



STANLIB

**INVESTING THROUGH THE CYCLES,
AND STAYING NIMBLE**

STANLIB Income Fund InFocus

Agenda

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Welcome and Macro Economic Update
Kevin Lings

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STANLIB Income Fund
Tarryn Sankar, STANLIB Head of Credit,
Victor Mphaphuli, Head of Fixed Income

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Q&A
Kevin Lings, Victor Mphaphuli, Tarryn Sankar

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Closing
Kevin Lings

MACRO ECONOMIC UPDATE

Kevin Lings



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STAYING NIMBLE THROUGH CYCLES

Victor Mphaphuli



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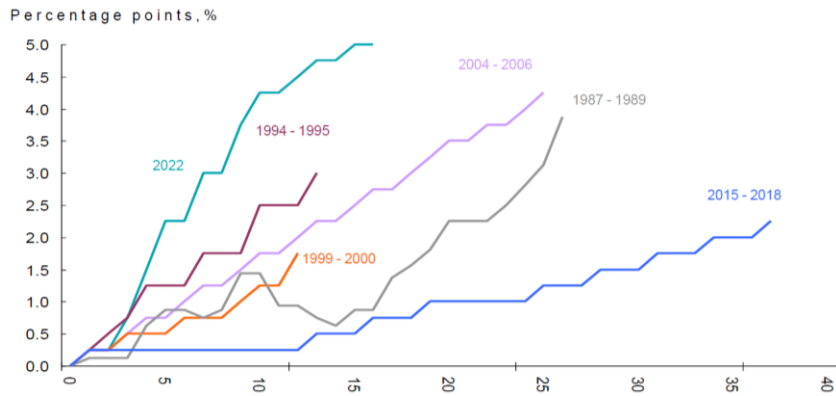
What is impacting the markets?



Probability of a recession now > 75%

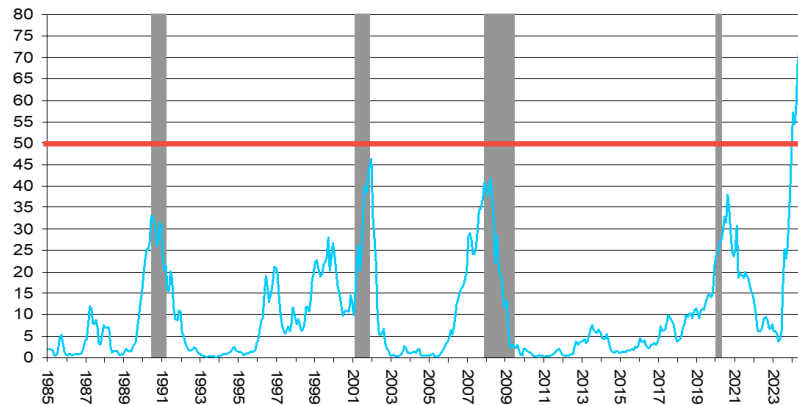
Historically a probability closer to 50% led to a recession

US Federal Reserve interest rate hiking cycle



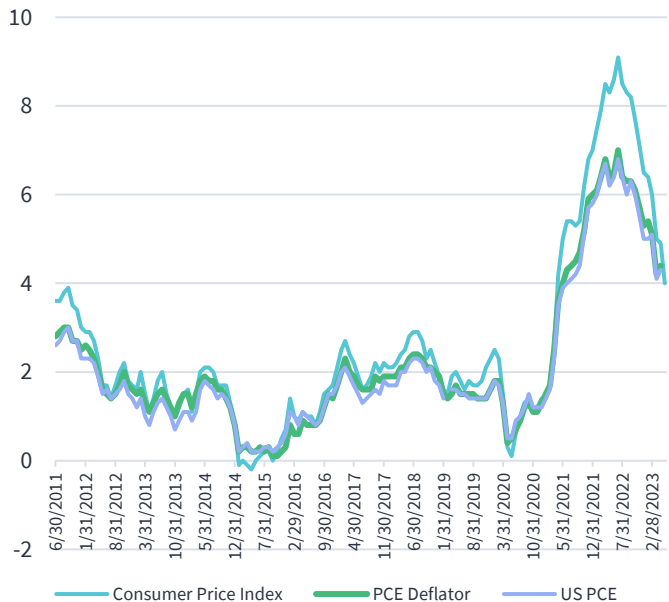
US probability of recession indicator (New York Fed)

