

Impact of Fitch ratings update due to African Bank debt write-down



15 August 2014

As previously communicated, African Bank has been placed under curatorship and their debt issues written down with effect from 10 August 2014. The senior debt has been written down by 10%, while the subordinated debt and preference shares have been written off altogether. Any funds invested in these debt instruments would have suffered a loss, to a lesser or greater extent, depending on their specific exposure.

As a direct result of this write-down, on Wednesday 13 August 2014, Fitch Ratings issued a press release, which details their adjustments in National Fund Credit Ratings to South African fixed interest and money market funds exposed to the African Bank debt write-down. The Agency placed six South African funds' National Fund Credit Ratings on Rating Watch Negative (RWN) and simultaneously downgraded one of our competitor's money market funds.

Impact on STANLIB's funds

The table below summarises the impact, to date, that the African Bank situation has had on our fixed interest and money market funds.

	Exposure before write-down on 8 August (%)	Exposure post write-down on 11 August(%)	Impact on the market value of the fund effective 11 August(%)	Fitch Ratings
STANLIB Aggressive Income Fund	6.79	5.48	-1.38	Not rated
STANLIB Bond Fund	1.30	0.90	-0.41	Not rated
STANLIB Corporate Money Market Fund	0.00	0.00	0.00	Unchanged
STANLIB Enhanced Yield Fund	6.06	5.54	-0.61	Not rated
STANLIB Extra Income Fund	4.40	3.98	-0.44	Unchanged
STANLIB Flexible Income Fund	8.43	7.66	-1.84	Not rated
STANLIB Income Fund	6.47	4.94	-1.66	Not rated
STANLIB Institutional Money Market Fund	0.71	0.68	-0.07	Not rated
STANLIB Money Market Fund	1.72	1.56	-0.16	Not rated
STANLIB Prudential Bond Fund	0.55	0.43	-0.12	Not rated

The **STANLIB Extra Income Fund** retains its **AA-** rating, but has been put on Rating Watch Negative. Our flagship **Corporate Money Market Fund** does not hold any ABIL paper and has kept its **AA+** rating, the highest rating available for South Africa. The remainder of our fixed interest and money market funds have seen some impact from the write-down but not from the ratings review.

The Fitch statement explained that the RWN reflects both the realised write-down and “the potential for further credit deterioration or negative effects on instrument prices”. The agency will review these ratings within the next six weeks, as and when new information is gathered. We will of course keep our clients informed with such developments.

Regards

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