STANLIB Multi-Manager
Flagship Balanced Range - Review

30 September 2018

STANLIB
MULTI-MANAGER

STANLIB Multi-Manager Balanced Range

Investment Performance

		September 2018			
	Fund	**1 yr.**	**3 yrs.**	**5 yrs.**	**10 yrs.**
Balanced Funds	STANLIB Multi-Manager Absolute Income Fund	2	2	2	
	STANLIB Multi-Manager Defensive Balanced Fund	3	3		
	STANLIB Multi-Manager Real Return Fund	1	1		
	STANLIB Multi-Manager Balanced Fund	1	1	1	2

→ Consistent superior performance, ranking in the top 2 quartiles over 3 and 5 years

STANLIB Multi-Manager Absolute Income Fund

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STANLIB Multi-Manager Absolute Income Fund
Mandate

Investment objective

- To outperform the average of the ASISA MA Income category, at risk levels consistent with that of the sector

Time horizon

- At least 3 years

Investment guidelines

- Maximum 25% property (incl. global), Regulation 28 compliant

Investor (needs) profile

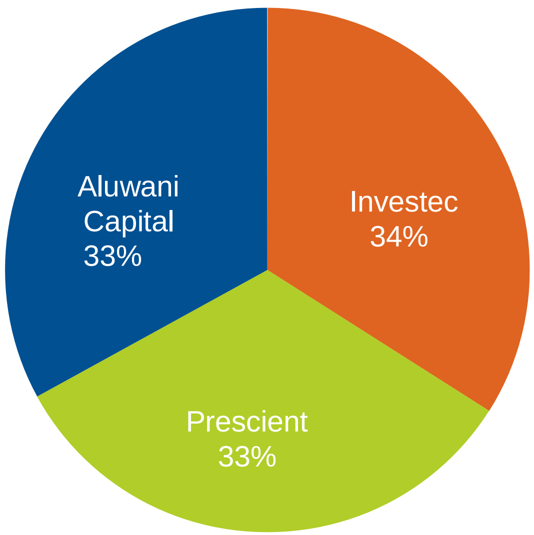
- Seek reasonable level of income and inflation beating returns
- Low capacity for capital loss over the short term

Benchmark

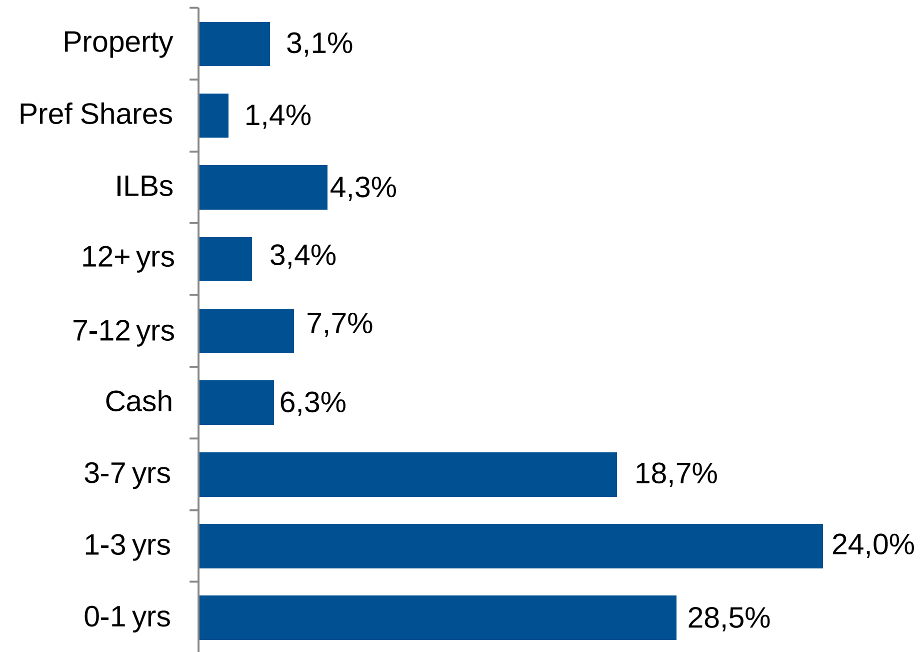
- ALBI 1-3 Index

STANLIB Multi-Manager Absolute Income Fund
Fund Update 30 September 2018

Manager allocation



Asset allocation



	Quarter	1 yr.	3 yrs. p.a.	5 yrs. p.a.
Fund (B1 Class)	1.6%	7.8%	8.1%	7.6%
ASISA MA Income Sector average	1.9%	7.0%	7.4%	7.1%
JSE ALBI 1-3 Year Index	1.8%	6.9%	8.0%	7.3%

