STANLIB Global Property Fund

STANLIB

Minimum Disclosure Document as of 31 March 2024

Risk profile: ●●●●● **Moderate-Aggressive**

The fund is a class fund of STANLIB Offshore Unit Trusts which invests exclusively in the corresponding STANLIB Funds Limited Global Property Fund.

Objectives

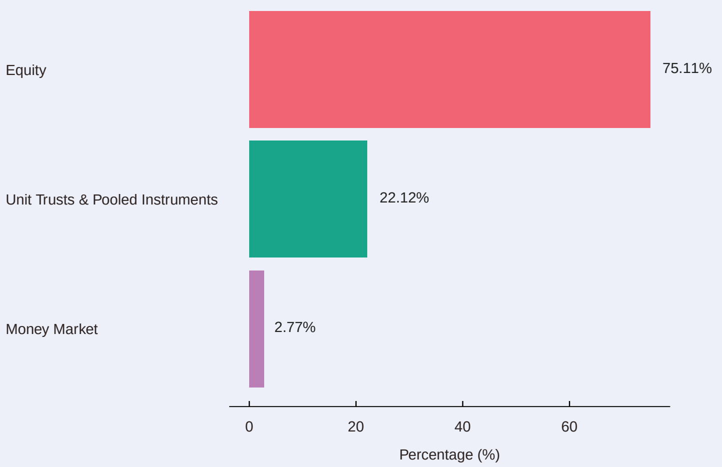
The aim of the property fund is to provide investors with both capital and income growth. The Global Property Fund aims to maximize investor's returns by investing in shares in global property companies and property related securities listed on exchange in major markets (and to a lesser degree, smaller emerging markets), and real estate investment trusts. The STANLIB Global Property Fund invests as a Feeder fund into a class fund of STANLIB Funds Limited - STANLIB Global Property Fund.

Performance

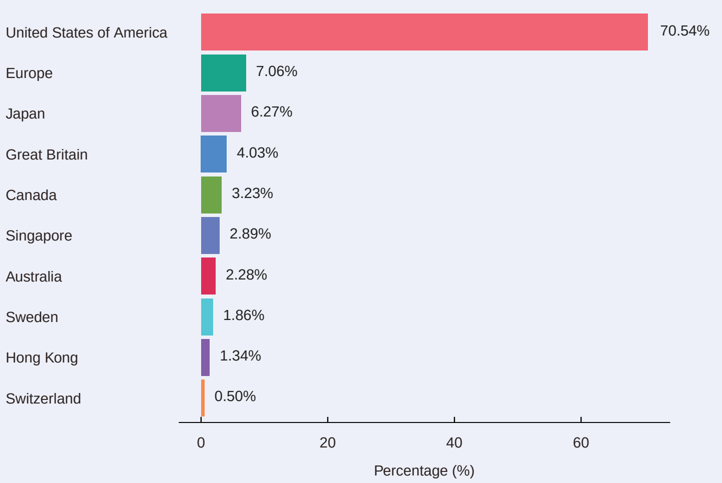
Statistics	1 Year	3 Years	5 Years	10 Years
Fund Annualised Return: Class A	3.86%	-2.76%	-2.48%	0.83%
Fund Annualised Return: Class B1	4.58%	-2.08%	-1.80%	-
Fund Annualised Return: Class B2	4.79%	-1.88%	-1.60%	-
Index Annualised Return	7.59%	-0.29%	0.91%	3.91%
Highest Return over 12 rolling months				28.31%
Lowest Return over 12 rolling months				-7.86%

No performance is currently included as performance data may not be shown for portfolios/classes that have less than a 6 month track record.