Probability of recession indicator, %



Inflation declining but taking time to reach 2%

US Inflation trending lower but still sticky

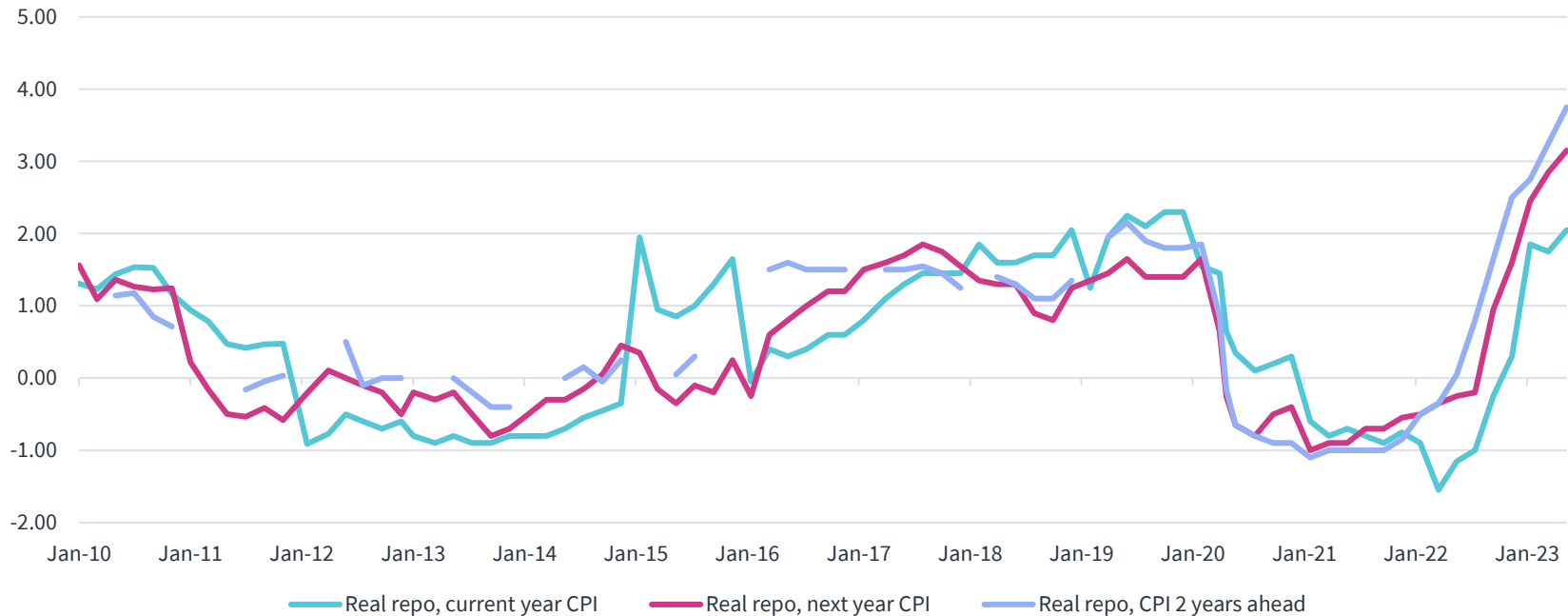


South Africa headline CPI forecast



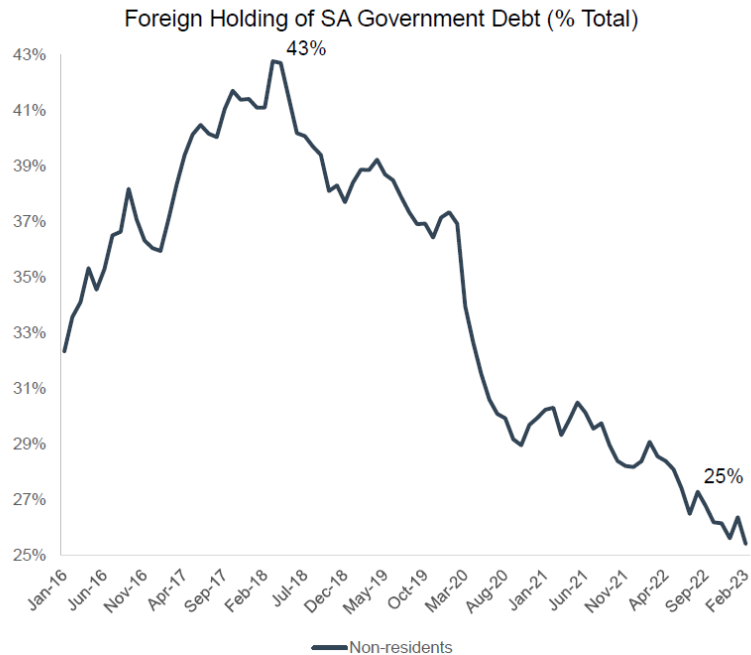
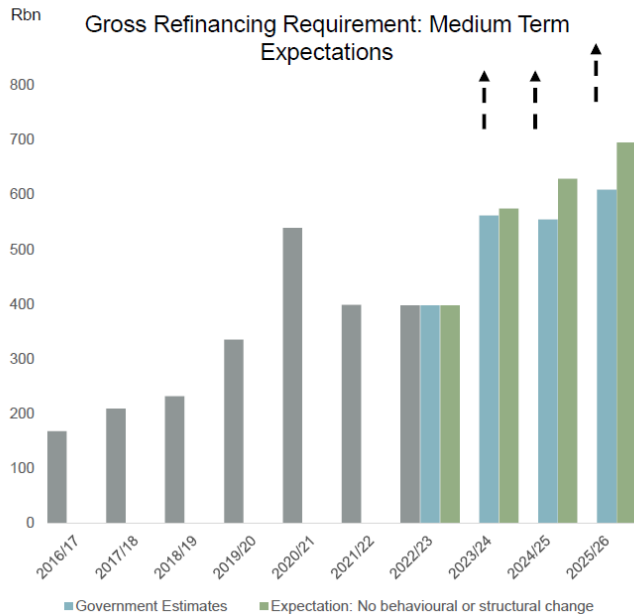
Real repo to enter very restrictive territory

SARB forward looking real rates high



SA needs foreign investment to help fund twin deficits

South Africa's fiscal fragility continues to increase along with increased funding pressure

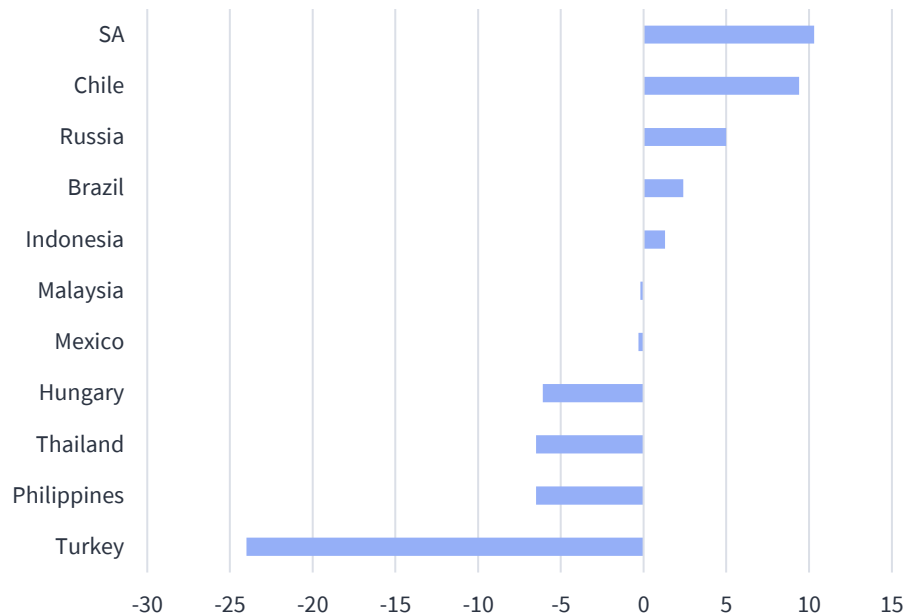


Terms of trade less supportive but still helping

Terms of trade less supportive...



