STANLIB Money Market Fund

Quarterly update at 31 March 2020

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.

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.

Mary Hartigan
BCom
Portfolio manager/dealer

Mary joined STANLIB's institutional sales team in early 2008, soon moving to the dealing room as a money market dealer and assistant portfolio manager. She originally trained as a money market dealer under her current senior colleague Ansie van Rensburg at CM Interbank in 1989, and went on to work as a money market dealer and carry trader at Brait, Decillion and Grindrod Bank. She obtained her BCom through Unisa in 1994.

Fund review

The STANLIB Money Market Fund closed off in the first quarter of 2020 with a fund size of R24.8 bn. The Fund was positioned defensively with a weighted average duration of 37 days and a weighted average life of 118 days. The fund remained overweight Floating Rate notes linked to 3-month JIBAR. The fund's attributions were mainly as a result of higher annualized returns generated by the JIBAR linked assets, relative to the rest of the assets held in the portfolio.

Market overview

The global economy faced a challenging start in the first quarter of the year, mainly from the impact of the spread of the COVID-19 virus which has crippled financial markets around the globe. This has resulted in many central banks around the world going on a rampant monetary easing stance in order to stimulate growth in a subdued trading environment, while also using other fiscal stimulus measures to keep markets afloat. Following the FED and other central bank's lead in cutting rates, this saw the SARB cutting rates twice this quarter. The first rate cut in January saw the SARB taking a unanimous decision to cut the Repo rate by 25bps, from 6.50% to 6.25% mainly due to an improved inflation outlook, while also supporting growth. The SARB further reduced the Repo rate by 100bps at their March MPC meeting as a supporting relief measure, following the rapid spread of the virus which saw many economies around the world shutting down borders, thus affecting global trade and financial markets.

Emerging Markets have taken a huge knock from these recent developments, as investors continue to sell-out risky assets in order to seek security in safe haven markets. This has put a dire strain on most economies, with the South African market experiencing a huge liquidity squeeze. The local currency continued to weaken at the back of these developments, touching a low of R18.05 against the USD dollar, before closing off in the first quarter of 2020 at R17.85 against the USD dollar. The currency has weakened further well into the start of the second quarter, hitting its lowest level ever, trading above R18.50 against the UDS dollar. This has resulted in spreads for 1-year Floaters moving marginally highly between 10bps-15bps, trading around 100bps-110bps over 3-months JIBAR. The SARB introduced other refinancing measures in order to support the markets. To keep liquidity flowing in the money market space, the Standing facilities borrowing rate (the rate at which the SARB absorbs liquidity from the banks) has been adjusted to Repo less 200bps from current levels of Repo less 100bps, in order to improve the local bank's interbank liquidity flows. While the Standard Funding rate (the rate at which the SARB is providing liquidity to the banks) has been adjusted to the Repo rate, from the current levels of Repo plus 100bps, also to support liquidity. These measures are to be implemented until liquidity conditions normalize.

SA continues to face a very tough economic conditions, with the latest GDP print for 2019 Q4 printing at -1.4% quarter on quarter, while the overall GDP for 2019 came out at 0.2% for the year. This was as a result of a decline in the main primary sectors, due to the negative impact of load shedding on these sectors, while business and consumer confidence continued to decline. These developments together with increasing debt levels due to ailing state companies, saw Moody's joining other rating agencies by downgrading SA sovereign rating to sub-investment grade to Ba1 from Baa3, with a negative outlook.

Though the latest headline inflation numbers printed out slightly higher from 4.5% y/y in January to 4.6% y/y in February, overall the inflation outlook remains subdued. Going forward, inflation print will be assisted by the drop in international oil price, which was due to an oil price war between the OPEC members in their bid to cut production in order to maintain higher prices. This saw the oil price hitting lows of $22.47 per barrel during the quarter under review

Looking ahead

The growth outlook remains fragile and is expected to remain in recession in the first half of 2020, picking up in the second half of year, as revenue collection also declines. Overall, GDP for 2020, is expected to print in negative territory given current conditions. The weak economic environment is expected to help keep inflation broadly subdued. This will encourage the SARB to cut rates further in 2020, with the FRA's pricing in a 55% probability of another 100bps cut in the Repo rate, before this year ends.

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Change in allocation of the fund over the quarter

Asset type	Q1 2020	Q4 2019	Change
Domestic Cash	2.92	1.72	1.20
Domestic Fixed Interest Corp	5.00	3.76	1.24
Domestic Money Market	92.08	94.52	-2.44

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
R	Retail	0.58	100.00	24,100,569,005.28	24,100,569,014.02
B1	Retail	1.16	100.00	70,944,966.75	70,944,966.89

All Price, Units and NAV data as at 31 March 2020.

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

TER - 1 Year Total Expense Ratio (%) including VAT as at 31/12/2019. 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

Contact details

Manager

STANLIB Collective Investments (RF) (Pty) Limited
Reg. No. 1969/003468/07
17 Melrose Boulevard, Melrose Arch, 2196

Telephone: 0860 123 003
Email: contact@stanlib.com
Website: www.stanlib.com

Trustee

Standard Chartered Bank
Reg. No. 2003/020177/10
5th Floor, 4 Sandown Valley Crescent, Sandton, 2196

Telephone: +27 (0)11 217 6600

Investment Manager

STANLIB Asset Management (Pty) Ltd
An authorised financial services provider, FSP No. 719
Reg. No. 1969/002753/07
17 Melrose Boulevard, Melrose Arch, 2196

Telephone: +27 (0)11 448 6000
Website: www.stanlib.com