

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 Cautious 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

The STANLIB Global Balanced Cautious Feeder Fund returned 5.3% over the quarter compared with 5.2% from the composite benchmark. As calculated using 'look-through' attribution, asset-allocation effects were favourable. Being underweight in fixed income added value in relative terms, as did the overweight position in equities. The overweight in cash detracted; however, this 'look-through' cash overweight was exaggerated by selection within the fixed-income portfolios, rather than by an asset-allocation call. Selection effects also added value. Positive contributions within fixed income and cash outweighed negative contributions within equities and property.

Market overview

Equities and corporate bonds staged a powerful rebound during the quarter, recouping most of their recent losses. As the COVID-19 pandemic appeared to be slowing across much of the developed world, the consequent easing of lockdown restrictions, together with unprecedented stimulus from governments and central banks, fostered hopes of a swift 'V-shaped' economic recovery. Economic data tended to reinforce this sentiment, being generally dire in absolute terms but significantly better than expected. In June, the risk-on rally slowed and volatility increased. A resurgence of the virus in several countries prompted fears that a second wave of the pandemic could derail the recovery. Rising caseloads saw reopening plans halted in the three most populous US states, for example, and curbs were reimposed in Beijing following a serious outbreak there. On the stimulus front, the ECB and Bank of England expanded their bond-buying programmes, while the Federal Reserve and Bank of Japan respectively announced and increased loan schemes. The Fed also included high-yield bond ETFs in its purchase programme. In June, investors welcomed reports that the White House was weighing up a \$1tn US infrastructure package. Germany announced new fiscal measures worth €130bn, though EU states remained divided over a proposed €750bn recovery fund. Meanwhile, the Trump administration stepped up efforts to blame China for the pandemic. Adding to the tensions, China imposed a harsh new security law on Hong Kong, to which the US responded by threatening to withdraw the city's special trade status. However, President Trump stopped short of scrapping the phase-one US-China trade deal. The MSCI AC World index of equities returned 19.4% in dollar terms. North America fared best, up 21.6% in dollar terms. The region has a large exposure to the IT sector, which benefited greatly from the lockdown-driven shift to online services. Asia ex Japan was next with 20.3%, followed by emerging markets (EM) and Europe ex UK with 18.5% and 18.2% respectively. A weaker US dollar bolstered sentiment towards EMs and also inflated returns from most overseas markets. The two outliers were Japan (11.6%), which had held up best in the sell-off, and the UK (7.8%), which underperformed as Brexit resurfaced. Sterling was also down slightly against the dollar. Global bonds trailed equities but still delivered strong gains. The Bloomberg Barclays Global Aggregate index returned 11.5%, driven by tightening credit spreads. The 10-year US and German government yields were little changed, though the UK equivalent fell 18 basis points (bps). Credit spreads in the US dollar, euro and sterling investment-grade markets narrowed by 145 bps, 90 bps and 65 bps respectively.

Looking ahead

How to reconcile a 'sudden stop' in global economic activity with buoyant financial asset markets has been a key area of focus for us. Certainly, the shock to economic activity and corporate balance sheets in the near term will be huge. But of course, what matters for forward-looking markets is how the world emerges in 2021 and 2022. Our base case leaves us comfortable owning quality risk assets, even as the recent rebound in credit and equities has dented the valuation case. 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 that economic activity in the US will return to the levels seen in Q4 2019 by the end of 2022, in something of a 'U-shaped' recovery. Europe is likely to experience a slower path back. But all in, we would judge this as a very large – but ultimately temporary – shock, and are keen to be invested in those assets most affected by the monetary response, where valuations remain reasonable. However, with companies likely to emerge from this crisis with weaker balance sheets than before, the focus since the March sell-off has been on higher-quality companies in both credit and equities.

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	3.75	2.61	1.14
Domestic Fixed Interest	1.15	1.17	-0.02
Domestic Property	0.03	0.03	0.00
Foreign Cash & Mny Mkt	-1.00	-1.02	0.01
Foreign Equity	31.66	32.04	-0.37
Foreign Fixed Interest	53.05	53.68	-0.63
Foreign Other	0.28	0.28	0.00
Foreign Property	11.08	11.21	-0.13

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
A	Retail	2.16	352.35	36,697,816.71	129,303,715.67
B1	Retail	1.45	383.75	115,814,256.11	444,437,444.80

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 31/03/2020. 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 Global Balanced Cautious 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 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

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

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

Trustee

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