Source: Morningstar, STANLIB Multi-Manager

STANLIB Multi-Manager Absolute Income Fund
Performance Review 30 September 2018

Performance overview

➜ The overall **fund** returned a steady 1.6% (after fees) for the quarter, which was very pleasing considering the performance of risk assets due to turmoil in financial markets. Over three years the fund returned 8.1% after fees, well ahead of income fund peers at 7.4% and almost 3% above inflation. This performance showcases the appropriateness of the fund for an investor seeking inflation beating returns, but with limited downside risk.

➜ **Aluwani** returned an excellent 2.3% for the quarter (gross of fees). Exposure to listed property remains very low, which has assisted performance. Despite yields becoming much more attractive from a valuation perspective they have maintained a fairly low duration position in the fund on the back of a deteriorating domestic backdrop and continued global headwinds. In addition, they started to increase exposure to ILBs to position for a rising inflation environment.

➜ Investment grade credit has continued to provide consistent yield-enhancing returns for **Investec**, insulating them from prevailing market conditions. Excess demand over supply continues to underpin the local credit market.

➜ **Prescient** used the recent upwards move in fixed interest market yields to further gradually increase duration in the fund. With local inflation expected to remain within the target band and growth remaining subdued, Prescient sees little risk of the SARB increasing rates by more than what the market is expecting. The fund remains above its target benchmark for the year, outperforming the ALBI1-3. Performance predominantly came from good quality credit held. Prescient allocation to listed property has detracted marginally over the year relative to peers, but long-term performance remains solid.

➜ Positioning and outlook

➜ The overall fund's modified duration remains relatively low at 1 year, which will protect investors against possible interest rate hikes in SA. The fund has a small property allocation (+-3%) and some diversifying global exposure. Overall our managers are seeing more fixed interest opportunities and have been increasing duration marginally. The bulk of the portfolio is positioned towards safer, high quality floating rate bank exposure and government debt, with select credit exposure used to increase the yield produced.

Duration – a measure of the sensitivity of the price of a fixed income investment to a change in interest rates. Duration is expressed as a number of years.

STANLIB Multi-Manager Defensive Balanced Fund

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STANLIB Multi-Manager Defensive Balanced Fund
Mandate

Investment objective

- To deliver performance in excess of the ASISA Multi-Asset Low Equity Category average

Time horizon

- At least 4 years

Investment guidelines

- Maximum 40% equity exposure (incl. global), maximum 25% property exposure (incl. global), Regulation 28 compliant

