

# STANLIB Multi-Manager Diversified Equity Fund of Funds

## Minimum Disclosure Document

As at 31.12.2018

# STANLIB

### STANLIB Multi-Manager (Pty) Ltd

STANLIB Multi-Manager (Pty) Ltd was established in 1999 and is the centre of excellence for multi-managed solutions within STANLIB. The investment team, led by Chief Investment Officer Joao Frasco, consists of an experienced team with a diverse set of investment skills. We have offices in Johannesburg and London, and currently have mandates in excess of R150 billion under stewardship.

### What is the Fund's objective?

The Fund's investment objective is to provide long-term capital growth through investment in local and global equity markets. It aims to outperform CPI (South African Inflation) plus 7% p.a. (i.e. to provide a real return of 7% p.a.) over rolling 7-year periods, with a low probability of capital loss over the long-term.

### Risk profile



■ Defensive assets ■ Growth assets

### What are the investment guidelines?

The Fund is a fully invested, multi-managed equity portfolio.

The Fund's minimum total equity exposure is 80% of the market value of the portfolio – as per the ASISA South African – Equity – General category as amended from time to time.

Fund's Composite Benchmark / Strategic Asset Allocation: SA Equity (FTSE/JSE Capped SWIX) – 75%, Global Equities (MSCI AC World IMI (ZAR)) – 25%.

The Fund complies with provisions of the Collective Investment Schemes Control Act, No. 45 of 2002 (CISCA) and the Regulations thereto, as amended from time to time.

The Fund is not Regulation 28 compliant.

### How is the Fund managed?

The Fund is designed to deliver superior investment returns more consistently than through a single asset manager or mandate. Our approach allows investors' to outsource the fund / manager selection decision, which includes the ongoing due diligence of managers and construction of portfolios, to meet pre-defined objectives over time.

### The Fund forms part of our goals-based range

The Fund forms part of a comprehensive goals-based range.

	Growth assets vs defensive assets*	Indicative volatility range	Investment objective
STANLIB Multi-Manager Enhanced Yield Fund	0% 100%	0.3% - 0.6% p.a.	To outperform the STeFI Composite
STANLIB Multi-Manager Low Equity FoF	30% 70%	3% - 6% p.a.	CPI + 3% p.a. over 3-year rolling periods
STANLIB Multi-Manager Medium Equity FoF	55% 45%	5% - 10% p.a.	CPI + 4% p.a. over 4-year rolling periods
STANLIB Multi-Manager Medium-High Equity FoF	68% 32%	6% - 12% p.a.	CPI + 5% p.a. over 5-year rolling periods
STANLIB Multi-Manager High Equity FoF	78% 22%	7% - 14% p.a.	CPI + 6% p.a. over 6-year rolling periods
STANLIB Multi-Manager Diversified Equity FoF	100% 0%	10% - 20% p.a.	CPI + 7% p.a. over 7-year rolling periods

\*Growth assets are defined as equities and listed property

### How do we approach risk management in the Fund?

Risk management is a fundamental component of our investment philosophy and process and is therefore approached holistically. It permeates every part of our investment process, requiring participation and accountability from all individuals involved in the process.

As a multi-manager, our risk management process begins at the time of portfolio specification and design, because by the time securities are included in the portfolio by the underlying managers, one has already accepted the risks and has limited ability to mitigate them. Our process then moves to manager research and portfolio construction, where we seek to know the managers intimately and construct a portfolio to behave in line with our broader investment objectives.

"Risks Inherent in our Funds" is a document that classifies the sources of risk associated with the management of our Funds. It can be obtained from the website [www.stanlibmultimanager.com](http://www.stanlibmultimanager.com).