Asset allocation



Geographic allocation



Portfolio facts

Investment manager	STANLIB Asset Management Pty Limited
Underlying investment manager	STANLIB
Launch date	02 May 1997
Denominated in	US Dollar
Fund size	US $ 21.51 million
Min. investment amount	US$2,500
Min. subsequent investment	US$1,000
Upfront charge (maximum)	3.00%
Annual management charge (AMC): Class A	1.10%
Annual management charge (AMC): Class B1	0.40%
Annual management charge (AMC): Class B2	0.20%
Class A intermediary trail commission (Paid from AMC)	0.30%
ISIN code (Class A)	JE00B51KKN60
ISIN code (Class B1)	JE00BD8RKB47
ISIN code (Class B2)	JE00BD8RKM51
Benchmark index	FTSE EPRA/NAREIT Developed Rental Index Net Total Return
Trustee	Apex Financial Services (Corporate) Limited

Portfolio costs (TER, TC and TIC)

Fund Class	TER (12 m)	TER (36 m)	TC (36 m)	TIC (36 m)
Class A	1.89%	1.86%	0.36%	2.23%
Class B1	1.19%	1.16%	0.36%	1.53%
Class B2	0.99%	0.96%	0.36%	1.33%

Total Expense Ratio (TER): This 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 a rolling three years (where applicable) 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 cannot be regarded as an indication of future TERs.
Transaction Costs (TC): The percentage of the value of the fund as costs relating to the buying and selling of the Fund's underlying assets. Transaction costs 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. Where a transaction cost is not readily available a reasonable best estimate has been used. Estimated transaction costs may include Bond. Money Market and FX Costs (where applicable).
Total Investment Charges (TIC): The percentage of the value of the Fund incurred as costs, relating to the investment of the Fund. As fund returns are reported after deducting all fees and expense , these costs (the TER & TC) should not be deducted from the fund returns. It is the sum of the TC & TER.

Top holdings

AvalonBay Communities Inc
Digital Realty Trust Inc
Equinix Inc
Equity Residential
Prologis Inc
Public Storage
Realty Income Corp
Simon Property Group Inc
Vici Properties Inc
Welltower Inc

Fund Review

In Q1 2024, the fund delivered a negative return of 1.9% in dollars, gross of fees, compared with a benchmark negative return of 2.1%. This performance largely reflects the rebound in bond yields on lower expectations of central bank interest rate cuts in 2024.

The fund's outperformance against the index mainly resulted from a reversal of the allocation effects in Q4. It held a tactically high level of cash (since reduced) and was underweight low-yielding jurisdictions such as Sweden, Germany and Singapore, which provided most of the alpha. This was boosted by overweight exposures to higher-yielding jurisdictions such as Australia and France.

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With a few exceptions, full-year company results for 2023 were robust. A surprisingly high number of results were ahead of expectations and dividends were raised. This was due to continued growth in occupancy and rental values in most property sectors, especially data centres, healthcare and hotels. Oversupply issues continue to plague offices, while self-storage and US apartments, especially in the Sunbelt states, are facing temporary headwinds from weak US housing market activity.

Market Overview

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US REIT shares declined by about 1.6% in dollars on a total return basis, entirely reflecting the sudden drop in 10-year bond prices in January and February. However, continued strong cash flow growth supported more dividend hikes by US REITs, in sharp contrast to other regions (except Australia and UK) where continued low growth and over-leveraged balance sheets (on average) foretell flat or suspended dividends. In some cases (especially Nordic Europe), balance sheet improvement is needed.

FY2023 results trends were resilient. There was only an increase in those achieving above forecast in aggregate (58%). Free cash flow per share (FFOPS) guidance and dividend increases prevailed across property sectors other than office, self-storage and residential. Profit growth expectations for 2024 were revised down on average, especially in the office and apartment subsectors. Turmoil in the B-grade office sector continued, with vacancy and availability rates hitting fresh record highs and more lenders foreclosing on properties.

Canadian REITs mildly outperformed in the quarter, reflecting generally higher yielding REITs and a more pro-cyclical bias in the index constituents. The residential sector, the largest in the Canadian part of the index, rose 5% due to continued shortages of stock as strong population growth (immigration) is driving up rents and values.

