STANLIB

Standard Bank

Standard STANLIB Property Fund

Quarterly update at 31 March 2024

Market overview

The locally listed property market enjoyed further gains in January (+4.4%) following the spectacular gains in Q4 2023 but succumbed to interest rate-induced vertigo in February (-0.3%) and March (-0.6%) and finished the quarter 3.5% higher. This was, however, still the highest return across all local asset classes for the quarter and a little surprising to many given the rise in both global and local yields. The yield on the South African 10-year government bond rose from 11.2% to 12.0% during the quarter (the All Bond Index fell 1.8%), as stubborn inflation and a rising oil price worried the market. The local property market is up 20.3% over the past 12 months, comfortably the best of the local asset classes over this time.

The gains were driven by previous investor neglect, with large institutional buyers re-entering the market together with the general sense that interest rates would eventually be cut, and this would benefit this highly leveraged sector. There was a wide spread of returns within the sector during the quarter ranging from -8.5% for Equites to +15.7% for Attacq. The key driver among the winners was the weakening rand (-5.0% relative to the dollar for the quarter) which assisted the locally listed offshore property companies, like Lighthouse PLC (+9.4%), NEPI Rockcastle (+7.7%), Shaftesbury PLC (+7.0%) and Sirius (+5.1%).

Performance was mixed amongst the SA hybrid property companies, with Growthpoint (-3.6%) and Hyprop (-5.6%) falling and Fortress (+9.2%), Resilient (+4.7%) and Redefine (+2.6%) all producing positive returns. While mergers and acquisitions have been a factor in these relative returns, there were also many idiosyncratic factors at play with each company having its own story. Balanced and equity specific portfolio managers can afford to be selective, typically favouring the more liquid large caps, while many of the local property companies, like Attacq, SA Corporate, Fairvest and Octodec have benefited from reduced loadshedding in 2024 off a high base in 2023.

Asset class performance (%)

Asset class	Q1 2024	1 year	3 years p.a.	5 years p.a.
Equity - FTSE/JSE All Share	-2.25	1.55	8.10	9.67
Financials	-7.55	11.82	15.02	5.11
Resources	-1.63	-8.98	1.64	10.49
Industrials	0.64	3.30	8.15	10.15
Equity - FTSE/JSE Capped SWIX	-2.30	2.87	7.48	7.64
Bonds - FTSE/JSE All Bond	-1.80	4.19	7.40	7.04
Cash - STeFI Composite	2.06	8.39	6.08	6.00
ILBs - FTSE/JSE Infl-Lnkd Gov	-0.45	5.51	7.03	6.33
Property - FTSE/JSE All Property	3.47	20.33	12.95	-0.24
Global Bonds - BB GABI in ZAR	1.59	7.37	3.50	4.38
Global Equity - MSCI ACWI in ZAR	12.26	31.65	16.19	17.12
Inflation - SA CPI (1 month lag)	1.06	5.56	6.08	5.14

All returns quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro as at Reporting Date - 31 March 2024.

Portfolio classes

Class	Type	Price (cpu)	Units	NAV (Rand)
B1	Retail	56.03	18,776,734.66	10,521,347.08

All data as at Reporting Date - 31 March 2024.
Units - amount of participatory interests (units) in issue in relevant class of class fund.

Allocation/type (look through) (%) over the quarter

Type	Q1 2024	Q4 2023	Change
Domestic Cash & Mny Mkt	4.94	4.01	0.92
Domestic Property	95.05	95.99	-0.94
Foreign Property	0.02	0.00	0.02

The portfolio adhered to its portfolio objective over the quarter.

Portfolio review

The Fund was up 2.7% in the first quarter of 2024, in line with its peer group average but lagging its index return. The primary detractors during the quarter were the underweight to Attacq, Fortress and Lighthouse Capital. On the positive side, the Fund added value by being underweight Growthpoint and Burstone and overweight NEPI Rockcastle.

