STANLIB Global Equity Feeder Fund

Quarterly update at 31 December 2023

STANLIB

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 High Alpha Global Equity Fund, a sub-fund of STANLIB Funds Limited, with Neil Robson 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 fund was ahead of its benchmark over the quarter. Our quality-growth bias proved beneficial as many of these stocks performed well amid hopes of interest-rate cuts in 2024. The fund's outperformance was due to favourable security selection, especially in healthcare, industrials and technology. However, our choices in financials were unfavourable. Sector allocation was modestly beneficial; the overweight in technology and underweight in consumer staples added value, but the overweight in healthcare detracted modestly.

At the stock level, top contributors included CrowdStrike and Uber Technologies.

CrowdStrike outperformed in response to strong Q3 results. This included revenue and earnings that beat estimates, along with a year-on-year increase in annual recurring revenue up to the end of October. The firm also issued strong guidance for Q4 and upgraded its full-year outlook. We continue to hold conviction in the company's strong software-as-a-service business model and market-leading technology. We believe it is still early in its growth phase and addresses a large potential market.

Uber's shares rose after the firm reported encouraging Q3 results in November. Growth of trips and monthly active platform users both accelerated year on year, while earnings and income from operations were also up. Uber's competitive position continues to be supported by its scale, technological expertise and expansion plans in multiple, fast-growing regions around the world. The stock rallied further in December following news of its inclusion in the S&P 500. In our view, the company's global market position is improving, and momentum is likely to be sustained at the Uber Eats food delivery arm. Uber is also starting to deliver high incremental margins in its core ride-hailing segment and vastly improving its business quality by shifting the model to include subscriptions.

Detractors included Nutrien, which reported disappointing Q3 results owing to lower fertiliser prices and softening demand. However, our investment rationale remains intact. Nutrien is the world's leading producer of potash and the second-largest global producer of nitrogen fertiliser. The firm boasts a diverse and integrated agricultural business, while its potash division benefits from low costs and flexible capacity. The company has an attractive earnings profile and a solid balance sheet, as well as a cost advantage over competitors. Additionally, we see the firm's quality improving over time, alongside further advances in its strong ESG rating.

Market overview

The MSCI All-Country World Index (ACWI) enjoyed a strong end to 2023, returning 9.5% over the quarter in local-currency terms. Inflation declined in the US, UK and Europe, leading to the growing belief that their central banks had reached the end of their tightening cycles and would soon start cutting interest rates. Bond yields also fell, which provided a further boost for equities, particularly growth stocks.

US equities initially declined when sticky inflation early in the quarter reinforced the prevailing 'higher for longer' interest-rate narrative, while the conflict in Gaza added to the sense of risk aversion. However, a strong Q3 corporate earnings season boosted sentiment mid-period, alongside signs the US economy would achieve a 'soft landing'. The Federal Reserve (Fed) maintained interest rates at 5.5%, a 22-year high, but markets priced in a more dovish outlook as the quarter progressed after inflation fell more than expected in October and November. Chairman Jerome Powell then laid the groundwork for cuts in 2024 by acknowledging the progress achieved in bringing inflation down and noting the risk of keeping rates too high for too long. This further fuelled the rally late in the year as markets increased their expectations of the number of quarter-point rate cuts in 2024.

European equities also rose over the quarter, overcoming an October downturn that occurred amid a temporary spike in oil prices. The European Central Bank (ECB) left rates unchanged but struck a more cautious tone than the Fed, with President Christine Lagarde saying policymakers 'did not discuss rate cuts at all'. However, as in the US, markets priced in a more dovish outlook as inflation edged close to ECB target levels, which paved the way for European stocks to join the global rally despite purchasing managers' index readings indicating that the eurozone may have slipped into a technical recession in Q4. UK equities followed the same pattern, where November and December gains more than offset an October decline. The Bank of England kept rates on hold as expected but, like the ECB, remained more hawkish than the Fed, suggesting that rates could still rise if necessary. However, markets nevertheless priced in rate cuts in 2024, as inflation fell more than expected in October and November and economic data gave cause for concern.

Japanese equities ended the quarter in positive territory but lagged other regions. Although the Bank of Japan's (BoJ's) monetary policy remained much looser than those of its developed market counterparts, the BoJ adjusted its yield curve control in Q4 and raised expectations that it could move away from its ultra-loose approach in 2024. The resulting strong yen weighed on Japan's export-oriented market, as did the struggling Chinese economy, which negatively impacted demand. Emerging markets (EMs) gained ground in Q4 when failing Treasury yields and weaker US dollar boosted demand for EM equities, helping to overcome ongoing concerns over China's property sector and growth outlook.

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In local-currency terms, the rally in the US drove the global index, while Europe ex UK and EMs posted strong gains but lagged the ACWI. The UK was weaker still as the rotation to growth stocks added a headwind given the UK market's value bias. Japan underperformed the most in Q4 to end an otherwise strong year.

All sectors in the MSCI ACWI had a positive quarter aside from energy, which was impacted by volatile oil prices. Technology led the gain amid the pivot to growth stocks. Real estate and industrials also enjoyed strong gains, buoyed by hopes that interest rates have peaked. Aside from energy, laggards included the defensive consumer staples and healthcare sectors as investors favoured more economically sensitive areas of the market.

Looking ahead

Compared with 2022, macro sentiment had less impact on markets in 2023 and the focus is on earnings delivery. Higher interest rates will remain important and may place some pressure on unprofitable higher-growth stocks, so we stress the importance of focusing on the quality of the growth opportunity. With the "free money" era coming to an end, markets will want to see evidence of near-term profitability and pricing power.

Our holdings, on the whole, tend to be less economically geared and so should be better placed in an environment of slower growth. They are typically cash-generative and, in many cases, have business models focused on recurring revenues. These companies also tend to have strong balance sheets. So they should be less impacted by the need to refinance debt at higher rates. In addition, many are supported by powerful secular themes.

While the market has been quite narrowly led in 2023, diversification will remain important as investment to tackle issues such as decarbonisation, deglobalisation and energy efficiency creates a broad opportunity set. We believe that we can find quality growing companies across a range of sectors and geographies.

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	1.83	3.68	-1.85
Domestic Equity	0.71	0.69	0.02
Domestic Fixed Interest	0.18	1.00	-0.82
Foreign Cash & Mny Mkt	6.30	6.13	0.17
Foreign Equity	85.18	82.85	2.32
Foreign Other	2.75	2.67	0.07
Foreign Property	3.06	2.97	0.08

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
B1	Retail	1.33	588.07	309,877,094.16	1,822,307,270.39
R	Retail	1.33	617.25	246,579,475.92	1,522,018,503.07

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.

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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 Equity 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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