

Quarterly Report 30 September 2020

Commentary and analysis

Market overview

Fixed income assets have performed well over the past few years, comfortably outpacing growth assets – equities and property. Over the past five years, bonds and cash have returned 7.6% and 7.1% respectively, while equities returned 4.8% and the property market lost 15.2%. This year is no different. Cash is up 4.3% and bonds have returned 1.8%, while growth assets have produced negative returns. Over the past 12 months, the STeFi Composite has gained 6.2%, with most of this return coming from 6- and 12-month instruments, which gained 6.4% and 7.2% respectively.

The reduction in economic activity as a result of COVID-19 has led to lower inflation globally and in South Africa where the latest print was 3.1% in August. This provided room for the SARB to cut the repo rate by a total of 300 basis points this year, to bring the rate to 3.5%. As a result, the short end of the yield curve has come down and is likely to remain anchored for the next few months as inflation remains low. This means that going forward, the high returns of money market funds may dissipate. SA's 3-month Jibar rate is currently trading at 3.4%, considerably lower than the 7.0% seen just two years ago. However, longer dated instruments still offer better upside.

Asset class performance (%)

Local	Q3 2020	1 year	3 years	5 years
FTSE/JSE All Share Index	0.67	2.01	2.39	4.75
Financials	-1.64	-30.91	-10.55	-5.37
Resources	6.03	27.31	20.32	16.25
Industrials	-2.29	4.31	-0.66	2.70
FTSE/JSE Capped SWIX	1.01	-5.02	-2.38	1.11
Bonds ALBI	1.45	3.58	7.33	7.56
Cash STeFi Composite	1.16	6.20	6.93	7.10
FTSE/JSE All Property Index	-15.40	-47.24	-25.16	

International	Q3 2020	1 year	3 years	5 years
MSCI AC World Index IMI (ZAR)	4.22	21.13	14.27	14.20
MSCI AC World Net (ZAR)	4.24	22.10	14.97	14.54
MSCI Emerging Market Index (ZAR)	4.82	19.50	7.35	10.53
BB Barclays Gbl Aggr Bond Index (ZAR)	-1.03	17.45	11.73	7.92
BB Barclays Gbl Multiverse Index (ZAR)	-0.98	17.18	11.62	8.09

Portfolio review

The fund outperformed its benchmark in the third quarter. Its alpha has been consistent for many years and as result, long-term performance is also ahead of benchmark by 90 basis points over the past five years, net of fees. The fund has exposure to income and enhanced yield managers, as well as a money market manager. We look to the income manager to outperform the other two strategies over the long term and that is exactly what has transpired. Our income manager, STANLIB, has produced the highest return over the past five years. Over the past year ALUWANI and Prescient have driven returns, which is in line with our expectations over the short to medium term. These managers tend to hold shorter-dated instruments relative to STANLIB and yields on those instruments have fallen on the back of the SARB's interest rate cuts, pushing up capital gains. The STANLIB money market mandate has also produced positive alpha – approximately 50 basis points on average, which is pleasing when one considers that it is included in the fund for liquidity purposes.

Relative to peers, the fund is largely in line. As expected, the income and enhanced yield strategies have added the most to relative performance. Not surprisingly, the money market mandate has lagged peers in the ASISA IB Short Term Category but is comfortably ahead of its more comparable peers in the ASISA SA IB Money Market Category.

Portfolio positioning and outlook

In terms of the fund's positioning, we reduced the money market allocation significantly during the quarter. The SARB has cut the repo rate to 3.5% and since short-dated instruments price off this rate, compensation is currently very low. It is also likely that interest rates will remain low at least until the second half of 2021. We allocated the proceeds from money market to enhanced yield and marginally increased the income allocation. Our underlying managers have increased the overall fund's exposure to government bonds to more than 22%, funded from selling bank paper, as managers look for higher yielding instruments. The Fed announced that they are unlikely to increase interest rates until at least 2023 in support of their inflation target. Emerging market countries such as South Africa are likely to take the same stance, as long as inflation remains on check.

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 2020	Q2 2020	Change
Domestic Cash	2.17	3.11	-0.94
Domestic Fixed Interest	0.53	0.49	0.05
Domestic Fixed Interest Corp	60.76	54.54	6.22
Domestic Fixed Interest Funds	13.63	14.40	-0.78
Domestic Fixed Interest Govt	7.54	5.72	1.82
Domestic Money Market	15.36	21.74	-6.38

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
B1	Retail	0.59	101.26	70,123,867.23	71,009,127.76

All Price, Units and NAV data as at 30 September 2020.

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

TER - 1 Year Total Expense Ratio (%) including VAT as at 30/06/2020.

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 30 September 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.

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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