

Quarterly Report 31 March 2024

Commentary and analysis

Market overview

The STeFI Composite performed better than most domestic asset classes as global markets readjusted their interest rate expectations back to an environment of "higher for longer". It returned 2.0% in Q1 and was up 8.3% for the year.

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 SARB left interest rates unchanged at 8.25% in its March meeting, in line with most developed market central banks. It 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.

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

Following a strong finish in the last quarter of 2023, the fund had a slow start to 2024, underperforming its benchmark by 13 basis points after fees. Despite short term performance, it remains comfortably ahead over long periods.

ALUWANI, gave back some of its Q4 2023 performance as the tide turned from rate cut expectations as soon as in March 2024 to a higher for longer environment. The manager had exposure to the R2032, R2035 and R2044 and those three bonds fell 1.8%, 2.9% and 2.9% respectively. The negative returns were driven by an 80-basis point increase in yields in a quarter where only the R2032 paid a coupon. Despite recent performance, ALUWANI remains one of the biggest contributors to performance.

The STANLIB mandate had a good start to the year, beating the benchmark by 30 basis points. Having higher exposure to high interest floating rate notes offered by companies outside of the banking industry helped its performance.

Prescient runs a defensive mandate and given the selloff in bond yields in Q1, the manager performed very well. It holds the highest exposure to banks and property instruments.

Portfolio positioning and outlook

The fund is generating a decent yield of about 10.0% and given the pushing out of interest rate cut expectations into later in the year, it is likely to offer this yield for the next few months. Yields on government bonds remain very high hence its managers have also allocated 8.7% of the fund to those fixed instruments to lock in the higher yields.

The repo rate is currently 8.25% and SA 3-month JIBAR is at 8.4%, way higher than the 5% we saw just 2 years ago. While this is good, future short-term rates are likely to be lower when the South African Reserve Bank starts cutting interest rates later in the year. Longer dated bonds are yielding almost 12% and appear to have priced most of the SA idiosyncratic factors. Our managers have taken advantage of the high yields offered by bonds and if interest rates come down as expected, stand to generate some good benchmark beating returns from them.

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	5.85	4.74	1.11
Domestic Fixed Interest	-0.23	-0.19	-0.04
Domestic Fixed Interest Corp	72.99	72.64	0.34
Domestic Fixed Interest Govt	8.20	6.78	1.43
Domestic Money Market	13.19	16.03	-2.84

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
B1	Retail	0.61	101.03	67,109,467.85	67,803,331.54

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.

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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 Enhanced Yield 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.

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