STANLIB Global Growth Feeder Fund

Quarterly update at 30 June 2022

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 - STANLIB Asset Management Limited is the investment manager of the STANLIB Global Growth Fund, a sub-fund of STANLIB Offshore Unit Trusts.

Fund review

The portfolio underperformed its benchmark for the second quarter of 2021.

At the sector level, stock selection in information technology and an overweight to healthcare contributed to performance while stock selection in industrials and consumer discretionary detracted from performance.

Equity markets continued to face a challenging time with the MSCI All Country World Growth Index losing 20.2% in local currency terms during the second quarter of 2022. The repercussions of the war in Ukraine, further tightening of monetary policy and the ongoing COVID-19 restrictions in China gave rise to significant volatility and fuelled worries about a possible recession.

Against this backdrop, investors continued to rotate out of longer duration growth names into either more defensive growth stocks or those more sensitive to interest rate movements. This quarter saw the mega cap more defensive growth names come under growing pressure with Amazon drawing down by over 30%. Other names which came under pressure were Uber Technology, the ride hailing application and Sea, the Singapore based gaming and online shopping company.

We recognise that the market environment remains uncertain and faces many challenges, but it is more important than ever to focus on companies with value creative and resilient long term growth characteristics - strong business franchises, low levels of indebtedness, forecast superior long-term growth and superior returns that we believe will persist over the long run. Over the quarter, we have been selectively adding to names we expect to be longer term beneficiaries of structural trends at more attractive levels.

Market overview

It has been yet another difficult quarter for markets after what had already been a tough start to the year. With the MSCI ACWI Index losing 13.6% in local currency terms, this is now the worst first half of the year for developed market equities in over 50 years. The repercussions of the war in Ukraine, further tightening of monetary policy and the ongoing COVID-19 restrictions in China gave rise to significant volatility and fuelled worries about a possible recession.

Expectations for the path of monetary policy has seen a major shift with central banks turning more hawkish as they continue to face challenges in bringing inflation under control. The Federal Reserve (Fed) raised rates by 50 basis points (bps) in May and delivered its first 75 bps rate hike since 1994 in June. At its June meeting, the European Central Bank (ECB) confirmed that it intends to end its net asset purchases by the end of the month and indicated that they may raise rates by 25 bps at its July meeting. In the UK, the Bank of England (BoE) raised the base rate to 1% in May and further to 1.25% in June, in order to combat the elevated inflationary pressures.

Against this backdrop, the overall economic outlook continues to remain uncertain. In the US, consumer confidence deteriorated in the latest Conference Board survey for June, indicating a potential weakness in consumers' expectations about the future. The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index (PMI) posted 52.7 in June, down notably from 57.0 in May. On the other hand, the labour market continues to remain strong, with the initial jobless claims at historically low levels.

A similar pattern was observed across other developed markets. In the Eurozone, the headline flash consumer price index (CPI) estimate moved up to 8.6% in June, driven mainly by energy and food prices. The reduction in gas supplies coming from Russia has already driven prices up significantly and is raising fears of outright shortages and rationing if it continues. In the UK, consumers are clearly feeling the squeeze from negative real wage growth and consumer confidence has hit a record low. While the help from the Chancellor to cope with higher prices will ease some of the pain, question remains as to whether it will be enough to prevent a recession.

Due to China's zero COVID-19 policy, Shanghai spent all of April and most of May in full lockdown. As a result, Chinese credit growth slowed as banks, concerned about the worsening economic situation, cut back on loan issuance. In response, the People's Bank of China put pressure on them to increase loan issuance and cut the key mortgage reference rate by 15 bps to support house prices. Now, as new COVID-19 cases continue to fall, the authorities have reduced the mandatory quarantine period for inbound travellers from 14 to 7 days. An easing of COVID-19 restrictions has started a recovery in the world's largest manufacturing economy and the manufacturing PMI increased to 50.2 in June.

Crude oil prices experienced heightened volatility during the quarter, driven by fear of recession and dampened demand, however, ended the period still relatively high. Among equities, value stocks outperformed their growth counterparts, while emerging markets outperformed developed markets.

Looking ahead

The short-term economic outlook has witnessed a material shift on lingering inflation concerns, compounded by a spike in commodity prices following the war in Ukraine, and supply chain problems arising from COVID-19 lockdowns in China. The monetary policy response from central banks, who now consider inflation as the more pressing problem to tackle, presents another risk to global growth. The resulting combination of rising consumer prices and higher interest rates will likely cause economic activity to slow during the second half of the year.

Elevated levels of inflation remain at the centre of market volatility, with investors increasingly concerned that central banks will need to slam hard on the monetary brakes. The recent weakness in consumer sentiment could translate into sluggish consumer spending, affecting wholesale and retail sales in the months ahead. The risk is that if the economy slows too much, rather than just a cooling in activity, we could see a more meaningful and long-lasting recession. However, at this point, the post-pandemic catchup in employment and production should be able to keep the overall economy out of a broad recession.

While a recession might not be deep, weakness in the economy could linger for a while and a sluggish economic recovery would erode inflation pressures and wage growth. If the post-pandemic surge in demand fades and higher prices start to deter new spending, we could expect that inflation and labour market should cool off a little bit in the second half of the year. This should allow central banks to adopt a more gradual policy normalisation, compared to the extreme hawkish rhetoric seen in the first half of 2022.

Despite having widespread supply chain issues, earnings growth was strong in 2021 as companies were able to pass on the cost increases to consumers. However, going forward, growth could slow as profit margins come under pressure from higher wages, elevated commodity prices and increasing borrowing costs. The risk is that higher commodity prices and surging interest rates could damage consumer spending and corporate profits, and in turn, the post-pandemic recovery. Therefore, pricing power and margin resiliency will be a key determinant of relative performance going forward.

While short term risks remain, investors should remember that equity markets have repriced significantly this year, already reflecting some risks of a recession. Whilst we would not be surprised to see a few occasional bouts of volatility, we believe equity markets could now offer an attractive entry point to the long-term investor.

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 2022	Q1 2022	Change
Domestic Cash & MMkt	1.73	0.00	1.73
Foreign Cash & MMkt	5.05	0.00	5.05
Foreign Equity	93.22	0.00	93.22

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
A	Retail	-0.26	84.27	1,000,000.00	842,680.83

All Price, Units and NAV data as at 30 June 2022.
Units - amount of participatory interests (units) in issue in relevant class.

TER - 1 Year Total Expense Ratio (%) including VAT as at 30/06/2022. 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.

This is a General Investor Report (GIR). Please refer to the Minimum Disclosure Document (MDD) for additional information relating to this portfolio and to Disclosures for information relating to the content of this document.

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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 Growth 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 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.

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 2022.

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