



# Standard STANLIB GoalConserver Fund of Funds

**Quarterly update at 31 December 2023**

## Market overview

Following weakness in October, global markets finished 2023 on a strong note.

Local equities rallied 8.2% in the final quarter, but it wasn't a smooth ride. October was down 2.9% as the risk premium for owning risk assets increased, following the outbreak of war in the Middle East, while the seasonally strong months of November (8.3%) and December (2.9%) yielded a combined 11.5% return.

Local bonds rose 8.1% in the quarter, with the 7 to 12-year bucket producing a healthy return of 9.4% and the shorter-dated income bucket generating a 4.1% return.

Local property was the best performing asset class in the final quarter, up 15.9% and turning an awful first three quarters into a good year (10.7%), the best performing of all local asset class in 2023.

Inflation linked bonds delivered a commendable 6.1% return for the quarter.

Money market produced a reliable 2.1% return, resulting in a total return of 8.0% for 2023.

As is typical in a risk-on environment, the rand strengthened by 2.6% and 4.4% relative to the dollar for the month and quarter respectively but depreciated by 8.1% for the full year. Local inflation registered 5.5% in November.

The key driver of returns was the shift in monetary policy outlook communicated by US Federal Reserve (US Fed) Chairman, Powell, at the December Federal Open Market Committee (FOMC) meeting. Following a significant rally in global bonds and equity in November, investors had been expecting Powell to throw cold water over the market's enthusiasm. Instead, he waltzed into the salon and offered the unexpected, but joyful, patrons a round on the house, suggesting that the US Fed had hit peak interest rates. This was a dramatic shift from the prevailing "higher for longer" market narrative. In dollar terms, global equity rallied 5.3% and 11.1% for the month and quarter respectively, while global bonds rose 4.2% and 8.1% respectively over these periods.

Of grave concern has been the fighting in the Middle East, where many civilian lives have been lost. Northern Gaza has been reduced to rubble and attacks by Houthis rebels on cargo ships in the busy Red Sea shipping lane has threatened to escalate the conflict to the broader Middle East region, if not beyond. A higher oil price would challenge the downward path of inflation but, fortunately for now, oil prices have so far been contained. Further to the east there remain lingering concerns in the Chinese property market, which, together with a trigger-happy Chinese regulator and slowing economic growth, have seen western investors seemingly boycotting Chinese markets.

## Asset class performance (%)

Asset class	Q4 2023	1 year	3 years p.a.	5 years p.a.
Equity - FTSE/JSE All Share	6.92	9.25	13.51	11.88
Financials	11.76	21.48	19.58	6.68
Resources	3.00	-11.84	8.21	14.56
Industrials	5.87	16.62	12.40	11.60
Equity - FTSE/JSE Capped SWIX	8.21	7.87	12.69	8.97
Bonds - FTSE/JSE All Bond	8.11	9.70	7.43	8.24
Cash - STeFI Composite	2.09	8.06	5.68	5.94
ILBs - FTSE/JSE Infl-Lnkd Gov	6.11	6.92	8.83	6.53
Property - FTSE/JSE All Property	15.86	10.70	14.61	-0.67
Global Bonds - BB GABI in ZAR	4.49	13.31	1.59	4.56
Global Equity - MSCI ACWI in ZAR	7.32	30.98	13.69	17.17
Inflation - SA CPI (1 month lag)	1.44	5.52	6.13	5.01

All returns quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro as at Reporting Date - 31 December 2023.

## Portfolio classes

Class	Type	Price (cpu)	Units	NAV (Rand)
B1	Retail	126.70	1,719,989,228.45	2,179,186,669.93

All data as at Reporting Date - 31 December 2023.

