COLLECTIVE INVESTMENT

PRODUCT SPECIFIC TRAINING GUIDE

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Ayanda Moumakoe

ayanda.moumakoe@stanlib.com

STANLIB

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Section 1	**Introduction to Collective Investments**
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Section 6	**Understanding Fund Factsheets**
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Learning Outcomes:

- *Define a collective investment scheme (CIS)*
- *Provide advantages and disadvantages of collective investment schemes*
- *Understand the basics of unit trust prices*
- *Explain and understand the various fees charged in collective investments*
- *Explain the tax implications of investing in collective investment schemes*
- *List the different asset classes*
- *List the different types of CIS allowed in SA*
- *Understand the characteristics and behaviour of various unit trust funds*
- *Understand the risks associated with various funds and asset classes*
- *Understand investor types for various funds and the risk associated with them*
- *Explain the factors that influence a client's appetite for risk*
- *Explain and understand how to match your client with the correct CIS portfolio, based on his or her investment goals*
- *Understand the various STANLIB products*
- *Understand how to do business with STANLIB*
- *Understand the basics of STANLIB online*
- *Explain how to use the STANLIB factsheets*
- *Explain the different unit trusts that STANLIB offers*

1. INTRODUCTION TO COLLECTIVE INVESTMENTS

1.1 Overview

Collective investment schemes (also known as unit trusts or participatory interests) pool money from many different investors into a single portfolio managed by professional investment managers. In simple terms, a unit trust is a way for you to invest your money. You can invest in a unit trust through financial services providers such as a broker, an investment management company like STANLIB or some banks.

Collective investments provide a way for smaller investors, who may not otherwise have access to a broad spread of investments, to diversify. They can be described as a group of people investing for a common interest. There are many types of collective investments, which can be overwhelming. The purpose of this module is to introduce the concept and where STANLIB fits in.

1.2 Definition

A collective investment scheme (previously known as a unit trust) is a trust-based scheme consisting of a pool of assets managed by a collective investment scheme manager (previously known as the collective investment scheme management company). It is governed by the Collective Investment Schemes Control Act no 45 of 2002. Collective investment schemes (CIS) are a popular form of investment and anyone can access them. Each investor has a proportional stake in the CIS portfolio based on how much money he or she has contributed. The “unit” refers to the portion of the CIS portfolio that is owned by the investor. The “trust” is the financial instrument created to manage the investment. The trust structure enables financial experts to invest the money on behalf of the CIS investor. Collective investment schemes provide a relatively secure way to invest in shares listed on a stock exchange as well as other financial instruments, which can be too expensive for individuals to access. In a CIS, money from a group of investors is pooled or collected together to form a CIS portfolio.

Unit trusts were first introduced in 1965. Investors were encouraged to buy for the “long term” (five years) and there was a mere handful of unit trusts to choose from. The unit trust industry has changed enormously over the past 54 years. Now there is a wide choice of funds offering different combinations of capital growth and income across different market sectors. Some funds are designed specifically to benefit from market timing and sector rotation.

1.2.1. Asset classes

Through unit trusts, you can invest in any of the major asset classes:

- cash
- bonds
- property
- equities (shares)

1.2.1.1 Cash Instruments

Notice deposits: A period of notice is required before funds will be released.

Fixed deposits: Will earn interest depending how long funds are invested. Interest can be reinvested every month or can be withdrawn. The longer funds are invested, the higher the interest rate earned.

Call deposits: Readily available money, which can be withdrawn at any time. Interest fluctuates daily and is lower than on other fixed interest investments.

Treasury Bills: Guaranteed, secure, short-term loan certificates issued by the government via the South African Reserve Bank (SARB).

Bankers' Acceptance: Loan certificates issued by a borrower. Repayment is guaranteed by a bank.

NCD (Negotiable Certificate of Deposit): Tradeable deposit issued by banks for a specific period at a fixed interest rate. Can be sold before the maturity date.

Promissory note: Unconditional promise from one person to another committing to repay a specified amount to a person on demand or at a set future date.

Summary of cash instruments:

	INTEREST BEARING INSTRUMENTS		DISCOUNT INSTRUMENTS	
	Term deposits	Negotiable Certificate of Deposit (NCDs)	Promissory notes (PNs)	Treasury Bills (TBs)
Issuer	Bank	Bank	Bank	SARB
Term	Chosen by investor	1 mth – 5 years	Any term	1, 3, 6, 9,12 mths
Interest payable	Yes	Yes	None / discount	None / discount
Cash flow	Investor chooses either to receive or re-invest the interest	Investor chooses either to receive or re-invest the interest	No cash flow until maturity	No cash flow until maturity
Yield	Depends on tenor and the yield curve	Depends on tenor and the yield curve	Depends on tenor and the yield curve	Lower than NCDs and PNs (lower risk)
Traded in secondary markets	No	Yes	Yes	Yes

1.2.1.2 Bonds

A bond is a negotiable certificate that acknowledges the indebtedness of the bond issuer to the holder. It is negotiable because ownership of the certificate can be transferred in the secondary market. It is a debt security, in which the authorised issuer owes the holders a debt and, depending

on the terms of the bond, is obliged to pay interest (the coupon) to use and/or repay the principal amount at a later date, termed maturity. A bond is a formal contract to repay borrowed money with interest at fixed intervals (semi-annual, annual, and sometimes monthly).

A bond is like a loan or IOU: the holder of the bond is the lender (creditor), the issuer of the bond is the borrower (debtor), and the coupon is the interest. Bonds provide the borrower with external funds to finance long-term investments or, in the case of government bonds, to finance current expenditure.

Types of bonds

Government bonds: issued by government to finance expenditures. There is a low default risk, so the interest rate is lower Semi-government bonds: long-term, fixed-interest securities issued by state institutions like Eskom or Transnet Corporate bonds: issued by companies and less secure

Zero coupon bonds: pay no interest but are issued at a discount to the final redemption value

Inflation-linked bonds: the capital value of the bond is adjusted in line with changes in consumer price inflation (CPI)

1.2.1.3 Property

When you buy a single investment property (rather than the one you live in) or a share in a portfolio of properties, you earn a return from rent paid by the tenants and capital appreciation if you sell the property or your shares in the portfolio for more than you paid at the outset.

There are two types of property:

- Direct property: registered in the investor's name
- Listed property: rights are held in an investment vehicle like property loan stocks or property unit trusts

1.2.1.4 Equity or shares

An equity investment is owning shares in a company. Shares can be held in either private or public companies. Public companies are listed on the Johannesburg Stock Exchange (JSE) while private companies may sell their shares directly to the public or through an agent. Listed companies issue shares in an initial public offering (IPO) and those shares can then be bought and sold on the stock exchange through a stockbroker.

Types of Equity

Ordinary shares: dividends are not guaranteed, and they can go up or down

Preference shares:

- receive a fixed dividend each year
- earn dividends before ordinary shares
- carry no voting rights

A and B shares: these are like ordinary shares, but with extra rights.

N shares: similar to ordinary shares but with no voting rights

1.3 Investing in unit trusts

When you invest in a unit trust you are pooling your money with other investors and paying a fund manager to invest according to a specific mandate or instructions.

Investors

Unit Trust Fund

Property, Equities, Bonds, Cash

Investors can put relatively small amounts of money into a unit trust fund, providing a greater degree of diversification at less cost than buying shares through a stockbroker. Instead of shares, investors hold units in a unit trust fund. The price of each unit is referred to as the Net Asset Value (NAV).

1.3.1 Net Asset Value (NAV)

Unit trust prices are calculated on a net asset value basis (NAV), which is the total market value of all assets in the fund, including any income accruals and less any permissible deductions from the fund, divided by the number of units in issue. Permissible deductions may include management fees, brokerage, securities transfer tax (STT), auditor's fees, bank charges and trustee fees. The value of these units is determined by the changes in market value of the underlying securities. NAV is calculated daily, except Saturday and Sunday. STANLIB investors can access the STANLIB fund NAVs on the STANLIB website (Daily unit trust prices).

EXAMPLE:

Invest R1 000 in a fund with a NAV of R118.74, and you will own 8.42 units.

(R1 000/R118.74 = 8.42)

1.3.2 Shares vs units

The management company buys shares on the JSE on behalf of the unit trust investors. The trust does not give the shares to the investor but combines them in a portfolio. The management company divides the portfolio into many equal "units." The investor receives a certain number of units for the money he has entrusted to the company that manages the unit trust.

The JSE reflects the main sectors of the South African economy: mining/resources companies; industrial companies, financial companies and property. Unit trusts hold shares in some or all of these sectors as well as liquid assets or cash.

Anyone can buy units by investing a single lump sum or on a regular monthly basis. In most equity or share investments there is always an element of risk. Share prices can go up or down, but the fluctuations in the NAV of unit trusts will be less extreme. Shares that show a stable or better performance cushion the drop in price of other shares. This is especially the case with general equity unit trusts, where risks are lower than in specialist unit trusts (see next section), because they have exposure to more sectors. As an investor, you are buying a portion of a portfolio. Regardless of how much or how little you invest, your shares are the portfolio in miniature.

EXAMPLE:

The STANLIB Balanced Fund's three top holding are Naspers (7.92%), BAT (2.57%) and SASOL (2.54%). A R1000 investment in that fund means that you own about R79.20 of Naspers, R25.70 of BAT and R25.40 of SASOL.

The NAV of unit trusts, as explained above, fluctuates daily based on the market values of the underlying securities. The capital portion is the market value of the underlying securities the unit trust fund holds. The fund also earns income in the form of interest and/or dividends from its underlying investments. The net income (income less management and trading expenses) is accumulated daily and added to the capital value to calculate the daily unit price.

1.3.3 Distributions

Unit trust funds distribute the income earned to clients on a regular basis. This can be monthly, quarterly or bi-annually depending on the nature of the fund. At the fund's income distribution date, all the net income which has accumulated since the previous distribution is added up and made available to be reinvested or paid out to investors as a declared distribution. Since the net income forms part of the total value of the fund, when it is distributed the unit price on the day after the distribution will drop by the amount distributed, plus or minus any market movement of the underlying investments for the day. If total expenses exceed the income earned, the fund will not make a distribution and it will have to use part of the capital in the fund to pay its expenses.

Money market fund NAVs are priced at a constant unit, usually one rand, and will not appreciate in value. These funds generate income which can be reinvested or paid out to investors monthly.

1.3.4 Returns

The primary goal of a collective investment scheme is to generate a return on the funds invested. Investors can earn a return either through income or capital appreciation in the unit trust. Unit trusts should generally be viewed as medium- to long-term investments, reducing your exposure to short-term volatility and risk and allowing you to take advantage of underlying trends in market sectors. Although your investment returns may appear to grow only a few percentage points above inflation, this growth compounded over many years can have a major impact on your wealth.

1.4 Types of unit trusts

Investors must analyse their needs and priorities before making any decisions about unit trusts. Different types of funds are available to suit various needs.

1.4.1 Equity funds

General equity funds

These provide growth by investing in a spread of different shares across all sectors of the JSE. First-time investors would be wise to invest in one of the well-established general equity funds which usually perform better than many other forms of popular savings and are less risky than specialist funds. An example of this type of fund is:

- The STANLIB Equity Fund

Fixed income funds

These are reasonably secure investments in bonds, government stocks and fixed interest securities. Income funds provide investors with an income. They provide regular payments, rather than high capital growth over a long period of time. Income payments from all unit trust investments can be twice a year or every quarter. Investors can also request automatic reinvestments instead. Examples of this type of fund are:

- The STANLIB Bond Fund
- The STANLIB Income Fund

Balanced or asset allocation funds

These funds invest in a mix of equities and fixed income securities. They try to balance the goal of higher returns against the risk of losing money. Most of these funds allocate money among different types of asset according to a formula. They tend to have more risk than fixed income funds, but less risk than pure equity funds. Aggressive funds hold more equities than bonds, while conservative funds hold fewer equities than bonds. Examples of this type of funds are:

- STANLIB Multi-Asset Growth Fund
- STANLIB Multi-Asset Cautious Fund

Money market funds

These funds invest in short-term fixed income securities such as government bonds, treasury bills, bankers' acceptances, commercial paper and certificates of deposit. They are generally a safer investment, but with a lower potential return than other types of unit trust. An example of this type of funds is:

- STANLIB Money Market Fund

Index tracker funds (ETFs)

These funds aim to track the performance of a specific index such as the FTSE/JSE Africa SWIX 40. The value of the unit trust will rise or fall in line with moves in the index it is tracking. Index funds typically have lower costs than actively managed mutual funds because the portfolio manager does

not have to do as much research or make as many investment decisions. Examples of this type of funds are:

- 1nvest SA Property Exchange Traded Fund
- 1nvest SWIX 40 Exchange Traded Fund

Active and passive management

Active management means the portfolio manager buys and sells investments, attempting to outperform the return of the overall market or another identified benchmark. Passive management involves buying a portfolio of securities designed to track the performance of a benchmark index. The fund's holdings are only adjusted if there is an adjustment in the components of the index.

