

STANLIB Core Bond Proposition

As at 31 December 2011

the art and science of investing

Proposition details

GIPS Inception Date: 31 Jan 2004
 Asset size: R 3'847.09 million
 Benchmark: BEASSA All Bond Index
 Available as: Pooled, Unit Trust, Segregated
 Brief description:
 This is a proposition made up of government and corporate bonds. A maximum average duration deviation of 2 years from benchmark is also stipulated.

Risk statistics (3 years, annualised)

Alpha	0.11
Beta	0.98
Benchmark Standard Deviation	5.56
Standard Deviation	5.44
Sharpe Ratio	0.34
Sortino Ratio	0.14
Tracking Error	0.52
Information Ratio	2.45

Performance table (annualized, gross of fees in Rands) (%)

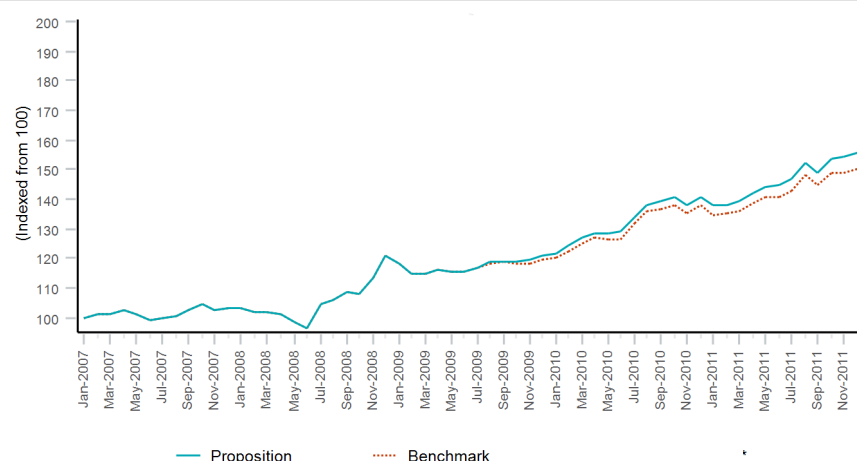
	1 year	3 years	5 years	Since GIPS inception
Proposition	10.61	8.68	9.38	10.41
Benchmark	8.82	7.39	8.58	9.52

Combined top Holdings (%)

Based on last month's averages

1. RSA 6.75% 310321	21.63
2. RSA 7.25% 150120	9.99
3. RSA 10.50% 211226	8.73
4. ESK 10.00% 250123	8.04
5. RSA 2.75% 310122	4.53
6. SA ROAD 9.75% 310720	4.43
7. CT 11.16% 150325	3.17
8. STD 8.4% 100418	2.56
9. Std 9.66% 011217	2.56
10. ESK 7.85% 020426	2.55
TOTAL	68.19

Cumulative 5 year gross performance vs. benchmark

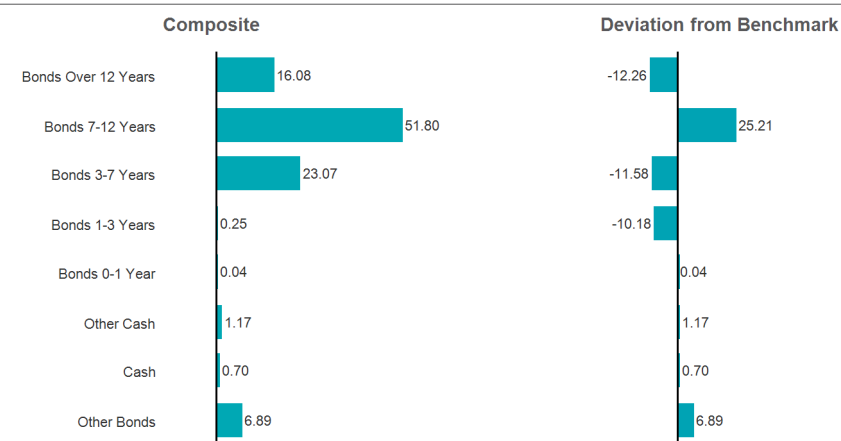


Big positions relative to benchmark

Based on last month's averages

Counter	Over/Underweight
RSA 6.75% 310321	OW
ESK 10.00% 250123	OW
RSA 13.50% 150915	UW
RSA 8.25% 150917	UW

Typical Sector Allocation(%) vs Benchmark(%)



