# STANLIB Multi-Manager Global Equity Feeder Fund

Quarterly Report 30 September 2020

STANLIB MULTI-MANAGER

## Commentary and analysis

### Market overview

Although the third quarter was positive for risk assets there was a marked difference between the first two months of the quarter and the last. July and August saw a continuation of the bounce back from the lows experienced in March as globally, central banks continued to provide stimulus, many governments undertook fiscal expansion and the worst of the COVID-19 crisis appeared to be abating. With this as a background many equity indices across the globe either came close to or set new record highs. This was particularly noticeable in the US where both the technology heavy NASDAQ and the more diversified S&P 500 Index reached new all-time highs in mid-August.

However, September took on a distinctly less positive tone as rolling, localised COVID-19 induced lockdowns became the norm across large areas of the globe, initial emergency stimulus measures started to roll off and a setback in a previously positive C-19 vaccine programme was widely publicised. Unusually, it was some of the 'hottest' areas of the markets that led stocks down in September with large-cap growth companies falling the most. At this point it is unclear whether, having performed so well, these tech companies were simply subject to a bout of profit-taking by investors or if their previous strong performance had left them priced for perfection and therefore sensitive to any small change in market sentiment or economic backdrop.

Over the quarter the UK market lagged the rest of the world, with the FTSE 100 Index losing 4.5%. Some of this negative performance can be attributed to the make-up of the index, which has high weightings to the struggling energy and banking sectors. However, the fact that these falls came despite a weakening in sterling, which tends to flatter overseas earners, seems to suggest that the pandemic and ongoing Brexit negotiations continue to drive international investors to look elsewhere.

US markets in contrast, had an impressive run despite a challenging September. The S&P 500 Index rose almost 8.5% while the Nasdaq Composite Index increased around 11% in the third quarter. Globally, the MSCI World Index gained 8.0% in US dollar terms for Q3 and 2.1% YTD, from being down 20.9% in the first quarter.

The EM Asian region outperformed in Q3 with a total return of 12.1% in US dollar terms. India gained 15.1% and China, 12.6%. From a sector perspective technology and consumer discretionary led the market, gaining 13% and 18% respectively. Using the forward P/E, the most expensive sector currently is consumer discretionary with a multiple of 30 and the cheapest, financials with a forward P/E of 11 compared to the market of 19.

### Asset class performance (%)

| Local | Q3 2020 | 1 year | 3 years | 5 years |
|---|---|---|---|---|
| FTSE/JSE All Share Index | 0.67 | 2.01 | 2.39 | 4.75 |
| Financials | -1.64 | -30.91 | -10.55 | -5.37 |
| Resources | 6.03 | 27.31 | 20.32 | 16.25 |
| Industrials | -2.29 | 4.31 | -0.66 | 2.70 |
| FTSE/JSE Capped SWIX | 1.01 | -5.02 | -2.38 | 1.11 |
| Bonds ALBI | 1.45 | 3.58 | 7.33 | 7.56 |
| Cash STeFI Composite | 1.16 | 6.20 | 6.93 | 7.10 |
| FTSE/JSE All Property Index | -15.40 | -47.24 | -25.16 | |

| International | Q3 2020 | 1 year | 3 years | 5 years |
|---|---|---|---|---|
| MSCI AC World Index IMI (ZAR) | 4.22 | 21.13 | 14.27 | 14.20 |
| MSCI AC World Net (ZAR) | 4.24 | 22.10 | 14.97 | 14.54 |
| MSCI Emerging Market Index (ZAR) | 4.82 | 19.50 | 7.35 | 10.53 |
| BB Barclays Glbl Aggr Bond Index (ZAR) | -1.03 | 17.45 | 11.73 | 7.92 |
| BB Barclays Glbl Multiverse Index (ZAR) | -0.98 | 17.18 | 11.62 | 8.09 |

