STANLIB Multi-Manager Global Equity Feeder Fund

Fund Information

STANLIB Multi-Manager

STANLIB Multi-Manager was established in 1999 and is the centre of excellence for multi-managed solutions within STANLIB. The investment team, led by Chief Investment Officer Joao Frasco, consists of an experienced team with a diverse set of investment skills. We have offices in Johannesburg and London, and currently have mandates in excess of R150 billion under stewardship.

What is the Fund’s objective?

This is a global-only portfolio and invests in equities (all industries, sectors and capitalisation sizes) listed in global equity markets. The Fund provides investors with access to opportunities in global equity markets, while aiming to deliver high capital growth over the long-term.

The Fund’s objective is to outperform the global equity benchmark, the MSCI AC IMI World Index, over the long-term.

Risk profile

CONSERVATIVE AGGRESSIVE

- Income Growth

What are the investment guidelines?

The STANLIB Multi-Manager Global Equity Feeder Fund is a feeder fund into the STANLIB Multi-Manager Global Equity Fund, a multi-managed fund which blends skilled and experienced active global equity managers from around the world, with Smart Beta.

Maximum foreign exposure: 100% of the portfolio.

The Fund complies with provisions of the Collective Investment Schemes Control Act, No. 45 of 2002 (CISCA) and the Regulations thereto, as amended from time to time.

The Fund invests in a single foreign-domiciled fund, giving the investor access through a rand-denominated fund, without the need to convert currencies. The returns quoted are based on the rand investment.

How is the Fund managed?

The Fund is designed to deliver superior investment returns more consistently than through a single asset manager or mandate. Our approach allows investors to outsource the fund / manager selection decision, which includes the ongoing due diligence of managers and construction of portfolios, to meet pre-defined objectives over time.

The Portfolio Managers dedicated to the Fund

![Kent Grobbelaar](image)

Kent Grobbelaar

Head of Portfolio Management (UK)

BCom(Hons), ICMQ, FAUT, IMC

![Renate Potgieter](image)

Renate Potgieter

Portfolio Manager

BSc(Hons), CFA

How do we select managers?

STANLIB Multi-Manager follows a rigorous and disciplined offshore manager research and selection process that starts by analysing the asset class for which the portfolio is being built, and determining the key drivers of outperformance.

The manager research team conducts thorough quantitative and qualitative analyses, culminating in an extensive investment due diligence to identify those managers that have the skill and ability to outperform. This results in the production of high conviction buy/hold/sell lists, as well as mandate performance expectations under different environments, defining events and sell triggers/disciplines.

The portfolio management team then constructs a framework for blending managers into the portfolio that targets the key areas of outperformance and promotes diversification. We only entrust our client’s assets to the highest quality managers, who are then selected into this framework to provide the portfolio with exposure to these sources of market outperformance over the long term.

Passive and Smart Beta alternatives are considered in the process and where used, these help to lower portfolio costs.

On a regular basis the portfolio is reviewed to ensure it is delivering on its long term objectives. From time to time changes are made to improve the structure and or risk return profile of the portfolio.

Who are the underlying managers/funds?

The portfolio construction currently includes the following managers/

<table>
<thead>
<tr>
<th>Underlying managers</th>
<th>Portfolio managers</th>
<th>Strategic allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Group</td>
<td>Multi council</td>
<td>11.0%</td>
</tr>
<tr>
<td>Veritas</td>
<td>Andrew Headley</td>
<td>16.0%</td>
</tr>
<tr>
<td>Aberdeen</td>
<td>Team-based</td>
<td>15.0%</td>
</tr>
<tr>
<td>Hosking Partners</td>
<td>Multi-councillor</td>
<td>14.0%</td>
</tr>
<tr>
<td>Arrowstreet Capital</td>
<td>Team-based</td>
<td>16.0%</td>
</tr>
<tr>
<td>AllianceBernstein</td>
<td>Josh Lisser</td>
<td>27.0%</td>
</tr>
</tbody>
</table>

How do we approach risk management in the Fund?

Risk management is a fundamental component of our investment philosophy and process and is therefore approached holistically. It permeates every part of our investment process, requiring participation and accountability from all individuals involved in the process.

As a multi-manager, our risk management process begins at the time of portfolio specification and design, because by the time securities are included in the portfolio by the underlying managers, one has already accepted the risks and has limited ability to mitigate them. Our process then moves to manager research and portfolio construction, where we seek to know the managers intimately and construct a portfolio to behave in line with our broader investment objectives.

