Business Update

October 2020

STANLIB Multi-Manager Defensive Balanced Fund - underlying manager changes

As part of our continuous assessment of investment managers and the market, we have reviewed the STANLIB Multi-Manager Defensive Balanced Fund's portfolio construction framework and have implemented exciting changes. This update details the rationale for the changes made.

The Fund is constructed as a low equity balanced fund, with the primary objective being to outperform the average of investable peer's returns - ASISA Multi-Asset Low Equity category - at risk levels consistent with that of the sector. We expect the Fund to deliver a real return of 4% p.a. over the long term on a net of fees basis. To minimise the chance of capital loss, investors should expect to remain invested over a period of at least four years.

New mandates: Truffle Asset Management, Abax Investments and STANLIB

Truffle Asset Management

- Truffle will be responsible for a domestic-only, low equity segregated mandate. The manager ranks highly in terms of their capability/skills across asset classes. Truffle has less than R30 billion under management, which provides the flexibility to explore maximum opportunities in the market.

Abax SA Absolute Fund

- Abax has an excellent equity and fixed interest capability.
- Although Abax have grown significantly in size over the past decade, their investment philosophy remains centred around nimbleness and speed to execution, taking advantage of opportunities.
- Abax will play a more conservative role in the overall Fund with a focus on achieving real returns but seeking higher growth opportunities when available.

STANLIB Balanced Cautious Fund

- We have become increasingly interested in STANLIB's Balanced Cautious capability since Herman van Velze assumed management of the strategy. Furthermore, the appointment of award-winning fixed interest portfolio manager, Henk Viljoen as lead portfolio manager, has made this strategy very appealing.
- This team has a well-rounded skill-set across multiple asset classes and use the highly rated *ColumbiaThreadneedle* for the global equity allocation, and *Brandywine* for the global bond allocation.

Termination of the Coronation Domestic Absolute and STANLIB Absolute Plus mandates

- **Coronation Domestic Absolute mandate** – we have identified the need for a better balance between large and small (boutique) managers.
- **STANLIB Absolute Plus Fund** - portfolio construction is being tilted toward active managers with more of a focus on upside participation than downside protection.

Reduced strategic weights of Prudential and Ninety One

- We have reduced the weighting to the **Prudential** and **Ninety One** mandates in order to improve diversification and create space for an additional SA manager in the Fund.

STANLIB
MULTI-MANAGER

The table that follows details the previous manager strategic allocation weights and the newly implemented weights, effective 1 October 2020:

Strategic manager allocation	Strategy/philosophy	Previous	New
Prudential Domestic Inflation Plus	Relative value investing, strict risk parameters	25.0%	20.0%
Ninety One Cautious Managed	High quality focused	21.5%	20.0%
Abax SA Absolute	Real return objective with earnings growth focus for equities	-	15.0%
Truffle Domestic Low Equity	Bottom-up, fundamental and valuation-driven	-	17.5%
STANLIB Balanced Cautious	Growth and quality bias	-	15.0%
Coronation Domestic Absolute	Long-term valuation with an absolute return focus	18.5%	-
STANLIB Absolute Plus	Flexible absolute return manager	18.0%	-
Global	Multi-managed global equity, bonds and cash	12.0%	12.5%
Cash		5.0%	-
Total		**100.0%**	**100.0%**

The STANLIB Multi-Manager Defensive Balanced Fund continues to represent a blend of highly skilled managers and the adjusted blend provides a good mix between large balanced houses and smaller boutique managers. Ninety One and STANLIB will manage global funds, whereas the other three managers will manage domestic-only mandates. The STANLIB Multi-Manager global equity and bond funds continue to be the core holdings for the global assets, with an optimal range of between 20% and 25% exposure.

We are confident that these changes in the manager line up will allow the Fund to remain competitive and take maximum advantage of the market opportunities within its defined mandate

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