

STANLIB Multi-Manager Flexible Property Fund

Minimum Disclosure Document

As at 30.09.2018

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 seeks to generate a reasonably high level of income and moderate capital growth. Given that it has around 60% exposure to listed property, with the balance exposed to fixed interest securities, it will be a more conservative Fund than a fully invested property portfolio. Through time, the Fund is designed to provide most of the upside of listed property with significantly less volatility.

Risk profile



■ Defensive assets ■ Growth assets

What are the investment guidelines?

This is a diversified income portfolio with a strong bias to listed property shares. It invests only in domestically listed property shares, as well as other high-yielding income producing assets such as bonds and money market instruments.

The Fund has a mandated property range of 40% - 85%, although it is likely to always remain above 50%. Minimum exposure to non-equity securities is 15% of the portfolio; the maximum is 60%. The Fund may not have any direct foreign exposure, although indirect foreign exposure is obtained through the offshore property holdings of local listed property shares.

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

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 Portfolio Managers dedicated to the Fund



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



Vuyo Mkhathazo
Portfolio Manager
CA(SA)

How do we select managers?

STANLIB Multi-Manager (Pty) Ltd follows a rigorous and disciplined manager research and selection process that starts by analyzing the sector for which the portfolio is being built, and determining the key drivers of outperformance.

The manager research team conducts thorough quantitative and qualitative analyses, culminating in an extensive investment due diligence to identify those managers that have the skill and ability to outperform. This results in the production of high conviction buy/hold/sell lists, as well as mandate performance expectations under different environments, defining events and sell triggers/disciplines.

The portfolio management team then constructs a framework for blending managers into the portfolio that targets the key areas of outperformance and promotes diversification. We only entrust our client's assets to the highest quality managers, who are then selected into this framework to provide the portfolio with exposure to these sources of market outperformance over the long term.

Passive alternative are considered in the process and where used, these help to lower portfolio costs.

On a regular basis the portfolio is reviewed to ensure it is delivering on its long term objectives. From time to time changes are made to improve the structure and or risk return profile of the portfolio.

Who are the underlying managers/funds?

The portfolio construction currently includes the following managers/funds:

Underlying managers	Portfolio managers	Strategic allocation
Coronation Fund Managers	Mark le Roux	30%
STANLIB Asset Management	Keillen Ndlovu	30%
STANLIB Asset Management (Passive)	Lebo Pule	40%

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.

Information to be considered before investing

The STANLIB Multi-Manager Flexible Property Fund should be considered a medium to long-term investment. The value of units (participatory interest) may go down as well as up and past performance is not necessarily a guide to future performance. General market risks include a change in interest rates and economic conditions, share price volatility and a decline in property values. The Fund is traded at ruling prices using forward pricing, and can engage in borrowing of up to 10% of the market value of the portfolio to bridge insufficient liquidity as a result of the redemption of units and may engage in scrip lending. A schedule of fees, charges and maximum commissions is available upon request from STANLIB Collective Investments (RF) Pty Limited (the Manco). Commissions and incentives may be paid and if so, would be included in the overall costs of the Fund. Liberty is a full member of the Association for Savings and Investments South Africa (ASISA). 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. 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).

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.

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 / 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 is a diversified income property portfolio. It will be invested in domestically listed property shares, as well as other high-yielding income producing assets (namely bonds and money market instruments); with the flexibility to adjust the property weight according to market conditions.

It aims to generate a reasonably high level of income and moderate capital growth. Given that it has around 50% to 70% exposure to listed property, with the balance exposed to fixed interest securities, it will be a more conservative Fund than a fully invested property portfolio. Through time, the Fund is designed to provide most of the upside of listed property with less volatility.

Suitable Investors

- Who wish to diversify single manager risk
- Who are seeking a steady long-term income stream and moderate capital growth
- Who are not concerned about short-term capital fluctuations from the capital component of the Fund (both the property shares and longer maturity bonds)
- Who typically have an investment horizon of at least three years

Risk Rating



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	-8.34	0.68	5.58	10.64
Class B1	-8.02	1.03	5.95	11.02
Benchmark	-15.68	-1.41	6.77	13.45
Sector Average	1.58	3.84	5.98	9.37

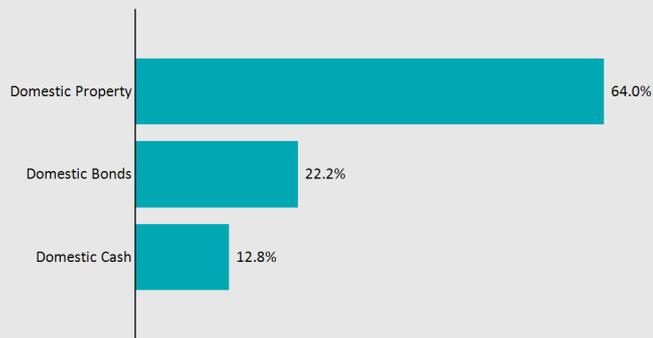
Underlying Fund Managers

Coronation Fund Managers

STANLIB Asset Management (Active)

STANLIB Asset Management (Passive)

Physical See Through Asset Allocation %



Income Distribution

	Declared in last 12 months	Declared during 2018
Class A	15.05 cpu	11.88 cpu
Class B1	15.88 cpu	12.49 cpu

Portfolio Facts

Portfolio Manager(s)	Richo Venter and Vuyo Mkhathazo
Portfolio Size (NAV)	R 1270 million
Sector	South African Multi-Asset Flexible
Income Distribution	Net revenue is calculated on a daily basis and distributed quarterly.
Income Declaration	31 March, 30 June, 30 September & 31 December
Benchmark	FTSE/JSE SA Listed Property Index (SAPYI)
	Class A
Launch Date	24 Dec 2004
Minimum Investment	
Lump Sum	R5,000
Debit Order Per Month	R500
ISIN No.	ZAE000060661
JSE Code	SMCI

