

STANLIB Cash Solutions

FAQ's



Frequently Asked Questions

1. How do Money Market Fund yields react to changing interest rates?

Money market funds are required to maintain an average weighted maturity of 90 days or less, with the longest duration of any single instrument being 12 months. The yields on money market funds are a function of the yields on the underlying money market instruments in the portfolio and the sensitivity of these yields to interest rate changes will be dependent on the duration and nature of these instruments (e.g. call versus 1 year instruments, and floating versus fixed rate instruments). As interest rates decline, money market fund yields follow with a bit of a lag as proceeds from maturing holdings (at higher rates) will be reinvested in newly issued securities with lower yields. The converse applies in an upward interest rate cycle.

2. How do Money Market Fund yields react to large cash inflows/outflows?

Participant cashflows also affect the fund as rates move up and down. If the fund experiences a large cash inflow when yields are decreasing, the fund will have to purchase securities with lower yields. Similarly should the fund experience large cash outflows when interest rates are increasing, the fund will be a seller of high yielding paper thus reducing the overall yield of the fund. As the fund size becomes larger, larger balances are kept on call to cater for possible large outflows.

3. Where does the risk lie when investing in the Money Market Fund?

As with any money market fund, or bank deposit for that matter, your capital is not guaranteed. The implicit risk is that if one of the big banks fail, that portion of the fund invested in that particular bank (the fund is limited to an exposure of 30% per bank) would be affected. You have no exposure to STANLIB since we manage the assets on your behalf and your exposure would be directly to the underlying investment counterparties (e.g. the big Banks).

Other factors to consider when evaluating the security of your investment, includes:

- The Fund is further regulated by the FSB and Collective Investment Scheme Control Act (CISCA) 2002.
- The Act requires further the separation of assets of a portfolio handled or received by the Manager, Trustee or Custodian.
- The Trustee/Custodian appointed for the STANLIB Collective Investment Scheme is ABSA Bank Ltd.
- The Trustee/Custodian's duties include, among others, to ensure that there is legal separation of assets held in custody and that the legal entitlement of investors to such assets is assured.

- The fund provides diversification of risk through investment in multiple counterparties
- STANLIB complies with a rigorous credit risk process.

4. What is Duration/Average Duration?

Average duration is a measure of the price sensitivity of a portfolio to changes in interest rates. It provides an estimate of how much the portfolio's value will fluctuate in response to a change in interest rates.

- The **Standard Bank Institutional Money Market Fund** and **Standard Bank Corporate Money Market Fund** have a maximum weighted average duration of 90 days.
- The **STANLIB Cash Plus Fund** has a maximum weighted average duration of 180 days and the maximum duration of any individual instrument is 36 months. The portfolio offers a larger maximum average duration than traditional money market funds. Accordingly, the portfolio will aim to achieve returns in excess of money market yields and current account yields.

5. What Benchmark do you regard as appropriate for the Money Market?

STeFI Composite Index (Alexander Forbes Short Term Fixed Interest Index). The benchmark approximates the average performance of money market instruments in the market. The STeFI Composite Index comprises the following indices, which will be weighted according to market capitalization based on long-term market supply:

- Call Deposit index
- 3 Month NCD index
- 6 Month NCD Index
- 12 Month NCD Index

6. How do you price a unit trust?

The price of a unit trust is made up of two components:

A **capital price**, and an **income price**.

The **capital price** reflects the value of the underlying physical assets in the fund.

The **income price** shows the net income accumulated in the fund (this is all income earned less expenses paid by the fund like fees, custody fees, audit fees, etc). When one buys/sells units, the transaction occurs at the total price (capital + income = Net asset value price).

A money market fund has a capital price of R1 per unit and the income price is 0, because income accrues daily and capitalised monthly.

- **Standard Bank Institutional Money Market Fund and Standard Bank Corporate Money Market Fund:**

Instruments in the portfolio are valued at cost and income is accrued and declared on a daily basis. The Manager will strive to ensure that the price per participatory interest is maintained constant at as near as possible to 100 cents.

