

# STANLIB Flexible Income Fund

Fund information update at 31 January 2019

# STANLIB

## What is the fund's objective?

The objective of this fund is to offer investors a maximum overall return, incorporating both income and capital growth. A key feature is that the fund is designed to take advantage of exposure to income-generating investments through various interest-rate environments.

## What does the fund invest in?

The fund invests in a flexible mix of predominantly non-equity securities, such as bonds, cash, listed property and other money market instruments. It invests mainly in South African investment markets but may allocate capital to foreign markets up to the limits allowed by the ASISA South African-Multi Asset-Income portfolio category.

## What possible risks are associated with this fund?

Risks include interest rate fluctuations, economic risk inflation, general market conditions and the risk of rates moving in a direction contrary to what was expected. Where foreign instruments are included in the fund there may be additional macroeconomic risks and currency fluctuations. The effect of these changes could result in volatile income returns and a change from time to time to the capital value of the fund.

## 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?

Investors who require specialist fixed interest fund as part of a diversified portfolio and prefer one actively managed solution for all their fixed interest needs would find this fund suitable. It has a longer term investment horizon than traditional money market income funds.

## 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 Henk Viljoen  
**Size (NAV)** R 1.10 billion  
**Classification** South African - Multi Asset - Income  
**Benchmark** 110% STeFI Composite Index

**Regulation 28** Complies

Regulation 28 of the Pension Funds Act sets the limits in terms of the maximum exposure the retirement fund and the individual retirement fund member's savings (i.e. your savings) may have to various asset classes. For more information please refer to the Regulation 28 Guidelines available on our website ([www.stanlib.com](http://www.stanlib.com)). This Fund complies with this Regulation.

	Class A	Class B1
<b>Launch</b>	29 April 2004	29 April 2004
<b>ISIN number</b>	ZAE000048641	ZAE000048658
<b>JSE code</b>	STFA	STFB
<b>Minimum investment requirements -</b>		
Lump sum	R 5,000	R 200,000
Monthly	R 500	R 2,000

## What are the costs to invest in this fund?

### Maximum charges including VAT

	Class A	Class B1
<b>Initial fee (manager)</b>	0.000%	0.000%
<b>Initial fee (adviser)</b>	0.000%	0.000%
<b>Annual fee (manager)</b>	1.150%	0.863%
<b>Annual fee (adviser)</b>	0.000%	0.000%
<b>Performance fee</b>	N/A	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	Class B1
<b>Based on period from:</b>	01/01/2016	01/01/2016
<b>Total Expense</b>	1.15%	0.86%
<b>Transaction Costs</b>	0.01%	0.01%
<b>Total Investment Charge</b>	1.16%	0.87%
<b>1 Year Total Expense</b>	1.15%	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.

