STANLIB Multi-Manager High Equity Fund of Funds

Quarterly Report 31 March 2021

STANLIB MULTI-MANAGER

Commentary and analysis

Market overview

As we moved into 2021 the COVID-19 pandemic continued to dominate world news, although on a more positive note as various vaccines were rolled out. This was positive for financial markets and saw a surge in markets in the first quarter of 2021. In March Fitch upgraded its global growth forecast for 2021 from 5.3% to 6.1%, which would be one of the fastest expansions in the world since 1980. A concern, however, is the slow pace in the roll-out of vaccines in poorer nations relative to wealthier peers. That means that emerging economies, such as SA, are at risk of falling further behind economically.

While the roll-out of vaccines, slowing infections and the $1.9 trillion US relief are breathing life back into economies, inflationary concerns have started to emerge with the abundance of liquidity in economies. Despite the Fed stating that they are willing to keep rates low for longer, investors have been selling bonds, which has resulted in the yields of the longer dated bonds spiking. In the search for real returns, investors continued to support equity markets. Global equities rallied 4.7% in Q1 and were up 55.3% over the past 12 months, largely thanks to base effects. Higher bond yields led to a rotation out of technology companies into the 2020 laggards – banks and energy companies.

The local bourse took its cue from global markets and continued to post positive returns in Q1, aided by the rally in resources which gained 18.7% as China came out of the pandemic faster than most countries. Industrials were not far behind, up 13.0%. The easing of lockdown restrictions helped retailers and our technology sector bucked the global trend, posting 15.5%, while the financial sector unfortunately lost its Q4 momentum, gaining only 3.8% in the first quarter.

On the contrary, property companies had another strong quarter, rallying 8.1%. The recovery of retail companies increased foot traffic in large malls and coupled with the resilience of neighbourhood centres, helped property markets. The historic yield of the property index closed the quarter at 6.6%, however, it should be noted that many companies have reduced, deferred or cancelled dividends as a result of the impact of COVID-19 on the sector.

Asset class performance (%)

Local	Q1 2021	1 year	3 years	5 years
FTSE/JSE All Share Index	13.14	53.98	9.67	8.19
Financials	3.84	37.81	-7.39	-1.72
Resources	18.70	92.52	30.45	23.40
Industrials	12.95	38.17	7.27	5.48
FTSE/JSE Capped SWIX	12.60	54.24	4.29	4.35
Bonds ALBI	-1.74	16.96	5.48	8.65
Cash STeFI Composite	0.90	4.57	6.33	6.80
FTSE/JSE All Property Index	8.05	34.16	-13.92	

International	Q1 2021	1 year	3 years	5 years
MSCI AC World Index IMI (ZAR)	5.71	30.53	20.47	13.21
MSCI AC World Net (ZAR)	5.14	28.06	20.66	13.21
MSCI Emerging Market Index (ZAR)	2.50	28.50	11.96	9.49
BB Barclays Glbl Aggr Bond Index (ZAR)	-3.94	-13.30	10.69	2.66
BB Barclays Glbl Multiverse Index (ZAR)	-3.82	-12.64	10.74	2.89

Portfolio review

The fund returned 9.3% for the quarter, outperforming the peer average of 7.4%. For the 12 months to the end of March 2021, the fund returned 38.3%, also outperforming the peer average of 30.6%.

The SA equity building block had a strong start to 2021, outperforming the benchmark by 2.1% and bringing the 12 month alpha to 5.0% after fees. Performance drivers continue to be an overweight exposure to resources and an underweight to financials. Truffle added the most value, outperforming the benchmark by more than 13% over the past year and roughly 10% per annum since they were included in the fund about 5 years ago. Their bottom-up research coupled with a sound understanding of the macro environment led to the manager taking positions in platinum and technology companies and allocating less to SA-sensitive sectors. Unfortunately, SA-sensitive companies have been hurt by the country's high unemployment rate, poor economic growth and uncertainty regarding government's fiscal consolidation efforts. The country is expected to grow at 3.1% (IMF projection) in 2021 and it has been vaccinating its healthcare workers. This has been positive for some of the domestic-focused companies such as general retailers which gained 24.2% in Q1. As these shares rallied, managers like Prudential and Visio come through very strongly in the quarter. The recovery in the Sasol and MTN share prices also added value to these two managers' portfolios. Ninety-One performed very well, for similar reasons to Truffle.

