

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.



Keillen Ndlovu

BCom (Hons), CAIB (SA), Property Development Programme
Head of Listed Property

Keillen manages the largest listed property fund in South Africa, the STANLIB Property Income Fund. After beginning his property career with Standard Bank Properties in 2004, Keillen transferred to STANLIB in 2005 as a listed property analyst. After becoming a full-time fund manager in 2008, he successfully assumed increased responsibilities and fund management exposure, and was appointed head of STANLIB's Listed Property team in 2010. The Listed Property team has won numerous awards over the years and under his tenure has expanded its listed property offering to global property markets. Keillen is a regular commentator in the media on listed and commercial property issues.



Nesi Chetty

BCom (Hons) Finance Cum Laude, CFA
Senior Portfolio Manager

Nesi started his investments career with RMB in 2002 where he was a member of the consumer industrial team and also assumed non-consumer research responsibilities. Nesi was previous head of Financials at RMB Asset Managers, responsible for banks and life assurance. He also managed the award winning RMB Financials Fund. In 2010, He was appointed as a fund manager and Head of property for Momentum. He managed the flagship Momentum Property Fund for over a decade and was responsible for asset allocation, research, strategy, and fund management within the property investments business. Nesi is a regular commentator on property, equities and the broader financial market. Nesi Joined STANLIB in June 2019 to co manage local and global listed property.

Fund review

STANLIB Property Income Fund delivered 16.4% in the second quarter of 2020, compared with the benchmark's return of 18.7%. The -2.3% benchmark underperformance is attributable to our overweight positions in Equites and Dipula A, as well as underweight positions in Fortress B, Hyprop and Lighthouse. Overweight positions in Investec Property, EPP and Fairvest added to performance, as did underweight positions in Capital & Counties, Octodec and Emira.

Market overview

After falling -48% in the first quarter of 2020, the sector rebounded strongly in the second quarter. The FTSE/JSE All Property Index delivered a total return of 18.7% in the second quarter, outperforming cash (STeFI Composite Index at 1.5%), bonds (ALBI 9.9%) and underperforming equities (FTSE/JSE All Share index returned 23.2%). Intu, which has a dual listing in the UK and SA and is a stock we zero-weight in the fund, continued its poor performance and entered administration, with shares suspended from trading. Among the best index performers were those either with material offshore exposure or stocks that had materially sold off during the prior quarter. These included Fortress-B, EPP, Lighthouse, Investec Property and MAS.

The second quarter began with SA in stringent level 5 lockdown, which was gradually relaxed to level 3 by June. More positive investor sentiment about the impact of COVID-19 on the property sector resulted in the sector rallying 12.9% in June. Companies continued to withdraw their forward-looking guidance and, in some instances, deferred or suspended dividend payments. Trading statements and operational updates provided increasing insight on how the companies are faring, as they enter a "new normal" environment in which COVID-19 becomes a better-understood operational issue.

Looking ahead

The All Property Index (ALPI) is trading at 50% of its last stated book value. The dividend yield attributed to the sector continues to evolve, as companies defer and suspend dividends to conserve cash in a difficult operating environment. We anticipate flat (0%) dividend growth from the ALPI over the next 12 months. The ramifications and impact of COVID-19 have been, and continue to be, factored into our dividend growth outlook. We caution that, as events continue to unfold, there is an increasing risk that this growth rate may turn negative for 2020. In part, the current anticipated dividend growth rate is bolstered by material currency weakness, which positively impacts companies that earn rental income offshore. In the short term, dividend growth will remain under pressure from continued weak property fundamentals, the continued COVID-19 impact and anaemic South African GDP growth.

We encourage investors to take a long-term view in this (cyclical) sector, as we expect more normalised distribution growth to return from 2021. On fund positioning, we retain a bias towards stocks that have robust balance sheets, operationally-sound portfolios and the capacity to pay dividends, depending on board and management intent.

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.

STANLIB Property Income Fund

Quarterly update at 30 June 2020

STANLIB

Change in allocation of the fund over the quarter

Asset type	Q2 2020	Q1 2020	Change
Domestic Cash & Mny Mkt	3.75	6.59	-2.84
Domestic Property	96.25	93.41	2.84

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
A	Retail	1.5	271.47	351,729,925.91	954,835,558.00
B1	Retail	1.15	271.70	410,221,906.54	1,114,582,556.82

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 Property Income 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.

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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