STANLIB

Standard STANLIB Equity Fund

Quarterly update at 31 March 2022

Market overview

The local equity market was 6.7% higher for the quarter, but this positive return masked the flurry of macro and geopolitical uncertainty that surfaced during the month. Global equity was down 5.4% in dollar terms as the invasion of Ukraine by Russia, increased regulatory pressure in China, and the pending normalisation of US interest rates, negatively impacted risk appetite. Thanks to higher commodity prices, the rand appreciated 8.3% against the dollar for the quarter.

The Russian invasion of Ukraine rocked markets just as the world was emerging from the global Covid crisis. Initially, the spike in commodity prices benefited the South African mining stocks. But the lingering nature of the confrontation, together with the massive package of reactive sanctions on Russia and the subsequent Covid-induced lockdowns in Shanghai, quickly got the market reassessing the global growth outlook for 2022 and beyond. This weighed on resources in March.

The US Federal Reserve (US Fed) hiked interest rates by 0.25% at its March 2022 meeting, kick starting the long-awaited normalisation of US interest rates. Currently within a range of 0.25% to 0.5%, the market now expects rates to peak at 2.8% by the end of 2023. The prospect of higher interest rates was mostly negative for global technology stocks whose long-dated cashflows will now be discounted at a higher interest rate, thereby lowering their value. The NASDAQ was down 8.9% during the quarter and this had a negative influence over Naspers. Its biggest investment Tencent, whose “killer app” WeChat helps consumers facilitate payments, was requested by the Chinese regulator to create a separate entity for all its payment offerings which could then be regulated like a bank. Naspers was down 32.7% for the quarter and 52.9% over the past 12 months.

Within other parts of the local equity, Resource (+19.0%), Financial (+20.3%) and Telecoms (+11.9%) shares weathered the global geopolitical and macro-economic storm the best. Within these sectors, Sasol (+37.1%), Standard Bank (+30.1%) and Vodacom (+20.7%) were notable performers. Outside of Technology, underperforming sectors for the quarter included Consumer Discretionary (-15.2%) and Industrials (-13.1%). Preference shares advanced 7.9% for the quarter, while listed property shares fell by 1.6%. Both locally and globally, value shares continued to outpace growth shares, while in South Africa the outperformance of small shares over their larger counterparts was more noticeable than in global markets.

Asset class performance (%)

Asset class	Q1 2022	1 year	3 years p.a.	5 years p.a.
FTSE/JSE All Share Index	3.84	18.61	14.20	11.39
Financials	20.28	50.10	8.16	6.98
Resources	19.02	32.67	27.65	26.61
Industrials	-13.11	-2.72	7.64	4.88
FTSE/JSE Capped SWIX	6.72	20.43	11.91	8.09
Bonds ALBI	1.86	12.37	8.42	8.92
Cash STeFI Composite	1.03	3.94	5.23	6.07
ILB's	0.35	10.77	6.97	4.85
FTSE/JSE All Property Index	-1.60	26.25	-4.71	
Global Bonds (BB GABI in ZAR)	-13.93	-7.42	1.13	3.47
Global Equities (MSCI ACWI in ZAR)	-13.19	6.11	14.24	13.58
SA CPI (1 month lag)	1.37	5.65	4.37	4.24

All returns quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro as at Reporting Date - 31 March 2022.

Portfolio classes

Class	Type	Price (cpu)	Units	NAV (Rand)
B1	Retail	133.69	7,259,218.66	9,704,665.62

All data as at Reporting Date - 31 March 2022.
Units - amount of participatory interests (units) in issue in relevant class of class fund.

Allocation/type (look through) (%) over the quarter

Type	Q1 2022	Q4 2021	Change
Domestic Cash & Mny Mkt	1.86	1.84	0.02
Domestic Equity	95.26	94.60	0.67
Domestic Fixed Interest	0.24	0.33	-0.09
Domestic Property	1.54	2.11	-0.56
Foreign Equity	1.08	1.12	-0.03

The portfolio adhered to its portfolio objective over the quarter.

Portfolio review

The Fund was up 5.3% for the quarter, lagging the market but significantly outperforming the average of the peer group (+4.1%). Since inception, the Fund remains ahead of its benchmark and peers.

For the quarter, Fairtree and Ninety One outperformed, while Coronation, Melville Douglas and M&G Investments underperformed. A significant portion of the Fund’s underperformance relative to the benchmark came from being underweight financials. Fairtree holds the largest underweight to financials, but their overweight position to resources more than made up for it. Coronation was underweight financials and resources and overweight Technology via a large overweight in Prosus, and this hurt their performance significantly. While Melville Douglas was overweight financials, their stock selection within financials detracted for the quarter. Overweight positions in Quilter PLC, Coronation Fund Managers and NEPI Rockcastle detracted as these shares fell and this was compounded by no exposure to ABSA or Nedbank which rallied 24% and 33% respectively. They were also underweight platinum and gold shares and overweight Technology, which further detracted from relative returns.

Ninety One continues to generate strong alpha and have navigated the turbulent waters over the past two years well, with alpha of 5.9% per annum. Their overweight position in resources has contributed positively, but so has their more-recent move into banks, particularly ABSA and Nedbank, as well as their trading in Naspers and Prosus. They outperformed by 1% for the quarter. M&G’s relative value style has also served them well over the past two years, but their current underweight in resources and overweight in technology proved a drag for the quarter.