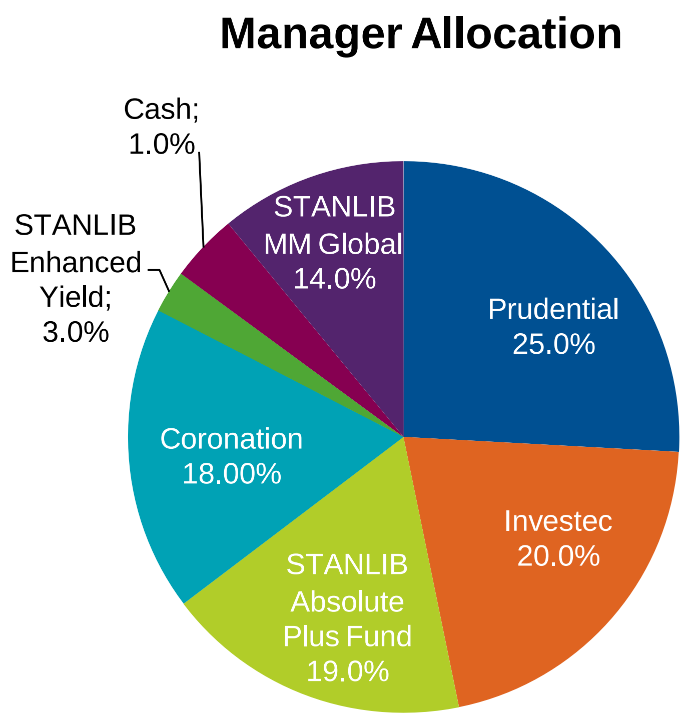
Investor (needs) profile

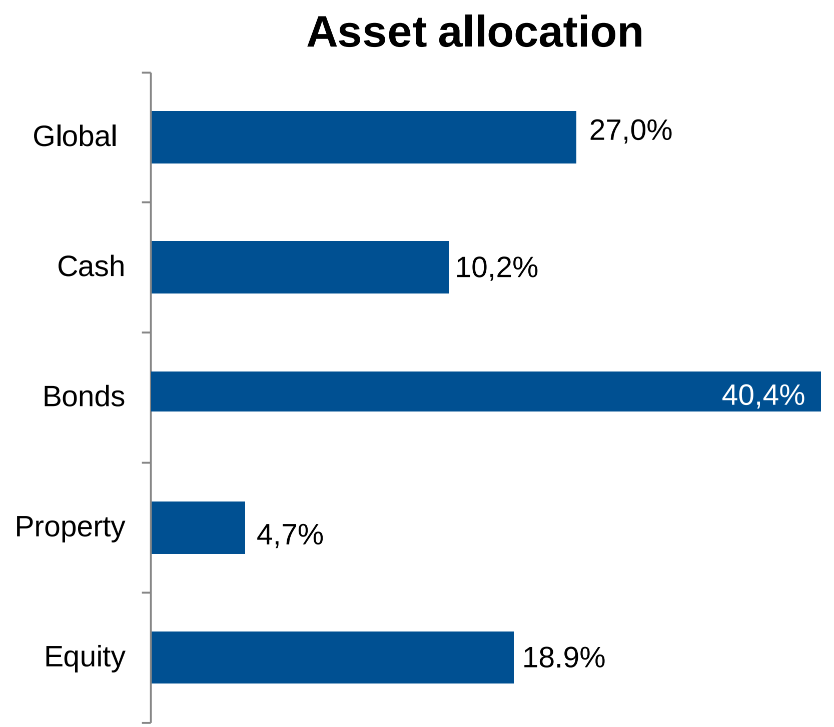
- Modest long-term growth of capital and income with a low capacity for capital loss

Benchmark

- South African Multi-Asset Low Equity sector average

STANLIB Multi-Manager Defensive Balanced Fund
Fund Update 30 September 2018





	Quarter	1 yr.	2 yrs. p.a.	3 yrs. p.a.
Fund (B1 Class)	1.5%	4.3%	5.2%	5.8%
ASISA MA Low Equity Sector average	1.6%	4.6%	5.6%	6.0%

Source: Morningstar, STANLIB Multi-Manager

STANLIB Multi-Manager Defensive Balanced Fund
Performance Review 30 September 2018

Performance overview

- The **fund** returned 1.5% for the quarter, marginally behind the average of the ASISA MA Low Equity peer funds. Since inception three and a half years ago, the fund outperforms these peers. The fund's overweight position to resources and rand hedge shares continued to support peer relative performance. The core performance detractor has been the fund's allocation to inflation linked bonds at about 10% over time.
- **Coronation's** Domestic Absolute mandate has a rand hedge bias, with a moderate allocation to equities and property. Their biggest positions are in Naspers, British American Tobacco (BTI), Anglo American and MTN. MTN in particular has detracted from performance this year. Coronation has been encouraged by the operational improvements delivered by the new highly rated management team of MTN, which has added to the conviction of their investment case. Unfortunately, the latest news flow regarding potential fines in the order of $8bn has been disappointing. It is Coronation's views that this negative stance from the Nigerian regulators has been politically motivated and that MTN will vigorously defend these claims. Their view is that regardless of the current risks, material share price upside is offered, even under the extreme negative scenario that the Nigerian business is valued at R0.
- **Investec's** view is that investors were too optimistic about President Ramaphosa's ability to turn the economy around in the short term, and more rational expectations have taken root. Their bond exposure remains prudent: Lower duration, higher quality instruments, with exposure balanced against offshore holdings to limit the potential for loss. Investec also maintains a high global equity allocation positioned around 30% or higher.
- **Prudential** prefers resources shares through counters like Sasol and Anglo American, but also sees value in financials like Standard Bank and Old Mutual Ltd. Long duration bonds remain a key investment for Prudential. A high allocation to inflation linked bonds and property has detracted from performance in this mandate over the last year.
- **STANLIB** Absolute remains defensively positioned with a low local equity and property allocation of below 30%. STANLIB sees various risks in the market and has placed multiple protection strategies in the fund to cover these risks.

