

A person is standing on a stand-up paddleboard on a calm lake. The background features a range of mountains under a clear sky. The overall scene is serene and peaceful.

# AGILITY AND SKILL TO DELIVER YOUR INCOME NEEDS

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STANLIB Flexible Income Fund InFocus

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# Agenda

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## Welcome and opening

Henry Munzara, Deputy Head of Investments

2

## STANLIB Flexible Income Fund

Sylvester Kobo, Deputy Head: STANLIB Fixed Income

3

## Questions and answers

Henry Munzara and Sylvester Kobo

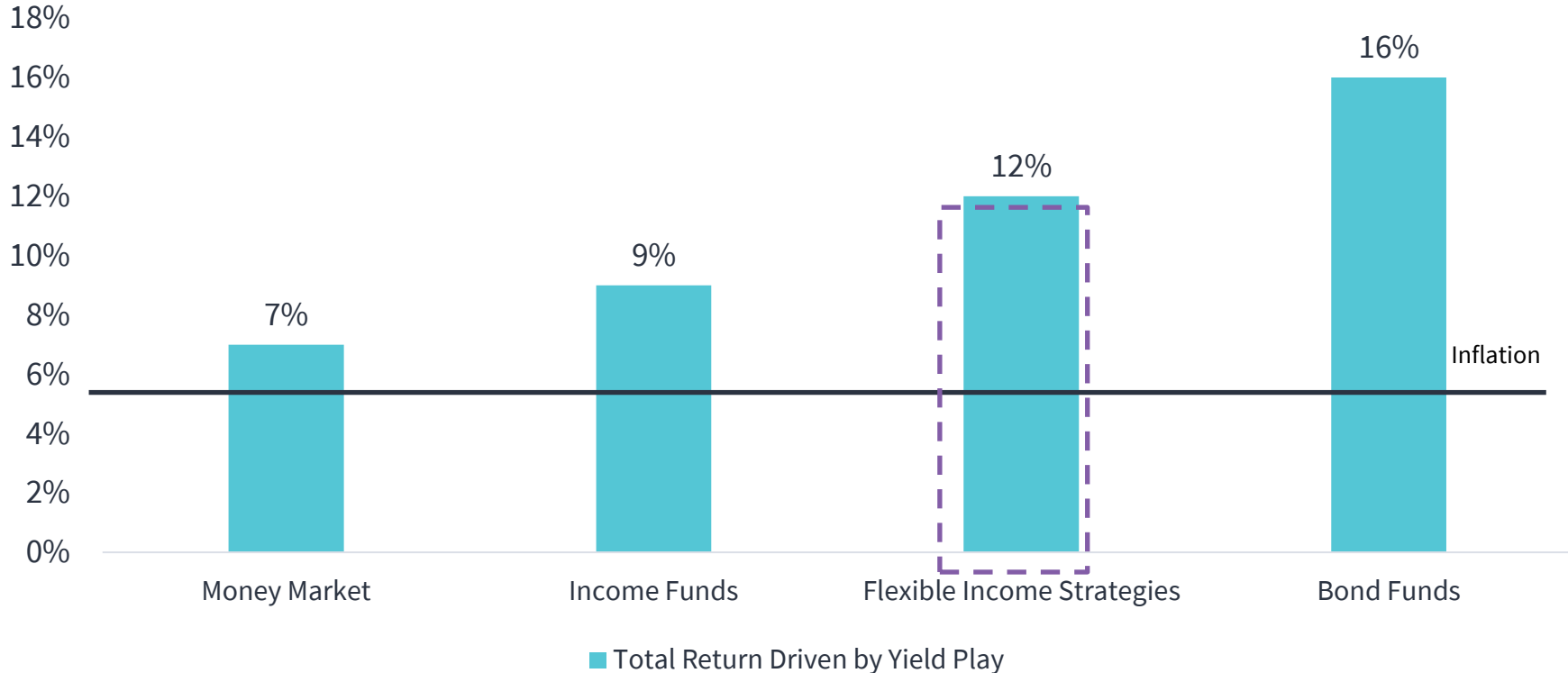
4

## Closing

Henry Munzara

## Recap: Return expectations for 2023 from March webinar

### Total return driven by yield play versus inflation



# Fund delivered solid performance in tough market environments

30 June 2023	1 Year	3 Years	5 Years
STANLIB Flexible Income Fund	11.6	9.2	8.7
Benchmark – STeFI 110%	7.5	5.5	6.4
Outperformance (gross)	4.1	3.7	2.3

## Highest and lowest return 5 years to 30 June 2023

Highest %

11.6

Lowest %

2.7

*Performance is gross of fees*

*Please note that full performance details of the funds including highest and lowest annual performance figures, are available on the Minimum Disclosure Document/ Factsheet.*

A person is standing on a stand-up paddleboard (SUP) on a calm body of water. The person is positioned on the right side of the frame, facing away from the camera. The background features a range of mountains, with the most prominent one being a large, rounded peak on the right. The sky is a uniform, muted blue-grey color, suggesting an overcast day or twilight. The overall mood is serene and quiet.

