

STANLIB Bond Fund

Fund information update at 31 January 2019

STANLIB

What is the fund's objective?

The fund aims to achieve capital growth and income generation by investing in long-term fixed interest instruments.

What does the fund invest in?

The fund invests in a spread of gilts, semi-gilts, loan stock, debentures, debenture bonds, approved securities and other securities, which are consistent with the portfolio's investment policy.

What possible risks are associated with this fund?

General market risks include an increase in bond yields, rising interest rates, economic and political risk, credit risk, inflation uncertainty, and if rates move in a direction contrary to what was expected.

Risk rating

Conservative	Moderately conservative	Moderate	Moderately aggressive	Aggressive
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What is the suggested investment period for this fund?

Minimum period

1 Month	6 Months	1 Year	3 Years	5 Years	7 Years
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Who should consider investing in this fund?

This fund suits investors who are looking for stable income and reasonable capital growth over the longer term.

Income

Distribution Net income is calculated and accrued daily and is declared and distributed quarterly.

Declaration 31 March, 30 June, 30 September, 31 December

General fund information

Manager(s)	Victor Mphaphuli and Sylvester Kobo
Size (NAV)	R 3.50 billion
Classification	South African - Interest Bearing - Variable Term
Benchmark	BESA All Bond Index
Regulation 28	Does not apply
	Class A
Launch	13 March 2000
ISIN number	ZAE000023628
JSE code	LBBF
	Minimum investment requirements -
Lump sum	R 5,000
Monthly	R 500

What are the costs to invest in this fund?

Maximum charges including VAT

	Class A
Initial fee (manager)	0.000%
Initial fee (adviser)	0.690%
Annual fee (manager)	0.863%
Annual fee (adviser)	0.000%
Performance fee	N/A

Annual fee (manager) – this is a service charge (% based) applicable to each class of a fund, that is levied on the value of your portfolio and includes the **Annual fee (adviser)** fee (where applicable). Annual fees are calculated and accrued daily and recovered monthly from the income awaiting distribution in the fund.

Cost ratios (annual) including VAT as at 31 December 2018

	Class A
Based on period from:	01/01/2016
Total Expense	0.86%
Transaction Costs	0.00%
Total Investment Charge	0.86%
1 Year Total Expense	0.86%

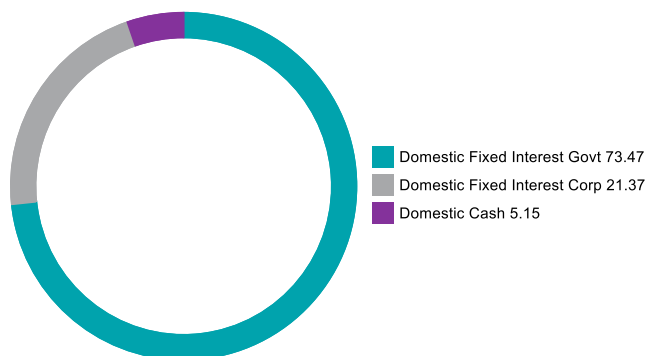
Total Expense (TER): This ratio shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated over the period shown and annualised to the most recently completed quarter. A higher TER does not 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.

