

SA EQUITY PORTFOLIO

SEPTEMBER 2019

Key information

Benchmark

- FTSE/JSE Capped SWIX (net of fees)

Fees

- 0.75% per annum (excl. VAT)

Minimum portfolio size

- R1 million

Top 10 holdings*

Anglo American PLC
BHP Group PLC
Bid Corp Ltd
Bidvest Group Ltd/The
British American Tobacco PLC
Momentum Metropolitan Holdings
Mondi PLC
Naspers Ltd
Remgro Ltd
Standard Bank Group 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 Equity Portfolio ended the month up with a return of 0.95%, outperforming the FTSE/JSE Capped SWIX (net of fees), which posted a 0.53% return for the month. Eleven of the 20 stocks in the portfolio outperformed the benchmark. Since inception, the PSG Wealth House View SA Equity Portfolio had an annualised return of 1.05%, underperforming the JSE hybrid benchmark (net of fees), which showed an annualised return of 1.52%.

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.

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

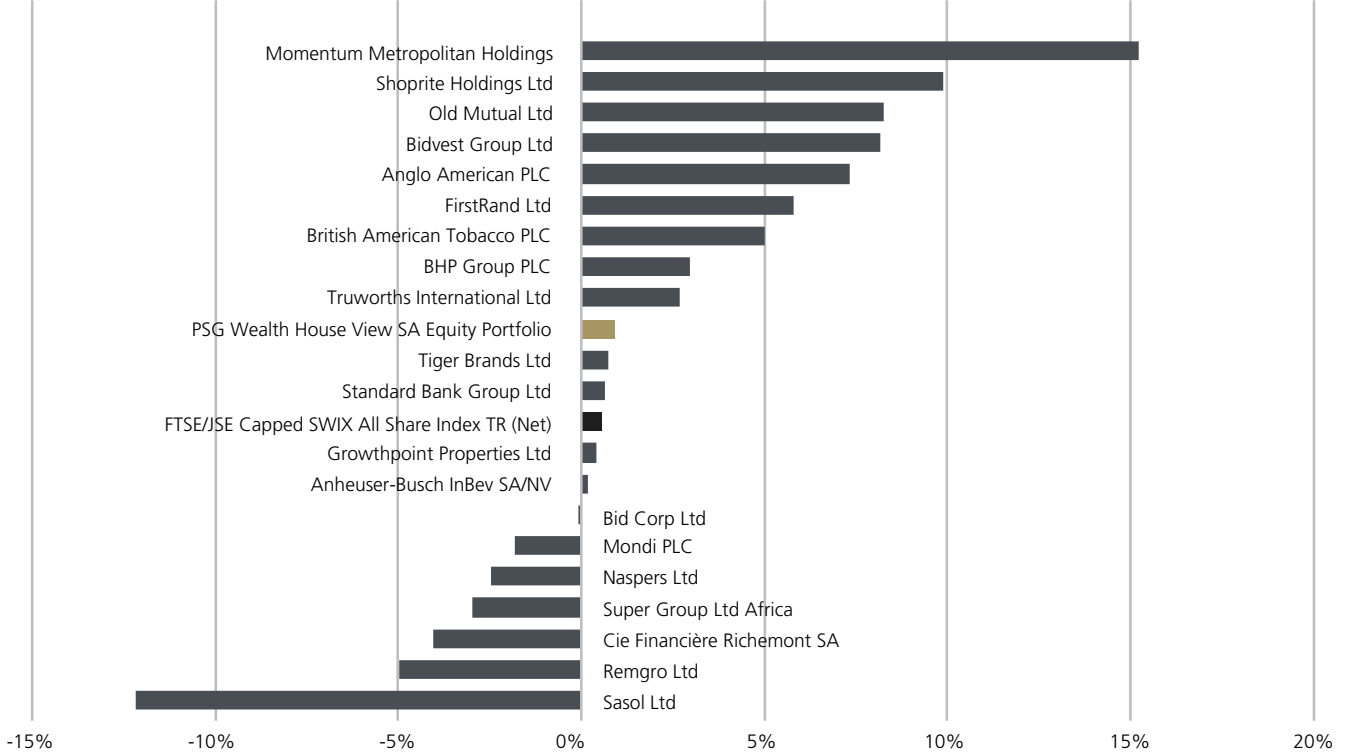
Locally, equities were the best performing asset class during September, locking a return of 1.91%. Cash returned 0.59%, bonds 0.53% and property 0.30% for the month.

On a sectoral basis, industrials showed the best performance. This was largely driven by WBHO and Trencor share price rallies, which were on the back of favourable results and trading statements released during September. The communication services sector had the worst performance for the month, most significantly influenced through ground lost by MultiChoice Group and Telkom.

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

Performance attribution



Significant contributors and detractors

Momentum Metropolitan Holdings: Momentum was the top performer for September, up 15.25%.

Shoprite Holdings Ltd: Shoprite ended the month 9.89% higher.

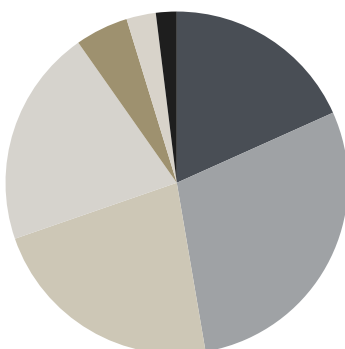
Old Mutual Ltd: Old Mutual was up 8.29% in September.

Sasol Ltd: Sasol was the worst-performing stock in the portfolio for the month, down 12.12%.

Remgro Ltd: Remgro ended the month with a negative return of 4.96%.

Cie Financière Richemont SA: Richemont ended 4% lower in September.

Sector allocation



Consumer Discretionary	18.3
Financials	29.0
Materials	22.4
Consumer Staples	20.5
Industrials	5.0
Real estate	2.8
Communication Services	0
Healthcare	0
Information Technology	0
Energy	0
Utilities	0
Cash	2.0
Total	100

- The underweight exposures to the healthcare and real estate sectors were the only detracting factors for portfolio alpha.
- The overweight exposure toward the materials sector and the underweight exposure to the communication services sector aided portfolio alpha generation the most.

Risk and Return Attribution Analysis

Performance since common inception

Time period: 31/08/2015 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 Equity Portfolio	1.05	0.97	-0.47	-0.02	-8.73	-21.48	96.48	96.85
FTSE/JSE Capped SWIX All Share Index TR (Net)	1.52	0.95	N/A	-0.02	-5.79	-18.93	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 Equity Portfolio	0.95	0.99	0.42	0.02	-5.71	
FTSE/JSE Capped SWIX All Share Index TR (Net)	0.53	1.04	N/A	0	-5.57	

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.
8. The JSE hybrid benchmark (net of fees) is a benchmark which includes returns from the JSE Capped All Share benchmark (from inception to 30 June 2017) and returns from the FTSE/JSE Capped Swix All Share Index thereafter.

Mandatory disclosure

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