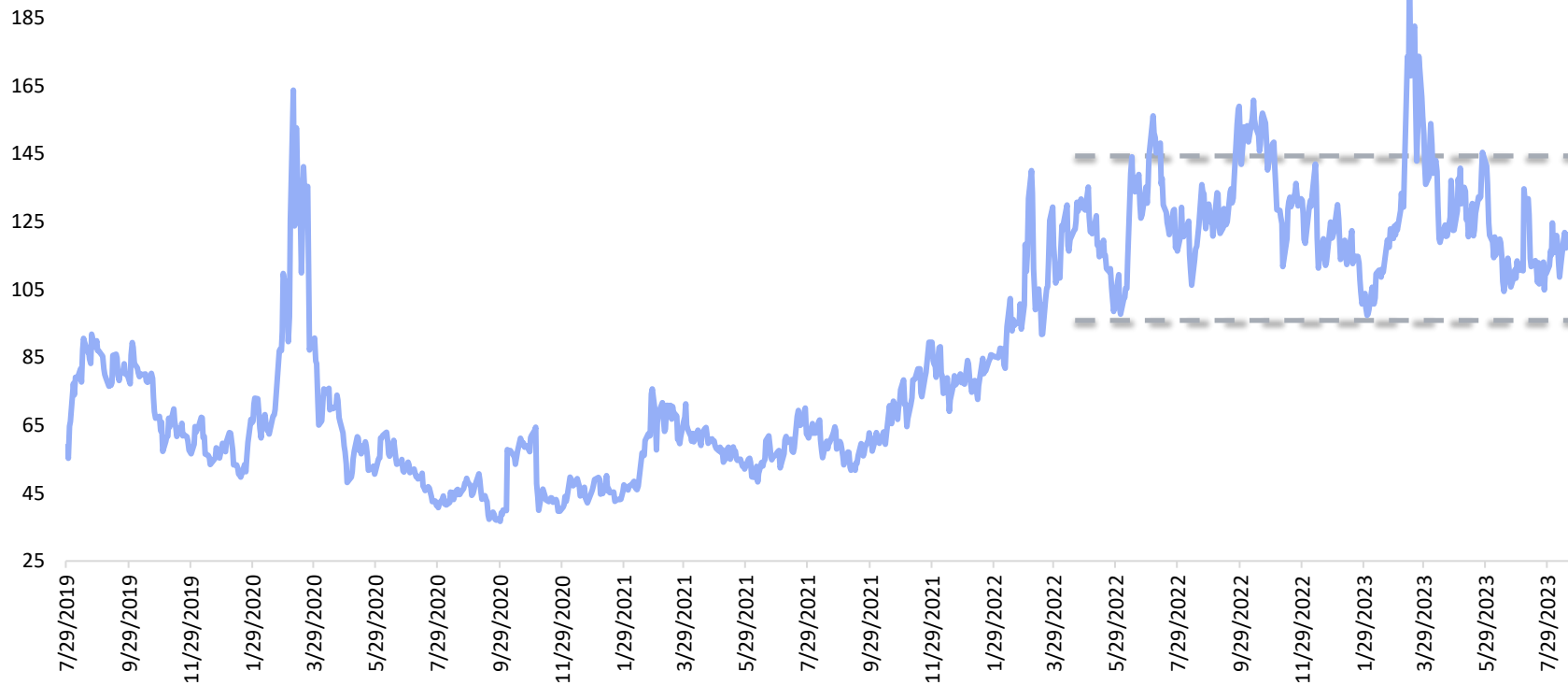
# MARKET UPDATE: HEIGHTENED VOLATILITY

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# Bond volatility still elevated

