

Who are the investment managers?

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.



Herman van Velze
BEng (Mining), MBL
Head of Equities

Herman joined STANLIB in 1995 as a research analyst and a resource portfolio manager. Since then he has held the positions of head of Research, portfolio manager, head of Balanced Fund and he is currently the head of Equities and a member of STANLIB's investment executive committee. In 2007 Herman joined a private equity company as a deal originator to expand his investment skillset. He later in 2009 re-joined STANLIB as the head of Balanced funds. He oversees a number of portfolio managers and analysts who provide company research and actively pursue investment ideas. Under his leadership, the team reviews and refines opportunities which are considered for the portfolio. Herman holds a bachelor of engineering from the University of Pretoria and a MBL from UNISA.



Henk Viljoen
MCom (Economics)(Cum laude)
Senior Portfolio Manager

After gaining early experience in the treasury environment at Telkom and at Senbank, Henk joined the then Liberty Asset Management in 1990, and was appointed head of Fixed Income. Henk retained this role throughout the amalgamation with Standard Corporate and Merchant Bank that formed STANLIB, and for many years led a multi-award-winning team which built an undisputed reputation as the most astute and consistently successful Bonds/Fixed Income unit in the South African industry. In 2008, Henk handed over responsibility for the day-to-day management of all third-party, life asset and retail bond funds. He retained executive responsibility as head of Fixed Income and chairman of the Interest Rate Committee – the key macro factor forum that determines the duration positioning of STANLIB's fixed income mandates. In November 2019, he moved to the equity team as a senior portfolio manager.

Fund review

The portfolio delivered a positive return of 11.1%, net of fees, that compares well with the quarterly return from SA equities of +22.1% (JSE SWIX All Share) and SA bonds of 9.9%.

Our offshore holdings contributed to returns as the global technology and e-commerce sectors rallied strongly. Exposure to Amazon and Gilead Sciences was particularly beneficial while not owning Apple detracted. Our global fixed income portfolio performed well mainly as a result of its overweight exposure to EM and corporate credit.

The SA equity position detracted substantially as the gold price achieved a decade-high; our underweight to gold shares was a large contributor to underperformance. Banks were also significant detractors as investors worried about the potential economic impact of social distancing and the nationwide lockdown. On the positive side, we gained from our positions in Prosus, BHP Group and Northam Platinum.

During the quarter we took profits on shorter-dated bonds, which had benefited from substantial rate cuts, and shifted into the long-end of the yield curve which we feel will benefit from limited supply in that area. As a result we are slightly overweight duration by 0.3 years versus the benchmark with a pronounced overweight in the ultra-long end of the curve of +11.5% against the benchmark. We remain underweight the middle of the curve, >10 years, given our view that this is where most of the issuance will be concentrated.

We have sold down some of our foreign equity exposure as markets rallied and repatriated the proceeds back to SA when the currency moved to above R18.50 to the US dollar. This still leaves us with a large foreign equity position and the fund's offshore investments close to the regulatory 30%.

During the quarter we took advantage of the domestic bonds selloff and added to our positions in April which paid off as bonds continued to rally. The portfolio has a hedged US dollar position in place for eventual currency strengthening should that occur.

During the month, we initiated new positions in T-Mobile US, Walt Disney and Boston Scientific. We reduced Gilead Sciences and ING Group.

We further reduced our position in Richemont, which is a geared play on robust economic activity, tourism and confident consumer behaviour on a global basis. We reduced our underweight in British American Tobacco and added Vodacom as a new position. We reduced our exposure to Prosus and Naspers given the extensive gains this sector has enjoyed, through the sale of Naspers and Prosus.

Market overview

The investment environment improved rapidly in this quarter as the markets continued to gain ground compared to the real economy. It is not surprising, after such a sudden stop in global activity between February and May, that economic data is beginning to return to some sort of normality. The Purchasing Managers Index (PMI) is a measure of the prevailing direction of economic trends in manufacturing and these figures have generally recovered. US employment showed a strong recovery in May after a string of data that highlighted the plight of the labour market as a result of the lockdown imposed.

In Q2 2020, the MSCI World and MSCI Emerging Markets (EM) indices posted total returns of +19.5% and +18.2% respectively (US\$), with all countries showing positive total returns. The Barclays Global Bond Index delivered a return of 3.32% (US\$) for the quarter.

On the domestic front, SA equities were the best performing asset class, with the JSE All Share Index posting a rand total return of +23.2% vs +20.4% for SA property and +9.9% for SA bonds.

STANLIB Balanced Cautious Fund

Quarterly update at 30 June 2020

STANLIB

In terms of currencies, the Brazilian real (-26.7%) and the SA rand (-19.5%) are the weakest emerging market currencies year-to-date. Of the developed market currencies, the British pound and Canadian dollar have weakened the most against the US dollar year-to-date, depreciating by 6.7% and 4.8% respectively.

Looking ahead

We have been focused on reconciling the 'sudden stop' in global economic activity with buoyant financial asset markets. Certainly, the shock to economic activity leaves us comfortable owning quality risk assets, even as markets recover. An important element of this has been the response from policymakers to COVID-19. In both speed and size, their actions have eclipsed anything we have seen before, including during the global financial crisis. We have had fiscal easing this year of between 20–30% of GDP, depending on where you look, accompanied by a similarly enormous monetary response, including the purchase of high-yield credit in the US and the removal of issuer limits in Europe. Balancing the cost of shutdowns with the benefits of that stimulus, our forecasts suggest economic activity in the US should regain the levels seen in Q4 2019 by the end of next year, in something of a 'U-shaped' recovery.

Expectations of reward, or asset returns, are necessarily lower than they were in March. And at the fringes, uncertainty is mounting – from second waves of the virus to trade tensions/Chinese geopolitics, US elections and how labour markets emerge once furlough and support schemes fade.

SA fiscal and GDP challenges remain top of mind and we expect a slew of data that will be concerning over the coming quarter as we traverse the pandemic and lockdown measures in place. This leaves us concerned that equity asset prices may not sustain the recent rally experienced this past quarter.

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	Q2 2020	Q1 2020	Change
Domestic Cash & Mny Mkt	10.82	7.66	3.16
Domestic Commodities	0.00	0.36	-0.36
Domestic Equity	18.88	17.30	1.59
Domestic Fixed Interest	37.95	35.65	2.30
Foreign Cash & Mny Mkt	-1.80	0.54	-2.35
Foreign Equity	21.07	21.16	-0.09
Foreign Fixed Interest	7.04	8.04	-1.00
STANLIB Income Fund	6.04	9.30	-3.26

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
A	Retail	1.9	161.46	1,722,807,884.58	2,781,678,557.90
B1	Retail	1.32	161.67	1,356,595,882.34	2,193,164,150.62

All Price, Units and NAV data as at 30 June 2020.

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

TER - 1 Year Total Expense Ratio (%) including VAT as at 30/06/2020. 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 Balanced Cautious 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.

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 30 June 2020.

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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