Portfolio positioning and outlook

Relative to our strategic manager allocation, we are currently underweight Melville Douglas and overweight Ninety One. The primary sector positions in the Fund are currently overweight general miners (+2.1%), technology (+1.9%) and tobacco (+1.9%) and underweight property (-2.9%), life insurers (-1.2%) and consumer staples (-1.1%). The largest share over-weights are Prosus, BTI and Standard Bank and underweights are Capitec, Clicks and Sibanye.

As the geopolitical tensions have escalated and macro-economic outlook deteriorated, global earnings growth expectations have been lowered from 10% to 5%. This is now in line with what we would expect from the local market. A clear difference between the South African equity market and that of the US for example, is the split between resources and technology sectors. In the US, resources (including energy) account for less than 6% of the market while technology accounts for over 25%. In South Africa, resources make up around 30% of the market while technology has a weight of around 10%. Current market forces would appear to favour the South African split over the US split. Assuming the invasion of Ukraine is a protracted affair and higher US interest rates continued to result in the derating of global technology stocks in 2022, then we would argue that local equity would continue to outperform global equity.

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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Important information for investors

Information to be considered before investing

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 Standard STANLIB 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 Multi-Manager a division of 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. 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 third party named, co-named portfolio. The Manager retains full legal responsibility for this portfolio. A third party named, co-named portfolio is a portfolio bearing the name of both the Manager and the financial services provider (FSP) where the FSP, under an agreement with the Manager, undertakes financial services of a discretionary nature, as contemplated in the Financial Advisory and Intermediary Services Act, Act No. 37 of 2002 (FAIS), in relation to the assets of the portfolio. Standard Trust Limited, an authorised FSP, FSP No. 705, FAIS, is the third party manager of this portfolio. The FSP is a wholly owned subsidiary of the Standard Bank Group Limited and is a related party to the Manager, the FSP may earn additional fees other than those charged by the Manager. It is the responsibility of the FSP to disclose additional fees to the investor. This document is not advice, as defined under FAIS. Please be advised that there may be representatives acting under supervision.

Unit price – how it works

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. The payment of withdrawals may be delayed in extraordinary circumstances, when the Manager with the consent of the Fund trustees deems this to be in the interest of all Fund investors. These circumstances may include periods when significant underlying markets suspend trading which will prevent accurate valuation of the instruments held in the Fund. When the suspension of trading relates to only certain assets held by the Fund, these assets may be side-pocketed. This process allows normal liquidity on the assets that can be valued but, will delay liquidity on the affected portion of the Fund. If the Fund is faced with excessive withdrawals, the affected withdrawals may be ring-fenced, which is the separation and delayed sale of the assets reflecting the interest of the liquidity seeking investors. It ensures that the sale of a large number of units will not force the Manager to sell the underlying investments in a manner that may have a negative impact on remaining investors of the Fund.

Cost ratios and fees

Cost ratios	1 Year TER	1 Year TC[1]	1 Year TIC	3 Years TER	3 Years TC[1]	3 Years TIC
Class B1	1.58%	0.19%	1.77%	1.58%	0.18%	1.76%

The cost ratios shown have been calculated for the period ending 31/12/2021, from 01/01/2021 for the 1 Year and from 01/01/2019 for the 3 Years.

[1]*Transaction Costs include brokerage, Securities Transfer Tax, STRATE, Levies and VAT.*

Total Expense (TER): This ratio 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.

Transaction Costs (TC): This ratio shows the percentage of the value of the fund incurred as costs relating to the buying and selling of the fund's underlying assets. TC are a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, investment decisions of the investment manager and the TER.

Total Investment Charges (TIC): This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct the TIC from performance figures, the performance is already net of the TIC.

Annual management fee

The Fund charges a fixed annual management fee (i.e. fee class) as a percentage of the assets under management, to ensure a simple and understandable fee structure. The Fund invests primarily in segregated mandates but may also invest in other unit trusts i.e. "Underlying Fund Fees", which are included in the Total Expense Ratio (TER). The annual management fee is accrued daily and paid on a monthly basis.

Performance fees

Neither the Manager, STANLIB Multi-Manager nor underlying manager(s)/fund(s) charge/earn any performance fees.

Advice fees

If an investor appoints an adviser, advice fees are contracted directly between the investor and the adviser. The Manager will facilitate the collection of advice fees only upon receiving an investors instruction to do so. Initial advice fees up to a maximum of 3.45% are collected prior to units being purchased and ongoing advice fees up to a maximum of 1.15% are collected monthly through the redemption of units held by an investor in the Fund. An investor may cancel the instruction to facilitate the payment of advice fees at any time.

Additional information

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).

This document does not constitute an offer of sale. Investors are requested to view the latest Minimum Disclosure Document (MDD), for the provision of additional information pertaining to the product, as well as seeking professional advice, should they be considering an investment in the product. The Manager provides no guarantee or warranty as to the accuracy of the content of this document. Every effort has been made to ensure that the content is accurate at time of issue.

Contact information

Manager: STANLIB Collective Investments (RF) (Pty) Limited. Reg. No. 1969/003468/07. 17 Melrose Boulevard, Melrose Arch, 2196. T: 0860 123 003 W: www.stanlib.com

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

Third party manager: Standard Trust Limited. Reg. No. 1880/000010/06. T: +27 (0)11 283 1100

Investment manager: STANLIB Multi-Manager a division of STANLIB Asset Management (Pty) Ltd. Reg. No. 1969/002753/07. T: +27 (0)11 448 6000 W: www.stanlibmultimanager.com