

# Preserving Wealth

## Income Generation

 **STANLIB**

the art and science of investing



The best way to create wealth is to take a long-term view on investments. But once you have created your nest egg, you need to consider how best to invest your money.

Most investors look for a regular income from their investments at this point. This can be achieved either through a formal structure such as the STANLIB preservation funds, or the STANLIB Linked Life Annuity if the savings have previously been in a retirement vehicle, or more simply through one of STANLIB's top rated income-oriented funds.

Other investors are too nervous to head into the volatile world of equity investing right away. For these investors, entry into investing through STANLIB's range of fixed interest funds is the way to start.

Fixed interest funds can be accessed by anyone, although they are most ideal for risk-averse investors. These investors prefer lower risk solutions, either for their entire investment, or as part of a diversified and balanced portfolio strategy.

Unlike equity funds which can be volatile, fixed interest funds aim to offer you maximum capital stability on your investment at a lower level of volatility. These funds also aim to deliver predictable streams of income from your investment.

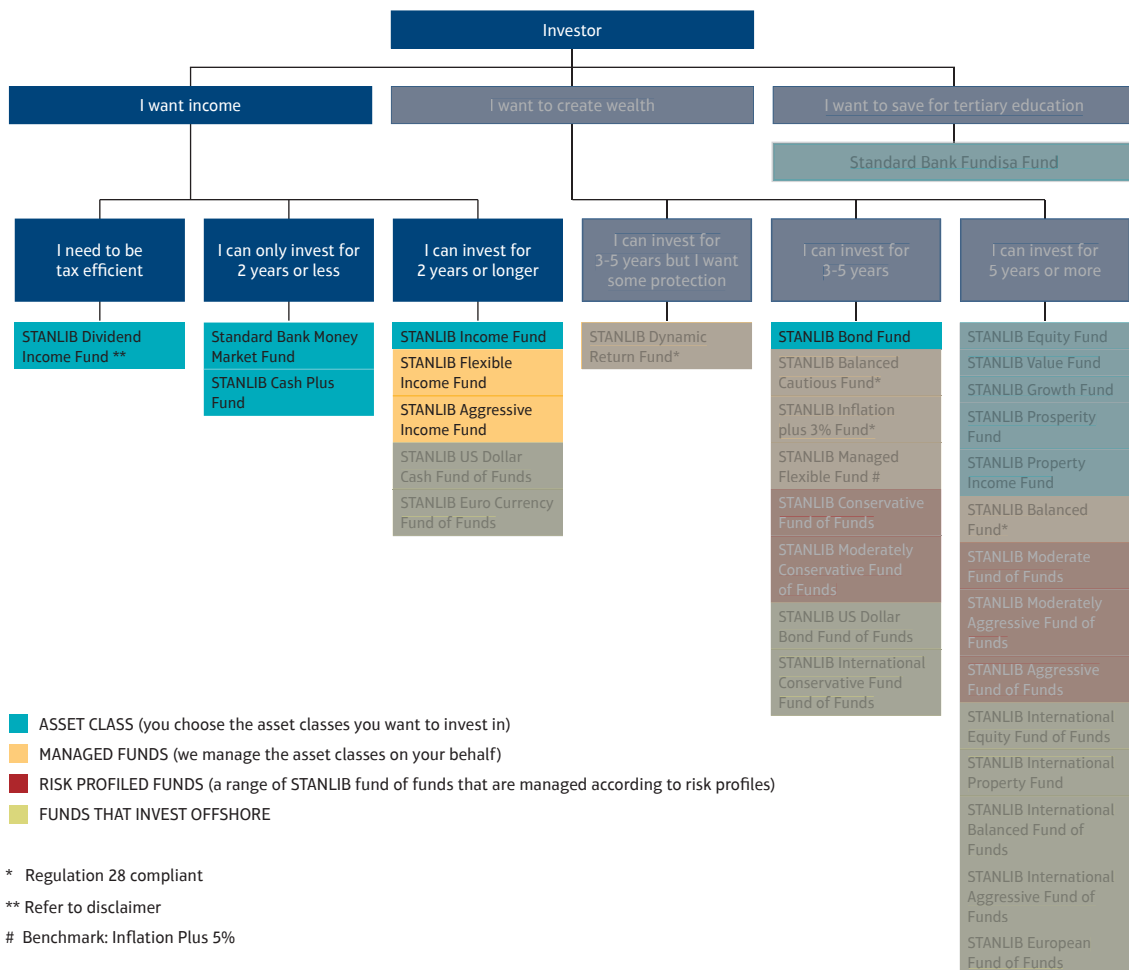
## Why invest in Fixed Interest Funds?

