

## 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 - STANLIB Asset Management Limited is the investment manager of the STANLIB Global Growth Fund, a sub-fund of STANLIB Offshore Unit Trusts.

## Fund review

Stock selection in the information technology and industrials sectors contributed the most to relative returns whilst stock selection in the financials sector detracted the most.

An overweight position in Uber Technologies, the US-based ride-hailing service provider, contributed to returns over the quarter. The company reported strong third quarter results driven by rise in gross bookings, trips, and monthly active platform users. The company also benefited with its inclusion in the S&P 500 Index in November 2023.

Our overweight position in ASML, the Netherlands-based semiconductor equipment maker, contributed to performance over the quarter. The stock gained as overall market sentiment got more optimistic about the possibility of sooner than earlier expected Fed rate cuts in 2024, which would subsequently boost tech stock valuations.

An overweight position in Shin-Etsu, the Japanese diversified industrial chemical manufacturer, contributed to performance over the quarter. The stock rose after the company posted quarterly results in-line with consensus estimates as it showed strong execution in a tough environment. Investor confidence further grew as the company raised forecasts for the wafer shipments for the next quarter.

Our overweight position in Hess, an American global independent energy company, detracted from relative returns over the quarter. In November, Hess shares declined 4% with Chevron and Exxon moving in sympathy as news flow accelerated ahead of a Venezuelan referendum being held relating to a territorial dispute with Guyana. Although we do not think this will have a long-lasting impact, it does underscore the concentrated country risk exposure for Hess.

An overweight position in Hong Kong Exchange, the Hong Kong based exchanges and clearinghouse company, detracted from performance over the quarter. The shares came under pressure as the company faced high earnings volatility from an equity turnover-driven business model as well as to the high dependence on China's political, regulatory and policy changes.

Our overweight position in Pernod Ricard, the French beverages company, detracted over the quarter. While the company continues its growth trajectory in terms of regional diversification and product launches, the share price remained under pressure owing to depressed sales in key markets such as China and the US, whereby it has been affected by distributor destocking.

We recognise that the market environment remains uncertain and faces many challenges, but it is more important than ever to focus on companies resilient long term growth characteristics.

## Market overview

Global equities rallied in the final quarter, ending the year on a positive note. 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 (bps) of interest rate cuts by the US Federal Reserve (Fed) in 2024.

The catalyst came from the US November Consumer Price Index (CPI) report which saw the annual headline CPI ease to 3.1%, helped by a sharp decline in energy prices. While the Fed held rates steady at the December meeting, their latest projections suggested three cuts over 2024. Importantly, Fed Chair Jerome Powell, in a significant shift from prior messaging, did not push back on market pricing for cuts early in 2024. The bond market responded sharply with US 10-year treasury yields moving below 4% (from almost 5% in mid-October), and 2-year treasury yields falling below 4.4%. This caused extreme factor moves in equity markets and saw strong outperformance from 'high risk' stocks. The S&P 500, with its growth tilt, delivered its best quarterly performance in three years. Although returns for the full year were dominated by the 'magnificent seven' tech and AI stocks, over the quarter, the rally broadened with 33% of the index reaching new 52-week highs in December.

Europe and the UK witnessed a further downtrend in inflation. Annual inflation in the Eurozone fell to 2.4% in November, from 2.9% in October and the UK headline CPI declined to 3.9% in November, the lowest annual reading since September 2021. The European Central Bank (ECB) and the Bank of England (BOE) both kept rates on hold in December but were more nuanced in their outlook, expressing more caution over inflation. While European stocks delivered strong returns over the quarter, the UK equity market trailed due to a combination of higher exposure to underperforming energy stocks and the strength of the sterling.

Hamstrung by weak Chinese performance, emerging market equities lagged their developed market counterparts over the quarter. While mounting growth concerns continued to be a drag on Chinese equities, this was offset by strong returns elsewhere, particularly in Latin America, which helped the emerging market equities deliver positive returns.

The end of 'higher for longer' rates fears boosted growth stocks which outperformed their value counterparts in the final quarter. Additionally, real estate investment trusts and small caps, which had struggled in the face of higher rates, bounced back as the market priced in rate cuts for the Fed in 2024. Oil prices retreated sharply during the quarter from their 2023 peak seen in September to close out a very volatile year for the commodity.

## Looking ahead

As we head into 2024, a combination of solid activity and falling inflation has seen the market narrative increasingly shift towards the prospects of a soft landing and earlier than expected rate cuts. The market has moved to price 150bps of rate cuts by the Fed in 2024 with the first cut now expected

# STANLIB Global Growth Feeder Fund

Quarterly update at 31 December 2023

# STANLIB

by March 2024. However, it should be noted that only once in the past 50 years (the mid-1980s) has this pace of rate cuts been observed without a recession.

Indeed, the risks to the global economy have certainly not disappeared and a quick look at the various macroeconomic indicators point to diminishing economic momentum. On top of these macro uncertainties, there are numerous political and geopolitical uncertainties. Wars are still ongoing on multiple frontiers that have the potential to deliver further commodity price shocks through the global economy and 2024 is a big year for national elections, with 40 nations scheduled to go to the polls, which includes four of the world's five most populous countries. Hard fought elections will take place in the US and the UK, while elections elsewhere, such as in Taiwan, may also be in focus given Chinese tensions.

Against this backdrop, economic growth looks set to moderate in 2024 after surprising positively in 2023. Cooling labor markets and tighter lending standards could limit growth in consumption, while the lagged effects of monetary tightening may challenge business spending.

Yet with this backdrop, we are still forecasting 10% earnings growth globally in 2024. While this may feel high in the context of weaker GDP, there are a number of robust bottom-up drivers of this growth and cause for excitement for fundamental stock pickers. In addition, valuations look reasonable on our long-term forecasts and are in line with historic averages suggesting good long-term returns for equities from here.

In the US, mega cap tech will need to continue to beat an ever-higher bar when it comes to high earnings expectations. A softer landing for the economy is likely to benefit more cyclical regions such as Europe and emerging markets, while in the event of a deeper downturn, the more defensive characteristics of the UK market may come to the fore. Additionally, expectations of corporate reform in Japan and a less conservative approach to balance sheet management and shareholder returns have revived enthusiasm for Japanese stocks, further supporting the case for international diversification.

After a broad market sell-off in 2022, markets have seen solid gains in 2023, but this rebound has not been evenly distributed. Therefore, it is important to assess both risks and opportunities as investors assess positioning for 2024. Our highest conviction view across equity markets is a focus on higher quality stocks – those with robust balance sheets, proven management teams and a stronger ability to defend margins. Naturally some of these will be found in the technology sector, but there are also good examples in more cyclical sectors such as industrials and financials, as well as more traditionally defensive sectors such as healthcare.

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	0.37	0.29	0.08
Domestic Fixed Interest	0.04	0.04	0.00
Foreign Cash & Mny Mkt	0.50	0.50	0.00
Foreign Equity	95.45	95.52	-0.07
Foreign Fixed Interest	3.64	3.64	0.00

The portfolio adhered to its portfolio objective over the quarter.

## Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
A	Retail	0.82	120.33	1,260,002.97	1,516,137.35

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 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](http://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](http://www.stanlib.com)).

## Contact details

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