Funds of funds

These funds invest in other funds. Like balanced funds, they try to make asset allocation and diversification easier for the investor. The total expense ratio (TER) (see below) for funds of funds tends to be higher than stand-alone unit trusts.

Before you invest, you must understand the fund's investment goals to ensure you are comfortable with the level of risk it offers. Even if two funds are of the same type, their risk and return characteristics may not be identical. Examples of this type of fund are:

- STANLIB Moderately Aggressive Fund of Funds
- STANLIB Conservative Fund of Funds.

Feeder Funds

A feeder fund is one of several funds that put investment capital into an overarching umbrella fund called the master fund, for which one investment advisor handles all portfolio investments and trading. The two-tiered investment structure of a feeder fund and a master fund is commonly used by hedge funds as a means of assembling a larger portfolio account by pooling investment capital. Profits from the master fund are then split, or distributed, proportionately to the feeder funds based on the percentage of investment capital they have contributed to the master fund.

1.4.2 Advantages

The following are the advantages of investing in a unit trust:

- The most obvious advantage of unit trusts is the direct access they offer to the possibilities offered by the JSE to grow wealth.
- Everyone, regardless of occupation, qualifications, sex or age, can participate in this form of saving in the South African economy.
- No expert knowledge is needed in selecting, buying or selling shares.
- Teams of professional economic and market analysts make decisions on the investor's behalf to achieve capital and income growth.
- Small regular, monthly investments or single lump sum investments can be made.

1.4.3 Disadvantages

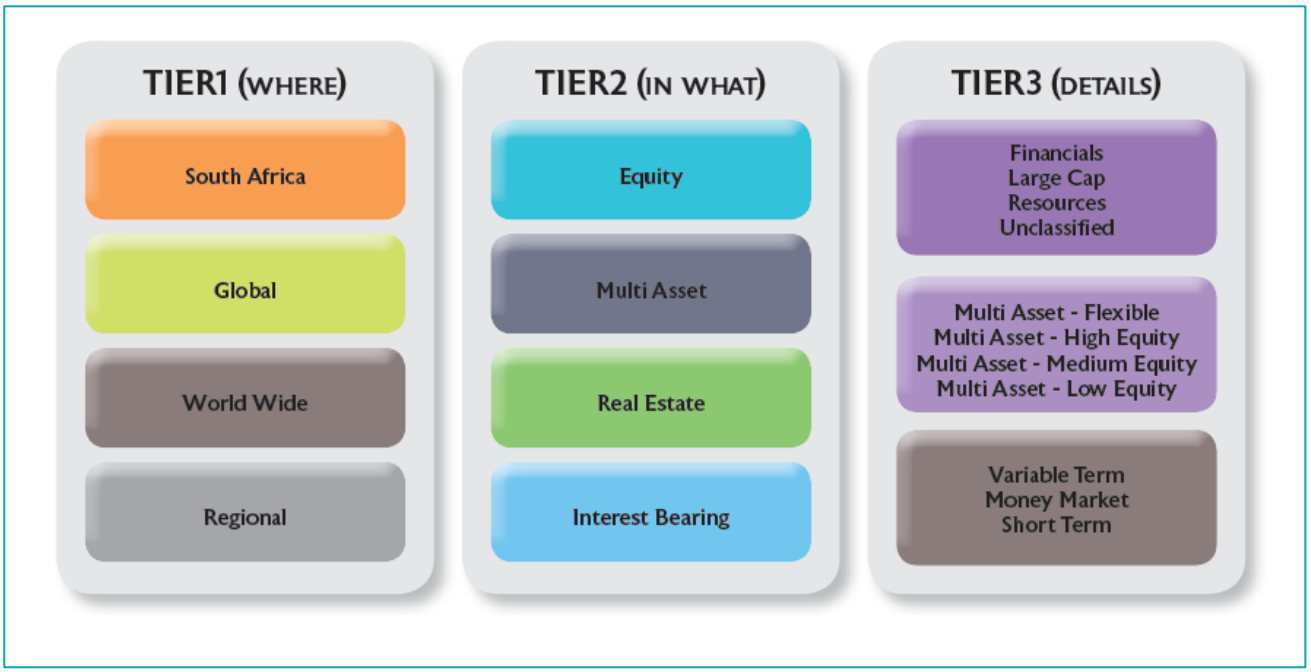
- There are now more unit trusts than shares in the world which makes it very difficult to make choices.
- Not all portfolio managers can make good returns
- Some unit trusts charges are excessive
- Unit trusts invest in a wide range of securities with different risk profiles
- They are less liquid than other types of investments. It takes at least a day to sell a unit trust and receive the cash.

1.5 The three–tier classification system

The Association of Savings and Investments SA (ASISA) has designed a classification system to help investors choose funds and enable industry players to compete for industry awards on even terms. From January 2013 investors will be able to choose from South African (previously domestic), worldwide, global (previously foreign) and regional portfolios. Each of these categories is sub-categorised into equity, multi-asset (previously asset allocation), interest-bearing (previously fixed interest), and real estate portfolios.

The third tier of classification categorises funds according to their main investment focus, for example equity - large- cap; multi-asset - high equity; interest-bearing - money market; or real estate - general. Under the new ASISA standard, names must be a true reflection of the funds' mandates. For example, funds of funds must have the words "fund of funds" included in their names.

Portfolios may only use the word "institutional" if they are exclusively available to retirement funds, long-term insurers, investment managers or collective investment schemes. For an up-to-date version of the rules for the classification of collective investments, please consult the industry website at **www.asisa.co.za**



1.6 Fees

An investor valuing his/her investment in a collective investment scheme needs the unit price provided by the manager to determine the investment value. It was not possible to draw comparisons between the various funds when managers used different methods and principles. To make pricing consistent throughout the industry, the Association of Collective Investments (ACI) has set standards for pricing that all managers follow.

1.6.1 Permissible deductions

Permissible deductions consist of:

- quantifiable charges: initial fees and VAT
- annual service fees
- non-quantifiable charges: payable on buying and selling of assets (in the past referred to as compulsory charges)
  - auditors' fees
  - bank charges
  - trustee fees
  - Other levies and taxes, RSC levies

1.6.2 Multiple classes of units

The classes can be defined as follows:

- Intermediated class: Investors in this class use the services of a financial adviser or broker who earns a percentage of the client's investment value. The fee paid to the broker is additional.
- Non-intermediated class: Investors in this class do not use a financial adviser so no adviser fees are payable.

Unfortunately, management companies have not applied these principles consistently, creating problems for both product providers and investors.

1.6.3 Total Expense Ratio (TER)

The Total Expense Ratio or TER of a portfolio is a proportion of the fund's assets used to pay for services rendered to manage the fund. This is expressed as a percentage of the daily average value of the portfolio, usually calculated over one year.

The TER is a way of measuring how costs affect a portfolio. The following formula is used to calculate the TER of a fund.

TER calculation method (Source: www.asisa.org.za)

A. Single-tiered Financial Products:

1. For each day in the period under review, calculate the daily expense ratio (including all the expenses referred to in 1.6.1):

$$Daily\ Expense\ Ratio\ (t) = \frac{Expenses(t)}{NAV(t)}$$

Where t represents the day, for t = 1, 2, 3,…,n, and n is the total number of days in the period under review.

2. Add together each Daily Expense Ratio for the period under review to obtain a TER for the whole period

$$Total\ Expense\ Ratio = \sum_{t=1}^{n} Daily\ Expense\ Ratio\ (t)$$

3. If the period under review is not an exact period of 12 months, the Total Expense Ratio must be annualised. Multiply the TER by the following factor to annualise the figure:

$$(Annualised)Total\ Expense\ Ratio = TER \times \frac{12}{m}$$

Where m is the number of months in the period under review, for m = 1,2,…. ,36

Note: where daily data is not available, monthly data can be utilised.

B. Multiple classes in a Financial Product:

A TER for each class will need to be calculated. The above Single-tier method must be used, taking into account the practicalities of multiple class Financial Products:

- All expenses, except management fees (both fixed and performance based), are to be apportioned to each class at their relative sizes on a daily basis. Multiply each expense by the following factor before using the Single-tier method:

$$\frac{NAVclass(t)}{NAVfund(t)}$$

Where t represents the day, for t = 1,2,3,…,n, and n is the total number of days in the period under review.

- Management fees (both fixed and performance based) will be reflected in full for the specific fee related to that class and as per the Single-Tier method.

C. Multi-tiered Financial Products:

1. For **each month** in the period under review, calculate the monthly expense ratio, including all the expenses referred to in 1.6.1, for the top-tier Financial Product:

$$\textit{Monthly Expense Ratio}\ (t) = \frac{\textit{Expenses}(t)}{NAV(t)}$$

Where t represents the month, for t = 1,2,3,…,m, and m is the total number of months in the period under review.

Note that the expenses will be the total for the month, while the NAV will reflect the month end number.

2. For **each month** in the period under review, calculate the monthly underlying ratio for each Financial Product, that charges fees over and above the top-tier fees, that is held by the top-tier Financial Product:

$$\textit{Underlying Ratio}\ (t) = \frac{\textit{Holdingfund1}(t)}{\text{NAV (t)}} \times \frac{\textit{TERfund1}}{12} + \frac{\textit{Holdingfund2}(t)}{\text{NAV (t)}} \times \frac{\textit{TERfund2}}{12} + \cdots$$

Note that the TER for the underlying Financial Product must correspond correctly to the period in question. The underlying TER that applies for the same period under review should be updated each quarter and used for the immediately preceding 12 – 36 months.

3. Add together each Monthly Expense Ratio and Underlying Ratio for the period under review to obtain a TER for the whole period.

$$\textit{Total Expense Ratio} = \sum_{t=0}^{m} \{\textit{Monthly Expense Ratio}\ (t) + \textit{Underlying Ratio}\ (t)\}$$

4. If the period under review is not an exact period of 12 months, the Total Expense Ratio must be annualised. Multiply the TER by the following factor to annualise the figure:

$$(\textit{Annualised})\textit{Total Expense Ratio} = \textit{TER} \times \frac{12}{m}$$

Where m is the number of months in the period under review, for m = 1,2,…. ,36

Calculation notes

• The final (published) TER must always be represented as rounded to the two nearest decimal places.

• Where the daily NAV and/or expenses are not available, the above method should be completed for t = 1,2,3,…m, where m is the total number of months in the period under review.

• Where any expenses are not available, a reasonable estimate must be used.

1.6.3.1 Why disclose the TER?

The CIS industry supports the principles of disclosure and transparency. TERs have been implemented to help investors and their advisers evaluate their portfolios by providing a single number quantifying the costs incurred in the management of the fund so the impact of these costs on returns is clearer and investors understand what value for money they are receiving. TERs are used to measure expenses in other countries as well.

1.6.3.2 Expenses included in the TER calculation

Costs incurred in the prudent operation of a fund are included. The costs deducted from the fund's assets include:

- management fees (including performance fees)
- fixed operating costs:
  - custody and trustee fees
  - audit fees
  - bank charges, other than those charged by an investor's bank
- VAT
- liquidity costs:
  - net negative interest charges (these arise in the unlikely event that a fund owes interest to a bank as a result of temporary liquidity pressure)
- for investments in other funds:
  - weighted portion of the underlying portfolio's TER (for funds of funds)
- upfront fees
- exit fees or reduction of redemption
- income earned by the providers of scrip lending services, which is either passed onto the portfolio or, if retained by the provider, taken into account.

