

STANLIB to create separate retention funds to house the African Bank exposure

Focused Investing

STANLIB

20 August 2014

The South African Reserve Bank recently announced the restructuring of African Bank Investments Limited (ABIL) and placed it under curatorship. This has provided guidance and clarity on the value of ABIL's fixed interest holdings. Despite the Reserve Bank providing clarity on the value of ABIL, the debt cannot be bought or sold, even though the market value has been established.

On Friday, 15 August 2014 the Registrar of Collective Investments issued Guidance Note 6 on the "Creation of side pockets for the African Bank Investments Limited debt paper." This effectively allows for the creation of segregating illiquid assets from liquid assets. STANLIB has received approval from the FSB for the establishment of a new portfolio solely for the purposes of segregating its ABIL fixed interest holdings into a side pocket.

What is side-pocketing?

Side-pocketing is the process of allocating assets to a retention fund. Only the present investors in the fund will be allocated a share of the ABIL side pocket portfolio. Side pocketing is therefore designed to protect investors by ensuring the fairest treatment of all existing and new investors into an affected fund. Investors will have units in the liquid fund and the ABIL retention fund as per their original holdings. The liquid fund will be fully trade-able which means that investors can freely trade units in and out of the liquid fund. In effect, the regulator has deemed this to be in the best interest of all investors.

The creation of Retention Funds for African Bank Investments Limited (ABIL) assets

Retention funds will be created with effect from 18 August 2014. All investors invested in funds with fixed interest exposure to ABIL as at 15 August 2014, will retain their holding in both a Non-ABIL fund and the ABIL Retention fund as follows:

Non-ABIL Fund	ABIL Retention Fund	Current ABIL weighting
STANLIB Aggressive Income Fund	STANLIB Aggressive Income ABIL Retention Fund	5.52%
STANLIB Bond Fund	STANLIB Bond ABIL Retention Fund	0.90%
STANLIB Enhanced Yield Fund	STANLIB Enhanced Yield ABIL Retention Fund	5.60%
STANLIB Extra Income Fund	STANLIB Extra Income ABIL Retention Fund	4.23%
STANLIB Flexible Income Fund	STANLIB Flexible Income ABIL Retention Fund	7.85%

STANLIB Income Fund	STANLIB Income ABIL Retention Fund	5.47%
STANLIB Inflation Plus 5% Fund	STANLIB Inflation Plus 5% ABIL Retention Fund	5.45%
STANLIB Multi-Manager Absolute Income Fund	STANLIB Multi-Manager Absolute Income ABIL Retention Fund	1.36%
STANLIB Multi-Manager Balanced Fund	STANLIB Multi-Manager Balanced ABIL Retention Fund	0.27%
STANLIB Multi-Manager Flexible Property Fund	STANLIB Multi-Manager Flexible Property ABIL Retention Fund	1.81%
STANLIB Prudential Bond Fund	STANLIB Prudential Bond ABIL Retention Fund	0.43%
STANLIB Institutional Money Market Fund	STANLIB Institutional Money Market ABIL Retention Fund	0.67%
STANLIB Money Market Fund	STANLIB Money Market ABIL Retention Fund	1.58%

Splitting the assets into two separate funds does not change the total value of any investment but simply ensures that all our investors are treated fairly and no one party's actions prejudice another. The ABIL Retention funds are closed funds and not open for new investors. As we receive any cash flows from the ABIL investments in the form of interest or capital, we will return that to investors. Please also note that no management fees will be levied on the ABIL Retention funds.

The STANLIB funds which no longer have ABIL paper will trade as normal and investors are free to invest and disinvest as per our normal fund rules.

This decision has not been taken lightly and will ensure that all investors are treated fairly and none are prejudiced as a result of other unit holders withdrawing their funds. We will continue to communicate with our customers as soon as new information becomes available. Please do not hesitate to contact us if you have any queries.

Regards

Henk Viljoen
Head of Fixed Interest Franchise

Anthony Katakuzinos
STANLIB Retail: COO

Joao Frasco
STANLIB: Multi-Manager

Contact Details

17 Melrose Boulevard, Melrose Arch, 2196
 T + 27 (0)11 448 6000 F + 27 (0)11 448 6000
 E brokersupportjnb@stanlib.com W stanlib.com

Please give us your feedback on STANLIBInsights.
 We welcome your feedback.
 comms.stanlib@stanlib.com

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