“Risks Inherent in Our Funds” is a document that classifies the sources of risk associated with the management of our Funds. It can be obtained from the website www.stanlibmultimanager.com.
Information to be considered before investing

The STANLIB Multi-Manager Global Equity Feeder Fund should be considered a medium to long-term investment. The Fund invests in a single portfolio of a collective investment scheme, which levies its own charges and which could result in a higher fee structure for the Fund. The value of units (participatory interests) may go down as well as up and past performance is not necessarily a guide to future performance. The Fund only invests in foreign securities, and fluctuations or movements in exchange rates may therefore cause the value of underlying investments to go up or down. The Fund is also exposed to macroeconomic, political, tax, settlement and illiquidity risks that may be different to similar investments in the South African market. The Fund is traded at ruling prices using forward pricing, and can engage in borrowing of up to 10% of the market value of the portfolio to bridge insufficient liquidity as a result of the redemption of units. A schedule of fees, charges and maximum commissions is available upon request from STANLIB Collective Investments (RP) Pty Limited (the Manco). Commission and incentives may be paid and if so, would be included in the overall costs of the Fund. Liberty is a full member of the Association for Savings and Investments South Africa (ASISA). The Manco is a member of the Liberty Group of Companies.

Unit price – how it works

Collective Investment Schemes (i.e. “Unit Trusts”) are traded at ruling prices set on every trading day and can engage in borrowing and scrip lending. Forward pricing is used which means Fund valuations are calculated and released at 12h30 (UK time) each business day using the prior day close of market prices. Your instructions are therefore processed at prices that are not yet determined when your instructions are received. Instructions must reach the Management Company before 14h30 (UK time) to ensure next day value.

The payment of withdrawals may be delayed in extraordinary circumstances, when the Manco with the consent of the Fund trustees deem this to be in the interest of all Fund investors. These circumstances may include periods when significant underlying markets suspend trading which will prevent accurate valuation of the instruments held in the Fund. When the suspension of trading relates to only certain assets held by the Fund, these assets may be side-pocketed. This process allows normal liquidity on the assets that can be valued, but will delay liquidity on the affected portion of the Fund. If the Fund is faced with excessive withdrawals, the affected withdrawals may be ring-fenced, which is the separation and delayed sale of the assets reflecting the interest of the liquidity seeking investors. It ensures that the sale of a large number of units will not force the Manco to sell the underlying investments in a manner that may have a negative impact on remaining investors of the Fund.

Performance information on the monthly factsheet

Performance is calculated by STANLIB Multi-Manager as at month end for a lump sum investment using net asset value (NAV) prices with income reinvestments done on the ex-dividend date. All underlying price data is sourced from Morningstar. Performance figures are quoted after the deduction of all costs including manager fees, and trading costs incurred within the Fund. Annualised performance figures represent the weighted average compound growth rate over the performance period measured. Past investment returns are not indicative of future returns and no guarantee is provided with respect to capital or return of the Fund.

The Fund is a feeder fund that invests in an underlying roll-up fund. A roll-up fund does not regularly distribute dividends or interest because income is used to buy additional shares. This Fund would therefore not usually pay distributions to investors.

Total Expense Ratio (TER) and Transaction Costs (TC) = Total Investment Charge (TIC)

The TER is calculated as a percentage of the averaget asset value of the portfolio incurred as charges, levies and fees in the management of the portfolio for a rolling 36-month period to the previous quarter end (December, March, June and September). This includes the TER charged by any underlying fund(s) held as part of this Fund. A high TER does not necessarily imply a poor return nor does a low TER imply a good return. The current TER should not be regarded as an indication of future TER’s – expenses vary and the performance fee component can fluctuate over time.

Transaction costs are a necessary cost in managing a fund and impacts the fund’s return. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER. The sum of the TER and Transaction costs is shown as the Total Investment Charge.

Management fee

The Fund charges a fixed annual management fee (i.e. fee class) as a percentage of the assets under management, to ensure a simple and understandable fee structure. The Fund invests primarily in segregated mandates but may also invest in other unit trusts i.e. “Underlying Fund Fees”, which are included in the Total Expense Ratio (TER).

Underlying performance fees

STANLIB Multi-Manager does not earn any performance fees. In addition to earning fixed fees, the underlying manager(s)/fund(s) may also earn performance-based fees if they outperform a specific benchmark. The performance-fee methodology of the underlying manager(s) / fund(s) is incorporated in their respective mandate. You can obtain more information on the underlying performance fee methodologies on the website www.stanlibmultimanager.com.