Move Index: US bond market volatility

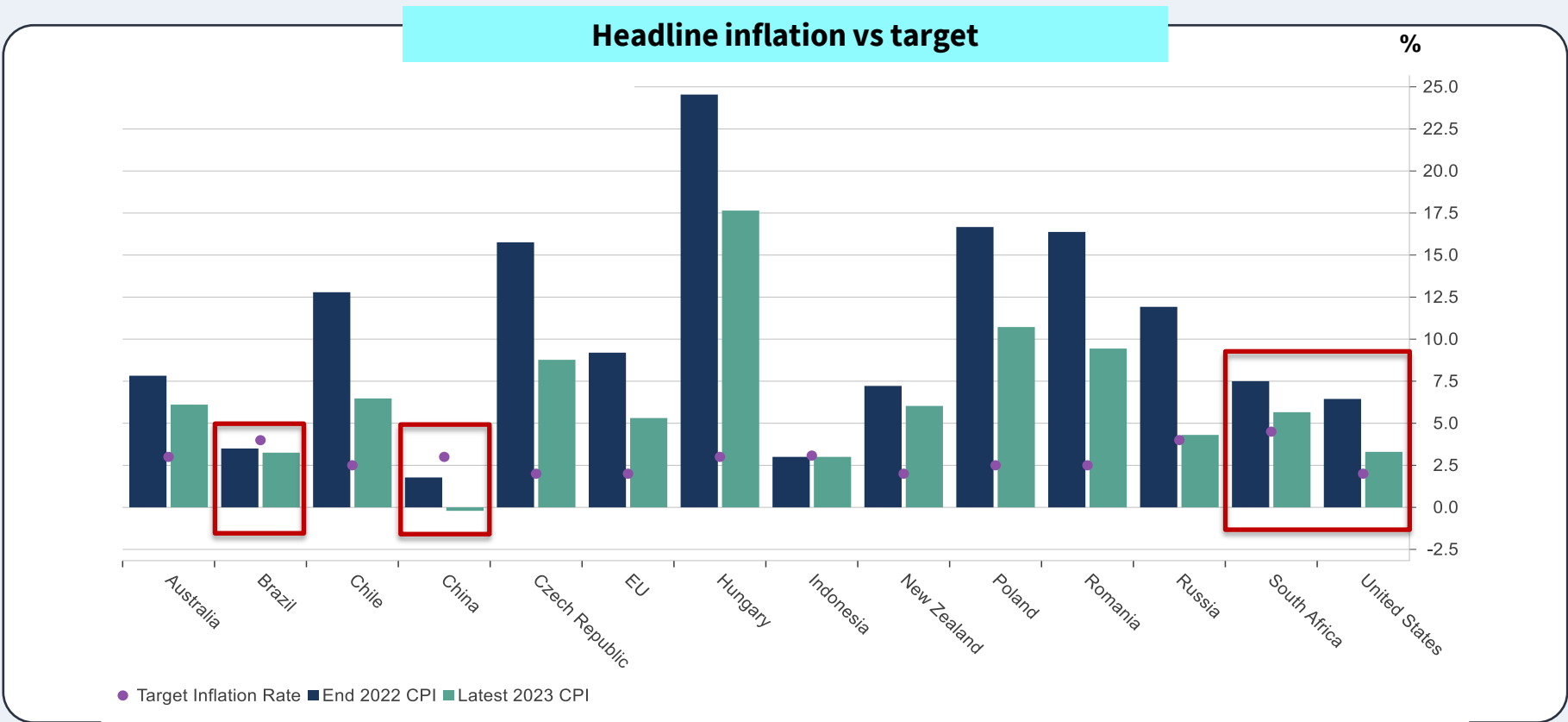


# Markets expect US rate cuts to be shallower than before

Futures