The global equity building block outperformed its benchmark by 2.8% for the quarter, gross of fees. Contributing to excess returns was the small cap orientation of the portfolio where the asset class gained 9% and 80% over three and 12 months respectively. Conversely emerging markets detracted in the quarter as they rose by only 2.3%. Sector allocation was positive as an overweight to financials (+11% in Q1) at the expense of consumer staples (-1.2%) was helpful. Sanders, Hosking and Arrowstreet delivered strong returns over the past 12 months. The Veritas' return has, however, been disappointing of late given their defensive positioning. Finally, it is worth noting that the Sands return masks what a phenomenal job they have done in the medium term – an overweight to IT and more growth-oriented companies over three years has generated significant alpha.

The SA bond building block had a good start to 2021, outperforming the benchmark by 28 basis points in Q1, net of fees. Over the past two years bond returns came from the short end and the belly of the yield curve and unfortunately, our managers had larger allocations to the longer end of the curve (12+) as the term premium had shot up significantly. The R2035, R2037 and R2044 are some of our largest active bets. STANLIB and Futuregrowth were the only managers that outperformed over the past two years. ILBs rallied as inflation concerns resurfaced and not surprisingly, Prescient, ALUWANI and Coronation who have being building positions for some time now, produced the highest active returns in 2121. The income block performed well and is ahead of its CPI+3% target over the past three years. Despite shorter yields dropping, our enhanced cash block's long-term performance remains intact, returning 1.5% more than the STeFI Composite over the past year.

Due to the conservative nature of the underlying managers, the property building block did not capture the full extent of the property rally in the first quarter and underperformed its peers and the benchmark. All the underlying managers underperformed the benchmark, however, Sesfikile and Catalyst were ahead of the peer average and STANLIB lagged.

Portfolio positioning and outlook

With the roll out of vaccines globally and the prospect of herd immunity being an attainable goal, economies around the world are expected to normalise. The fiscal stimulus packages that were in response to the pandemic and the continued support from central banks, is likely to support markets this year. In SA the Minister of Finance gave us confidence with fiscal discipline and with lockdown restrictions coming to an end, there is hope of a recovery.

Our underlying managers are adopting a cautious approach to the market, however, we remain overweight growth assets and continue to favour bonds in the fixed income category with a long-term view for the fund.

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.

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Change in allocation of the fund over the quarter

Asset type	Q1 2021	Q4 2020	Change
Domestic Cash & Mny Mkt	3.95	5.24	-1.28
Domestic Derivatives	0.02	-0.02	0.04
Domestic Equity	43.52	42.79	0.73
Domestic Fixed Interest	16.95	16.40	0.55
Domestic Property	7.87	8.19	-0.32
Foreign Cash & Mny Mkt	0.30	0.31	0.00
Foreign Derivatives	0.02	0.02	0.00
Foreign Equity	25.09	25.23	-0.15
Foreign Fixed Interest	1.56	1.14	0.42
Foreign Funds	0.02	0.02	0.00
Foreign Other	0.04	0.04	0.00
Foreign Property	0.67	0.65	0.02

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
B1	Retail	1.36	463.02	12,054,548.02	55,815,040.10
A	Retail	2.04	462.31	967,082.15	4,470,952.35

All Price, Units and NAV data as at 31 March 2021.
Units - amount of participatory interests (units) in issue in relevant class.
TER - 1 Year Total Expense Ratio (%) including VAT as at 31/12/2020.

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 High 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 2021. 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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