1.6.3.3 Investor expenses not included in a TER

Costs that are incurred directly by the investor and not the fund are:

- costs of entry or initial fees

- initial and ongoing costs for financial advice (if applicable)
- other costs incurred directly by the investor such as bank charges
- exit costs

These expenses are not included in the TER calculation because:

- they do not form part of the actual investment
- they should be disclosed separately to investors, e.g. by the life company, LISP, bank and/or the intermediary
- they are mostly non-recurring.

Brokerage and expenses for the settlement of transactions and taxes incurred on these items, i.e. VAT on brokerage and stamp duty, do not need to be included in the TER calculation.

This decision was taken:

- to align the CIS industry's TER with expense ratios used elsewhere in the world.
- to enable more accurate comparisons of TERs of local funds with TERs of international funds.
- Because transaction costs will be incurred no matter how equity is bought, whether it is in a private capacity or for an underlying asset in a portfolio.

1.6.3.4 Who calculates the TER?

The CIS manager will calculate and publish a TER for each portfolio every quarter. Each class of a portfolio will disclose its specific TER.

1.6.3.5 Where are TERs disclosed?

- Newspapers and magazines that carry fund performances and charges
- With financial statements – interim or annual, audited or provisional
- In monthly, quarterly and annual reports
- In fund fact sheets
- In internet publications
- With annual unit holder communications
- On the ASISA website with fund prices
- The latest TER must be disclosed to an investor before he or she invests, in addition to the other disclosures required under CISCA and the FAIS Act, e.g. notifications of risk and costs.

1.6.3.6 High TERs vs low TERs

A high TER should not be viewed negatively if a fund outperforms other funds or adds extra value for the higher costs incurred. It is also not necessarily an indication of superior performance. TERs are reported in a standardised manner, enabling investors to better compare the costs of their portfolios.

When comparing TERs it is imperative to compare ‘apples with apples’. Costs and TERs are only one factor to take into consideration when comparing funds and making an investment decision. Consideration must also be given to:

- the sector the fund falls into – this relates to the type of fund, EG an equity fund invested into listed shares, or a fixed interest fund invested in bonds, money market instruments and other interest-bearing securities
- fund objectives – all funds have mandates that investment managers aim to fulfil
- the structure of the investment, namely whether it is a fund of funds or a single tiered fund
- the anticipated net risk-adjusted return of a fund relative to an investor’s total portfolio
- costs – these include both the costs included in the TER calculation and excluded
- investment risk – investors should evaluate their tolerance for risk and then match this risk profile with a suitable investment
- whether there is a mismatch between the term of the investment and the TER calculation. TERs will be calculated for full year periods, while an investor may not have been invested for the same period.

1.6.4 Initial fees

Initial fees are a once-off fee levied when units are bought, calculated as a percentage of the investment amount. This fee is charged directly on the client’s contribution and includes VAT (initial fee x 15%). Initial fees are deducted before units are bought at the ruling NAV (net asset value) price. The maximum initial fee levied depends on the portfolio, i.e. whether it is cash, bonds or equities. STANLIB has a range of initial fees for its funds, ranging from 0% to a maximum total upfront charge of 3%. STANLIB does not retain initial fees charged to clients but pays them to the broker.

1.6.5 Ongoing fees

Ongoing fees have two parts, a management fee and a trailer fee.

<u>Trailer fee</u>

The trailer fee is collected on behalf of financial advisers to pay for their services.

<u>STANLIB management fee</u>

The maximum management fee differs from fund to fund and is based on the total fund value. STANLIB’s management fee is for the investment management service it provides.

<u>TER vs management fee</u>

- An annual management fee (AMF) is charged by a CIS manager for asset management and fund administration. It is a percentage of the portfolio’s assets under management.
- A TER, as previously stated, reflects the actual expenses paid out of a fund for management and it includes the annual management fee.
- The TER will therefore be higher than the AMF.
- The costs included in the TER are disclosed in a portfolio’s financial statements.

1.6.6 Explicit fees

The explicit fee is a mutually agreed fee between an adviser and his or her client for service or advice. As product supplier, STANLIB will merely help to facilitate the payment of the fee.

1.6.7 Performance fees

A performance fee is based on the performance of the fund. Fund managers may differ in how they calculate performance, but the fee will be based on the fund delivering positive returns. Performance fees must be included in the TER calculation and also be disclosed separately. Disclosing the fee separately enables investors to distinguish between costs that may be charged to a portfolio regardless of its performance and a performance fee that may vary significantly from one year to the next. The performance fee, in rand terms, will be disclosed as a percentage of the average net asset value of the portfolio.

1.7 Tax

Various taxes have an impact on a CIS investment. These include capital gains tax (CGT), tax on interest and withholding tax on dividends.

1.7.1 Tax requirements

For normal unit trust products, clients are not obliged to provide their tax numbers. If a client does not have a tax number, he or she can declare this on the application form. We will proceed with the investment if there are no outstanding requirements. We would normally submit a file to SARS as required by law with the ID numbers and details of investors. SARS will use these details to check the tax obligations of the individuals. If the individual is required to submit a tax return, SARS will communicate with the investor directly. As a company, we rely on the information provided by the applicant.

For tax-free savings, clients are required to provide their tax numbers. Where a client is a minor, guardians or parents must provide their FICA documents, proof of a valid bank account in the name of the minor and the minor’s ID/birth certificate. The investment should be in the minor’s name.

1.7.2 Tax on interest

The interest portion of returns received from a fund will be included in the investor’s normal interest calculations. This means the investor must add interest received from a CIS to any other interest earnings. Check the latest tax tables for the exemptions.

1.7.3 Withholding tax on dividends

Tax is levied on the dividends that companies declare to their shareholders. As the various funds would “hold” the shares in the company, it is the responsibility of the fund manager to withhold the tax (currently 20%) on the dividends they receive for the fund. The fund manager will pay the tax to SARS, so investors receive after-tax dividend returns.

17.4 Capital Gains Tax (CGT)

Collective investments are exempt from paying CGT and investors will only incur CGT when they sell their units. When a portfolio manager restructures a collective investment portfolio (for example sells underlying assets/shares), CGT will not be incurred.

How gains are included in income:

- The taxation of capital gains is triggered by the disposal of an asset.
- Investors will only pay tax on the profit they make, not on the profits from the sale. This means they can deduct the cost (base cost) of the collective investment from the profit on the sale of the collective investment.
- If investors held the collective investment or asset before CGT was implemented on October 1, 2001, they must exclude profits accumulated up to that date.
- Individual investors will only pay tax on 40% of this gain. Example, if you made a gain of R100 000, only 40% will be used to calculate CGT.

The most common events that will trigger a CGT event are:

- the sale of units
- fund switches
- transfer of units
- death
- divorce of a couple married in community of property as assets jointly owned are sold to divide the proceeds between two parties

Events that will not trigger a CGT event include:

- transfer of units from a management company to a linked company and vice versa
- units donated to a spouse

Proceeds - the actual or deemed amount received on disposal of the investment.

Annual exclusion:

- Each year, the first R40 000 investors realise on the sale of assets will be exempt from CGT.
- This is referred to as the annual exclusion and it also applies to losses.
- Investors only need to include one-third of the gain for the tax calculation but when they complete their tax returns they must declare the full amount of the gain or loss they have made. The annual exclusion and the inclusion rate will be calculated by SARS.

2. STANLIB COLLECTIVE INVESTMENT FUNDS

2.1 STANLIB Fixed Interest Funds

2.1.1 Characteristics of fixed interest funds

Fixed interest investments

Fixed interest investments are typically a loan between a borrower and a lender. The borrower promises to make specific fixed interest payments to the lender over the term of the investment. The borrower returns the initial investment at the end of the loan period. Fixed interest investments typically offer lower risk and return than property or shares. They are usually money market instruments and bonds.

Income funds are unit trusts that aim for current income, either on a monthly or quarterly basis, rather than capital appreciation. (Capital appreciation is the increase in the capital amount invested and is shown by a rise in the unit price).

Income funds hold a variety of government, municipal and corporate bonds, preference shares and money market instruments and dividend-paying stocks. STANLIB offers a range of income portfolios namely, the STANLIB Income Fund and the STANLIB Extra Income Fund, among many others.

Bonds are a good example of fixed interest investments. They earn both interest and capital growth. Bonds carry coupons which are fixed interest payments made periodically, usually bi-annually. After bonds are issued they are bought and sold in the secondary market. They have different maturity dates ranging from one to 30 years. Bond prices depend on future interest rates and carry less risk than shares. A bond is simply a long-term tradeable loan or debt instrument issued at a specified rate of interest for a specific period. A bond promises that the borrower (a company or a government) will pay the holder (investor) interest over a period of time and repay the full amount of the loan on a predetermined maturity date.

Just as people need money, so do:

- Central governments
- Municipalities
- State-owned enterprises
- Water authorities
- Banks
- Other corporates

These organisations use the finance raised to:

- Meet capital acquisition and expenditure commitments
- Implement long-term financial plans
- Expand the country's infrastructure

Bonds as an asset class have generally exhibited lower risk than equities:

- As a bond holder you have the security of knowing that the bond will be repaid in full by the government or semi- government authorities at a specific time in the future.
- Corporate bonds offer higher risk as there is a greater possibility of default.
- The other major risk associated with bonds is interest rate risk.
- As market interest rates move, the price of bonds fluctuates.
- These fluctuations are inversely related to movements in interest rates. As interest rates move up, bond prices fall.

Behaviour

Unit prices of income funds are not fixed. They tend to fall when interest rates rise and increase when interest rates are falling. Income funds can be conservative or riskier, depending on their holdings. Some funds invest only in securities from established, creditworthy companies that make consistent dividend or interest payments, making them relatively conservative investments. Other funds invest in riskier investments like REITS and junk bonds and aim for higher yields than the more conservative funds.

Asset classes

An income fund is a type of asset allocation fund. It aims to generate an income stream for investors by investing in securities that generate dividends and/or interest. A typical income fund holds both stocks and bonds to gain some of the advantages of both. Most of STANLIB's income funds hold mostly bonds and money market instruments because STANLIB's investment style is defensive. Bonds included in the portfolios of these funds are investment grade. The other securities are of sufficient credit quality to ensure preservation of capital.

Investor Type

Fixed Interest Funds are suitable for investors with:

- A minimum time horizon of 1 year.
- Who are aiming for reasonable level of income and stability for capital invested.
- Have a conservative to moderately conservative risk profile.

2.2 STANLIB Equity Funds

2.2.1 Characteristics of equity funds

<u>Equity investments</u>

Equity investment generally refers to the buying and holding of shares on a stock market by individuals (known as shareholders). They can also be held through collective investment schemes like unit trusts, many of whose prices are quoted in financial newspapers or magazines.

Unit trusts are managed by prominent asset management firms, allowing individual investors to diversify and use the skills of professional fund managers.

An equity fund is a type of unit trust. It buys ownership or equity in businesses, usually publicly traded shares in well- known companies. Fund managers look for opportunities to invest in businesses that will grow and make profits for their owners.

Equities are the highest risk, highest return category of investment. Investors take a direct share in the profits or losses of companies, and hence in the economy itself. Two important principles of equity or bond investing are investors' time horizons and inflation. Although in the short term the risk of loss in cash and bonds is lower, in the longer term they provide less protection against inflation. This means that for long-term investment they may not maintain real buying power, while property and equities will.

Behaviour

Equities are the most volatile of the asset classes so the higher the fund's exposure to equities, the higher its volatility will be in the short term. That means the investor should allow a longer investment time horizon to recover from short-term volatility.

The Equity Fund team

The Equity Fund team's primary objective is to grow and preserve capital over a long-term period.

- its style is agnostic, combining value and growth.
- its benchmark is conscious with a tracking error of 3 – 5%
- it uses the STANLIB research team as its primary input for share selection
- it invests in companies that are growing earnings above the market, generating economic profit, distributing cash and are attractively valued.

Risks:

Unfavourable market movements: If interest rates rise it would be negative for the stock market as it would affect companies' earnings and growth potential.

Volatility: For securities, the higher the volatility, the greater the dispersion of returns and the higher the risk associated with investing in the fund.

Economic and political risk: Factors such as the exchange rate and the way that a country is governed affect share prices.

