

STANLIB Property Income Fund

Fund information update at 28 February 2019

STANLIB

What is the fund's objective?

The fund's primary objective is to provide investors with a steady source of income and capital growth over time.

What does the fund invest in?

The fund invests predominantly in listed property shares, mainly through real estate investment trusts, which offer investors exposure to real estate properties through a JSE-listed instrument. The fund's intention is to remain fully invested in property. Cash and money market investments are limited to a maximum of 5% of the portfolio.

What possible risks are associated with this fund?

General market risks include a decline in property values, general market conditions, a rise in interest rates, currency volatility, economic conditions, share selection, and bond-yield fluctuations. Where exposure to foreign investments is included in the fund there may be additional risks, such as potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political risks, tax risks, settlement risks, and potential limitations on the availability of market information.

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 choose this fund for steady and growing income and capital growth over time. They are comfortable with the diversification away from equities and cash that is provided by this fund.

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) Keillen Ndlovu
Size (NAV) R 8.30 billion
Classification South African - Real Estate - General
Benchmark FTSE/JSE All Property Index (J803T)
Regulation 28 Does not apply

	Class B1	Class A
Launch	02 January 2007	16 September 2002
ISIN number	ZAE000088993	ZAE000042198
JSE code	SPIFB1	STPI
Minimum investment requirements -		
Lump sum	R 5,000	R 5,000
Monthly	R 500	R 500

What are the costs to invest in this fund?

Maximum charges including VAT

	Class B1	Class A
Initial fee (manager)	0.000%	0.000%
Initial fee (adviser)	0.000%	3.450%
Annual fee (manager)	1.150%	1.495%
Annual fee (adviser)	0.000%	0.345%
Performance fee	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 B1	Class A
Based on period from:	01/01/2016	01/01/2016
Total Expense	1.17%	1.51%
Transaction Costs	0.14%	0.14%
Total Investment Charge	1.31%	1.65%
1 Year Total Expense	1.17%	1.51%

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.

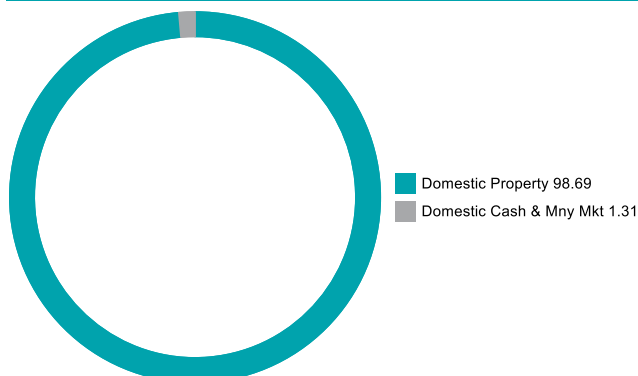
STANLIB Property Income Fund

Monthly update at 28 February 2019

STANLIB

Holdings

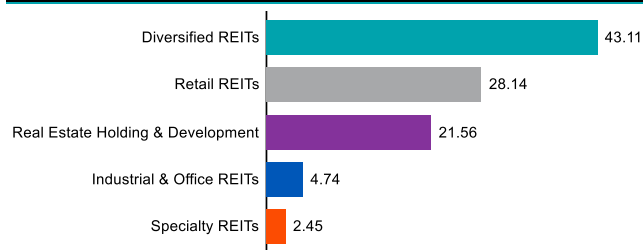
Asset allocation (%)



Top holdings (%)

Redefine Properties Ltd	12.83
Growthpoint Properties Ltd	11.96
NEPI Rockcastle PLC	10.22
Fortress REIT Ltd A	8.50
Vukile Property Fund Ltd	6.48
Resilient REIT Ltd	4.91
Investec Property Fund	3.84
Hammerson Plc	3.82
SA Corporate Real Estate Fund	3.66
Hyprop Investments Ltd	3.52

Equity allocation (Subsector) (%)



Performance and Income

Class B1 Launch: 02 January 2007

Class A Launch: 16 September 2002

Benchmark: FTSE/JSE All Property Index (J803T) from 01/10/2018; FTSE/JSE SA Listed Property Index (J253T) from launch.

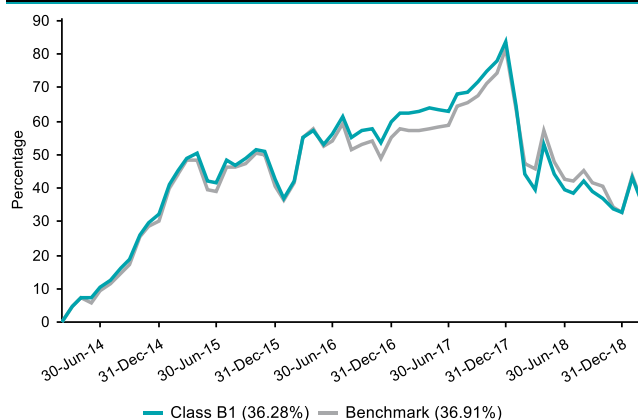
Returns (%)	1yr	3yrs	5yrs	7yrs	10yrs
Class B1					
Class	-5.45	-1.42	6.39	8.85	12.42
Rank/Out of	22/42	27/35	18/26	13/18	6/15
Sector Average	-4.75	-0.32	6.91	9.46	11.86
Benchmark	-7.15	-1.09	6.48	9.20	12.62
Class A					
Class	-5.80	-1.76	5.98	8.43	11.99

