

Melville Douglas STANLIB High Alpha Fund

Fund information update at 30 September 2021

What is the fund's objective?

The High Alpha Fund is a high-conviction, actively managed, South African listed securities fund. The primary objective of this fund is to generate capital growth over the long term, with income generation as a secondary objective. Performance is further enhanced by exploiting short-term market pricing anomalies.

What does the fund invest in?

The fund is a pure equity portfolio, with the objective of delivering returns in excess of the FTSE/JSE Capped SWIX All Share over time.

What possible risks are associated with this fund?

General market risks include a rise or volatility in bond yields, rising interest rates, economic and political risk, inflation uncertainty and duration risk. Where foreign securities are included in the portfolio there may be additional risks, such as potential constraints on liquidity and the repatriation of funds, macro-economic risks, political risks, tax risks, settlement risks, and potential limitations on the availability of market information.

Risk rating

Conservative	Moderately conservative	Moderate	Moderately aggressive	Aggressive
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What is the suggested investment period for this fund?

Minimum period

1 Month	6 Months	1 Year	3 Years	5 Years	7 Years
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Who should consider investing in this fund?

This fund suits investors that are looking for strong capital growth over the longer term.

Income

Distribution Net income is calculated and accrued daily and is declared and distributed semi-annually.

Declaration 30 June, 31 December

General fund information

Manager(s) Paolo Senatore and Greg Wood
Size (NAV) R 214.97 million
Classification South African - Equity - General
Benchmark FTSE/JSE Capped SWIX All Share Index
Regulation 28 Does not apply

Class B1

Launch 01 July 2015
ISIN number ZAE000207155
JSE code MDSB1

Minimum investment requirements -

Lump sum R 10,000
Monthly R 500

What are the costs to invest in this fund?

Maximum charges including VAT

	Class B1
Initial fee (manager)	0.000%
Initial fee (adviser)	3.450%
Annual fee (manager)	1.150%
Annual fee (adviser)	0.000%
Performance fee	N/A
Adviser fee	1.150%

Annual fee (manager) – this is a service charge (% based) applicable to each class of a fund, that is levied on the value of your portfolio and includes the **Annual fee (adviser)** fee (where applicable). Annual fees are calculated and accrued daily and recovered monthly from the income awaiting distribution in the fund.

Adviser fee - this is the maximum annual service fee (% based) an adviser can charge on the value of your portfolio. It is calculated and accrued daily and recovered monthly by means of a redemption of your units. It is not included in the **Annual fee**.

Cost ratios (annual) including VAT as at 30 June 2021

	Class B1
Based on period from:	01/07/2018
Total Expense	1.18%
Transaction Costs	0.13%
Total Investment Charge	1.31%
1 Year Total Expense	1.16%

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 the 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.

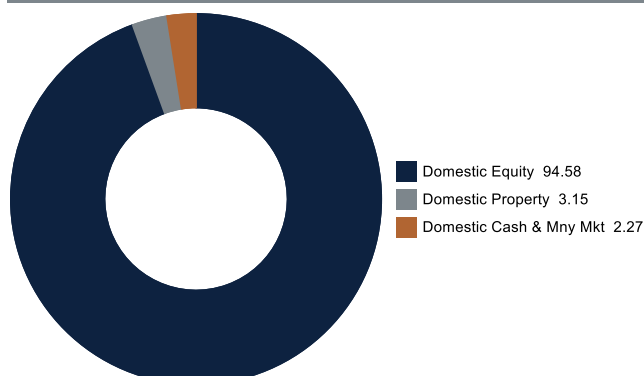
Total Investment Charges (TIC): This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct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

Melville Douglas STANLIB High Alpha Fund

Monthly update at 30 September 2021

Holdings

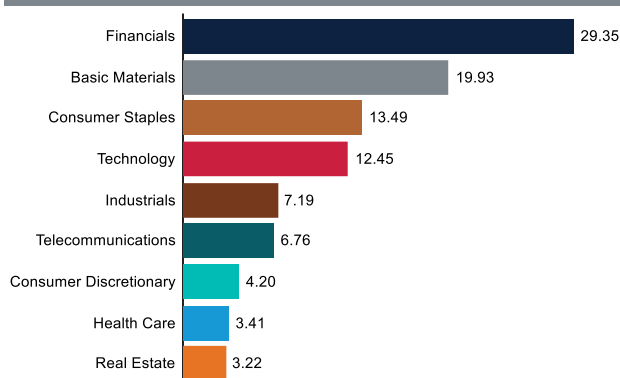
Asset allocation (%)