The annual management fee is accrued daily and performance fees are accrued monthly – both paid on a monthly basis (with the exception of some performance fees which are paid annually).

STANLIB Multi-Manager does not provide financial advice

STANLIB Multi-Manager is an authorised Financial Services Provider licenced under the Financial Advisory and Intermediary Services Act, 37 of 2002. FSP licence No.26/10/763. This information does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act. Independent financial advice should always be sought before making an investment decision.

If you appoint an adviser, advice fees are contracted directly between you and the adviser. We will facilitate the collection of advice fees (including initial advice fees up to a maximum of 3.00%) only upon receiving your instruction. You may cancel the instruction to facilitate the payment of advice fees at any time.

Where can I find additional information?

Additional information such as brochures, application forms and annual or quarterly reports, can be obtained from the websites: www.stanlib.com / www.stanlibmultimanager.com.

The prices of Funds are calculated and published on each working day. These prices are also available on the websites and in South African printed news media.
The Fund adopts a multi-managed approach to investing and blends different skilled and experienced active equity managers and strategies (with some passive and risk-premium strategies).

This is a global-only ZAR denominated portfolio and invests in equities (all industries and sectors, and all capitalisations sizes) listed in global equity markets. The Fund aims to deliver investors with high capital growth over the long-term. The Fund’s objective is to outperform its global equity benchmark over the long-term.

Suitable Investors

- Who wish to diversify single manager risk
- Who are looking to add exposure to global equity markets
- Who understand that the high exposure to growth assets and foreign currency exposure comes with higher volatility
- Who understand that the Fund may underperform the market significantly in the short term in pursuit of long-term gains
- Who typically have an investment horizon of at least seven years

Risk Rating

Performance (%)

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>8.63</td>
<td>10.41</td>
<td>19.34</td>
<td>7.12</td>
</tr>
<tr>
<td>Class B1</td>
<td>9.02</td>
<td>10.87</td>
<td>19.87</td>
<td>7.71</td>
</tr>
<tr>
<td>Benchmark</td>
<td>6.52</td>
<td>12.03</td>
<td>20.79</td>
<td>10.41</td>
</tr>
<tr>
<td>Sector Average</td>
<td>6.01</td>
<td>10.54</td>
<td>19.76</td>
<td>8.21</td>
</tr>
</tbody>
</table>

Underlying Fund Managers

- Aberdeen Asset Management
- AllianceBernstein
- Arrowstreet Capital
- Capital Group
- Hosking Partners
- Veritas Asset Management

Physical See Through Asset Allocation%

Geographic allocation

Income Distribution

<table>
<thead>
<tr>
<th></th>
<th>Declared in last 12 months</th>
<th>Declared during 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>0.00 cpu</td>
<td>0.00 cpu</td>
</tr>
<tr>
<td>Class B1</td>
<td>0.00 cpu</td>
<td>0.00 cpu</td>
</tr>
</tbody>
</table>

FUND INFORMATION TO BE CONSIDERED BEFORE INVESTING

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Commentary: 30 June 2017

Market overview

Global equities, as measured by the MSCI ACWI IMI, rose 1.5% in rand terms in the second quarter, bringing year-to-date gains to 6.2%. This was the best first half since the bull market began in 2009. The charge was led by emerging markets (EM), which gained almost 12% in rand terms and represents six straight months of outperforming developed markets (DM). This has only happened four times in the past 20 years. The catalyst seems to be the unwinding of the bullish dollar trade post Trump’s victory in the US presidential elections – partly reflecting a lack of detail on tax reforms and a failure to repeal Obamacare. European Union (EU) assets were buoyed by electoral losses of right wing parties in the Netherlands and France. European banks in particular benefited from the renewed confidence, gaining 20%. This saw the Euro Stoxx gain 18%, outperforming the S&P 500, which gained 9% in dollar terms. Commodity performance has been mixed this year with gold gaining 8% and oil falling 14%. Russia lost 8%, while Brazil lost 9%, reflecting the deteriorating outlook for Energy. Brazil was also impacted by political tension surrounding the possibility of President Temer’s impeachment. UK assets were negatively impacted by the surprise loss of Prime Minister May’s parliamentary majority following a snap election.

