STANLIB Multi-Manager Global Equity Fund

STANLIB MULTI-MANAGER

Minimum Disclosure Document as of 31 March 2023

The fund is a class fund of STANLIB Offshore Unit Trusts, which invests exclusively in the STANLIB Funds Limited - STANLIB Multi-Manager Global Equity Fund.

Market overview

Equites rebounded across regions in the first quarter, led by Europe. However, several notable reversals in sentiment, volatility, and asset class performance occurred during the period. The year began on a positive note, with strengthening asset prices and falling market volatility in January, driven largely by a continuation of late December themes such as peak inflation and peak central bank hawkishness. In February, however, bullishness related to these themes reversed and equities fell. Rhetoric from most major central banks remained hawkish and inflation prints again surprised to the upside. Additional volatility returned in March after the failure of Silicon Valley and Signature Bank sent a shock through the market.

Against the above backdrop, the year has seen some strong gains after the weakness of 2022, with global equities gaining 7%. Conventional value underperformed growth as lower rates were a tailwind for longer duration stocks. In commodity markets, crude oil and natural gas prices fell sharply during the quarter. Lower gas prices contributed to the outperformance of European equities as the economic pressure associated with the high energy costs eased. Accordingly, energy was the worst performing sector for the quarter, followed by financials with the KBW bank index falling 17.9% over the last few months. The more growth-oriented IT and telecommunication sectors were the best performers.

Meanwhile the reopening of the Chinese economy boosted hopes that global growth would be lifted more broadly. Strong US data releases and an unemployment rate falling to a 53-year low of 3.4% sparked discussions about a “no landing” scenario. Having struggled last year, emerging markets saw a much better start to 2023 with the MSCI EM Equity Index gaining 4.0%.

Fund review

The Fund had a good start to the year. On a gross basis it was marginally ahead of the benchmark, while net of fee excess returns vs peers was 46bp. At the manager level, value-oriented portfolios underperformed in the first quarter as big tech rebounded. Therefore Hosking, who had the largest overweight to banks, was the biggest detractor. Conversely, Veritas outperformed significantly with security selection (in particular Meta) being very strong. Meta (+76%) which is also held by Sanders, rebounded due to the company’s increased discipline around capex, leading to a meaningful upward revision of expected earnings.

From a total portfolio perspective, the following were key highlights: An overweight allocation to financials had the largest negative impact. Fortunately, this was more than offset by stock picking within the sector where exposure to US regional banks was minimal. In this regard only one of our six mandates held SVB, and it was merely 0.01% of their mandate so at a total portfolio level we were underweight the stock. Similarly, only one manager held Credit Suisse, but here too they were underweight the company which represents 0.07% of the benchmark. In short, the security selection effect was positive and our positioning in well capitalised major banks added to relative returns.

Some of the established mega cap technology names owned by multiple managers within our composite outperformed during the period under review. To this end investors rewarded the aforementioned stocks as they have strong balance sheets and should be well placed to weather the tightening in financial conditions that will characterize an environment of more stringent lending standards due to the SVB fallout. Hyper-growth company performance was mixed with the likes of Cloudflare and Shopify rallying almost 40% as they rebounded from the pounding they took in 2022. By contrast, Chegg continued to lag.

Outlook

We believe manager selection and portfolio construction is as vital as it’s ever been, given the uncertainty around inflation, growth and more recently, signs of stress in the global financial system. With an explicit emphasis on diversification and multiple levers/growth drivers, we are confident the opportunity for our fund to deliver excess returns remains high. We view the risks to our bank holdings to be lower than the market given strong balance sheets characterized by far lower risk from rising rates and much stronger deposit franchises. Taken in aggregate, portfolio holdings trade at a discount to the broad market on key value metrics. Projected tracking error also remains within the long-term risk budget.