Top Equity holdings (%)

Anglo American plc	8.68
Prosus NV N (ZAR)	7.30
FirstRand Ltd	5.85
Standard Bank Group Ltd	5.27
Naspers Ltd	4.87
Bid Corp Ltd	4.82
BHP Group Plc	4.81
MTN Group Ltd	4.36
British American Tobacco Plc	4.03
Sanlam Ltd	4.03

Equity allocation (Industry) (%)



Performance and Income

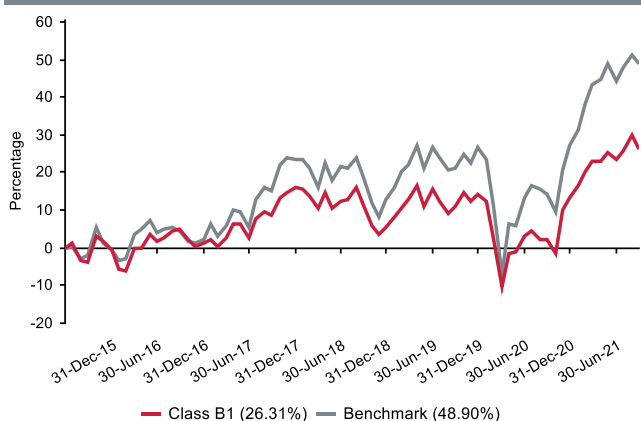
Class B1 Launch: 01 July 2015

Benchmark: FTSE/JSE Capped SWIX ALSI (J433T) from 01/01/2020, previously FTSE/JSE ALSI (J203T) from launch.

Returns (%)	1yr	2yrs	3yrs	5yrs	Launch
Class B1					
Class	23.49	6.58	4.23	3.78	3.81
Rank/Out of	111/163	143/157	120/146	87/118	69/100
Sector Average	28.03	11.53	7.15	5.52	4.97
Benchmark	30.34	10.91	7.81	7.37	6.57

Returns (%) shown are cumulative for all periods shorter than or equal to 1 year and annualised for all periods greater than 1 year.

Cumulative performance (%) from Launch



Statistics (%)	1yr	2yrs	3yrs	5yrs	Launch
Class B1					
Positive Months	9	15	22	36	43
Max Gain	32.03	44.96	44.96	44.96	44.96
Max Drawdown	-3.62	-21.65	-22.96	-22.96	-22.96
Highest	36.95	36.95	36.95	36.95	36.95
Lowest	-13.98	-20.52	-20.52	-20.52	-20.52

Highest – this reflects the highest 12 month return during the period.

Lowest - this reflects the lowest 12 month return during the period.

Amount declared (cents per unit)

	Class B1
31 December 20	1.10
30 June 21	2.70
In last 12 months	3.80
In 2020	4.28

Melville Douglas STANLIB High Alpha Fund

Quarterly update at 30 September 2021

Who are the investment managers?

Since 1983 Melville Douglas has been delivering superior investment returns across a number of asset classes. As a global boutique investment management company within the Standard Bank Group, we are uniquely positioned to offer domestic and offshore investment solutions. What truly sets Melville Douglas apart is our experienced investment team and our approach to investing – driven by balance, a long-term view and a commitment to fundamental research – which informs our investment decisions across the board.



Paolo Senatore
MSc (Mechanical Engineering)
Strategist

Paolo joined Melville Douglas in 2018 as a strategist and co-manages the Melville Douglas STANLIB High Alpha Fund. Prior to this he was with the FirstRand Group since 1995, gaining over 20 years' financial market experience. During 2000, he became chief investment officer of RMB Private Bank Portfolio Management and held the responsibility of growing the specialised institutional business. He was chief investment officer for Ashburton Investments, FirstRand's asset management initiative, since its inception and was instrumental in consolidating the group's various asset-management businesses and investment processes. He holds an MSC (Mechanical Engineering).



