

Business Update

October 2021

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

STANLIB Multi-Manager SA Equity Fund – underlying manager change

STANLIB Multi-Manager continuously reviews its funds to ensure that they remain positioned to deliver their objectives. Following our most recent review, our team decided to reduce the number of managers in the STANLIB Multi-Manager SA Equity Fund. The fund size is expected to reduce in the next few months and hence, the preference for fewer managers. This decision resulted in the removal of Foord Asset Management from the Fund.

Fund performance against its objectives

The main objective of the STANLIB Multi-Manager SA Equity Fund is to outperform the FTSE/JSE Capped Shareholders Weighted All Share Index (FTSE/JSE Capped SWIX Index), with a secondary objective of producing above average peer returns.

30 September 2021	1 m	Quarter	YTD	1 yr	3 yrs p.a.	5 yrs p.a.	10 yrs p.a.
STANLIB MM SA Equity B3	-0.6%	4.3%	20.3%	34.7%	9.3%	6.5%	10.5%
<i>FTSE/JSE Capped SWIX Index</i>	-1.4%	3.2%	16.9%	30.3%	6.5%	5.0%	10.7%
<i>Active return</i>	0.8%	1.1%	3.4%	4.4%	2.8%	1.5%	-0.2%
STANLIB MM SA Equity B1	-0.7%	4.0%	19.2%	33.1%	7.9%	5.2%	9.1%
<i>South African EQ General - Average</i>	-1.2%	3.0%	16.4%	27.8%	7.1%	5.5%	9.8%
<i>Active Return</i>	0.5%	1.0%	2.8%	5.4%	0.8%	-0.3%	-0.6%

Source: STANLIB Multi-Manager, Morningstar

Note: STANLIB MM refers to STANLIB Multi-Manager

As shown in the table the Fund has, over most periods, delivered on its dual objectives. Performance relative to the index benchmark has significantly improved over the past 5 years to the point where even the long-term alpha is showing good improvement. Relative to peers, performance is also pleasing especially if one considers that most peers in the category have offshore exposure and this Fund only invests in JSE-listed securities. Overall, performance is encouraging.

Reasons for removing Foord

The primary reason for the change was a revised portfolio construct. Given the anticipated future lower assets under management we felt it appropriate to have fewer managers. This led to the difficult task of removing a manager and following an extensive review of the Fund, we decided to remove Foord.

Why Foord? We have had a long and fruitful relationship with Foord that spans many years and they are an asset manager that we understand well. However, from a portfolio construction point of view our analysis suggested that we could remove Foord without significantly altering the overall positioning, diversification and prospects of the Fund.

We generally prefer managers that explore all parts of the market in their search for alpha and going wherever they see opportunities. Foord prefers a 'buy and hold' strategy and hunts in a very specific part of the market. This can be rewarding at certain points in the cycle but can also hurt for extended periods of time.

Given that we have a strong buy list of equity managers with which to construct our funds, at this point we feel the

remaining five managers in the Fund are better placed to canvas opportunities across the broader market.

In terms of current fund positioning, some of the holdings in the Visio, Prudential and Coronation funds coincide with those in the Foord portfolio. This provides comfort that we are not necessarily foregoing some of the 'pent up alpha' in Foord's portfolio. In addition, Foord's mandate was the smallest in the Fund and was still on a performance fee arrangement. The SA Equity Fund does not charge performance fees. In addition, from an operational point of view, it was relatively easy to move the assets as we were invested in the collective investment scheme.

New strategic manager allocation

Asset manager	Portfolio manager	Current weight	New weight
Coronation	Quinton Ivan	18.0%	20.0%
Foord Equity CIS	Nick Balkin, Dave Foord and William Fraser	10.0%	-
Ninety One	Chris Freund	17.5%	20.0%
Prudential	Chris Wood	17.5%	20.0%
Truffle	Ian Power	18.0%	20.0%
Visio	Patrice Moyal	17.5%	20.0%

We believe the remaining asset managers will continue to deliver on the dual objectives of the Fund. These managers have been through our rigorous investment and operational due diligence process and are some of the highest-rated names in the South African asset management industry. Our on-going investment management process helps us identify these managers and rotate at times when we feel appropriate. We are always on the look-out for great equity managers to add to our list of quality managers and therefore, stand ready to make further changes where deemed necessary.

Lubabalo Khenyane, CIPM, CFA

Portfolio Manager

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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. Annualised return figures are the compound annualised growth rate (CAGR) calculated from the cumulative return for the period being measured.

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