STANLIB Enhanced Multi Style Equity Fund

Quarterly update at 30 June 2021

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.

Rademeyer Vermaak
MEng (Electronic - Cum Laude), CFA
Head of Portfolio Management

Rademeyer started his career as an Electronic Engineer, and upon transitioning to the financial services sector, he worked as a Quantitative Analyst and Quantitative Fund Manager in London. He came back to South Africa in 2012 to join Fairtree Asset Management as Head of Quantitative Research and Portfolio Manager of the multi-factor product suite. Rademeyer successfully developed and managed equity, hedge and multi-asset funds, as well as building a team of quantitative analysts at Fairtree. Rademeyer joined STANLIB in 2019 and is currently the Head of Portfolio Management at STANLIB Index Investments, and is also a Portfolio Manager responsible for the management of the multi style equity funds, smart beta funds, multi-asset funds, index tracking and completion strategies. Rademeyer holds a Bachelor and Masters in Electronic Engineering from the University of Pretoria and is a CFA charter holder.

Fund review

The STANLIB Enhanced Multi Style Equity Fund outperformed by 2.32% relative to its benchmark over Q2 2021. The fund continues to invest in companies that possess strong growth, quality and attractive valuation attributes. The overweight position in the Materials sector resulted in an active selection return of +1.13% and active allocation return of -0.48%, whilst the underweight position in the Financials sector resulted in an active selection return of +1.46% and active allocation return of -0.49%.

An overweight position in Truworths International Ltd resulted in an active return of 1.13% whilst the overweight position in African Rainbow Minerals Ltd resulted in an active return of -0.39%. The underweight position in Anglo American Platinum Ltd resulted in an active return of 0.59% whilst an underweight position in Capitec Bank Holdings Ltd resulted in an active return of -0.48%

Market overview

Global markets continued to advance over Q2 2021 on the back of positive global vaccine developments and rollout progress. During this quarter, the MSCI EMEA was up 6.2%, MSCI World was up 7.3% and MSCI EM was up 4.4%. All eyes were in the direction given by the FOMC with regards to inflation being persistent or transitory and the direction of long-term interest rates. The FOMC left rates unchanged in its June 16 meeting whilst the market bounced around interpreting their commentary. The global economy remains worried over the development of the Delta variant, which highlighted the global vaccine divide between Emerging and Developed Markets. In South Africa, the government continues to extend its vaccination program. Vaccinations have been opened to people aged 50+ and they have also introduced walk-in vaccination stations in an attempt to speed up vaccination efforts. On the 27th June 2021 the President introduced a country wide level 4 lockdown in response to a sharp increase in COVID infections. On the back of inflation remaining within range in the near term, the Monetary Policy Committee kept the repo rate unchanged over the quarter at 3.5% with an expected increase later in the year due to improved economic recovery. The Reserve Bank revised annual GDP growth expectations from 3.8% to 4.2% but revised downwards in its 2022 projections to 2.3% from 2.4%. The annual rate of inflation increased to 4.4% y/y in April 2021 from 3.2% y/y in March 2021, the bank expects headline consumer inflation to average 4.2% in 2021, up from 3.3% in 2020 and expect it to average 4.4% in 2022 and 4.5% in 2023. Local indices were mostly up over the quarter, including the Top 40 (-1.18%), All Share (-0.35%), the Capped SWIX ALSI (0.03%), ALBI (6.85%), and the STeFI (+0.92%).

Looking ahead

With the effective rollout of vaccines in developed countries such as US and UK, the global focus has moved from damage control via lockdowns to extending vaccination programs and easing social distancing restrictions. Europe and China have accelerated their vaccination attempts and will soon close the gap, whilst emerging markets have had mixed progress but generally lag the developed countries and will continue to focus on management of outbreaks until vaccine programmes pick up speed. A combination of increased vaccines, better management of COVID outbreaks, easing of lockdown restrictions and supporting monetary policy have led to better than expected global economic growth and will continue in the second half of the year. The increase in the growth has led to high inflation particularly in the US as supply fails to meet increasing demand which is fuelled by the significant stimulus package that was injected into the economy in the 1st half of the year. The Federal PCE index is now above the 2% threshold and will stay elevated for the reminder of the year. The FOMC believes that rise in prices is transitory and not permanent and will continue to leave interest rates unchanged. Locally, vaccine rollout has been bolstered by increased supplies of vaccines and walk in station for people aged 50+, which means the economy is likely to begin recovery sooner rather than later. However, the recent the lockdown does threaten the expected economic growth and could have long lasting impact if it stretches for too long. On the political front, the ruling party has made progress in their stance against corruption by successfully suspending the General Secretary, however the focus will now shift on how they respond to the former President Jacob Zuma’s sentence by the Constitutional Court. The President has announced an increase to the max threshold for self-generation electricity projects from 1MW to 100MW. This will create less dependability on Eskom and businesses will be able to continue operations during load shedding. Continued execution in this regard by the President, should start to lift foreign and business confidence and hopefully translate to future fixed investment into the economy.

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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STANLIB

Change in allocation of the fund over the quarter

Asset type	Q2 2021	Q1 2021	Change
Domestic Cash & Mny Mkt	0.14	0.13	0.01
Domestic Equity	93.18	92.55	0.63
Domestic Property	6.68	7.32	-0.64

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
A	Retail	0.58	123.95	22,404,562.53	27,771,552.18
B1	Retail	0.46	124.02	121,405,260.59	150,567,776.43

All Price, Units and NAV data as at 30 June 2021.

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

TER - 1 Year Total Expense Ratio (%) including VAT as at 31/03/2021. 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 Enhanced Multi Style Equity 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 17h00. 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 2021.

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

Manager

STANLIB Collective Investments (RF) (Pty) Limited
Reg. No. 1969/003468/07
17 Melrose Boulevard, Melrose Arch, 2196
Telephone: 0860 123 003
Email: contact@stanlib.com
Website: www.stanlib.com

Trustee

Standard Chartered Bank
Reg. No. 2003/020177/10
2nd Floor, 115 West Street, Sandton, 2196
Telephone: +27 (0)11 217 6600

Investment Manager

STANLIB Asset Management (Pty) Ltd
An authorised financial services provider, FSP No. 719
Reg. No. 1969/002753/07
17 Melrose Boulevard, Melrose Arch, 2196
Telephone: +27 (0)11 448 6000
Website: www.stanlib.com