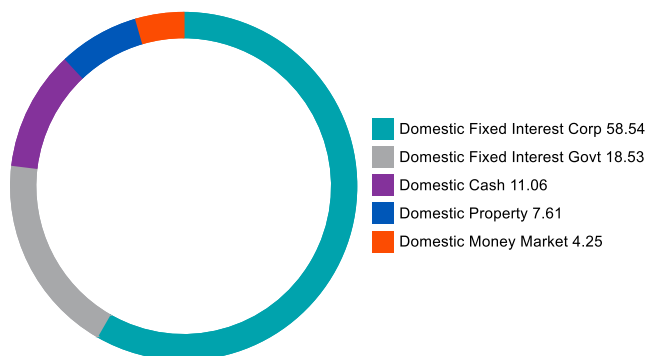
# STANLIB Flexible Income Fund

Monthly update at 31 January 2019

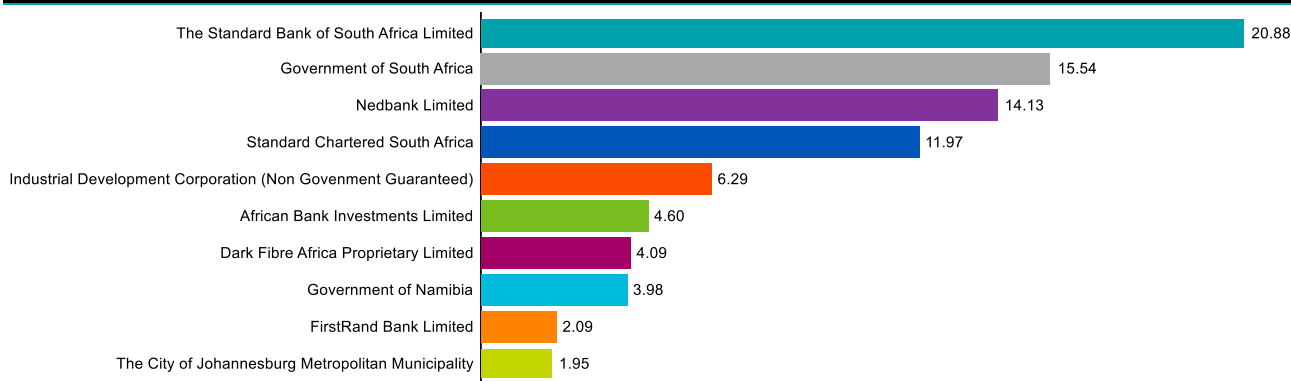
# STANLIB

## Holdings

### Asset allocation (%)



### Fixed Interest Top 10 Issuer exposure (%)



## Performance and Income

Class A Launch: 29 April 2004

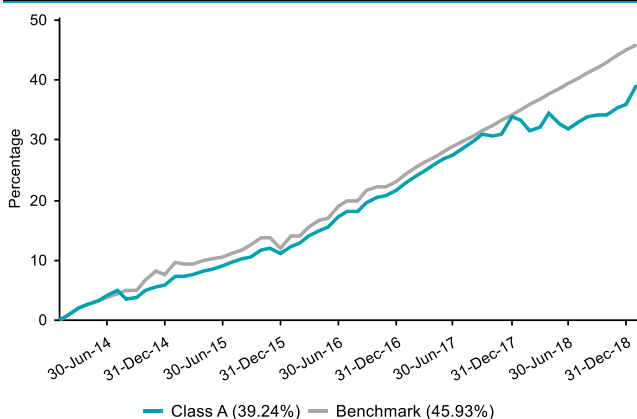
Class B1 Launch: 29 April 2004

Benchmark: 110% STeFI Composite Index

Returns (%)	1yr	3yrs	5yrs	7yrs	10yrs
<b>Class A</b>					
Class	4.39	7.44	6.84	6.84	7.50
Benchmark	8.00	8.59	7.85	7.08	7.47
<b>Class B1</b>					
Class	4.69	7.74	7.15	7.13	7.77

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
<b>Class A</b>					
Positive Months	9	30	52	71	104
Max Gain	5.74	24.02	39.24	58.93	108.56
Max Drawdown	-1.79	-1.79	-1.79	-1.79	-1.79
Highest	6.68	9.98	9.98	11.61	16.55
Lowest	1.55	1.55	1.55	1.55	1.55
<b>Class B1</b>					
Highest	6.99	10.29	10.29	11.86	16.81
Lowest	1.84	1.84	1.84	1.84	1.84

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	Class B1
29 March 2018	2.35	2.43
29 June 2018	1.72	1.81
28 September 2018	2.11	2.18
31 December 2018	2.25	2.33
In last 12 months	8.43	8.75
In 2018	8.43	8.75

# STANLIB Flexible Income Fund

Quarterly update at 31 December 2018

# STANLIB

## 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), GEDP  
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.



### Henk Viljoen

MCom (Economics)(Cum laude)  
Co-head of Fixed Interest

After gaining early experience in the treasury environment at Telkom and at Senbank, Henk joined the then Liberty Asset Management in 1990, and was appointed head of Fixed Income. Henk retained this role throughout the amalgamation with Standard Corporate and Merchant Bank that formed STANLIB, and for many years led a multi-award-winning team which built an undisputed reputation as the most astute and consistently successful Bonds/Fixed Income unit in the South African industry. In 2008, Henk handed over responsibility for the day-to-day management of all third-party, life asset and retail bond funds. He retained executive responsibility as head of Fixed Income and chairman of the Interest Rate Committee – the key macro factor forum that determines the duration positioning of STANLIB's fixed income mandates. He now jointly manages the team with Victor Mphaphuli.

## Fund review

The fund decreased from R1.2 billion to R1.1 billion during the fourth quarter, while the modified duration was reduced from 2.2 years to 1.9 years by the end of the quarter. Property was 16% compared with 15% the previous quarter. The position in listed property has affected the short term performance of the portfolio. The recent sell off in the property sector is expected to reverse, so the fund maintains an overweight position.

## 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	0.31	3.71	-3.40
Domestic Fixed Interest Corp	56.50	53.62	2.88
Domestic Fixed Interest Govt	18.05	20.79	-2.74
Domestic Money Market	9.58	6.50	3.08
Domestic Property	15.56	15.38	0.17

The portfolio adhered to its portfolio objective over the quarter.

## Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
A	Retail	109.84	643,625,216.90	706,964,972.61
B1	Retail	109.92	169,120,614.09	185,904,067.34

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 Flexible Income 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](http://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 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.

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](http://www.stanlib.com)).

## Contact details

### Manager

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