Greg Wood
BBusSc, CFA
Portfolio manager

Greg has been a research analyst and portfolio manager at Melville Douglas since 2006. Greg holds a Business Science Degree from Rhodes University and is a Chartered Financial Analyst.

Fund review

The High Alpha Fund returned 2.6% for the quarter and is up 12.2% on a year-to-date basis against the FTSE/JSE Capped SWIX return of 3.2% and 16.9% over the corresponding periods.

The fund's best performing sectors for the quarter were the telecommunications, healthcare, financials, and real estate sectors. The best performing stocks over the quarter were: MTN, Sasol, FirstRand, Standard Bank and Netcare.

Technology had another weak quarter as well as consumer goods, and basic materials. The worst performing stocks over the quarter were: Impala Platinum, Anglo Platinum, Naspers, Richemont and Santam.

Market overview

South African Equity advanced 3.2% in the third quarter of 2021. The quarter was very volatile with both global and domestic news flow and events impacting markets. The most notable domestic event was the tragic civil unrest witnessed in July, primarily in KZN and Gauteng. The unrest resulted in severe damage to physical infrastructure and looting. The consequences of the unrest are both short and long term in nature. In the short term, businesses have not been able to operate at full capacity, thousands of vital jobs have been lost and consumer spending has been curtailed. The pleasing domestic recovery post the pandemic has been dampened by the unrest. Longer term, the effects of lower investment and employment will impact the country through slower growth and higher borrowing costs, both hampering employment creation and growth which South Africa desperately requires.

COVID continues to cause uncertainty domestically and globally. Domestically, the roll out has been disappointing as there seems to be a reluctance to get vaccinated. Over the quarter, most of the life insurance companies reported and the data does seem to underpin the benefits of vaccinations when you look at the mortality claims data and the ability to move away from lockdowns permanently and open economies.

Internationally, inflation and interest rates caused some fears in markets. The threat of inflation being more severe than transitory, and an earlier normalisation of interest rates has had a negative impact on risk assets.

Chinese growth caused some stress in capital markets. Most notably, some property developers are showing financial distress and potential defaults. Growth in China now looks to be slowing and this will impact global growth just given the size of China in the global context. Commodity prices sold off sharply over the quarter on the back of Chinese growth concerns, albeit off unsustainable levels which they reached in the second quarter of 2021. In addition to slower growth and default risks in China, South African equity was also directly impacted by regulation in Chinese technology through the Naspers and Prosus holdings in Tencent.

Domestic growth in South Africa will remain below the required level to meaningfully reduce unemployment and drive sustainable growth that domestic companies require to generate optimal returns on capital for the foreseeable future. Having said that, South African equity trades on valuations that appear to be attractive in the global context despite the structural economic headwinds. Many of the companies have successfully managed their way through the lockdowns and balance sheets domestically appear to be very healthy. Looking forward, the difficulty for domestic companies appears to be balancing the growing demand as we exit lockdowns and managing the inventory levels required to service the uncertain demand growth. Nonetheless, we have a positive outlook on South African Equities based on their valuations.

Looking ahead

South African equity has bounced off a very depressed base and has outperformed global equities measured in US Dollars over the last year. Earnings at the same time have proved to be more robust than initially anticipated. While we do see attractive upside in South African Equity, companies will need to deliver on earnings and returns to shareholders to realise the upside as much of the easy money has been made.

In uncertain times, diversification and risk management are of utmost importance. We remain focussed on stock selection and long-term value creation.

The commentary gives the views of the portfolio manager at the time of writing. Any forecasts or commentary included in this document are not guaranteed to occur.

Change in allocation of the fund over the quarter

Asset type	Q3 2021	Q2 2021	Change
Domestic Cash & Mny Mkt	2.27	2.36	-0.09
Domestic Equity	94.58	93.77	0.81
Domestic Property	3.15	3.88	-0.72

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
B1	Retail	233.54	49,507,140.10	115,620,044.99

All data as at 30 September 2021.

