

SA Equity Portfolio

April 2022

Key information

Benchmark

- FTSE/JSE Capped SWIX (net of fees)

Minimum portfolio size

- R1 million

Top 10 holdings*
Anglo American PLC
Anheuser-Busch InBev
FirstRand Ltd
Impala Platinum Holdings Ltd
Mondi PLC
MultiChoice Group
Naspers Ltd
Remgro Ltd
Sasol Ltd
Standard Bank Group 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

Franco Pretorius, Head of Portfolio Management and Implementation

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

Overview

The PSG Wealth House View SA Equity Portfolio ended the month 2.02% lower, outperforming the FTSE/JSE Capped Swix, which posted a negative return of 3.95%. Ten of the 19 portfolio stocks outperformed the benchmark. Since inception, the PSG Wealth House View SA Equity Portfolio had an annualised return of 4.74%, underperforming the JSE hybrid benchmark, which showed an annualised return of 6.93%.

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 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

In April 2022, the MSCI Emerging Market Index Net TR (USD) lost 5.56%, outperforming the MSCI World Index Net TR (USD), which posted a negative return of 8.31%. The ALSI TR (USD) underperformed the MSCI Emerging Market Index, losing 10.54% in the month. The 1-month return for ALSI TR (ZAR) was negative 3.66%.

Inflation remained the hot topic in April 2022 as the US reported an 8.5% increase – the highest inflation number since the early 1980s. Earnings season commenced as multiple companies reported, with the market punishing any earnings misses or lower future guidance. Netflix finished 49% lower after announcing it lost 200 000 subscribers in the first three months of the year, while Amazon finished almost 24% higher after announcing a net loss for the first time in seven years. China reinforced its zero-Covid policy by locking down Shanghai with rumours that Beijing would be next. This fuelled fears of the continued supply chain problems and lower demand from the Chinese region. That, concerns about rising interest rates and other factors contributed to the S&P 500 losing 8.8%, the Nasdaq 13.3%, and the Dow Jones 4.9% for the month.

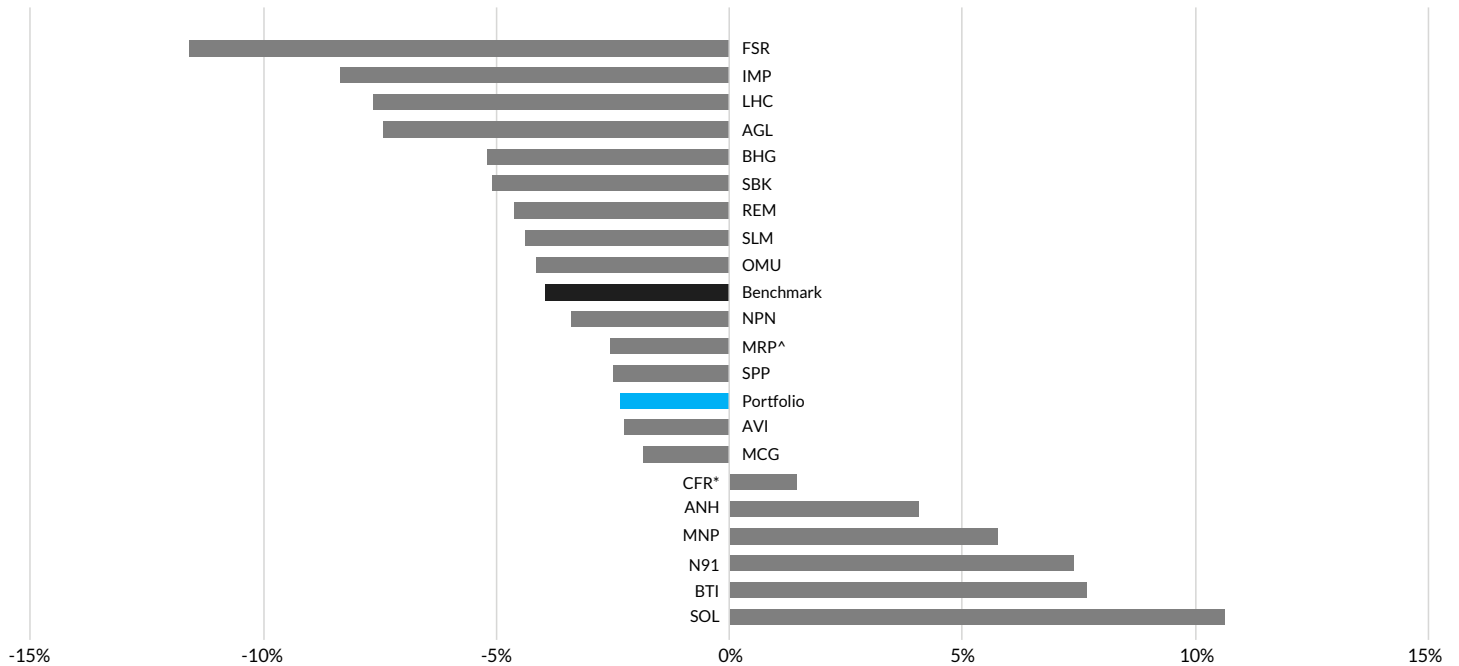
The UK FTSE 100 gained 0.4% in April 2022, while the German DAX and the French CAC fell 2.2% and 1.9%, respectively. Higher inflation and energy concerns were the main talking points for the month.

