STANLIB Absolute Plus Fund
Quarterly update at 30 September 2020

Who are the investment managers?

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.

Marius Oberholzer
BCom (Economics and Commercial Law), MSc (Global Finance)
Head of Absolute Return

Marius joined STANLIB in September 2013 as co-head of Absolute Return Strategies, taking over as head of the team in September 2015. He has 18 years of buy side experience with a high degree of specialisation managing absolute return type strategies. Marius began working at TT International in London in 2000, moving to Hong Kong in 2004. He was portfolio manager of TT’s Asian Hedge Fund and provided insights across the firms other investment offerings both on a bottom up and top-down macro basis. Marius holds a BCom from Stellenbosch University and an MSc in global finance from Stern Business School at NYU and the Hong Kong University of Science and Technology.

Fund review

The STANLIB Absolute Plus Fund returned an estimated 1.65% (gross of fees, given multiple fund classes) for the quarter. This was an outperformance compared to SA equities (Top40 (TR) was 0.63%) but broadly in line with the performance from SA bonds (ALBI Index returned 1.45%). The rand strengthened by 3.47% against the US dollar during the quarter.

The fund remained cautiously positioned, given widespread uncertainty and the protective element of our mandate. We continue to look for opportunities to drive returns in a low-risk manner by broadening our risk budget as recovery finds a firmer base and support from policy makers remains entrenched. Longer term (as is always the case) there are growing concerns, but these fall outside our tactical horizon.

Market overview

Equity markets continued their recovery during the quarter, with the US Nasdaq and S&P500 reaching new highs. The concentration in bellwether technology names meant global equity continued to show resilience in a fragile macro environment. Notably, both government and central bank policies act as a backstop to the broader economic environment and similarly to equity risk. The announcement of a European recovery fund and essentially shared fiscal policy in the euro zone was material, and its impact could be seen in the recovery of the currency, although this has not yet fed through to European equities. The seriousness of the pandemic’s impact was further highlighted in a much-anticipated address by Federal Reserve Chair Jay Powell at the Jackson Hole conference in August, when he announced a well-flagged move to a policy stance centred on full employment and, most notably, aggregate inflation. Many questions remain about this policy (for example, what is the aggregate and over what time period is it measured?). However, the signal on pegging rates lower for a material amount of time, coupled with a broadening of fiscal support (not just in Europe but also in Australia, Canada, and more from the US) continued to feed risk appetite. This occurred with an improvement in economic data and a weaker dollar (thanks to low US rates and growing concerns around the size and sustainability of fiscal support measures).

Looking ahead

We expect that the market will maintain a reasonable short-term focus going into the final quarter of a very strange year. There are numerous short-term bumps to navigate as we head into year-end and, as we have said previously, it is very difficult to evaluate what has been priced by markets, especially given the rising number of second-wave cases in the UK and Europe.

The US election will take place in early November and will provide clues on potential policy changes into 2021 and beyond. The most significant will be the tax impact of a Biden win and the party majority within the Congressional houses, and what that will mean for the elected US president and his ability to drive policy change. We continue to expect that policy will focus on “clipping the wings” of Big Tech and on clean energy, two of the five key themes of the decade we discussed in our February 2020 roadshows.

We believe a second-round stimulus package will be resolved soon and this will provide the markets with further support in the short term. At the same time, we believe a global restocking cycle is beginning to take shape and will broaden the economic recovery. However, as previously mentioned, it is difficult to know what’s already priced into markets.

In the UK, we are expecting some kind of resolution to the hard Brexit scenario. A continuation of the threat of a “no-deal” exit from the European union would have a significant negative impact on the UK’s standing in the global community but the current game of chicken is not stopping companies from moving their presence out of the UK.

Closer to home, October will usher in what will be a closely watched Medium-Term Budget Statement (MTBS) which should provide some clues on SA’s political ability to constrain spending and the public sector wage bill. We believe there will continue to be some can-kicking and volatility in our bond and currency markets, but low yields globally mean investors continue to look at our bonds, given the nominal and real value they offer, compared with global opportunities.

We continue to broaden our risk budgets but maintain our preference for offshore equity over local. Our longer-term investors will know our view around bond valuations precludes us from taking a meaningfully overweight position in SA sovereigns. Lower cash rates have reduced our predisposition for SA credit, especially since we do not believe there was a real repricing. In SA, the macro backdrop remains poor, with SA’s fiscal rectitude delicately poised. Earnings growth will be respectable going forward, compared with the 2020 nadir, but structural damage is high and sustainable policy for generating growth is a requirement for decent returns in our domestic markets.

Issue Date: 25 October 2020
This is a General Investor Report (GIR). Please refer to the Minimum Disclosure Document (MDD) for additional information relating to this portfolio and to Disclosures for information relating to the content of this document.
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.

<table>
<thead>
<tr>
<th>Asset type</th>
<th>Q3 2020</th>
<th>Q2 2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Cash &amp; Mny Mkt</td>
<td>14.81</td>
<td>16.38</td>
<td>-1.57</td>
</tr>
<tr>
<td>Domestic Commodity</td>
<td>3.15</td>
<td>0.00</td>
<td>3.15</td>
</tr>
<tr>
<td>Domestic Currency Overlay</td>
<td>35.15</td>
<td>26.38</td>
<td>9.78</td>
</tr>
<tr>
<td>Domestic Equity</td>
<td>10.62</td>
<td>3.47</td>
<td>7.15</td>
</tr>
<tr>
<td>Domestic Fixed Interest</td>
<td>44.08</td>
<td>51.60</td>
<td>-7.51</td>
</tr>
<tr>
<td>Foreign Cash &amp; Mny Mkt</td>
<td>-2.35</td>
<td>-6.45</td>
<td>4.10</td>
</tr>
<tr>
<td>Foreign Currency Overlay</td>
<td>-35.15</td>
<td>-25.38</td>
<td>-9.78</td>
</tr>
<tr>
<td>Foreign Equity</td>
<td>18.81</td>
<td>22.06</td>
<td>-3.24</td>
</tr>
<tr>
<td>Foreign Fixed Interest</td>
<td>10.87</td>
<td>13.05</td>
<td>-2.18</td>
</tr>
</tbody>
</table>

The portfolio adhered to its portfolio objective over the quarter.

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 Absolute Plus 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.

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 30 September 2020. 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

This is a General Investor Report (GIR). Please refer to the Minimum Disclosure Document (MDD) for additional information relating to this portfolio and to Disclosures for information relating to the content of this document.