pricing: End 2024 US interest rates expectations

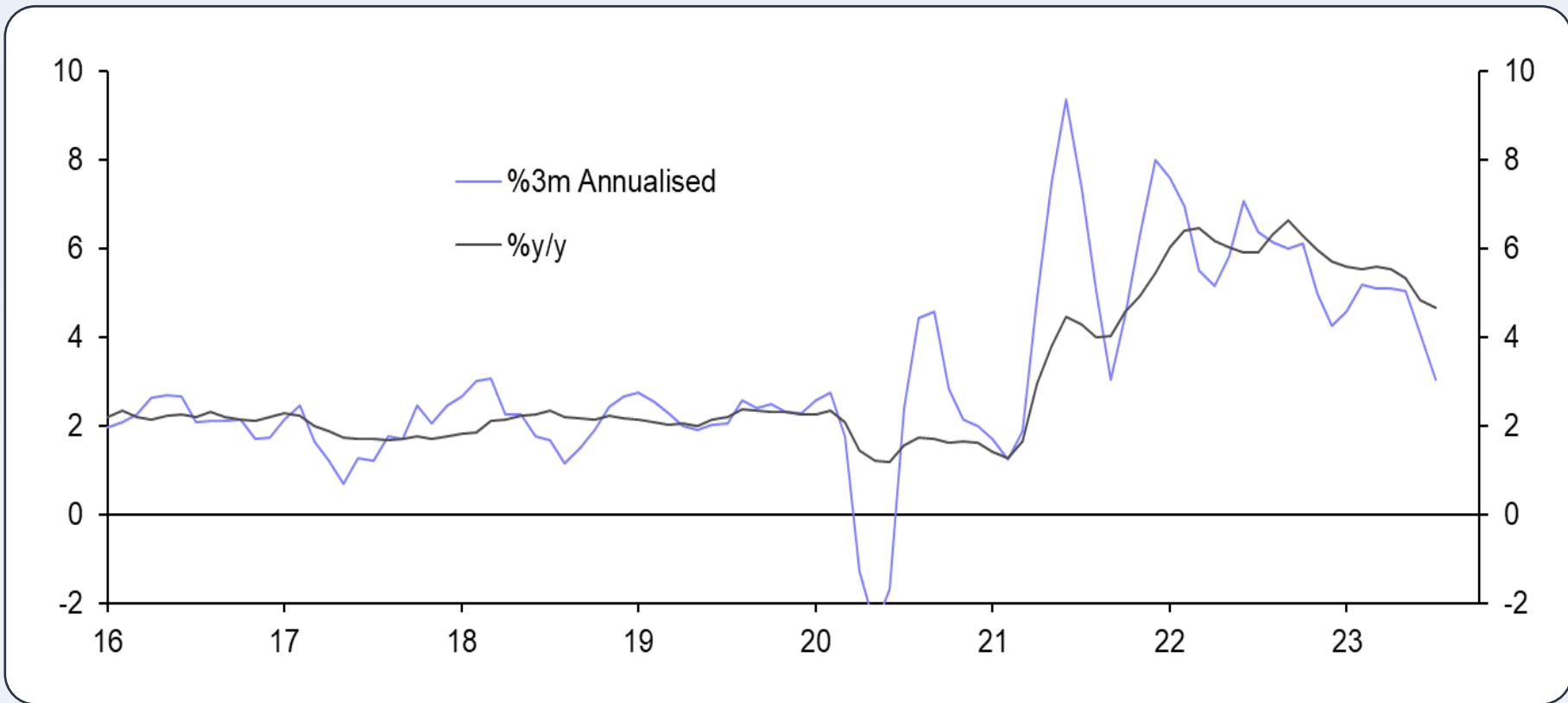


# Global disinflation trends continue