Company risk: If a company is badly managed, it may impact growth and earnings potential, which will have a negative impact on the share price.

Investor Type

Equity funds are suitable for investors with:

- a minimum time horizon of five years
- who are aiming for steady income and capital growth
- and have an aggressive risk profile.

2.3 STANLIB Multi-Asset / Absolute Funds

2.3.1 Characteristics of Multi-Asset / Absolute Funds

Multi-asset investments:

A multi-asset investment, also referred to as a balanced investment, is aimed at long-term wealth creation combined with risk diversification. Balanced funds invest in a broad range of assets including equities, bonds, cash and property which diversifies risk.

Portfolio managers of these funds usually have more freedom to choose assets than those who manage other funds. A manager of a pure equity fund, for example, must have 75% of his portfolio in equities at all times, whereas the manager of a balanced portfolio could have 75% in equities this year and only 40% in equities next year. The change in the proportion of asset cases in balanced portfolios over time is referred to as tactical asset allocation.

A multi-asset fund holds shares, bonds and sometimes money market instruments in a single portfolio. Generally, these hybrid funds stick to a relatively fixed combination of stocks and bonds that reflect either a moderate (higher equity component) or conservative (higher fixed-income component) orientation. They are geared towards investors who are looking for a mixture of safety, income and modest capital appreciation.

The amounts that such a unit trust invests into each asset class usually remain within certain limits. Although they are in the “asset allocation” category, balanced fund portfolios do not materially change their asset mix. This is unlike the life- cycle, target-date and actively managed asset allocation funds, which make changes in response to investors’ changing risk return appetite and age, or overall investment market conditions.

The Balanced Fund team

The Balanced Fund team manages the domestic equity component of the fund as well as the asset allocation. Global equities are managed by our offshore partner, Threadneedle, while offshore bonds are managed by our offshore partner, Brandywine.

Risks

A decline in property values: the risk involved in property and how the decline in property values will have a negative impact on investment returns.

Share price volatility: the risk involved with investing in equities. For securities, the higher the volatility, the greater the dispersion of returns and the higher the risk associated with investing in the fund.

Change in interest rates and economic conditions: fluctuations in interest rates and other macroeconomic variables affect different asset classes differently. Because interest rates are the annual charge for borrowing cash, an increase in interest rates makes cash more attractive. But it is negative for the stock market because borrowing money becomes more expensive for companies, so they grow more slowly.

Investor Type

Multi-Asset Funds are suitable for investors with:

- A minimum time horizon of 3 years
- Who are aiming for long-term wealth creation combined with risk diversification
- Have a moderate to moderately aggressive risk profile

2.4 STANLIB Index Tracker Funds

2.4.1 Characteristics of index tracker funds

Index tracker funds

Index investing is called “passive investing” because the fund managers of index funds simply buy exposure to the shares in the market index, where the largest companies by market capitalisation have the greatest weight. Examples of market indices are the FTSE/JSE Africa Top 40 index and the FTSE/JSE Africa All Share index. Index tracking funds tend to charge low fees and portfolios earn market returns rather than attempting to outperform the market.

Investors who seek market returns through a simple, transparent and low-cost solution can invest in an index product that meets their financial goals. The cost of managing an index fund is much lower than an active fund, which means index investments usually have lower TERs. Over time this fee differential can make a considerable difference to returns.

Investors who seek diversification from specialised investment products can invest in an index product to reduce total investment risk. Specialised products can include concentrated holdings in individual securities, active manager funds, factor or smart beta strategies and ETFs that invest in narrow segments of the market. By allocating a portion of their assets to an index tracking solution, investors can reduce their total active risk, or the risk that they will underperform the market index. In doing so, they will also reduce their total investment costs.

The returns of index tracking products are not guaranteed. The aim of an index tracking product is to replicate the performance of an index. When selecting a suitable index fund, investors should not only look at the investment fees charged, but also consider the record of the passive manager in tracking the returns of the index.

Smart beta funds, also called factor funds, are used to capture market characteristics in a transparent and rule-based manner. A fund that gives the investor the return of a market capitalisation index is referred to as a beta product. While beta is exposure to the broad market risk, “smart” beta moves away from market capitalisation weighting to selecting shares according to systematic risk factors. A risk factor is simply the underlying exposure that drives the returns of a market such as momentum, quality, value or low volatility.

Smart beta funds are a valuable complement to portfolios for investors that seek to:

- access investment characteristics previously only available in active funds
- improve the risk-return efficiency of their portfolios
- optimise management fees
- improve the liquidity and transparency profile of their portfolio
- diversify their existing portfolio allocation.

Factor or smart beta investments offer investors the opportunity to invest in a particular style or theme they find attractive, for example value, momentum, quality or low volatility. Investing in these factors generates a risk premium, which is the reward earned from investing in a systematic risk. A rules-based factor strategy provides investors with liquid, low-cost and transparent access to systematic risks. This ensures that clients gain consistent and reliable exposure to the factors they desire.

Investors can use these strategies to access uncorrelated returns that can help improve return efficiency, portfolio diversification and volatility management so they can outperform the market index over the longer term. Factor portfolios therefore offer “active-like” returns for “passive-like” fees. By focusing on the underlying factors that drive risk, return and correlation, factor investing offers more efficient portfolio construction. Diversification by risk factor is expected to grow over the remainder of this decade.

An ETF is an exchange traded fund. This is a fund that tracks a market index or a commodity (like gold or oil) or a basket of assets (for example a sector). ETFs are traded like shares on the JSE and other stock markets and their prices change throughout the day as they are bought and sold. ETFs have to be bought and sold through a stockbroker and there may be a commission charge.

The liquidity of an ETF does not depend on its trading volume but the liquidity of its underlying securities. This is because of the way in which ETFs are created and redeemed in response to demand. As demand for ETFs increases, the market participants create more ETFs from the securities featured in an ETF's benchmark index. As demand decreases, ETFs are redeemed. This ensures continual access to some of the world's largest securities. ETFs will be highly liquid if the underlying securities required to build them are liquid. The underlying basket of securities in STANLIB Index Investments' ETFs is chosen for its high liquidity.

Differences between ETFs and unit trusts

Exchange traded funds (ETFs) are open-ended collective investment schemes listed on stock exchanges. They differ from unit trusts in that they can be bought and sold throughout the day on a stock exchange, like an ordinary share, through brokers or financial advisers during normal trading hours. Unit trusts are traditional collective investment schemes. They are priced once a day and units are bought and sold by the investment management company.

STANLIB Index Investments has a range of ETFs and unit trusts, covering various indices in local and global markets. ETFs are popular among both institutional and individual investors because of their diverse applications in building portfolios and controlling costs and risk.

Risks

For an investment to be risk-free, it must have a certain future return. All financial assets carry some risk. An index tracking product that tracks the market will have exposure to market risk. Index tracking products that track factors (like value, momentum, quality and low volatility) are exposed to the risk that a particular factor is out of favour in the market.

Why do index fund returns sometimes differ from the return of their benchmark indices?

The funds are designed to produce returns in line with the returns of their benchmark indices. However, all index funds experience a small degree of tracking error – which is the difference between the fund return and the index return. The main causes of the tracking error are:

Fees: the lower the annual management fee drawn from the fund, the less effect it will have on tracking error. STANLIB Index Investments funds have low annual management fees relative to traditional funds.

Trading costs: the lower the trading costs of the fund, the less the effect on tracking error. STANLIB Index Investments funds have low levels of trading relative to active funds.

Timing of pricing: if the funds are priced at a different time of day from the benchmark index, there will be a difference in return. Income and dividend distributions that are reinvested can increase the value of the investments.

Investor Type

Index Tracker funds are suitable for the following clients:

- The minimum time horizon for Index Tracker Funds ranges from a minimum of 1 to 5 years, depending on the asset class: Equity Funds – minimum time horizon of 5 years
- Property – minimum time horizon of 5 years Fixed Income – minimum time horizon of 1-year Multi-Asset – minimum time horizon of 3 years
- Investors who seek market returns through a simple, transparent and low-cost solution Have a moderate to aggressive risk profile

2.5 STANLIB Offshore Funds

2.5.1 Offshore fund characteristics

Offshore investments

Offshore investing refers to investments made outside the home country. It provides exposure to companies that are not available in the domestic market. Although SA investments include dual-listed companies with diversified operations like BHP Billiton, offshore investments include companies listed on international stock markets but not on the JSE. Clients can invest offshore either using their own foreign investment allowance or through STANLIB's asset swap facility.

How to invest offshore?

Clients can either invest in our rand denominated portfolios or our foreign domiciled portfolios which are denominated in foreign currencies.

Benefits of investing in our rand denominated portfolios:

- Our rand denominated range is an easy and effortless way to diversify offshore.
- Clients do not have to apply for foreign clearance and their application does not have to be approved by the South African Reserve Bank.
  - They get all the benefits of investing globally and dealing with a South African institution without having to physically take their money offshore
  - There is no monetary limit for rand denominated investments in the current legislation.

Benefits of investing offshore:

Diversification: spreading investments across different countries is an effective way to improve risk-adjusted returns.

Tax reduction: tax incentives are offered by many countries to foreign investors. The favourable tax rates in an offshore country are designed to promote a healthy investment environment.

Asset protection: individuals who are concerned about lawsuits and other legal claims may wish to transfer a portion of their assets from their personal estates to an entity outside their home country. By making these transfers, individuals are no longer susceptible to seizures.

Higher potential growth: there is a range of investment opportunities around the world. The JSE accounts for about 0.6% of the global stock market so by investing globally you gain access to the other 99,4% of global shares.

Valuable currency protection: unit trusts holding assets in foreign currencies offer protection against the volatility of the rand.

Risks of offshore investing:

The investor faces a number of risks when investing offshore:

- interest rate risk
- foreign exchange risk
- political risk
- country risk
- credit risk
- market risk

Offshore investments' risk profile

The optimal mix for offshore exposure depends on the clients' risk profile which might require them to diversify globally to reduce overall risk. The table below sets out the optimal combinations of domestic and offshore exposure based on the maximum potential return for a given level of risk:

RISK PROFILE	DOMESTIC	GLOBAL
Conservative	94%	6%
Moderately conservative	84%	16%
Moderate	79%	21%
Moderately aggressive	67%	33%
Aggressive	60%	40%

Documentation required for investing in offshore funds:

- complete the application form
- provide a certified copy of the applicant's proof of identity
- provide an original or certified copy of the applicant's residential address, not more than three months old, e.g. a utility bill
- scan and email the documents to offshoreQueries@Stanlib.com and we will review them and revert with any queries within 24 working hours.
- transfer funds to the offshore bank account, details of which are on our application form.

Investor Type

Offshore Funds are suitable for the following clients:

- Clients that would like to invest in companies that are not available in the domestic market
- Clients who would like to diversify their risk and invest in global stocks

2.6 STANLIB Multi-Manager Funds

2.6.1 Characteristics of multi-manager funds

Multi-manager investments

In multi–manager investing, an asset manager (the “multi-manager”) appoints a combination of asset managers (the “underlying managers”) and packages them into a single fund. The underlying managers are selected on the basis of in- depth research. They are continually monitored and, when necessary, replaced. The assumption is that no single manager or investment style can perform well in all markets and deliver superior performance across all phases of the investment cycle. It is impossible to predict which fund manager will be the next outperformer.

Multi-manager investing is designed to achieve asset manager diversification across a range of asset classes. It combines a group of distinct but complementary asset managers, enabling the client to reduce volatility levels in his or her portfolio and increase the potential for long-term returns.

The multi-manager investment approach allows clients to gain further diversification by outsourcing the manager selection function. This not only implies less manager-specific risk in multi-manager portfolios, but also greater access to unique managers and mandates.