Based on latest month averages

Biggest impact on active returns

Based on last month's averages

Top 5 contributors

1. RSA 2.75% 310122	OW
2. Inv 2.75% 310122	OW
3. Std 9.66% 011217	OW
4. RSA 7.5% 150114	UW
5. RSA 8.75% 211214	UW

Top 5 detractors

1. TRANSNET 9.5% 190825	OW
2. RSA 6.25% 310336	UW
3. RSA 6.75% 310321	OW
4. RSA 7.25% 150120	UW
5. SA ROAD 9.75% 310720	OW

GIPS® Disclosure

STANLIB Asset Management is a 100% owned operating entity within STANLIB Ltd. The company comprises all portfolios managed by STANLIB Asset Management. STANLIB Asset Management claims compliance with the Global Investment Performance Standards (GIPS®). To receive a list of composite descriptions of STANLIB Asset Management and/or a presentation that complies with the GIPS® standards, contact STANLIB Performance at 0860 123 003, write to STANLIB Asset Management, PO Box 202, Melrose Arch, 2076 or email stanlib.performance@stanlib.com

Risk profile

Negligible	Low	Moderate	High	Very High
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Investment thesis

The STANLIB Fixed Income team believes that the South African bond market is not efficient and that this inefficiency, combined with a bond index that is not fully representative of all investment opportunities, provides both structural and tactical opportunities to generate returns in excess of those that might be possible if one pursued a passive strategy. As a fundamental, research based asset manager STANLIB believes that value can be added both at the top-down, macro and bottom-up, micro research levels.

This is a proposition of government and corporate bonds. It displays moderate capital volatility over shorter periods but the investor is compensated by way of consistent income generation over the term of the investment. The portfolio is benchmarked against the BEASSA All Bond Index. A maximum average duration deviation of 2 years from benchmark is also stipulated. This composite may be up to 30% invested in cash.

Quarterly Comments - Q4 2011

Fund Review

The modified duration was increased to that of the JSE All Bond Index, but ended the quarter at 5.5 years due to further cash inflows at the end of the quarter. The yield curve position was relatively unchanged with an underweight in the long end and an overweight in the middle sector of the yield curve. Returns in the 12+ area of the yield curve lagged those of the middle sector. During the fourth quarter the holding of inflation linked bonds was increased by purchasing RSA 2022 R212 inflation linked paper on expectations of inflation trending higher in the short term.

Quarter Review

The fourth quarter of 2011 was characterized by further volatility in bond yields driven by a plethora of factors both fundamental and technical. Ten year benchmark yields ended the quarter and year on a positive note. The RSA 10 Year (R208) opened the quarter at 8.295% and declined to 7.925% with ample volatility intra quarter tracking the Rand and international markets.

There was a general improvement in the demand for risky assets as volatility, reduced substantially from a high of 45% to end the quarter at 23%. As a result the JP Morgan South Africa sovereign spread compressed by 50 basis points as the risk-on trade dominated the quarter although there was some volatility in between. The Rand however remained on the back foot and at one stage touching a high of R8.6 before recovering to end the quarter at R8.07 as concerns around the sovereign debt crisis in Europe lingered for longer.

The ECB, which had been hawkish on inflation, changed their tune and cut the minimum bid rate by a total of 0.5% during the quarter to end at 1%, and took further steps to reduce the potential liquidity gridlock by reducing reserve requirements amongst other measures. Italian and Spanish bond yields traded above 7% which would be unsustainable, but improved toward the end of the quarter. Greek 2 year yields ended the year at 125% as the risk of outright default increased.

The domestic yield curve remained steep with the yield differential between the R186 and R157 increasing from 162 to 175 basis points. The steepness is as a result of increasing inflation, expected funding pressure from government due to tepid economic growth and accommodative monetary policy by the SARB. The latest inflation data showed CPI breaching the top end of the SARB target, printing 6.1%, and is still expected to rise further due to a weaker Rand and higher food prices. Inflation linked bonds benefited from inflation rising as real yields trended lower.

The SARB monetary policy committee left rates unchanged in the two meetings held, as they were concerned about below average growth and increasing inflation. The SARB will continue to find a balance between growth and inflation, and as a result, the repo is expected to remain flat for 2012.

Statutory Disclosure and General Terms & Conditions

Where Collective investment Schemes in Securities (unit trusts) is included in the proposition, refer to www.stanlib.com for the relevant Collective Investment Scheme Portfolio fact sheet.

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Joined the investment industry in 1996
Joined Stanlib in 2001.

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