

## Who are the asset managers?

STANLIB Lesotho (Pty) Ltd, a licensed asset manager under the Central Bank of Lesotho (Collective Investment Schemes) Regulations, 2018, manage the investments of the portfolio. STANLIB Lesotho (Pty) Ltd was established in August 2001 as a joint venture between Standard Lesotho Bank and STANLIB South Africa, with management control residing with STANLIB South Africa.



**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.



**Sylvester Kobo**  
BSc (Hons)(Pure Mathematics)  
Portfolio manager

Sylvester joined STANLIB in 2013 as a Money Market dealer and a trainee portfolio manager. He then moved to the bond team, assuming a role of portfolio manager and trader. Sylvester started his career in 2009 at ABSA Capital as a credit quantitative analyst focusing on pricing and management of risk on all derivatives. In 2012 he assumed the lead role for credit in the Absa/Barclays Africa Integration roll-out of the sales and trading programme to 11 Barclays Africa countries. Sylvester's BSc from Wits University includes majors in pure maths and economics. He then went on to get his honours degree in pure mathematics in 2009 from the same university.

## Fund review

The fund delivered a good performance for the third quarter and its returns remain attractive compared with money market returns, despite the defensive positioning. Modified duration was largely unchanged at 0.24 years. Credit spreads moved sideways during the quarter, further benefiting the portfolio. The size of the Standard Bank Lesotho Income Fund increased from M1.26 billion to end the third quarter at M1.29 billion.

## Market overview

Ongoing global trade tensions continued to affect confidence negatively in Q3 2019, putting further strain on emerging market assets. The rand was on the back foot, losing about 6% against the dollar, while the 10-year benchmark government bond was almost 20 basis points weaker at the end of the quarter. The global backdrop still remains supportive for emerging market bonds due to an increasing number of negative-yielding bonds in developed markets and lower-trending inflation globally. The US Federal Reserve cut interest rates for the first time since the financial crisis, indicating that these are midcycle cuts to provide "insurance" against weaker growth rather than a longer-term policy change.

The Fed's cuts have encouraged emerging market central banks, including the SARB, which are facing declining inflation and slowing growth, to follow suit. This provides further support for emerging market yields to perform well despite the volatility driven by the US/China trade war. SA's headline inflation moderated to a low of 4% y/y in the quarter, and is expected to average 4.2% for the year. The SA government issued a eurobond that was over-subscribed, raising \$5 billion instead of the \$4 billion that was planned initially. This will go a long way towards improving the government's funding requirements ahead of the MTBPS late in October. There has been some compression in the yield curve as the government is not considering any more switch auctions for this calendar year, which eases pressure in the ultra-long end of the curve with issuances.

At a conference held in SA in September, Moody's stated that SA's fiscal deterioration over the past decade has been in line with the median Baa3 countries. This improves SA's prospects of avoiding a downgrade, with the worst-case scenario being an outlook change from stable to negative. Moody's sees the structure of SA's debt as having lower refinancing risk than its peers. The South African CDS spread is trading wider than comparable peers that are already in junk territory, meaning that the markets have already priced in a downgrade to junk status. A reprieve by Moody's would give SA an opportunity to produce a credible economic restructuring plan to deal with its persistent fiscal slippage and stimulate economic growth prospects. If there is no downgrade, this will be positive for the bond market.

## Looking ahead

With survey data in the US and eurozone continuing to indicate a slowdown in growth, coupled with dim growth prospects locally and inflation firmly inside the target range, local bonds are still expected to offer attractive returns given their compelling real yields in comparison to peers. The wider currency and credit risk premiums built into bond prices are expected to gradually unwind after the October MTBPS and Moody's rating announcements. Globally, the ECB will resume its open-ended quantitative easing programme in the fourth quarter and the Fed is expected to continue cutting interest rates to manage the slowdown in the US economy. This leaves room for the SARB to cut rates in November.

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	Q3 2019	Q2 2019	Change
Lesotho Cash & Mny Mkt	19.47	18.68	0.80
Namibia Cash & Mny Mkt	8.53	8.41	0.12
Namibia Fixed Interest	9.77	9.95	-0.19
South Africa Cash & Mny Mkt	3.80	3.25	0.54
South Africa Fixed Interest	58.44	59.70	-1.26

## Fund classes

Class	Type	Price (spu)	Units	NAV (Maloti)
A	Retail	96.91	304,154,609.33	294,759,760.22
B1	Retail	97.02	1,019,894,865.42	989,484,786.84

All data as at 30 September 2019.

Units – amount of participatory interests (units) in issue in relevant class.

## Disclosures

Collective Investment Schemes 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 Lesotho Income Fund is a portfolio of the STANLIB Lesotho Collective Investment Scheme (the Scheme). The Scheme is licenced, regulated and supervised by the Central Bank of Lesotho (the Registrar) under the Central Bank of Lesotho (Collective Investment Schemes) Regulations, 2018.

The asset manager of the Scheme is STANLIB Lesotho (Pty) Ltd (the Asset Manager). The Asset Manager is licensed by the Registrar under the Central Bank of Lesotho (Collective Investment Schemes) Regulations, 2018. An investor has a right to choose an investment option, choosing any particular investment option does not guarantee any particular investment outcome.

The custodian/trustee of the Scheme is Minet Lesotho.

The investments of this portfolio are managed by the Asset Manager.

Prices are calculated and published on each working day, these prices are available on the Asset Manager's website (<http://ww2.stanlib.com/Lesotho>) and in Lesotho 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/figures quoted are shown in LSL and are based on data sourced from Morningstar or Statpro and are as at 30 November 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 Asset Manager and from the Asset Manager's website (<http://ww2.stanlib.com/Lesotho>). The collective investment scheme contract and prospectus may be inspected at the address of the Asset Manager provided in the Contact details section below.

## Contact details

### Asset Manager

STANLIB Lesotho (Pty) Ltd  
Reg. No. I2001/40  
MGC Office Park, Cnr Pope John Paul II & Mpilo Boulevard  
Telephone: +266 (0)22 326821  
Email: [stanliblesotho@stanlib.com](mailto:stanliblesotho@stanlib.com)  
Website: <http://ww2.stanlib.com/Lesotho>

### Trustee

Minet Lesotho  
Reg. No. I69/10  
4 Bowker Road, Old Europa  
Telephone: +266 (0)22 313540