Positioning and outlook

- Overall, the **Fund** is defensively positioned towards risk assets with a total growth assets allocation of approximately 46%. While overweight rand hedges, the underlying managers are increasingly seeing value in SA-focused shares, but recognise that SA still faces many risks.

STANLIB Multi-Manager Real Return Fund

STANLIB Multi-Manager Real Return Fund
Mandate

Investment objective
- To deliver performance in excess of the ASISA Multi-Asset Medium Equity Category average

Time horizon
- At least 5 years

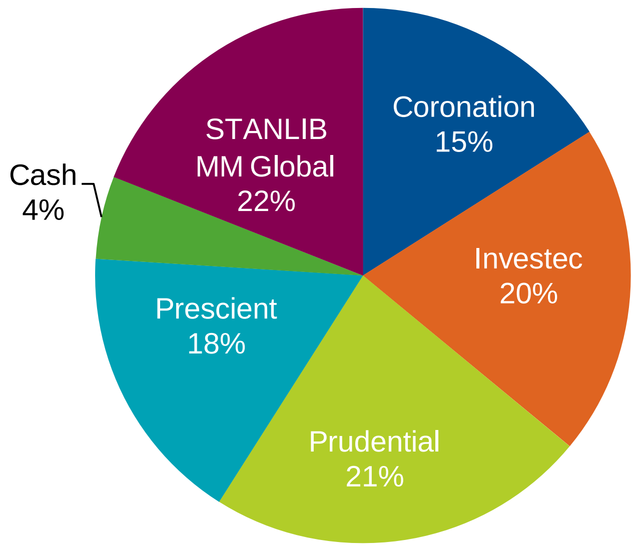
Investment guidelines
- Maximum 60% equity exposure (incl. global), maximum 25% property exposure (incl. global), Regulation 28 compliant

Investor (needs) profile
- Moderate long-term growth of capital and income taking on some risk of market fluctuation and possible drawdowns, in line with other medium (≤ 60%) equity funds

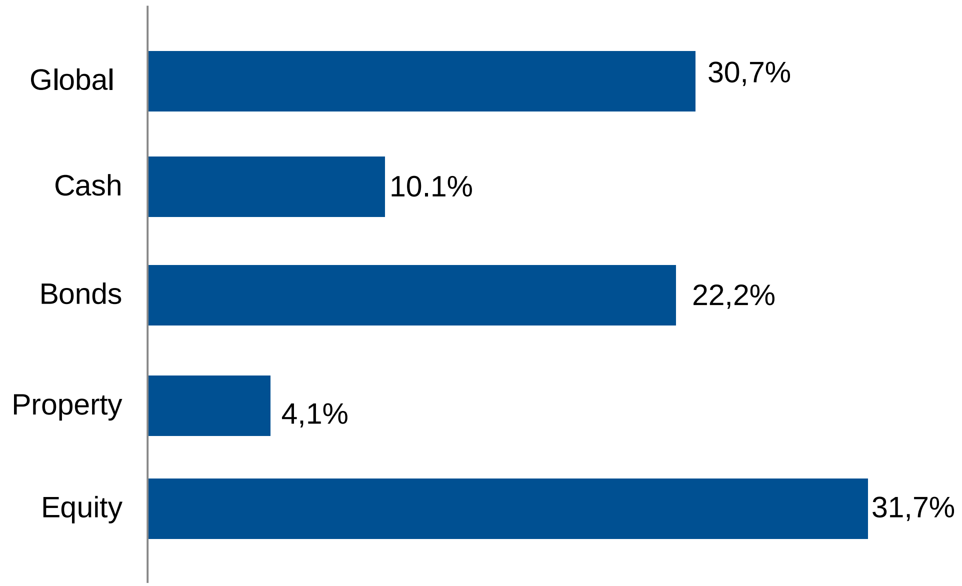
Benchmark
- CPI/ South African Multi-Asset Medium Equity average