### The Portfolio Managers dedicated to the Fund



**Jennifer Henry**  
Head of Portfolio Management:  
Retail Clients  
BCom(Hons), CFA, FRM



**Richo Venter**  
Portfolio Manager  
BCom(Hons)  
(cum laude), CFA

### Underlying manger/fund framework

The manager framework currently constitutes the following managers within the respective specialist building blocks:

Property	Equity	Offshore
Catalyst	Coronation	Allan Gray
STANLIB	STANLIB	Nedgroup Entrepreneur
Bridge	Foord	Hosking Partners
Sesfikile	Prudential	Sanders
	Visio	Arrowstreet Capital
	Truffle	Alliance Bernstein

### Information to be considered before investing

The STANLIB Multi-Manager Diversified Equity Fund of Funds (FoF) should be considered a medium to long-term investment. A FoF invests in other collective investment schemes, which levies its own charges and which could result in a higher fee structure for the FoF. The value of units (participatory interest) may go down as well as up and past performance is not necessarily a guide to the future. Where exposure to foreign investments is included in the portfolio, there may be additional risks, such as possible constraints on liquidity and the return of funds to South Africa, macroeconomic risks, political risks, tax risks, settlement risks and possible limitations on the availability of market information. The FoF is traded at ruling prices using forward pricing and can engage in borrowing up to 10% of the market value of the portfolio to bridge insufficient liquidity as a result of the redemption of participatory interests and may engage in scrip lending. A schedule of fees and charges and maximum commissions is available on request from STANLIB Collective Investments (RF) Pty Ltd (the Manco). Commission and incentives may be paid and if so, would be included in the overall costs. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Liberty is a full member of the Association for Savings and Investments of South Africa. The Manco is a member of the Liberty Group of Companies.

### Unit price – how it works

Collective Investment Schemes (i.e. “Unit Trusts”) are traded at ruling prices set on every trading day. Forward pricing is used which means Fund valuations take place at approximately 15h00 each business day, and your instructions are therefore processed at prices that are not yet determined when your instructions are received. Instructions must reach the Management Company before 13h00 to ensure same day value. The 13h00 cut-off time only applies to investments and switches. Repurchases will receive the price of the same day if received prior to 15h00. The money market funds are valued at 12h00. The funds of funds and feeder funds are valued at 24h00 and 17h00.

The payment of withdrawals may be delayed in extraordinary circumstances, when the Manco with the consent of the Fund trustees deems this to be in the interest of all Fund investors. These circumstances may include periods when significant underlying markets suspend trading which will prevent accurate valuation of the instruments held in the Fund. When the suspension of trading relates to only certain assets held by the Fund, these assets may be side-pocketed. This process allows normal liquidity on the assets that can be valued, but will delay liquidity on the affected portion of the Fund. If the Fund is faced with excessive withdrawals, the affected withdrawals may be ring-fenced, which is the separation and delayed sale of the assets reflecting the interest of the liquidity seeking investors. It ensures that the sale of a large number of units will not force the Manco to sell the underlying investments in a manner that may have a negative impact on remaining investors of the Fund.

### Performance information on the monthly factsheet

Performance is calculated by STANLIB Multi-Manager (Pty) Ltd as at month end for a lump sum investment using net asset value (NAV) prices with income reinvestments done on the ex-dividend date. All underlying price and distribution data is sourced from Morningstar. Performance figures are quoted after the deduction of all costs including manager fees, and trading costs incurred within the Fund. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. Annualised performance figures represent the weighted average compound growth rate over the performance period measured. Past investment returns are not indicative of future returns and no guarantee is provided with respect to capital or return of the Fund.

### Total Expense Ratio (TER) and Transaction Costs (TC) = Total Investment Charge (TIC)

The TER is calculated as a percentage of the average net asset value of the portfolio incurred as charges, levies and fees in the management of the portfolio for a rolling 36-month period to the previous quarter end (December, March, June and September). This includes the TER charged by any underlying fund(s) held as part of this Fund. A high 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 TER's – expenses vary and the performance fee component can fluctuate over time.

Transaction costs are a necessary cost in managing a fund and impacts the fund's return. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER. The sum of the TER and Transaction Costs is shown as the Total Investment Charge (TIC).

