STANLIB Global Multi-Strategy Diversified Growth 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 - JP Morgan Asset Management (UK) Limited (JPMorgan) were appointed by the investment manager (STANLIB Asset Management Limited) as the sub-investment manager of the STANLIB Global Multi-Strategy Diversified Growth Fund, a sub-fund of STANLIB Funds Limited. JPMorgan is a private limited company incorporated under the laws of England and Wales.

Fund review

The strategy delivered a positive return for the fourth quarter of 2023, outperforming its inflation-based objectives. The strategy benefitted from a strong positive contribution from equities, with fixed income also adding value. Security selection decisions within the underlying strategies was also positive, led by the Global Select Equity strategy, while our fixed income managers also outperformed their respective benchmarks.

Over the course of the quarter, we added risk back in the portfolio by increasing both our exposure to credit and equities, reflecting increased conviction in trend-like global growth and that developed market central banks have reached the peak of their rate hiking cycles as inflation gradually moves toward targets. Ultimately, we see less restrictive financial conditions going ahead as being an environment supportive for both stocks and bonds.

Within equities, we gained conviction in the asset class as a whole. On a regional basis, having trimmed our European and Japanese exposures in October, we added to US large cap and small cap equities through November and December. Towards the end of the quarter, we added some additional Europe whilst trimming our Japanese allocation further.

In fixed income, we moderately reduced the duration profile of the portfolio in October, while adding to credit through US High Yield. We have tactically adjusted our exposure to US duration, currently preferring the middle of the curve, and looked for global diversification through Australian bonds, as well as re-opening a position in UK gilts in December.

Market overview

The final quarter of 2023 delivered a welcome Christmas present for investors. After the slight reality check in the third quarter, the last three months of the year saw strong returns across most major asset classes. Growing excitement that central banks will cut interest rates sooner in 2024 than previously expected resulted in an ‘almost everything rally’. Equity markets rebounded strongly over the quarter as the end of ‘higher for longer’ rates fears boosted stocks, with the MSCI World (local currency) returning 9.8%. Core government bonds also reversed some of their previous losses, with the Bloomberg Global Aggregate Index in local currency, returning 8.1% over the final quarter of the year.

Coming into the final quarter of 2023, the market was comfortable that central banks had finished hiking, but cautious about how long rates would remain at restrictive levels. A series of softer inflation prints in the US and Europe led to growing excitement that central banks may cut interest rates sooner than previously expected with the market now forecasting over 150 basis points of interest rate cuts by the US Federal Reserve (Fed) in 2024. These expectations of early central bank cuts, tightening spreads and a weakening Dollar supported positive fixed income market returns. The more dovish anticipated path for interest rates meant government bonds delivered strong returns over the quarter, with the top two sovereign markets both in Europe (UK Gilts and Italian Government Bonds).

Global equity markets reversed the third quarter narrative. The S&P 500, with its growth tilt, was the best performing major equity index over the quarter supported by the rally in the ‘magnificent seven’ tech and AI stocks, which returned 12.6% (Bloomberg Magnificent 7 Total Return Index) over the quarter.

Tightening spreads also helped credit. Spreads on high yield and emerging market debt fell as the funding risk posed by higher for longer US rates for emerging market economies and riskier companies faded. The greater interest rate sensitivity of the global investment grade index meant it outperformed high yield with returns of 8.8% (Bloomberg Global Aggregate Corporate Index in local currency) over the quarter.

Looking ahead

As central banks move from hiking to cutting in 2024, we expect both stocks and bonds to benefit. We remain increasingly confident that the Fed Funds rate has reached its peak for the cycle and following its dovish tilt in its December meet, we see room for cuts as inflation and growth decelerate going forward.

We also continue to see some further upside in equities from current levels on the back of mid-single-digit earnings growth and stable valuations expected next year. Amid receding inflation, stock-bond correlations should eventually fall towards neutral levels – improving the diversification potential in multi-asset portfolios as bonds act as a diversifier in case of adverse growth shocks, thus forming our constructive stance on duration.

We also prefer high-quality carry in credit in an anticipated lacklustre but non-recessionary environment. For the time being, close to trend growth and less restrictive policy are supportive for asset returns in the first half of 2024.

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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Change in allocation of the fund over the quarter

Asset type	Q4 2023	Q3 2023	Change
Domestic Cash & MMkt	2.41	5.15	-2.74
Foreign Cash & MMkt	-37.15	-1.69	-35.46
Foreign Equity	38.08	48.79	-10.71
Foreign Fixed Income	96.67	47.76	48.91

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
A	Retail	1.39	114.20	1,017,944.12	1,162,498.56

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 Multi-Strategy Diversified Growth 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 17h00. 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).

Contact details

Manager

STANLIB Collective Investments (RF) (Pty) Limited
Reg. No. 1969/003468/07
17 Melrose Boulevard, Melrose Arch, 2196

Telephone: 0860 123 003
Email: contact@stanlib.com
Website: www.stanlib.com

Trustee

Standard Chartered Bank
Reg. No. 2003/020177/10
2nd Floor, 115 West Street, Sandton, 2196

Telephone: +27 (0)11 217 6600

Investment Manager

STANLIB Asset Management (Pty) Ltd
An authorised financial services provider, FSP No. 719
Reg. No. 1969/002753/07
17 Melrose Boulevard, Melrose Arch, 2196

Telephone: +27 (0)11 448 6000
Website: www.stanlib.com