STANLIB Multi-Manager Global Equity Fund

Minimum Disclosure Document as of 31 March 2024

STANLIB
MULTI-MANAGER

The fund is a class fund of STANLIB Offshore Unit Trusts, which invests exclusively in the STANLIB Funds Limited - STANLIB Multi-Manager Global Equity Fund.

Market overview

Risk assets experienced another strong quarter, with several equity indices reaching all-time highs. US large cap technology stocks extended their market leadership as bullishness around AI persisted. This trend contributed to the outperformance of momentum strategies and underperformance of small cap stocks during the period under review. Euphoric sentiment coupled with hopes for a soft economic landing helped drive the following interesting market moves for the S&P 500: • A 10% rally, marking the first time in over a decade that it's seen back-to-back double digit quarterly gains. • The index managed to post 16 out of 18 weekly gains for the first time since 1971. • The benchmark closed at a record high on 22 separate occasions with more than half the stocks in the index hitting all-time highs during the quarter. • Also impressive is the S&P 500 has gone for more than a year without experiencing a one-day decline of over 2%, the sixth longest such streak since 1965. Meanwhile in Japan, the Nikkei saw its strongest performance since Q2 2009, and surpassed its previous record high from 1989. Foreign investors played a leading role in driving the rally fuelled by increasing optimism over Japan's positive economic cycle. Emerging markets (+2.4%) underperformed their developed market peers - largely weighed down by Chinese equities as investors remained concerned about China's growth prospects in the absence of any meaningful fiscal stimulus with the MSCI China index in USD now almost down 60% since its peak in early 2021. Finally, even as fears about a hard landing and the impact of rate hikes fell back in Q1, there were still signs of concern around commercial real estate. In particular, that was evident among US regional banks, with the KBW Regional Banking Index down -5.8% in the first quarter. The best sectors were Communication Services and Information Technology, while defensive sectors such as Consumer Staples and Utilities trailed the overall market.

Fund review

The SMM global equity fund had a good start to the year, outperforming it's benchmark by 1.5% net of all fees. At the total portfolio level, security selection was responsible for the lion's share of excess returns. Stock picking was particularly strong in the Financials, Industrials and Consumer Discretionary sectors. A marginal underweight to IT detracted, however this was more than offset by very strong security selection which had a pronounced positive effect. Attribution shows our fund continued to benefit from semiconductors outperformance. To this end TSMC and ASML were in the top 10 contributors, however the portfolio also has a cluster of other names that are benefitting from chip demand such as Micron and Entegris. Conversely an underweight to Nvidia detracted, but a consensus overweight to the AI theme has had a positive effect on performance for the last few years. An underweight to Apple and Tesla, which fell 10.8% and 29.3% respectively, helped during the period under review as did an overweight to Meta that climbed 37.3%. Within Industrials, holding positions in Airbus and Safran at the expense of Boeing was also beneficial. On the downside not owning enough weight loss drug companies like Eli Lilly and Novo Nordisk was a drag on performance. From a manager perspective, Hosking was the top performer over the last month to help them end the quarter in positive territory on a relative basis. Year to date Arrowstreet and Sanders have generated the strongest alpha. Conversely AB has lagged, but overall our managers delivered strong results. The key takeaway however is they've delivered good excess returns in different ways. As an example, Sanders had significant exposure to Mag Seven names, Veritas has more defensive Healthcare and Industrial stocks while Sands has a hyper growth orientation with Hosking having a small cap bias with overweights to Energy.

Outlook

About two-thirds of those polled for Bank of America's latest global fund manager survey do not expect a US recession over the next 12 months – up from 10% at the start of 2023. For the first time in more than two years, the bulk of investors also expect global corporate profits to increase over the medium-term. It's not clear to us if a recession or strong recovery materialises so instead of paying too much attention on growth and inflation uncertainty, we're focussed on portfolio construction and appointing great managers. We believe our portfolio is well diversified with multiple growth levers and remain confident our fund can deliver excess risk adjusted returns in line with its objectives. Our managers continue to be concerned about the concentration risks of the US market, and have turned to Europe where cheaper valuations and a potential shrinking of the economic growth gap relative to the US are making the region look more attractive. As such the portfolio continues to be underweight some of the US large cap growth market darlings.