STANLIB

Standard Bank

Standard STANLIB Bond Fund

Quarterly update at 31 March 2024

Market overview

The US Federal Reserve's interest rate communication was again the centre of attention for bond investors during the quarter. Following a good string of growth and employment data, and concomitantly higher than expected inflation data, the market started to wonder whether it was overenthusiastic in its forecast for rate cuts in 2024. Having priced in six cuts in 0.25% increments at the start of the year, the market quickly repriced to only one, or maybe two cuts in 2024. The US 10-year bond yield rose from 3.86% to 4.25% by quarter end (currently 4.66%).

Local bonds followed the weaker global trend, with the yield on the 10-year government bond rising from 11.2% to 12.0% and the FTSE/JSE All Bond Index (ALBI) falling 1.8% for the quarter. The market also had local factors to consider, like stubbornly high inflation registering 5.6% in February, a so-so budget saved by using profits in the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) to reduce government debt, and most likely, the political uncertainty associated with the outcome (and consequences) of the National Election in May 2024. A recent poll suggested the ANC could garner just 37% of the vote with the MK Party expected to capture many of the ANC's lost votes and inviting the prospect that former lawbreakers may become future lawmakers.

The long end of the bond curve was the key detractor from returns with the 12-year plus index falling 2.7% and the 7–12-year index falling 2.4%. The 3–7-year index also delivered a negative return of -1.4%. While the shorter dated 1–3-year index (+0.8%) did provide a hiding place for bond managers during the quarter, this return underperformed the money market (+2.1%) and was generated exclusively in January. The long dated R2044 (-2.9%) was the worst performing bond in the ALBI, while the shorter dated R186 (+0.8%) maturing in December 2025 was the best performing bond. Inflation linked bonds (ILBs) outperformed nominal bonds but still produced a -0.4% return for the quarter.

Asset class performance (%)

Asset class	Q1 2024	1 year	3 years p.a.	5 years p.a.
Equity - FTSE/JSE All Share	-2.25	1.55	8.10	9.67
Financials	-7.55	11.82	15.02	5.11
Resources	-1.63	-8.98	1.64	10.49
Industrials	0.64	3.30	8.15	10.15
Equity - FTSE/JSE Capped SWIX	-2.30	2.87	7.48	7.64
Bonds - FTSE/JSE All Bond	-1.80	4.19	7.40	7.04
Cash - STeFI Composite	2.06	8.39	6.08	6.00
ILBs - FTSE/JSE Infl-Lnkd Gov	-0.45	5.51	7.03	6.33
Property - FTSE/JSE All Property	3.47	20.33	12.95	-0.24
Global Bonds - BB GABI in ZAR	1.59	7.37	3.50	4.38
Global Equity - MSCI ACWI in ZAR	12.26	31.65	16.19	17.12
Inflation - SA CPI (1 month lag)	1.06	5.56	6.08	5.14

All returns quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro as at Reporting Date - 31 March 2024.

Portfolio classes

Class	Type	Price (cpu)	Units	NAV (Rand)
B1	Retail	91.66	52,399,138.79	48,031,047.72

All data as at Reporting Date - 31 March 2024.
Units - amount of participatory interests (units) in issue in relevant class of class fund.

Allocation/sector (look through) (%) over the quarter

Sector	Q1 2024	Q4 2023	Change
0-1 Years	1.53	1.55	-0.02
1-3 Years	5.82	6.67	-0.85
3-7 Years	18.96	10.94	8.02
7-12 Years	20.67	28.69	-8.02
Inflation Linked Bonds	2.91	1.15	1.77
Over 12 Years	50.10	50.99	-0.90

The portfolio adhered to its portfolio objective over the quarter.

Portfolio review

The Fund had a disappointing quarter, following the outperformance in Q4 2023, returning -2.3%. This was behind both the ALBI and the peer group average. While it did hold some ILBs, it was underweight relative to the peers and likely had longer duration than peers. The modified duration of the Fund at quarter end was 5.87 years, down from 6.06 years at the start of the year, but higher than the index duration of 5.53 years. The Funds' exposure to corporate bonds would have been a small positive contributor to returns relative to the index for the quarter.

Interestingly, the manager returns were spread in a narrow band around the index. Ninety One was the best performing manager, outperforming the index thanks to their lower modified duration and higher yield pick-up strategy. Having performed the best in Q4 2023 when bond markets were rallying, Prescient Bond underperformed in Q1 2024 when bonds fell. Their near-double overweight in the 12-year plus category was the key detractor. Aluwani performed in line with the index and Coronation only marginally underperformed. STANLIB's underperformance resulted from being underweight the very short end of the curve and overweight the very long end while holding no ILBs.

Portfolio positioning and outlook

Relative to the ALBI, the Fund is 4% and 1.8% overweight the 7–12-year index and 12-year plus index respectively. It has a 2.8% exposure to ILBs, 5.2% exposure to state-owned enterprise and around 11.5% exposure to corporate bonds.