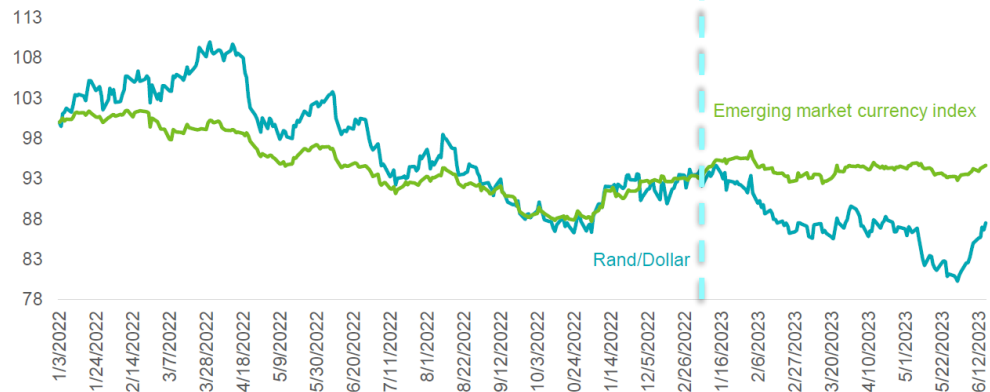
... though more supportive than in several other EM



SA isolated sell off due to local factors

Rand/US Dollar vs emerging market currencies

Index, 1 Jan 2022 = 100



- Intensification of **load-shedding**
- Lack of political leadership
- **Fiscal slippage as NT revises GDP lower** and resumption of Twin Deficits
- **Lady R and threat of sanctions and (AGOA)**
- ZAR negative response to further large hikes
- Slow down in **terms of trade risks** currency remaining weak

STANLIB INCOME FUND UPDATE

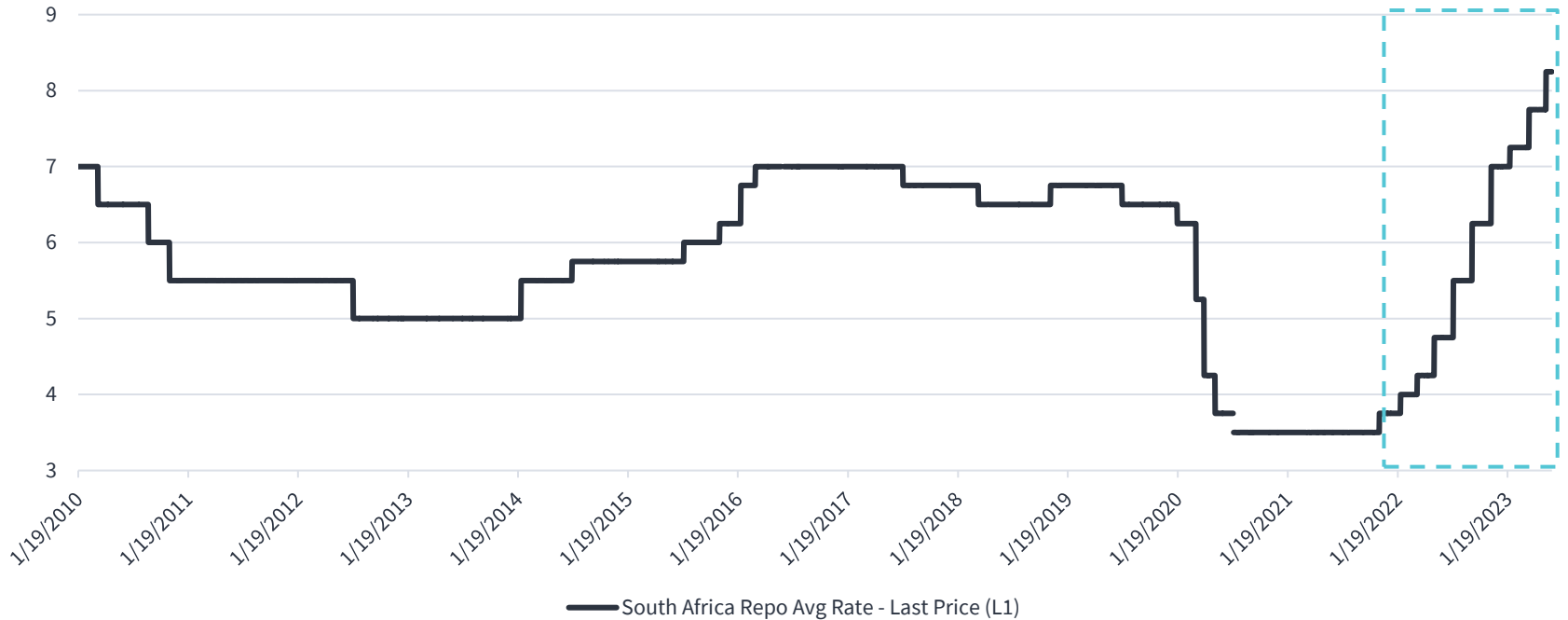
Victor Mphaphuli



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Rate hikes good for already defensive Income Fund

Repo rate up 4,75% from bottom informs large capital loss for fixed instrument, but Income Fund defensively positioned in FRNs

