STANLIB Multi-Manager Global Equity Feeder Fund

Quarterly Report 30 June 2020

STANLIB
MULTI-MANAGER

Commentary and analysis

Market overview

The COVID-19 pandemic and its ongoing uncertainty continued to dominate global news flow in the second quarter. The pandemic has now spread across most countries in the world and at the time of writing, there are more than 13 million confirmed infections, while deaths are sadly nearing 600 000. Notwithstanding the escalation in the number of cases, many countries have started easing restrictions, allowing for more activity in their economies. More people have resumed their normal duties, albeit at a slow rate, as governments try to find a delicate balance between rising infections and the cost of restrictions on economic growth.

Major benchmarks bounced back strongly in Q2 from the multi-year lows reached in March. The unprecedented downturn in global economic data has largely been shrugged off by stock markets around the world as investors look towards a post COVID-19 world.

Many economic reports published earlier in the year tried to depict whether the world will experience a 'V'- or 'U'-shaped recovery from the pandemic. The World Bank's Global Economic Prospects Report published last month forecasts that the global economy will decline by 5.2% in 2020, before gradually recovering 4.2% in 2021. Global equity markets have looked through this contraction and rebound, experiencing a 'V-shaped' recovery. The MSCI World Index rallied 19.5% in US dollars (from being down 20.9% in Q1). It is important to note that the sheer magnitude of the liquidity injection that has been provided by central banks across the globe has certainly offered support in this regard.

In fact, in the US, the Fed's balance sheet has soared past $7 trillion compared with just over $4 trillion at the beginning of the year. In addition, the fiscal stimulus package issued by the US government, which is expected to amass to well over 10% of GDP, may also have provided market participants with some hope of a strong rebound in economic activity in the future. The S&P 500 Index has nearly erased all its losses borne in March and is now only 3.1% down YTD. The resilience of mega cap technology stocks such as Microsoft, Apple, Amazon, Alphabet and Facebook (roughly a fifth of the S&P 500) have emphatically propelled the rebound in the S&P 500.

In the UK, Brexit negotiations resumed, and fears of a "no deal" exit from the EU were reignited as the year-end departure deadline approaches. As a result, UK equity and bonds underperformed their global index counterparts. UK equity rose 9.6% in pounds for the quarter, lagging the global indices by 10%. The pound was broadly flat versus the dollar for the quarter. The rand recovered some of the losses from the first quarter, strengthening 3% during the quarter. However, it remains sharply down for the year. Emerging markets in general have not recovered to levels seen prior to the COVID-19 pandemic.

Asset class performance (%)

Local	Q2 2020	1 year	3 years	5 years
FTSE/JSE All Share Index	23.18	-3.30	5.11	4.16
Financials	12.87	-34.50	-8.54	-5.26
Resources	41.20	12.38	24.61	10.46
Industrials	16.59	4.04	2.51	3.34
FTSE/JSE Capped SWIX	21.64	-10.78	-0.81	0.07
Bonds ALBI	9.94	2.85	8.10	7.49
Cash STeFI Composite	1.46	6.86	7.17	7.19
FTSE/JSE All Property Index	18.73	-40.24		

International	Q2 2020	1 year	3 years	5 years
MSCI AC World Index IMI (ZAR)	16.64	24.51	16.05	14.00
MSCI AC World Net (ZAR)	16.04	25.66	16.70	14.38
MSCI Emerging Market Index (ZAR)	14.14	16.09	9.39	7.95
BB Barclays Glbl Aggr Bond Index (ZAR)	0.57	28.26	14.13	11.26
BB Barclays Glbl Multiverse Index (ZAR)	0.92	27.79	14.04	11.34

Portfolio review

The STANLIB Multi-Manager Global Equity Feeder Fund rose 13.9% for the quarter to June, driven by the strong absolute returns in equity markets. The fund underperformed the benchmark during the period under review. Underperformance was driven by overweight positions in emerging markets and health care, which both lagged for the quarter. In addition, the marginal underweight to technology also detracted as the sector continued to outperform. Stock selection in health care and technology detracted, which was partially abated by positive stock selection in most other sectors. Given the large rebound in markets over the quarter, the allocation to cash detracted. The underperformance from emerging markets was somewhat muted by a turnaround in June as investors embraced the risk-on environment and emerging markets rallied amid this positive sentiment.