### Management fee

The Fund charges a fixed annual management fee (i.e. fee class) as a percentage of the assets under management, to ensure a simple and understandable fee structure.

### Underlying performance fees

STANLIB Multi-Manager (Pty) Ltd does not earn any performance fees. In addition to earning fixed fees, the underlying manager(s)/fund(s) may also earn performance-based fees if they outperform a specific benchmark. The performance-fee methodology of the underlying manager(s) / fund(s) is incorporated in their respective mandates. You can obtain more information on the underlying performance fee methodologies on the website [www.stanlibmultimanager.com](http://www.stanlibmultimanager.com).

The annual management fee is accrued daily and performance fees are accrued monthly – both paid on a monthly basis (with the exception of some performance fees which are paid annually).

### STANLIB Multi-Manager (Pty) Ltd does not provide financial advice

STANLIB Multi-Manager (Pty) Ltd is an authorised Financial Services Provider licenced under the Financial Advisory and Intermediary Services Act, 37 of 2002. FSP licence No.26/10/763. This information does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act. Independent financial advice should always be sought before making an investment decision.

If you appoint an adviser, advice fees are contracted directly between you and the adviser. We will facilitate the collection of advice fees (including initial advice fees up to a maximum of 3.00%) only upon receiving your instruction. You may cancel the instruction to facilitate the payment of advice fees at any time.

### Where can I find additional information?

Additional information such as brochures, application forms and annual or quarterly reports, can be obtained from the websites: [www.stanlib.com](http://www.stanlib.com) / [www.stanlibmultimanager.com](http://www.stanlibmultimanager.com).

The prices of Funds are calculated and published on each working day. These prices are also available on the websites and in South African printed news media.

## Investment Description

The Fund's investment objective is to provide long-term capital growth through investment in local and global equity markets. It is a fully invested, multi-managed equity portfolio managed within the guidelines of the ASISA South African Equity General Sector. The Fund has a strategic Allocation to the STANLIB Multi-Manager Global Equity fund.

The Fund aims to achieve CPI+7% p.a over 7-year rolling periods.

The Fund is not regulation 28 compliant, however it complies to exchange controls regarding the maximum allocation to global.

## Suitable Investors

- Who wish to diversify single manager risk
- Who want a managed solution matched to their risk profile
- Who want maximum exposure to growth assets and are not concerned with capital fluctuations in the short term
- Who typically have an investment horizon of at least seven years

## Risk Rating



■ Defensive assets ■ Growth assets

Please refer to the "Information to consider before investing" section on page 2 for further risk information.

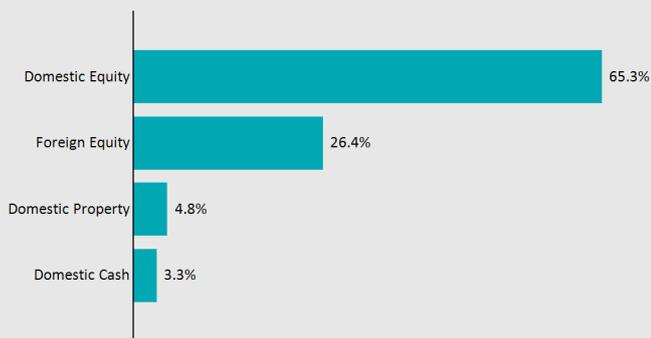
## Annualised Performance (%)

	1 Year	3 Years	5 Years	10 Years
Class A	-6.77	1.74	4.40	11.69
Class B1	-6.23	2.32	4.99	12.32
Benchmark	-9.17	1.68	3.51	10.58
Sector Average	-9.17	1.68	3.51	10.58

## Underlying Funds

- Nedgroup Entrepreneur Fund
- Allan Gray Equity Fund
- STANLIB Multi-Manager Global Equity Fund
- STANLIB Multi-Manager Property
- STANLIB Multi-Manager SA Equity Fund

## Physical See Through Asset Allocation %



## Income Distribution

	Declared in last 12 months	Declared during 2018
Class A	2.89 cpu	2.89 cpu
Class B1	4.44 cpu	4.44 cpu

