

STANLIB Extra Income Fund

Fund information update at 31 January 2020

STANLIB

What is the fund's objective?

The fund aims to achieve a reasonable level of current income and maximum stability for capital invested.

What does the fund invest in?

The fund invests in a flexible mix of high yielding instruments, including money market instruments, bonds and fixed deposits. It will invest predominantly in South African fixed interest markets.

What possible risks are associated with this fund?

As this fund invests in floating rate interest instruments, the interest rate risks are limited and therefore it is mostly credit risk that is applicable.

Risk rating

Conservative	Moderately conservative	Moderate	Moderately aggressive	Aggressive
--------------	-------------------------	----------	-----------------------	------------

What is the suggested investment period for this fund?

Minimum period

1 Month	6 Months	1 Year	3 Years	5 Years	7 Years
---------	----------	--------	---------	---------	---------

Who should consider investing in this fund?

This fund suits investors who need a reasonable level of income but would like to protect their capital invested within a medium-term investment environment.

Income

Distribution Net income is calculated and accrued daily and is declared and distributed monthly.

Declaration Monthly

General fund information

Manager(s) Mary Hartigan and Victor Mphaphuli
Size (NAV) R 12.81 billion
Classification South African - Interest Bearing - Short Term
Benchmark 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). This Fund complies with this Regulation.

GCR Rating



	Class R	Class B1
Launch	28 November 1978	01 November 1978
ISIN number	ZAE000021572	ZAE000025250
JSE code	STDI	STBE
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 R	Class B1
Initial fee (manager)	0.000%	0.000%
Initial fee (adviser)	0.345%	0.345%
Annual fee (manager)	0.863%	1.150%
Annual fee (adviser)	0.000%	0.288%
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 2019

	Class R	Class B1
Based on period from:	01/01/2017	01/01/2017
Total Expense	0.86%	1.15%
Transaction Costs	0.00%	0.00%
Total Investment Charge	0.86%	1.15%
1 Year Total Expense	0.87%	1.15%

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.

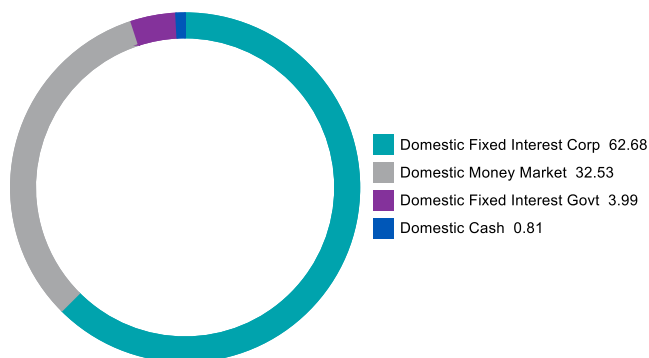
STANLIB Extra Income Fund

Monthly update at 31 January 2020

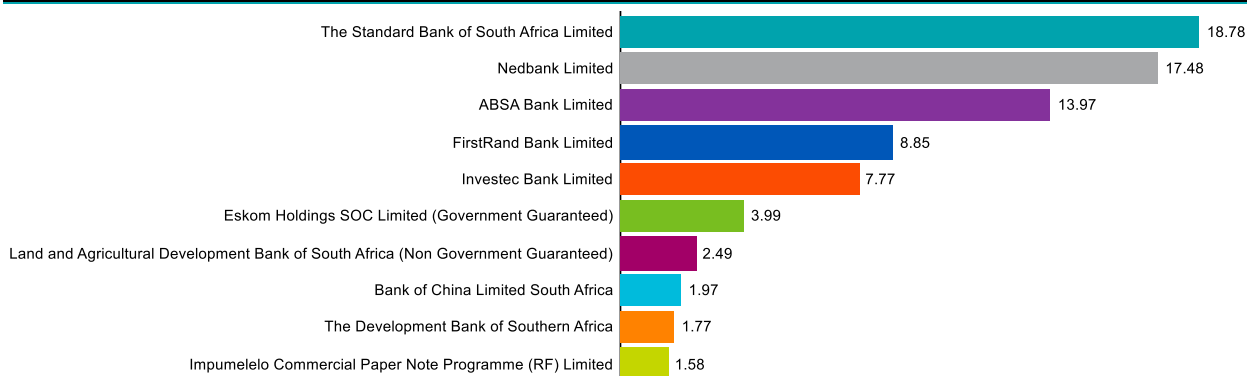
STANLIB

Holdings

Asset allocation (%)



Fixed Interest Top 10 Issuer exposure (%)



Performance and Income

Class R Launch: 28 November 1978

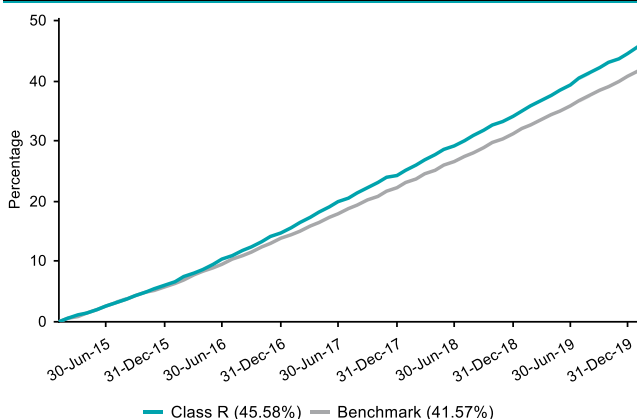
Class B1 Launch: 01 November 1978

Benchmark: STeFI Composite Index

Returns (%)	1yr	3yrs	5yrs	7yrs	10yrs
Class R					
Class	7.82	7.95	7.80	7.31	7.00
Benchmark	7.27	7.34	7.20	6.74	6.51
Class B1					
Class	7.51	7.64	7.50	7.01	6.63