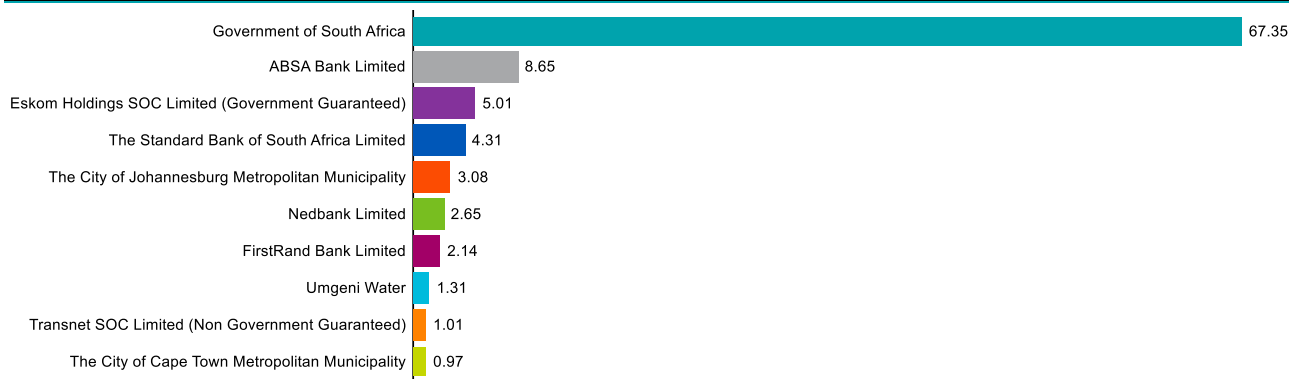
Total Investment Charges (TIC): This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct the TIC from performance figures, the performance is already net of the TIC.

Holdings

Asset allocation (%)



Fixed Interest Top 10 Issuer exposure (%)



Performance and Income

Class A Launch: 13 March 2000

Benchmark: BESA All Bond Index

Returns (%)	1yr	3yrs	5yrs	7yrs	10yrs
Class A					
Class	8.65	11.19	9.30	8.16	8.66
Benchmark	8.79	10.48	9.05	7.93	8.25

Returns (%) shown are cumulative for all periods shorter than or equal to 1 year and annualised for all periods greater than 1 year.

Cumulative performance (%) over 5 Years



Statistics (%)	1yr	3yrs	5yrs	7yrs	10yrs
Class A					
Positive Months	7	24	38	53	79
Max Gain	8.65	37.69	56.01	73.12	137.74
Max Drawdown	-4.88	-4.88	-9.77	-9.77	-9.77
Highest	16.67	16.78	20.61	20.61	20.61
Lowest	7.16	-3.00	-5.90	-5.90	-5.90

Highest – this reflects the highest 12 month return during the period.

Lowest - this reflects the lowest 12 month return during the period.

Amount declared (cents per unit)

	Class A
29 March 2018	3.67
29 June 2018	3.70
28 September 2018	3.65
31 December 2018	3.72
In last 12 months	14.74
In 2018	14.74

Who are the investment managers?

STANLIB Asset Management (Pty) Ltd, FSP 719, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act 2002, manage the investments of the fund.



Victor Mphaphuli

BCom (Hons)(Economics), GDP
Co-head of Fixed Interest

Victor is a key member of STANLIB's multi-award-winning Fixed Interest team, which is one of the largest in South Africa. Victor is one of the top fixed income fund managers in the country and has won ABSIP Awards for fund management as well as Raging Bull Awards. He initially joined the team as a bond dealer and later assumed added responsibility for portfolio management. He was promoted to head of Bond and Income Funds in 2008, assuming full responsibility for the daily management of these funds. In 2016 Victor was promoted to co-head of Fixed Interest which he jointly manages with Henk Viljoen. Victor began his financial services career as a trainee foreign currency dealer with Standard Bank's treasury division in 1996. After gaining experience as a bond market dealer with Nedbank Investment Bank, he joined STANLIB's forerunner Liberty Asset Management in 2001.



Sylvester Kobo

BSc (Hons)(Pure Mathematics)
Portfolio manager

Sylvester joined STANLIB in 2013 as a Money Market dealer and a trainee portfolio manager. He then moved to the bond team, assuming a role of portfolio manager and trader. Sylvester started his career in 2009 at ABSA Capital as a credit quantitative analyst focusing on pricing and management of risk on all derivatives. In 2012 he assumed the lead role for credit in the Absa/Barclays Africa Integration roll-out of the sales and trading programme to 11 Barclays Africa countries. Sylvester's BSc from Wits University includes majors in pure maths and economics. He then went on to get his honours degree in pure mathematics in 2009 from the same university.