- **STANLIB Cash Plus Fund:**

The portfolio is valued on a marked-to-market basis with instruments in the portfolio valued daily. The portfolio's price may therefore vary with movements in the value of the underlying instruments as well as through income that is accrued daily, but distributed monthly. The pricing technique is different from the approach of a typical money market portfolio that has a constant unit price of 100 cents.

- **The Segregated "FlexiCash" Portfolio Management:**

The portfolio can either be valued daily on a marked-to-market basis or at cost with income accrued and declared on a daily basis. Investors need to elect upfront whether they want the valuation done at cost or on a marked-to-market basis.

7. How frequently does income get distributed for:

- **Standard Bank Institutional Money Market Fund and Standard Bank Corporate Money Market Fund:**

Income is accrued and declared daily. However, physical payment of the income to the investor or reinvestment only happens on the first business day of the following month. Investors need to elect upfront whether they want to receive or reinvest income.

- **STANLIB Cash Plus Fund:**

Interest income is accrued daily and distributed monthly. Distributions will be declared on the last working day of each month and paid not later than the last day of the following month. Investors must indicate their preference to either receive cash or to reinvest the income at the time of initial investment. Investors may, however, change their preference at any time by giving STANLIB written notice.

- Segregated “FlexiCash” Portfolio Management:

The interest income accrues daily and is rolled up into the portfolio. This income is either paid out or reinvested on request, or as stipulated in the mandate.

8. How frequently does reporting gets done and statements sent to clients?

Standard Bank Institutional Money Market Fund and Standard Bank Corporate Money Market Fund:

Statements will be sent monthly or on request.

Quarterly, half yearly or annual reportbacks can be done on request for larger investments.

9. What are the requirements for investing in any of the STANLIB Cash Solutions products?

- Standard Bank Institutional Money Market Fund
- Standard Bank Corporate Money Market Fund
- STANLIB Cash Plus Fund

An Investment Scheme Application Form needs to be completed. The stipulated FICA requirements, as well as authorised signatories will be required.

After the required documentation has been signed and forwarded to STANLIB, the assets must be transferred into the:

STANLIB Unit Trust Investment Account

Bank Name: Standard Bank

Branch: Johannesburg

Branch Code: 000 205

Account No.: 000 402 184

Reference: Client name and account number where available.

- Segregated “FlexiCash” Portfolio Management

Once a client has decided to invest cash via a segregated FlexiCash portfolio, a Portfolio Management Agreement would need to be signed. Such an agreement would include the investment parameters agreed upon, the fees, and all other terms. Once STANLIB countersigns the agreement, it becomes a binding legal document. An individual bank and

custody account will be opened by STANLIB Asset Management in the client's name. FICA documents need to be supplied by the client.

With the agreement in place, a separate bank account, normally with Standard Bank, is set up in the name of the client for all transactions.

10. What is the minimum investment amount?

Standard Bank Institutional Money Market, Standard Bank Corporate Money Market Fund, STANLIB Cash Plus - minimum investment amount is R20 million

11. Is there a withdrawal limit prescribed and what are the conditions thereof?

No minimum redemption amount is prescribed. Withdrawal of funds can be made either on a total or partial basis.

■ **Standard Bank Institutional Money Market Fund, Standard Bank Corporate Money Market Fund and STANLIB Cash Plus Fund:**

STANLIB Collective Investments Limited will endeavour to give clients access to their cash within 24 hours, provided that there are no outstanding administrative issues between the Manager and the client, that the client has a bank account with Standard Bank, and that the client's repurchase request has reached the Manager before 10:00 on any business day.

■ **Segregated "FlexiCash" Portfolio Management:**

The turn-around time for repurchases may vary as per the mandate agreed with the client. The implementation of redemption instructions will require the Portfolio Manager to liquidate investments held in the portfolio.

Talk to our dedicated Cash Solutions team on 0860 100 121 or email us at cashsolutions@stanlib.com to find out more.

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 portfolio. Past performance is not necessarily a guide to future performance. An investment in the participations of a collective investment scheme in securities is not the same as a deposit with a banking institution. A schedule of fees and charges and maximum commissions is available on request from STANLIB Collective Investments Limited ("the Manager"). CIS are traded at ruling prices and can engage in borrowing and scrip lending. Commission and incentives may be paid and if so, would be included in the overall costs. 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. Full details and basis of the award is available from the Manager.

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