Looking to our underlying managers, Sands sustained their good performance as the growth style continued to outperform. Stock selection was once again their largest contributor, adding almost 3% alpha in the quarter alone. Their positioning in industrials and communication services were particularly additive. Arrowstreet also performed well, with an overweight to technology and underweight financials contributing to performance. In addition, their equity stock selection in developed markets was very strong for the quarter. Positioning in emerging markets was also positive, albeit to a lesser degree.

On the contrary, Veritas struggled for the quarter, with both sector allocation and stock selection detracting. The bulk of the underperformance came in June. Many of Veritas's holdings pulled back over the quarter, yet the manager's one-year returns remain ahead of the benchmark. Positioning in the US was the largest detractor, with BAE Systems detracting 1.4% alone. AB, our alternative beta manager, lagged as value continued to disappoint.

Hosking performed broadly in line with the benchmark, where outperformance from emerging market stock selection (and selection in general) was offset by being underweight the US, overweight the UK and holding cash as markets bounced. This is pleasingly given the current value bias which would have been a headwind.

Portfolio positioning and outlook

COVID-19 has fundamentally changed the world we live in. We worry about many things, including our investment savings. Markets have been very volatile, which is to be expected as markets do not like uncertainty - nobody knows how long the pandemic will persist and there is currently no vaccine to prevent this coronavirus disease. But the one thing we know is when it comes to investment decisions, we should keep our emotions in check despite our elevated levels of anxiety and fear.

Pleasingly, our managers did exactly this, and generally have a positive outlook for markets. Our managers used the market sell-off to add to either great companies that met their entry price requirements or to add to the risk in their portfolios as they began to find more compelling opportunities. To this end, Veritas reduced the allocation to cash from 11% to 1%, Sanders increased exposure to Financials (viewing it the most exciting value investment opportunity Lew Sanders has seen in years) and Arrowstreet increased their tracking error.

The old saying, "it's not about timing the market, but about time in the market", has been proven true once again this year. Investors who stayed invested after the Q1 demise reaped some good rewards as markets rebounded in Q2. Research shows that those who stay invested over the long run in a well-diversified portfolio will generally do better than those that look at their portfolio every day and try to profit from turning points in the market – patience is the name of the game!

The commentary gives the views of the portfolio manager at the time of writing. Any forecasts or commentary included in this document are not guaranteed to occur.

Change in allocation of the fund over the quarter

Asset type	Q2 2020	Q1 2020	Change
Domestic Cash & Mny Mkt	0.29	1.33	-1.04
Domestic Equity	1.04	0.94	0.10
Foreign Cash & Mny Mkt	0.00	0.47	-0.47
Foreign Derivatives	0.07	0.05	0.02
Foreign Equity	96.42	94.70	1.72
Foreign Fixed Interest	0.02	0.00	0.02
Foreign Funds	0.02	0.03	-0.01
Foreign Other	0.11	0.16	-0.05
Foreign Property	2.02	2.32	-0.30

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
B1	Retail	1.36	394.04	113,974,384.74	449,110,183.75
A	Retail	2.07	359.50	40,722,094.69	146,395,914.45

All Price, Units and NAV data as at 30 June 2020.
Units - amount of participatory interests (units) in issue in relevant class.
TER - 1 Year Total Expense Ratio (%) including VAT as at 31/03/2020.

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Disclosures

Information to be considered before investing

Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to future performance. CIS are traded at ruling prices and can engage in borrowing and scrip lending.

