STANLIB

Standard STANLIB Property Fund

Quarterly update at 31 December 2023

Market overview

Perhaps the defining feature for the property asset class during the quarter was the decline in US 10-year bond yields from 4.6% to 3.9% by year end. This move was spearheaded by communication for the US Federal Reserve (US Fed) in its December Federal Open Market Committee (FOMC) meeting that they had more than likely hit peak interest rates. The market was surprised by this in general as it had expected Chairman Powell to throw cold water over the market's enthusiasm generated in November's rally. Global property rallied 11.7% in dollars for the quarter, while local property was 15.9% higher. The interesting aspect of the move in the latter was that it was down 3.3% in October, only to rally 19.9% in the final two months of the year to finish as the strongest performing local asset class (10.7%).

While all property shares in the FTSE/JSE All Property Index produced positive returns in the fourth quarter, it was interesting to see the split of returns for the full year. The locally listed global property companies did particularly well as the rand weakened by 10.8% and 13.1% relative to the euro and pound respectively. These companies were also not subject to the negative drag of loadshedding on earnings that the local property companies suffered. Of the globally focused shares, Shaftesbury Capital PLC rallied 50.1% for the year, followed by Sirius (49.0%) and Hammerson PLC (40.9%). Bellwether NEPI Rockcastle NV (33.0%), the largest share in the property index, also enjoyed a strong year. MAS PLC bucked the trend falling 11.6% for the year after abandoning its dividend policy to shore up its balance sheet.

Some of the local counters did well, like Fortress B (48.2%), but this related more to corporate action than any improvement in its own portfolio. Interestingly, Growthpoint was down 10.7% for the year while the likes of Vukile (15.2%) and Redefine (1.4%) produced positive returns for investors. For the quarter, Lighthouse PLC (36.1%), Shaftesbury PLC (22.6%) and NEPI Rockcastle NV (21.4%) produced the best returns while Hyprop (6.7%), Fortress A (7.3%) and MAS PLC (10.9%) were the laggards.

Asset class performance (%)

Asset class	Q4 2023	1 year	3 years p.a.	5 years p.a.
Equity - FTSE/JSE All Share	6.92	9.25	13.51	11.88
Financials	11.76	21.48	19.58	6.68
Resources	3.00	-11.84	8.21	14.56
Industrials	5.87	16.62	12.40	11.60
Equity - FTSE/JSE Capped SWIX	8.21	7.87	12.69	8.97
Bonds - FTSE/JSE All Bond	8.11	9.70	7.43	8.24
Cash - STeFI Composite	2.09	8.06	5.68	5.94
ILBs - FTSE/JSE Infl-Lnkd Gov	6.11	6.92	8.83	6.53
Property - FTSE/JSE All Property	15.86	10.70	14.61	-0.67
Global Bonds - BB GABI in ZAR	4.49	13.31	1.59	4.56
Global Equity - MSCI ACWI in ZAR	7.32	30.98	13.69	17.17
Inflation - SA CPI (1 month lag)	1.44	5.52	6.13	5.01

All returns quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro as at Reporting Date - 31 December 2023.

Portfolio classes

Class	Type	Price (cpu)	Units	NAV (Rand)
B1	Retail	55.99	18,709,118.76	10,474,560.96

All data as at Reporting Date - 31 December 2023.
Units - amount of participatory interests (units) in issue in relevant class of class fund.

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

Type	Q4 2023	Q3 2023	Change
Domestic Cash & Mny Mkt	4.01	4.37	-0.36
Domestic Property	95.99	95.63	0.36

The portfolio adhered to its portfolio objective over the quarter.

Portfolio review

The Fund was up 14.4% in the final quarter, marginally ahead of its peer group average but lagging its index return. For the year, it was up 8.9% and similarly outperformed the peers but underperformed the index return. During the quarter, cash drag accounted for 0.5% of the lag relative to the index, while being underweight Lighthouse PLC, Shaftesbury PLC and Hammerson PLC were also detractors. On the positive side, being underweight Fortress A, Attacq and Sirius did help.

All the underlying managers underperformed for the quarter, with the common denominator being cash drag. Being underweight Lighthouse PLC was another common feature that detracted from the managers' relative performance. Looking at each manager individually, Sesfikile was the best performing manager for the quarter and year. For the quarter, its positioning in the small and mid-cap SA Hybrids contributed positively, while being underweight Fortress A also helped limit the damage. STANLIB was the worst performing manager for the quarter and the year, being underweight Shaftesbury and overweight Fortress A. Outside of the common factors, Catalyst had both positive and negative contributors to relative performance during the quarter. Being overweight NEPI Rockcastle and Growthpoint and underweight Attacq helped but being overweight Hyprop and underweight Shaftesbury hurt.

Portfolio positioning and outlook

The Fund currently has 4.2% in cash available to take advantage of stock specific opportunities. Sector positioning within the portfolio continues to tilt away from the rand hedges and more towards the SA Inc shares. Excluding cash, the Fund is overweight locally listed Eastern European exposure, mid cap SA Hybrids and SA Inc exposure at the expense of large cap SA Hybrids and the locally listed UK PLC property companies. The three largest overweight positions at share level are Hyprop, SA Corporate and NEPI Rockcastle, while the largest underweight positions are Fortress B, Attacq and Burstone.

We have, for some time, articulated our short squeeze theory on the local property market. Listed property could be a significant beneficiary of a lower interest rate environment, specifically in South Africa, where property company fundamentals have started to improve and the harshest effects of loadshedding are likely behind us. It is therefore likely that 2023 will mark the earnings trough for the SA facing companies in the current cycle. Listed property is also a small illiquid sector, and many asset managers are currently underweight in their equity and balanced portfolios. Even a small manager looking to go overweight or a large manager looking to upweight in general will result in a noticeable impact on the property market. We saw some of this short squeeze behaviour in November and December but feel there is likely still more to come when interest rates are cut. What also keeps us interested in this sector, even though it has rallied recently, is that it is on a near-10% income yield for 2024. A simple return to normality could see the sector delivering returns of 15% or more in 2024.

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	1.52%	0.08%	1.60%	1.54%	0.11%	1.65%

The cost ratios shown have been calculated for the period ending 30/09/2023, from 01/10/2022 for the 1 Year and from 01/10/2020 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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