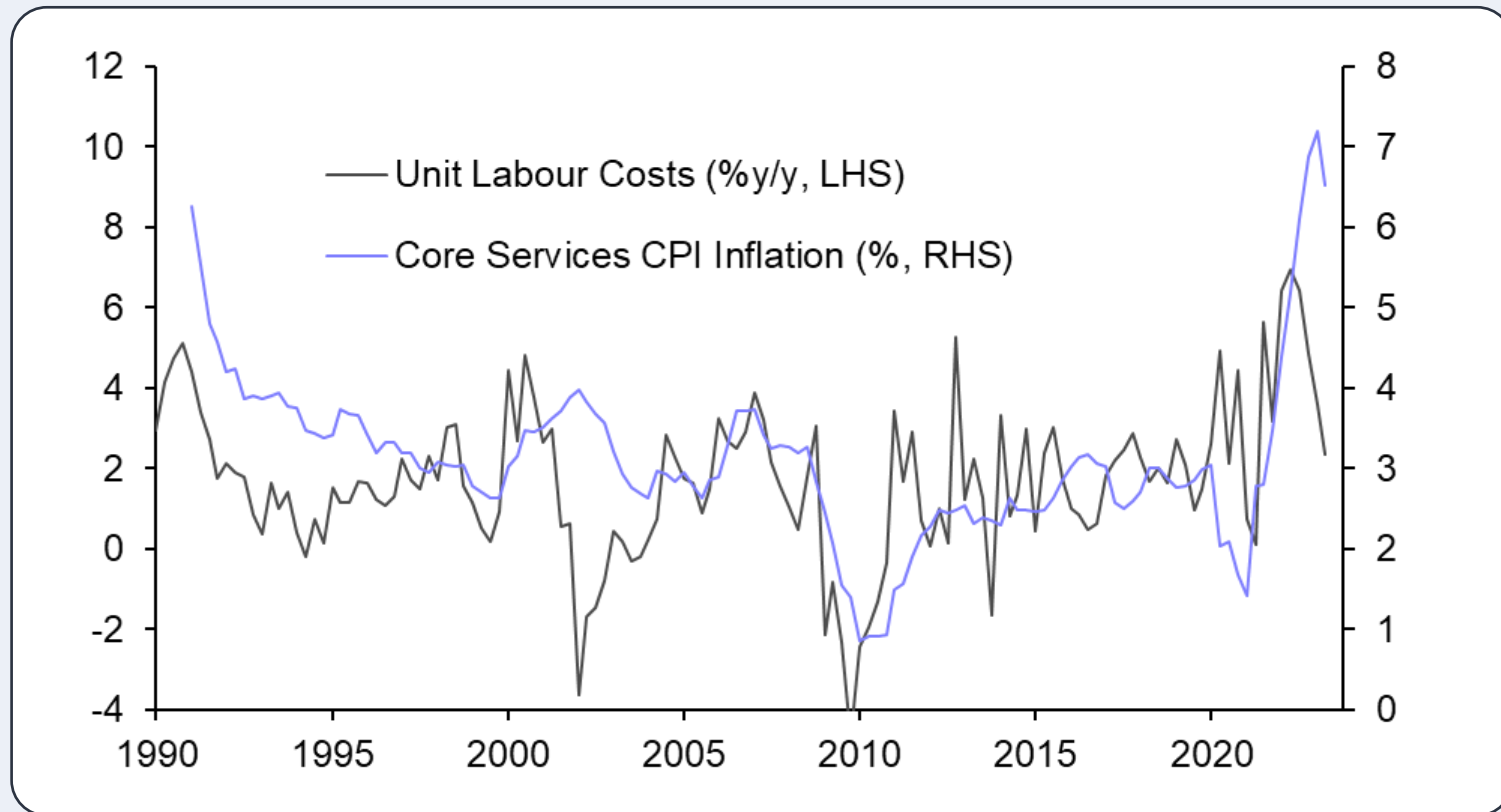




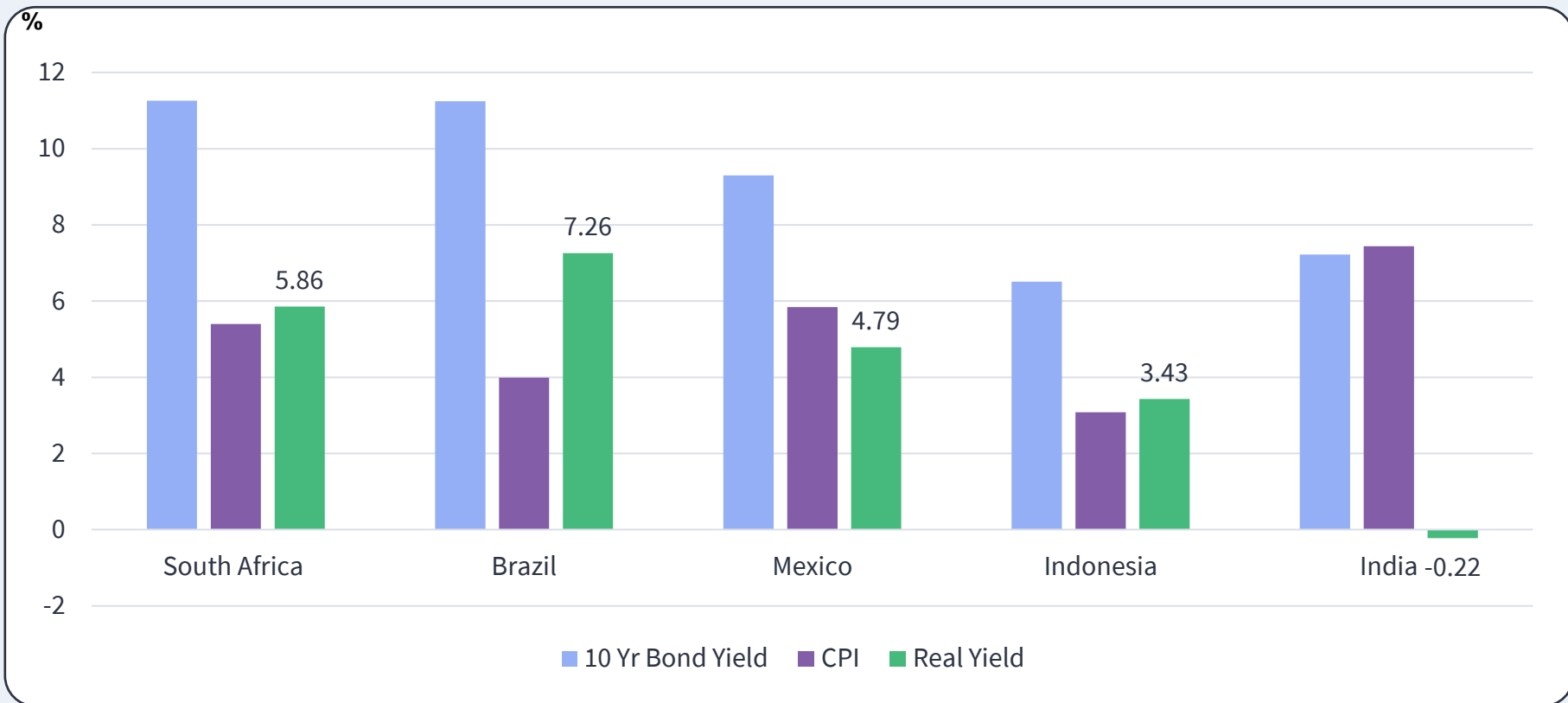
## 3 Month annualised core inflation expected to reach target in August



