

# Standard STANLIB GoalDefender Fund of Funds

Quarterly update at 31 March 2024

## Market overview

The defining feature of the first quarter of 2024 was the market's near abandonment of the probability of a US recession. A recession has been a significant worry for market participants over the last two years, which has been conspicuous in its absence. As a result, the market has finally come to the realisation that it was overexuberant in its expectation for interest rate cuts, and perhaps the US Federal Reserve (US Fed) was indeed right. From having expected six cuts in 2024 totalling 1.5% at the start of the year, the market is now only pricing in two, maybe three cuts in 0.25% increments. The market may have swung the pendulum too far, as even the US Fed is still expecting to deliver three cuts. However, some Fed officials have recently argued against the need for rate cuts at all when the US economy is humming along so nicely, as evidenced by recent strong economic and labour data. This fact has been hard to escape, and global equity markets stood up and took notice, rallying 7.7% in dollars for the quarter, with the S&P 500 up 10.0% in one of its fastest starts to a year on record. Global bonds weren't as fortunate, falling 1.9% in dollar terms and US 10-Year Treasury yields rising from 3.86% to 4.25% by quarter end (and currently 4.55%). The rand weakened by 5.1% relative to the dollar.

Local bonds were also weaker, with the yield on the 10-year government bond rising from 11.2% to 12.0% and the All Bond Index falling 1.8% for the quarter. Stubbornly high inflation (registering 5.6% in February), a so-so budget saved by using profits in the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) to reduce government debt and, most likely, the political uncertainty associated with the outcome (and consequences) of the National Election in May 2024 also weighed on bonds. Local equity bucked the global equity trend, dropping 5.0% in the first two months of the year and finishing 2.3% lower for the quarter. Local property was 3.5% higher for the quarter, inflation linked bonds (ILBs) dropped 0.4%, the 1-3-year bond index was up 0.8% and money market delivered a safe 2.1% return.

Escalating tension in the Middle East, together with Central Bank buying, has resulted in a noticeable spike in the gold price, up from \$2,060 per oz at the start of the year to \$2,350 per oz currently (up 14.1%). RMB Morgan Stanley note that in the last three US Fed interest rate hiking cycles, the gold price has risen on average by 102% once the Fed stopped hiking. Commodities, in general, appear to be enjoying a much better year, with the price of oil 19.1% higher at \$91 per barrel, the copper price 10.3% higher and platinum rallying from \$900 per oz to above \$1,000 in the last few weeks.

## Asset class performance (%)

Asset class	Q1 2024	1 year	3 years p.a.	5 years p.a.
Equity - FTSE/JSE All Share	-2.25	1.55	8.10	9.67
Financials	-7.55	11.82	15.02	5.11
Resources	-1.63	-8.98	1.64	10.49
Industrials	0.64	3.30	8.15	10.15
Equity - FTSE/JSE Capped SWIX	-2.30	2.87	7.48	7.64
Bonds - FTSE/JSE All Bond	-1.80	4.19	7.40	7.04
Cash - STeFI Composite	2.06	8.39	6.08	6.00
ILBs - FTSE/JSE Infl-Lnkd Gov	-0.45	5.51	7.03	6.33
Property - FTSE/JSE All Property	3.47	20.33	12.95	-0.24
Global Bonds - BB GABI in ZAR	1.59	7.37	3.50	4.38
Global Equity - MSCI ACWI in ZAR	12.26	31.65	16.19	17.12
Inflation - SA CPI (1 month lag)	1.06	5.56	6.08	5.14

All returns quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro as at Reporting Date - 31 March 2024.

## Portfolio classes

Class	Type	Price (cpu)	Units	NAV (Rand)
B1	Retail	103.80	1,255,613,637.00	1,303,301,392.00

All data as at Reporting Date - 31 March 2024.