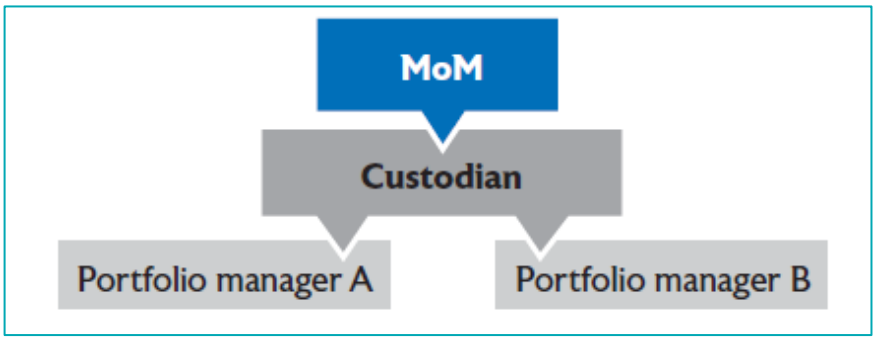
Multi-manager vehicles

There are two distinct multi-manager investment vehicles under the Collective Investment Schemes Control Act (CISCA), namely Manager of Managers (MoM’s) and Fund of Funds (FoF’s). Although both vehicles combine underlying managers, they differ in the way they are constructed and implemented.

	MoMs	Fofs
Structure	Mainly use segregated portfolios, but may have limited exposure (20% of CIS)	Collective Investment Schemes (CIS)
Regulation	CISCA	CISCA
Unit holder[3]	Client owns units in the underlying collective investment portfolios	Client owns unit in the FoF vehicle
Securities	MOM owns the underlying securities	Securities held in the underlying funds’ names - not the FoF’s name
Taxation	Changes to underlying portfolios will not trigger a CGT4 event. Disinvestment will trigger a CGT event	Changes to underlying portfolios will not trigger a CGT4 event. Disinvestment will trigger a CGT event
Manager/Fund changes - transactional costs	Typically low than FoFs	Typically low than MoMs
TER[5]	Typically low than FoFs	Typically low than MoMs

Managers of Managers (MoM's)

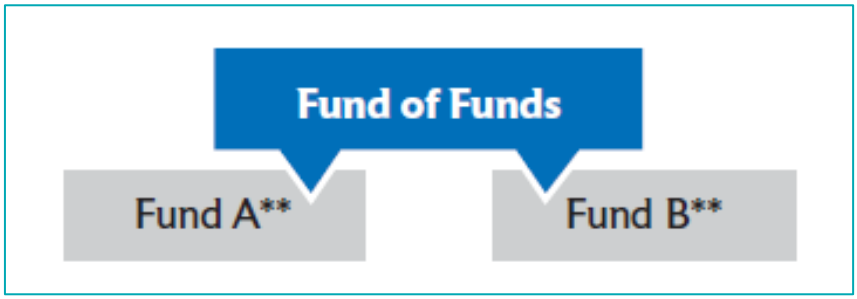
A multi-manager usually invests mainly in segregated portfolios managed by different underlying asset managers but may also invest in collective investment schemes. Segregated mandates allow the multi-manager greater control over the portfolio and the costs associated with it. This vehicle not only enables clients to select a single collective investment portfolio and enjoy the exposure to a range of different asset managers, but also provides "peace of mind" that the underlying asset managers are actively monitored for mandate compliance.



** Securities held by custodian on behalf of MOM

Fund of Funds (FoF's)

A fund of funds invests in a range of collective investment funds and may not invest in fewer than two. This vehicle offers a wide range of diversification within a single fund, as well as access to some of the best investment talent across asset management houses. The multi-manager selects the underlying funds with no influence over the underlying mandates set by the asset management houses for their respective funds.



** Securities held in the fund's name

Benefits

- Clients can benefit from the collective expertise of the multi-manager business. The multi-manager approach combines asset allocation advice, asset manager selection, portfolio construction and risk management services into one convenient portfolio.
- Clients gain access to investment opportunities and sophisticated portfolio management tools that are usually out of reach for most retail clients
- Clients enjoy peace of mind, knowing their appointed multi-manager continuously monitors the underlying investments and manages the associated risks
- Allows a high degree of diversification

- Avoids single manager risk
- Additional layer of governance – selection and monitoring of managers/funds
- Daily monitoring and risk management

Investor Type

Multi-Manager Funds are suitable for the following clients:

- Investors looking to achieve asset manager diversification across a range of asset classes
- Investors looking for less manager-specific risk and to also gain access to unique managers and mandates
- Minimum time horizon and risk profile varies depending on the asset class
- Equity Funds – minimum time horizon of 5 years – Aggressive
- Property – minimum time horizon of 5 years – Aggressive
- Fixed Income – minimum time horizon of 1 year – Conservative to Moderately Conservative
- Multi-Asset – minimum time horizon of 3 years – Moderate to moderately aggressive

3. TAX-FREE SAVINGS ACCOUNTS

National Treasury first raised plans for tax-free savings accounts in the 2012 budget review to encourage household savings and it was discussed in more detail in the 2014 budget speech. Tax-free savings accounts were launched on 2 March 2015 and amended on 1 March 2017.

The primary aim is to encourage individuals to save. The secondary aim is to increase the overall level of savings in the economy. We believe tax-free savings accounts are an efficient and powerful way for individuals to build up savings in the long term.

3.1 Investing in a STANLIB Tax-Free Savings Account

3.1.1 Requirements

Tax-free savings accounts can be used by any natural person who meets the following criteria:

- South African residential address
- South African ID number (or passport number for non-South African citizens living in SA)
- Tax number for any persons over the age of 18
- Bank account for persons under the age of 18
- Parents/guardians may invest on behalf of a minor, provided the minor has an ID/ passport number, a bank account and the investment is made in the minor's name. Any withdrawals made from the minor's investment can only be transferred into the minor's bank account.

3.1.2 Investment restrictions

A maximum of R36 000 (previously R33 000) in the tax year can be invested, and the maximum lifetime contribution is R500 000. These numbers may be adjusted for inflation.

The annual R36 000 limit includes all the tax-free savings accounts that a client holds. Breaching these limits will incur a 40% penalty tax on all amounts exceeding the R36 000 limit.

Any growth in the investment will not be regarded as a contribution and will not affect clients' annual and lifetime limits.

3.1.3 Investment benefits

The STANLIB Unit Trust Tax-Free Savings Account will be exempt from the following taxes as long as the invested amount remains in the account:

- withholding tax on interest
- withholding tax on dividends
- tax on interest
- Capital Gains Tax (when clients switch or withdraw)

3.1.4 Investment withdrawals

Amounts in the account(s) may be withdrawn at any time and, like any other unit trust, it will take 48 hours. All returns are tax-free in the hands of the individual who owns them. Any withdrawals will count towards the annual and lifetime contribution limits. The investment limits are not based on net contributions but gross contributions.

3.1.5 Fees

The following fees will not be charged:

- performance fees
- termination fees

The following ongoing fees may be charged:

- The selected fund's service fee (0.0% - 1% p.a.)
- Financial adviser service charge (where an adviser is used). Brokers may negotiate a trail fee of up to 0.5%, depending on the fund selected
- An initial advice fee may be charged at the discretion of the investor and the broker. Brokers may negotiate initial fees with an investor up to a maximum of 3%.

In summary, the STANLIB UT Tax-Free Savings Account will not charge any additional fees besides the normal annual service fee applicable to the funds selected.

3.1.6 Converting/transferring tax-free savings accounts

Since National Treasury's objective is to encourage new savings, existing investments may not be converted into tax-free investment accounts. All tax-free investment accounts must be started with new contributions.

From 1 March 2018, clients may transfer their tax-free savings investments from one service provider to another but not into another investor's tax-free investment, such as children, spouses or any other family member.

3.1.7 Client declarations

Clients will be required to sign the following declaration in the application form:

CLIENT DECLARATION - TAX-FREE SAVINGS ACCOUNT

I acknowledge that I have decided to invest in Collective Investment Scheme portfolios qualifying as a tax- free savings account managed in accordance with the regulations in terms of section 12T of the Income Tax Act of 1962, on the requirements for tax-free investments.

I acknowledge that I am a South African resident and that I am aware of the maximum total of annual and lifetime contribution(s) as detailed below:

Annual maximum:

An individual can contribute a total of R36 000 annually. Annual contributions align with an individual's tax year, i.e. the 12 months from 1 March to the last day in February the following year. Should an investor decide to invest in more than one tax-free savings account, the maximum annual aggregate capital amount that can be invested remains R36 000. Any interest, dividends and capital gains that are reinvested shall not be considered in determining the maximum annual contribution.

Lifetime maximum:

An individual can contribute a total of R500 000 over his/her lifetime. This maximum applies to the total capital contributions only. All interest, dividends and capital gains earned in this account may be automatically re-invested tax-free to accrue further interest and dividends.

Any capital amount withdrawn will still form part of the annual and lifetime contribution maximum. I further acknowledge that I am aware that I will incur a tax penalty of 40% for any contributions that exceed the annual and lifetime limits and that I will not hold STANLIB responsible for any penalties incurred by me as a result. STANLIB Collective Investments is not permitted to accept investment amounts in excess of the above annual limit and any amounts greater than R36 000 will be returned to the client for review and re-submission.

I further acknowledge that it remains my responsibility as an investor to adhere to the annual and lifetime contribution limits, either individually or in aggregate, and that any contributions in excess of these limits will incur a 40% tax penalty in accordance with section 12T of the Income Tax Act of 1962.

I hereby indemnify STANLIB Collective Investments against any losses suffered by not complying with the above prescribed limits. STANLIB Collective Investments is not permitted to accept investment amounts in excess of the above annual limit and any amounts greater than R36 000 will be returned to the client for review and re-submission.

I acknowledge that I am aware that transfers of tax-free savings accounts will not be allowed until a date and regulations have been confirmed by regulators. This includes both transfers from one institution or product provider to another, or between products of the same product provider.

I acknowledge that I have decided to invest in Collective Investment Scheme portfolios qualifying as a tax-free savings account managed in accordance with the Regulations in terms of section 12T of the Income Tax Act of 1962, on the requirements for tax free investments.

4. HOW TO DO BUSINESS WITH STANLIB

4.1 New business

This is the process of opening a new STANLIB Unit Trust account.

4.1.1 Application Process

Application forms are on the STANLIB website under the “Quick Links” tab. When filling in an application form, please:

- Ensure you are using the latest version of the application form. The expiry date can be found on the footnote
- Ensure all compulsory fields, indicated by *, are fully completed
- Initial any amendments
- Email the completed and signed application form to instructions@stanlib.com, together with the supporting FICA documents

After you have met the FICA requirements, an email confirmation will be sent to you and the broker on record. The confirmation email will provide STANLIB’s banking details and indicate the deposit reference you should use when making payments.

Please note: This process does not apply to once-off debit payments or recurring debit orders. For these transactions, clients will be debited from the bank account they have provided.

Once all documents have been submitted and funds received:

- For anything other than money market funds, investors will receive that day’s price if a completed instruction is received before 15h00.
- For Money Market funds, investors will receive the price of the following day if a completed instruction is received before 12h00.
- The cut-off for debit order processing is two business days before your selected debit order date.
- Electronic collections occur on the next business day after we begin processing your application.
- You will receive an SMS confirmation once your instruction has been processed.
- As part of our service offering, you will receive a STANLIB online user id. It has to be activated within two days of the completion of your instruction. This will allow you to view and transact on your account 24/7.

4.1.2 FICA & Application Documents Required

- FICA: copy of your South African barcoded ID, valid passport (if foreign national) or birth certificate (if a minor)
- FICA: proof of your residential address, less than three months old
- Application: proof of your bank details (EG cancelled cheque or bank statement)
- Application: any related instructions (EG ‘acting on behalf of the investor’ and supporting documents)

4.2 Additional investment

This is the process of purchasing additional units in an existing unit trust account or adding a new fund.

4.2.1 Additional investment form

Additional investment forms can be found on the STANLIB website under the “Quick Links” tab. When filling in an additional investment form, you must:

- Ensure you are using the latest version of the form. The expiry date is in the foot note
- Ensure all compulsory fields, indicated by *, are fully completed
- Initial any amendments
- Email the completed and signed additional investment form to instructions@stanlib.com, together with the supporting documents
- Payment references used for deposits should be the same as the requested reference on the additional investment form.
- Funds will be allocated if:
    - The account number is supplied as a payment reference
    - An entity number is supplied and only one UT portfolio exists
    - An ID number was used as a payment reference and only one UT portfolio exists
- The funds will not be allocated to portfolios if:
    - An entity number is supplied as payment reference, but multiple UT portfolios exist
    - No entity or UT account number was supplied

Once the instruction, all documents and funds are received:

- For non-money market funds, investments and repurchases will receive that day’s price if a completed instruction is received before 15h00
- For Money Market funds, investors will receive the price of the following day if a completed instruction is received before 12h00.

