

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.



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.



Kobus Nell
BCompt (Hons), CA (SA), CFA
Portfolio manager

Kobus joined STANLIB in 2003 on completion of his audit articles at PwC. His early career included extensive exposure to fund operations at STANLIB where he was instrumental in automating a number of key system processes. He joined the investment team as an equity dealer in 2007 and was promoted to assistant portfolio manager in the unconstrained equity team in 2008. He also performed various research roles across sectors and managed the STANLIB Gold and Precious Metals Fund from 2011 and the STANLIB Resources Fund from 2014. He joined the STANLIB Multi-Asset franchise as a portfolio manager in 2015 where he has been involved in fundamental and quantitative equity research and asset allocation analysis. Kobus is now a portfolio manager for the Multi-Asset and Equity team.



Henk Viljoen
MCom (Economics)(Cum laude)
Senior Portfolio Manager

After gaining early experience in the treasury environment at Telkom and at Senbank, Henk joined the then Liberty Asset Management in 1990, and was appointed head of Fixed Income. Henk retained this role throughout the amalgamation with Standard Corporate and Merchant Bank that formed STANLIB, and for many years led a multi-award-winning team which built an undisputed reputation as the most astute and consistently successful Bonds/Fixed Income unit in the South African industry. In 2008, Henk handed over responsibility for the day-to-day management of all third-party, life asset and retail bond funds. He retained executive responsibility as head of Fixed Income and chairman of the Interest Rate Committee – the key macro factor forum that determines the duration positioning of STANLIB's fixed income mandates. In November 2019, he moved to the equity team as a senior portfolio manager.

Fund review

The STANLIB Balanced Fund declined 7.4% (gross of fees) during the period.

Within domestic equities, Communications (+18%) was the clear winner in the quarter, following its recent underperformance, which benefited the fund in this period. An overweight position towards defensive Consumer Staples (-4%) assisted relative performance. Healthcare (-9%), and Hospitals (-2%) outperformed the index, which helped relative performance. The overall Materials (-17%) sector battled, in an environment where recessionary risk has been growing, with Gold (-30%) and PGM (-25%) miners doing the damage. The fund's underweight allocation towards the overall precious metals sector assisted performance within the asset class.

Financials (-15%) lagged, with both Insurance (-25%) and Banks (-15%) weighing on the segment. An overweight allocation to the former detracted from performance.

The overweight position in domestic bonds and underweight in domestic cash detracted from relative performance, with SA risk spreads widening during the period. Having a large underweight to domestic listed property, on the other hand, helped the fund's performance. Exposure to inflation-linked government bonds (+3%) traded well along with higher inflation expectations and contributed favourably.

Global equities, with the style dominance to quality growth, battled in a rising rate environment. The fund benefited from the underweight allocation to the US and overweight to Europe and Emerging Markets, but the underlying funds underperformed their reference benchmarks, which detracted at overall fund level.

We reduced exposure to global equity and added to long-duration US bonds and dollar cash.

Within SA equity, we increased the overweight position in the Communications sector by adding to the fund's position in Naspers. We also increased our listed property exposure. This was funded out of financials, by reducing our substantial exposure to Transaction Capital and the banks in general after valuation levels became elevated. Within materials, the allocation to Northam Platinum and Gold Fields was increased by selling down Sibanye-Stillwater. The overweight allocation to Consumer Staples was increased by adding to Tobacco.

Market overview

The MSCI World Index declined 15.5% with the US S&P500 retracing 16.1% and the MSCI Emerging Markets Index losing 11.5% (all in US dollars). The dollar was particularly strong in this period, advancing 5.4% against the euro and 11.6% against the yen, as investors rushed to the global reference currency in an aggressive risk-off trading period. Global bonds were also sold off, with the WIGBI declining 8.9% (in dollars) as inflation concerns drove interest rate expectations higher.

Global property managed to outperform overall equity, with the EPRA/NAREIT declining 18.3% (in dollars).

STANLIB Balanced Fund

Quarterly update at 30 June 2022

STANLIB

South African equities underperformed their global peers, with the FTSE/JSE SWIX Index declining 21.8% (in dollars) and 10.6% (in rands) as the rand traded 11.1% weaker against the greenback. South African bonds, through the All-Bond Index, declined 3.7% (in rands) and outperformed domestic listed property. The SAPY retraced by 11.6% (in rands) but underperformed domestic cash, with the STeFI up 1.2%.