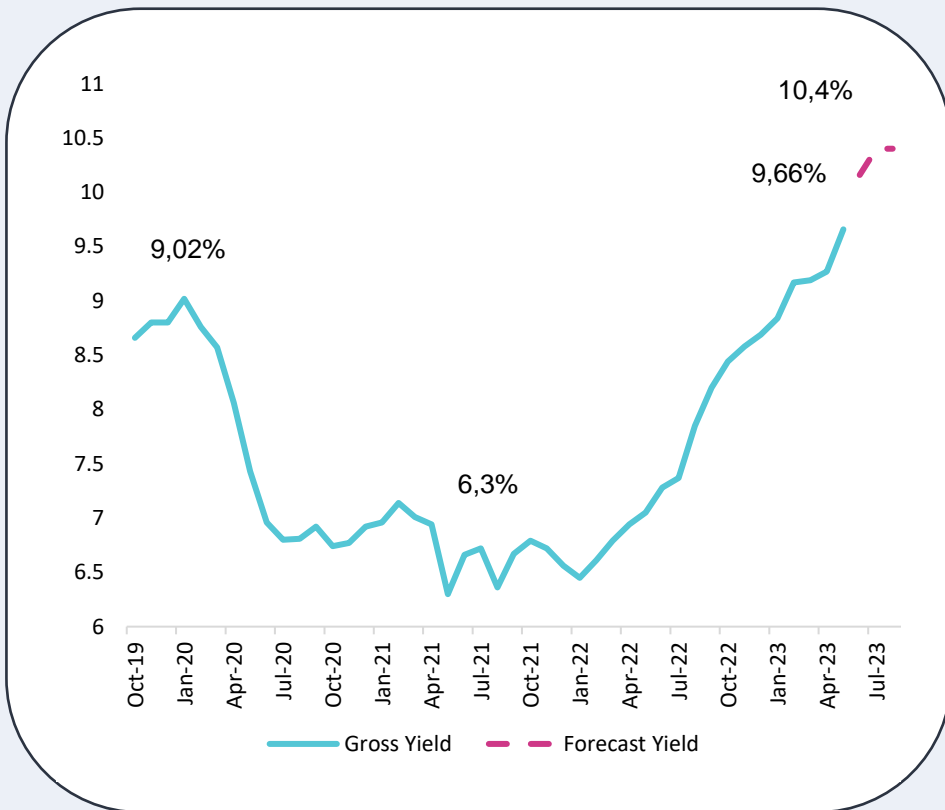


Modified duration

Duration profile of fund reduced to limit capital impact in a rising interest rate environment



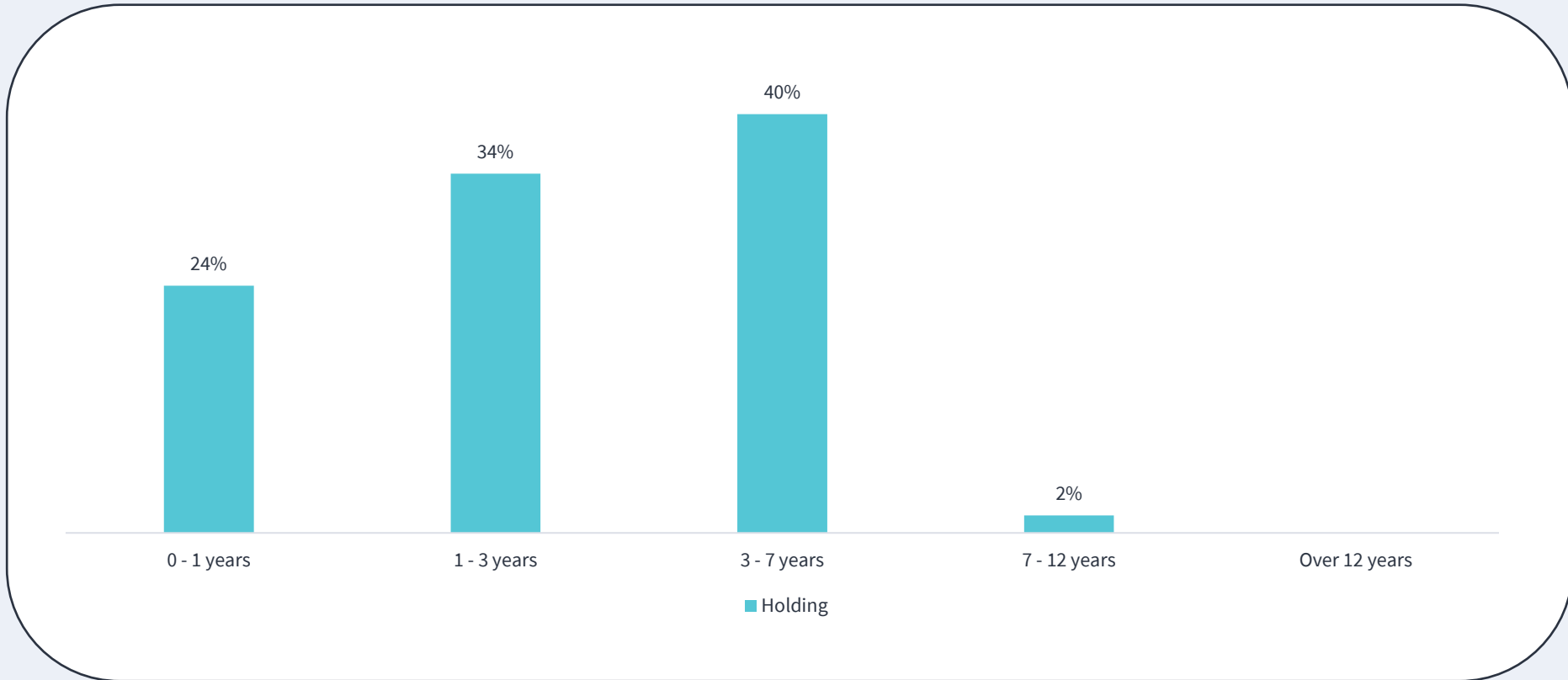
STANLIB Income Fund yield forecast



- Fund duration reduced to 0,4 years to limit capital risk on portfolio
- In rising interest rate environment, current yield dominated total return
- Floating rate instruments reprice with rate hikes offering capital protection
- Fund fully diversified to limit large default losses than single counter party exposure
- Compelling return while offering great liquidity
- Fund historical yearly returns trump cash returns and inflation

