

# STANLIB Lesotho Equity Fund

Quarterly update at 31 December 2023

STANLIB

## Who are the investment 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. Investment Manager 1 Legal Name 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

Over Q4 2023, the STANLIB Equity fund outperformed its benchmark. The fund continues to seek out companies that possess a favourable combination of growth and quality attributes and aims to buy these at attractive valuations. The overweight position in the Materials sector resulted in a positive active allocation and selection effects, whilst the underweight position in Communications resulted in a positive active allocation effect and negative active selection effect. The overweight position in NEPI Rockcastle NV contributed positively to relative return, as well as the overweight position in Investec PLC. In terms of the offshore allocation to the JPM Global Select fund, positive contributors to relative returns included stock selection in media and an underweight position in the automobiles & auto part sectors. Detractors included stock selection in the financial services and industrial cyclical sectors. An overweight position in Uber Technologies, the US-based ride-hailing service provider, contributed to returns over the quarter, whilst the overweight position in CME Group, the US-based derivatives exchange, detracted from returns over the quarter.

## Market overview

Globally, the US kept their interest rates unchanged in the December FOMC meeting for the third consecutive time, with the main driver being a cooling economy and the moderating inflation rate, albeit it remains elevated. Consequently, the prospects of a "soft-landing" have become more attainable. Particularly, the Fed signalled that it anticipates three rate cuts over the course of 2024, with economists' expectations pointing to an interest rate cutting cycle that will commence as early as May 2024. The final quarter of 2023 witnessed significant gains in global equity markets. The MSCI World Index surged by 11.1%, complemented by the MSCI EMEA's 8.0% rise. Meanwhile, the S&P 500 concluded the year at a solid 24.2%. Stability characterised the bond markets, with the 10-year US Treasury yield ending the year at 3.9%.

Within South Africa, Q4 emerged as the strongest quarter, boasting substantial gains in local indices, particularly we saw the S&P South Africa Composite Capped Index up 2.50% in December and gains of 8.49% for 2023. This impressive uptick was primarily fuelled by a more favourable December and an improved global risk sentiment. Annual figures reflected positive trends as well, with the Top 40 Index gaining 9.0%, the All-Share Index 9.3%, and the Capped SWIX 7.9%. Additionally, the All-Bond Index recorded a return of 9.7%, while the STeFI registered a gain of 8.0%. Over November 2023, the annual inflation rate came slightly below analysts' expectations of 5.6% and moderated to 5.5% from a five-month high of 5.9% in October. Though this remains elevated, it lies within the SARB's target range of 3% to 6% and served as a signal of the early effectiveness of the restrictive monetary policy stance.

Global economic indicators witnessed a shift in sentiment, especially with the Federal Reserve's adjustment from a hawkish to a more neutral stance, setting a positive tone for the commencement of 2024. Despite this, China's growth remained restrained due to weakened export demand and a downturn in the property sector.

## Looking ahead

As the new year unfolds, market expectations revolve around the potential shift in the Federal Reserve's approach towards a more dovish stance. Focus remains on productivity gains and projected improvements in corporate earnings. The market anticipates a possible revaluation of large US companies, driven by increased earnings expectations and momentum, despite an overall forecast of slower economic growth. Moreover, ongoing monitoring of bond yields and expectations for China's growth trajectory are among the pivotal factors shaping future trends. Forecasts for 2024 suggest a cautious outlook for Federal Reserve rate adjustments, leaning towards potential rate cuts based on observed economic trends and inflationary pressures.

Similarly, South Africa's monetary policy hints at potential rate cuts to stimulate the economy, supported by declining inflation figures and a gradual improvement in economic prospects. However, uncertainties linger concerning fiscal challenges and the impact of oil price fluctuations on inflationary patterns. Internally, South Africa's economic performance in 2024 is poised to be influenced by export trends, consumer spending, and investments. Positive signals from declining inflation rates within the SA Reserve Bank's target range offer a favourable backdrop. Renewable energy advancements, particularly in solar imports, are expected to alleviate the persistent issue of load shedding, potentially bolstering business activity.

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
Lesotho Cash & Mny Mkt	0.29	0.17	0.12
South Africa Equity	99.71	99.83	-0.12

## Fund classes

Class	Type	TER	Price (spu)	Units	NAV (Maloti)
A	Retail	1.87	121.08	31,722,971.49	38,410,886.94

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 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 Investment Manager 1 Legal Name (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 ([www.stanlib.com/Lesotho](http://www.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 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.

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 ([www.stanlib.com/Lesotho](http://www.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

### Manager

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### Investment Manager

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