

# STANLIB Multi-Manager Property Fund

## Minimum Disclosure Document

As at 31.03.2019

# STANLIB

### STANLIB Multi-Manager (Pty) Ltd

STANLIB Multi-Manager (Pty) Ltd was established in 1999 and is the centre of excellence for multi-managed solutions within STANLIB. The investment team, led by Chief Investment Officer Joao Frasco, consists of an experienced team with a diverse set of investment skills. We have offices in Johannesburg and London, and currently have mandates in excess of R150 billion under stewardship.

### What is the Fund's objective?

The Fund's objective is to outperform the FTSE/JSE SA Listed Property (SAPY) Index and the ASISA Real Estate General category average over the long term. It aims to provide investors with high income and long term capital growth by investing in listed property shares.

### Risk profile



■ Income assets ■ Growth assets

### What are the investment guidelines?

The Fund adopts a multi-managed approach to investing, and blends experienced property managers with different investment philosophies and strategies.

Maximum and minimum exposures are per the exposure limits of the South African - Real Estate - General portfolio sector. Minimum exposure to property of 80%. Maximum 10% in companies which conduct similar property related business activities.

The Fund complies with provisions of the Collective Investment Schemes Control Act, No. 45 of 2002 (CISCA) and the Regulations thereto, as amended from time to time.

### How is the Fund managed?

The Fund is designed to deliver superior investment returns more consistently than through a single asset manager or mandate. Our approach allows investors' to outsource the fund / manager selection decision, which includes the ongoing due diligence of managers and construction of portfolios, to meet pre-defined objectives over time.

### The Portfolio Managers dedicated to the Fund



**Jennifer Henry**  
Head of Portfolio Management:  
Retail Clients  
BCom(Hons), CFA, FRM



**Richo Venter**  
Portfolio Manager  
BCom(Hons)  
(cum laude), CFA

### How do we select managers?

STANLIB Multi-Manager (Pty) Ltd follows a rigorous and disciplined manager research and selection process that starts by analysing the sector for which the portfolio is being built, and determining the key drivers of outperformance.

The manager research team conducts thorough quantitative and qualitative analyses, culminating in an extensive investment due diligence to identify those managers that have the skill and ability to outperform. This results in the production of high conviction buy/hold/sell lists, as well as mandate performance expectations under different environments, defining events and sell triggers/disciplines.

The portfolio management team then constructs a framework for blending managers into the portfolio that targets the key areas of outperformance and promotes diversification. We only entrust our client's assets to the highest quality managers, who are then selected into this framework to provide the portfolio with exposure to these sources of market outperformance over the long term.

Passive alternative are considered in the process and where used, these help to lower portfolio costs.

On a regular basis the portfolio is reviewed to ensure it is delivering on its long term objectives. From time to time changes are made to improve the structure and or risk return profile of the portfolio.

### Who are the underlying managers/funds?

The portfolio construction currently includes the following managers/funds:

Underlying managers	Portfolio managers	Strategic allocation
Catalyst	Paul Duncan / Zayd Suleiman	35%
STANLIB Asset Management	Keillen Ndlovu	35%
Sesfikile Capital	Evan Jankelowitz	20%
STANLIB Asset Management (Passive)	Lebo Pule	10%

### How do we approach risk management in the Fund?

Risk management is a fundamental component of our investment philosophy and process and is therefore approached holistically. It permeates every part of our investment process, requiring participation and accountability from all individuals involved in the process.

As a multi-manager, our risk management process begins at the time of portfolio specification and design, because by the time securities are included in the portfolio by the underlying managers, one has already accepted the risks and has limited ability to mitigate them. Our process then moves to manager research and portfolio construction, where we seek to know the managers intimately and construct a portfolio to behave in line with our broader investment objectives.

"Risks Inherent in our Funds" is a document that classifies the sources of risk associated with the management of our Funds. It can be obtained from the website [www.stanlibmultimanager.com](http://www.stanlibmultimanager.com).

### Information to be considered before investing

The STANLIB Multi-Manager Property Fund should be considered a medium to long-term investment. The value of units (participatory interest) may go down as well as up and past performance is not necessarily a guide to future performance. General market risks include a change in interest rates and economic conditions, share price volatility and a decline in property values. The Fund is traded at ruling prices using forward pricing, and can engage in borrowing of up to 10% of the market value of the portfolio to bridge insufficient liquidity as a result of the redemption of units and may engage in scrip lending. A schedule of fees, charges and maximum commissions is available upon request from STANLIB Collective Investments (RF) Pty Limited (the Manco). Commissions and incentives may be paid and if so, would be included in the overall costs of the Fund. Liberty is a full member of the Association for Savings and Investments South Africa (ASISA). The Manco is a member of the Liberty Group of Companies.