	Class A		Class B1	
	1 Year	3 Year	1 Year	3 Year
Advisor Fee ¹	0.30	0.30	0.00	0.00
Management Fee	1.00	1.00	1.00	1.00
Underlying Fund Fees	0.00	0.00	0.00	0.00
Underlying Performance Fees	0.00	0.00	0.00	0.00
Other ²	-0.01	-0.01	0.00	0.00
VAT	0.19	0.19	0.15	0.15
Total Expense Ratio (TER)³	1.49	1.49	1.15	1.15
Transactional Costs (inc. VAT)⁴	0.10	0.18	0.10	0.18
Total Investment Charges	1.59	1.67	1.25	1.33

- ¹ The A Class includes an ongoing adviser fee, which will be charged in addition to a maximum 3% upfront fee
- ² Other includes: bank charges, custody fees, sundry income, audit & trustee fees
- ³ The TER is a measure of the actual expenses incurred by the Fund over a 1 and 3-year period (annualised) ending 30 June 2018
- ⁴ Transaction Costs include: brokerage, Securities Transfer Tax [STT], STRATE, Levies and VAT.

Cumulative Returns - Last 5 Years



Top 10 Equity Holdings

Growthpoint Properties Ltd	8.56%
Nepi Rockcastle Plc	7.99%
Redefine Properties Ltd	7.94%
Fortress Fund A	4.07%
Hyprop Investments Ltd	3.49%
Intu Properties Plc	2.79%
Capital and Counties Properties Plc	2.75%
Vukile Property Fund Ltd	2.33%
Resilient Property Income Fund Ltd	2.26%
Fortress Income Fund B	2.15%

FUND INFORMATION TO BE CONSIDERED BEFORE INVESTING

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COMPLIANCE NO: 752B62

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Market overview

In yet another tough quarter for property shares, the All Property Index (ALPI) lost 1.5%. Some of the largest property shares were hit hardest, with Growthpoint, Redefine, Intu PLC and Hyprop losing 8.9%, 4.5%, 13.0% and 11.2% respectively. Having been such a loved asset class for many years, there have been a number of issues plaguing the sector recently. These include weak consumer and business sentiment in SA, low economic growth, slowing property income growth, the de-rating of the Resilient Group, rising US interest rates and the impact of Brexit on UK property companies. These factors have seen the sector lose 22.5% in 2018.

While many of these factors remain, the market is now fortunately assuming the worst and pricing in this uncertainty. With a longer-term view, we believe that property can provide returns well above inflation. In the short-term, however, we expect volatility to continue.

SA bonds returned 0.8%, driven largely by short-dated instruments which gained 1.9%. The 12+ area of the curve returned 0.4%. SA cash gained 1.8% and the weaker rand boosted offshore returns leading to a 7.4% return from global equities.

Asset class performance and risk statistics

Asset class	Q3 2018	1 year	3 years p.a.	5 years p.a.
FTSE/JSE ALSI	-2.2%	3.4%	6.7%	8.0%
Financials	2.8%	8.1%	4.6%	10.9%
Resources	5.2%	27.1%	15.7%	1.0%
Industrials	-7.8%	-7.7%	2.5%	7.7%
FTSE/JSE Capped SWIX	-1.7%	0.4%	4.5%	7.4%
Bonds ALBI	0.8%	7.1%	7.8%	7.2%
Cash STeFI Composite	1.8%	7.3%	7.3%	6.8%
All Property Index (ALPI)	-1.5%	-14.0%	-3.5%	6.1%

Risk statistics since launch		
Lowest rolling 12-month return	-14.6% (12 months ended June 2008)	
Highest rolling 12-month return	46.8% (12 months ended March 2006)	
	Fund*	Benchmark
Maximum drawdown	-21.0%	-31.9%
Portfolio volatility	10.7%	15.8%

Source: STANLIB Multi-Manager.

Portfolio review

The Fund's strategic blend with fixed interest assets aims to protect investors from extreme volatility and drawdowns in the property market, while participating in the majority of the potential performance upside. During the quarter the SAPY and ALPI lost 1% and 1.5% respectively, while the Fund returned 0.2%. Over the last 10 years, the Fund has delivered 11% per annum, equating to a real return of 5.9%.

Coronation's flexible property mandate performed in line with expectations for the quarter, returning 1% gross of fees. Coronation's largest share picks are Redefine and Growthpoint. Relative to the ALPI, Coronation has a large Growthpoint underweight, while being overweight Dipula, Gemgrow and Fortress A. Coronation is currently overweight property relative to their composite benchmark. Their fixed interest assets are concentrated in the 3-7 year bond maturity bucket and the fixed interest component duration is approximately 3.4 years, a slight duration increase from the previous quarter.

The Fund's passive PCAP allocation lost 2.2% while the passive SAPY allocation lost 1%, both in line with their respective benchmark returns.

The STANLIB flexible property mandate's high exposure to NEPI Rockcastle and Fortress A assisted quarterly performance as they gained 8.5% and 14.6% respectively. STANLIB's duration on the fixed interest portion of the portfolio remains low at less than 12 months, providing good protection. Performance for the quarter was promising at 2.9% gross of fees.

Portfolio positioning and outlook

In addition to further rate hikes in the US, we expect trade wars to continue dominating headlines and this could weigh heavily on EM sentiment. Local asset prices have retreated to levels that may provide a good entry points for investors. However, the global and economic environment remains highly uncertain and we continue to emphasize the importance of having a long-term focus when making investment decisions.

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.

Portfolio managers



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



Vuyo Mkhathazo
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CA(SA)