### Benefits include:

- **Fixed or Regular Income:** Fixed interest funds provide fixed or regular income. This is because unlike equities, bond issuers are usually obligated to make regular income distributions and to repay the bond value at maturity.
- **Diversification:** This refers to the notion of "not putting all your eggs in one basket". Although diversification does not guarantee one against loss, an investor can diversify a portfolio across different asset classes that perform independently in market cycles to reduce the risk of disappointing returns.
- **Capital growth:** Whilst some of our funds within the fixed interest offering aim to provide some capital growth, their primary aim is to generate income by investing in long-term fixed interest securities. Investing in these fixed interest securities will help protect the value of your investment and also limit the risks involved relative to other asset classes. Other funds provide capital growth and income through exposure to listed property.
- **Protection against economic slowdown:** Slower economic conditions usually lead to falling inflation. Because bonds and interest rates have an inverse relationship, in periods of slowing economic growth, the real value of these instruments will increase.

# Guide to STANLIB's Income Range

The STANLIB Fixed Interest team manages a full range of fixed interest funds, as shown below.



The funds above can also be accessed through the STANLIB Classic platform solution

## Investment Risks

Investing is not without risks. Although STANLIB strives to reduce these risks, you should bear these in mind when making your investment decisions. Unit trusts offer diversification, at a fraction of the price of buying the underlying assets themselves. This is one of their key strengths to help manage or reduce risk. Potential risks include:

- **Price fluctuation Risk:** Bonds prices are based on their coupon (or interest rate) and the length of time remaining until maturity. Bonds have an inverse relationship to interest rates. For example, if interest rates increase then the value of your bond will decrease if you sell it before it matures. Conversely, if interest rates decrease then the value of your bond investment should increase.
- **Inflation Risk:** Fixed returns from investments can be risky as they may not keep up with inflation.
- **Company Risk:** Bonds issued by companies are only as good as the companies behind them. It is wise to be diversified.
- **Government Risk:** There is the remote possibility that governments may default on the payment of interest or the principal on their bond issues.

There are however a number of ways in which you can minimise risks in investing. For one, you can ensure that you make the appropriate asset allocation decision. You also need to choose the correct investment horizon given your investment objectives and constraints. Your financial adviser can assist you in making the right investment choice in terms of structure and portfolio composition.

## Our Investment Approach

STANLIB's skills lie in a proactive, valuation driven asset management approach. We believe that we can add value through our superior research and a rigorous investment process, with a specific focus on asset valuation. We actively seek out assets which trade at levels below their intrinsic value. It is our view that each investment area requires different skills and approaches and hence we create small teams, each with a dedicated focus. These multi-asset teams allow us to appoint talented and passionate people with the specific skills to deliver the best potential outcome for our clients, backed by our rigorous process. We believe that markets are not efficient and these market inefficiencies provide both structural and tactical opportunities to generate enhanced returns. Our team takes an active as opposed to a passive approach to fixed interest portfolio management. Employing our extensive experience, resources and expertise, we look to exploit market inefficiencies. Therefore we add value to the investor's portfolio by differentiating our funds from the benchmark.

