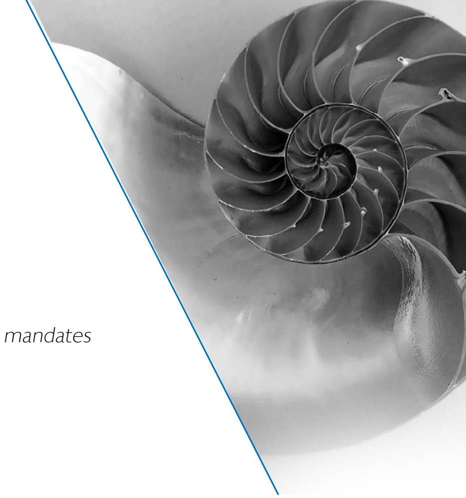
The Balanced Solution

Quarter 3, 2020



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 Investment Company	1973	Privately owned	• Quality/value manager • Selects shares with long term quality earnings at a undervalued price
Coronation Fund Managers	1993	Listed on the JSE	• Bottom-up valuation manager • Can be aggressive in views
Foord Asset Managemernt	1982	Privately owned	• Quality focus with a long term value overlay • Thematic approach to investing identify long term trends and themes
Ninety One	1991	Listed on the JSE and LSE	• Invest in those companies exhibiting improving earnings revisions profiles
Prudential Investment Managers	1994	Part of M&G Investments, wholly owned by UK-listed Prudential PLC	• Relative value approach uses industry peers as starting position • Applies their valuation-based views

Domestic manager selection

- No change

Domestic manager activity

- Foord Deputy CIO retiring in 2021

Global multi-manager	Underlying managers in the respective building blocks		
STANLIB Multi-Manager *Manager/fund research conducted in partnership with BNP Paribas* **BNP Paribas Investment Partners**	**Equities** • Arrowstreet - quantitative • Hosking Partners - aggressive • Sands Capital - growth • Sanders Capital - new age pragmatic value • Veritas - quality defensive	**Bonds** • BlackRock - alternative beta • Brandywine - aggressive manager • PIMCO - strong credit selection • Amundi - tactical asset allocation	**Cash** • Fidelity

Global manager selection

- No change

Global manager activity

- No corporate changes to 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 net of fees (B1 fee class)	1y	3y	5y	7y	10y
Solution	2.2%	3.2%	4.8%	6.1%	8.5%
SA MA High Equity - average	1.8%	2.4%	4.1%	5.5%	7.9%
CPI+6% (1 month lag)	-	10.1%	10.6%	10.9%	11.1%

Source: STANLIB Multi-Manager, Statpro, Morningstar, CPI to September 2020

STANLIB
MULTI-MANAGER

Performance drivers over the past 12 months

Internal attribution - period ended 30 September 2020

	What helped?	What detracted?
Asset allocation	• Overweight global equity • Overweight global technology shares • Overweight resources	• Underweight global bonds • Relatively high SA equity exposure
Manager selection	• Coronation – relatively good resources picks • Foord – defensively positioned • Sands – growth mandate (high tech exposure)	• Prudential – too much exposure to SA equity • Allan Gray – overweight financials, Sasol and Glencore

Performance attribution comments

- Solution added value in relative terms - second quartile vs. peers
- Solution lagged absolute objective - growth assets continue to underperform

How is the Solution positioned?

Positioned for long term capital growth with a total equity exposure (including commodities) typically between 65% to 70% offshore exposure at the 30% limit (max limit is 30% excluding rest of Africa) a high global allocation predominantly positioned towards equities.

Equities	Retain a high equity allocation post the Q1 drawdown
Bonds	Increasing fixed interest duration over last few months but still slightly underweight ALBI duration
Property	Relatively low exposure as managers remain cautious
Cash	Relatively low cash position as the managers aim to capitalise on market correction
Offshore	Overweight equities relative to peers and underweight bonds and cash

Solution positioning

- On balance the Fund remains overweight equities, with a good balance between local and global equities

How are the underlying managers positioned?

Allan Gray	• Not overly pessimistic on SA equities • Bought British American Tobacco and Sibanye-Stillwater • Sold Prosus and BHP	**Ninety One**	• Deployed cash into equities (Q3) on market weakness • Reduced exposure to gold & platinum ETFs • Increased positions in Capitec and Standard Bank
Coronation	• Remain skewed to rand hedge shares • Becoming more optimistic on select SA-focused shares • Trimmed AB InBev, bought Sanlam and Firstrand	**Prudential**	• Overweight SA equity and SA bonds • Overweight local banking sector • Underweight listed property
Foord	• Remains most defensive manager in line-up • Retain underweight to mining shares	**Offshore**	• Overweight Asia and EM equity • Underweight US equity • Underweight global bond fund

Underlying manager positioning

- Generally the exposure to SA exposed businesses have increased due to the managers increasingly being optimistic on valuations – this is reflected in views from Prudential, Ninety One and Coronation

All-in management fee

Total Expense Ratio (3y TER) to 30 June 2020	
Solution	1.25%
ASISA High Equity Category - average	1.61%

Source: STANLIB Multi-Manager, Morningstar

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