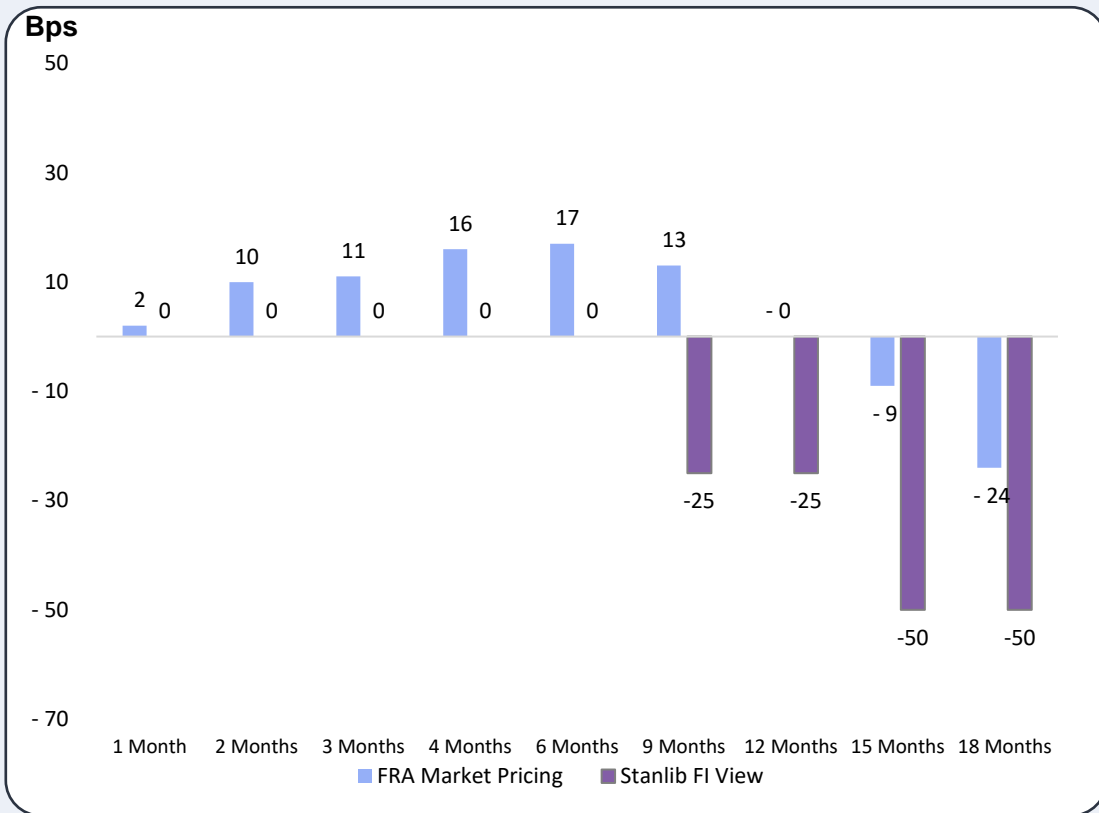
## Unit labour costs are slowing down



## EM HY real yields still attractive; SA to also benefit due to weaker rand

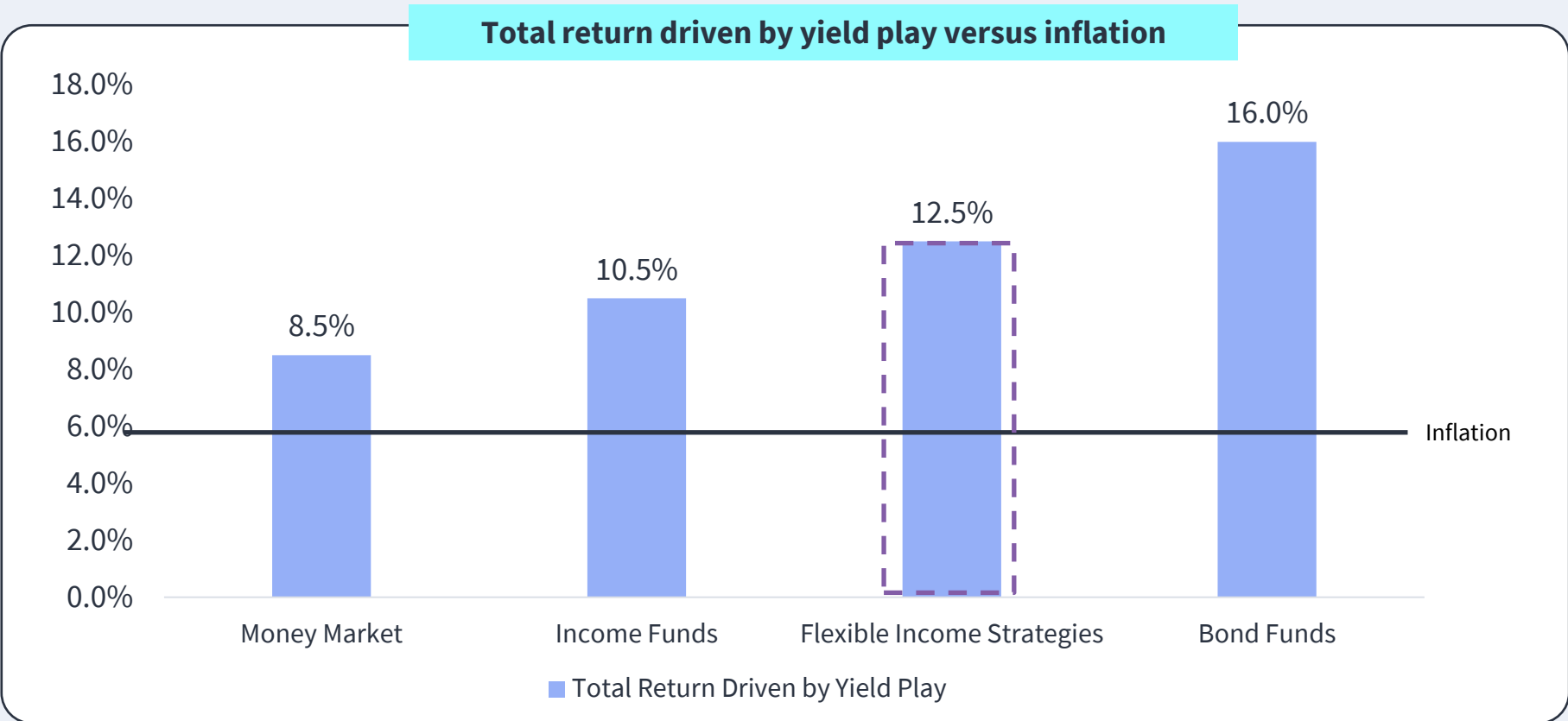


# Markets pricing of local rates trajectory more realistic



- SA **disinflation** wave is underway
- **Fed pause** to also bode well for local rates
- FRA curve is now flat, consistent with our view of the **peak in rate hikes**
- We expect no further hikes and **cuts early next year**
- This is **supportive of the short end** of bond curve

# Risk profile dependent, opportunities galore across FI spectrum



# Summary of views

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## Global

- Bond **volatility to remain elevated** as policy remains data dependant. Fed probably done hiking
- **US economy and labour markets holding up** adds to uncertainty but should cool off the longer rates stay high
- Tight financial conditions to eventually **slow growth** down, leading to rate cuts
- Developments in **China** and **higher energy prices** are potential **headwinds for risk assets**

## Local

- **Idiosyncratic risks unwinding** (load shedding, geo-politics) to lead to risk premia compression
- **EM** central banks expected to continue with **rate cuts**, which will bode well for SA bonds and the rand
- **SARB** possibly **done hiking** but will remain hawkish
- Bond volatility still elevated, but should moderate and **SA with high carry and weak currency is attractive**

A person is standing on a stand-up paddleboard (SUP) on a calm lake. The person is positioned on the right side of the frame, facing away from the camera. The background features a range of mountains, with the most prominent one being a large, rounded peak on the right. The sky is a clear, light blue. The overall scene is peaceful and scenic.

## FUND UPDATE

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# Current asset allocation positioning

## Current portfolio positioning

	Q2 2023 (%)	QonQ Change	Active	Bands
Bonds	54.0	-0.6	6.4	0 - 100
Credit	16.1	-8.6		
Cash	17.9	2.5	12.9	0 - 100
Property	2.0	-2.6	-5.5	0 - 15
Inflation Linked Bonds	2.8	2.7	-2.2	0 - 15
Preference Shares	0.0	-1.5	-2.5	0 - 5
Offshore Bonds	7.2	2.1	-2.7	0 - 15
Offshore Property	0.0	0.0		
Currency (USD)	0.0	0.1		