4.2.2 Additional documents required

- EFT: proof of payment
- Once-off debit order: proof of your bank details (EG cancelled cheque or bank statement), if STANLIB does not already have them
- Recurring debit order: proof of your bank details (EG cancelled cheque or bank statement) – if STANLIB does not already have them.

4.3 Switching

4.3.1 Switch form

Switch forms are on the STANLIB website under the “Quick Links” tab. When filling in a switch form, you must:

- Ensure you are using the latest version of form. The expiry date is in the footnote
- Ensure all compulsory fields, indicated by *, are fully completed
- Initial any amendments
- Email the completed and signed switch form to instructions@stanlib.com

Once the instruction and all documents are received:

- For non-money market funds, switches will receive that day's price if a completed instruction is received before 15h00
- For money market funds, switches will receive the next working day price if a completed instruction is received before 12h00
- An existing debit order will remain in force unless otherwise specified.

4.4 Updating client details

4.4.1 Change of details form

Change of details forms are on the STANLIB website under the "Quick Links" tab. When filling in a change of details form, please:

- Ensure you are using the latest version of the form. The expiry date is in the footnote.
- Ensure all compulsory fields, indicated by *, are fully completed
- Initial any amendments
- Email the completed and signed change of details form to instructions@stanlib.com

Once the instruction and all documents are received:

- We will email confirmation of receipt
- We will update your details within 48 hours, provided all requirements are met.

4.5 Repurchase/withdrawal

4.5.1 Repurchase/withdrawal form

Repurchase/withdrawal forms are on the STANLIB website under the "Quick Links" tab. When filling in a repurchase form, please:

- Ensure you are using the latest version of the form. The expiry date is in the footnote.
- Ensure all compulsory fields, indicated by *, are fully completed.
- Initial any amendments
- Email the completed and signed repurchase/withdrawal form to instructions@stanlib.com together with all supporting documents. Clients who are not FICA compliant will be asked to provide FICA documents.

Please note: The minimum repurchase/withdrawal amount for all STANLIB funds is R2 000, so even if repurchase/ withdrawal requests for lower amounts are received, we will have to redeem R2 000. If the balance is less than R2 000, the full amount will be withdrawn. Minimum remaining amounts apply to withdrawal instructions unless there is an active debit order.

Once the instruction and all documents are received:

- For non-money market funds, repurchases will be made at that day's price if a completed instruction is received before 15h00.
- For money market funds, repurchases will be made at the following day's price, if a completed instruction is received before 12h00.
- For money market funds, the manager will endeavour to pay out within two business days, if the fully completed redemption request was received before 12h00 on any business day.

- Payment will be made within 48 hours for Standard Bank clients and an additional 48 hours for non-Standard Bank clients and a maximum period of 14 days of receipt of a valid redemption form.
- An existing debit order will remain in force unless otherwise specified. If a debit order is cancelled, the instruction must reach the manager two business days before the debit order process date.
- The proceeds will be transferred electronically to investors' bank accounts. Payment to a third-party bank account,
- i.e. an account not in the name of the investor, is not allowed. Payments can only be made to transmission, savings or current accounts.

4.5.2 Additional repurchase/withdrawal documents required

Additional documentation is required if:

- A copy of the ID was not previously provided
- Certified/verified FICA documentation was not previously provided
- A client's name has changed since inception of the investment
- The client was a minor when the investment was initiated and is an adult at redemption stage. The client must provide FICA documentation, bank details and a signed redemption form.

4.6 Tax-free savings transfer process

This is the process of moving a tax-free savings account from one administrator (Manco) to a new STANLIB Tax-Free Savings Unit Trust Account.

4.6.1 Tax-free savings transfer form

Tax-free savings transfer forms are on the STANLIB website under the "Quick Links" tab. When filling in a tax-free savings (TFS) transfer form, please:

- Ensure you are using the latest version of form. The expiry date is in the footnote
- Ensure all compulsory fields, indicated by *, are fully completed.
- Initial any amendments
- Email the completed and signed TFS transfer form to instructions@stanlib.com, together with all supporting documents. Clients who are not FICA compliant will be asked for FICA documents
- For new clients, a tax-free savings (new business) application form and the required FICA documentation must accompany the transfer request form.
- STANLIB will instruct the Manco to transfer the funds.
- STANLIB will allocate the units and price the transaction once the Manco has confirmed transfer of the funds.
- Details of the transaction will be available on STANLIB online.

Once the instruction and all documents are received:

- It will take seven to ten business days to complete the transaction after receiving the fully completed transfer instruction.

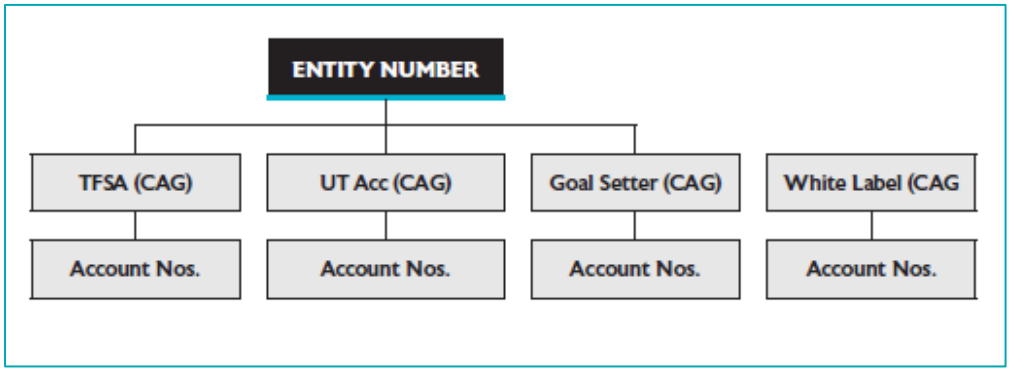
4.6.2 Tax-free savings transfer documents required

- FICA: copy of your South African barcoded ID, valid passport (if foreign national) or birth certificate (if a minor)
- FICA: proof of your residential address less than three months old
- Transfer document: Proof of your bank details (EG cancelled cheque or bank statement)
- Transfer document: Any related instructions (EG 'acting on behalf of the investor' and supporting documents)
- Transfer document: Client statement from administrator from which the client is transferring.

4.7 Client Account Groups (CAGs)

A CAG is a grouping by product type. Each product type will have a different CAG associated with it but will fall under the same entity number. Product types are, for example, tax-free savings accounts, normal unit trust accounts, goal setter funds or white label funds. Under each CAG, a client will have various account numbers reflecting the funds he or she holds.

Below is a visual illustration of how entity numbers, CAGs and account numbers relate:



4.8 Estate late

This is the process that applies when an investor dies, and a beneficiary would like to claim those funds.

4.8.1 Estate late forms

The applicable forms are on the STANLIB website under the "Quick Links" tab. When applying for estate late withdrawal or transfer, clients can either use the normal STANLIB repurchase/withdrawal form or the normal STANLIB transfer form.

Below are guidelines on both processes:

4.8.1.1 Payment of the death benefit as a cash lump sum to the estate

When applying for payment of the death benefit as a cash lump sum to the estate, a normal STANLIB Unit Trust withdrawal/repurchase form must be completed and submitted, with the necessary supporting documents.

Please ensure:

- The withdrawal/repurchase form is completed in the name of the deceased and signed by the executor(s) or agent(s) appointed to act on behalf of the executor(s) in terms of the attached power of attorney.
- All mandatory fields, which are marked with an Asterix (*), are completed
- A copy of the proof of the estate late banking details is provided, in the form of a cancelled cheque or a bank statement on a letterhead/bank stamp, no more than three months old

4.8.1.2 Transfer of the death benefit to the beneficiary

When applying for transfer of the death benefit to the beneficiary, clients must complete a normal STANLIB Unit Trust transfer form and provide supporting documents.

Please ensure:

- The transfer form is completed in full in the name of the deceased and signed by the executor(s) or person(s) appointed in terms of the attached power of attorney. All mandatory fields, which are marked with an Asterix (*), must be completed
- A STANLIB Unit Trust application form is completed and signed by the applicant/beneficiary named in the supporting documents. All mandatory fields, which are marked with an Asterix (*), must be completed
- Proof of the beneficiaries current physical/residential address is provided
- A copy of the beneficiary's proof of banking details, in the form of a cancelled cheque or bank statement on a letterhead/bank stamp, no more than three months old, is supplied.
- A copy of the marriage certificate is provided if the request is a transfer between spouses

4.8.1.3 Combination of a transfer to the beneficiary and payment of the death benefit as a cash lump sum to the estate

If clients wish both to transfer funds to the beneficiary and have the death benefit paid as a cash lump sum to the estate, both processes detailed above must be followed and the above-mentioned documents must be supplied.

4.8.1.4 Documentation required for estate late cases

- Proof of the executor's current physical/residential address.
- A copy of the executor's barcoded identity document/valid passport, with one specimen signature
- A copy of the power of attorney, appointing an agent to act on behalf of the executor (if applicable).
- A copy of the agent's barcoded identity document/valid passport, with one specimen signature (if applicable).
- Proof of the agent's current physical/residential address (if applicable).
- Copy of death certificate
- A copy of the deceased's barcoded identity document/valid passport
- A copy of the letter of executorship/letter of authority
- A copy of the BI1663/DHA1663 form (notification of death)

To confirm the physical address, clients may include a copy of one of the following documents:

- Utility bill/rates and taxes (not older than three months)
- Bank statement posted to the residential address (not older than three months)
- Mortgage statement (not older than three months)
- MNET or DSTV account (not older than three months)
- SABC licence or SABC licence card (not older than 12 months)
- Lease or rental agreement (not older than 12 months)
- SARS document; excluding e-filing documents (not older than 12 months)

The documents must reflect the name and physical/residential address of the individual concerned. The complete list of accepted proof of physical address may be found on the FICA documentation checklist.

If the applicant resides with another person who receives all the documentation to the joint address, so he or she cannot supply any of the proofs on the FICA documentation checklist, the STANLIB confirmation of joint address form must be completed by the person who receives the utility bills. This form needs to be submitted together with a copy of the spouse's or landlord's utility bill.

Please note: The abovementioned documents are in addition to the documentation required/listed in the abovementioned processes.

4.9 Investment Transfers

This is the process for an existing STANLIB client to transfer all or part of his or her existing investment into another investor's account, who is either new or already a STANLIB client.

4.9.1 Investment transfer forms

Investment transfer forms are on the STANLIB website under the "Quick Links" tab. When transferring funds from one investor to another, clients can use the normal STANLIB switch form. When filling in the switch form, you must:

- Ensure you are using the latest version of the transfer/switch form. The expiry date is in the footnote.
- Ensure all compulsory fields, indicated by *, are fully completed.
- Initial any amendments

4.9.1.1 Transferring all or part of an investment from one STANLIB client to another

In this case, clients must fill in the switch/transfer form as indicated above.

4.9.1.2 Transferring from an existing client to a new STANLIB client

In this event, clients must complete the switch/transfer form as indicated above as well as a new business application. The following documents will be required for the new business application:

- FICA: copy of your South African barcoded ID, valid passport (if foreign national) or birth certificate (if minor)
- FICA: proof of your residential address less than three months old

- Application: proof of your bank details (EG cancelled cheque or bank statement)
- Application: any related instructions (EG ‘acting on behalf of the investor’ and supporting documents)
- Application: fully completed and signed application form, with all the mandatory sections marked with an Asterix (*) completed in full

Please note: No CGT will be charged when clients transfer funds into their spouses’ accounts. CGT will be charged when transferring to other investors, including the clients’ children.

4.10 Cessions

A cession is the formal surrender of rights of ownership to an asset. For STANLIB, a cession refers to surrendering all or part of a client’s investment to another entity/individual. The cedent is the person/entity giving up their investment rights/ ownership and the cessionary is the person/entity gaining the investment rights/ownership. The investment remains in the client’s name but he or she will not own the ceded amount until the cession is cancelled/uplifted.

