

Quarterly Report 30 June 2020

## Commentary and analysis

### Market overview

The collapse in financial markets that we saw in the first quarter was short-lived as central banks stepped in with unprecedented amounts of liquidity.

Financial markets bounced back in Q2 from the multi-year lows reached in March. The downturn in global economic data has largely been shrugged off by markets around the world as investors look towards a post COVID-19 world. In an effort to dampen the impact of the pandemic on economies, central banks provided the much needed stimulus and bond markets responded with a 'V-shaped' recovery. The SA 10-year government bond yield fell from above 12% at the height of the sell-off in March to just above 9% at the end of June. As yields fell, the ALBI posted a 9.9% return in Q2 (it was down 8.7% in Q1). The volatility in the past two quarters showcased the benefits of investing in cash.

The market has been stable throughout the crisis, producing a return of 1.4% in Q2 (up 1.7% in Q1). Most of the return came from six and 12 month instruments as these rallied 1.5% and 1.7% respectively. Shorter-dated instruments were pulled down by the SARB's 150 basis point interest rate cuts during the quarter. The repo rate is currently at 3.75% and may come down in the next few months – the recent May inflation print of 2.1% is likely to result in more interest rate cuts by the SARB. Forward rate agreements seem to agree with this thinking, as the 3x6 FRA is currently priced at 3.36%.

### Asset class performance (%)

| Local                       | Q2 2020 | 1 year | 3 years | 5 years | International                          | Q2 2020 | 1 year | 3 years | 5 years |
|-----------------------------|---------|--------|---------|---------|--|---------|--------|---------|---------|
| FTSE/JSE All Share Index    | 23.18   | -3.30  | 5.11    | 4.16    | MSCI AC World Index IMI (ZAR)          | 16.64   | 24.51  | 16.05   | 14.00   |
| Financials                  | 12.87   | -34.50 | -8.54   | -5.26   | MSCI AC World Net (ZAR)                | 16.04   | 25.66  | 16.70   | 14.38   |
| Resources                   | 41.20   | 12.38  | 24.61   | 10.46   | MSCI Emerging Market Index (ZAR)       | 14.14   | 16.09  | 9.39    | 7.95    |
| Industrials                 | 16.59   | 4.04   | 2.51    | 3.34    | BB Barclays Gbl Aggr Bond Index (ZAR)  | 0.57    | 28.26  | 14.13   | 11.26   |
| FTSE/JSE Capped SWIX        | 21.64   | -10.78 | -0.81   | 0.07    | BB Barclays Gbl Multiverse Index (ZAR) | 0.92    | 27.79  | 14.04   | 11.34   |
| Bonds ALBI                  | 9.94    | 2.85   | 8.10    | 7.49    |  |         |        |         |         |
| Cash STeFi Composite        | 1.46    | 6.86   | 7.17    | 7.19    |  |         |        |         |         |
| FTSE/JSE All Property Index | 18.73   | -40.24 |         |         |  |         |        |         |         |

### Portfolio review

The fund outperformed its benchmark in Q2. The rally in six and 12 month instruments helped managers who had longer duration than the STeFi Composite – ALUWANI was one of those managers. Prescient also had a good run, thanks to the yield pickup in its portfolio. The two STANLIB mandates, after months of outperforming the benchmark, lagged in the past quarter. The manager took a contrarian view and cut duration in Q1, this detracted from performance as longer dated paper outperformed the market in Q2. The fund's long term performance remains comfortably ahead of benchmark, between 50 to 80 basis points in the past five years. All the managers we have selected contributed positively to the long term alpha but what is pleasing to us is that even the STANLIB money market mandate, which is in the portfolio for liquidity, is comfortably ahead of the STeFi Composite, despite its holding of short dated instruments.

Compared to peers, the fund is largely in line. As expected, the income and enhanced yield strategies have added the most to relative performance. Not surprisingly, the money market mandate has lagged peers in the ASISA IB Short Term Category but is comfortably ahead of its more comparable peers in the ASISA SA IB Money Market Category.

### Portfolio positioning and outlook

In terms of the fund's positioning, the portfolio's duration has marginally gone up to 0.58 years in the past few months. As short rates remain anchored by lower inflation, longer-dated instruments are offering attractive yields and have enticed our managers enough to allocate to them. The portfolio is predominantly invested in banks but has roughly about 25% in non-bank corporates which gives it a healthy yield pickup. Looking forward, most countries are talking about the second wave of COVID-19 cases and this is likely to keep volatility high. However, in a delicate balance between managing increasing cases and facilitating economic growth, they have eased most of the restrictions to allow for more activity in their economies. Last quarter, we highlighted that we do not know how COVID-19 will play out over the next few months and, to be honest, no-one does. Hence we have five asset managers with large experienced teams working in conjunction with us to look after our clients' money in this fund. We think the diversification benefit from this gives us a better chance to manage money through these trying times.

*Duration – a measure of the sensitivity of the price of a fixed-income investment to a change in interest rates. Duration is expressed as number of years.*

*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 2020 | Q1 2020 | Change |
|-------------------------------|---------|---------|--------|
| Domestic Cash                 | 3.11    | 2.35    | 0.76   |
| Domestic Fixed Interest       | 0.49    | 0.70    | -0.21  |
| Domestic Fixed Interest Corp  | 54.54   | 56.40   | -1.86  |
| Domestic Fixed Interest Funds | 14.40   | 13.09   | 1.32   |
| Domestic Fixed Interest Govt  | 5.72    | 5.82    | -0.10  |
| Domestic Money Market         | 21.74   | 21.65   | 0.09   |

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

### Fund classes

| Class | Type   | TER  | Price (cpu) | Units         | NAV (Rand)    |
|-------|--------|------|-------------|---------------|---------------|
| B1    | Retail | 0.59 | 101.18      | 48,364,959.02 | 48,933,346.07 |

*All Price, Units and NAV data as at 30 June 2020.*

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

*TER - 1 Year Total Expense Ratio (%) including VAT as at 31/03/2020.*

## 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 Enhanced Yield 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 is a portfolio that derives its income primarily from interest-bearing instruments. The yield (if shown) is a current effective yield calculated daily.

### 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](http://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 2020. 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 investor's 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 (Pty) Ltd does not provide financial advice

The investments of this portfolio are managed, on behalf of the Manager, by STANLIB Multi-Manager (Proprietary) Limited, an authorised financial services provider (FSP), FSP No. 763, 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](http://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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