## STANLIB Global Multi-Strategy Diversified 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 Multi-Strategy Diversified Growth Fund, a sub-fund of STANLIB Offshore Unit Trusts.

### Fund review

In a difficult quarter for both equities and fixed income, the fund delivered a negative return and underperformed its benchmark.

However, the Fund was able to outperform it strategic asset allocation (SAA). Asset allocation decisions added value, while security selection from the portfolios' underlying managers was a detractor. Having adopted a more cautious stance on risk assets since February, the portfolio further de-risked its equity exposure over the course of the second quarter. This was reflected in a move of the underweight to the SAA in equities from -5% in March 2022 to a -34% by the end of June 2022. This helped to shield the portfolio from the full effect of the equity market drawdown over the period. The portfolio also remains underweight in its credit allocation.

As well as being underweight risk assets, the portfolio has reflected a cautious view on duration through and underweight position which has been additive. However, over the course of the quarter, we shifted the regional composition of the underweight, adopting a more neutral view on US duration, where we see more balanced risks, while remaining underweight European duration.

We believe that markets are likely to remain challenged over the second half of the year as economic growth slows and corporate margins are likely to come under pressure. We consequently retain conviction in the cautious positioning adopted within the portfolio going forward.

### Market overview

The quarter started with heightened volatility driven by expectations for less accommodative US monetary policy, uncertainty over the Ukraine crisis and rising Covid infections in China. Nevertheless, economic data was initially robust with the Eurozone flash purchasing managers' indices (PMIs) all remaining in expansionary territory, with the composite index rising to 55.8pts in April. All the while, inflation kept creeping higher, driven mainly by the services sector while in May, economic data was mixed. As such, US housing data disappointed in the midst of rising mortgage rates, but the US manufacturing sector remained solid. Central bank rhetoric was still a key factor driving markets in June. Expectations of inflation having peaked and hopes for a less hawkish Federal Reserve (Fed), were met with solid US jobs market data in which average hourly earnings rose, while the weekly number of new jobs added surprised on the upside. Similarly, US inflation for May beat expectations, while the European Central Bank (ECB) also surprised investors with their level of hawkishness, when they signalled an end to their asset purchases and a likely 25bp rate hike in July. To this end, major central banks, with the exception of the Bank of Japan, either hiked interest rates or delivered surprisingly hawkish rhetoric in June. Evidence of this was the Fed who hiked US interest rates by 75bps, which was the largest hike since 1994. Additionally, the Bank of England hiked by 25bps, the Swiss National Bank unexpectedly by 50bps while the ECB held an emergency meeting from which hawkishness saw yields rise, specifically yields and spreads in periphery economies like Spain and Italy. China reversed the trend, where stronger-than-expected activity data for May suggested China's growth had bottomed and economic reopening should ease supply chain issues. Looking ahead, inflation expectations stand to be a vital signal to gauge in which direction interest rates could move, so the University of Michigan consumer survey data will be closely monitored. Upside surprises here might hint that the Fed lack credibility in getting inflation under control, which should see continued hawkishness.

This provided a challenging backdrop for asset markets. After an already tough start to the year for risk assets, global equities continued to face selling pressure in the second quarter of 2022 as the MSCI World Index traded -14.2% lower in local currency terms over the quarter. Emerging markets outperformed their developed market counterparts in returning -8.0%. Credit also came under pressure, with US High Yield losing 10% for the quarter as spreads widened. The hawkishness of central banks was a headwind for duration, as the JPM GBI Global Index delivered another quarter of negative returns, losing 5.4%.

### Looking ahead

We expect the global economy to avoid a recession but believe prolonged period of sub trend growth lies ahead as central banks tighten policy to bring inflation under control. Underlying inflation is likely to decline slowly at first, but more rapidly as tighter financial conditions increasingly weigh on aggregate demand. Central banks are unlikely to provide any relief from hawkish rhetoric until several months after inflation prints themselves start to cool. Slowing growth and tight policy prompt us to downgrade equities, where we see downside margins and earnings with underweights spread across developed regions. The U.S. is more at risk given elevated margins and valuations, while China is beginning to recover, albeit from a low base. While credit spreads have widened and corporate balance sheets are in better shape than usual for this point in the cycle, we remain cautious at this point as cooling growth could drive further spread widening. Overall, we are leaning short risk in our portfolios and expect further volatility in the near term. Overall, we are leaning short risk in our portfolios and expect further volatility in the near term. An overweight cash position gives us the opportunity to take advantage of any dislocations in asset markets if risk assets overshoot to the downside.

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## Change in allocation of the fund over the quarter

| Asset type | Q2 2022 | Q1 2022 | Change |
|---|---|---|---|
| Domestic Cash & MMkt | 0.63 | 0.00 | 0.63 |
| Foreign Cash & MMkt | 13.73 | 0.00 | 13.73 |
| Foreign Equity | 74.56 | 0.00 | 74.56 |
| Foreign Fixed Income | 11.08 | 0.00 | 11.08 |

The portfolio adhered to its portfolio objective over the quarter.

## Fund classes

| Class | Type | TER | Price (cpu) | Units | NAV (Rand) |
|---|---|---|---|---|---|
| A | Retail | 2.08 | 97.71 | 1,000,000.00 | 977,102.60 |

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.

## 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 Multi-Strategy Diversified 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

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### Investment Manager

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