Continental European-listed property markets generally underperformed in the quarter. They reversed the outperformance in Q4 2023, reflecting increasing expectations of a recession in the euro area, where growth and inflation continue to trend lower (in contrast to the US). Most continental European names are either highly-leveraged and low-yielding (Germany and Nordic countries) or have a pro-cyclical bias in their weightings due to a disproportionate exposure to retail centres and offices. Sweden, as the most interest rate-sensitive jurisdiction, was the worst performer, down 6% in the quarter.

The UK also underperformed, despite companies posting strong results and having markedly more defensive balance sheets than their continental peers. The top performers were retail REITs and diversified funds on news of M&A. Londonmetric acquired LXI REIT in an all-share, free cash flow-enhancing transaction worth about $2.4 billion. Tritax Big Box agreed to acquire the assets of the UK Commercial Property trust in a $1.2 billion transaction which should turbo-charge the latter's already strong profit growth prospects for 2024 and 2025.

Every country in the Asia-Pacific region (except Australia) again underperformed the index for various local and global reasons. Hong Kong significantly underperformed due to continued weakness in mainland China's economy, a continued rise in office vacancies and a slowdown in the residential market, which offset the continued rebound in retail sales in the city's main shopping and entertainment areas.

Japanese REITs again underperformed the benchmark, because of rising concerns that the Bank of Japan will tighten monetary policy. They fell about 5.5% in dollars. The fund has maintained a strategic underweight on J-REITs for the last four years, due to a lack of medium-term growth prospects and relatively weaker governance structures. We see higher-quality risk-reward opportunities elsewhere.

Looking Ahead

Global inflation seems to have been tamed but is remaining a bit sticky, especially in the US, where it is about 3%. The reason is the gradual reduction in shelter inflation due to relative inactivity in the US housing market. Employment indicators remain fairly resilient, even though they are softening at the margins. Consumers and companies appear to be adapting to higher prices, thanks to higher wages and cost controls in other areas, which are protecting company margins for now, especially in the US. This points to a "soft economic landing", which remains the consensus narrative.

The 12-18 month delay between the implementation of tighter monetary policy and the mechanical impact on economic activity, which is likely to reverse these trends, is proving to be longer in this cycle because of the structure of the US housing market. However, beneath the surface, higher costs of capital from higher interest rates, decreasing bank liquidity from quantitative tightening and stricter lending criteria are undoubtedly denting profitability and forcing companies to preserve capital, focus on cost cutting and generally be more conservative.

Property transaction volumes, while thawing, remain very low in most jurisdictions. There has been a small pick-up in Sweden and Australia (vs very weak comparable volumes in Q1 2023). We are conscious that commercial real estate prices are starting to hit a floor in most developed markets (after a 21-25% correction since the peak in March 2022 in the US and Europe, including UK) while there seems to be a modest uptick in pricing for the highest quality industrial and residential properties in UK and Europe. Grade B office prices in coastal US cities are estimated to be down by between 35% and 40%.

We remind investors that, in contrast to the private sector, REITs are, in aggregate, well-capitalised and conservatively-funded. This means that they are already benefiting from distressed pricing and eventual forced asset sales by highly-leveraged private sector owners, especially in the industrial, healthcare and residential sectors, where REITs are already being more acquisitive. Outsized acquisitions in this environment, which we expect to pick up in 2024-2025, will lay the foundation for many years of strong profitability in the future.

Given the mixed signals in Q1 2024 on economic growth and inflation, we continue to position the fund in companies that have the strongest balance sheets and those that can benefit from continued profit growth, with low dividend pay-out ratios. This will enable them to continue to raise dividends in 2024 and at least maintain or grow them in 2025. We expect this approach will increasingly deliver sustained outperformance against the benchmark in 2024.

Valuations

At the end of Q1 2024, the FTSE EPRA NAREIT Developed Rental Index was trading 20% below its end-2021 peak but also below its early 2020 peak. This reflects about $1.6 trillion of market capitalisation and an aggregate weighted average implied property yield of 5.25% (range of 4.5%-8%), depending on subsector and geographic exposure. At this index level, global property offers a forward dividend yield of about 4.5% and trades, on average, at a 5-10% discount to reported net asset value (NAV), reflecting the market's belief that property prices have probably troughed.