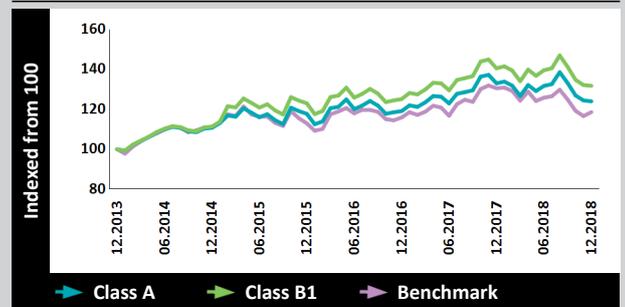
## Portfolio Facts

<b>Portfolio Manager(s)</b>	Jennifer Henry and Richo Venter
<b>Portfolio Size (NAV)</b>	R 334 million
<b>Sector</b>	South African Equity General
<b>Income Distribution</b>	Net revenue is calculated on a daily basis and distributed bi-annually.
<b>Income Declaration</b>	30 June & 31 December
<b>Benchmark</b>	South African Equity General Average
<b>Class A</b>	
<b>Launch Date</b>	17 Oct 2006
<b>Minimum Investment</b>	
Lump Sum	R5,000
Debit Order Per Month	R500
<b>ISIN No.</b>	ZAE000084851
<b>JSE Code</b>	STMMAA

	Class A		Class B1	
	1 Year	3 Year	1 Year	3 Year
Advisor Fee <sup>1</sup>	0.50	0.50	0.00	0.00
Management Fee	0.40	0.40	0.40	0.40
Underlying Fund Fees	0.65	0.72	0.65	0.72
Underlying Performance Fees	0.05	0.07	0.05	0.07
Other <sup>2</sup>	0.00	0.00	0.00	0.00
VAT	0.24	0.25	0.17	0.18
<b>Total Expense Ratio (TER)<sup>3</sup></b>	<b>1.84</b>	<b>1.95</b>	<b>1.27</b>	<b>1.38</b>
<b>Transactional Costs (inc. VAT)<sup>4</sup></b>	<b>0.10</b>	<b>0.21</b>	<b>0.10</b>	<b>0.21</b>
<b>Total Investment Charges</b>	<b>1.94</b>	<b>2.16</b>	<b>1.37</b>	<b>1.59</b>

- The A Class includes an ongoing adviser fee, which will be charged in addition to a maximum 3% upfront fee
- Other includes: bank charges, custody fees, sundry income, audit & trustee fees
- The TER is a measure of the actual expenses incurred by the Fund over a 1 and 3-year period (annualised) ending 30 September 2018
- Transaction Costs include: brokerage, Securities Transfer Tax (STT), STRATE, Levies and VAT.

## Cumulative Returns - Last 5 Years



## Top 10 Equity Holdings

Naspers Ltd	5.54%
Sasol Ltd	2.90%
Standard Bank Group Ltd	2.86%
Anglo American Plc	2.46%
British American Tobacco Plc	2.40%
Old Mutual Ltd	1.63%
BHP Billiton Plc	1.45%
MTN Group Ltd	1.31%
Nedbank Group Ltd	1.22%
RMB Holdings Ltd	1.22%

## FUND INFORMATION TO BE CONSIDERED BEFORE INVESTING

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**TRUSTEES** Standard Chartered Bank, 4 Sandown Valley Crescent, Sandton, 2196 T 011 217 6600

**Contact Details - STANLIB COLLECTIVE INVESTMENTS (RF) PTY LIMITED** Reg. No. 1969/003468/07 17 Melrose Boulevard, Melrose Arch, 2196, PO Box 203, Melrose Arch, 2076

T 0860 123 003 W stanlib.com and/or stanlibmultimanagers.com

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### Market overview

The global stock market declined 9.4% during 2018, in stark contrast to the positive 12.4% return in 2017. The rally in 2017 was driven by US tax cuts and spending increases, which boosted the US economy. However, there are expectations of slowing growth in the US and China, which has caused markets to decline. In addition, central banks have gone from buying to selling bonds. This reduced liquidity in markets. Overall this impacted emerging markets, which lost 17%, including SA with the JSE All Share declining 8.5%. Financials (-8.8%), industrials (-17.6%) and property (-25.0%) stocks all contributed to these losses. Resources, however, returned 15.7% and this proved supportive of value managers.

