STANLIB

Standard STANLIB GoalConserver Fund of Funds

Quarterly update at 31 March 2022

Market overview

Local equity climbed 6.7% for the quarter, but this positive return masked the flurry of macro and geopolitical uncertainty that surfaced during the quarter. Local bonds were up 1.9% and the rand strengthened 8.3% against the US dollar but global equity fell 5.4% in dollar terms as risk appetite subsided.
There were three primary drivers of increased risk aversion during the quarter. The Russian invasion of Ukraine cast great uncertainty over markets, just as the world was emerging from the global Covid crisis. Along with other commodity prices, oil spiked to $120 per barrel, Russia suspended its equity market on the 25th of February, MSCI announced the removal of Russian shares from its indices, and the dollar repayment of Russian debt became questionable as reactive sanctions were imposed on Russia. Many entities self-sanctioned their Russian activities, all of which has contributed to the expectation of lower global economic activity. Indicative of this, having previously forecast 4.6% GDP growth for 2022, German authorities now believe GDP growth will average 1.8% for Europe's largest economy, down from 3.6% in 2021.
The US Federal Reserve (US Fed) signalled its intention to raise US interest rates to combat runaway inflation and delivered a 0.25% hike in March. The market now expects US interest rates to rise a further six times in 2022, peaking at 2.8% by end 2023 – a substantial realignment compared to just five months ago when inflation was still deemed transitory. Post its March meeting, the US Fed stepped up its rhetoric on fighting inflation and the market quickly priced in a 0.5% hike at its May meeting. Global technology stocks, whose long-dated cashflows will be discounted at a higher expected interest rate, were hit the hardest with the NASDAQ falling 8.9% for the quarter.
The third source of volatility came from China where regulatory pressure intensified. Tencent, whose "killer app" WeChat helps consumers facilitate payments, came under pressure to house all its banking and payment offerings into a separate banking entity and be regulated like a bank. The shares collapsed but subsequently recovered some losses following a more conciliatory tone from the regulator promising greater transparency and predictability. Naspers was down 32.7% for the quarter and down 52.9% over the past 12 months.

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	118.42	1,537,914,068.49	1,821,254,145.68

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	11.52	14.05	-2.53
Domestic Derivatives	0.00	-0.02	0.02
Domestic Equity	18.50	18.15	0.35
Domestic Fixed Interest	45.15	41.46	3.69
Domestic Property	4.18	4.23	-0.05
Foreign Cash & Mny Mkt	0.20	0.21	-0.01
Foreign Equity	18.69	20.13	-1.45
Foreign Fixed Interest	0.69	0.75	-0.06
Foreign Funds	0.55	0.48	0.07
Foreign Other	0.16	0.15	0.01
Foreign Property	0.35	0.40	-0.05

The portfolio adhered to its portfolio objective over the quarter.

Portfolio review

Given the heightened market volatility, stronger rand and weaker global markets, the Fund produced a -1.2% return for the quarter. This was only slightly behind the peer group average (-0.9%). The Fund had an exposure of around 21% to a mixture of global equity, bonds and cash, and this was enough to offset the positive returns from the local equity and bond markets. Over the past 12 months, the Fund was up 8.8%, roughly 0.1% ahead of its peer group average. The Fund has produced a return of 7.8% per annum over the past four years, 0.2% ahead of its inflation plus 3% target.
Underlying asset class fund performance was generally positive in the first quarter, with only the local equity component underperforming its benchmark by around 1% on a gross-of-fees basis. Three of the five underlying equity managers underperformed. Melville Douglas struggled the most due to their underweight exposure to platinum and gold shares which drove equity returns for the quarter. Coronation was also marginally underweight resources; however, their underperformance was largely due to their overweight position in Naspers and Prosus. Both equity managers were strong performers in March when resources underperformed. Fortunately, the global portfolios had very low exposure to Russian assets and, hence, were not significantly impacted either in absolute or relative terms by the zero-pricing applied to these instruments in February.

Portfolio positioning and outlook

During the quarter, the Fund's tactical positioning remained largely unchanged. It is underweight global equity, global bonds and local cash, and overweight local bonds, property and equity. We actively upweighted local bonds and allowed the total global exposure to dilute as the rand strengthened.
The massive unwind of global liquidity is expected to increase the probability of a US recession in the next two years. We had expected global growth to slow significantly in 2022 relative to 2021, and the subsequent invasion of Ukraine and Covid-induced lockdowns in Shanghai have only served to dampen our expectations further. US inflation is becoming embedded, evidenced through tight labour and housing markets. Global risks are ratcheting up at a time when the SA markets look more attractive than they have in some time relative to developed markets and their own history.
All of this is further complicated by the welcome relaxation of exchange controls by National Treasury in February, allowing for up to 45% offshore exposure. Our optimisation work suggests no changes to the strategic asset allocation of this Fund will be required resulting from the new regulation. We will continue to monitor the category over time and will rerun optimisations if required, while applying our tactical thinking to the Fund in the interim. In this regard, we believe the outperformance of local assets over global assets may continue and so we are in no rush to increase our global allocation significantly.

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 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) 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[1]	1 Year TIC	3 Years TER	3 Years TC[1]	3 Years TIC
Class B1	1.38%	0.05%	1.43%	1.38%	0.08%	1.46%

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.

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