Each of the three underlying managers underperformed for the quarter, and only Sesfikile and Catalyst have outperformed over the last the years. For the quarter, a common feature that detracted across all managers was positioning in Fortress B going into the consolidation with Fortress A. Managers were generally underweight Fortress B relative to Fortress A, and this cost the Fund 0.4% in relative performance. Being underweight Attacq hurt Catalyst and STANLIB while Sesfikile was a marginal beneficiary of its outperformance. Being overweight MAS PLC and underweight Lighthouse PLC and Shaftesbury, which was 7% higher also detracted from Catalyst and STANLIBs relative returns. Catalysts' unusually weak quarter was also driven by an overweight position in Hyprop, which fell 5.6%.

During the quarter we took the decision to terminate the STANLIB mandate and replace the manager with Ninety One. Ninety One is no stranger to the Fund, having been selected for inclusion at the launch of the Fund in September 2016. We removed them in November 2021 following the loss of their key portfolio manager and are reappointing them now as stability has returned to the team. The incumbents have demonstrated complementarity, a mature working relationship and are not afraid to run high active share portfolios. We value this conviction and feel that Ninety One will, therefore, be a good addition to the blend of managers.

Portfolio positioning and outlook

The Fund currently has 3.9% in cash available to take advantage of stock specific opportunities. The portfolio is underweight the high flying UK PLCs and other smaller UK and European property shares listed in South Africa, and overweight the large European property shares, specifically NEPI Rockcastle. Of the more locally focused property shares, the portfolio is overweight Hyprop, Vukile, SA Corporate and Storage, and underweight the large SA hybrids, namely Fortress, Growthpoint and Redefine. The largest off-benchmark position is Octodec at a weight of 0.8%. There are currently 24 shares in the portfolio, and this could change with the introduction of Ninety One.

The positive local fundamentals are currently at odds with the changing global interest rate environment. Fixed interest markets are now only pricing in one, maybe two rate cuts by the US Federal Reserve in 2024 from six at the start of the year. This means that any local interest rate cuts will be pushed out into the second half of 2024 to the detriment of the highly leverage property sector. On a forward-looking basis, the improving trend in loadshedding in South Africa is positive. Combined with an income yield of around 9.0% the sector doesn't appear overly valued but will remain volatile while uncertainty exists regarding the path of inflation and interest rates. It is worth reminding investors that despite the recent gains, the property market is still down 0.2% p.a. over the last five- year period, which does include the massive collapse during the Covid crisis.

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.

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Important information for investors

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 Standard STANLIB 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. 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 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. This portfolio is a third party named, co-named portfolio. The Manager retains full legal responsibility for this portfolio. A third party named, co-named portfolio is a portfolio bearing the name of both the Manager and the financial services provider (FSP) where the FSP, under an agreement with the Manager, undertakes financial services of a discretionary nature, as contemplated in the Financial Advisory and Intermediary Services Act, Act No. 37 of 2002 (FAIS), in relation to the assets of the portfolio. Standard Trust Limited, an authorised FSP, FSP No. 705, FAIS, is the third party manager of this portfolio. The FSP is a wholly owned subsidiary of the Standard Bank Group Limited and is a related party to the Manager, the FSP may earn additional fees other than those charged by the Manager. It is the responsibility of the FSP to disclose additional fees to the investor. This document is not advice, as defined under FAIS. Please be advised that there may be representatives acting under supervision.

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.

Cost ratios and fees

Cost ratios	1 Year TER	1 Year TC[1]	1 Year TIC	3 Years TER	3 Years TC[1]	3 Years TIC
Class B1	1.51%	0.10%	1.61%	1.52%	0.10%	1.62%

The cost ratios shown have been calculated for the period ending 31/12/2023, from 01/01/2023 for the 1 Year and from 01/01/2021 for the 3 Years.

[1]Transaction Costs include brokerage, Securities Transfer Tax, STRATE, Levies and VAT.

Total Expense (TER): This ratio shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated over the period shown and annualised to the most recently completed quarter. A higher 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 TERs.

Transaction Costs (TC): This ratio shows the percentage of the value of the fund incurred as costs relating to the buying and selling of the fund's underlying assets. TC are a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, investment decisions of the investment manager and the TER.

Total Investment Charges (TIC): This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct the TIC from performance figures, the performance is already net of the 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.

Performance fees

Neither the Manager, STANLIB Multi-Manager nor underlying manager(s)/fund(s) charge/earn any performance fees.

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.

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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