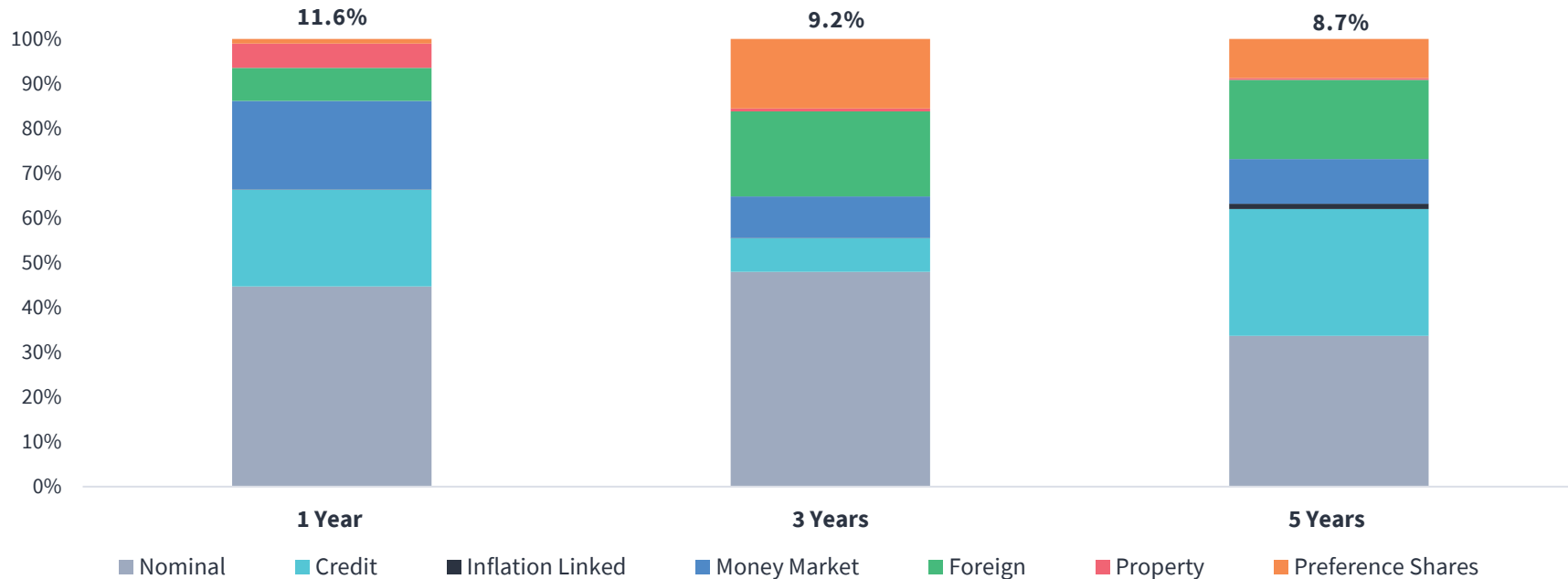


**Making full use  
of a flexible  
asset allocation  
framework**



# No single driver of returns

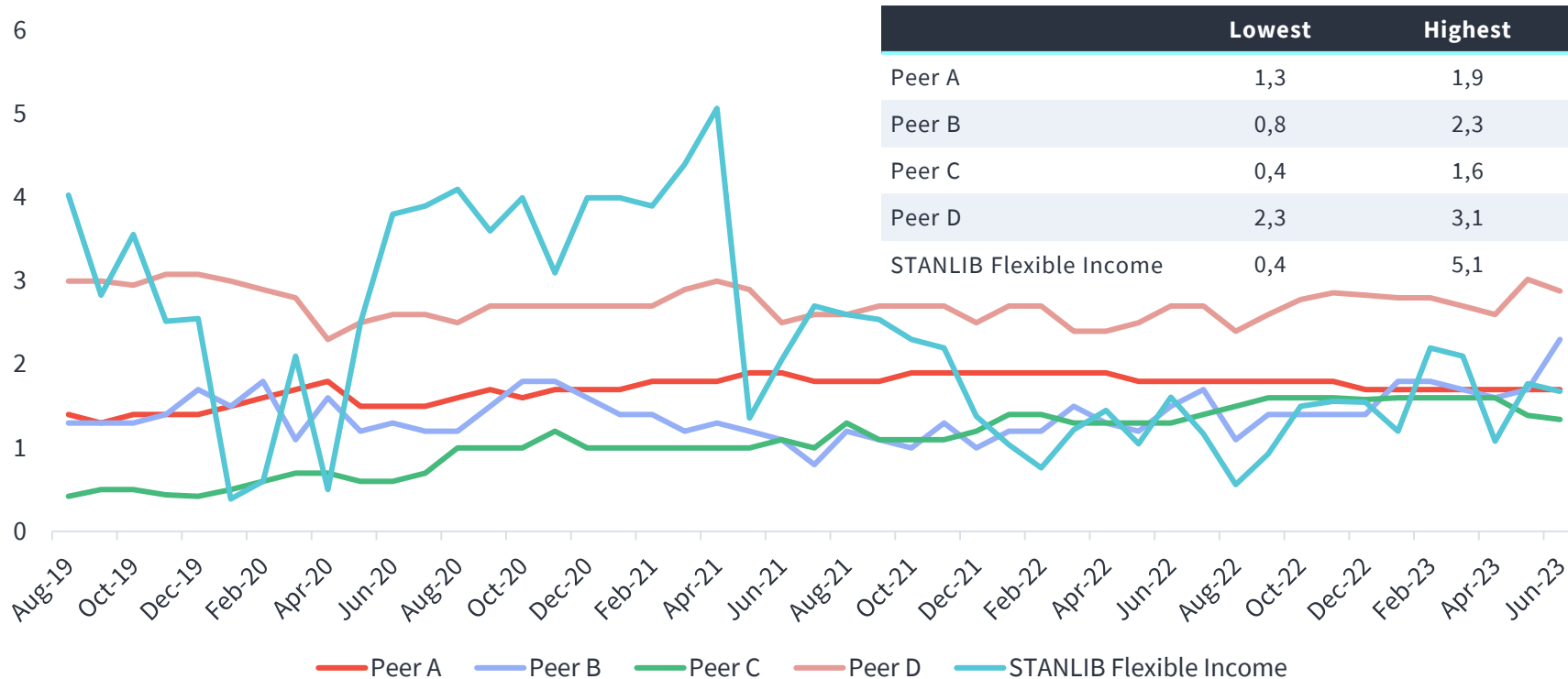
## Asset class % contribution to total return



Effective active asset allocation driving strong performance in different markets

# The fund is managed very actively compared to peers

**STANLIB versus peers modified duration to end of June 2023**



A person is standing on a stand-up paddleboard on a calm lake. The background features a range of mountains, with the most prominent one being a large, rounded peak. The scene is captured in a monochromatic, blue-toned style, suggesting a serene and quiet atmosphere. The person is positioned on the right side of the frame, facing away from the viewer towards the mountains.