STANLIB Multi-Manager Real Return Fund
Fund Update 30 September 2018

Manager allocation



Asset allocation



	Quarter	1 yr.	3 yrs. p.a.	5 yrs. p.a.	10 yrs. p.a.
Fund (B1 Class)	1.5%	5.4%	6.1%	6.6%	8.5%
ASISA MA Medium Equity Sector ave.	1.4%	3.7%	5.3%	6.6%	9.0%

Source: Morningstar, STANLIB Multi-Manager

Note: Fund reclassified into the sector in October 2014

STANLIB Multi-Manager Real Return Fund

Performance Review 30 September 2018

Performance overview

➜ The **fund** returned 1.5% for the quarter, marginally ahead of the average of the ASISA MA Medium Equity peer funds. Over 12 months and three years the fund is comfortably ahead of peers. The fund's overweight position to resources and rand hedge shares continued to support peer relative performance.

➜ **Coronation's** Domestic Balanced mandate has a rand hedge bias, with a moderately high allocation to equities and property. Their biggest positions are in Naspers, British American Tobacco (BTI), Anglo American and MTN. MTN in particular has detracted from performance this year. Coronation has been encouraged by the operational improvements delivered by the new highly rated management team of MTN, which has added to the conviction of their investment case. Unfortunately, the latest news flow regarding potential fines in the order of $8bn has been disappointing.

➜ **Prescient's** domestic defensive mandate performed relatively well for the quarter, returning 1.3%. The low equity allocation coupled with their short duration fixed interest instruments supported performance.

➜ **Investec's** view is that investors were too optimistic about President Ramaphosa's ability to turn the economy around in the short term, and more rational expectations have taken root. Locally, the best opportunity in their view remains SA government bonds. Yielding above 9%, these instruments offer far higher risk-adjusted return potential than the retail, banking and property sectors. Their bond exposure remains prudent: Lower duration, higher quality instruments, with exposure balanced against offshore holdings to limit the potential for loss. Investec also maintains a high global equity allocation positioned around 30% or higher.

➜ **Prudential** prefers resources shares through counters like Sasol and Anglo American, but also sees value in financials like Standard Bank and Old Mutual Ltd. Long duration bonds remain a key investment for Prudential.

➜Positioning and outlook

➜ The biggest themes currently in our portfolio are overweight resources and rand hedge shares. This positioning has benefited us over the last year. Our global positioning tactically remains between 25% and 30%.

STANLIB Multi-Manager Balanced Fund

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STANLIB Multi-Manager Balanced Fund
Mandate

Investment objective

- To deliver performance in excess of the ASISA Multi-Asset High Equity Category average

Time horizon

- At least 5 years

Investment guidelines

- Maximum 75% equity exposure (incl. global), maximum 25% property exposure (incl. global), Regulation 28 compliant

Investor (needs) profile

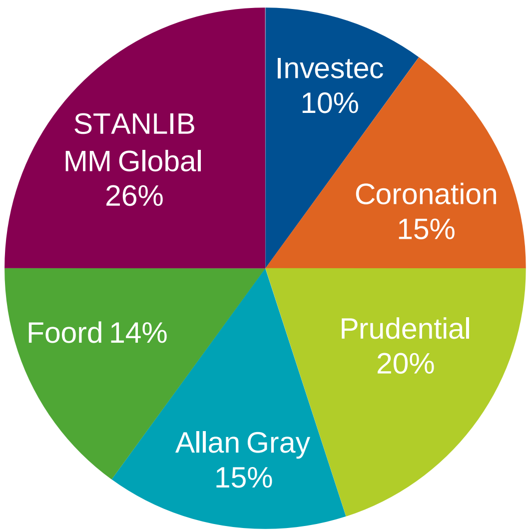
- Accumulate long-term capital growth and real returns in the context of a multi-asset (high equity) portfolio taking on some risk of market fluctuation and possible drawdowns, but less than that of the equity market

