

# STANLIB Multi-Manager High Equity Fund of Funds

## Minimum Disclosure Document

As at 30.09.2018

# STANLIB

### STANLIB Multi-Manager (Pty) Ltd

STANLIB Multi-Manager (Pty) Ltd 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?

The Fund's objective is to provide long-term growth of capital and modest income, with a low probability of capital loss over the long-term. It aims to outperform CPI (South African Inflation) plus 6% p.a. (i.e. to provide a real return of 6% p.a.) over rolling 6-year periods.

### Risk profile



■ Defensive assets ■ Growth assets

### What are the investment guidelines?

The Fund adopts a specialist approach whereby exposure to each asset class is gained via a multi-managed building block.

The tactical exposure to each asset class is actively managed around a strategic asset allocation that has been designed to meet the long-term return and shorter term risk objectives of the Fund. The Fund's maximum equity exposure (including international equity) is 75% of the portfolio – as per the ASISA South African Multi-Asset Low Equity category as amended from time to time.

Fund's Composite Benchmark/Strategic Asset Allocation (SAA): SA Cash (STeFI Composite) – 5%, SA Bonds (JSEASSA TR All Bond) – 10%, SA Property (FTSE/JSE SAPY) – 5%, SA Equity (FTSE/ JSE Capped SWIX) – 58%, Global Equities (MSCI AC World IMI (ZAR)) – 15%, Global Bonds (Barclays Global Multiverse (ZAR)) – 5%, Global Cash (1-month USD LIBOR (ZAR)) – 1% and (1-month EUR LIBOR (ZAR)) – 1%.

The Fund complies with provisions of the Collective Investment Schemes Control Act, No. 45 of 2002 and the Regulations thereto, as amended from time to time, and complies with Regulation 28 of the Pension Funds Act.

### 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 Fund forms part of our goals-based range

The Fund forms part of a comprehensive goals-based range.

	Growth assets vs defensive assets	Indicative volatility range	Investment objective
STANLIB Multi-Manager Enhanced Yield Fund	0% 100%	0.3% - 0.6% p.a.	To outperform the STeFI Composite
STANLIB Multi-Manager Low Equity FoF	30% 70%	3% - 6% p.a.	CPI + 3% p.a. over 3-year rolling periods
STANLIB Multi-Manager Medium Equity FoF	55% 45%	5% - 10% p.a.	CPI + 4% p.a. over 4-year rolling periods
STANLIB Multi-Manager Medium-High Equity FoF	68% 32%	6% - 12% p.a.	CPI + 5% p.a. over 5-year rolling periods
STANLIB Multi-Manager High Equity FoF	78% 22%	7% - 14% p.a.	CPI + 6% p.a. over 6-year rolling periods
STANLIB Multi-Manager Diversified Equity FoF	100% 0%	10% - 20% p.a.	CPI + 7% p.a. over 7-year rolling periods

\*Growth assets are defined as equities and listed property

### 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](http://www.stanlibmultimanager.com).

### The Portfolio Managers dedicated to the Fund



**Vuyo Mkhathazo**  
Portfolio Manager  
CA(SA)



**Lubabalo Kenyane**  
Portfolio Manager  
BBA, CIPM

### Underlying manger/fund framework

The manager framework currently constitutes the following managers within the respective specialist building blocks:

Cash	Bonds	Income	Property	Equity	Offshore	
STANLIB	Futuregrowth	Investec	Catalyst	Coronation	Sands	Amundi
Aluwani Capital Partners	Aluwani Capital Partners	Prescient	STANLIB	STANLIB	Veritas	BlackRock (Alternative Beta)
Prescient	Prescient	Aluwani Capital Partners	Bridge	Foord	Hosking Partners	Brandywine
Investec	STANLIB		Sesfikile	Prudential	Sanders	Capital Group
	Coronation			Visio	Arrowstreet Capital	
				Truffle	Alliance Bernstein	