The KwaZulu-Natal floods ravaged parts of the province, destroying thousands of homes, while Eskom announced various stages of loadshedding. Inflation came in at 5.9% for March 2022, and the JSE Capped Swix fell 3.9%, mainly due to the financial and resource sectors, with Kumba Iron Ore, Discovery and Northam Platinum down 18.5%, 16.4% and 13.4%, respectively.

The rand weakened by 7.24% during the month and finished April 2022 at R15.79/\$. Gold weakened by 2.07% and traded at \$1 897/oz by month-end, while Brent crude oil finished the month with a gain of 1.33% to trade at \$109.34 a barrel.



Performance attribution



*Sold during the month
^Bought during the month

Significant contributors and detractors

Sasol: SOL rallied 10.64% following a pleasing trading update buoyed by sustained higher oil and LNG prices.

British American Tobacco: BTI closed down 7.66% for the month after announcing that it would exit Russia and transfer its Russian assets to a third party.

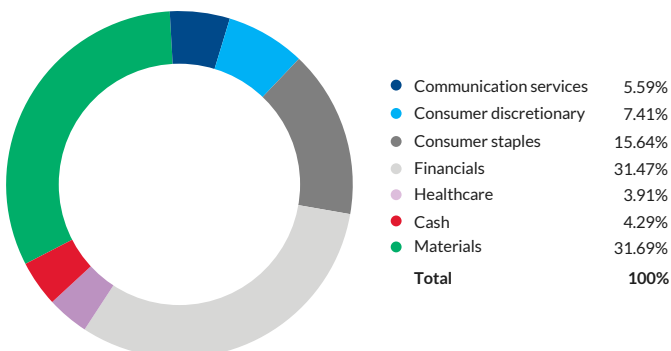
Ninety One: N91 gained 7.4% following an improved AUM update, reflecting 1.6% q/q growth.

FirstRand: FSR fell 11.59% for the month as the rand weakened relative to the USD.

Impala Platinum: IMP declined for a second month, falling 8.6% in line with lower PGM prices.

Life Healthcare: LHC was down 7.64% for the month. This, after the company released a trading update highlighting that AMG was negatively impacted by the loss of Covid-19 NHS contracts in 1H22. South Africa is expected to have a strong performance, with margins rising close to 17%.

