STANLIB Global Balanced Feeder Fund

Quarterly update at 31 March 2024

Who are the investment managers?

Feeder - STANLIB Asset Management (Pty) Ltd, FSP 719, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act 2002, manage the investments of the fund.

Underlying - Columbia Threadneedle Investments were appointed by the investment manager (STANLIB Asset Management Limited) as the sub-investment manager of the STANLIB Global Balanced Fund, a sub-fund of STANLIB Funds Limited, with Alex Lyle being the portfolio manager of this sub-fund. Columbia Threadneedle Investments is a leading global asset management group that provides a broad range of actively managed investment strategies and solutions for individual, institutional and corporate clients around the world. Columbia Threadneedle Investments is the global asset management group of Ameriprise Financial, Inc. (NYSE: AMP), a leading US-based financial services provider. As a part of Ameriprise Columbia Threadneedle Investments are supported by a large and well capitalised diversified financial services firm.

Fund review

Gross of fees, the portfolio outperformed its benchmark in Q1 in rands. As calculated using 'look-through' attribution, selection effects drove the outperformance. The cash portfolio underperformed its benchmark, but the impact of this was more than offset by positive selection effects from the other portfolios – especially the equity portfolio, which continued to benefit from its quality/growth bias.

Asset-allocation effects hindered performance as the overweight in bonds proved unfavourable in the conditions described below.

Market overview

Broadly speaking, perceived safe havens and risk assets moved in opposite directions over the first quarter (Q1) of 2024. In the former camp, core government bonds weakened amid fading optimism about the timing and scale of monetary loosening this year. By contrast, global equities extended their rally, hitting record highs along the way, while credit spreads ground tighter. Commodity indices rose modestly, helped by strength in oil and precious metals.

The rise in bond yields chiefly occurred in the first two months of the year and was mainly driven by events in the US. Strong GDP and jobs data, combined with hotter-than expected inflation and some hawkish commentary from the US Federal Reserve (Fed), saw market bets for the first US interest-rate cut pushed out from March to June. The number of quarter-point cuts priced in for this year was also slashed from six to three. Despite the relative weakness of their respective economies, the European Central Bank (ECB) and Bank of England (BoE) echoed the Fed's call for patience, citing concerns about services inflation and wage growth.

In March, core bonds recouped some losses, partly in response to policy meetings at the abovementioned central banks. All three kept rates on hold, as expected. Although the Fed's rate-setting committee raised its median growth and core inflation forecasts for 2024, investors appeared relieved that it was still projecting three cuts this year. The ECB downgraded its 2024 eurozone growth and inflation forecasts, in contrast to the Fed, and ECB President Lagarde strongly hinted that its first-rate cut could come in June. In the UK, markets welcomed a surprise fall in inflation and, a day later, news that the last two hawks on the BoE's Monetary Policy Committee had dropped their call for a rate hike.

Ever an outlier, the Bank of Japan (BoJ), finally started to tighten its ultraloose stance in March. The BoJ scrapped its yield-curve control policy and raised its key rate from -0.1% to 0%–0.1%. Nevertheless, with the difference versus US rates still so high, and the BoJ signalling no further hikes for some time, the yen continued to fall against the dollar.

As the quarter progressed, sentiment towards risk assets was boosted by continued strength in the US economy and improving purchasing managers indices in Europe and the UK. Forecast-beating Q4 corporate results and related excitement around AI provided further impetus. Credit also benefited from favourable supply-demand dynamics: blowout levels of new issuance were easily absorbed as investors sought to lock in elevated yields ahead of expected rate cuts this year. In this environment, the Bloomberg Global Aggregate bond index returned -2.1% in dollar terms for the quarter, while the MSCI All Country World index (ACWI) returned 8.3% on the same basis, led by growth stocks.

Looking ahead

The US economy looks likely to achieve the 'soft landing' predicted by the Fed. The UK looks set to return to growth in Q1, and while the eurozone could still slip into recession, we think any such downturn should be similarly mild. In any case, large, listed companies are well insulated from strains on the economy. Companies still have pricing power – as seen in the example last year of streaming giants ramping up subscription fees – and their debt profiles have generally locked in the low rates of 2021 and earlier. Nevertheless, we maintain a slight degree of caution about the outlook for equities. For the reasons outlined above, this is not due to risks around earnings; rather, it is because global equity valuations (on a price-to-earnings basis) look historically high, both in absolute terms and relative to other asset classes.

We continue to be more constructive on the outlook for fixed income, particularly core government bonds. We think inflation is likely to fall substantially from here, and that markets are overestimating how long interest rates will remain at restrictive levels. We also favour credit. Our IG analysts expect credit quality to remain strong: high levels of interest cover and relatively low net-debt-to-earnings ratios look likely to be maintained, while default rates are not expected to rise materially. Credit spreads are inside long-term averages, but elevated yields continue to provide an attractive entry point for those seeking income without too much risk. Furthermore, a combination of falling interest rates and low but positive economic growth, which is what we expect, would be a reasonable environment for IG issuers, especially the less leveraged and less cyclical names.

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 2024	Q4 2023	Change
Domestic Cash & Mny Mkt	0.91	-0.79	1.70
Domestic Property	0.03	0.03	0.00
Foreign Cash & Mny Mkt	2.76	2.81	-0.05
Foreign Equity	63.14	64.22	-1.08
Foreign Fixed Interest	22.21	22.59	-0.38
Foreign Other	0.15	0.15	0.00
Foreign Property	10.80	10.99	-0.19

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
B1	Retail	1.35	665.66	180,073,118.90	1,198,666,582.00

All Price, Units and NAV data as at 31 March 2024.

Units - amount of participatory interests (units) in issue in relevant class.

TER - 1 Year Total Expense Ratio (%) including VAT as at 31/12/2023. The Total Expense ratio (TER) shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated over the period shown and annualised to the most recently completed quarter. A higher 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 TERs.

Disclosures

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 Global Balanced Feeder 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.

The investments of this portfolio are managed, on behalf of the Manager, by 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.

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.

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 Feeder Fund portfolio. A Feeder Fund portfolio is a portfolio that invests in a single portfolio of a collective investment scheme, that levies its own charges, which could result in a higher fee structure for the Feeder Fund.

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 2024.

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.

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).

Contact details

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Investment Manager

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