

Business Update

April 2021

Keeping you updated with business news and the rationale behind changes to the STANLIB Multi-Manager solutions.

STANLIB Multi-Manager Balanced Fund – underlying manager changes

As part of our continuous assessment of managers and the market, we have reviewed the Fund's portfolio construction framework. This Business Update details the changes that have been made to the manager selection and weighting.

The STANLIB Multi-Manager Balanced Fund is a high equity balanced fund. The objective of the Fund is to outperform the average return of its investable peer group – the ASISA Multi-Asset High Equity category – at risk levels consistent with that of the sector. The Fund has a consistent long-term track record in achieving this objective and we expect the Fund to deliver a real return of 6% p.a. over the long term, on a net of fees basis. To minimise the chance of capital loss, an investment period of at least seven years is recommended.

[Truffle Asset Management included, Foord removed and exposure to Ninety One increased](#)

Inclusion of Truffle Domestic Balanced

- We are increasingly seeing opportunities in the smaller manager space and Truffle is one of these exciting managers. STANLIB Multi-Manager has multiple other mandates in place with Truffle and their introduction to the flagship STANLIB Multi-Manager Balanced Fund, is a result of the natural progression in the relationship with Truffle.
- With assets under management of approximately R30 billion, they are able to explore many smaller opportunities across asset classes. However, their size is large enough to ensure they are a relevant player in the investment industry.
- Truffle will manage a domestic-only balanced portfolio on behalf of the Fund. This mandate is, however, flexible and allows Truffle to exploit all market opportunities.
- As a highly skilled manager across asset classes, we view Truffle as an excellent addition to the Fund, that has illustrated how well they can perform over changing market environments.
- Truffle's strategic allocation will be 15% of the STANLIB Multi-Manager Balanced Fund.
- Truffle concentrates on the local equity and fixed interest markets, which is crucial for a high-equity rand denominated Regulation 28 fund.

Removal of Foord Domestic Balanced

- In order to provide the funding to enter into the mandate with Truffle, we opted to sell out of Foord Asset Management.
- The performance of Foord's domestic balanced fund went through a difficult patch between 2016 and 2018. 2020 was, however, an exceptional year for Foord relative to peers.
- Although we still believe that Foord is a strong investment house, Truffle is a better complement to the overall portfolio and provide a unique blend within the Fund.
- Our decision to sell out of Foord was therefore, not performance related but rather based on the opportunity we see with Truffle.

Ninety One exposure increased

- We increased exposure to the Ninety One Domestic Balanced portfolio from 10% to 15%.
- We rate Ninety One as one of the best investment houses in the industry and believe this merits the upweighting in strategic allocation.

- Chris Freund remains the lead portfolio manager on this strategy, supported by a strong team of portfolio managers and analysts.
- To fund the increase in allocation to Ninety One, we reduced Prudential's strategic weight from 20% to 15%.

A diversified blend of managers

The STANLIB Multi-Manager Balanced Fund has a robust blend of managers with different approaches to investing. The table below provides a brief overview of the changes in the strategic manager allocation:

Strategic manager allocation	Strategy/philosophy	Previous	Current
Allan Gray Domestic Balanced	Long-term value and quality	15%	15%
Coronation Domestic Balanced	Bottom-up fundamental valuation	15%	15%
Ninety One Domestic Balanced	Earnings revision approach	10%	15%
Foord Domestic Balanced	Thematic investing, high quality	15%	0%
Prudential Domestic Balanced	Relative value approach	20%	15%
Truffle Domestic Balanced	Bottom-up fundamental valuation	0%	15%
STANLIB Multi-Manager Global	Diversified strategies amongst top-rated global managers	25%	25%
Total		100%	100%

We are optimistic and excited about these portfolio construction changes and the expected future performance of the Balanced Fund. Relative to peers, the Fund has produced excellent performance over the past few years, ranking in the top quartile over the one, three and five-year periods. Currently, we are seeing excellent investment opportunities – especially within the local equity and fixed interest markets – and are confident that the adjustments to the Fund's construct will ensure that it continues to deliver to its objectives.

Richo Venter, CFA

Portfolio Manager

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A schedule of fees and charges and maximum commissions is available on request the Manager. The Manager does not provide any guarantee either with respect to the capital or the return of a CIS portfolio. Forward pricing is used. The Manager has a right to close certain portfolios to new investors in order to manage it more efficiently.

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 so all returns quoted are after these costs have been accounted for. Any forecasts or commentary included in this document are not guaranteed to occur. 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. Annualised figures are available on request from the Manager.

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