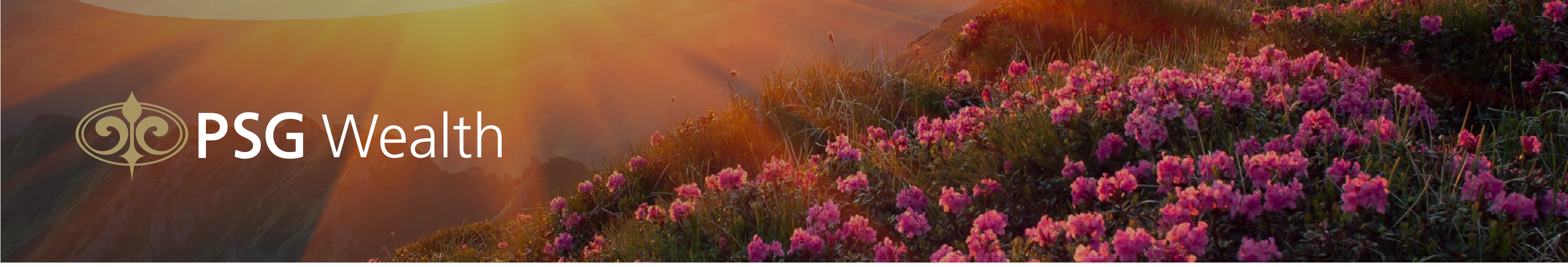


SA PROPERTY EQUITY PORTFOLIO

SEPTEMBER 2019

Key information

Benchmark

- FTSE/JSE All Property Index (net of fees)

Fees

- 1.50% per annum (excl. VAT)

Minimum investment amount

- R1 million

Top 10 holdings*

Attacq Ltd
Capital & Countries Properties
Fortress REIT A
Growthpoint Properties Ltd
Hammerson PLC
Hyprop Investments Ltd
NEPI Rockcastle PLC
Redefine Properties Ltd
SA Corporate Real Estate Ltd
Vukile Property Fund Ltd

*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

The PSG Wealth House View SA Property Equity Portfolio posted a return of 2.58% for September, outperforming the FTSE/JSE All Property Index (net of fees), which realised a return of 1.33%. Ten of the 20 stocks in the portfolio outperformed the benchmark, for the month. Since inception, the PSG Wealth House View SA Property Equity Portfolio had an annualised negative return of 6.93%, outperforming the FTSE/JSE All Property Index (net of fees), which had an annualised negative return of 8.35%.

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

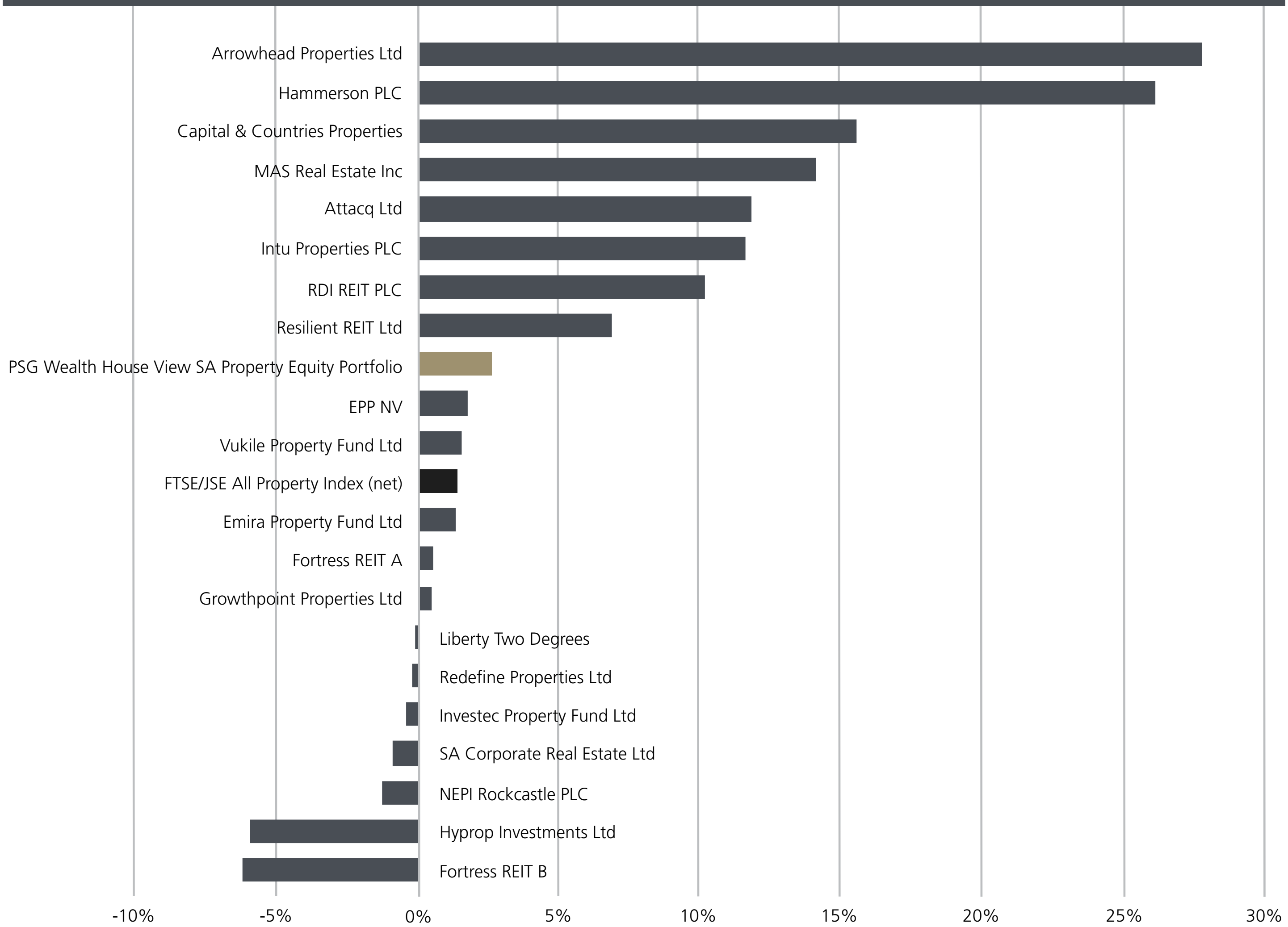
In short, we aim to maximise long-term total return (the combination of income and growth of capital) by investing in high-quality JSE Listed property companies and REITs trading at a discount to our estimation of its intrinsic value. We expect the investment to rerate to its intrinsic value over the 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