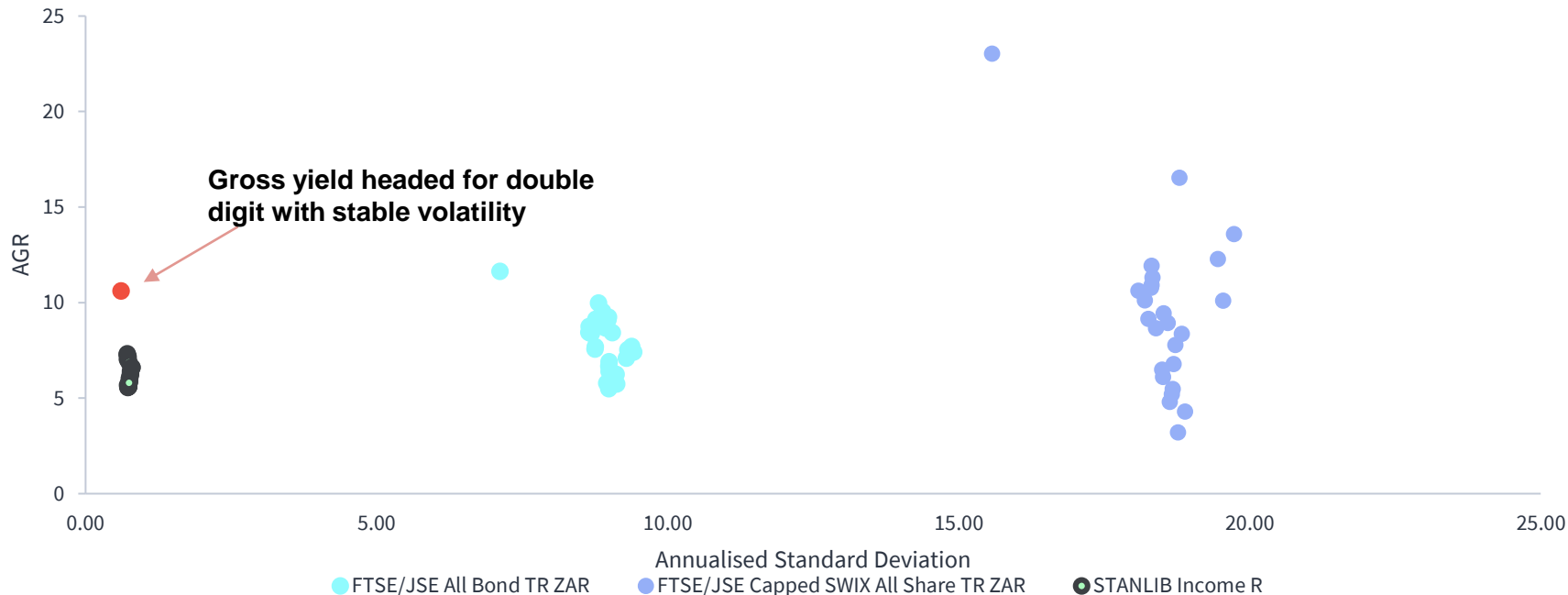
Sleeping well in the midst of idiosyncratic global and local risks

