

# STANLIB Income Fund

Fund information update at 28 February 2019

# STANLIB

## What is the fund's objective?

This fund's primary objective is to achieve a reasonable level of current income and stability for capital invested.

## What does the fund invest in?

The fund invests in fixed income instruments such as cash, bonds, preference shares, debenture stock, debenture bonds and other money market instruments.

## 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.

## 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 is a low-risk fund that suits investors who require a regular quarterly income and who aim to generate returns above those achieved by money market 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

<b>Manager(s)</b>	Victor Mphaphuli and Henk Viljoen
<b>Size (NAV)</b>	R 36.40 billion
<b>Classification</b>	South African - Interest Bearing - Short Term
<b>Benchmark</b>	STeFI Composite Index
<b>Regulation 28</b>	Does not apply
<b>Class R</b>	
<b>Launch</b>	04 May 1987
<b>ISIN number</b>	ZAE000020079
<b>JSE code</b>	GDBI
<b>Minimum investment requirements -</b>	
Lump sum	R 5,000
Monthly	R 500

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

### Maximum charges including VAT

	Class R
<b>Initial fee (manager)</b>	0.000%
<b>Initial fee (adviser)</b>	0.690%
<b>Annual fee (manager)</b>	0.863%
<b>Annual fee (adviser)</b>	0.000%
<b>Performance fee</b>	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 R
<b>Based on period from:</b>	01/01/2016
<b>Total Expense</b>	0.85%
<b>Transaction Costs</b>	0.00%
<b>Total Investment Charge</b>	0.85%
<b>1 Year Total Expense</b>	0.86%

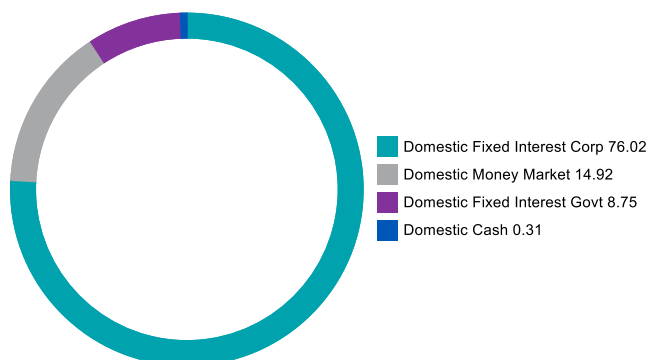
**Total Expense (TER):** This ratio shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated over the period shown and annualised to the most recently completed quarter. A higher TER does 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.

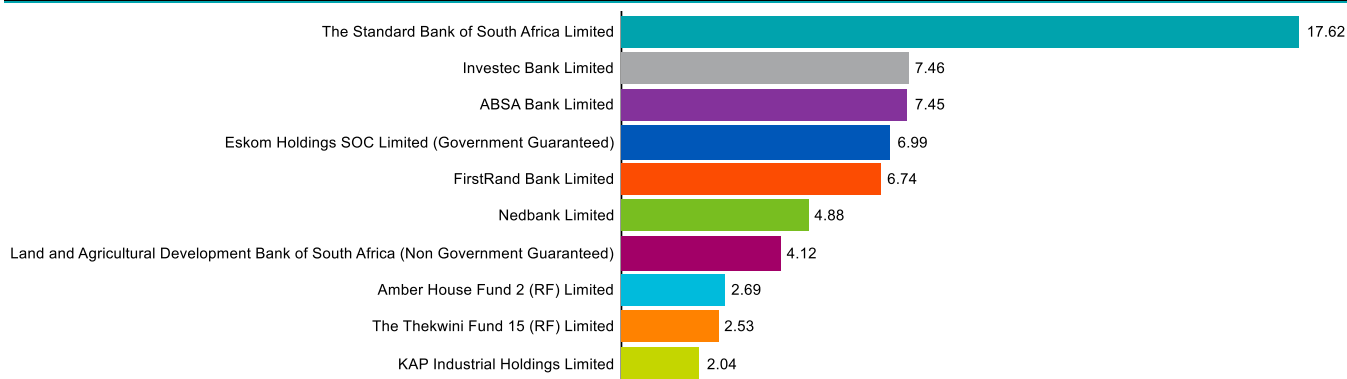
**Total Investment Charges (TIC):** This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not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