4.10.1 Registration of a cession

When a client wishes to register a cession, he or she must fill in the “notification of cession form” for Collective Investments, which is on the STANLIB website under the “Quick Links” tab.

Please ensure:

- You are using the latest version of the “Notification of cession” form. The expiry date is in the footnote.
- The form is fully completed and signed by both the cedent and cessionary / cessionary’ s authorised signatory
- All compulsory fields indicated by * are fully completed.
- Initial any amendments

For financial institutions, the following supporting documents are required, together with the ‘notification of cession’ form:

- A signed instruction from the cessionary (on the institution’s letterhead), giving full investment details of the cedent.
- A copy of the deed of pledge or underlying agreement between the parties
- Contact details of cessionary (contact person, telephone number, postal and email address);
- FICA documentation for the cedent (if the cedent has not previously provided FICA documents to STANLIB)
- FICA documentation for the cessionary. If the request is to a commercial bank, then FICA for the cessionary is not required

For financial individuals, the following supporting documents are required together with the ‘notification of cession’ form:

- A copy of the deed of pledge or underlying agreement between the parties;
- Contact details of cessionary (contact person, telephone number, postal and email address);
- FICA documentation for the cedent (if the cedent has not previously provided FICA documents to STANLIB)
- FICA documentation for the cessionary

Please note: Once cession has been registered a notification of cession will be sent to the cedent.

4.10.2 Cession Cancelation

When a client wishes to cancel the cession, a signed letter from the cessionary will be needed to confirm this. The letter must contain the following details:

- Name of cedent
- Fund name
- Account number
- Reference number
- If cessionary is a legal entity/financial institution, the letter should be on the institution's letterhead

Please note: Once cession has been cancelled, a cancellation of cession notification will be sent to the cedent.

4.10.3 Repurchase/ withdrawal of ceded investment

When a cessionary would like to repurchase/withdraw the ceded investment, both cedent and cessionary must complete and sign a STANLIB repurchase/withdrawal form in the name of the cedent. The following documents are required, together with the repurchase/withdrawal form:

- Cessionary' s proof of banking details in the form of a cancelled cheque or copy of banking statement no more than three months old
- The cedent and the cessionary are to complete and sign a STANLIB repurchase/ withdrawal from, provide the cessionary's proof of banking details and signed instruction from the cessionary with mention of the full investment details and confirming whether the cession must be cancelled completely or re-applied to the investment once the redemption transaction is processed.

4.10.4 Switch between funds with ceded investment

If a client would like to switch ceded investments from one fund into another, he or she must:

- Complete and sign a normal STANLIB switch form
- Provide a letter from the cessionary indicating the cancellation of the cession over the current fund and reinstating it on the new fund.

Please note: It is the cedents responsibility to make the cessionary aware of the switch. STANLIB will send the client a notification once completed.

5. STANLIB ONLINE TRANSACTIONS

STANLIB online for brokers

5.1 Registering online for brokers

	Visit **www.stanlib.com** Click on **LOGIN/REGISTER** (a button right at the top of the website on the right)
	A drop-down will appear, click on **Individual/Adviser** A new tab will open up for **STANLIB Online**
	Click on the teal word **Register** on the top right A new secure tab will open up for "**Online Registration**"
	Please select the button next to '**Client**' and select **what type of user** you are. Complete details as required
	A One Time Password (OTP) will be sent to the cell phone number provided. To activate your online account, input the OTP on the online registration page. You will receive an e-mail
	Click on the **link in the e-mail** to reset your password (another OTP will be sent for the reset)

5.1.1 How to search for a client

- Login to STANLIB Online
- Select "Unit Trust"
- Select "Financial Adviser " drop down arrow
- Select "Investor Search" under the investors tab
- This screen allows you to search for a client using the client's ID number, client's name and investor number

5.1.2 How to generate a statement and tax certificate

- Login to STANLIB Online
- Select "Unit Trust"
- Select "Investor" at the top left
- Scroll down to the "Statements and Tax Certificates" tab and click
- This tab allows brokers to generate statements/certificates in PDF format

5.1.3 How to generate an investment proposal

- Login to STANLIB Online
- Select "Unit Trust"

- Select “Financial Adviser “ drop down arrow
- Select “Investment Proposals”

5.1.4 How to upload an instruction

- Login to STANLIB Online
- Select “Unit Trust”
- Select “Financial Adviser “ drop down arrow
- Select “Upload Instructions”
- This allows the broker to upload a signed STANLIB instruction form which should not exceed 7MB
- Documents supported are TEXT, PDF, WORD, HTML OR IMAGE

5.1.5 How to track instructions

- Login to STANLIB Online
- Select “Unit Trust”
- Select “Financial Adviser” drop down arrow
- Select “Track your instructions”
- This allows the broker to track instructions submitted manually
- A straight through process online instruction is processed within 24 hours

5.1.6 How to transact online

STANLIB Online allows brokers to perform transactions on behalf of clients. This is limited to brokers who have CATIIA licenses or mandates from clients. To transact online brokers need to:

- Login to STANLIB Online
- Select “Unit Trust”
- Select “Investor” at the top left
- Scroll down to “Transactions” and select the transaction

5.2 STANLIB Online for Clients

5.2.1 Registering Online

	Visit **www.stanlib.com** Click on **LOGIN/REGISTER** (a button right at the top of the website on the right)
	A drop-down will appear, click on **Individual/Adviser** A new tab will open up for **STANLIB Online**
	Click on the teal word **Register** on the top right. A new secure tab will open up for "**Online Registration**"
	Please select the button next to '**Client**' and select **what type of user** you are. Complete details as required
	A One Time Password (OTP) will be sent to the cell phone number provided. To activate your online account, input the OTP on the online registration page, then you will receive an e-mail
	Click on the **link in the e-mail** to reset your password (another OTP will be sent for the reset)

5.2.2 Additional investment online

- Login to STANLIB Online
- Landing page will show all the tiles for your investments
- Select the portfolio for which an additional investment is to be made
- Click on "Transact Now" under the 'Additional Investment" tab
- Select either "Once-off Debit order" or "Recurring (monthly) Debit Order"
- Input the amounts you'd like to invest under the relevant investments
- Select a source of funds and the account to be debited from the pull down list
- Accept terms and conditions and client "CONFIRM"
- You will see a confirmation that the transaction was successful on the screen

5.2.3 Switching Online

- Login to STANLIB Online
- Landing page will consist of all the tiles for your investments
- Select the portfolio that you would like to switch
- Click "Transact Now" under the "Switch" tab
- Choose the fund from which you want to switch
- Choose the fund to which you would like to switch

5.2.4 Viewing statements online

- Login to STANLIB Online
- Landing page will consist of all the tiles for your investments
- Select the portfolio that you would like to view
- To view historical balances, click on the calendar icon and select the date you would like to view

- When completed simply click on the exit button in the top right corn and return to landing page

5.2.5 Update client details online

- Login to STANLIB Online
- Landing page will consist of all the tiles for your investments
- Click on any portfolio
- Select “Investor” on the top left corner
- Scroll down to the “Personal” tab and click on “Profile”
- Screen will show all your client details, then scroll down and click on “Edit” to update details
- Once done, click on “confirm changes”

Please note: you can only update contact details.

5.2.6 Repurchase Online

- Login to STANLIB Online
- Landing page will consist of all the tiles for your investments
- Select the portfolio from which you would like to repurchase
- Click on “Transact Now” under the “Repurchase” tab
- Choose “Once off/Recurring” repurchase amount/units
- Select a bank for this transaction from the pull down list
- If you have pending transactions, these will be shown here
- Accept the terms and conditions
- You will see a confirmation that the transaction was successful on the screen

5.3 Standard Bank App

STANLIB clients can now view their balances on the Standard Bank mobile app. To view these balances, you need to link your STANLIB account on the Standard Bank app. Below is a step-by-step guide on how to do this:

Step 1: From your Standard Bank app dashboard, tap on “Explore more solutions” at the bottom of the screen.

Step 2: Tap on “Investments and Share Trading”

Step 3: Tap on “STANLIB”

Please note: if you cannot view your STANLIB accounts on Standard Bank internet banking then you will not be able to view your accounts on the app. If this is the case, please contact STANLIB directly to link your accounts with their internet banking associated card. This process is normally done as part of the initial application form process.

Step 4: Link your STANLIB portfolio by clicking “Add to dashboard”

Step 5: A new tile will be automatically added to your Dashboard

This will show a summary of the value held in each of your STANLIB regions:

- South Africa
- Kenya
- Jersey

Step 6: Tap on this dashboard tile to see a more detailed view of each region

Step 7: Tap on a region to see a full view of your portfolio including:

- Total portfolio value
- Asset allocation for the whole portfolio
- Details of each particular fund – account name, account number, value, units and net asset value

You can toggle between your different investment types, e.g. unit trusts or tax-free savings accounts, by tapping on the words “Unit Trusts” and “Tax-Free” at the top of the screen.

Step 8: Tap on one of the insight cards to get a mini statement for the fund

Step 9: Tap on the text in blue to get a mini statement view

6. UNDERSTANDING FUND FACTSHEETS

6.1 Introduction

Choosing what unit trust to invest in means making an informed decision. Many unit trust funds may look the same but there are many critical aspects which differentiate one fund from another. A fund factsheet is designed to help investors to understand these differences.

Legislation requires that all unit trusts produce a minimum disclosure document (MDD), usually called a factsheet. This document details how the unit trust operates, its performance, risk profile and costs. You can use factsheets to get more insights into the unit trusts you are considering and compare them.

What a factsheet can tell you

Unit trust name, objective and benchmark

This section lays out the definition of success for a unit trust, by stating its goal and benchmark.

A unit trust measures its success by comparing its return with a benchmark.

STANLIB EQUITY FUND
Fund inforation update 31 March 2018

STANLIB

WHAT IS THE FUND'S OBJECTIVE?

The fund's main objecive is steady growth of income and capital, a reasonable level of current income, and the maximum stability for capital invested.

WHAT DOES THE FUND INVEST IN?

The investments in the fund include shares listed on the stock exchange, investments in bonds, cash and money markets, as well as in other similar collective investment schemes.

GENERAL FUND INFORMATION

Manager(s)	Herman van Velze and Theo Botha	
Size (NAV)	R4.20 billion	
Classification	South African - Equity - General	
Benchmark	FTSE/JSE Shareholders Weighted All Share Index	
Regulation 28	Does not comply	
	Class R	**Class A**
Launch	02 January 1970	03 July 2000
ISIN number	ZAE000020087	ZAE000025078
JSE code	GDBK	LIWA

You can use benchmarks to evaluate performance. This is critical. What index does your tracker actually track? Does it cover the asset class you want? Does it expose you to the right securities?

Portfolio size: How big is the fund? The larger it is the less vulnerable it is to be being wound up if panicky investors flee. Big index tracker funds are rarely, if ever, closed. Closure results in your assets being sold and the proceeds returned to you in cash. The major downside is that you'll be out of the market for a time and you may incur capital gains tax if your fund is liquidated.

INCOME	
DISTRIBUTION	Net income is calculated and accrued daily and is declared and distributed semi-annually.
DECLARATION	30 June, 31 December

Distribution date: dividends are paid on this date.

The declaration date: This is when the board of directors announces its approval of a dividend payment. It will also announce the record date and the payment date.

