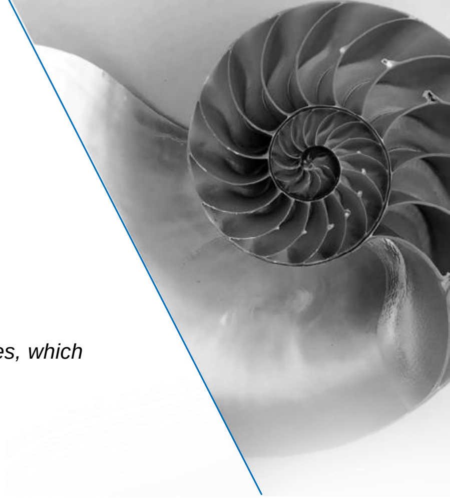
The Absolute Income Solution

Quarter 1, 2021



Behind the Solution – a snapshot review

The Absolute Income Solution is managed by way of the STANLIB Multi-Manager Absolute Income Fund. The Solution is constructed by investing in multi-asset income strategies, which include a global allocation.

Underlying managers and activity

Domestic manager	Manager inception	Ownership structure	Investment approach and role within Solution
Aluwani Capital Partners	2015	Privately owned	• Use an approach of multiple alpha levers • Mandated to make maximum use of credit
Ninety One	1991	Listed on the JSE and LSE	• Incorporate fundamentals, valuation and market behaviours in process • Forms diversified core of the Solution
Precient Investment Management	1998	Part of Prescient Holdings (Pty) Ltd	• Absolute return mindset • Incorporates both fundamental and quantitative analysis

Domestic manager selection

- No change

Domestic manager activity

- Adjustment to Ninety One mandate to allow more flexibility
- Bastian Teichgreeber appointed as new Prescient CIO

Performance attribution

The Solution is expected to deliver a real return of 3% p.a. i.e. CPI+3% p.a. over the long term (net of fees) over periods of at least one year.

Returns net of fees (B1 fee class)	3m	1y	3y	5y	7y
Solution	1.2%	8.4%	7.1%	7.7%	7.5%
Peers - SA MA Income average	1.0%	8.5%	6.9%	7.4%	7.2%
*CPI+3% (1 month lag)			6.9%	7.4%	7.7%

Source: STANLIB Multi-Manager, Statpro, Morningstar, *Benchmark CPI+3 % lagged by 1 month

STANLIB
MULTI-MANAGER

Performance drivers over the past 12 months

Internal attribution - period ended 31 March 2021

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	What helped?	What detracted?
Asset allocation	• Credit exposure • Inflation linked bonds	• Low exposure to equity & property • Longer duration bonds
Manager selection	• Good performance from Aluwani, especially with regards to the credit selection which is currently enjoying a running yield higher than cash	• Over the year, Prescient did not benefit fully from the recovery in risk assets, due to the cost of their protection strategies

Performance attribution

- Longer-term peer relative performance remains good
- Solution marginally lagged peers over the last 12 months
- Under difficult circumstances, the Solution still produced an inflation-beating return and has outperformed inflation by more than 3% per annum over the past three years

How is the Solution positioned?

Equities	Low equity exposure due to mandate's capital preservation objective
Bonds	Duration fluctuates around 1 year, but expected to increase moderately this year
Property	Relatively low exposure as managers remain cautious on this asset class, but appetite increasing slightly
Cash	Relatively low "vanilla" cash with large allocation to floating rate credit
Offshore	Exposure generally quite low with the managers typically hedging out most of the currency risk

Solution positioning

- Solution has a complementary mix of managers, with nuances in their different views
- Portfolio should outperform if ILBs and short-term credit does well
- Managers do still retain some caution on the macro environment, but see benefit from floating rate credit as companies have strong balance sheets
- We have recently increased some of the flexibility related to the Ninety One mandate, the intention is to allow the manager to better take advantage of duration (and other higher yielding) opportunities which will allow the overall fund to further differentiate it from peers
- Other risk levers that have recently been implemented, are the inclusion of a dedicated ILB allocation as well as a very small allocation to Africa Bonds

How are the underlying managers positioned?

Aluwani	• Fund is mostly invested in floating rate credit • Overweight long bonds, anticipate a flatter curve • Cautious on property, but select shares offer value	**Prescient**	• Typically lower duration than other two managers • They will adjust this duration as they see value in the curve • Continue to hold protection strategies against risk assets
Ninety One	• Comfortable to hold SA bonds given attractive yields • Remain constructive on ILBs • Underweight property, cautious on assuming a rapid recovery		

All-in management fee

Total Expense Ratio (3y TER) to 31 December 2020	
Solution	0.73%
ASISA Category Average MA Income	1.05%

Source: STANLIB Multi-Manager, Morningstar

Investment fees include:

- Operational due diligence on underlying managers
- Day to day monitoring of the underlying managers
- Extra layer of governance and oversight of underlying managers