STANLIB Multi-Manager Flexible Property Fund

Quarterly Report 31 March 2021

STANLIB MULTI-MANAGER

Commentary and analysis

Market overview

As we moved into 2021 the COVID-19 pandemic continued to dominate world news, although on a more positive note as various vaccines were rolled out. This was positive for financial markets and saw a surge in markets in the first quarter of 2021. In March Fitch upgraded its global growth forecast for 2021 from 5.3% to 6.1%, which would be one of the fastest expansions in the world since 1980. A concern, however, is the slow pace in the roll-out of vaccines in poorer nations relative to wealthier peers. That means that emerging economies, such as SA, are at risk of falling further behind economically.

While the roll-out of vaccines, slowing infections and the $1.9 trillion US relief are breathing life back into economies, inflationary concerns have started to emerge with the abundance of liquidity in economies. Despite the Fed stating that they are willing to keep rates low for longer, investors have been selling bonds, which has resulted in the yields of the longer dated bonds spiking. In the search for real returns, investors continued to support equity markets. Global equities rallied 4.7% in Q1 and were up 55.3% over the past 12 months, largely thanks to base effects. Higher bond yields led to a rotation out of technology companies into the 2020 laggards – banks and energy companies.

The local bourse took its cue from global markets and continued to post positive returns in Q1, aided by the rally in resources which gained 18.7% as China came out of the pandemic faster than most countries. Industrials were not far behind, up 13.0%. The easing of lockdown restrictions helped retailers and our technology sector bucked the global trend, posting 15.5%, while the financial sector unfortunately lost its Q4 momentum, gaining only 3.8% in the first quarter.

The property sector had a slow start in January as investors took profits after the fourth quarter rally in 2020 and the global second wave of the pandemic impacted economies. However, renewed optimism in global growth and a sharp decline in local COVID-19 cases sparked a rally in February and March. The rally in the quarter was broad-based, with only five stocks – in an ALPI universe of 25 stocks – producing negative returns for the quarter. We would classify two of these, Sirius (-6%) and Stor-age (-3%), as being highly defensive in nature. Stocks such as RDI, Emira, Hammerson, MAS and Attacq saw returns of 37%, 36%, 34%, 26% and 25% respectively.

Despite showing a poor operating environment, results reported by companies highlighted an improvement in balance sheets. During the quarter, heavyweight counters such as Nepi Rockcastle and Growthpoint, showed that balance sheets remained healthy and operations are starting to show improving metrics. Resilient reported results showing an ability to continue with a 100% pay-out ratio, as well as looking at disposing of retail assets at close to book value. This further gave confidence that asset valuations are becoming increasingly anchored at current levels. EPP demonstrated its intent to reduce the LTV on its Polish retail assets, while Fairvest showed that community shopping centres in SA continue to perform defensively. Fortress was able to provide some guidance on possible future distribution growth, while Emira was able to pay a distribution based on increased certainty on its operational outlook.

Asset class performance (%)

Local	Q1 2021	1 year	3 years	5 years
FTSE/JSE All Share Index	13.14	53.98	9.67	8.19
Financials	3.84	37.81	-7.39	-1.72
Resources	18.70	92.52	30.45	23.40
Industrials	12.95	38.17	7.27	5.48
FTSE/JSE Capped SWIX	12.60	54.24	4.29	4.35
Bonds ALBI	-1.74	16.96	5.48	8.65
Cash STeFI Composite	0.90	4.57	6.33	6.80
FTSE/JSE All Property Index	8.05	34.16	-13.92	

International	Q1 2021	1 year	3 years	5 years
MSCI AC World Index IMI (ZAR)	5.71	30.53	20.47	13.21
MSCI AC World Net (ZAR)	5.14	28.06	20.66	13.21
MSCI Emerging Market Index (ZAR)	2.50	28.50	11.96	9.49
BB Barclays Glbl Aggr Bond Index (ZAR)	-3.94	-13.30	10.69	2.66
BB Barclays Glbl Multiverse Index (ZAR)	-3.82	-12.64	10.74	2.89

Portfolio review

The continuing rally in the property sector in the quarter aided fund performance. However, the income portion of the fund detracted with an overall return of 4.6%.

Coronation's overweight exposure to property aided overall performance for the quarter. An underweight exposure to fixed income combined with security selection, further contributed to performance. Coronation maintain their cautious stance, holding higher quality counters and are positioned defensively against duration risk. The main detractors from performance were an overweight Dipula A, and a zero holding in Capital and Counties. The main contributor to performance was a zero weight in R2023 and an overweight in Redefine.

STANLIB continued their cautious positioning being underweight in property, which detracted. Furthermore, their defensive property stocks also underperformed. Their caution sees them holding companies with strong balance sheets and the ability to weather the storm facing the sector. Within the income bucket, security selection detracted, led by a sizeable holding in the R186 bond. On the positive side, an overweight in the R2023 bond contributed the most.

The rally in global property stocks began when the first vaccine roll-outs were announced in 2020 and continued into 2021. Despite being impacted by the rand, global property was still the best performing asset class in the fund. Catalyst underperformed the benchmark due to their more conservative stance. They favour sub-sectors that will deliver growth over the medium term.

Portfolio positioning and outlook

Notwithstanding the rally in sector over the past few months, fundamentals remain mixed. The operational outlook has started improving with first quarter results and we anticipate negative historic dividend growth from the market will turn positive over the rest of the year. COVID-19 operational uncertainty remains a risk as many stocks have highlighted a return to near full operational status.

Our managers are taking a longer-term view in portfolio construction and are focused on higher quality property companies with robust balance sheets that will deliver growth. In the income space, they are taking a cautious approach investing in quality securities and are cognisant of duration risk.

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 2021	Q4 2020	Change
Domestic Cash & Mny Mkt	4.44	2.67	1.77
Domestic Equity	1.29	1.16	0.13
Domestic Fixed Interest	32.39	33.40	-1.01
Domestic Property	46.27	47.12	-0.85
Foreign Cash & Mny Mkt	0.31	0.50	-0.20
Foreign Property	15.30	15.14	0.16

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
B1	Retail	1.19	188.65	266,239,005.58	502,261,741.51
A	Retail	1.54	188.51	69,235,477.86	130,518,252.09

All Price, Units and NAV data as at 31 March 2021.

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

TER - 1 Year Total Expense Ratio (%) including VAT as at 31/12/2020.

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 Flexible Property 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 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.

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 2021. 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 (including initial advice fees up to a max. of 3.45%) only upon receiving an investors instruction to do so. 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.