Maturity profile – investing up the yield curve for yield pick up



Compelling risk adjusted annualised returns even in adverse markets

**Risk versus Return - Rolling three years
As measured over 5 years to end of March 2023**

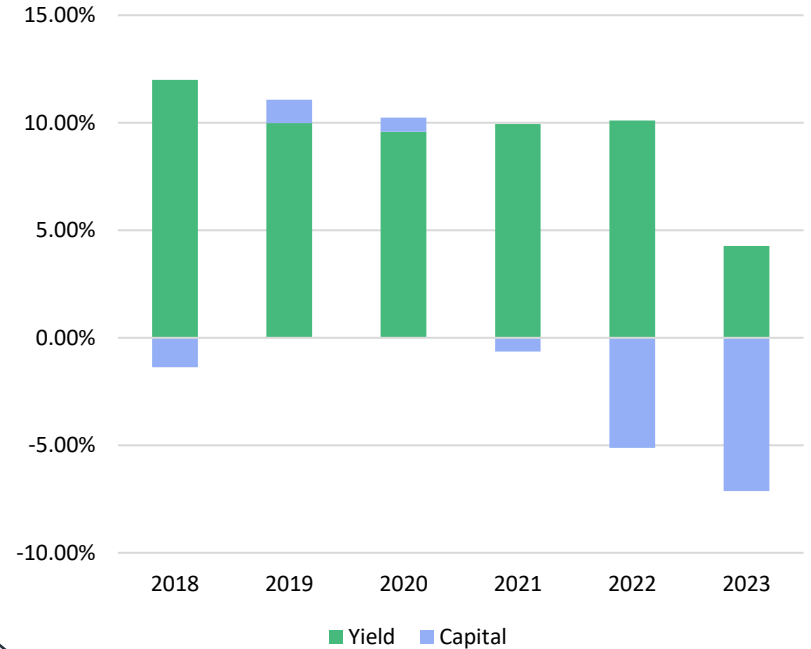


Income Funds vs Fixed Bonds returns

Income Fund Split Returns



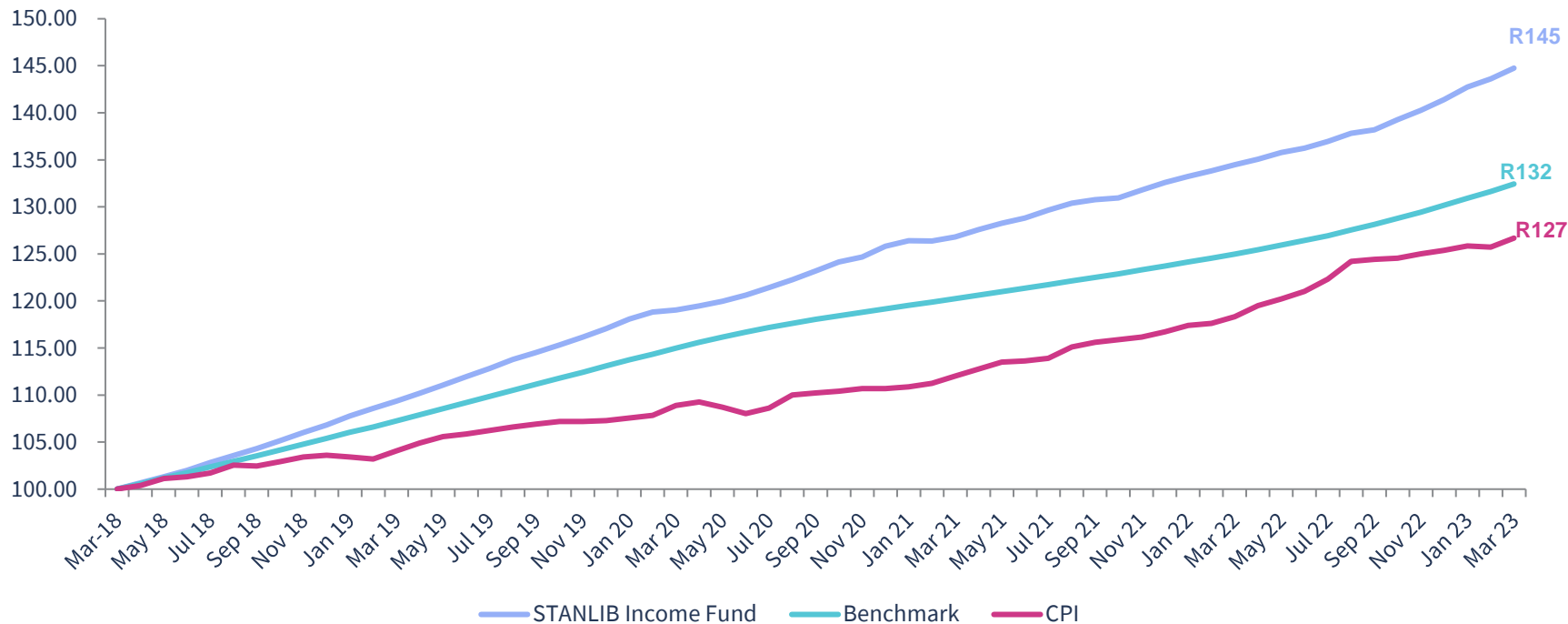
Bond Funds Split Returns



Income Fund Split Returns

5 Year cumulative returns

Consistently stable return profile even during high volatility periods



STANLIB CREDIT OUTLOOK

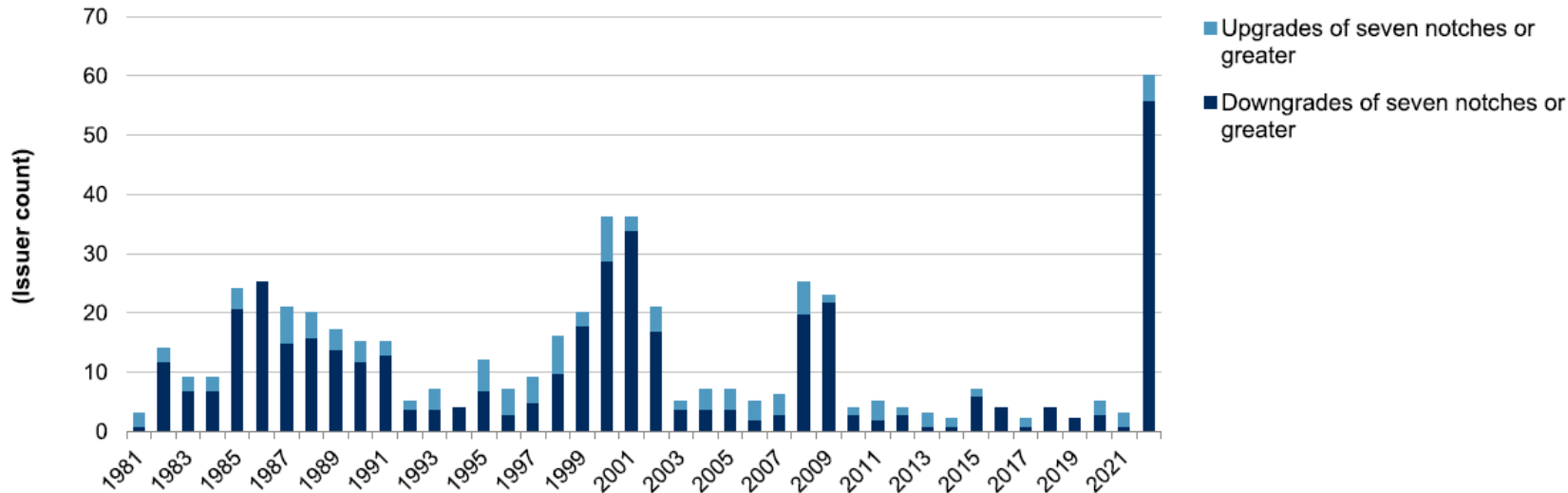
Tarryn Sankar



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Global credit conditions

Count of global corporate issuers with big rating moves

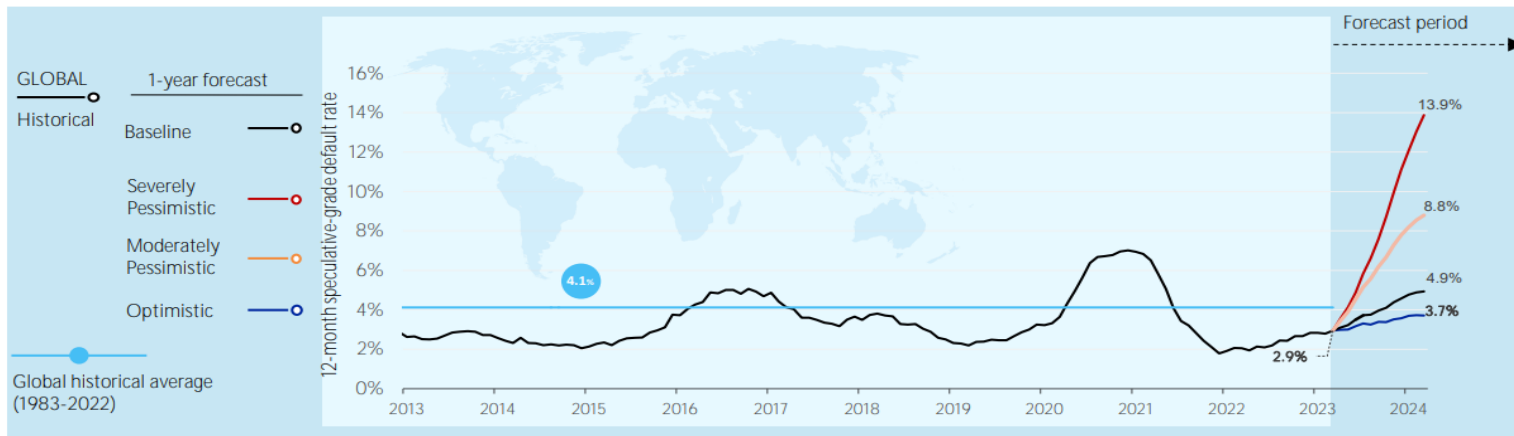


Big rating moves are defined as upgrades or downgrades of seven notches or greater. Downgrades include movements to default. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

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Global default could be set to rise

Global default rate will rise to 4.9% in a year's time, under Moody's baseline scenario



