

The Balanced Solution

Quarter 1, 2021

Behind the Solution – a snapshot review

The Balanced Solution is managed by way of the STANLIB Multi-Manager Balanced Fund. The Solution is constructed as a 'hybrid' between domestic balanced and offshore specialist mandates

Underlying managers and activity


Domestic manager	Manager inception	Ownership structure	Investment approach and role within Solution
Allan Gray	1973	Privately owned	<ul style="list-style-type: none"> Quality/value manager Selects shares with long term quality earnings at an undervalued price
Coronation Fund Managers	1993	Listed on the JSE	<ul style="list-style-type: none"> Bottom-up valuation manager Can be aggressive in views
Truffle Asset Management	2008	Privately owned	<ul style="list-style-type: none"> Bottom-up Fundamental based approach Valuation-driven
Ninety One	1991	Listed on the JSE and LSE	<ul style="list-style-type: none"> Invest in those companies exhibiting improving earnings revisions profiles Can be more momentum orientated
Prudential Investment Managers	1994	Part of M&G Investments, wholly owned by UK-listed Prudential PLC	<ul style="list-style-type: none"> Relative value approach, uses industry peers as starting position Applies their valuation-based views

Domestic manager selection

- Foord was removed in March 2021
- Truffle included

Domestic manager activity

- Prudential strategic allocation down-weighted from 20% to 15%
- M&G Investments now majority shareholder in Prudential
- Ninety One strategic allocation increased from 10% to 15%
- Ruan Stander left Allan Gray - responsibilities reallocated to existing portfolio managers

Global multi-manager	Underlying managers in the respective building blocks		
STANLIB Multi-Manager	Equities	Bonds	Cash
 Manager/fund research conducted in partnership with BNP Paribas Investment Partners	<ul style="list-style-type: none"> • Arrowstreet - quantitative • Hosking Partners – aggressive • Sands Capital - growth • Sanders Capital - new age pragmatic value • Veritas - quality defensive • Alliance Bernstein - value-weighted beta 	<ul style="list-style-type: none"> • BlackRock - alternative beta • Brandywine - aggressive manager • PIMCO - strong credit selection • Amundi - tactical asset allocation 	<ul style="list-style-type: none"> • Fidelity

Global manager selection

- No change

Global manager activity

- No corporate changes within underlying building blocks

Performance attribution

The Solution is expected to deliver a real return of 6% p.a. i.e. CPI+6% p.a. over the long term (net of fees) over periods of at least seven years.

Returns <u>net</u> of fees (B1 fee class)	1y	3y	5y	7y	10y
Solution	36.8%	9.0%	6.6%	7.4%	9.5%
Peers - SA MA High Equity Average	30.6%	7.4%	5.6%	6.4%	8.8%
*CPI+6% (1 month lag)				10.7%	11.1%

Source: STANLIB Multi-Manager, Statpro, Morningstar, *Benchmark CPI + 6% lagged by 1 month

STANLIB
MULTI-MANAGER

Performance drivers over the past 12 months

Internal attribution - period ended 31 March 2021

	What helped?	>	What detracted?
Asset allocation	<ul style="list-style-type: none"> Overweight resources High equity allocation as local and global equities rallied 		<ul style="list-style-type: none"> Small global bond allocation
Manager selection	<ul style="list-style-type: none"> Coronation - resources like Anglo American, Glencore and Northam Excellent performance from Prudential 		<ul style="list-style-type: none"> Foord – underweight resources

Performance attribution comments

- Solution added value in relative terms with solid outperformance relative to peers over the last year
- Top quartile performance vs. peers over one, three and five years
- Long term performance lags CPI + 6% objectives due to the challenging economic environment in SA, resulting in disappointing local equity performance.

How is the Solution positioned?

Positioned for long term capital growth with a total equity exposure (including commodities) typically between 65% to 70%. A high global allocation (25% to 30%) predominantly positioned towards equities.

Equities	Retain a high local equity allocation with a prudent combination of cheaper "SA Inc." shares and more defensive rand hedges
Bonds	Overweight - longer dates bonds offer a large premium relative to cash
Property	Relatively low exposure as managers remain cautious, select opportunities explored
Cash	Low cash position as the managers find opportunities in other asset classes
Offshore	Sizeable offshore allocation but not at maximum - overweight equities relative to peers and underweight bonds and cash

Solution positioning comments

- Remains overweight equities – both locally and globally prospects look exciting
- On the international front we maintain a sizeable allocation predominantly in equities
- Although we think it is likely that SA equities will outperform global equities in 2021, the global prospects are exciting and provide excellent diversification

How are the underlying managers positioned?

Allan Gray	<ul style="list-style-type: none"> Optimistic on SA equities Overweight resources – Glencore, Sasol, Sibanye Large holdings in Naspers and BTI 	Ninety One	<ul style="list-style-type: none"> Increased cyclical counters, reduced defensives Bough Sasol and Sibanye-Stillwater Sold Shoprite
Coronation	<ul style="list-style-type: none"> Remains overweight resources See value in rand hedge counters Topped up longer duration SA bonds in March 	Prudential	<ul style="list-style-type: none"> Overweight SA equity and SA bonds Overweight local banking sector Underweight listed property
Truffle	<ul style="list-style-type: none"> Also overweight resources, Impala top pick Rotating towards local financials and industrials like BTI, Remgro and ABSA 	Offshore	<ul style="list-style-type: none"> Overweight Asia & EM equity, underweight US Overweight value factor Underweight global bond fund

Solution positioning comments

- We are seeing a rotation into more locally focused shares from our managers over the last few quarters
- The Solution maintains an overweight position to resources, with key platinum holdings
- All the managers in the Solution are optimistic on SA equities and SA bonds
- Solution well positioned to maximize opportunities on offer

All-in management fee

Total Expense Ratio (3y TER) to 31 December 2020	
Solution	1.27%
ASISA Category Average High Equity	1.61%

Investment fees include:

- Operational due diligence on underlying managers
- Day to day monitoring of the underlying managers
- Extra layer of governance and oversight of underlying managers