

# SA Equity Portfolio

November 2022

## Key information

### Benchmark

- FTSE/JSE Capped Swix Index TR

### Minimum portfolio size

- R1 million

Top 10 holdings*
Absa Group
Anglo American PLC
Anheuser-Busch InBev
AVI Ltd
FirstRand Ltd
Mondi PLC
MTN Group
Naspers Ltd
Remgro Ltd
Sasol Ltd

\*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 SA Equity Portfolio ended the month 4.92% higher underperforming the FTSE/JSE Capped Swix which posted a return of 9.62%. Three of the 18 portfolio stocks outperformed the benchmark. Since inception, the PSG Wealth House View SA Equity Portfolio had an annualised return of 4.45%, underperforming the JSE hybrid benchmark, which showed an annualised return of 7.03%.

## 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 delivered 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) was 12.33%.

November tracked the previous month's gains with another positive return despite the Fed hiking rates by another 75bps. China's zero-Covid-19 policy appeared to be coming to an end.

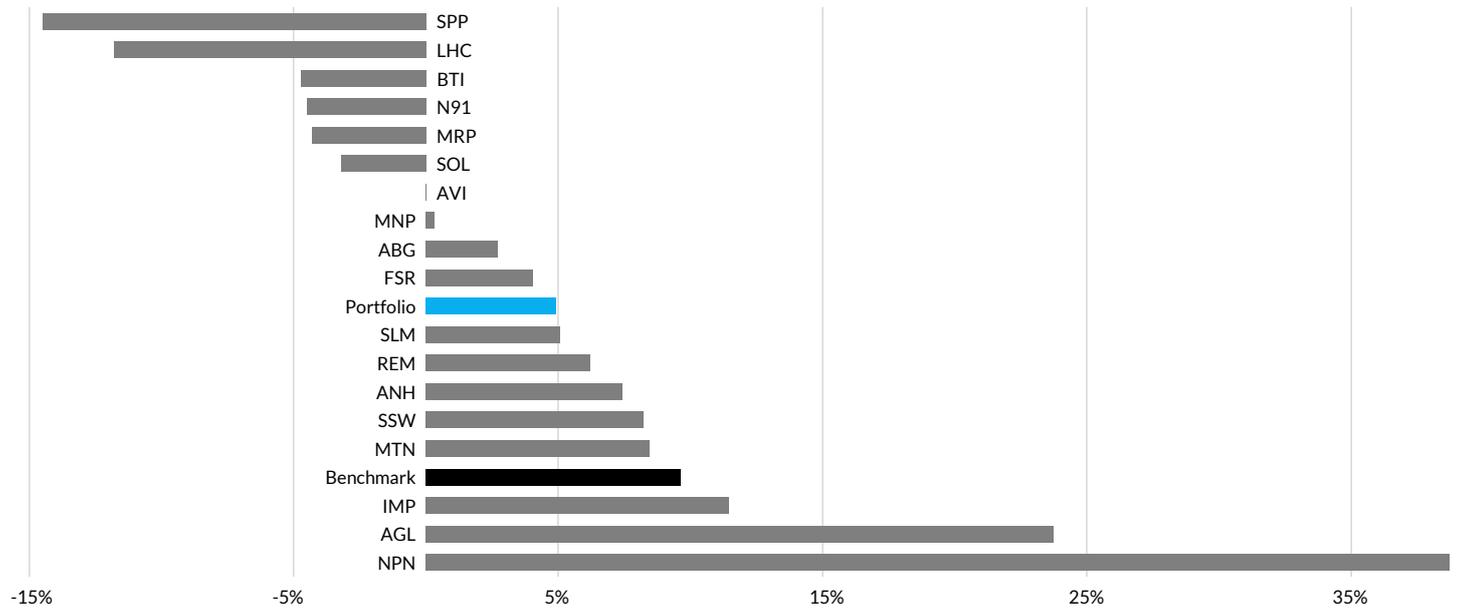
The US markets continued their gains from October with the S&P 500 up 5.4%, the Dow Jones up 5.7% and the Nasdaq up 4.4% for the month of November 2022.

The UK FTSE 100 gained 6.7% in November, while the German DAX ended 8.6% higher and the French CAC was up 7.5%. Concerns about high inflation seem to be easing whilst the impact on energy supply in Europe, due to the war in Ukraine, eased off.

Locally, the JSE Capped SWIX rose 9.6%, due to a surge in Naspers and Prosus, the former up 38.7%. Resi-10 up 17.3% for the month while luxury stocks appear to be inflation proof, as seen in Richemont's 22.4% gain. Inflation was 7.5% on an annualized basis. The rand gained 6.27% during the month and ended November 2022 at R17.20/\$. Gold rose 8.26% month on month to \$1 768/oz, while Brent fell 9.91% to trade at \$85.43 a barrel.



