STANLIB Multi-Manager Low Equity Fund of Funds

Quarterly Report 31 March 2024

STANLIB MULTI-MANAGER

Commentary and analysis

Market overview

The defining feature of the first quarter of 2024 was the markets near abandonment of the probability of a US recession and investors aligning their interest rates cut expectations with those of developed market central banks.

A recession has been a significant worry for market participants over the past 2 years, which has been conspicuous in its absence. As a result, the market has finally come to the realisation that it was overexuberant in its expectation for interest rate cuts, and perhaps the US Fed was indeed right. Having expected six cuts in 2024 totalling 1.5% at the start of the year, the market is now only pricing in one, maybe two cuts in 0.25% increments.

Against this backdrop, the domestic equity market retreated 5.0% in the first two months of the year. The negative sentiment towards China also weighed on local resource companies. In March, it rallied 2.9%, but finished the quarter down 2.3% and only up 2.9% for the year. Global equities on the other hand continued with their 2023 performance, rallying 11.8% in Q1 and up 30.8% in the past year. SA property also continued with its Q4 2023 rally, outperforming most domestic asset classes as local balanced and equity managers returned to the sector to fill up their portfolios. It was up 3.5% in Q1 and 20.3% in the past year. Global bonds struggled as the US 10-year bond yield rose during the quarter from 3.86% to 4.25% (and currently 4.68%), pulling the asset class down 1.8% in US dollars and +0.9% in the past twelve months. Domestic bonds followed the weaker global trend, with the yield on the 10-year government bond rising from 11.2% to 12.0%. The ALBI fell 1.9% in the first quarter of 2024 and was only up 4.2% for the year. Cash punched above its weight, outperforming most asset classes. It produced 2.0% in Q1 and 8.3% in the past year. On the currency front, offshore returns were 2.8% higher in Q1 and 6.1% higher for the year.

Asset class performance (%)

Local	Q1 2024	1 year	3 years	5 years
FTSE/JSE All Share Index	-2.25	1.55	8.10	9.67
Financials	-7.55	11.82	15.02	5.11
Resources	-1.63	-8.98	1.64	10.49
Industrials	0.64	3.30	8.15	10.15
FTSE/JSE Capped SWIX	-2.30	2.87	7.48	7.64
Bonds ALBI	-1.80	4.19	7.40	7.04
Cash STeFI Composite	2.06	8.39	6.08	6.00
FTSE/JSE All Property Index	3.47	20.33	12.95	-0.24

International	Q1 2024	1 year	3 years	5 years
MSCI ACWI IMI (ZAR)	11.76	30.84	15.49	16.75
MSCI ACWI Net (ZAR)	12.26	31.65	16.19	17.12
MSCI Emerging Market Index (ZAR)	5.72	12.56	0.54	5.31
BB Global Aggregate Bond Index (ZAR)	1.59	7.37	3.50	4.38
BB Global Multiverse Index (ZAR)	1.74	7.85	3.79	4.56

Portfolio review

The fund started the year well, outperforming by almost 1% in Q1. In the past year, it is 2.2% ahead of peers and its long-term performance remains ahead.

We reviewed the fund’s strategic asset allocation in 2022 and decided to increase offshore exposure to 22.5% at a time when peers were reluctant to increase offshore as they held the view that SA assets were cheap. Our decision added a lot of value in 2023 and continued to add value in Q1 as global equities outpaced domestic equities by 14.1%. In addition, the STANLIB Multi-Manager Global Equity Fund we use as a building block outperformed the index by almost 3% in the past year. Despite having low exposure to the ‘magnificent seven’ it still did well thanks to AI linked businesses like ASML and TSMC. We also had higher exposure to SA property, another asset class that produced phenomenal returns in the past year. In the SA equity exposure, performance was muted in Q1 – fund did well from the rally in technology companies but having less gold detracted. In global fixed income, we had a lower allocation compared to peers and as a result, were not hurt as much when bond yields sold off in Q1.

In SA fixed income - we continue to like SA long dated bonds and while the position detracted in Q1, we are of the view that the yields on offer are very high, especially if one considers market consensus that interest rates will be likely be lower by the end of the year.

Portfolio positioning and outlook

We reviewed the fund’s strategic allocation again this year and decided to further reduce exposure to domestic assets and increase offshore exposure from 22.5% to 27.5% by buying predominantly global bonds. The recent selloff in global bond yields is giving us an opportune entry point into the asset class. Relative to the new SAA, the fund is tactically overweight local assets versus global assets as we gradually deploy when the currency strengthens to below R19 to the US dollar.

Looking ahead - local equity strength in March was telling, suggesting there is growing appetite for our more positive view on the asset class. The stronger US growth backdrop helped, as did an improvement in sentiment toward China which is beneficial for commodity prices and local resources. The positivity is however in contrast to the shifting out of interest rate cut expectations, desperately needed in South Africa. While inflation is on the path lower, global dynamics have conspired to entrench the higher for longer theme. In fixed income, managers have increased duration. They are betting that interest rates will ultimately be cut, yields in the bond market will come down, longer duration bonds will outperform shorter dated bonds, and this will result in outperformance over benchmarks.

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	Q1 2024	Q4 2023	Change
Domestic Cash & Mny Mkt	4.75	7.89	-3.14
Domestic Derivatives	0.17	-0.03	0.20
Domestic Equity	19.55	18.48	1.07
Domestic Fixed Interest	45.60	44.58	1.02
Domestic Property	5.35	4.69	0.66
Foreign Cash & Mny Mkt	2.92	2.74	0.18
Foreign Equity	17.27	17.78	-0.51
Foreign Fixed Interest	3.89	3.38	0.51
Foreign Funds	0.01	0.01	0.00
Foreign Other	0.07	0.06	0.01
Foreign Property	0.41	0.42	-0.01

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
B1	Retail	1.19	269.67	396,665,338.00	1,069,700,852.00

All Price, Units and NAV data as at 31 March 2024.

Units - amount of participatory interests (units) in issue in relevant class.

TER - 1 Year Total Expense Ratio (%) including VAT as at 31/12/2023.

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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 Low Equity Fund of Funds 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 Fund of Funds portfolio. A Fund of Funds portfolio is a portfolio that invests in other portfolios of collective investment schemes, that levy their own charges, which could result in a higher fee structure for the Fund of Funds portfolio.

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 24h00. 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 31 March 2024. 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 only upon receiving an investors instruction to do so. Initial advice fees up to a maximum of 3.45% are collected prior to units being purchased and ongoing advice fees up to a maximum of 1.15% are collected monthly through the redemption of units held by an investor in the Fund. An investor may cancel the instruction to facilitate the payment of advice fees at any time.

STANLIB Multi-Manager does not provide financial advice

The investments of this portfolio are managed, on behalf of the Manager, by STANLIB Multi-Manager a division of STANLIB Asset Management (Pty) Ltd, an authorised financial services provider (FSP), FSP No. 719, 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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