



## Standard STANLIB Property Fund

Quarterly update at 31 March 2022

### Market overview

The global property market came under pressure in the quarter following a substantial bounce back in 2021. Global property was down around 3% in dollar terms and 11.6% in rand terms resulting from the 8.3% improvement in the rand relative to the dollar. South African property was down 1.6% for the first quarter of 2022. Property shares started the year on the back foot, being down in both January (-2.9%) and February (-3.0%) but bounced back in March (+4.4%) as the country emerged from the fourth wave of the Covid pandemic. The Omicron variant has proved more contagious, but less deadly than the previous Delta variant. Life is slowly normalising and several more restrictive Covid policies have now been dropped, which should ultimately benefit the property sector. The surprising aspect of the rally in March was that it coincided with a dramatic escalation of geopolitical and macro-economic risk. In this regard, the Russian invasion of Ukraine and the significant repricing of US inflation risk were the two key drivers.

Given the Russian invasion of Ukraine, there was a notable difference in return between those property shares that have exposure to European property and those that don't, and this was further compounded by rand strength during the quarter. Sirius (-19.9%), Hammerson (-10.6%), Capco PLC (-7.5%) and Nepi Rockcastle (-5.6%) were all negatively affected. Those with predominantly South African based operations like Fortress (+14.5%), Vukile (+13.7%) and Redefine (+5.0%) produced positive returns. In corporate news, minority shareholders in EPP PLC accepted a take-out offer by Redefine and EPP PLC was subsequently delisted from the FTSE/JSE in early March. Fairvest agreed to merge with Arrowhead and be renamed Fairvest.

The anticipation of the normalisation of US interest rates clearly had a negative impact on global property values in January and February. The US Federal Reserve (US Fed) increased interest rates by 0.25% in March and the market quickly priced in a 0.5% hike at its May meeting as the US Fed stepped up its rhetoric to combat run-away inflation.

### Asset class performance (%)

Asset class	Q1 2022	1 year	3 years p.a.	5 years p.a.
FTSE/JSE All Share Index	3.84	18.61	14.20	11.39
Financials	20.28	50.10	8.16	6.98
Resources	19.02	32.67	27.65	26.61
Industrials	-13.11	-2.72	7.64	4.88
FTSE/JSE Capped SWIX	6.72	20.43	11.91	8.09
Bonds ALBI	1.86	12.37	8.42	8.92
Cash STeFI Composite	1.03	3.94	5.23	6.07
ILB's	0.35	10.77	6.97	4.85
FTSE/JSE All Property Index	-1.60	26.25	-4.71	
Global Bonds (BB GABI in ZAR)	-13.93	-7.42	1.13	3.47
Global Equities (MSCI ACWI in ZAR)	-13.19	6.11	14.24	13.58
SA CPI (1 month lag)	1.37	5.65	4.37	4.24

All returns quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro as at Reporting Date - 31 March 2022.

### Portfolio review

The Fund was down 2.1% for the quarter, in line with the peer group average but behind the benchmark. Over the past 12 months, the Fund is up 24.3% and lags both the peer group average and benchmark over this time. As noted in our previous quarterly, the primary reason for this underperformance has been the underperformance of the STANLIB Property capability. Following a restructuring of their team, the attention of the capability has evolved to focus more on the selection of quality orientated property companies, and these have lagged the more speculative property companies in the last year or so. While this timing is unfortunate, we note that we down weighted STANLIB from 25% to 15% in 2021.

The underperformance of STANLIB during this quarter was slightly different to previous quarters. Many of the quality property companies have global-only operations or are hybrids with significant offshore exposure. These shares came under pressure given their proximity to the fighting in Europe and the strength of the rand during the quarter. So, while the quality counters continued to lag their SA Inc counterparts, this was mainly caused by the unwarranted escalation of geopolitical tension rather than company-fundamental specifics. While the tensions may linger, we would expect some reversal in relative performance from these extreme levels.

Sesfikile and Catalyst straddled the benchmark return for the quarter, with Sesfikile outperforming and Catalyst marginally underperforming. The key difference here was their positioning in NEPI Rockcastle, with Catalyst being overweight resulting in underperformance and Sesfikile holding a sizeable underweight. Catalyst was underweight the other UK and European property shares in the benchmark and this did contribute positively to their alpha.

### Portfolio positioning and outlook

The Fund is currently underweight global rand hedge and local SA Inc property shares relative to the benchmark and overweight South African hybrids and cash. It is now likely that the number and magnitude of hikes required to stabilise inflation will slow economic growth and increase the probability of the US going into recession in the next two years, and this is likely to weigh on global property prices. South African property shares do not carry the same lofty valuations as global property. Further, fundamentals are starting to improve following many years of deterioration and hence we believe that local property is more attractive than global property currently. Unfortunately, the slowing economic growth backdrop and higher interest rates will counteract some of the improvements we are seeing, so we are being careful to temper our enthusiasm for the sector. The sector is on a 12-month forward yield of close to 9%, and assuming this is delivered and there is no capital return, then this return would compare favourably to other asset classes like cash and similarly to our expectations for local bonds and equity.

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.

### Portfolio classes

Class	Type	Price (cpu)	Units	NAV (Rand)
B1	Retail	57.22	27,438,448.26	15,699,945.98

All data as at Reporting Date - 31 March 2022.

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

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

Type	Q1 2022	Q4 2021	Change
Domestic Cash & Mny Mkt	4.32	4.46	-0.14
Domestic Fixed Interest	0.03	0.05	-0.02
Domestic Property	95.65	95.49	0.16

The portfolio adhered to its portfolio objective over the quarter.



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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](http://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 <sup>1</sup>	1 Year TIC	3 Years TER	3 Years TC <sup>1</sup>	3 Years TIC
Class B1	1.53%	0.08%	1.61%	1.53%	0.10%	1.63%

The cost ratios shown have been calculated for the period ending 31/12/2021, from 01/01/2021 for the 1 Year and from 01/01/2019 for the 3 Years.

<sup>1</sup>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](http://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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