Performance VS Benchmark

PERFORMANCE AND INCOME

Returns (%)	1 year	3 years	5 years	7 years	10 years
Class R					
Class	5.35	2.32	6.58	11.06	6.86
Rank/Out of	48/161	66/127	64/98	19/75	49/60
Sector Average	2.93	2.09	7.12	9.26	8.28
Benchmark	4.54	4.53	9.63	12.08	9.90
ClassA					
Class	4.75	1.72	5.95	10.38	6.21

Returns (%) shown are cumulative for all periods shorter than or equal to 1 year and annualised for all periods greaer than 1 year.
Class R Launch: 02 January 1970
Class A Launch: 03 July 2000
Benchmark: FTSE/JSE Shareholder Weighted All Share Index

Statistics (%)	1 year	3 years	5 years	7 years	10 years
Class R					
Positive Months	7	19	38	54	75
Max Gain	16.63	19.08	55.75	133.75	295.54
Max Drawdown	-8.58	-10.54	-10.54	-10.54	-46.80
Highest	18.24	18.24	28.01	34.37	38.80
Lowest	-4.68	-7.32	-7.32	-7.32	-43.62
Class A					
Highest	17.56	17.56	27.19	33.51	38.06
Lowest	-5.22	-7.85	-7.85	-7.85	-43.98

Higehst - this reflects the hghest 12 months return during the period
Lowest - this reflects the lowest 12 months return during the period

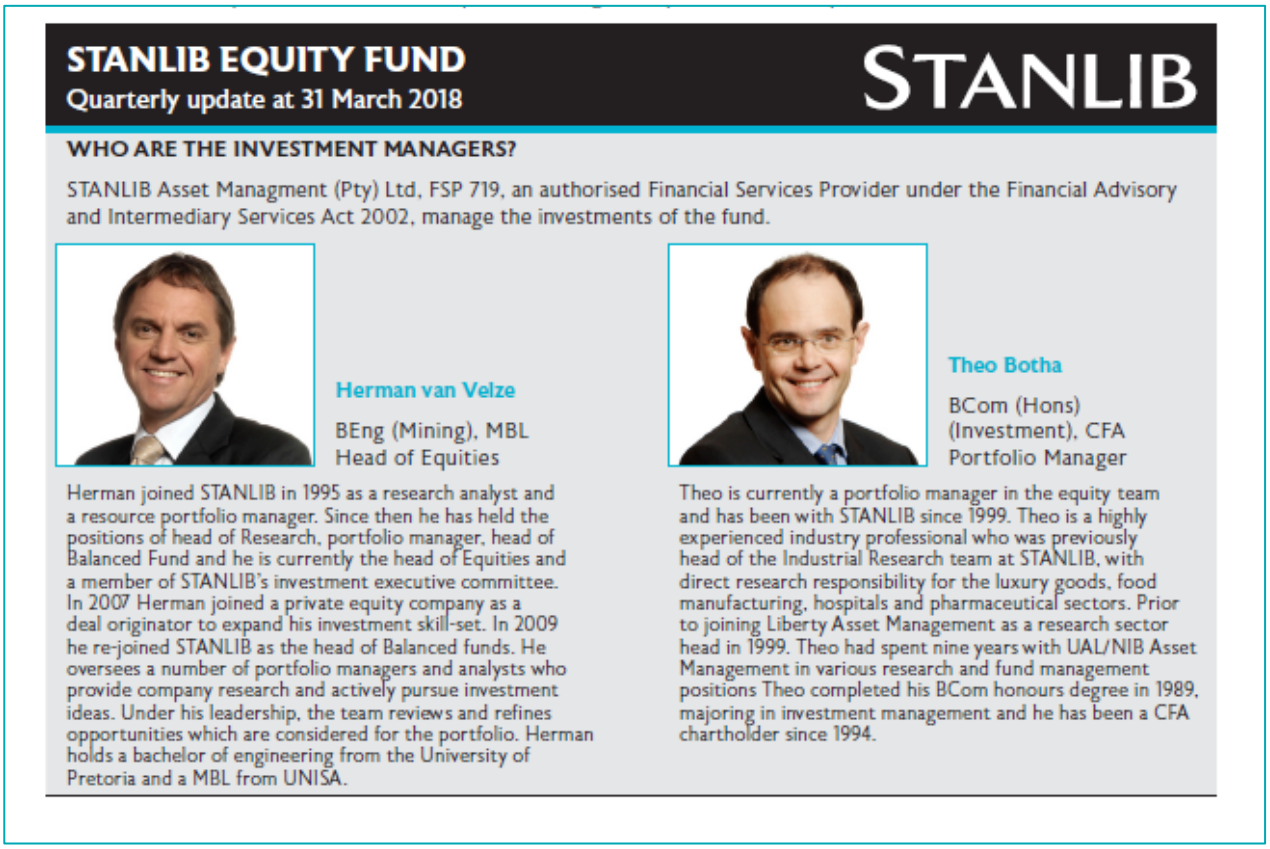
Statistics (%)	1 year	3 years	5 years	7 years	10 years
		Class R		Class A	
30 June 2017		162.89		90.47	
29 December 2017		147.49		67.04	
23 March 2018*		30.56		0.00	
In last 12 months		340.94		157.51	
In 2017		310.38		157.51	

*Special distribution declared to provide for the amalgamation of the STANLIB Value Fund into the STANLIB Equity Fund

When assessing a unit trust you should look at whether its benchmark is appropriate, as it may be used to determine the fees charged. If it charges performance fees, a unit trust with a lower benchmark than others in the same category may cost more as it will collect fees when it exceeds that benchmark.

Portfolio managers

The fund factsheet provides a brief summary of the managers responsible for that particular fund.



STANLIB EQUITY FUND
Quarterly update at 31 March 2018

STANLIB

WHO ARE THE INVESTMENT MANAGERS?

STANLIB Asset Managment (Pty) Ltd, FSP 719, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act 2002, manage the investments of the fund.

Herman van Velze
BEng (Mining), MBL
Head of Equities

Herman joined STANLIB in 1995 as a research analyst and a resource portfolio manager. Since then he has held the positions of head of Research, portfolio manager, head of Balanced Fund and he is currently the head of Equities and a member of STANLIB's investment executive committee. In 2007 Herman joined a private equity company as a deal originator to expand his investment skill-set. In 2009 he re-joined STANLIB as the head of Balanced funds. He oversees a number of portfolio managers and analysts who provide company research and actively pursue investment ideas. Under his leadership, the team reviews and refines opportunities which are considered for the portfolio. Herman holds a bachelor of engineering from the University of Pretoria and a MBL from UNISA.

Theo Botha
BCom (Hons) (Investment), CFA
Portfolio Manager

Theo is currently a portfolio manager in the equity team and has been with STANLIB since 1999. Theo is a highly experienced industry professional who was previously head of the Industrial Research team at STANLIB, with direct research responsibility for the luxury goods, food manufacturing, hospitals and pharmaceutical sectors. Prior to joining Liberty Asset Management as a research sector head in 1999. Theo had spent nine years with UAL/NIB Asset Management in various research and fund management positions Theo completed his BCom honours degree in 1989, majoring in investment management and he has been a CFA chartholder since 1994.

How the unit trust aims to achieve its objective

The mandate of a unit trust dictates what types of asset it buys, while the investment philosophy of the manager describes the way the manager invests. A single factsheet won't show you whether the stated investment philosophy actually describes how the unit trust manager behaves. But if you are choosing between a shortlist of unit trusts, it is worth reading the investment commentaries written by the portfolio managers over time, to get a sense of whether or not they are sticking to a tried-and-tested method. If this is the case, their long-term performance is probably a reasonable indicator of future outcomes.

A positive long-term track record that shows reasonably consistent performance at similar points in different market cycles also gives some indication that a manager is applying a consistent investment philosophy and process.

FUND REVIEW

The JSE Shareholder Weighted All Share Index returned a negative 6.76% and the MSCI All Country World Index declined 0.84% in dollar terms over the quarter after markets were sold down aggressively in March in the wake of global trade war concerns. The South African market initially gained in the quarter after the inauguration of President Rhamaphosa and the announcement by Moody's that they raised the outlook for the country's sovereign credit rating for negative to stable. The Equity Fund delivered a return of -4.64% well ahead of the benchmark for the quarter. Positive contributors to performance were overweight positions in Steinhoff Africa Retail, Shoprite, Mr Price, Santam and Standard Bank, together with underweight positions in the Resilient stable of property companies, Tiger Brands, Exxaro Resources and Sibanye Gold. Amazon and Nintendo contributed positively to the global portfolio's performance.

Detracting from performance in the quarter were underweight positions in Barclays Africa Group, Growthpoint, Nedbank, Truworths and Netcare; and overweight positions in Capitec Bank, British American Tobacco, African Rainbow Minerals, Sasol and Bidcorp. MACOM Technology detracted from performance but we remain positive on the communications chip company long term.

New holdings incorporated in the fund during the quarter include Bidvest, for its quality exposure to South Africa centric industrial earnings growth, and The Foschini Group for access to a versified portfolio of credit retail brands. We added to our holding in Sanlam and KAP. Sanlam raised new capital to fund its acquisition of Sanlam Capital and Steinhoff sold the majority of its holding in KAP. We sold all our shares in Kumba Iron Ore. Rhodes Foods and the STANLIB Property Unit Trust during the quarter. Looking ahead, during the quarter the fund further increased its exposure to SA domestic companies and we are now overweight banks, insurance and retail shares. Property sector volatility remains a concern and the fund currently has no exposure to property shares.

Resources were buoyed by recent earnings and divided payments. We are still positive on the sector and remain overweight the diversified mining companies. Resource companies have improved operational efficiencies and investors have already seen substantial cash returned to shareholders.

The fund retains its significant exposure to Naspers as the fortunes of its largest investment Tencent remain constructive. We are also factoring in further operational improvement in the ecommerce and e-tailling subsidiaries of the group.

Minimums & ISIN Number

ISINs are used to identify and track securities around the world, which means the ticker symbol for a security can vary from exchange to exchange but the ISIN number does not. ISINs are assigned to stocks, bonds, notes, commercial paper, unit trust funds, hedge funds and any other traded instrument.

GENERAL FUND INFORMATION		
Manager(s)	Herman van Velze and Theo Botha	
Size (NAV)	R4.2 billion	01/04/2015
Classification	South African - Euity - General	
Benchmark	FTSE/JSE Shareholders Weighted All Share Index	
Regulation 28	Does not apply	
1 Year Total Expense	1.25%	1.84%
	CLASS R	**CLASS A**
Launch date	02 January 1970	03 July 2000
ISIN number	ZAE000020087	ZAE000025078
JSE code	GDBK	LIWA
Minimum investment requirements		
Lump sum	R5,000	R5,000
Monthly	R500	R500

Fees, Total Expense Ratio (TER), Transaction Costs (TC) & Total Investment Charge (TIC)

Unit trusts charge either a fixed percentage of the fund (a fixed fee) or a variable percentage based on performance (a performance fee). The factsheet will show the basis for calculating the fee and the average annual total fees and expenses in the fund over the last three years (the total expense ratio).

Your fees should deliver value for money, so a unit trust that charges fees above the average of its peers should also deliver above-average returns. Since performance is easy to measure, you would expect that more expensive unit trusts would always be better than cheaper ones, but that is not the case. Some cheaper unit trusts are very good value for money and some expensive ones are very poor value for money. Well-designed performance fees can help to make sure that you only pay a high fee if the unit trust performs well.

Upfront/initial fees are fees that the manager (STANLIB) or intermediary can charge before placing your funds in the investment. STANLIB no longer charges any initial fees on investments. The initial fee is charged solely by the broker for investment advice.

The total service charge is levied by the manager and is based on annual value of the investment.

COST RATIOS (ANNUAL) INCLUDING VAT AS AT 31 MARCH 2018

	CLASS R	CLASS A
Based on period from:	01/04/2015	01/04/2015
Total Expense	1.30%	1.87%
Transaction Costs	0.26%	0.26%
Total Investment Charge	1.56%	2.13%
1 Year Total Expense	1.25%	1.84%

Total Expense (TER): This ratio shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of he portfolio, calculated over the period shown and annualised to the most recently completed quarter. A higher 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 TERs.

Transaction Costs (TC): This ratio shows the percentage of the value of the fund incurred as costs relating to the buying and selling of the fund's underlying assets. TC are a necessary cost in administering the fund and impacts fund returns It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, investment decisions of the investment manager and the TER.

Total Investment Charges (TIC): This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct the TIC from performance figures, the performance is already net of the TIC.

Note : Please refer to **ANNEXURE A** for detailed information (i.e. Fund Name / JSE Codes / Currency / Etc.) on the various Fund Types (i.e. Fixed Interest Funds / Equity Funds / Multi-Asset Funds / Etc.)

Fund	JSE Code	Currency	ISIN No.	Objective	Sector Classification	Income Distribution	Income Declaration	Risk Profile	Benchmark	Min Investment	Regulation 28	Max. Broker initial fee Incl VAT	Total Service fee Incl VAT

STANLIB

STANLIB is an authorised financial services provider.

END : 26 FEBRUARY 2024