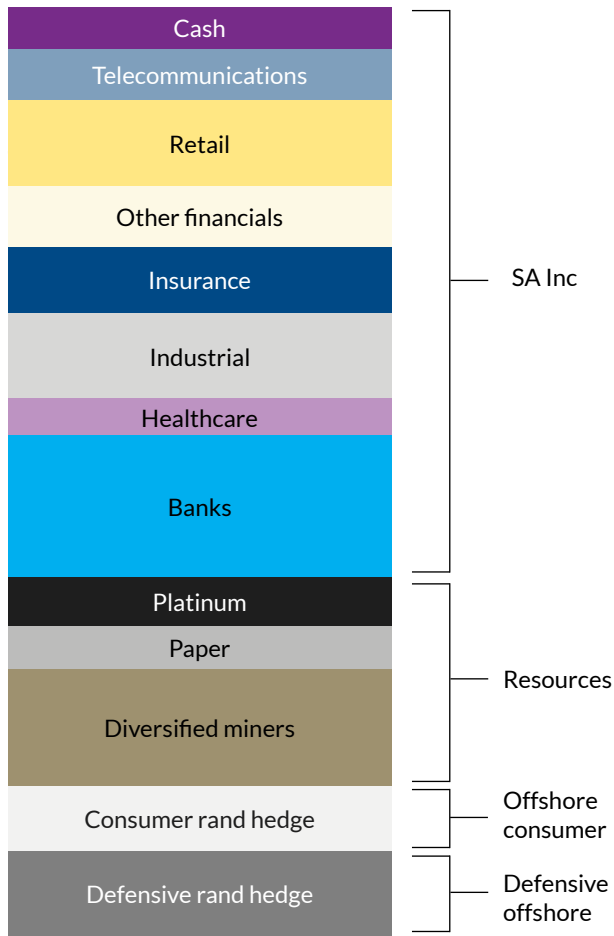
Sector allocation



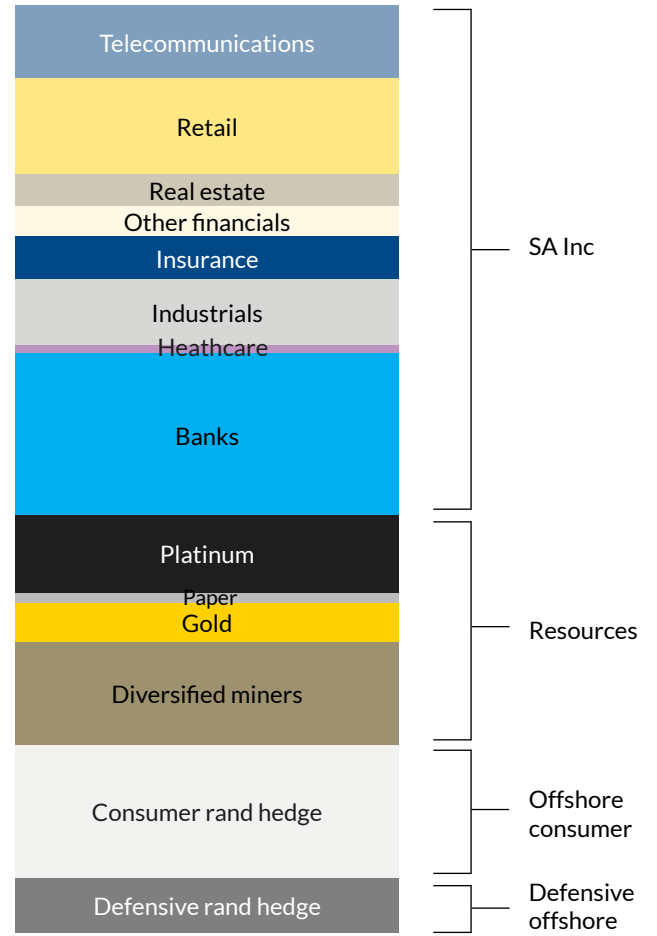
- The stock selection within the materials sector contributed the most to the portfolio's alpha.
- The sector allocation to the energy and financial sectors detracted the most from the portfolio's alpha.



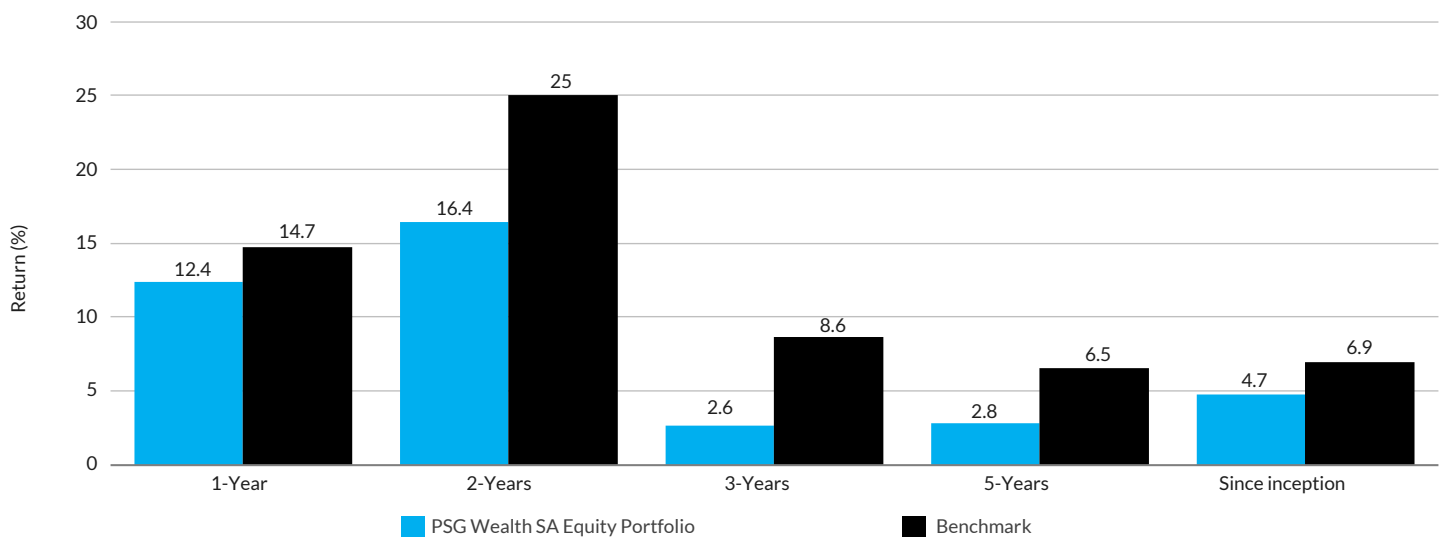
Portfolio macro exposure



Benchmark macro exposure



Annualised return percentage



*Gross fees



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

Mandatory disclosure

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