### Asset class performance and risk statistics

Asset class	Q4 2018	1 year	3 years p.a.	5 years p.a.
FTSE/JSE ALSI	-4.9%	-8.5%	4.3%	5.8%
Financials	-2.1%	-8.8%	5.1%	8.9%
Resources	-4.5%	15.7%	22.3%	-0.3%
Industrials	-6.5%	-17.6%	-1.9%	4.9%
FTSE/JSE Capped SWIX	-3.8%	-10.9%	3.0%	5.3%
Bonds ALBI	2.7%	7.7%	11.1%	7.7%
Cash STeFI Composite	1.8%	7.2%	7.4%	6.9%
All Property Index (ALPI)	-6.2%	-25.0%	-5.0%	4.2%

#### Risk statistics since launch

Lowest rolling 12-month return	-26.3% (12 months ended October 2008)	
Highest rolling 12-month return	39.9% (12 months ended February 2010)	
	Fund	Benchmark
Maximum drawdown	-32.2%	-36.2%
Portfolio volatility	12.1%	12.0%

Source: STANLIB Multi-Manager.

### Portfolio review

With performance of almost 3% ahead of peers in 2018, the Fund is comfortably ahead of peers over the three, five and 10 year periods, with approximately 0.65%, 1.5% and 1.7% alpha respectively, relative to peers.

At the underlying fund level, the Allan Gray SA Equity Fund's annualised performance since inception continued to be ahead of benchmark. Being underweight Naspers and overweight Sasol were key contributors to performance.

The Nedgroup Investments Entrepreneur Fund was ahead of its mid/small equity peers for the quarter by 1.85%. While Naspers detracted for the year, the fund's midcap counters such as Santam and Truworths, were ahead of the market. Barloworld and Wilson Bayly detracted from performance.

The STANLIB Multi-Manager SA Equity Fund declined 9.2% for the year gross of fees. This is 1.8% ahead of the benchmark and in line with peers. Prudential, Visio and Truffle outperformed the benchmark while Coronation and Foord detracted. Truffle was the best performing underlying manager over the year, driven by being active in terms of sector rotation as well as being overweight Sasol and Old Mutual. The STANLIB Multi-Manager Global Equity Fund returned 4.25% for the year, 0.6% behind its benchmark. However, on a gross basis this underlying fund was ahead of its benchmark in 2018, with healthcare and technology exposure contributing.

The STANLIB Multi-Manager Property Fund lost 23.8% for the year and 5.7% for the quarter, but was pleasingly ahead of the benchmark by 3.6%. The key driver of outperformance for the quarter was the underweight exposure to UK PLCs. The fund also did well to dodge some of the sharp declines in the SA Inc. shares such as Rebasis, Accelerate and SA Corporate.

### Portfolio positioning and outlook

The US equity market looks to be pricing in a recession in 2019, which could be positive for emerging markets including SA as global investors typically hunt for additional yield when the US economy slows. The SA market in particular is looking cheap, relative to its own history, with a 4% forward dividend yield and consensus earnings growth of about 15%. SA economic growth expectations remain on the low side with a 1.5% consensus forecast for 2019. This could dampen companies' earnings growth. The Fund has approximately 27% allocation to offshore and is slightly overweight Allan Gray and underweight the STANLIB Multi-Manager SA Equity Fund.

### Portfolio managers



**Jennifer Henry**  
Head of Portfolio Management:  
Retail Clients  
BCom(Hons), CFA, FRM



**Richo Venter**  
Portfolio Manager  
BCom(Hons)  
(cum laude), CFA