Units – amount of participatory interests (units) in issue in relevant class.

Melville Douglas STANLIB High Alpha Fund

Important information update at 30 September 2021

Disclosures

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 future performance. CIS are traded at ruling prices and can engage in borrowing and scrip lending.

The Melville Douglas STANLIB High Alpha Fund is a portfolio of the STANLIB Collective Investment Scheme (the Scheme).

The manager of the Scheme is STANLIB Collective Investments (RF) (Pty) Limited (the Manager). The Manager is authorised in terms of the Collective Investment Schemes Control Act, No. 45 of 2002 (CISCA) to administer Collective Investment Schemes (CIS) in Securities. Liberty is a full member of the Association for Savings and Investments of South Africa (ASISA). The Manager is a member of the Liberty Group of Companies. The manager has a right to close a portfolio to new investors in order to manage the portfolio more efficiently in accordance with its mandate. The Manager does not provide any guarantee either with respect to the capital or the return of a CIS portfolio. A schedule of fees and charges and maximum commissions is available on request from the Manager.

The trustee of the Scheme is Standard Chartered Bank.

The investments of this portfolio are managed, on behalf of the Manager, by Melville Douglas Investment Management (Pty) Ltd, an authorised financial services provider (FSP), FSP No. 595, under the Financial Advisory and Intermediary Services Act (FAIS), Act No. 37 of 2002.

Prices are calculated and published on each working day, these prices are available on the Manager's website (www.stanlib.com) and in South African printed news media. This portfolio is valued at 15h00. Forward pricing is used. Investments and repurchases will receive the price of the same day if received prior to 15h00.

This portfolio is permitted to invest in foreign securities. Should the portfolio include any foreign securities these could expose the portfolio to any of the following risks: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information.

This portfolio is a third party named, co-named portfolio. The Manager retains full legal responsibility for this portfolio. A third party named, co-named portfolio is a portfolio bearing the name of both the Manager and the financial services provider (FSP) where the FSP, under an agreement with the Manager, undertakes financial services of a discretionary nature, as contemplated in the Financial Advisory and Intermediary Services Act, Act No. 37 of 2002 (FAIS), in relation to the assets of the portfolio. Melville Douglas Investment Management (Pty) Ltd, an authorised FSP, FSP No. 595, FAIS, is the third party manager of this portfolio.

The FSP is a related party to the Manager, the FSP may earn additional fees other than those charged by the Manager. It is the responsibility of the FSP to disclose additional fees to the investor. This document is not advice, as defined under FAIS. Please be advised that there may be representatives acting under supervision.

All performance returns and ranking figures quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro and are as at 30 September 2021.

Annualised return figures are the compound annualised growth rate (CAGR) calculated from the cumulative return for the period being measured. These annualised returns provide an indication of the annual return achieved over the period had an investment been held for the entire period. Actual annual figures are available on request from the Manager.

Portfolio performance figures are calculated for the relevant class of the portfolio, for a lump sum investment, on a NAV-NAV basis, with income reinvested on the ex-dividend date. Individual investor performance may differ due to initial fees, actual investment date, date of reinvestment of income and dividend withholding tax. Portfolio performance accounts for all costs that contribute to the calculation of the cost ratios quoted, all returns quoted are after these costs have been accounted for.

Statistics - Positive Months: the number of individual 1 month periods during the specified time period where the return was not negative; Max Gain: the maximum gain in a trough-to-peak incline before a new trough is attained, quoted as the percentage between the trough and the peak. It is an indicator of upside risk over a specified time period (quoted for all periods of 1 year or longer); Max Drawdown: the maximum loss in a peak-to-trough decline before a new peak is attained, quoted as the percentage between the peak and the trough. It is an indicator of downside risk over a specified time period (quoted for periods of 1 year or longer, where no value is shown no loss was experienced); Highest and Lowest: the highest and the lowest 1 year return (%) that occurred during the specified time period (quoted for all relevant classes launched 1 year or more prior to current month end date).

Additional information about this product including, but not limited to, brochures, application forms and annual or quarterly reports, can be obtained free of charge, from the Manager and from the Manager's website (www.stanlib.com).

Contact details

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