The STANLIB Multi-Manager Global Equity Feeder Fund is a portfolio of the STANLIB Collective Investment Scheme (the Scheme). The manager of the Scheme is STANLIB Collective Investments (RF) (Pty) Limited (the Manager). The Manager is authorised in terms of the Collective Investment Schemes Control Act, No. 45 of 2002 (CISCA) to administer Collective Investment Schemes (CIS) in Securities. Liberty is a full member of the Association for Savings and Investments of South Africa (ASISA). The Manager is a member of the Liberty Group of Companies. The manager has a right to close a portfolio to new investors in order to manage the portfolio more efficiently in accordance with its mandate. The Manager does not provide any guarantee either with respect to the capital or the return of a CIS portfolio. A schedule of fees and charges and maximum commissions is available on request from the Manager. The trustee of the Scheme is Standard Chartered Bank.

This portfolio is permitted to invest in foreign securities. Should the portfolio include any foreign securities these could expose the portfolio to any of the following risks: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information.

This portfolio is a Feeder Fund portfolio. A Feeder Fund portfolio is a portfolio that invests in a single portfolio of a collective investment scheme, that levies its own charges, which could result in a higher fee structure for the Feeder Fund.

Unit price – how it works

Prices are calculated and published on each working day, these prices are available on the Manager's website (www.stanlib.com) and in South African printed news media. This portfolio is valued at 17h00. Forward pricing is used. Investments and repurchases will receive the price of the same day if received prior to 15h00.

The payment of withdrawals may be delayed in extraordinary circumstances, when the Manager 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 Manager to sell the underlying investments in a manner that may have a negative impact on remaining investors of the Fund.

Performance information

All performance returns and ranking figures quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro and are as at 30 June 2020. Annualised return figures are the compound annualised growth rate (CAGR) calculated from the cumulative return for the period being measured. These annualised returns provide an indication of the annual return achieved over the period had an investment been held for the entire period. Actual annual figures are available on request from the Manager. Portfolio performance figures are calculated for the relevant class of the portfolio, for a lump sum investment, on a NAV-NAV basis, with income reinvested on the ex-dividend date. Individual investor performance may differ due to initial fees, actual investment date, date of reinvestment of income and dividend withholding tax. Portfolio performance accounts for all costs that contribute to the calculation of the cost ratios quoted, all returns quoted are after these costs have been accounted for.

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

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. The TER is a measure of the actual expenses incurred by the fund over a one and three-year period (annualised). 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.

Transaction costs are disclosed separately. 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).

Annual 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). The annual management fee is accrued daily and paid on a monthly basis.

Advice fees: If an investor appoints an adviser, advice fees are contracted directly between the investor and the adviser. The Manager will facilitate the collection of advice fees (including initial advice fees up to a max. of 3.45%) only upon receiving an investors instruction to do so. An investor may cancel the instruction to facilitate the payment of advice fees at any time.

STANLIB Multi-Manager (Pty) Ltd does not provide financial advice

The investments of this portfolio are managed, on behalf of the Manager, by STANLIB Multi-Manager (Proprietary) Limited, an authorised financial services provider (FSP), FSP No. 763, under the Financial Advisory and Intermediary Services Act (FAIS), Act No. 37 of 2002.

This document is not advice, as defined under FAIS. Please be advised that there may be representatives acting under supervision.

Where can I find additional information?

Additional information about this product including, but not limited to, brochures, application forms and annual or quarterly reports, can be obtained free of charge, from the Manager and from the Manager's website (www.stanlib.com).

This document does not constitute an offer of sale. Investors are requested to view the latest Minimum Disclosure Document (MDD), for the provision of additional information pertaining to the product, as well as seeking professional advice, should they be considering an investment in the product. The Manager provides no guarantee or warranty as to the accuracy of the content of this document. Every effort has been made to ensure that the content is accurate at time of issue.

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