STANLIB Enhanced Yield Fund

Quarterly update at 30 June 2020

STANLIB

Who are the investment managers?

STANLIB Asset Management (Pty) Ltd, FSP 719, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act 2002, manage the investments of the fund.

Eulali Gouws
BCom (Hons)(Accounting), CA (SA), CFA
Portfolio manager

Eulali is a member of STANLIB's multi-award-winning Fixed Income team, which is one of the largest in South Africa. She is a money market portfolio manager as well as a qualified money market, bond and foreign exchange dealer. She also assists with STANLIB's offshore funds. Eulali started her financial services career at KPMG where she was part of the financial engineering group. As part of this team she specialised in the modelling of financial instruments as well as various treasury and market risk operations. After moving to Standard Bank, she joined STANLIB in September 2015. Eulali is a qualified chartered accountant and a CFA charter holder.

Ansie van Rensburg
BCom (Hons)(Economics)
Head of Money Market

Ansie is head of the Money Market at STANLIB Asset Management. She joined STANLIB's forerunner Standard Corporate and Merchant Bank in 1991, and today is a member of the investment strategy team with specific responsibility for investment of funds in the fixed interest and money markets. After obtaining her BCom with honours in economics, Ansie served articles with Theron van der Poel. She first entered the industry as a management trainee and later money market trader with Volkskas Merchant Bank. She was also involved in the founding of money broking operation CM Interbank.

Fund review

The STANLIB Enhanced Yield Fund had R5 billion under management at the end of June 2020. The fund had a weighted average life of 327 days and thus benefited from the 1.5% repo rate cut during the quarter. The banks are well funded, and the money market yield curve has flattened substantially, leaving only a 50 basis point difference between call and one-year rates.

Market overview

South Africa faced two major challenges during the quarter under review: the COVID-19 country-wide lockdown and a ratings downgrade by Moody's moving the country into junk status. The South African Reserve Bank (SARB) held emergency meetings on 29 March and 15 April. The repo rate was cut by 100bps at each meeting. On 22 May, the repo rate was cut by a further 50bps. These rate cuts were implemented as relief measures for the South African consumer and economy. Government announced a COVID-19 support package of R500 billion and the SARB provided extra liquidity in the domestic bond market. South African GDP is expected to contract by 7% even with the aforementioned programmes in place.

The easing of lockdown restrictions should support growth in the near term and there are some indications that spending is picking up. This is, however, off a very low base. First quarter unemployment numbers came out at 30.1%, a figure not conducive to economic growth. GDP forecasts are now indicating growth will be 3.8% in 2021 and by 2.9% in 2022.

Inflation has remained well contained and is expected to average 3.4% in 2020, with the risks to the inflation outlook being to the downside. Economic contraction, and a slow recovery, should keep inflation below the 4.5% midpoint of the target range for the remainder of 2020.

The SARB increased its weekly Treasury bill issuance by R100 billion to raise liquidity for National Treasury. The increase in bills supply saw them offering better value than bank rates. The Johannesburg Interbank Lending Rate (JIBAR) decreased from 5.608% at the end of March, to 3.908% at the end of June. A decrease of 1.7% is reflective of the 1.5% repo rate cuts, alongside the probability of a further rate cut at the July Monetary Policy Committee (MPC) meeting. One-year negotiable certificate of deposit (NCD) rates were at 6.22% at the end of March, and 4.22% at the end of June.

Looking ahead

Expectations are for a further 50 bps repo rate cut in 2020. With inflation at 3%, and the current repo rate at 3.75%, there is room for such a move. Monetary policy cannot, however, fix declining GDP and rising unemployment on its own. The president's job creation initiative is to be rolled out in the medium term, with the intention of addressing high unemployment amongst the youth of South Africa. An easing of lockdown restrictions should also be supportive of economic growth. The South African economy will remain fragile in the near to medium term. The fund will remain invested at a maximum allowable weighted average life of 120-days with a view toward further rate cuts.

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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Change in allocation of the fund over the quarter

Asset type	Q2 2020	Q1 2020	Change
Domestic Cash	2.11	0.64	1.47
Domestic Fixed Interest Corp	33.59	39.17	-5.58
Domestic Fixed Interest Govt	5.92	6.53	-0.61
Domestic Money Market	58.38	53.66	4.71

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
A	Retail	0.64	100.51	3,018,014,604.05	3,033,488,595.02
B1	Retail	0.53	100.52	39,431,361.07	39,636,065.96

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. The Total Expense ratio (TER) 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.

Disclosures

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 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.

The investments of this portfolio are managed, on behalf of the Manager, by 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.

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.

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

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.

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).

Contact details

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Investment Manager

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