Asset class performance and risk statistics

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Q2 2017</th>
<th>1 year</th>
<th>3 years</th>
<th>5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE/JSE ALSI</td>
<td>-0.4%</td>
<td>1.7%</td>
<td>3.4%</td>
<td>12.2%</td>
</tr>
<tr>
<td>FTSE/JSE SWIX</td>
<td>0.0%</td>
<td>0.3%</td>
<td>4.8%</td>
<td>12.9%</td>
</tr>
<tr>
<td>Bonds ALBI</td>
<td>1.5%</td>
<td>7.9%</td>
<td>7.1%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Cash SteFI Overnight</td>
<td>1.8%</td>
<td>7.6%</td>
<td>6.9%</td>
<td>6.3%</td>
</tr>
<tr>
<td>ILB’s</td>
<td>0.9%</td>
<td>-0.5%</td>
<td>4.5%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Listed Property (SAPY)</td>
<td>0.9%</td>
<td>2.8%</td>
<td>13.2%</td>
<td>13.8%</td>
</tr>
<tr>
<td>MSCI World (ZAR)</td>
<td>15.5%</td>
<td>6.4%</td>
<td>12.3%</td>
<td>21.6%</td>
</tr>
<tr>
<td>Rand/dollar</td>
<td>-2.6%</td>
<td>-10.9%</td>
<td>7.1%</td>
<td>9.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk statistics since launch</th>
<th>Fund</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard deviation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sharpe ratio</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Maximum drawdown</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Review period</th>
<th>Lowest annual return</th>
<th>Highest annual return</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3 years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5 years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10 years</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Deutsche Bank Securities, I-Net Bridge “Fund launched in February 2016

Portfolio review

The Fund gained 3.0% in rand terms in the second quarter, extending this year’s outperformance relative to the benchmark to 1.8%. Attribution shows the largest driver of returns was the Fund’s overweight to EM. The Capital Group has done well this year, outperforming by 3.2%. Stock selection in North America has been their biggest driver of relative returns. The best performer however, has been Veritas who are about 6% ahead of the benchmark. The laggard this year has been our value-weighted AB passive account, which underperformed by around 1.5%. While it helped to down-weight the holding to almost half of what it was a couple of years ago, the allocation proved a drag on performance as the reflation trade post the US election unwound. Over a one-year period however, the mandate is still more than 3% ahead. Aberdeen’s performance was “middle of the road” within our composite, outperforming 1.2% in the second quarter and double that for the year-to-date. Overweight positions in Hong Kong and solid stock picking in Singapore helped. We are currently assessing their merger with Standard Life – which was approved in June – and will communicate our views upon conclusion of a series of due diligence reviews. Hosking outperformed by a similar margin. Their overweight to Energy was the largest contributor to returns. Arrowstreet outperformed a little less than 1% for the quarter and are ahead by 2.5% year-to-date. Their underweight Energy and overweight Korea allocations contributed positively. Conversely security selection detracted.

The final highlight of the quarter was the MSCI decision to include Chinese shares in their indices. It is still however, early days and the inclusion will take place in small tranches over a long period of time but it is the change in direction rather than magnitude that counts. We had a small off benchmark allocation that benefited from this change and we will continue to monitor events. At a total portfolio level, the largest underweight is to Energy, which accounts for 4% of assets. The largest overweight of our active managers is Industrials, with a cluster of airline-related companies with Safran, Airbus, Rolls Royce and Delta among the favourites.

Portfolio positioning and outlook

The rally in global equities has been backed by a run up in reported profits with valuation changes contributing very little. We still believe the current PE of 21 is expensive but acknowledge this is where the multiple of the MSCI traded at the beginning of 2004 – early stages of the last bull market. Despite the high valuation, equities rose a further 70% before peaking in 2007. The obvious question is whether we may see the same again. We are not convinced – profit margins are not as depressed today as they were back then. And sales growth is still in short supply. By comparison, sales growth globally averaged 13% per annum in the last bull market, whereas today, even with the pick-up in commodity prices over the past 12 months, it is only around 4%.

Our biggest concern at the start of the year was a rise of protectionism. Fortunately US President Trump has backed off the anti-trade rhetoric. Political risk has also receded in the EU with electoral setbacks by Eurosceptic parties. In Germany, the CDU emerged stronger from regional elections, thus enhancing prospects that the coalition it leads will hold onto power after federal elections in September. Going forward, the Italian elections will be at the forefront of investor’s minds as will be concern about North Korea’s nuclear program.

Portfolio managers

Kent Grobbelaar  
Head of Portfolio Management (UK)  
BCom(Hons), ICMQ, FAUT, IMC

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