# STANLIB Multi-Manager Property Fund

Quarterly Report 30 June 2023

STANLIB
MULTI-MANAGER

## Commentary and analysis

### Market overview

The FTSE/JSE All Property Index was highly volatile in Q2. It brushed off stage 6 loadshedding in April, rallying 5.8% as investors believed global central banks would pivot on the wake of lower inflation prints. In May, news that SA might have supplied Russia with arms in December sent markets into a tailspin, selling off 5.4%. It recovered 0.9% in June as the political environment stabilised. For the quarter, the index returned 1.0% and is up 8.9% in the past year.

The SA property market generates almost 50% of its earnings offshore and to this end, the collapse of US regional banks and Credit Suisse in Q1 hurt it as it led to many banks tightening their lending standards. Most property companies are set up as REITs which means they must pay out at least 75% of their earnings to maintain their REIT status – this leaves them at the mercy of banks for funding hence they often struggle when lending standards tighten. On the positive side, bond yields in Central and Eastern Europe (CEE) have fallen 120 basis points on average in the past year, easing the pressure on companies with CEE exposure. In addition, the selloff in the domestic currency improved returns for companies with offshore exposure. Not surprising, Hammerson returned 57.8%, NEPI Rockcastle was up 37.7% and Sirius rallied 20% in the past year. On more positive news, Blackstone, a US private equity firm made a cash offer to buy Industrial REIT at a 42% premium to pre-deal price. This highlights the attractiveness of property companies.

### Asset class performance (%)

| Local | Q2 2023 | 1 year | 3 years | 5 years |
|---|---|---|---|---|
| FTSE/JSE All Share Index | 0.66 | 19.58 | 16.12 | 9.59 |
| Financials | 5.93 | 14.08 | 20.76 | 4.03 |
| Resources | -6.09 | 2.97 | 13.88 | 15.00 |
| Industrials | 3.40 | 34.16 | 14.49 | 8.50 |
| FTSE/JSE Capped SWIX | 1.16 | 13.48 | 15.69 | 6.91 |
| Bonds ALBI | -1.53 | 8.23 | 7.60 | 7.39 |
| Cash STeFI Composite | 1.92 | 6.76 | 4.98 | 5.81 |
| FTSE/JSE All Property Index | 0.96 | 8.94 | 10.98 | -4.96 |

| International | Q2 2023 | 1 year | 3 years | 5 years |
|---|---|---|---|---|
| MSCI ACWI IMI (ZAR) | 12.27 | 34.10 | 13.95 | 14.58 |
| MSCI ACWI Net (ZAR) | 12.58 | 34.54 | 13.98 | 15.07 |
| MSCI Emerging Market Index (ZAR) | 5.94 | 14.17 | 2.50 | 4.81 |
| BB Global Aggregate Bond Index (ZAR) | 4.40 | 13.94 | -2.40 | 5.29 |
| BB Global Multiverse Index (ZAR) | 4.56 | 14.52 | -2.10 | 5.44 |

### Portfolio review

The fund was marginally behind its benchmark in Q2 and for the year. Over longer periods, like in the past 5 years, it is 0.6% ahead of the benchmark after fees, despite struggling in the past three years.

Its underweight positions in Attacq and Fortress were a big detractor to performance in the past year. Our managers view on Attacq is that the company is less diversified geographically and would have probably fallen in line with other SA sensitive companies, but the Government Employees Pension Fund (GEPF) offer to buy 30% of its Waterfall City development boosted its share price. Fortress's decision to de-REIT seems to have come at a good time as it reduces its need to refinance through banks in an interest rate rising market. The fund also suffered a cash drag as property rallied in the past year. On the other hand, underweights in Investec Property Fund, a counter that is down 19.5% in the past year due to write-downs and poor growth in Europe helped the fund. Looking at the managers, Sesfikile and Catalyst remain the biggest contributors to performance. STANLIB was marginally behind in Q2 and its performance in 2021 and 2022 means the manager has a lot of ground to cover to return to positive alpha. We understand the reasons for its underperformance and continue to monitor it.

Relative to peers, the fund had a good quarter and is also ahead of peers in the past year.

### Portfolio positioning and outlook

The fund's largest tilts are overweight positions in offshore companies like NEPI Rockcastle and MAS PLC. It is also overweight strong domestic focused businesses like Premium and Spear REIT. These are funded from underweight positions in Fortress B, Attacq and Growthpoint. The underweight to Growthpoint is underpinned by its lower guidance on growth in 2024 as it struggles with refinancing costs.

Sentiment towards property remains negative as major central banks continue to hike interest rates, but fundamentals are improving. Vacancies in P-grade offices continued to fall in Q2 to 9.2% and trading density growth in the retail sector is at 10.7%. On the interest rate hikes, most companies have 2-year hedges on over 80% of their debt so the higher rates are not fully hurting them yet, but the impact is coming. Refinancing and locking in higher rates is a concern and is likely to weigh on growth. Notwithstanding the higher rates, the sector is still trading at a significant discount to NAV and recent interest from private equity players is a sign of how attractive companies are priced. Despite recent deals, the market is still trading a 38% discount to NAV.

*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 2023 | Q1 2023 | Change |
|---|---|---|---|
| Domestic Cash & Mny Mkt | 7.55 | 3.54 | 4.01 |
| Domestic Property | 92.45 | 96.46 | -4.01 |

*The portfolio adhered to its portfolio objective over the quarter.*

### Fund classes

| Class | Type | TER | Price (cpu) | Units | NAV (Rand) |
|---|---|---|---|---|---|
| B1 | Retail | 1.17 | 284.18 | 214,438,406.33 | 609,392,100.65 |

*All Price, Units and NAV data as at 30 June 2023.*

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

*TER - 1 Year Total Expense Ratio (%) including VAT as at 31/03/2023.*

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## Disclosures

### Information to be considered before investing

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 Multi-Manager Property 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.

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.

### Unit price – how it works

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.

The payment of withdrawals may be delayed in extraordinary circumstances, when the Manager 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 Manager to sell the underlying investments in a manner that may have a negative impact on remaining investors of the Fund.

### Performance 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 2023. 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.

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

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. The TER is a measure of the actual expenses incurred by the fund over a one and three-year period (annualised). 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.

Transaction costs are disclosed separately. 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).

Annual 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. The Fund invests primarily in segregated mandates but may also invest in other unit trusts i.e. "Underlying Fund Fees", which are included in the Total Expense Ratio (TER). The annual management fee is accrued daily and paid on a monthly basis.

Advice fees: If an investor appoints an adviser, advice fees are contracted directly between the investor and the adviser. The Manager will facilitate the collection of advice fees only upon receiving an investors instruction to do so. Initial advice fees up to a maximum of 3.45% are collected prior to units being purchased and ongoing advice fees up to a maximum of 1.15% are collected monthly through the redemption of units held by an investor in the Fund. An investor may cancel the instruction to facilitate the payment of advice fees at any time.

### STANLIB Multi-Manager does not provide financial advice

The investments of this portfolio are managed, on behalf of the Manager, by STANLIB Multi-Manager a division of 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.

This document is not advice, as defined under FAIS. Please be advised that there may be representatives acting under supervision.

### Where can I find additional information?

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).

This document does not constitute an offer of sale. Investors are requested to view the latest Minimum Disclosure Document (MDD), for the provision of additional information pertaining to the product, as well as seeking professional advice, should they be considering an investment in the product. The Manager provides no guarantee or warranty as to the accuracy of the content of this document. Every effort has been made to ensure that the content is accurate at time of issue.

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