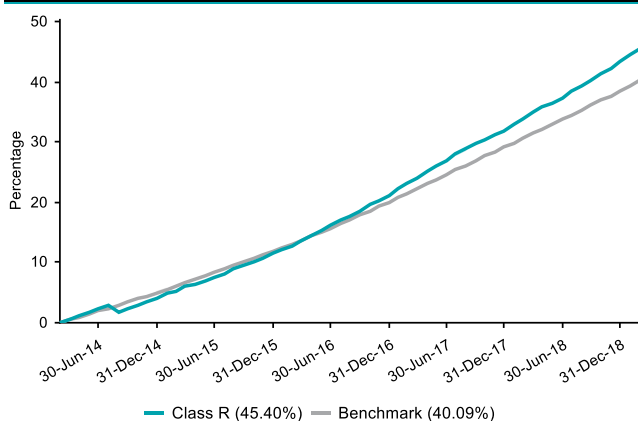
Class R Launch: 04 May 1987

Benchmark: STeFI Composite Index

Returns (%)	1yr	3yrs	5yrs	7yrs	10yrs
<b>Class R</b>					
Class	8.59	8.82	7.77	7.44	7.75
Benchmark	7.26	7.42	6.97	6.50	7.07

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 R</b>					
Positive Months	12	36	59	83	119
Max Gain	8.59	28.88	45.40	65.22	110.87
Max Drawdown			-1.06	-1.06	-1.06
Highest	8.75	9.63	9.63	9.63	14.60
Lowest	7.97	7.25	4.85	4.85	4.85

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 R
29 March 2018	2.80
29 June 2018	2.76
28 September 2018	2.79
31 December 2018	2.78
In last 12 months	11.13
In 2018	11.13

## 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 Stanlib Income Fund continued to receive inflows during the fourth quarter, increasing from R33.2 billion to R35.2 billion as returns on the portfolio look attractive compared to money market. The fourth quarter saw ample volatility from different asset classes, which led investors to continue looking for diversification into income funds. The modified duration of the portfolio was kept defensive in the face of the SARB increasing the repo rate by 25 basis points. Returns on the Fund were generated by investments in high yielding credit. The Fund is dominated by investments in floating rate notes which adjust as Jibar changes as a result of the rate hike. The fourth quarter saw credit spreads compressing further, which benefited the portfolio.

## Market overview

The fourth quarter of 2018 was a mixed one for the bond market with volatility abound, largely driven by the volatile global backdrop and risk off trading that affected emerging markets. The bond market returned 2.8% during the fourth quarter, ending the year 2018 as the best performing domestic asset class returning 7.7%, mainly buoyed by an improved backdrop for rates market globally as the US Fed seemed ready to retreat from tightening monetary policy. The main local event risk for the bond market was the Medium Term Budget Policy Statement (MTBS) delivered by new Finance Minister Tito Mboweni, who presented a much wider budget deficit and consequent increase in bond supply to fund it. The South African 10 year benchmark yield touched a high of 9.45% as the market built in a risk premium in fear of a potential downgrade by Moody's. The market recovered somewhat, ending the quarter at 8.87% for the 10 year maturity bond. The SARB increased rates by 25 basis points for the first time since March 2016 in the fourth quarter of 2018 to contain inflation expectations.

The economy emerged from a technical recession, with GDP increasing by 2.2% in the third quarter, which was better than expected but still short of getting the country out of downgrade territory. Volatility in the currency market translated to some of the movements in bond yields, with the Rand touching 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 219 basis points, higher than the 204 basis points it opened the quarter at as the market is still concerned about potential downgrades in future. Foreign interest in South African government bonds continued to be poor during the fourth quarter taking the net sell position to R66 billion for the year as concerns around emerging markets remained in light of the US Fed hiking interest rates. Concerns around Argentina, Turkey, Italy and Brexit also weighed on the markets. The volatility Index (VIX) reached a high of 36% as the stock markets sold off in December due to concerns around global trade wars and Fed hikes.

## Looking ahead

With 2018 now out of the way, the market will quickly move attention to the first quarter of 2019, which will also present its own opportunities and challenges. The main drivers of bond returns for 2019 will be a combination of foreign and domestic event risks. Globally, the Fed will again dominate market movements, with communication from Fed Chairman Jerome Powell indicating a willingness to be less aggressive in hiking rates, which is a positive for EM rates markets. Italy and Brexit will also impact markets. Domestically, the main challenges will come from national elections, fears of a rating downgrade and the budget statement to be delivered in February. From a budget perspective, the market will be looking to see how the government deals with already deteriorating fiscal balances and how SOEs, particularly ESKOM will be dealt with considering the elevated challenges they continue to face. Inflation is expected to average inside the target band of 3 - 6%, but the FRA market is 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	0.27	1.12	-0.85
Domestic Fixed Interest Corp	73.76	72.88	0.88
Domestic Fixed Interest Govt	8.89	11.50	-2.60
Domestic Money Market	17.08	14.51	2.57

The portfolio adhered to its portfolio objective over the quarter.

## Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
R	Retail	137.91	11,956,466,716.20	16,489,680,435.02
B1	Retail	138.22	4,347,099,092.80	6,008,564,922.89

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 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 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 28 February 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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