STANLIB Global Equity Feeder Fund

Quarterly update at 30 June 2020

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 - Columbia Threadneedle Investments were appointed by the investment manager (STANLIB Asset Management Limited) as the sub-investment manager of the STANLIB High Alpha Global Equity Fund, a sub-fund of STANLIB Funds Limited, with Neil Robson being the portfolio manager of this sub-fund. Columbia Threadneedle Investments is a leading global asset management group that provides a broad range of actively managed investment strategies and solutions for individual, institutional and corporate clients around the world. Columbia Threadneedle Investments is the global asset management group of Ameriprise Financial, Inc. (NYSE: AMP), a leading US-based financial services provider. As a part of Ameriprise Columbia Threadneedle Investments are supported by a large and well capitalised diversified financial services firm.

Fund review

The fund posted a positive return for the quarter (gross of fees), but slightly underperformed its benchmark.

Stock selection weighed on returns, mainly due to the holdings in technology and consumer discretionary shares. However, stockpicking in communication services added value. Sector allocation was helpful, with the overweight in technology and underweight in consumer staples making the greatest contributions.

At the stock level, the fund's zero weight in Apple detracted from performance, as the shares outperformed amid optimism about the shift towards remote services, ecommerce and cloud computing, which has been accelerated by the pandemic. The fund does not own the stock because we believe that market saturation could limit future pricing increases and growth. Apple's substantial share in the high-end smartphone market could restrict incremental margins, as the company will be forced to grow into other areas. We believe that the stock's valuation fails to take these challenges into account.

Coffee shop chain Luckin Coffee was also a notable detractor over the quarter, as questions around the company's sales data came to light. Our investment thesis was based on thorough research, from which we concluded that Luckin Coffee was well placed to outperform over the long term. Our decision took into account the expansion of the company's retail network, the extension of its product categories and sustainable growth in traffic deriving from its high product quality, affordability and convenience. However, April's unforeseen developments invalidated our conviction in the company. As a result, the fund sold its small holding in the stock.

Market overview

Global equities rebounded in the second quarter, driven by optimism that the COVID-19 pandemic had passed its peak in Europe. The MSCI All-Country World Index returned 18.5% in the quarter in dollar terms. Markets were also propelled higher by central bank stimulus programmes, government support packages, and optimism that vaccinations and treatments would be found for the virus. Added to this were hopes that the worst of the COVID-19 pandemic might be over, as a number of countries eased lockdown restrictions.

Towards the end of the quarter, however, a spike in cases outside Europe triggered fears of a second wave of the virus. A resurgence in US-China tensions also caused bouts of market volatility. The US held up best of the major regions. The Federal Reserve unveiled a $2.3 trillion loan programme for municipalities and small businesses, along with new measures to support corporate bond markets. Later in the quarter, the Fed issued a downbeat outlook for the economy and indicated that interest rates would likely stay near zero through 2022. More encouragingly, however, there has been talk of a possible $1 trillion infrastructure programme to boost the economy.

European stocks underperformed. The European Central Bank expanded an emergency monetary stimulus programme by €600 billion, although EU member states remained divided over a proposed €750 billion pandemic recovery fund. UK stocks also struggled in the quarter, despite ongoing support for the economy from the Bank of England with a £100 billion expansion of its bond-buying programme. Brexit-related jitters presented a headwind. There was persistent concern that the UK and EU might fail to agree on a trade deal before the transition period expires at the end of this year.

Japanese stocks underperformed, having come under pressure early in the quarter amid a renewed spike in coronavirus cases, while weak economic data also weighed on the region. Shares recovered in May, however, as substantial fiscal and monetary policy support packages were unveiled. Elsewhere, emerging markets rebounded in this period, but lagged their developed market peers.

All sectors in the index posted positive returns for the quarter. In a reversal of trends seen earlier in the year, cyclical stocks powered ahead. Consumer discretionary, technology and materials stocks led the gains, fuelled by expectations of a pickup in economic activity. Healthcare stocks also performed well, despite some late profit-taking. Interest in the sector was strong as firms race to develop tests, treatments and vaccines for the coronavirus. However, other defensive sectors such as utilities and consumer staples underperformed amid the resurgence in risk appetite. Financials were also weaker, owing to underwhelming earnings and expectations that interest rates will remain 'lower for longer'.

Looking ahead

Investors have focused on the recovery from the pandemic in the past quarter, as the gradual re-opening of economies helped to boost sentiment. While unknowns remain, the indiscriminate market sell-offs have created opportunities to invest, at attractive valuations, in companies with the ability to weather the current storm and win out over the long-term.

Our long-held belief is that there are structural factors driving a world which is 'lower for longer', including debt, demographics and technological disruption. The scale of recent economic interventions in response to the spread of the coronavirus only strengthens this argument. In this environment, the fund remains firmly of the view that companies that can sustain above-average growth rates should remain attractive for investors.

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We therefore retain our focus on companies with durable competitive advantages, as we believe these are best placed to continue delivering high returns and earnings growth through a range of market conditions.

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	Q2 2020	Q1 2020	Change
Domestic Cash & Mny Mkt	3.18	2.46	0.72
Domestic Fixed Interest	0.05	0.06	-0.02
Foreign Cash & Mny Mkt	0.05	0.06	-0.01
Foreign Equity	94.97	94.59	0.37
Foreign Property	1.76	2.82	-1.07

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
A	Retail	2.03	409.79	191,205,699.16	783,541,808.51
B1	Retail	1.38	420.12	178,856,010.57	751,404,079.65
R	Retail	1.35	441.14	457,441,334.26	2,017,945,274.14

All Price, Units and NAV data as at 30 June 2020.

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

TER - 1 Year Total Expense Ratio (%) including VAT as at 31/03/2020. 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 Equity 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 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.

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 30 June 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

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