

Commentary and analysis

Market overview

The FTSE/JSE All Bond Index (ALBI) came under severe pressure in Q1 (down 1.8%) as global markets readjusted their interest rate expectations back to an environment of “higher for longer”.

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 6 cuts in 0.25% increments at the start of the year, the market quickly repriced to only 1, or maybe two cuts in 2024. The US 10-year bond yield rose from 3.86% to 4.25% by quarter end (and currently 4.68%).

Local bonds followed the weaker global trend, with the yield on the 10-year government bond rising from 11.2% to 12.0%. The ALBI 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 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. The long end of the bond curve took most of the pain with the 12-year plus index falling 2.7% and the 7-12 year index falling 2.4%. Cash returned 2.1% in Q1.

Asset class performance (%)

Local	Q1 2024	1 year	3 years	5 years	International	Q1 2024	1 year	3 years	5 years
FTSE/JSE All Share Index	-2.25	1.55	8.10	9.67	MSCI ACWI IMI (ZAR)	11.76	30.84	15.49	16.75
Financials	-7.55	11.82	15.02	5.11	MSCI ACWI Net (ZAR)	12.26	31.65	16.19	17.12
Resources	-1.63	-8.98	1.64	10.49	MSCI Emerging Market Index (ZAR)	5.72	12.56	0.54	5.31
Industrials	0.64	3.30	8.15	10.15	BB Global Aggregate Bond Index (ZAR)	1.59	7.37	3.50	4.38
FTSE/JSE Capped SWIX	-2.30	2.87	7.48	7.64	BB Global Multiverse Index (ZAR)	1.74	7.85	3.79	4.56
Bonds ALBI	-1.80	4.19	7.40	7.04					
Cash STeFI Composite	2.06	8.39	6.08	6.00					
FTSE/JSE All Property Index	3.47	20.33	12.95	-0.24					

Portfolio review

The fund had a difficult start to the year returning a negative 2.2% and underperforming the ALBI by 38 basis points in Q1. Recently, its performance has come under pressure as the SA yield curve remains steep – hurting its long duration positioning.

SA bond yields sold off about 60 basis points (on average) on the short end and 80 basis point in the long end. This hurt the fund as it had a duration of 6.2 years, longer than the ALBI's 5.5-year duration. Overweight position in the 12-year duration of the curve also detracted as those bonds underperformed the market. Credit, an alpha lever that has helped us in the past, has not come through in recent years as spreads in the domestic market remain tight.

Coronation performed better than Futuregrowth and STANLIB due to the conservative positioning it held in its portfolio. The manager took the view that interest rates in South African will remain higher for longer as government finances remain under pressure. In its view, the low economic growth environment in the domestic market means the government needs to continue borrowing and this is likely to keep bond yields high. Futuregrowth held the most overweight duration position and while this hurt in Q1, the coupons it collects has given it alpha of almost 100 basis points in the past three years. STANLIB, after its strong performance in Q4 2023, had a difficult quarter for similar reasons to Futuregrowth.

The fund's recent performance has hurt long term performance, in the past three and five years, its performance is flat. Relative to peers, it is 70 basis points ahead.

Portfolio positioning and outlook

The fund is 0.7 years overweight duration compared to the benchmark, this combined with unlisted instruments in the Futuregrowth mandate gives it a yield pickup of 173 basis points. It holds mostly government debt as yields on those instruments remain way higher than what is offered by the credit market.

All three managers are overweight 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.

Change in allocation of the fund over the quarter

Asset type	Q1 2024	Q4 2023	Change
Domestic Cash	-12.09	2.44	-14.53
Domestic Fixed Interest	0.06	-0.04	0.10
Domestic Fixed Interest Corp	20.38	17.13	3.25
Domestic Fixed Interest Funds	20.58	12.89	7.69
Domestic Fixed Interest Govt	70.99	67.46	3.53
Domestic Money Market	0.08	0.11	-0.03

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
B1	Retail	0.72	88.05	9,642,055.94	8,489,701.27

All Price, Units and NAV data as at 31 March 2024.

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

TER - 1 Year Total Expense Ratio (%) including VAT as at 31/12/2023.

Disclosures

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 STANLIB Multi-Manager 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.

This is a portfolio that derives its income primarily from interest-bearing instruments. The yield (if shown) is a current effective yield calculated daily.

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.

Performance information

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 March 2024. 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.

Total Expense Ratio (TER) and Transaction Costs (TC) = Total Investment Charge (TIC) and other fees

The TER is calculated as a percentage of the average net asset value of the portfolio incurred as charges, levies and fees in the management of the portfolio. The TER is a measure of the actual expenses incurred by the fund over a one and three-year period (annualised). This includes the TER charged by any underlying fund(s) held as part of this Fund. A high 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 TER's.

Transaction costs are disclosed separately. Transaction costs are a necessary cost in managing a fund and impacts the fund's return. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER.

The sum of the TER and Transaction Costs is shown as the Total Investment Charge (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.

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 investor's 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.

STANLIB Multi-Manager does not provide financial advice

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 document is not advice, as defined under FAIS. Please be advised that there may be representatives acting under supervision.

Where can I find 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.

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

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

Investment Manager: STANLIB Multi-Manager a division of STANLIB Asset Management (Pty) Ltd www.stanlibmultimanager.com.