### Unit price – how it works

Collective Investment Schemes (i.e. “Unit Trusts”) are traded at ruling prices set on every trading day. Forward pricing is used which means Fund valuations take place at approximately 15h00 each business day, and your instructions are therefore processed at prices that are not yet determined when your instructions are received. Instructions must reach the Management Company before 13h00 to ensure same day value. The 13h00 cut-off time only applies to investments and switches. Repurchases will receive the price of the same day if received prior to 15h00. The money market funds are valued at 12h00. The funds of funds and feeder funds are valued at 24h00 and 17h00.

The payment of withdrawals may be delayed in extraordinary circumstances, when the Manco 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 Manco to sell the underlying investments in a manner that may have a negative impact on remaining investors of the Fund.

### Performance information on the monthly factsheet

Performance is calculated by STANLIB Multi-Manager (Pty) Ltd as at month end for a lump sum investment using net asset value (NAV) prices with income reinvestments done on the ex-dividend date. All underlying price and distribution data is sourced from Morningstar. Performance figures are quoted after the deduction of all costs including manager fees, and trading costs incurred within the Fund. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. Annualised performance figures represent the weighted average compound growth rate over the performance period measured. Past investment returns are not indicative of future returns and no guarantee is provided with respect to capital or return of the Fund.

### Total Expense Ratio (TER) and Transaction Costs (TC) = Total Investment Charge (TIC)

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 for a rolling 36-month period to the previous quarter end (December, March, June and September). 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 – expenses vary and the performance fee component can fluctuate over time.

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).

### 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).

### Underlying performance fees

**STANLIB Multi-Manager (Pty) Ltd does not earn any performance fees.** In addition to earning fixed fees, the underlying manager(s)/fund(s) may also earn performance-based fees if they outperform a specific benchmark. The performance-fee methodology of the underlying manager(s) / fund(s) is incorporated in their respective mandates. You can obtain more information on the underlying performance fee methodologies on the website [www.stanlibmultimanager.com](http://www.stanlibmultimanager.com).

The annual management fee is accrued daily and performance fees are accrued monthly – both paid on a monthly basis (with the exception of some performance fees which are paid annually).

### STANLIB Multi-Manager (Pty) Ltd does not provide financial advice

STANLIB Multi-Manager (Pty) Ltd is an authorised Financial Services Provider licenced under the Financial Advisory and Intermediary Services Act, 37 of 2002. FSP licence No.26/10/763. This information does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act. Independent financial advice should always be sought before making an investment decision.

If you appoint an adviser, advice fees are contracted directly between you and the adviser. We will facilitate the collection of advice fees (including initial advice fees up to a maximum of 3.00%) only upon receiving your instruction. You may cancel the instruction to facilitate the payment of advice fees at any time.

### Where can I find additional information?

Additional information such as brochures, application forms and annual or quarterly reports, can be obtained from the websites: [www.stanlib.com](http://www.stanlib.com) / [www.stanlibmultimanager.com](http://www.stanlibmultimanager.com).

The prices of Funds are calculated and published on each working day. These prices are also available on the websites and in South African printed news media.

## Investment Description

The Fund adopts a multi-managed approach to investing and blends experienced property managers with different investment philosophies and strategies.

The Fund aims to provide investors with high income and long term capital growth by investing in listed property shares.

The Fund's objective is to outperform the FTSE/JSE All Property Index (ALPI) and produce returns in excess of the ASISA Real Estate General Sector average.

## Suitable Investors

- Who wish to diversify single manager risk
- Who are seeking a high level of income in addition to capital growth
- Who want to include property as part of their diversified portfolio
- Who accept volatility and possible short-term losses associated with an investment in property shares
- Who typically have an investment horizon of at least five years

## Risk Rating



■ Income assets ■ Growth assets

Please refer to the "Information to consider before investing" section on page 2 for further risk information.

## Annualised Performance (%)

	1 Year	3 Years	5 Years	10 Years
Class A	-7.01	-4.50	5.19	11.45
Class B1	-6.68	-4.17	5.59	11.88
Benchmark	-8.49	-4.68	4.87	11.04
Sector Average	-6.35	-3.49	5.65	11.45

## Underlying Fund Managers

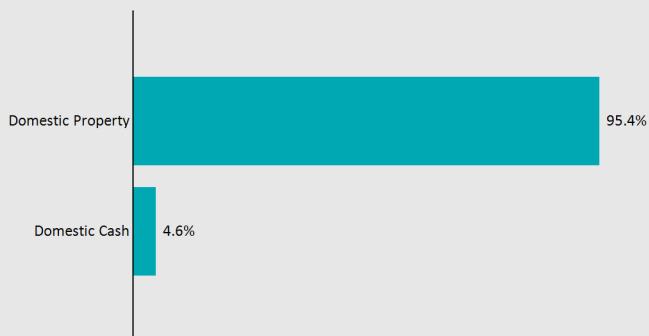
Catalyst Fund Managers

Sesfikile Capital

STANLIB Asset Management (Active)

