STANLIB Global Bond 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 - JP Morgan Asset Management (UK) Limited (JPMorgan) were appointed by the investment manager (STANLIB Asset Management Limited) as the sub-investment manager of the STANLIB Global Bond Fund, a sub-fund of STANLIB Funds Limited. JPMorgan is a private limited company incorporated under the laws of England and Wales.

Fund review

The Global Bond feeder fund returned 1.69% for the quarter vs the benchmark return of 1.62%. The fund favours the higher yielding credit sectors of the bond market: investment grade corporate bonds, leverage loans, agency pass-throughs and short-duration securitised credit. Emerging markets also present opportunities with continued disinflation and central bank cutting cycles already on the way.

Market overview

Resilient economic data helped investors get into the Spring spirit during the first quarter of 2024. The US economy was confirmed to have grown by more than expected during Q4 2023, while survey data from the composite Purchasing Managers' Index (PMI) remained firmly in expansionary territory, boosting investor sentiment. Macro-economic data elsewhere around the world also showed encouraging signs, further supporting the prospect of a soft landing. Stickier inflation prints, resilient economic activity, and the Federal Reserve (Fed) back pedalling somewhat on its dovish December tone combined to drive negative returns for bonds.

In US, optimism around a 'soft landing' scenario was sustained amid strong macro-economic data prints. A few data releases pointed to the ongoing resilience of the US economy. While the economy may not be cooling as quickly as hoped, this is unlikely to cause major concerns at the Federal Reserve (Fed). Firstly, a lot of the persistence in inflation remains in shelter, and this should continue to moderate as new tenant rents feed into the CPI calculations. Secondly, although the labour market remains strong there are signs of softening: wage growth is slowing, and the unemployment rate is rising.

In the Eurozone, composite PMI in February rose to 48.9, a print that suggested the worst of the continent's growth weakness is likely over. Natural gas prices continued their decline, which is expected to reduce headline inflation given wholesale natural gas prices feed into consumer gas and electricity contracts. The preliminary data for March is encouraging as it hints towards weaker underlying price pressures. There have been signs of deceleration of wages in France and Spain suggesting further weakness in inflation. Meanwhile, European Central Bank (ECB) kept rates on hold, highlighting the inflation progress but the need for more data to start cutting. Christine Lagarde (President of ECB) mentioned the committee would have much more information by June implying strongly that the first cut should come then.

In UK, the composite purchasing managers' index (PMI) rose 0.4 points to a preliminary 52.5 in January, while consumer confidence reached a two-year high. Data prints in February had shown both wage growth and services inflation undershooting the Bank's November projections meaningfully, albeit still at elevated levels. Like other central banks, Bank of England (BoE) indicated that it requires more confidence that inflation will meet their target before they start cutting. The combination of tight labour markets and sharp declines in headline inflation have seen wage growth outstrip inflation for six consecutive months.

In Japan, the Bank of Japan (BoJ) delivered its first rate hike in 17 years, ending its negative interest rate and yield curve control policies. With these moves having been long expected by markets, they were digested smoothly with limited moves in both the yen and Japanese 10-year government bond yields. Governor Ueda did hint at further limited normalisation to come, but cooling inflation has reduced the likelihood of a period of rapid policy tightening.

Looking ahead

After higher-than-expected inflation print in the US, sentiment has now changed from 3 cuts expected for 2024 to only two cuts. The primary risk remains a return to higher inflation and a central bank policy response of further tightening.

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	Q1 2024	Q4 2023	Change
Domestic Cash & Mny Mkt	7.57	7.31	0.26
Domestic Fixed Interest	1.37	1.38	0.00
Foreign Cash & Mny Mkt	13.43	13.47	-0.04
Foreign Fixed Interest	77.62	77.84	-0.22

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
B3	Retail	1.07	364.23	9,754,435.60	35,528,220.45

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.

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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 Bond 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 is a portfolio that derives its income primarily from interest-bearing instruments. The yield (if shown) is a current effective yield calculated daily.

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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