## IN SUMMARY

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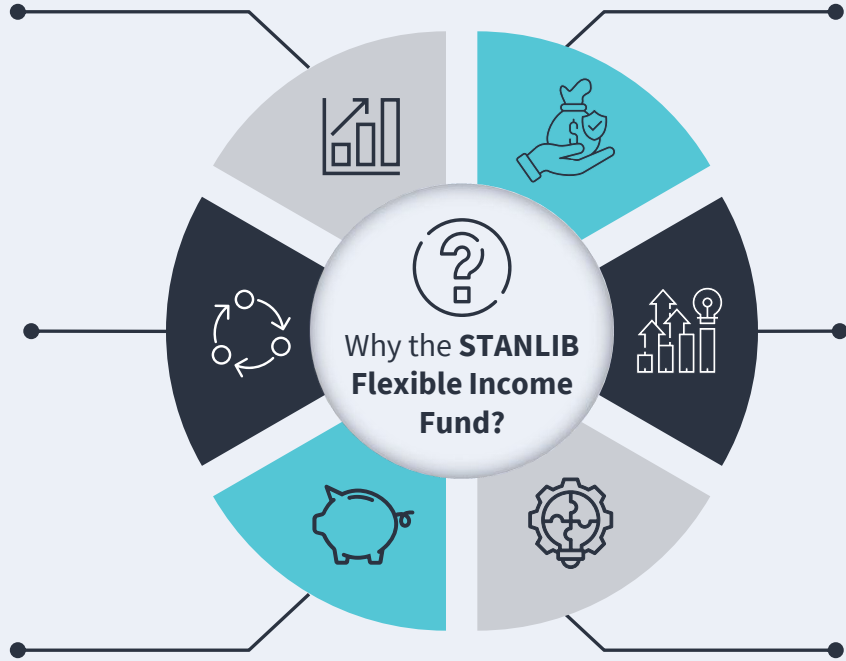
Partner with SA's largest fixed income manager

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**Top quartile inflation-beating, risk-adjusted returns**

**A fund that delivers consistency** – help your clients stay invested through the cycle

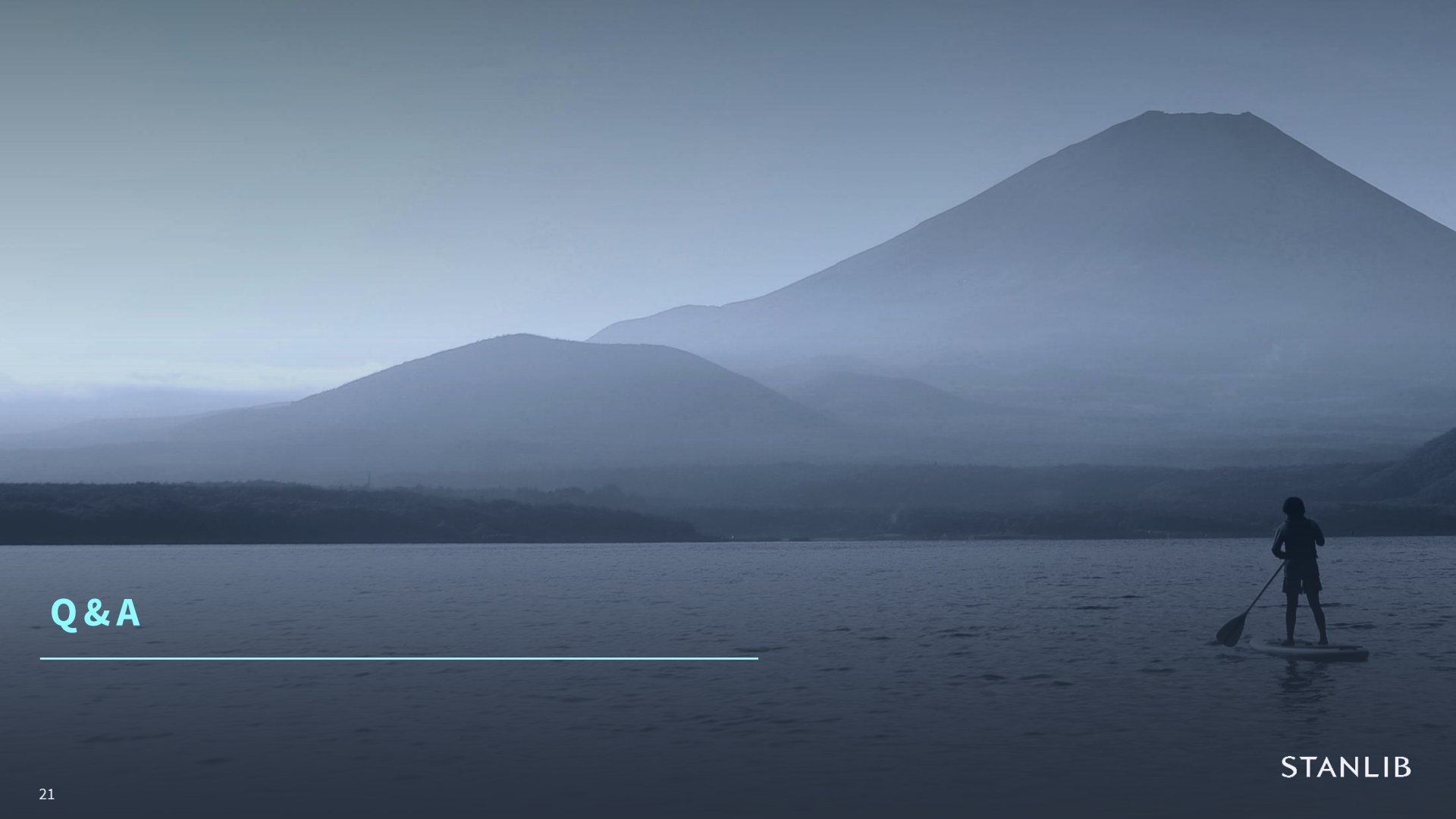
Pre- and post-retirement **income solution**



**Bond-like returns** but with **less volatility** and with **capital protection**

**Asset allocation decisions** sorted – fund manager **actively moves positions** to **manage risk** and **exploit opportunities**

Solution for clients sitting in **cash and money market funds** – better returns with downside risk protection



## Q&A

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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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