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

Statistics (%)	1yr	3yrs	5yrs	7yrs	10yrs
Class B1					
Positive Months	3	20	37	53	82
Max Gain	9.82	29.27	83.91	144.38	335.20
Max Drawdown	-13.39	-27.87	-27.87	-27.87	-27.87
Highest	-5.45	18.50	46.75	46.75	46.75
Lowest	-27.87	-27.87	-27.87	-27.87	-27.87
Class A					
Highest	-5.80	18.07	46.08	46.08	46.08
Lowest	-28.14	-28.14	-28.14	-28.14	-28.14

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

Cumulative performance (%) over 5 Years



Amount declared (cents per unit)

	Class B1	Class A
23 March 2018	8.23	7.76
29 June 2018	4.07	9.09
28 September 2018	11.13	10.58
31 December 2018	10.05	9.50
In last 12 months	33.48	36.93
In 2018	33.48	36.93

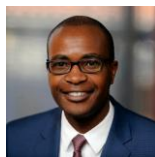
STANLIB Property Income Fund

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.



Keillen Ndlovu

BCom (Hons), CAIB (SA), Property Development Programme
Head of Listed Property

Keillen manages the largest listed property fund in South Africa, the STANLIB Property Income Fund. After beginning his property career with Standard Bank Properties in 2004, Keillen transferred to STANLIB in 2005 as a listed property analyst. After becoming a full-time fund manager in 2008, he successfully assumed increased responsibilities and fund management exposure, and was appointed head of STANLIB's Listed Property team in 2010. The Listed Property team has won numerous awards over the years and under his tenure has expanded its listed property offering to global property markets. Keillen is a regular commentator in the media on listed and commercial property issues.

Fund review

The fund outperformed its benchmark by +1.7% in the last quarter of 2018, generating a -4.51% gross total return compared with a -6.21% benchmark gross return. During 2018 the fund generated a gross total return of -27.42% against a -27% benchmark gross total return. The fund's outperformance in the last quarter of 2018 can be attributed to our off-benchmark exposure to Store-Age and Fairvest, overweighting in Vukile and limited exposure to UK retail through an underweight position in Hammerson and no holding in Intu.

Market overview

Listed property (-25%) was the worst performing asset class in 2018, underperforming bonds (+7.7%), cash (+7.3%) and equities (-8.5%). The weakening of the rand against the US dollar (-16%), euro (-11%) and pound (-10%) did not offset listed property's lacklustre performance in 2018, while the slight weakening in the SA 10-year bond yield does not help to explain the sector's negative returns.

The performance of the sector in 2018 was characterised by a combination of corporate governance and accounting allegations against the Resilient group of companies, downward revisions and rebasing of earnings by several companies, uncertainty around Edcon's sustainability as well as weakening property fundamentals in SA. The allegations against the Resilient stable have largely been addressed except for share price manipulation, which remains under ongoing investigation by the Financial Sector Conduct Authority. Despite these allegations, the underlying property fundamentals and balance sheet strength of the Resilient stable were above the sector average in 2018.

Several companies have warned of a substantial reduction in dividend growth, with Rebois and Arrowhead announcing the worst guidance in the sector of approximately -40% and -20% respectively. Intu has also forecast a substantial reduction in its dividend, not quantified, to address a deteriorating balance sheet, while Texton could not provide guidance after it was unsettled by management changes and the potential obligation to buy back the shares of a major shareholder. The fund does not have holdings in both Intu and Texton but it has a substantial underweight position in Arrowhead and a slight overweight in Rebois.

Edcon remains a risk, but the sector has an offshore earnings exposure of about 40% which should provide a cushion against a worst-case scenario. Domestic property fundamentals continue to weaken across all sub-sectors in an anaemic economic environment. The winners in this tough economic climate will be those addressing basic property fundamentals, rather than attempting financial engineering to boost dividend growth. We continue to position the fund appropriately for the current environment.

Looking ahead

The All Property Index offers a forward dividend yield of about 9%, which is slightly above SA's 10-year bond yield, implying limited dividend growth expectations. We have revised our dividend growth base case numbers from 5% to 6% to 3% to 4% to account for weakening domestic fundamentals and uncertainty around Edcon. We forecast a base case total return of 9-10%.

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 & Mny Mkt	5.67	4.81	0.85
Domestic Property	94.33	95.19	-0.85

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
A	Retail	475.20	517,719,979.10	2,460,182,861.22
B1	Retail	480.81	542,117,884.43	2,606,530,243.71

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 Property 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) 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.

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).

Contact details

Manager

STANLIB Collective Investments (RF) (Pty) Limited
Reg. No. 1969/003468/07
17 Melrose Boulevard, Melrose Arch, 2196
Telephone: 0860 123 003
Email: fundfactsheets@stanlib.com
Website: www.stanlib.com

Investment Manager

STANLIB Asset Management (Pty) Ltd
An authorised financial services provider, FSP No. 719
Reg. No. 1969/002753/07
17 Melrose Boulevard, Melrose Arch, 2196
Telephone: +27 (0)11 448 6000
Website: www.stanlib.com

Trustee

Standard Chartered Bank
Reg. No. 2003/020177/10
5th Floor, 4 Sandown Valley Crescent, Sandton, 2196
Telephone: +27 (0)11 217 6600