STANLIB Asset Management (Passive)

## Physical See Through Asset Allocation %



## Income Distribution

	Declared in last 12 months	Declared during 2019
Class A	23.91 cpu	3.42 cpu
Class B1	25.57 cpu	3.74 cpu

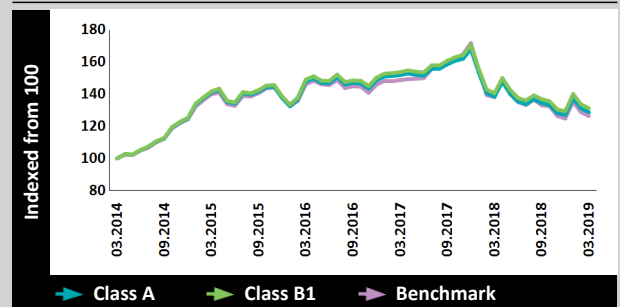
## Portfolio Facts

<b>Portfolio Manager(s)</b>	Jennifer Henry and Richo Venter
<b>Portfolio Size (NAV)</b>	R 2362 million
<b>Sector</b>	South African Real Estate General
<b>Income Distribution</b>	Net revenue is calculated on a daily basis and distributed quarterly.
<b>Income Declaration</b>	31 March, 30 June, 30 September & 31 December
<b>Benchmark</b>	FTSE/JSE All Property Index (ALPI)
	<b>Class A</b>
<b>Launch Date</b>	09 Dec 2002
<b>Minimum Investment</b>	
Lump Sum	R5,000
Debit Order Per Month	R500
<b>ISIN No.</b>	ZAE000043220
<b>JSE Code</b>	STMP

	Class A		Class B1	
	1 Year	3 Year	1 Year	3 Year
Advisor Fee <sup>1</sup>	0.30	0.30	0.00	0.00
Management Fee	1.00	1.00	1.00	1.00
Underlying Fund Fees	0.01	0.01	0.01	0.01
Underlying Performance Fees	0.00	0.00	0.00	0.00
Other <sup>2</sup>	0.01	0.00	0.01	0.00
VAT	0.20	0.20	0.15	0.15
<b>Total Expense Ratio (TER)<sup>3</sup></b>	<b>1.52</b>	<b>1.51</b>	<b>1.17</b>	<b>1.16</b>
<b>Transactional Costs (inc. VAT)<sup>4</sup></b>	<b>0.38</b>	<b>0.20</b>	<b>0.38</b>	<b>0.20</b>
<b>Total Investment Charges</b>	<b>1.90</b>	<b>1.71</b>	<b>1.55</b>	<b>1.36</b>

- <sup>1</sup> The A Class includes an ongoing adviser fee, which will be charged in addition to a maximum 3% upfront fee
  - <sup>2</sup> Other includes: bank charges, custody fees, sundry income, audit & trustee fees
  - <sup>3</sup> The TER is a measure of the actual expenses incurred by the Fund over a 1 and 3-year period (annualised) ending 31 December 2018
  - <sup>4</sup> Transaction Costs include: brokerage, Securities Transfer Tax (STT), STRATE, Levies and VAT.
- \* Please note that the one-year transaction costs is elevated given the transition from the SAPY to the ALPI Benchmark during June 2018. The transaction costs should normalise over time.

## Cumulative Returns - Last 5 Years



## Top 10 Equity Holdings

Growthpoint Properties Ltd	15.09%
Nepi Rockcastle Plc	12.36%
Redefine Properties Ltd	12.03%
Vukile Property Fund Ltd	6.34%
Fortress Fund A	5.39%
Hyprop Investments Ltd	4.96%
Resilient Property Income Fund Ltd	4.56%
Mas Real Estate Inc	3.66%
Echo Polska Properties NV	3.01%
Capital and Counties Properties Plc	2.74%

## FUND INFORMATION TO BE CONSIDERED BEFORE INVESTING

The STANLIB Multi-Manager Property Fund should be considered a medium to long term investment. The value of units (participatory interests) may go down as well as up and past performance is not necessarily a guide to the future performance. The Fund is traded at ruling prices using forward pricing, and can engage in borrowing of up to 10% of the market value of the portfolio to bridge insufficient liquidity as a result of the redemption of participatory interests and may engage in scrip lending. A schedule of fees, charges and maximum commissions is available upon request from STANLIB Collective Investments Limited (the Manco). Commissions and incentives may be paid and if so, would be included in the overall costs of the Fund. Liberty is a full member of the Association for Savings and Investments South Africa (ASISA). The Manco is a member of the Liberty Group of Companies.