## Performance attribution



## Significant contributors and detractors

**Naspers:** NPN increased 38.7% during November. Despite the group releasing a poor set of 1H23 results which showed widening ecommerce losses and lower contributions from Tencent, the rally came from news of China loosening Covid-19 restrictions as well as new game approvals during the month.

**Anglo American:** AGL increased 23.8% during the month on stronger commodity prices amidst a potential reopening of China as Covid-19 restrictions are likely to be relaxed.

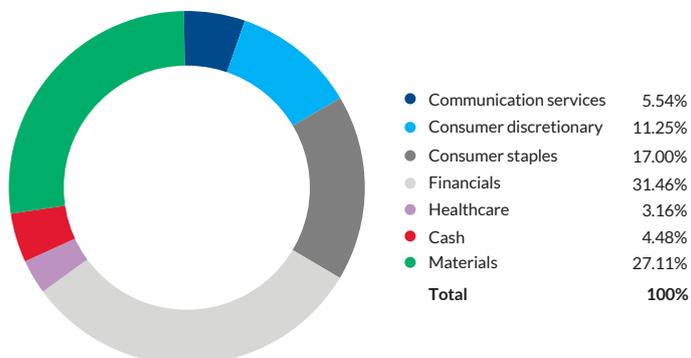
**Impala Platinum:** IMP increased 11.5%. During the month, the Competition Tribunal announced that it had approved the merger between Implats and Royal Bafokeng Platinum.

**Spar:** SPP fell 14.5% in the month on the back of corporate governance concerns raised in the dispute with some franchisees.

**Life Healthcare:** LHC fell 11.8% in the month with no real news flow driving it apart from volatility and the re-opening China trade driving alternative assets.

**British American Tobacco:** BTI was down 2.1% which is largely normal volatility.

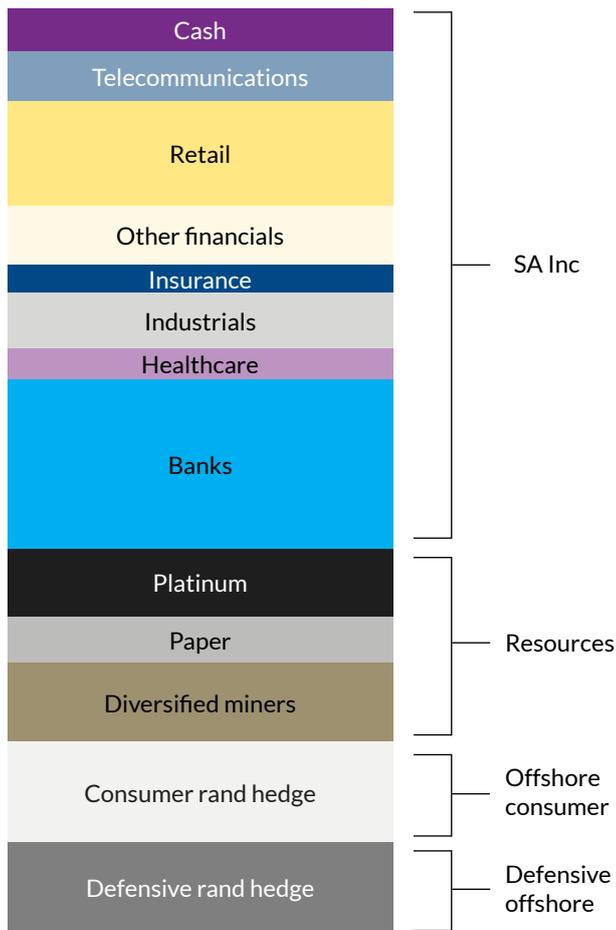
## Sector allocation



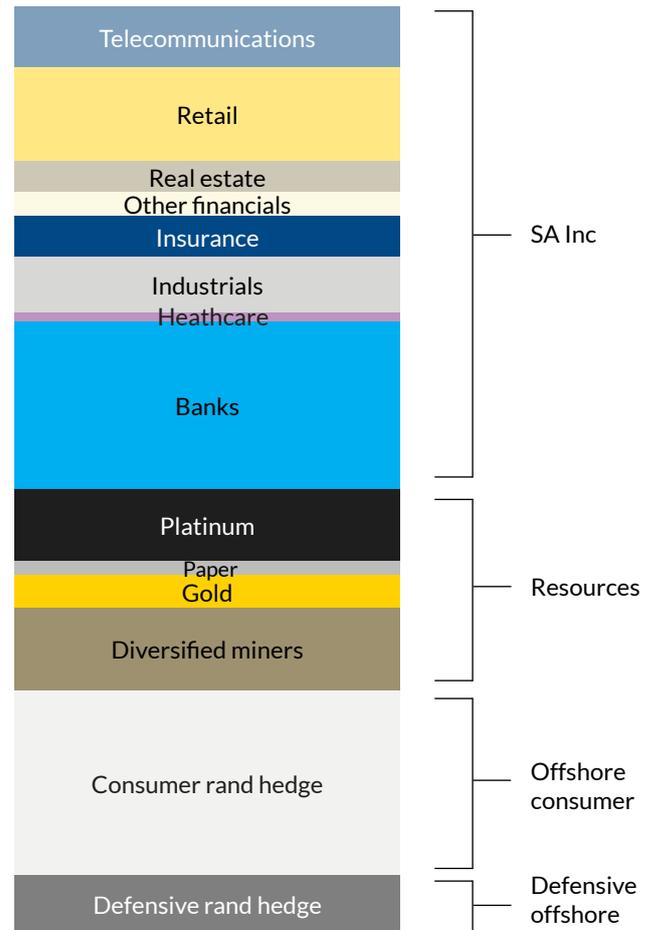
- The stock selection in communication services contributed the most to the portfolio's alpha.
- The sector allocation to the consumer discretionary sector and stock selection in materials detracted the most from the portfolio's alpha.