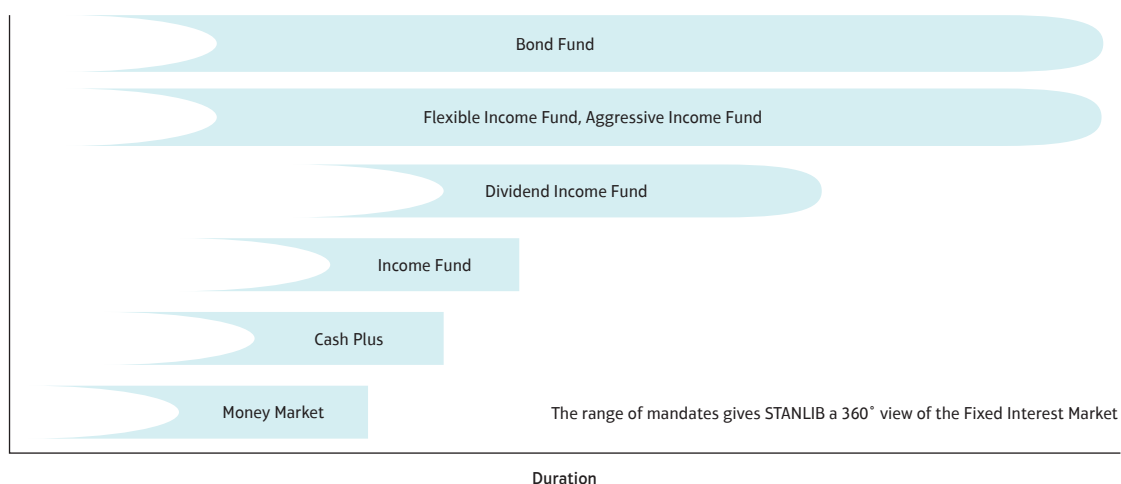
## Why Invest in STANLIB's Income Solutions?

- The STANLIB Fixed Interest team is made up of dynamic and highly experienced individuals with an average industry experience of 15 years. They have operated under various market conditions, thus able to adjust to changing markets and take advantage of value-add opportunities
- We pride ourselves in our robust and vigorous investment process, while leveraging off experienced internal resources. This should give you peace of mind that your investment is in the right hands
- The team manages funds across the entire fixed income duration spectrum, allowing you to choose a suitable investment within your risk constraints
- The STANLIB Fixed Interest team is a major player in the market managing one of the largest fixed interest portfolios

# Market Leader Advantage

Our Fixed Interest team is an established market leader. This experienced team has developed its market leader status by consistently providing superior performance across a broad range of fund mandates, each with a different risk profile as can be seen below.

Our broad range of fund mandates gives you the investor more investment options enabling you to meet your objectives.



The Fixed Interest team has also been the recipient of numerous awards, including Morningstar and Raging Bull.

## Morningstar Awards

Domestic Fixed Interest Bond - STANLIB Bond Fund - 2006, 2005	1 Year Best in Sector
Domestic Fixed Interest Income - STANLIB Income Fund - 2007	

Domestic Fixed Interest Bond - STANLIB Bond Fund - 2007, 2006, 2005	3 Years Best in Sector
Domestic Fixed Interest Income - STANLIB Income Fund - 2007, 2006, 2005	

Domestic Fixed Interest Bond - STANLIB Bond Fund - 2007, 2006, 2005	5 Year Best in Sector
Domestic Fixed Interest Income - STANLIB Income Fund - 2007, 2006, 2005	

## Raging Bull Awards

Domestic Fixed Interest Funds - STANLIB Cash Plus Fund - 2009	Top Performance
Domestic Fixed Interest Funds - STANLIB Income Fund - 2007	
Domestic Fixed Interest Funds - STANLIB Bond Fund - 2006	

Domestic Fixed Interest Bond Funds - STANLIB Bond Fund - 2008, 2005, 2004	Risk-Adjusted Performance
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Domestic Fixed Interest Bond Funds - STANLIB Bond Fund - 2006, 2005, 2004	Top Performance
Domestic Fixed Income Funds - STANLIB Income Fund - 2010, 2007, 2006, 2005, 2004	
Domestic Fixed Interest Income Funds - STANLIB Cash Plus Fund - 2009	

