

Commentary and analysis

Market overview

The FTSE/JSE Capped SWIX returned 1.0% for the quarter. At the start of the quarter, it appeared the momentum built in the second quarter when equities gained 21.6%, was continuing but in August and September, news of a second wave of COVID-19 infections broke and local equities retreated 1.8%. Moreover, the almost forgotten trade war between China and the US resurfaced, leading to a sell-off in equity markets across the world. Year to date, the market is down 9.8%, despite a 22.9% return over the past six months.

Resources remain the major driver of equity returns for 2020, gaining 11.9%. Within resources, it is mainly gold companies that have carried the sector, benefitting from the clean-up of their balance sheets a few years ago and a higher gold price this year as investors look for safe haven assets. Platinum and general miners have also done well. Looking at other sectors, industrials are up 4.3% for the year. Within the sector most companies have lagged the market – general retailers are down 30.7% while AB Inbev specifically, has lost 26.9% of its value. However, technology stocks – Naspers and Prosus – bucked the trend, rallying 30.8%. Technology companies in SA and globally have been beneficiaries of the pandemic as the need for people to work from home increased demand for their services. The financial sector has plunged 32.8% over the past 9 months and is one of the main reasons that the market as a whole is down for the year. The sector houses a significant number of companies that are sensitive to economic growth prospects in SA and unfortunately at this point, fundamentals are negative with the SARB expecting an 8.2% contraction in GDP for the year.

Asset class performance (%)

Local	Q3 2020	1 year	3 years	5 years	International	Q3 2020	1 year	3 years	5 years
FTSE/JSE All Share Index	0.67	2.01	2.39	4.75	MSCI AC World Index IMI (ZAR)	4.22	21.13	14.27	14.20
Financials	-1.64	-30.91	-10.55	-5.37	MSCI AC World Net (ZAR)	4.24	22.10	14.97	14.54
Resources	6.03	27.31	20.32	16.25	MSCI Emerging Market Index (ZAR)	4.82	19.50	7.35	10.53
Industrials	-2.29	4.31	-0.66	2.70	BB Barclays Gbl Aggr Bond Index (ZAR)	-1.03	17.45	11.73	7.92
FTSE/JSE Capped SWIX	1.01	-5.02	-2.38	1.11	BB Barclays Gbl Multiverse Index (ZAR)	-0.98	17.18	11.62	8.09
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						

Portfolio review

The fund outperformed its benchmark in the third quarter and is 1.5% ahead of benchmark for the 12 months, after fees. Truffle, Ninety One and Coronation have contributed the most to performance. Truffle was introduced to the portfolio in May 2016, when we were looking for a small, nimble asset manager that did not conform to the traditional styles of investing – loosely termed 'value or growth'. Its addition has proved fruitful for the fund with alpha of 12.5% over past year and 5.0% p.a. over the past four years. Ninety One was introduced to the fund in 2019 as we liked its earnings momentum strategy and since being included, has added positively to performance. Their strategy has led them to hold overweight positions in gold and general mining companies funded from financials. Coronation also did well in the third quarter and the past year as its exposure to platinum and technology companies has been rewarded by the market. Prudential, Foord and Visio struggled in the past quarter and have had a difficult time over the past few years. The common theme amongst them is their low allocation to resources, a sector that has outpaced the market for more than five years. They also suffered from the collapse in Sasol's share price earlier in the year. Despite them having underperformed, the fund is ahead of benchmark in all periods up to three years.

Portfolio positioning and outlook

In terms of positioning, the fund remains overweight resources, more specifically, platinum and diversified miners. Despite these having done well over the past few years, managers believe the companies still offer some upside. The fund is also overweight technology companies – Naspers and Prosus. The overweight in rand hedge shares are funded from SA-sensitive sectors such as banks and property. Looking forward, we expect volatility will remain high in the fourth quarter as the US gears itself up for elections in November. A cure for COVID-19 is yet to be found and a second wave of infections in developed markets is contributing to the uncertainty. In times of market volatility, investors should focus on maintaining an appropriate level of diversification and position their portfolios for a variety of potential outcomes. Diversification is key. We believe the fund is appropriately positioned to navigate uncertain environments, with six underlying managers that have large experienced teams working in conjunction with us to look after our clients investments.

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	3.30	2.66	0.64
Domestic Equity	96.56	97.12	-0.56
Domestic Fixed Interest	0.14	0.22	-0.08

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
B1	Retail	1.28	777.38	38,476,841.03	299,112,501.55
A	Retail	1.86	776.14	6,778,279.18	52,609,085.31

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 SA Equity 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.

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 15h00. 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 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.

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.