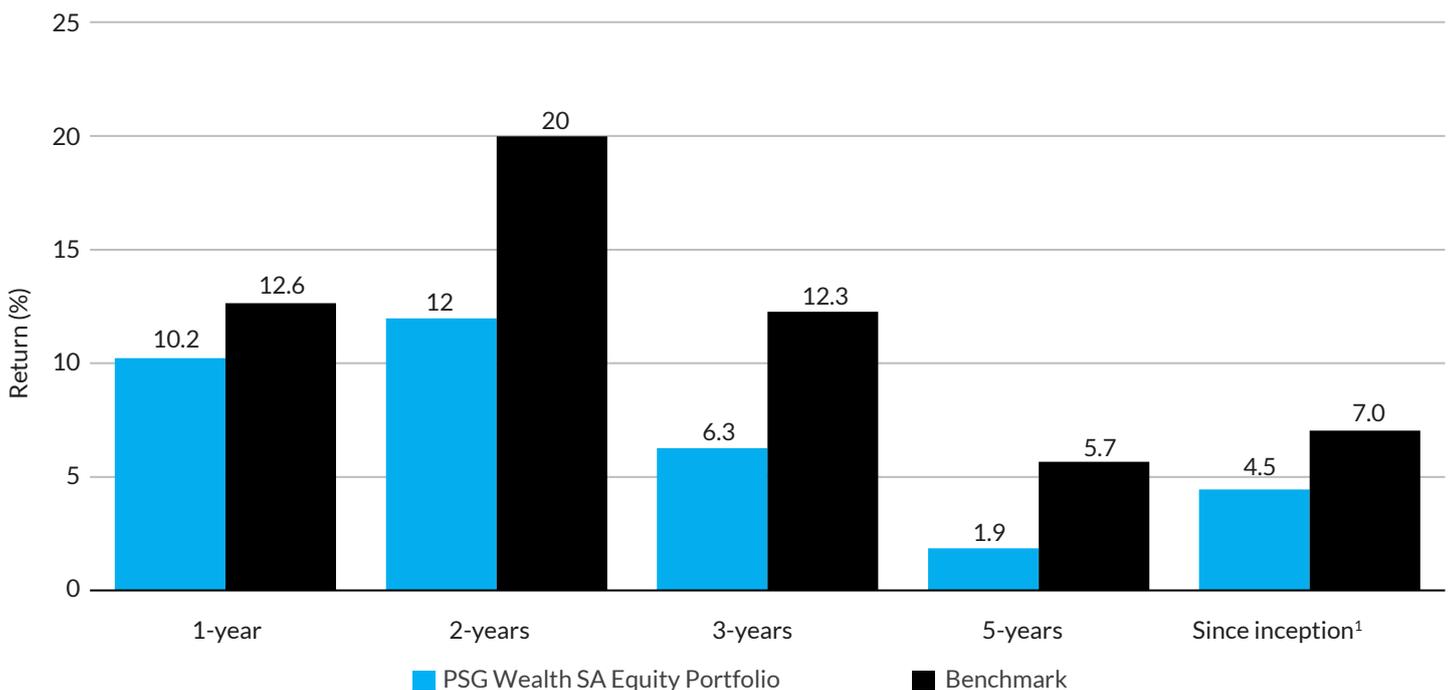
## Portfolio macro exposure



## Benchmark macro exposure



## Annualised return percentage\*



\*Gross of fees



## Notes on our reporting technique/method

Management fees are not standardised. Return calculations are based on management fees of 0.75% for illustrative purposes..

<sup>1</sup> The JSE hybrid benchmark is a benchmark which includes returns from the JSE Capped Swix benchmark (from inception to 30 June 2017) and returns from the FTSE/JSE Capped Swix Index thereafter.

### Mandatory disclosure

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