



Standard STANLIB Yield Plus Fund

Quarterly update at 31 March 2022

Market overview

Global markets were rocked by a flurry of macro and geopolitical tensions during the quarter. Volatility in global fixed interest markets was high. Global bonds fell 6.2% in dollar terms for the three months to March 2022 as the market rapidly repriced the US Federal Reserve Bank's (US Fed) determination to fight inflation. Widely believed to be behind the curve, the US Fed delivered its first 0.25% interest rate hike at its March meeting, with some expecting a 0.5% hike prior to the Russian invasion of Ukraine. The market now expects US interest rates to rise a further six times in 2022, peaking at 2.8% by end 2023 – a substantial realignment compared to just five months ago when inflation was still deemed transitory. As the quarter ended, the US Fed stepped up its rhetoric on fighting inflation and the market quickly priced in a 0.5% hike at the next meeting in early May.

In South Africa, rising commodity prices have had a positive impact on the fiscus, and this has benefited both the rand and local bonds. The bond market was 1.9% higher for the quarter and the rand appreciated 8.3% against the dollar, despite fears that emerging market currencies would sell-off sharply as US interest rates rose. The South African Reserve Bank raised interest rates by 0.25% in January and March respectively. Sentiment within the Monetary Policy Committee (MPC) has clearly turned more hawkish, with two of the five members voting to increase rates by 0.5% at the March meeting. Given global inflationary pressures, one can understand the MPC's concern even though local inflation remained well contained at 5.7% for the year to February 2022. Inflation linked bonds (+0.4%) underperformed nominal bonds for the quarter. Local cash, as proxied by the STeFI Composite Index, produced a 1.03% return for the quarter. Longer-dated STeFI maturities outperformed with the STeFI 12m index and STeFI 3m index up 1.17% and 0.93% respectively. The ALBI 1-3 Year index was up 1.27%. Heightened volatility resulted in significant return deviation at instrument level. Notably, the City of Johannesburg paper, expiring in June 2024, was down 2.9% while the similar maturity African Bank CPI linked instrument was up 3.6%. Over the past 12 months, the benchmark STeFI Composite index produced a 3.94% return, which is marginally higher than the 3.78% return produced by the index for the 12 months to October 2021, the low point in the current cycle.

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 produced a return of 1.04% in line with the benchmark for the quarter and 0.18% behind the average of the peers. Over the past 12 months, the Fund was up 4.88%, 0.94% higher than the benchmark STeFI Composite Index after fees. There were a few consecutive days of negative returns in late February and early March, coinciding with the Russian invasion of Ukraine, however this quickly reversed, and the Fund finished up 0.34% for March.

The 34% exposure to the STANLIB Income capability is held via two separate vehicles, one their CIS (16%) and the other a direct segregated mandate (18%). Returns are typically very similar, however there was a notable difference during the quarter, and this relates to relative positioning. In the hunt for higher yield, STANLIB included two new longer-dated instruments issued by Standard Bank and FirstRand into the segregated mandated. Due to the higher short-term volatility, these two instruments subsequently underperformed for the quarter and this acted as a drag on STANLIB's performance. Their higher exposure to the R186, which underperformed the benchmark for the quarter, also resulted in slightly worse performance for the segregated mandate. Having said this, it only lagged the benchmark by 0.07% for the month. The advantage of using a segregated mandate is that we can dictate the terms, while leaving instrument selection and portfolio construction to the manager. Looking forward, the somewhat higher yield enjoyed by the segregated mandate now will hopefully lead to higher absolute and relative returns in the future.

The other manager returns were in line with expectations for the quarter. ALUWANI was the best performer thanks to their longer duration positioning and higher yield pick-up. We estimate the yield on the STANLIB Money Market Fund is 4.95% as compared to our 6.89% yield estimate currently for the STANLIB Income segregated mandate.

Portfolio positioning and outlook

The exposure to short-dated corporate instruments has increased from 72% to 78% during the quarter and, along with it, the yield of the overall Fund. SOE exposure remained constant at 7.2% while exposure to inflation linked bonds (ILBs) has been cut by over 1% to 0.4%. Only ALUWANI hold ILB exposure in their portfolio currently. The largest single exposure in the Fund is the R186 at 4.3% with a modified duration of 4.27 years and a yield to maturity of 7.46%. The overall modified duration of the Fund is just short of one year.

The global fixed interest markets have dramatically revised up their expectation for the number and magnitude of rate hikes required in the US to tame inflation. Rate hikes are likely to be front loaded in 0.5% increments. US inflation is becoming embedded, evidenced through tight labour and housing markets. Unemployment is at record lows while US house prices are at record highs. Stability requires higher interest rates, and this is likely to be negative for fixed interest assets in general.

In South Africa, there is simply not enough aggregate demand to create employment or runaway inflation. We are currently being protected from rising food and oil prices by a relatively buoyant rand. The geopolitical situation is however very fluid, and it is difficult to say how long this strength will last. We now expect interest rates to rise by a further 0.75% in 2022. As they rise, expiring debt in the portfolio will be invested at higher rates of return and thereby raise the average annual running yield of the Fund, which we currently estimate at 6.11% on a net-of-fees basis.

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	100.78	1,915,384,217.05	1,930,339,707.43

All data as at Reporting Date - 31 March 2022.

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

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

Sector	Q1 2022	Q4 2021	Change
0-1 Years	24.86	23.11	1.75
1-3 Years	35.81	35.33	0.48
3-7 Years	32.93	32.80	0.12
7-12 Years	3.11	2.95	0.16
Inflation Linked Bonds	0.27	2.46	-2.19
Over 12 Years	3.02	3.34	-0.33

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 Yield Plus 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 is a portfolio that derives its income primarily from interest-bearing instruments. The yield (if shown) is a current effective yield calculated daily. 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	0.70%	0.00%	0.70%	0.71%	0.00%	0.71%

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.

¹Transaction 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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