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
Class R					
Positive Months	12	36	60	84	120
Max Gain	7.82	25.78	45.58	63.91	96.70
Max Drawdown	-	-	-	-	-
Highest	7.84	8.67	8.67	8.67	8.67
Lowest	7.60	7.60	5.99	5.82	5.58
Class B1					
Highest	7.54	8.37	8.37	8.37	8.37
Lowest	7.30	7.30	5.70	5.52	5.14

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	Class B1
28 February 2019	0.51	0.49
29 March 2019	0.51	0.49
30 April 2019	0.58	0.56
31 May 2019	0.56	0.54
28 June 2019	0.51	0.49
31 July 2019	0.59	0.57
30 August 2019	0.53	0.50
30 September 2019	0.53	0.52
31 October 2019	0.53	0.51
29 November 2019	0.49	0.46
31 December 2019	0.53	0.52
31 January 2020	0.50	0.47
In last 12 months	6.37	6.12
In 2019	6.41	6.17

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.



Mary Hartigan
BCom
Portfolio manager/dealer

Mary joined STANLIB's institutional sales team in early 2008, soon moving to the dealing room as a money market dealer and assistant portfolio manager. She originally trained as a money market dealer under her current senior colleague Ansie van Rensburg at CM Interbank in 1989, and went on to work as a money market dealer and carry trader at Brait, Decillion and Grindrod Bank. She obtained her BCom through Unisa in 1994.



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, 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.

Fund review

For the quarter under review the fund increased in size from R12billion to R12.1billion. The modified duration remained at 0.11years as at the end of December. The fund continued to deliver cash plus returns over the quarter .

Market overview

The last quarter of 2019 started on a weakening trend for local bonds and the Rand on the back of worsening fiscal outlook. The minister of finance tabled the Medium-Term Budget Policy Statement in October which showed deteriorating debt trajectory which was far worse than market and rating agency expectations. The Debt-to-GDP figures were revised higher, now expected to go above 70% in the next 4 years and deteriorating further to over 80% if no consolidating measures are announced. This was expected to lift borrowing requirement by over R120bn in the next four years, which led to a jump in bond yields to reflect an increased downgrade risk premium. Rating agency Moody's (and later S&P) reacted to the budget statement by downgrading the South African rating outlook from Stable to Negative, but with Moody's the only agency to still have the country on investment grade. As a result, the 10-year government bond yield weakened by about 40 basis points to 9.25%, while the 5-year CDS spread jumped by 30 points to 193 basis points to reflect downgrade risks. The yield curve also steepened reflecting the market's expectations of the issuance in the long end being ramped up; with the spread between 30-year bond (R2048) and 10-year bond (R2030) increasing by over 30 basis points in the quarter to an all-time high of 110 basis points.

Adding to the market woes in the quarter was the Q3 local GDP contraction which reflected the challenging environment for both the private and public sectors. The return of recurrent power cuts by Eskom continues to weigh on sentiment and risks tipping the economy back to a technical recession when the 4th quarter GDP figures are announced. This backdrop will continue posing risks for government revenues, and unless we see concrete and credible plan to cut expenditure and lift revenue immediately in the upcoming budget in February, we expected Moody's to cut the country's rating to sub-investment grade.

On the positive front, the receding trade tensions between China and US spurred a recovery in risk assets towards the end of the year. The rand rallied from a low of R15.20/\$ in the quarter to close the year at R14.00. Local inflation continued to surprise to the downside, with the last figure printing at a 9-year low of 3.6% due to low economic activity. Even though both headline and core inflation are below the mid-point of the SARB's target range, the reserve bank opted to keep rates on hold during the quarter citing fiscal risks and potential volatility. The market still expects at least one more interest cut from SARB given the dire state of the economy and supportive inflation environment. This, together with the low supply during the holiday period, resulted with bonds rallying into year end. The 2026 maturity bond (R186) ended the year at 8.25%, while the R2030 closed the year at 9.02%. As a result, total return for bonds in 2019 was an impressive 10.32%.

Looking ahead

The upcoming Budget statement in February is key for SA as the market and rating agencies will be watching it with keen interest to see if credible measures will be announced to improve the debt and fiscal trajectory. Rating agency announcements will follow the budget, and the risk is SA gets downgraded to sub-investment grade leading to a sell-off in yields as a result of outflows. Inflation is expected to remain subdued in 2020 in a world where global central banks are still expected to err on the side of further accommodation.

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 2019	Q3 2019	Change
Domestic Cash	1.20	1.54	-0.34
Domestic Fixed Interest Corp	64.69	55.99	8.70
Domestic Fixed Interest Govt	4.14	4.17	-0.03
Domestic Money Market	29.97	38.30	-8.33

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
R	Retail	86.59	1,883,752,657.36	1,631,179,897.02
B1	Retail	86.58	2,571,297,940.86	2,226,331,209.65

All data as at 31 December 2019.

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 Extra 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.

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 and ranking figures quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro and are as at 31 January 2020.

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 periods of 1 year or longer, where no value is shown 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).

GCR Rating - Global Credit Rating Co (Pty) Ltd is registered as a Credit Rating Services Provider by the Financial Sector Conduct Authority (FSCA), licence No: CRA001. All GCR credit ratings are subject to certain limitations, terms of use of such ratings and disclaimers which can be reviewed by following this link: <http://globalratings.net/understanding-ratings>. In addition, rating scales and definitions are available on GCR's public website at www.globalratings.net/ratings-info. Published ratings, criteria, and methodologies are available from this site. Conflicts of interest, compliance, and other relevant policies and procedures are also available from the understanding ratings section of this site.

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: contact@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