Benchmark

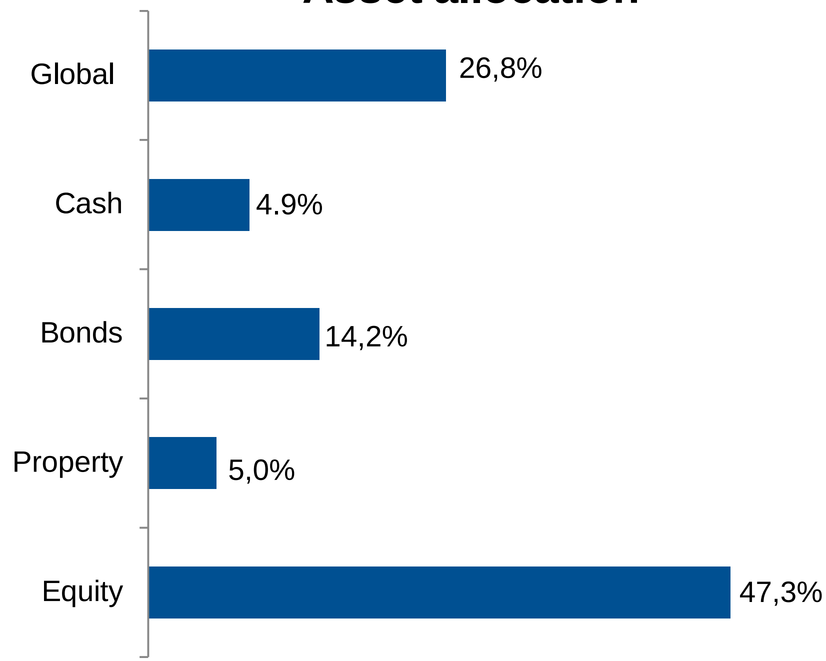
- South African Multi-Asset High Equity average

STANLIB Multi-Manager Balanced Fund
Fund Update 30 September 2018

Manager allocation



Asset allocation



	Quarter	1 yr.	3 yrs. p.a.	5 yrs. p.a.	10 yrs. p.a.
Fund (B1 Class)	1.6%	4.8%	6.5%	7.7%	10.1%
ASISA MA High Equity Sector average	1.1%	3.2%	5.3%	6.7%	9.5%

Source: Morningstar, STANLIB Multi-Manager

STANLIB Multi-Manager Balanced Fund
Performance Review 30 September 2018

Performance overview

- The **fund** returned 1.6% for the quarter, 0.5% ahead of the average of the ASISA MA High Equity peer funds. The fund's overweight position to resources and rand hedge shares, coupled with a fairly high allocation to global equities, continued to support good peer relative performance in the short and medium term.
- **Allan Gray's** performance has been exceptional. They continue to prefer the big rand hedge shares like Naspers, Sasol, BTI and Old Mutual. Gray's equity allocation at 71% remains high as they find various attractive opportunities in the local equity market. The bond allocation of around 15% is relatively defensively positioned with a very low allocation to property.
- **Coronation's** Domestic Balanced mandate has a rand hedge bias, with a moderately high allocation to equities and property. Their biggest positions are in Naspers, British American Tobacco (BTI), Anglo American and MTN. MTN in particular has detracted from performance this year. Unfortunately, the latest news flow regarding potential fines in the order of $8bn has been disappointing. It is Coronation's views that this negative stance from the Nigerian regulators has been politically motivated and that MTN will vigorously defend these claims.
- **Foord** is currently our most bearish domestic balanced manager (equity allocation of around 55%) and has a large exposure to rand hedges, given their concerns around the SA economy.
- **Investec** maintain focus on companies that are receiving earnings upgrades due to improvements in their operating environments. Among companies that are domestically focused, the likes of ABSA, FirstRand, Sanlam and Standard Bank stand out. Globally-oriented companies that continue to make for attractive investments include Anglo American, BHP Billiton, Mondi and Naspers. Investec is neutral on local nominal bonds.
- **Prudential** prefers resources shares through counters like Sasol and Anglo American, but also sees value in financials like Standard Bank and Old Mutual Ltd. Long duration bonds remain a key investment for Prudential.

Positioning and outlook

- The biggest themes currently in our portfolio are overweight resources and rand hedge shares. This positioning has benefited us over the last year. Our global positioning tactically remains relatively high between 25% and 30%.

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