### Information to be considered before investing

The STANLIB Multi-Manager High Equity Fund of Funds (FoF) should be considered a medium to long-term investment. A FoF invests in other collective investment schemes, which levies its own charges and which could result in a higher fee structure for the FoF. The value of units (participatory interest) may go down as well as up and past performance is not necessarily a guide to the future. Where exposure to foreign investments is included in the portfolio, there may be additional risks, such as possible constraints on liquidity and the return of funds to South Africa, macroeconomic risks, political risks, tax risks, settlement risks and possible limitations on the availability of market information. The FoF is traded at ruling prices using forward pricing and can engage in borrowing up to 10% of the market value of the portfolio to bridge insufficient liquidity as a result of the redemption of participatory interests and may engage in scrip lending. A schedule of fees and charges and maximum commissions is available on request from STANLIB Collective Investments (RF) Pty Ltd (the Manco). Commission and incentives may be paid and if so, would be included in the overall costs. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Liberty is a full member of the Association for Savings and Investments of South Africa. 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. Forward pricing is used which means Fund valuations take place at approximately 15h00 each business day, and your instructions are therefore processed at prices that are not yet determined when your instructions are received. Instructions must reach the Management Company before 13h00 to ensure same day value. The 13h00 cut-off time only applies to investments and switches. Repurchases will receive the price of the same day if received prior to 15h00. The money market funds are valued at 12h00. The funds of funds and feeder funds are valued at 24h00 and 17h00.

The payment of withdrawals may be delayed in extraordinary circumstances, when the Manco with the consent of the Fund trustees deems 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 (Pty) Ltd 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 and distribution 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. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. 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.

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

The TER is calculated as a percentage of the average net 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 (TIC).

### 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.

### Underlying performance fees

STANLIB Multi-Manager (Pty) Ltd 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 mandates. You can obtain more information on the underlying performance fee methodologies on the website [www.stanlibmultimanager.com](http://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 (Pty) Ltd does not provide financial advice

STANLIB Multi-Manager (Pty) Ltd 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](http://www.stanlib.com) / [www.stanlibmultimanager.com](http://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.

## Investment Description

The Fund adopts the specialist approach whereby exposure to each asset class is gained via a multi-managed building block. It is well diversified across domestic and foreign asset classes. Its main objective is to provide long-term growth of capital and modest income, with a low probability of capital loss over the long term. The Fund aims to achieve CPI+6% p.a over 6-year rolling periods.

The Fund is exposed to multiple best-of-breed managers, investment styles, asset classes and strategies providing investors with additional diversification benefits. The tactical exposure to each asset class is actively managed – expected total equity content of between 65% and 75%.

The Fund is Regulation 28 compliant.

## Suitable Investors

- Who wish to diversify single manager risk
- Who want a multi-asset class solution
- Who seek inflation beating returns with moderately aggressive levels of risk
- Who typically have an investment horizon of at least six years

## Annualised Performance (%)

	1 Year	3 Years	5 Years	10 Years
Class A	1.00	4.65	6.22	0.00
Class B1	1.69	5.36	6.94	0.00
Benchmark	3.19	6.30	8.92	11.21
Sector Average	3.19	5.29	6.72	9.50

Please note that with effect from 8 June 2017, the benchmark for this fund changed from a composite benchmark to the SA Multi Asset High Equity category average. Benchmark data prior to 8 June 2017 is the composite benchmark and thereafter is the SA Multi Asset High Equity category average.

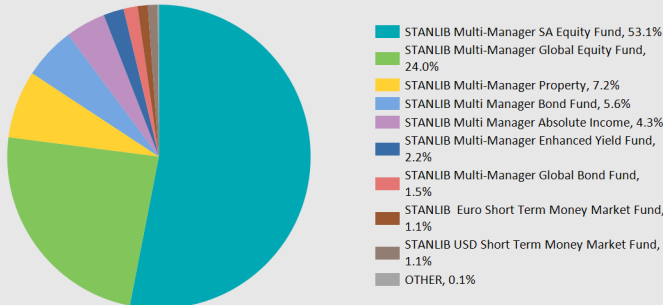
## Risk Rating



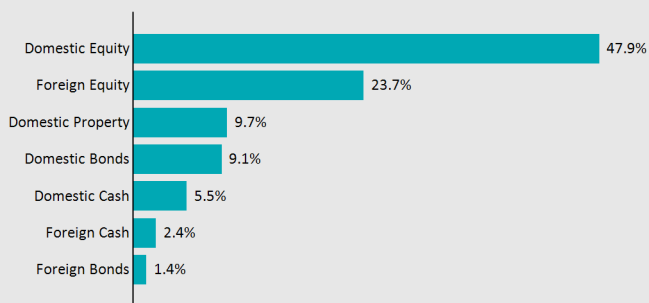
■ Defensive assets ■ Growth assets

Please refer to the "Information to consider before investing" section on page 2 for further risk information.