Equity and currency markets were negatively impacted by Eskom's continued load shedding during the quarter, and this culminated in Stage 6, the worst power cuts in two years, as labour instability and unrest hampered already-fragile output. This is a concerning development that is damaging investor confidence levels and economic growth. In terms of macroeconomic data, higher food and fuel prices pushed SA's headline consumer price index (CPI) inflation to the highest level recorded in five years. These rising inflation numbers suggest we could face another 50 bps to 75 bps interest rate hike at the monetary policy committee meeting in July. The South African Reserve Bank's composite leading business cycle indicator also deteriorated. Oil increased by a massive 18.3% in rands in this period.

Abroad, the May print of US annual inflation of 8.6% ended hopes that inflation peaked earlier in the year. The broad-based nature of the inflation problem is clear. Notably, core goods inflation increased despite early evidence that supply chain dislocations are easing and demand is rotating from goods towards services. US business activity slowed considerably. Production at US factories unexpectedly fell in the month as high inflation and declining consumer confidence dampened demand.

On the monetary policy front, Federal Reserve (Fed) Chair Jerome Powell said that the Fed is not trying to engineer a recession to stop inflation but is fully committed to bringing prices under control, even if doing so risks an economic downturn.

In Europe, the European Central Bank's (ECB) summit centered on recession concerns, hyperinflation and central bank hawkishness. The European parliament voted to support a ban on the sale of new combustion engine cars from 2035, in line with the bloc's goal of achieving climate neutrality in 2050. French President Emmanuel Macron lost control of the National Assembly in legislative elections, a major setback that could complicate politics in the country.

China's central bank said it made the biggest daily cash injection into the banking system via open market operations in nearly three months in an attempt to revive economic growth after recent lockdowns. On the macroeconomic front, purchasing managers' index data for the manufacturing and non-manufacturing sectors picked up from the previous reading, breaching the 50 point mark that indicates economic expansion.

Looking ahead

Commentary from the Fed on inflation expectations, unemployment and the pathway of interest rates is likely to dominate markets in the months to come. An aggressive pathway for interest rate hikes remains in place. A Reuters poll projects another 75 bps interest rate hike in July, followed by a half-percentage-point rise in September. It also predicts that the Fed will not scale back to quarter-percentage-point moves until November, at the earliest.

The US economy is moving from "late cycle" to a recessionary environment as confidence levels are plummeting to record lows. However, corporate earnings and unemployment levels are not yet showing any signs of distress. Beyond fighting inflation, the Fed appears to want to move interest rates quickly so that it has policy tools available to stimulate the economy again if a much slower growth environment materialises. Leading cyclical indicators are all pointing to a sharp slowdown in growth in the second half of this year. The question when a recession is fully priced in is front of mind. The dollar weakens when equities bottom, which is normally around the midpoint of a recession.

Global earnings expectations, with special reference to potential downgrades in anticipated margins, will remain in the spotlight and are expected to influence share price moves. Meanwhile, the performance of longer duration growth assets is expected to improve in the months to come as longer-term rates are showing signs of topping out and there is increased investor interest in higher quality companies in a low to very low growth environment.

On the domestic front, the recent downtrends in commodity prices, together with the concentrated nature of the JSE's earnings base, will test headline growth expectations, especially if global recession concerns are realised.

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 2022	Q1 2022	Change
Domestic Cash & Mny Mkt	2.92	2.60	0.32
Domestic Equity	45.02	46.29	-1.27
Domestic Fixed Interest	25.44	24.22	1.22
Domestic Property	0.51	0.47	0.05
Foreign Cash & Mny Mkt	1.80	0.07	1.73
Foreign Equity	22.17	24.72	-2.55
Foreign Fixed Interest	2.14	1.64	0.50

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
B1	Retail	1.36	819.73	539,558,046.64	4,422,922,294.25
R	Retail	1.36	819.75	10,801,181.98	88,542,250.32

All Price, Units and NAV data as at 30 June 2022.

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

TER - 1 Year Total Expense Ratio (%) including VAT as at 31/03/2022. 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 Balanced 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 June 2022.

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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