

# STANLIB Lesotho Equity Fund

Quarterly update at 30 June 2019

# STANLIB

## Who are the asset managers?

STANLIB Lesotho (Pty) Ltd, a licensed asset manager under the Central Bank of Lesotho (Collective Investment Schemes) Regulations, 2018, manage the investments of the portfolio. STANLIB Lesotho (Pty) Ltd was established in August 2001 as a joint venture between Standard Lesotho Bank and STANLIB South Africa, with management control residing with STANLIB South Africa.



### Herman van Velze

BEng (Mining), MBL

Head of Equities

Herman joined STANLIB in 1995 as a research analyst and a resource portfolio manager. Since then he has held the positions of head of Research, portfolio manager, head of Balanced Fund and he is currently the head of Equities and a member of STANLIB's investment executive committee. In 2007 Herman joined a private equity company as a deal originator to expand his investment skillset. He later in 2009 re-joined STANLIB as the head of Balanced funds. He oversees a number of portfolio managers and analysts who provide company research and actively pursue investment ideas. Under his leadership, the team reviews and refines opportunities which are considered for the portfolio. Herman holds a bachelor of engineering from the University of Pretoria and a MBL from UNISA.

## Fund review

The STANLIB Lesotho Equity Fund returned 1.8% during the quarter ended June 2019 compared to the benchmark (FTSE/JSE SWIX All Share Index) that returned 2.9%. The one-year return for the fund is 2.6% compared to the benchmark that returned 1.2%.

In the quarter the fund benefitted from overweight exposures to the STANLIB Global Equities Fund, Sanlam, African Rainbow Minerals, Discovery and Ethos Private Equity and underweight positions in Sasol, Netcare, Life Healthcare, PSG and Tiger Brands. Detracting from performance were overweights in STANLIB Global Emerging Market Fund, Glencore, KAP, Sappi and Northam and underweight positions in Gold shares, Vodacom, Telkom and Anglo Platinum.

International outperformance was driven by stock selection, mostly within industrials and communication services. Sector allocation also added value, owing to our utilities zero weight and communication services overweight.

During the quarter in SA, we sold our holdings in Pioneer Foods and reduced our exposure to Mondi and British American Tobacco various factors weigh in on expected profitability at the latter two companies. We added to Sasol, Bidcorp, Bidvest and Dischem during the quarter. We also initiated a holding in equipment rental company United Rentals and the fund sold Brazilian digital payments firm PagSeguro

## Market overview

The JSE All Share Swix Index total return for the second quarter of 2019 was 2.9%, continuing to underperform SA bonds and SA cash over the short term. Financials led local equity performance delivering 5.4% and Industrials grew by 4%. Over the one-year period, the JSE All Share SWIX returned 4.4%, with Resources remaining the best performing sector delivering a 21.2% return over the 12-month period.

Global equities delivered a relatively strong performance during the quarter. MSCI World was up 3.8% (in USD terms), MSCI EM was only up 0.7% but MSCI SA was up a credible 6.7% for the quarter.

## Looking ahead

Emerging Market equities had a strong start to the year, supported by receding macro risks given the notion that central banks are willing to reduce interest rates. We expect the SARB to consider reducing rates at its next meeting to bolster economic growth.

A key risk over the coming months relates to the progression of a US-China trade deal. Whilst we still expect a deal given the interests of both sides, we expect both positive and negative surprises.

The valuation case for equities remains compelling, with metrics below their respective historical means. This offers investors an attractive opportunity into quality businesses supported by structural growth trends.

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	Q3 2019	Q2 2019	Change
Lesotho Cash & Mny Mkt	2.41	1.43	0.98
South Africa Equity	97.59	98.57	-0.98

## Fund classes

Class	Type	Price (spu)	Units	NAV (Maloti)
A	Retail	90.42	22,979,121.93	20,777,471.19

All data as at 30 September 2019.

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

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Important information update at 30 November 2019

## Disclosures

Collective Investment Schemes 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 Lesotho Equity Fund is a portfolio of the STANLIB Lesotho Collective Investment Scheme (the Scheme). The Scheme is licenced, regulated and supervised by the Central Bank of Lesotho (the Registrar) under the Central Bank of Lesotho (Collective Investment Schemes) Regulations, 2018.

The asset manager of the Scheme is STANLIB Lesotho (Pty) Ltd (the Asset Manager). The Asset Manager is licensed by the Registrar under the Central Bank of Lesotho (Collective Investment Schemes) Regulations, 2018. An investor has a right to choose an investment option, choosing any particular investment option does not guarantee any particular investment outcome.

The custodian/trustee of the Scheme is Minet Lesotho.

The investments of this portfolio are managed by the Asset Manager.

Prices are calculated and published on each working day, these prices are available on the Asset Manager's website (<http://ww2.stanlib.com/Lesotho>) and in Lesotho 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.

All performance returns/figures quoted are shown in LSL and are based on data sourced from Morningstar or Statpro and are as at 30 November 2019.

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.

Statistics - Positive Months: the number of individual 1 month periods during the specified time period where the return was not negative; Max Gain: the maximum gain in a trough-to-peak incline before a new trough is attained, quoted as the percentage between the trough and the peak. It is an indicator of upside risk over a specified time period (quoted for all periods of 1 year or longer); Max Drawdown: the maximum loss in a peak-to-trough decline before a new peak is attained, quoted as the percentage between the peak and the trough. It is an indicator of downside risk over a specified time period (quoted for all periods of 1 year or longer, where blank no loss was experienced); Highest and Lowest: the highest and the lowest 1 year return (%) that occurred during the specified time period (quoted for all relevant classes launched 1 year or more prior to current month end date).

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 Asset Manager and from the Asset Manager's website (<http://ww2.stanlib.com/Lesotho>). The collective investment scheme contract and prospectus may be inspected at the address of the Asset Manager provided in the Contact details section below.

## Contact details

### Asset Manager

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