## Underlying Building Blocks



## Physical See Through Asset Allocation %



## Income Distribution

	Declared in last 12 months	Declared during 2018
Class A	6.69 cpu	3.50 cpu
Class B1	9.49 cpu	4.88 cpu

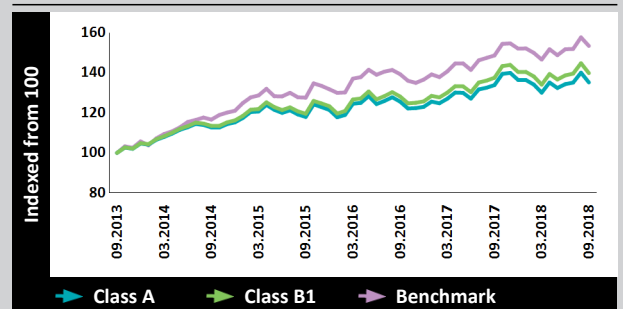
## Portfolio Facts

<b>Portfolio Manager(s)</b>	Vuyo Mkhathazo and Lubabalo Khenyane
<b>Portfolio Size (NAV)</b>	R 95 million
<b>Sector</b>	South African Multi-Asset High Equity
<b>Income Distribution</b>	Net revenue is calculated on a daily basis and distributed bi-annually.
<b>Income Declaration</b>	30 June & 31 December
<b>Benchmark</b>	South African Multi-Asset High Equity
	<b>Class A</b>
<b>Launch Date</b>	01 Aug 2013
<b>Minimum Investment</b>	
Lump Sum	R5,000
Debit Order Per Month	R500
<b>ISIN No.</b>	ZAE000134318
<b>JSE Code</b>	SMMFA

	Class A		Class B1	
	1 Year	3 Year	1 Year	3 Year
Advisor Fee <sup>1</sup>	0.50	0.50	0.00	0.00
Management Fee	0.45	0.45	0.35	0.35
Underlying Fund Fees	0.39	0.41	0.39	0.41
Underlying Performance Fees	0.07	0.06	0.07	0.06
Other <sup>2</sup>	0.02	0.04	0.03	0.05
VAT	0.21	0.22	0.13	0.13
<b>Total Expense Ratio (TER)<sup>3</sup></b>	<b>1.64</b>	<b>1.69</b>	<b>0.96</b>	<b>1.01</b>
<b>Transactional Costs (inc. VAT)<sup>4</sup></b>	<b>0.10</b>	<b>0.16</b>	<b>0.10</b>	<b>0.16</b>
<b>Total Investment Charges</b>	<b>1.74</b>	<b>1.85</b>	<b>1.06</b>	<b>1.17</b>

- <sup>1</sup> The A Class includes an ongoing adviser fee, which will be charged in addition to a maximum 3% upfront fee
- <sup>2</sup> Other includes: bank charges, custody fees, sundry income, audit & trustee fees
- <sup>3</sup> The TER is a measure of the actual expenses incurred by the Fund over a 1 and 3-year period (annualised) ending 30 June 2018
- <sup>4</sup> Transaction Costs include: brokerage, Securities Transfer Tax (STT), STRATE, Levies and VAT.

## Cumulative Returns - Last 5 Years



## Top 10 Equity Holdings

Naspers Ltd	5.69%
Sasol Ltd	3.47%
British American Tobacco Plc	3.04%
Standard Bank Group Ltd	2.68%
Anglo American Plc	2.55%
Old Mutual Ltd	2.06%
BHP Billiton Plc	1.51%
Growthpoint Properties Ltd	1.30%
MTN Group Ltd	1.27%
BARCLAYS AFRICA GROUP LTD	1.20%

## FUND INFORMATION TO BE CONSIDERED BEFORE INVESTING

The STANLIB Multi-Manager High Equity Fund of Funds (FoF) should be considered a medium to long term investment. A FoF invests in other collective investment schemes (CISs), which levy their own charges and which could result in a higher fee structure for the FoF. The value of units (participatory interests) may go down as well as up and past performance is not necessarily a guide to future performance. Where foreign securities are included in the FoF it may as a result be exposed to macroeconomic, political, tax, settlement and illiquidity risks factors that may be different to similar investments in the South African market. The FoF is traded at ruling prices using forward pricing, and can engage in borrowing up to 10% of the market value of the portfolio to bridge insufficient liquidity as a result of the redemptions and may engage in scrip lending. A schedule of fees, charges and maximum commissions is available on request from STANLIB Collective Investments (RF) Pty Limited (the Manco). Commission and incentives may be paid and if so, would be included in the overall costs of the Fund. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. 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.