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

## Allocation/type (look through) (%) over the quarter

Type	Q1 2024	Q4 2023	Change
Domestic Cash & Mny Mkt	21.52	19.13	2.39
Domestic Derivatives	0.26	0.05	0.20
Domestic Equity	2.38	2.16	0.22
Domestic Fixed Interest	67.43	70.16	-2.73
Domestic Property	3.41	3.50	-0.09
Foreign Cash & Mny Mkt	0.61	0.49	0.12
Foreign Equity	2.60	2.55	0.05
Foreign Fixed Interest	1.69	1.81	-0.12
Foreign Funds	0.02	0.04	-0.02
Foreign Other	0.03	0.04	-0.01
Foreign Property	0.06	0.05	0.00

The portfolio adhered to its portfolio objective over the quarter.

## Portfolio review

The Fund produced a 1.2% return for the quarter, outperforming its peer group average. Interestingly, the Fund has outperformed peers in each of the last five months, a period coinciding with improved market sentiment and driven by strength in local property and global equity. Asset allocation beta has been a stronger contributor to return than selection alpha, which has been in short supply in the local markets. The fixed interest and property components of the Fund underperformed their respective indices, while the equity component was only marginally ahead. Accordingly, the Fund lagged its internal asset allocation index return for the quarter. The Fund delivered a return of 8.3% for the last 12 months, in line with local money market (+8.4%) but significantly ahead of local bonds (+4.2%) and equity (+2.9%).

The near 73% exposure to the Standard STANLIB Yield Plus Fund created a positive base for returns – it was up 2% for the quarter on a gross of fees basis. Prescient and STANLIB outperformed while Aluwani and Granate produced positive returns but marginally underperformed. This was to be expected given the higher risk budget we have given them, and the underperformance of longer duration instruments in the quarter as witnessed by the -2.1% return of the Standard STANLIB Bond Fund on a gross of fees basis. Having performed the best in Q4 2023 when bond markets were rallying, Prescient Bond underperformed in Q1 2024 when they fell. Ninety One was the best performing bond manager thanks to their lower modified duration and higher yield pick-up strategy.

## Portfolio positioning and outlook

Following an extensive re-optimisation of the Fund's strategic asset allocation (SAA), we have strategically increased the weight to local equity and global bonds and reduced the weight to local bonds and global equity, effective 01 April 2024. While small, these changes are designed to reflect our very long-term risk adjusted preferences in the context the Fund's CPI +2% target and being competitive in the ASISA MA Income category. We feel that following sustained strength in global equity, the switch in favour of global bonds is particularly well timed as we head into an interest rate cutting cycle. Relative to the new SAA, the Fund is tactically overweight local property and global bonds and underweight local bonds.

Local equity strength in March was telling, suggesting there is growing appetite for our more positive view on the asset class. The bounce may have been caused by it being undervalued relative to its history or due to the renewed optimism toward Chinese shares and local resources – or perhaps just due to the absence of loadshedding in South Africa over the last three weeks. The weakness in local bonds has been driven by the shifting out of interest rate cut expectations and other local factors, both of which are likely to provide investors with greater clarity in the coming quarter. We estimate that the gross effective annualised yield on the Standard STANLIB Yield Plus Fund is around 10%, and based on such a high starting yield, together with some rerating in other local assets, we feel the Fund is well placed to continue delivering positive returns for investors.

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.