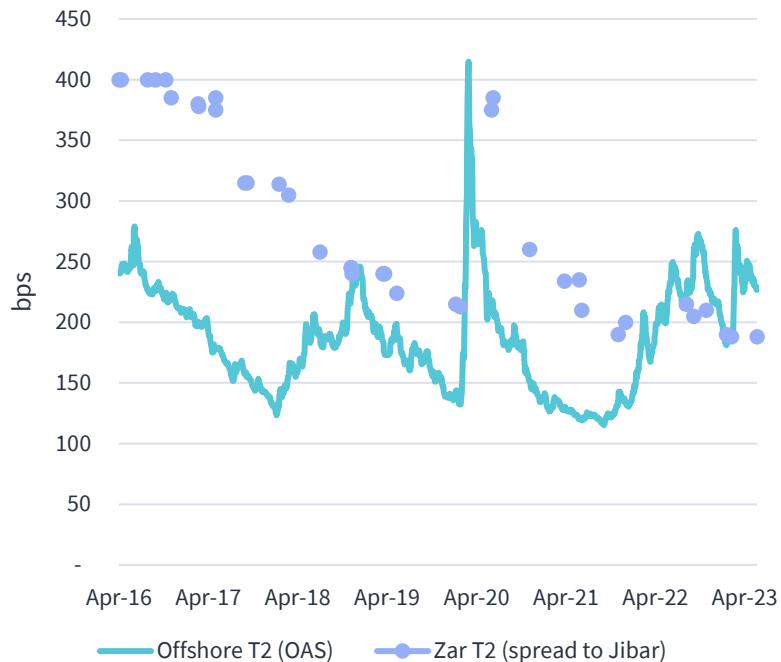
| US macroeconomic assumptions | Unemployment rate* (%): | | | | High-yield spread* (bps): | | | | |
|---------------------------------|---------------------------|----------|----------|----------|---------------------------|----------|----------|----------|----------|
| | 3-month period ending in: | Jun 2023 | Sep 2023 | Dec 2023 | Mar 2024 | Jun 2023 | Sep 2023 | Dec 2023 | Mar 2024 |
| Baseline scenario | | 3.7 | 4.5 | 4.7 | 4.8 | 479 | 495 | 512 | 527 |
| Severely pessimistic scenario | | 5.8 | 6.7 | 7.5 | 8.1 | 895 | 1,371 | 1,027 | 885 |
| Moderately pessimistic scenario | | 5.4 | 6.3 | 7.1 | 7.7 | 604 | 1,047 | 805 | 746 |
| Optimistic scenario | | 3.1 | 3.0 | 3.1 | 3.1 | 350 | 393 | 425 | 476 |

* These US rates are three-month averages.

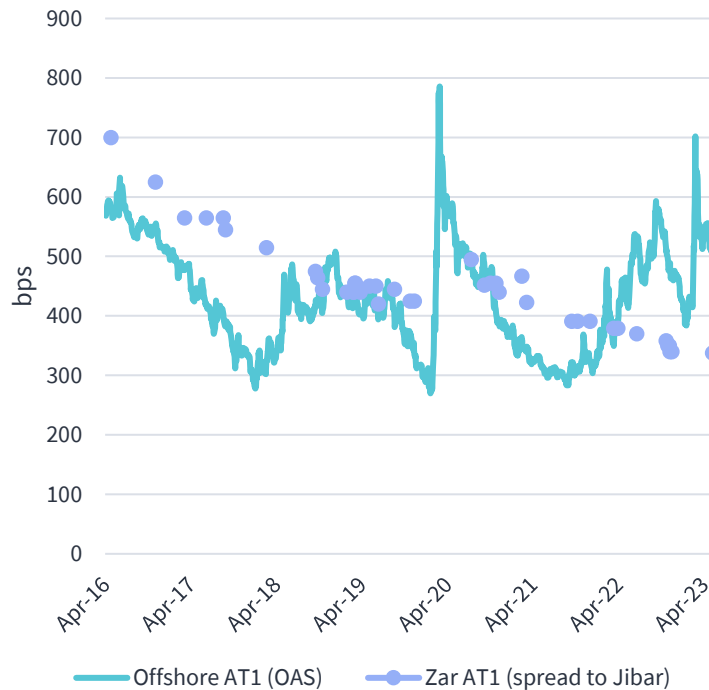
Sources: Moody's Investors Service and Moody's Analytics

The importance of risk-adjusted returns

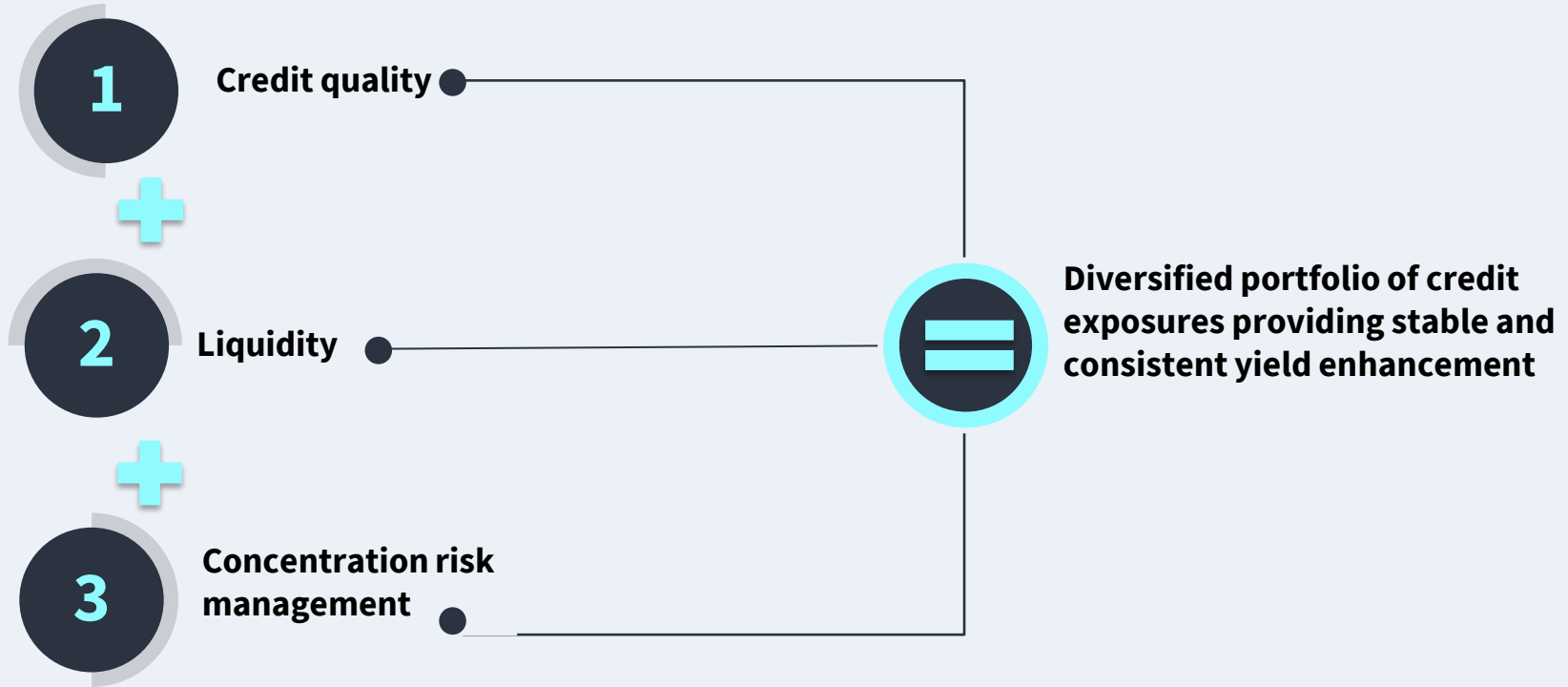
Comparison of offshore and local T2 bank spreads