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**COMPLIANCE NO:** HX0478

Published on: 26 October 2018

### Market overview

The global trade war between the United States and China continued to dominate headlines during the quarter. The US intensified tariffs on Chinese goods and China retaliated. Despite the tussle between the two economic giants, the US economy remains strong. This is visible in the rally of the US dollar and their robust labour market. These positive developments gave the Fed room to hike interest rates in September from 2.0% to 2.3%.

Unfortunately, the higher developed market (DM) interest rates and stronger US dollar do not bode well for emerging market (EM) assets such as South Africa, and most EM countries saw their currencies weaken. SA fared worse than its EM peers as signs of poor economic growth surfaced during the quarter, resulting in SA moving into a technical recession.

SA equities lost 1.6% over the quarter, driven largely by poor returns from industrials. SA property lost 1.0%, while SA bonds returned 0.8%, driven largely by short-dated instruments, which gained 1.9%. SA cash was up 1.7%. The weaker rand provided a boost to offshore returns leading to a 4.3% total return from global equities.

### Asset class performance and risk statistics

Asset class	Q3 2018	1 year	3 years p.a.	5 years p.a.
FTSE/JSE ALSI	-2.2%	3.4%	6.7%	8.0%
Financials	2.8%	8.1%	4.6%	10.9%
Resources	5.2%	27.1%	15.7%	1.0%
Industrials	-7.8%	-7.7%	2.5%	7.7%
FTSE/JSE Capped SWIX	-1.7%	0.4%	4.5%	7.4%
Bonds ALBI	0.8%	7.1%	7.8%	7.2%
Cash STeFI Composite	1.8%	7.3%	7.3%	6.8%
All Property Index (ALPI)	-1.5%	-14.0%	-3.5%	6.1%

### Risk statistics since launch

Lowest rolling 12-month return	-0.96% (12 months ended October 2010)	
Highest rolling 12-month return	21.8% (12 months ended July 2014)	
	Fund	Benchmark
Maximum drawdown	-6.8%	-18.3%
Portfolio volatility	7.2%	7.3%

Source: STANLIB Multi-Manager.

### Portfolio review

The Fund delivered a reasonable return of 1.8% net of fees, for the quarter. This was pleasing considering the performance of risky assets in a largely declining investment environment. Over the longer term, the Fund remains ahead of its peer group, marginally outperforming over a three-year period. The Fund is constructed using underlying STANLIB Multi-Manager building blocks to gain exposure to various asset classes. Performance of the *local bond building block* was in line with both peers and the index benchmark for the quarter, while maintaining its outperformance of peers on a 12-month basis. The *local cash building block* also performed well, outperforming its benchmark by 0.3% due to its portfolio construction that includes income-oriented managers. The *absolute income building block* was marginally behind peers for the quarter, but remains comfortably ahead for the 12-month and 36-month periods. The *property building block* outperformed its benchmark for the quarter and remains a solid long-term performer despite the recent turmoil in the property sector. The *local equity building block* was ahead of its benchmark for the quarter, showing solid recovery following the Steinhoff debacle.

Long-term performance of the Fund over the 5-year period ending September remains pleasing and ahead of its peer group benchmark.

### Portfolio positioning and outlook

Despite trimming some of the global equity exposure, our outlook remains positive and we maintain an overweight exposure to global equities. While a lot of uncertainty remains locally, we see the potential for positive changes that may come through in the coming few months. We believe that a lot of the uncertainty has already priced in, thus providing a good entry point for investors to benefit from positive changes. On this basis, we are slightly overweight local equities and property while maintaining a relatively sizeable overweight to income assets for cushion in the short term.

In addition to further rate hikes in the US, we expect trade wars to continue dominating headlines and this could weigh heavily on EM sentiment. The global and SA environment remains highly uncertain and we continue to emphasize the importance of having a long-term focus when making investment decisions.

### Portfolio managers



**Vuyo Mkhathazo**  
Portfolio Manager  
CA(SA)



**Lubabalo Kenyane**  
Portfolio Manager  
BBA, CIPM