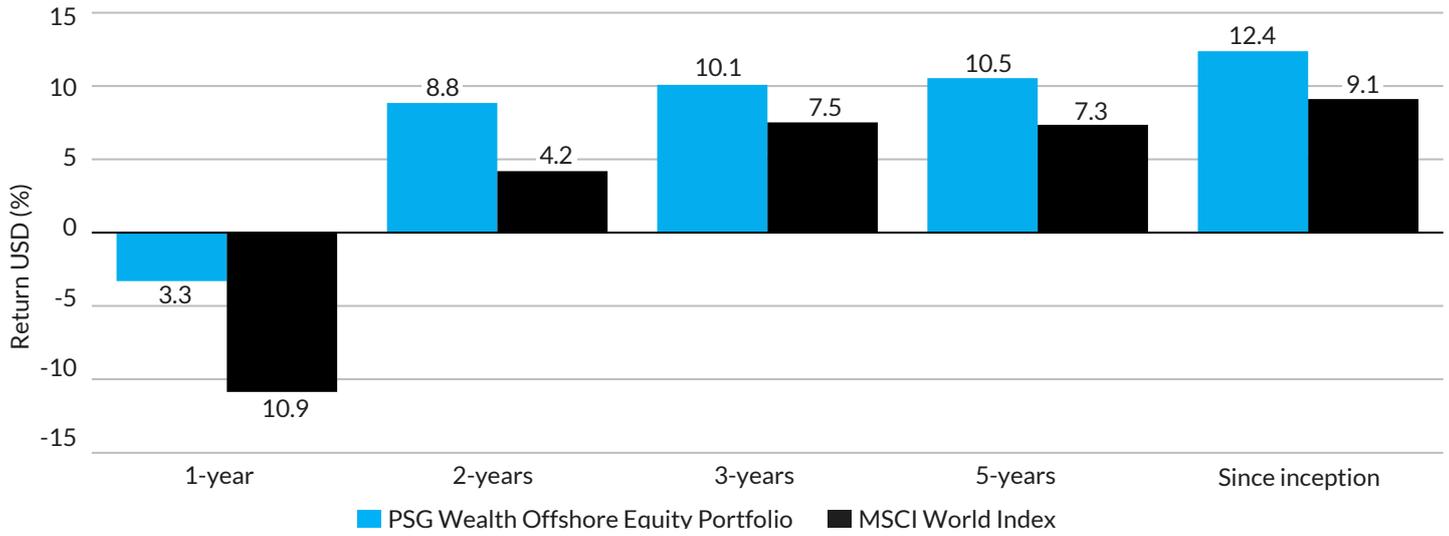
## Sector allocation



- The stock selection within consumer discretionary contributed the most to the portfolio's alpha generation.
- The sector allocation to energy detracted the most from the portfolio's alpha.



## Annualised return percentage\*



\*Gross of fees

## Note on our reporting technique/method

Management fees are not standardised. Return calculations are based on management fees of 1% for illustrative purposes.

### Mandatory disclosure

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