Comparison of offshore and local AT1 bank spreads

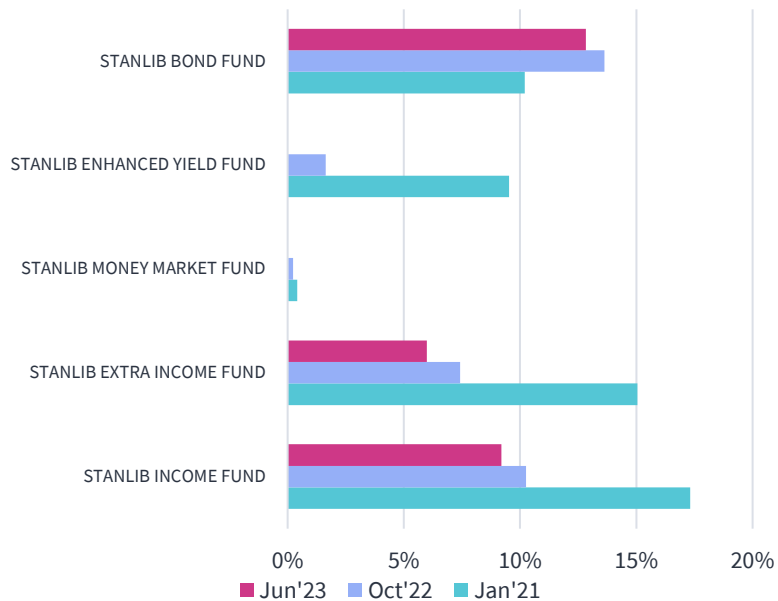


How we manage credit

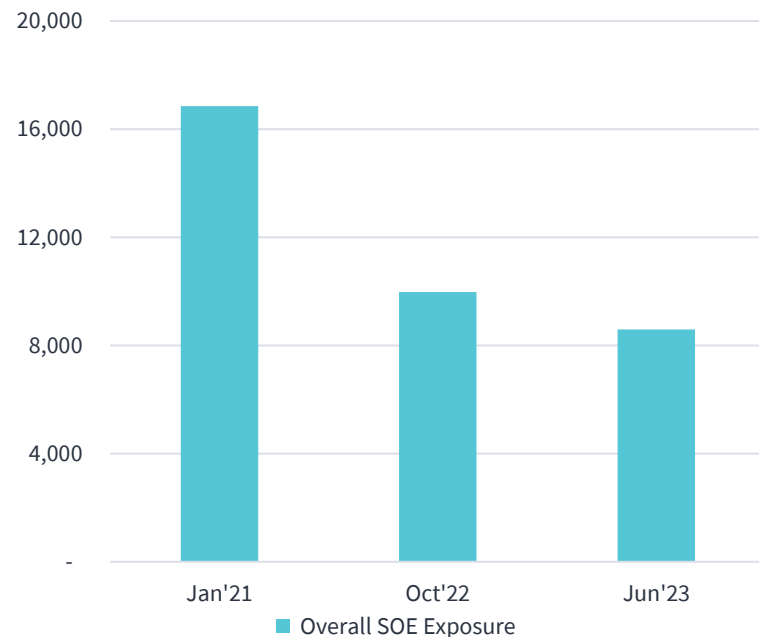


SOE exposure management

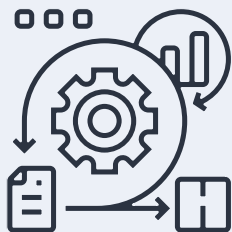
STANLIB FI Main funds % exposure to SOEs



SOE exposure (Rbn)



Land Bank update



R770mn government guaranteed debt repaid in full

Only SA asset manager holding government guaranteed debt



Since default, 57% of outstanding debt repaid via capital reductions

Total of 5 capital reductions paid to SA holders of unguaranteed Land Bank debt



Since July 2021, interest continues to be serviced

In some instances, default interest rates of 200bps in excess of contractual rate apply



Q & A

Kevin Lings, Victor Mphaphuli, Tarryn Sankar



IN SUMMARY

STANLIB

A truly actively managed income fund that is resilient through all market cycles - **endures downturns** and **exploits opportunities**



Offers a smoother journey for investors, delivering **consistent inflation-beating** returns

Why the **STANLIB** Income Fund?



Delivers **stable income** with **capital appreciation** and **preservation**



A good solution for clients in **cash and money market funds** - better returns with minimal risk



An alternative for investors considering **fixed rate** opportunities - **strong yields + liquidity + capital appreciation + compounding**



Pre- and post-retirement **income solution** - earn an income on your capital while preserving and growing it

Disclaimer

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. 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 manager of the Scheme is STANLIB Collective Investments (RF) (PTY) Ltd (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. A schedule of fees and charges and maximum commissions is available on request the Manager. The Manager does not provide any guarantee either with respect to the capital or the return of a CIS portfolio. Forward pricing is used.

All performance returns and ranking figures quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro .

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. Any forecasts or commentary included in this document are not guaranteed to occur. 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.

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A fund of funds is a portfolio that invests in portfolios of collective investment schemes, that levy their own charges, which could result in a higher fee structure for these portfolios

A Feeder Fund portfolio is a portfolio that invests in a single portfolio of a collective investment scheme that levies its own charges, which could result in a higher fee structure for the Feeder Fund.

A money market portfolio is not a bank deposit account. The price of each participatory interest (unit) is aimed at a constant value. The total return to the investor is primarily made up of interest received but, may also include any gain or loss made on any particular instrument. In most cases this will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of reducing the capital value of the portfolio. . An annualised seven day rolling average effective yield is calculated for Money Market Portfolios. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures; and that in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed.

A portfolio that derives its income primarily from interest-bearing instruments calculates its yield daily and is a current effective yield.

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