### Portfolio review

The fund generated a return of 4.2% for the quarter, in line with the benchmark. Security selection was positive but was offset by a negative allocation effect. In this regard an underweight to technology detracted, while an overweight to financials also hurt – we have seen a rotation by some managers out of the more growth-oriented areas of the market into more cyclical sectors. Low allocations to real estate, utilities and energy were positive, however, due to the small weight in the index the contribution was minimal. From a stock specific perspective, not having enough Apple did not help and it is quite something to think the company is now bigger than the whole energy sector, which not long ago accounted for some of the largest companies in the world. Fortunately, this was negated by a large allocation to TSMC, which was up 44%. Being underweight Amazon was made up by an overweight in Alibaba as our managers on average prefer the Asian region at the expense of North America. Another view shared by a few managers is that Charter Communications will be a winner in the 'work from home' theme and having fast internet has been a strong contributor to their portfolios. A consensus stock view that did not pay off was Safran as the airlines industry continued to struggle in the current operating environment.

Unsurprisingly Sands was once again our best underlying performer, outperforming by almost 3% over the quarter. Their stock selection has been the main contributor to performance, particularly within communications. A large overweight in technology also contributed strongly. Sanders pragmatic approach to value investing has paid off and it was pleasing to see them outperform by 2.2% even when the traditional value index has lagged. Arrowstreet and Veritas performed in line with the benchmark, but for different reasons. To this end stock selection in the Veritas portfolio was very good across most industries, but this was undone by their 20% overweight in the poorer performing healthcare sector. Arrowstreet added value in both stock and sector allocations while currency detracted.

On the downside Hosking and AB underperformed by 0.8% and 3.7% respectively. The reasons were similar – both were overweight financials at the expense of technology; and both were overweight energy. Hosking's contrarian European banks position detracted the most with the STOXX 600 Banks Index down 12.1% over the quarter. The rally in emerging markets was positive for both mandates but the continued underperformance of small caps remained a headwind for the strategies.

### Portfolio positioning and outlook

COVID-19 continues to change our world and markets continue to react to news flow ahead of the impact being visible in any economic data. In addition, with the increasingly fractious US Presidential election coming to a head and the ongoing Brexit situation impacting the UK and European economies, the potential for bouts of market volatility appears to be increasing. Against this background we believe our diversified portfolio of quality managers will weather the risks. With a price to book of 1.8 relative to 2.4 for the index, the fund is currently priced at a slight discount to the market on traditional value metrics but with a focus on quality.

*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 | Q3 2020 | Q2 2020 | Change |
|---|---|---|---|
| Domestic Cash & Mny Mkt | 0.56 | 0.29 | 0.28 |
| Domestic Equity | 1.04 | 1.04 | 0.00 |
| Foreign Derivatives | 0.07 | 0.07 | 0.00 |
| Foreign Equity | 96.09 | 96.42 | -0.33 |
| Foreign Fixed Interest | 0.02 | 0.02 | 0.00 |
| Foreign Funds | 0.08 | 0.02 | 0.06 |
| Foreign Other | 0.11 | 0.11 | 0.00 |
| Foreign Property | 2.01 | 2.02 | -0.01 |

*The portfolio adhered to its portfolio objective over the quarter.*

### Fund classes

| Class | Type | TER | Price (cpu) | Units | NAV (Rand) |
|---|---|---|---|---|---|
| B1 | Retail | 1.36 | 411.15 | 115,277,872.22 | 473,970,045.94 |
| A | Retail | 2.07 | 374.51 | 33,661,417.18 | 126,065,710.41 |

*All Price, Units and NAV data as at 30 September 2020.*

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

*TER - 1 Year Total Expense Ratio (%) including VAT as at 30/06/2020.*

# 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 September 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 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.

Manager: STANLIB Collective Investments (RF) (Pty) Limited Reg.No.1969/003468/07 17 Melrose Boulevard, Melrose Arch, 2196. T 0860 123 003 www.stanlib.com.
Trustees: Standard Chartered Bank Reg.No.2003/020177/10 2nd Floor, 115 West Street, Sandton, 2196. T +27 (0)11 217 6600.
Investment Manager: STANLIB Multi-Manager a division of STANLIB Asset Management (Pty) Ltd www.stanlibmultimanager.com.