# Standard STANLIB GoalDefender Fund of Funds

## Important information for investors

### Information to be considered before investing

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 Standard STANLIB GoalDefender Fund of Funds 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 Multi-Manager a division of 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. 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 Fund of Funds portfolio. A Fund of Funds portfolio is a portfolio that invests in other portfolios of collective investment schemes, that levy their own charges, which could result in a higher fee structure for the Fund of Funds portfolio. This portfolio is a third party named, co-named portfolio. The Manager retains full legal responsibility for this portfolio. A third party named, co-named portfolio is a portfolio bearing the name of both the Manager and the financial services provider (FSP) where the FSP, under an agreement with the Manager, undertakes financial services of a discretionary nature, as contemplated in the Financial Advisory and Intermediary Services Act, Act No. 37 of 2002 (FAIS), in relation to the assets of the portfolio. Standard Trust Limited, an authorised FSP, FSP No. 705, FAIS, is the third party manager of this portfolio. The FSP is a wholly owned subsidiary of the Standard Bank Group Limited and is a related party to the Manager, the FSP may earn additional fees other than those charged by the Manager. It is the responsibility of the FSP to disclose additional fees to the investor. This document is not advice, as defined under FAIS. Please be advised that there may be representatives acting under supervision.

### Unit price – how it works

Prices are calculated and published on each working day, these prices are available on the Manager's website ([www.stanlib.com](http://www.stanlib.com)) and in South African printed news media. This portfolio is valued at 24h00. Forward pricing is used. Investments and repurchases will receive the price of the same day if received prior to 15h00. The payment of withdrawals may be delayed in extraordinary circumstances, when the Manager with the consent of the Fund trustees deems this to be in the interest of all Fund investors. These circumstances may include periods when significant underlying markets suspend trading which will prevent accurate valuation of the instruments held in the Fund. When the suspension of trading relates to only certain assets held by the Fund, these assets may be side-pocketed. This process allows normal liquidity on the assets that can be valued but, will delay liquidity on the affected portion of the Fund. If the Fund is faced with excessive withdrawals, the affected withdrawals may be ring-fenced, which is the separation and delayed sale of the assets reflecting the interest of the liquidity seeking investors. It ensures that the sale of a large number of units will not force the Manager to sell the underlying investments in a manner that may have a negative impact on remaining investors of the Fund.

### Cost ratios and fees

Cost ratios	1 Year TER	1 Year TC <sup>1</sup>	1 Year TIC	3 Years TER	3 Years TC <sup>1</sup>	3 Years TIC
Class B1	1.18%	0.01%	1.19%	1.17%	0.01%	1.18%

The cost ratios shown have been calculated for the period ending 31/12/2023, from 01/01/2023 for the 1 Year and from 01/01/2021 for the 3 Years.

<sup>1</sup>Transaction Costs include brokerage, Securities Transfer Tax, STRATE, Levies and VAT.

**Total Expense (TER):** This ratio 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.

**Transaction Costs (TC):** This ratio shows the percentage of the value of the fund incurred as costs relating to the buying and selling of the fund's underlying assets. TC are a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, investment decisions of the investment manager and the TER.

**Total Investment Charges (TIC):** This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct the TIC from performance figures, the performance is already net of the TIC.

#### Annual management fee

The Fund charges a fixed annual management fee (i.e. fee class) as a percentage of the assets under management, to ensure a simple and understandable fee structure. The Fund invests primarily in segregated mandates but may also invest in other unit trusts i.e. "Underlying Fund Fees", which are included in the Total Expense Ratio (TER). The annual management fee is accrued daily and paid on a monthly basis.

#### Performance fees

Neither the Manager, STANLIB Multi-Manager nor underlying manager(s)/fund(s) charge/earn any performance fees.

#### Advice fees

If an investor appoints an adviser, advice fees are contracted directly between the investor and the adviser. The Manager will facilitate the collection of advice fees only upon receiving an investors instruction to do so. Initial advice fees up to a maximum of 3.45% are collected prior to units being purchased and ongoing advice fees up to a maximum of 1.15% are collected monthly through the redemption of units held by an investor in the Fund. An investor may cancel the instruction to facilitate the payment of advice fees at any time.

### Additional information

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](http://www.stanlib.com)).

This document does not constitute an offer of sale. Investors are requested to view the latest Minimum Disclosure Document (MDD), for the provision of additional information pertaining to the product, as well as seeking professional advice, should they be considering an investment in the product. The Manager provides no guarantee or warranty as to the accuracy of the content of this document. Every effort has been made to ensure that the content is accurate at time of issue.

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