STANLIB Global Balanced Feeder Fund

Quarterly update at 31 December 2023

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 - Columbia Threadneedle Investments were appointed by the investment manager (STANLIB Asset Management Limited) as the sub-investment manager of the STANLIB Global Balanced Fund, a sub-fund of STANLIB Funds Limited, with Alex Lyle being the portfolio manager of this sub-fund. Columbia Threadneedle Investments is a leading global asset management group that provides a broad range of actively managed investment strategies and solutions for individual, institutional and corporate clients around the world. Columbia Threadneedle Investments is the global asset management group of Ameriprise Financial, Inc. (NYSE: AMP), a leading US-based financial services provider. As a part of Ameriprise Columbia Threadneedle Investments are supported by a large and well capitalised diversified financial services firm.

Fund review

Gross of fees, the portfolio outperformed its benchmark. As calculated using ‘look-through’ attribution, asset allocation effects were positive, largely due to being underweight in cash in such a strong month for the other asset classes. Selection effects were a much bigger performance driver. A small negative effect from the property portfolio, which rose very strongly but trailed its benchmark, was more than offset by a strong positive selection contribution from the equity portfolio, which benefited from its quality/growth tilt in the conditions described above.

Market overview

With commodities a notable exception, the fourth quarter (Q4) of 2023 proved to be a strong period for most asset classes. Nevertheless, it was far from plain sailing. October, for example, was a generally weak and volatile month for safe havens and risk assets alike. Surprisingly robust US economic data pushed Treasury yields to 16-year highs, dampening the relative appeal of equities, which were further pressured by concerns about the terrible events in Israel and Gaza.

Thereafter, however, equities rallied, core government bond yields plunged, and credit spreads tightened. The main drivers of these moves were slower-than-expected inflation in the US and Europe, signs of cooling in the US labour market, and a growing belief that the major central banks would start to cut interest rates sooner than previously thought. Equities and corporate bonds were further supported by Q3 corporate results that beat estimates in aggregate and easing fears of widening conflict in the Middle East.

The Federal Reserve continued to keep rates on hold throughout the quarter, but its commentary and forecasts became increasingly dovish. In November, Fed Chair Jerome Powell noted the tightening effect on the economy of higher Treasury yields and mortgage payments. December’s policy meeting was seen as even more of a departure. Powell acknowledged slowing growth and progress on inflation, and the Federal Open Market Committee reduced its median rate projection for the end of 2024 from 5.1% to 4.6% – entailing 75 basis points (bps) of cuts over 2024. Markets were more optimistic still; by the end of Q4 they were pricing in more than twice that level of cuts before 2025.

The European Central Bank and Bank of England also held rates steady, but both maintained their ‘higher for longer’ rhetoric, even after the Fed’s dovish pivot. After their December meetings, ECB President Christine Lagarde insisted that cuts had not been discussed at all, while the BoE reported that three members of its nine-strong Monetary Policy Committee had again voted for a hike. Nevertheless, markets appeared sceptical. Gilt and Bund yields continued to fall and traders priced in more aggressive ECB and BoE rate cuts in 2024. This perhaps reflected the relative weakness of the eurozone and UK economies; both contracted mildly in Q3 versus robust growth in the US.

Over Q4, the 10-year Treasury yield fell 69 bps to 3.88%, while the German and UK equivalents respectively fell 82 bps to 2.02% and 90 bps to 3.54%. Meanwhile, credit spreads tightened significantly across the three main regional investment-grade (IG) markets: US dollar, sterling and euro IG spreads narrowed by about 16.8%, 12.9% and 9.9% respectively (per ICE BofAML indices). The Bloomberg Global Aggregate index of world bonds returned 8.1% in US dollar terms.

The MSCI All Country World index (ACWI) of equities returned 11.1% in dollars, with gains inflated by the weakness of the US dollar. Growth stocks outperformed value. By sector, technology and real estate fared best, while energy fell along with oil prices. By region, Europe ex UK and the US were strongest, though Europe’s outperformance in dollars was driven by currency moves. Developed Asia ex Japan was next, as Australia benefited from rising iron ore prices. Japan, emerging markets (EMs) and the UK trailed the ACWI. A stronger yen weighed on Japan’s export-heavy market though also inflated returns in dollars. Most EMs enjoyed strong gains as the dollar weakened and risk appetite improved, but EM heavyweight China fell amid concerns about its property crisis, new regulations on video gaming, and ongoing geopolitical tensions with the West. The UK brought up the rear, held back by its relatively heavy exposure to overseas earners and energy-related companies as sterling rose against the dollar and oil prices fell.

Looking ahead

The US economy looks likely to achieve the ‘soft landing’ predicted by the Fed. The eurozone and the UK may slip into technical recession, but we think any such downturn should be mild. In any case, large, listed companies are well insulated from any strains on the economy. Companies still have pricing power – as seen in the recent example of streaming giants ramping up subscription fees – and their debt profiles have generally locked in the low rates of 2021 and earlier. Smaller, unlisted firms – to which the fund’s equity allocation is not typically exposed – may be more vulnerable.

Nevertheless, we maintain a slight degree of caution about the outlook for equities. For the reasons outlined above, this is not due to risks around earnings; rather, it is because global equity valuations (on a price-to-earnings basis) look historically high, both in absolute terms and relative to other asset classes.

We continue to be more constructive on the outlook for fixed income, even after the stellar performance seen in recent months. We remain positive on both duration and credit, which we expect to benefit from rate cuts this year and beyond. Our IG analysts expect credit quality to remain strong, and the anticipated combination of falling interest rates and low but positive economic growth would be a reasonable environment for spreads to tighten.

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	Q4 2023	Q3 2023	Change
Domestic Cash & Mny Mkt	-0.79	3.30	-4.08
Domestic Property	0.03	0.03	0.00
Foreign Cash & Mny Mkt	2.81	2.70	0.11
Foreign Equity	64.22	61.62	2.60
Foreign Fixed Interest	22.59	21.67	0.91
Foreign Other	0.15	0.14	0.01
Foreign Property	10.99	10.54	0.45

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
B1	Retail	1.35	615.13	181,654,862.15	1,117,416,008.92

All Price, Units and NAV data as at 31 December 2023.

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

TER - 1 Year Total Expense Ratio (%) including VAT as at 30/09/2023. 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 Balanced 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 15h00. 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 31 December 2023.

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).

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