## Disclaimer and statutory disclosure

Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. A Portfolio of a collective investment scheme in securities may borrow up to 10% of the market value of the Portfolio to bridge insufficient liquidity as a result of the redemption of participatory interests. The exposure limit to a single security in some Portfolios can be greater than is permitted for other Portfolios in terms of the Collective Investment Schemes Control Act, 2002 ("the Act"). Fluctuations or movements in exchange rates may cause the value of underlying international investments in a portfolio to go up or down, where applicable. CIS are traded at ruling prices and can engage in borrowing and scrip lending. The price of each unit of a domestic money market portfolio is aimed at a constant value. The total return to the investor is primarily made up of interest received but, may also include any gain or loss made on any particular instrument. In most cases this will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of reducing the capital value of the Fund. Other participatory interest prices are calculated on a net asset value basis, which is the total value of all assets in the Portfolio including any income accrual and less any permissible deductions from the Portfolio divided by the number of participatory interests in issue. Permissible deductions include brokerage, STT, auditor's fees, bank charges, trustee/custodian fees and the service charge levied by STANLIB Collective Investments Limited ("the Manager"). Different classes of units apply to these portfolios and are subject to different fees and charges. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. Commission and incentives may be paid and if so, would be included in the overall costs. Forward pricing is used. The Manager undertakes to repurchase participatory interests at the price calculated according to the requirements of the Collective Investment Schemes Control Act, 2002, and on the terms and conditions of the relevant Deeds. Payment will be made within 14 days of receipt of a valid repurchase form. Any capital gain realized on the disposal of a participatory interest in a collective investment scheme is subject to Capital Gains Tax (CGT). The Manager is obliged to report on the weighted average cost method for CGT purposes. All portfolios are valued on a daily basis at 15h30. The Portfolio Charges document (including the Performance Fee Frequently Asked Questions) is available on [www.stanlib.com](http://www.stanlib.com). Contact details of Trustees: Absa Bank Ltd, 6th Floor, Absa Towers North (6E1), 180 Commissioner Street, Johannesburg, 2001. Telephone No. (011) 350-4000. Liberty is a full member of the Association for Savings and Investments of South Africa. The manager is a member of the Liberty Group of Companies.

As neither STANLIB Wealth Management Limited nor its representatives did a full needs analysis in respect of a particular investor, the investor understands that there may be limitations on the information mentioned in this document with regard to the investor's unique objectives, financial situation and particular needs. The information and content of this document are intended to be for information purposes only and STANLIB does not guarantee the suitability or potential value of any information contained herein.

STANLIB Wealth Management Limited is an authorised Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act No. 37 of 2002 (Licence No. 26/10/590). STANLIB Wealth Management is an approved Retirement Fund Administrator (24/178).

STANLIB Collective Investments Limited (SCIL) has recently received a circular, (CISCA Circular No.11), from the Registrar of Collective Investment Schemes regarding a joint investigation of National Treasury, SARS and the FSB, which is currently in progress with regard to dividend income fund type portfolios. SCIL is obliged, in terms of this circular, to bring the following to your attention with regard to this investigation. The outcome of the investigation could affect certain structures and SPVs (special purpose vehicles) used by underlying investments of these types of portfolios, which may result in possible adverse tax consequences, and may require amendments to existing legislation. The abovementioned regulators still have concerns which could impact negatively on the future of these portfolios and the continuation of these portfolios can therefore not be guaranteed. SCIL however do not believe that there is any current cause for concern regarding the STANLIB Dividend Income Fund and should there be a more definitive outcome from the investigation investors in our STANLIB Dividend Income Fund will be informed timely of any legislative changes that may affect their investment.

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### Paper

As part of STANLIB's environmental policy this brochure has been printed on Magno Satin paper. Produced in Austria, this paper comprises 100% virgin fibre. At least 50% of the fibres used during the paper manufacturing process come from forests managed according to criteria established by the Forest Stewardship Council. Compliance with these standards was certified by an independent body.

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