It is interesting to note the general reduction in the average duration of the bond market over the past few years. A portfolio's modified duration is effectively its sensitivity to changes in interest rates. The higher the modified duration, the stronger the portfolio performs when interest rates are falling, and vice versa. Longer duration also typically means the portfolio enjoys higher yields all else being equal. Higher yields can also be found in the corporate bond market where corporates typically pay a yield over the prevailing government bond of equal maturity. For a country, or a corporation, issuing longer dated bonds at high yields is expensive because of the higher interest repayments, and high yields can be indicative of a country or corporation in distress. Investors need to weigh this default risk against the benefit of enjoying a higher yield. As noted above, the Fund's current modified duration is higher than that of the ALBI. Ranging from 5.5 years to 6.4 years, each of the managers is either in line with or higher than the index duration. The inference, therefore, based on the collective wisdom of the managers we have selected, is that the reward outweighs the risk. Said differently, the managers are betting that interest rates will ultimately be cut, yields in the bond market will come down, longer duration bonds will outperform shorter dated bonds, and this will result in outperformance over the index. In the very short term, this view has come under pressure, but on the assumption the country doesn't default, we tend to agree with the managers that there is good value in the SA bond market over the next 12 months.

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.

STANLIB

Standard Bank

Standard STANLIB Bond Fund

Important information for investors

Information to be considered before investing

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 Standard 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 Multi-Manager a division of 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. 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. This portfolio is a third party named, co-named portfolio. The Manager retains full legal responsibility for this portfolio. A third party named, co-named portfolio is a portfolio bearing the name of both the Manager and the financial services provider (FSP) where the FSP, under an agreement with the Manager, undertakes financial services of a discretionary nature, as contemplated in the Financial Advisory and Intermediary Services Act, Act No. 37 of 2002 (FAIS), in relation to the assets of the portfolio. Standard Trust Limited, an authorised FSP, FSP No. 705, FAIS, is the third party manager of this portfolio. The FSP is a wholly owned subsidiary of the Standard Bank Group Limited and is a related party to the Manager, the FSP may earn additional fees other than those charged by the Manager. It is the responsibility of the FSP to disclose additional fees to the investor. This document is not advice, as defined under FAIS. Please be advised that there may be representatives acting under supervision.

Unit price – how it works

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. The payment of withdrawals may be delayed in extraordinary circumstances, when the Manager with the consent of the Fund trustees deems this to be in the interest of all Fund investors. These circumstances may include periods when significant underlying markets suspend trading which will prevent accurate valuation of the instruments held in the Fund. When the suspension of trading relates to only certain assets held by the Fund, these assets may be side-pocketed. This process allows normal liquidity on the assets that can be valued but, will delay liquidity on the affected portion of the Fund. If the Fund is faced with excessive withdrawals, the affected withdrawals may be ring-fenced, which is the separation and delayed sale of the assets reflecting the interest of the liquidity seeking investors. It ensures that the sale of a large number of units will not force the Manager to sell the underlying investments in a manner that may have a negative impact on remaining investors of the Fund.

Cost ratios and fees

Cost ratios	1 Year TER	1 Year TC[1]	1 Year TIC	3 Years TER	3 Years TC[1]	3 Years TIC
Class B1	0.96%	0.00%	0.96%	0.96%	0.00%	0.96%

The cost ratios shown have been calculated for the period ending 31/12/2023, from 01/01/2023 for the 1 Year and from 01/01/2021 for the 3 Years.

[1]*Transaction Costs include brokerage, Securities Transfer Tax, STRATE, Levies and VAT.*

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.

Annual management fee

The Fund charges a fixed annual management fee (i.e. fee class) as a percentage of the assets under management, to ensure a simple and understandable fee structure. The Fund invests primarily in segregated mandates but may also invest in other unit trusts i.e. "Underlying Fund Fees", which are included in the Total Expense Ratio (TER). The annual management fee is accrued daily and paid on a monthly basis.

Performance fees

Neither the Manager, STANLIB Multi-Manager nor underlying manager(s)/fund(s) charge/earn any performance fees.

Advice fees

If an investor appoints an adviser, advice fees are contracted directly between the investor and the adviser. The Manager will facilitate the collection of advice fees only upon receiving an investors instruction to do so. Initial advice fees up to a maximum of 3.45% are collected prior to units being purchased and ongoing advice fees up to a maximum of 1.15% are collected monthly through the redemption of units held by an investor in the Fund. An investor may cancel the instruction to facilitate the payment of advice fees at any time.

Additional information

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).

This document does not constitute an offer of sale. Investors are requested to view the latest Minimum Disclosure Document (MDD), for the provision of additional information pertaining to the product, as well as seeking professional advice, should they be considering an investment in the product. The Manager provides no guarantee or warranty as to the accuracy of the content of this document. Every effort has been made to ensure that the content is accurate at time of issue.

Contact information

Manager: STANLIB Collective Investments (RF) (Pty) Limited. Reg. No. 1969/003468/07. 17 Melrose Boulevard, Melrose Arch, 2196. T: 0860 123 003 W: www.stanlib.com

Trustee: Standard Chartered Bank. Reg. No. 2003/020177/10. 2nd Floor, 115 West Street, Sandton, 2196. T: +27 (0)11 217 6600

Third party manager: Standard Trust Limited. Reg. No. 1880/000010/06. T: +27 (0)11 283 1100

Investment manager: STANLIB Multi-Manager a division of STANLIB Asset Management (Pty) Ltd. Reg. No. 1969/002753/07. T: +27 (0)11 448 6000 W: www.stanlibmultimanager.com