The SA Listed Property Index (SAPY) ended September 0.30% higher. Locally, the market is characterised by an oversupply in retail and office properties. The retail environment is expected to remain challenging as it is impacted by e-commerce disruptions and oversupply in the retail sector. Landlords have highlighted that the retail sector remains a tenant market with lower escalations and lease terms that better suit retailers.

The office sector remains under pressure impacted by shorter-lease terms, which has resulted in lease terms reverting to market more frequently. The cost of attracting and retaining tenants remains high in a fiercely competitive environment. However, demand remains strong for green P-grade offices in key metropolitan nodes such as Cape Town, Rosebank, Sandton and Bryanston. The industrial sector is experiencing oversupply in certain regions such as Gauteng, while low levels of supply characterise areas such as Durban and Cape Town.

Performance attribution



Significant contributors and detractors

Arrowhead Properties Ltd: Arrowhead was the best performer in the portfolio, advancing 27.81%.

Hammerson PLC: Hammerson ended the month 26.20% higher.

Capital & Countries Properties: CapCo was up by 15.60% for the month.

Fortress REIT B: Fortress B was the worst performing stock in the portfolio, losing 6.26% in September.

Hyprop Investments Ltd: Hyprop was the second-worst performer in the portfolio, ending the month with a negative return of 6.03%.

NEPI Rockcastle PLC: NEPI Rockcastle lost 1.30% in the month.

PSG Wealth

Risk and Return Attribution Analysis

Performance since common inception

Time period: 30/11/2015 to 30/09/2019 Currency: South African rand 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 SA Property Equity Portfolio	-6.93	0.88	1.42	-1.25	-9.15	-24.68	92.18	86.61
FTSE/JSE All Property Index (net)	-8.35	0.92	N/A	-1.45	-20.77	-32.99	100	100

One-month performance

Time period: 31/08/2019 to 30/09/2019 Currency: South African rand Source data: total, daily return

	Return	Std dev	Excess return	Sharpe ratio	Max drawdown
PSG Wealth House View SA Property Equity Portfolio	2.58	0.81	1.25	-0.85	-1.97
FTSE/JSE All Property Index (net)	1.33	0.88	N/A	-0.88	-2.28

Notes on our reporting technique/method

1. Initial investments are always made within the specified target. Market movements may from time-to-time result in weights that are in excess of the target. Material deviations will be addressed through rebalancing within a 12-month period.
2. 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.
3. 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.
4. The percentage may occasionally rise above the specified target due to market movements, interest received, dividends and portfolio flows. Material deviations will be addressed through rebalancing within a 12-month period.
5. Total sales expressed as a percentage of the portfolio's market value at the end of the reporting period.

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