**TRUSTEES** Standard Chartered Bank, 4 Sandown Valley Crescent, Sandton, 2196 T 011 217 6600

**Contact Details - STANLIB COLLECTIVE INVESTMENTS (RF) PTY LIMITED** Reg. No. 1969/003468/07 17 Melrose Boulevard, Melrose Arch, 2196, PO Box 203, Melrose Arch, 2076

T 0860 123 003 W stanlib.com and/or stanlibmultimanager.com

Published on: 26 April 2019

### Market overview

Following a dismal 2018, the listed property market enjoyed a welcome bounce back in January. Disappointingly, the momentum faded, and the market finished the quarter up only 1.3%. With current yields of around 10%, the market remains concerned about slowing income growth and the quality of earnings produced by the sector. Trading fundamentals remain weak and lower economic growth expectations weighed on the sector. The on-going plight of Edcon continued to shift the balance of power away from landlords in favour of tenants.

Fortunately, there was some good news as the country avoided a Moody's downgrade. Large cap hybrid Growthpoint was up nearly 5% for the quarter, whilst offshore UK and European focused property companies produced positive returns. Almost 30% of the sector by market cap is focused exclusively in Europe and the UK. Rushing to conclusion, British politicians fumbled and ultimately kicked the Brexit can down the road, winning an extension to 31 October 2019. UK PLC shares reacted differently in the run up and the stronger pound lifted Hammerson and Capco 7.8% and 8% respectively. Intu PLC, which is struggling to find a buyer, suspended its dividend to help pay down debt and was punished 4.9% by the market.

### Asset class performance and risk statistics

Asset class	Q1 2019	1 year	3 years p.a.	5 years p.a.
FTSE/JSE ALSI	8.0%	5.1%	5.7%	6.5%
Financials	-0.5%	-5.8%	2.8%	7.5%
Resources	17.9%	41.8%	22.2%	1.0%
Industrials	7.4%	-3.7%	0.6%	6.3%
FTSE/JSE Capped SWIX	3.9%	-2.6%	2.1%	5.1%
Bonds ALBI	3.8%	3.5%	10.1%	8.3%
Cash STeFI Composite	1.8%	7.2%	7.4%	7.0%
All Property Index (ALPI)	1.3%	-7.0%	-5.9%	4.1%

### Risk statistics since launch

Lowest rolling 12-month return	-24.1% (12 months ended December 2018)	
Highest rolling 12-month return	72.1% (12 months ended March 2006)	
	Fund <sup>1</sup>	Benchmark
Maximum drawdown	-30.9%	-29.8%
Portfolio volatility	15.3%	13.8%

Source: STANLIB Multi-Manager.

### Portfolio review

The Fund returned 1.4% for the quarter, outperforming the All Property Index (ALPI) benchmark and well ahead of the peer return of 0.7%. Fund performance was driven by underweight positions in the Delta Property Fund which lost 61% for the quarter, Fortress B and Intu. Both Catalyst and Seffikile performed exceptionally well relative to the benchmark and peers. STANLIB marginally outperformed the benchmark.

Catalyst's performance was driven through no exposure to the Delta Property Fund. An underweight Fortress position also contributed. A large position in NEPI added to alpha. Performance from Seffikile was mainly driven by an underweight position to Hyprop and Delta Property Fund.

The 12-month and 36-month performance remains disappointing for the Fund as well as the sector, reminding investors of the long-term investment nature of listed property. Over a 10-year period, the Fund returned 11.9% per annum, outperforming industry peers.

### Portfolio positioning and outlook

Having only enjoyed a small bounce, the sector continues to price in the worst on a forward yield of 10%. Admittedly, property fundamentals are weak, several companies will need to clean up their balance sheets in 2019 and Edcon remains a concern for the sector. Edcon has closed 240 stores, right-sized many others, and is receiving support from various stakeholders including many landlords. Poor sentiment in the property market – as was the case in the late 1990's and early 2000 – can take a long time to turn. Under current circumstances and through careful stock selection, investors may need to exercise patience in their pursuit of long-term rewards.

The Fund's largest holdings remain Growthpoint, Redefine and NEPI. Stor-Age is the largest overweight relative to benchmark. The largest sector position is an underweight to the SA Inc. shares – SA focused shares – relative to the sector, whilst being overweight the small and mid-cap SA hybrids – shares with both local and global exposure.

### Portfolio managers



**Jennifer Henry**  
Head of Portfolio Management:  
Retail Clients  
BCom(Hons), CFA, FRM



**Richo Venter**  
Portfolio Manager  
BCom(Hons)  
(cum laude), CFA