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PUBLISHED DATE: 25 April 2024

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Statutory disclosure and general terms & conditions

Collective investment schemes in securities are generally medium to long-term investments. The value of participatory interests may go down as well as up and investors may get back less cash than originally invested. Past performance is not necessarily a guide to future performance. An investment in the participations of a collective investment scheme in securities is not the same as a deposit with a banking institution. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Participatory interest prices are calculated on a net asset value basis, which is the total value of all assets less liabilities in the Class Funds including any provisions made for any purchase, fiscal or other charges that would have been incurred had all the assets of the relevant class fund been bought or sold at that time, divided by the number of participatory interests in issue. Please refer to the prospectus for more details on the charges and expenses that may be recovered from the Class Funds. Participatory interests are priced daily using the forward pricing method. The Class Funds may borrow up to 10% of the market value of the Class Funds to bridge insufficient liquidity as a result of the redemption of participatory interests. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending.

A schedule of fees and charges and maximum commissions is a vailable on request from STANLIB Fund Managers Jersey Limited, ('the Manager'). The Class Funds of the STANLIB Offshore Unit Trusts scheme, are Feeder Funds which only invest in the participatory interests of a single Class Fund of a collective investment scheme. In addition to the annual management charge, other fees are incurred by the trust (trustee, custodian and general expenses). There is no sales tax applicable in Jersey. Commission and incentives may be paid and if so, are included in the overall costs. The Class Funds of STANLIB Offshore Unit Trusts scheme are accumulation Class Funds and do not distribute income. Please refer to the prospectus of this scheme for more details, a copy of which is available on request from STANLIB Collective Investments (RF) Pty. Limited, ('STANLIB'), the address of which is 17 Melrose Boulevard, Melrose Arch, 2196, South Africa. The registered office of the Manager is Standard Bank House, 47-49 La Motte Street, St Helier, Jersey, Channel Islands. The Trustee is Apex Financial Services (Corporate) Limited, 12 Castle Street, St. Helier, Jersey, Channel Islands.

A representative agreement exists between STANLIB Collective Investment (RF) Pty. Limited and STANLIB Fund Managers Jersey Limited.

Class Funds are valued on a daily basis using 23:59 (UK Time) prices. Transaction requests received before 14h30 (UK Time) will receive the following day unit price. This is an accumulation portfolio and does not distribute income.

The Manager and trustee are regulated by the Jersey Financial Services Commission to conduct Fund services business.

The Trust is regulated as a Collective Investment Fund by the Jersey Financial Services Commission.

Figures quoted are from Morningstar for a lump sum investment using NAV-NAV prices.

Liberty is a member of the Association of Savings and Investment of South Africa.

The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The Manager has a right to close the portfolio to new investors in order to manage the portfolio more efficiently in accordance with its mandate.

Additional information

Additional information about this product, including brochures and application forms can be obtained from the Manager, free of charge and from the website www.stanlib.com.

The prices of unit trust funds are calculated and published on each working day. These prices are available on the Manager's website (www.stanlib.com) and in the South African printed news media.

Target market

STANLIB promotes using the services of an accredited Financial Adviser when making investment decisions.

Please contact either your accredited Financial Adviser or our Contact Centre on 011 448 6000 if you have any questions about this product.

Risk rating explanation

The risk rating seen above is designed to give an indication of the level of risk, measured by volatility, associated with this specific portfolio.

In order to arrive at the specific risk rating of the portfolio in question, STANLIB measures the volatility of the fund, in the form of standard deviation, over a three year rolling period, and compares the result to internal risk parameters. Please note that these risk ratings are designed as guide only.

Risk

Where foreign securities are included in the portfolio 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.

Contact details

STANLIB Asset Management (Pty) Limited

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