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

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

Type	Q4 2023	Q3 2023	Change
Domestic Cash & Mny Mkt	10.05	10.43	-0.38
Domestic Derivatives	0.06	0.45	-0.39
Domestic Equity	18.10	17.99	0.11
Domestic Fixed Interest	43.95	44.07	-0.11
Domestic Funds	0.00	0.03	-0.03
Domestic Property	4.71	4.18	0.53
Foreign Cash & Mny Mkt	0.98	0.78	0.20
Foreign Equity	18.66	18.86	-0.20
Foreign Fixed Interest	2.68	2.38	0.30
Foreign Funds	0.28	0.30	-0.02
Foreign Other	0.12	0.12	0.00
Foreign Property	0.40	0.40	0.00

The portfolio adhered to its portfolio objective over the quarter.

## Portfolio review

The Fund produced a solid 5.7% return for the quarter culminating in a 11.6% return for 2023. Over both periods, the Fund was ahead of its peer group and ahead of its internal asset allocation (composite index) index return. The strongest contributors to peer relative performance for the quarter were being overweight local equity, property and longer duration bonds and having a greater proportion of offshore assets in global equity relative to global bonds.

All the underlying funds produced positive returns for the quarter; however, there was mixed performance relative to their respective benchmarks. The Standard STANLIB Bond Fund (Bond Fund) and Standard STANLIB Yield Plus Fund (Yield Plus Fund) both outperformed their benchmarks on a gross-of-fees basis, with longer-duration positioning being the common denominator. The inclusion of Granate in the Yield Plus Fund in September has served this fund well, helping it to beat its benchmark and peers for the quarter and the year. Prescient's long-duration positioning helped drive the success of the Bond Fund. The Standard STANLIB Equity (Equity Fund) and Standard STANLIB Property Fund (Property Fund) both underperformed in the stronger finish to the year. Popular underweights in the outperforming financials and property sectors dragged on relative returns, while the overweight positions in the underperforming technology and consumer staples sectors also hurt the Equity Fund. The Property Fund underperformed due to cash drag in a strong market.

The SMM Global Bond Fund outperformed its benchmark comfortably for the quarter, with the long held underweight dollar position finally paying off. The SMM Global Equity Fund only marginally underperformed its index because of the small underweight allocation to tech companies, which performed well for the quarter. The SMM Global Equity Fund celebrated its 25th anniversary since launch and enjoying its eighth consecutive year of outperformance.

## Portfolio positioning and outlook

Tactically, the Fund is marginally overweight global assets, with a preference for global equity and bonds over cash. Locally, its most significant position is the overweight allocation to local property, which we believe can deliver high income and strong capital returns in 2024 as property fundamentals improve.

While there could be more, we see three macroeconomic themes that could play out in 2024.

Our central scenario is a soft landing for the US economy that would see markets delivering solid returns and the rand strengthening as the dollar weakens during the US rate cutting cycle. Local is preferred over global in this scenario.



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We assign a low probability to a recessionary scenario, which would also see interest rates being cut but would make it harder for corporates to generate earnings. Global bonds would outperform global equity in this scenario.

Our final scenario assumes that inflation is sticky or reaccelerates due to the escalation of war, higher oil prices, supply side constraints, continued strength of the America consumer and Chinese monetary and fiscal stimulation that slows the exportation of disinflation. This would be a bad outcome for global bonds as the bond market is currently priced for 1.5% in rate cuts. Even if the US Fed's projection of 0.75% comes to fruition, it is likely that the market will be disappointed and suffer a hangover.

*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.*

## 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 GoalConserver Fund of Funds 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 Fund of Funds portfolio. A Fund of Funds portfolio is a portfolio that invests in other portfolios of collective investment schemes, that levy their own charges, which could result in a higher fee structure for the Fund of Funds portfolio. 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](http://www.stanlib.com)) and in South African printed news media. This portfolio is valued at 24h00. 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 <sup>1</sup>	1 Year TIC	3 Years TER	3 Years TC <sup>1</sup>	3 Years TIC
Class B1	1.37%	0.05%	1.42%	1.37%	0.05%	1.42%

*The cost ratios shown have been calculated for the period ending 30/09/2023, from 01/10/2022 for the 1 Year and from 01/10/2020 for the 3 Years.*

<sup>1</sup>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](http://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.

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