Fund review

The fund ended the fourth quarter at R3.6 billion compared with R4 billion at the end of the third quarter. The modified duration of the portfolio was increased to 7.5 years, compared with the ALBI benchmark duration of 7.2 years, as the market looked attractive towards the end of the year. The long duration positioning was achieved by going 5% overweight the 12+ bucket of the benchmark. The credit position remained overweight and the fund benefited from spread compression, which continued in the fourth quarter.

Market overview

The fourth quarter of 2018 was a mixed one for the bond market, with heightened volatility, largely driven by global events and risk-off trading that affected emerging markets. The bond market returned 2.8% during Q418, ending the year as the best-performing domestic asset class, with a 7.7% return. It was mainly buoyed by an improved backdrop for global interest rates as the US Fed seemed ready to retreat from tightening monetary policy. The main domestic risk for the bond market was the Medium Term Budget Policy Statement, which presented a much wider budget deficit and consequent increase in bond supply to fund it. SA's 10-year benchmark yield touched a high of 9.45% as the market factored in a risk premium against a potential credit rating downgrade by Moody's, but it recovered to end the quarter at 8.87%.

The economy emerged from a technical recession, with GDP increasing by 2.2% in the third quarter, which was better than expected but still too little to allay the risk of a ratings downgrade. Volatility in the currency market influenced movements in bond yields, with the rand ranging between R14.89/\$ and a quarter's best level of R13.66/\$ before ending the year at R14.38/\$. The five-year credit default swap (CDS) spread ended the year at 219bps, higher than the 204bps at the beginning of Q418, as the market remains concerned about future downgrades. Foreign interest in SA government bonds continued to be poor, taking net sales to R66 billion for the year, as concerns around emerging markets lingered on the back of the US Fed's rate hiking policy. Concerns around Argentina, Turkey, Italy and Brexit also weighed on the markets. The volatility Index (VIX) reached a high of 36% as stock markets sold off in December on concerns around global trade wars and Fed hikes.

Looking ahead

The main drivers of bond returns for 2019 will be a combination of foreign and domestic risks. The Fed will again dominate global market movements, with communication from Fed Chairman Jerome Powell indicating willingness to be less aggressive in hiking rates, which is positive for EM markets. Italy and Brexit will also impact markets. Domestically, the main challenges will come from national elections, fears of a rating downgrade and February's Budget. The market will watch the Budget to see how the government will deal with already deteriorating fiscal balances and SOEs, particularly Eskom, considering the elevated challenges they face. Inflation is expected to remain inside the target band of 3-6% on average, but forward rates are pricing in one more hike by the SARB.

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.

Change in allocation of the fund over the quarter

Asset type	Q4 2018	Q3 2018	Change
Domestic Cash	1.98	3.60	-1.62
Domestic Fixed Interest Corp	20.69	18.83	1.86
Domestic Fixed Interest Govt	77.32	77.57	-0.24

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
A	Retail	172.13	217,181,262.69	373,840,991.92
R	Retail	172.13	142,001,833.71	244,432,801.85

All data as at 31 December 2018.

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

Disclosures

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 STANLIB Bond 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 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.

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.

This is a portfolio that derives its income primarily from interest-bearing instruments. The yield (if shown) is a current effective yield calculated daily.

All performance returns figures quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro and are as at 31 January 2019.

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. Actual annual figures are available on request from the Manager.

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. Portfolio performance accounts for all costs that contribute to the calculation of the cost ratios quoted, all returns quoted are after these costs have been accounted for.

Statistics - Positive Months: the number of individual 1 month periods during the specified time period where the return was not negative; Max Gain: the maximum gain in a trough-to-peak incline before a new trough is attained, quoted as the percentage between the trough and the peak. It is an indicator of upside risk over a specified time period (quoted for all periods of 1 year or longer); Max Drawdown: the maximum loss in a peak-to-trough decline before a new peak is attained, quoted as the percentage between the peak and the trough. It is an indicator of downside risk over a specified time period (quoted for all periods of 1 year or longer, where blank no loss was experienced); Highest and Lowest: the highest and the lowest 1 year return (%) that occurred during the specified time period (quoted for all relevant classes launched 1 year or more prior to current month end date).

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).

Contact details

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