

Business Update

March 2018

Keeps you updated with business news and rationale behind changes to STANLIB Multi-Manager solutions.

STANLIB Multi-Manager Property Fund – appointment of Sesfikile Capital

Overview

The STANLIB Multi-Manager Property Fund is an active, fully-invested property fund that aims to outperform the FTSE/JSE Listed Property Index (SAPY) and the ASISA Real Estate - General category average. The fund aims to provide investors with high income and long-term capital growth by investing in listed property shares. In order to achieve this, it adopts a multi-managed approach to investing, blending experienced property managers with differing investment philosophies and strategies.

STANLIB Multi-Manager continuously reviews the composition of the fund to ensure that it remains positioned to deliver on its objectives. In the most recent review, we decided to appoint Sesfikile Capital as an additional asset manager. This decision was taken to reduce single asset manager concentration in both Catalyst Fund Managers and STANLIB Asset Management, which combined, made up 75% of the overall fund.

Performance to 28 February 2018

Manager	1 month	3 months	6 months	1 year	3 years p.a.	4 years p.a.	5 years p.a.	8 years p.a.	10 years p.a.
STANLIB Multi-Manager Property Fund B3	-8.2%	-12.8%	-9.0%	-5.6%	2.3%	11.9%	9.6%	14.9%	14.4%
FTSE/JSE Listed Property Index (SAPY)	-9.9%	-15.4%	-11.0%	-6.1%	0.7%	10.2%	8.0%	13.9%	13.3%
Active return	1.7%	2.6%	2.0%	0.5%	1.6%	1.7%	1.6%	1.0%	1.1%
STANLIB Multi-Manager Property Fund B1	-8.3%	-13.1%	-9.5%	-6.7%	1.2%	10.6%	8.3%	13.5%	13.0%
ASISA Real Estate General Category Average	-7.6%	-12.9%	-9.0%	-4.9%	1.2%	10.2%	8.4%	13.0%	12.3%
Active return	-0.7%	-0.2%	-0.5%	-1.8%	0.0%	0.4%	0.0%	0.5%	0.8%

Over the past 10 years, the fund has achieved its objective of outperforming both its index and peer benchmarks over the long-term. This outperformance can be attributed to the fund's exposure to a blend of underlying South African property asset managers which STANLIB Multi-Manager rates highly. This is a trend we intend to maintain.

Key reasons for the inclusion of Sesfikile

Prior to the inclusion of Sesfikile, the fund had a 75% allocation to two core asset managers, namely Catalyst Fund Managers and STANLIB Asset Management. The remaining 25% was invested in Bridge Fund Managers and STANLIB Passive. Whilst we believe the high weight to core strategies was warranted, we were concerned about the single asset manager risk it introduced. As a multi-manager, our aim is to build funds that are highly diversified – across asset managers, investment philosophies and investment teams. This ensures no single asset manager dominates the performance of our funds. The introduction of Sesfikile Capital, a highly rated asset manager, helps reduce the concentration risk in the fund while maintaining our relatively high exposure to core strategies. In addition, Sesfikile provides diversification benefits and a differentiated source of alpha.

About Sesfikile Capital

Sesfikile Capital is a small, nimble asset manager that was established in 2010 by Evan Jankelowitz, Mohamed Kalla and Kundayi Munzara with the help of a private equity company, Ukukhula Sibanye En Commandite Partnership.

The three founding partners – *Evan Jankelowitz, Mohamed Kalla and Kundayi Munzara* – are all shareholders and portfolio managers in the business. This means their interests and ours, as a client, are aligned.

The company has a sound investment philosophy focusing on:

- Understanding the macro environment
- Interrogating company specific aspects
- Delving into financial detail; and
- Looking for off-market transactions

Sesfikile's philosophy is consistently applied by a team of seasoned investment professionals, with extensive experience in managing property assets in South Africa and abroad.

Changes in asset manager weights

Asset manager	Previous weight	New weight	Change
Catalyst Fund Managers	40.0%	30.0%	-10.0%
STANLIB Asset Management	35.0%	30.0%	-5.0%
Sesfikile Capital	-	20.0%	+20.0%
STANLIB Passive (PCAP)	15.0%	10.0%	-5.0%
Bridge Fund Managers	10.0%	10.0%	-
Total fund	100.0%	100.0%	-

Conclusion

The STANLIB Multi-Manager Property Fund has produced strong returns relative to its objectives, which can be attributed to the underlying asset managers. Catalyst Fund Managers and STANLIB Asset Management have delivered on expectations and we remain convinced that they will continue to do so. The introduction of Sesfikile Capital, a small, nimble asset manager, reduces any potential single asset manager concentration concerns and introduces differentiated alpha sources.

We believe the current composition of the fund is optimal, providing a greater chance of delivering on our client promise of outperforming the index while being peer competitive.



Jennifer Henry

Head of Portfolio Management:
Retail Clients
BCom(Hons), CFA, FRM
E jennifer.henry@stanlib.com



Vuyo Mkhathazo

Portfolio Manager
CA(SA)
E vuyo.mkhathazo@stanlib.com

www.stanlibmultimanager.co.za

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