Melville Douglas STANLIB Bond Fund

Fund information update at 31 August 2023

MelvilleDouglas
A Member of Standard Bank Group

What is the fund's objective?

The objective of the fund is to achieve capital preservation and income generation by investing in long-term fixed interest securities. This fund is an actively managed, unconstrained, South African fixed-income strategy that aims to generate consistent and predictable long term returns through investments in high quality income-yielding debt securities.

What does the fund invest in?

Securities will normally consist of a spread of gilts, semi-gilts, loan stock, debentures, debenture bonds, approved securities, notes and liquid assets and any other securities which are consistent with the fund's investment policy.

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

What is the suggested investment period for this fund?

Minimum period

1 Month	6 Months	1 Year	**3 Years**	5 Years	7 Years

Who should consider investing in this fund?

This fund suits investors that are looking for stable income and reasonable capital growth over the longer term.

Income

Distribution Net income is calculated and accrued daily and is declared and distributed quarterly.

Declaration 31 March, 30 June, 30 September, 31 December

General fund information

Manager(s)	Mzimasi Mabece, Paolo Senatore and Bernard Drotschie
Size (NAV)	R 3.00 billion
Classification	South African - Interest Bearing - Variable Term
Benchmark	FTSE/JSE All Bond Index
Regulation 28	Complies

Regulation 28 of the Pension Funds Act sets the limits in terms of the maximum exposure the retirement fund and the individual retirement fund member's savings (i.e. your savings) may have to various asset classes. For more information please refer to the Regulation 28 Guidelines available on our website (www.stanlib.com). This Fund complies with this Regulation.

	Class A
Launch	01 July 2014
ISIN number	ZAE000191763
JSE code	MDBFA
Minimum investment requirements -	
Lump sum	R 50,000
Monthly	R 1,000

What are the costs to invest in this fund?

Maximum charges including VAT

	Class A
Initial fee (manager)	0.000%
Initial fee (adviser)	3.450%
Annual fee (manager)	0.863%
Annual fee (adviser)	0.000%
Performance fee	N/A

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.

Cost ratios (annual) including VAT as at 30 June 2023

	Class A
Based on period from:	01/07/2020
Total Expense	0.87%
Transaction Costs	0.00%
Total Investment Charge	0.87%
1 Year Total Expense	0.86%

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.

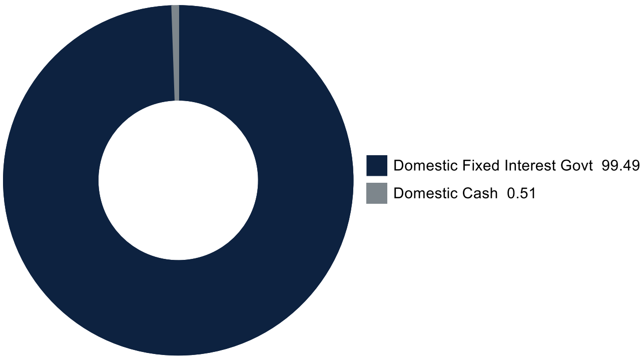
Total Investment Charges (TIC): This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct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

Melville Douglas STANLIB Bond Fund

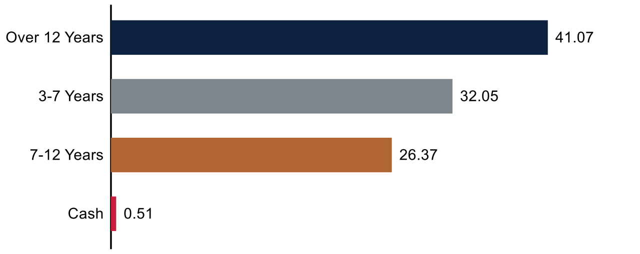
Monthly update at 31 August 2023

Holdings

Asset allocation (%)



Fixed Interest allocation (%)



Fixed Interest Top 10 Issuer exposure (%)

Performance and Income

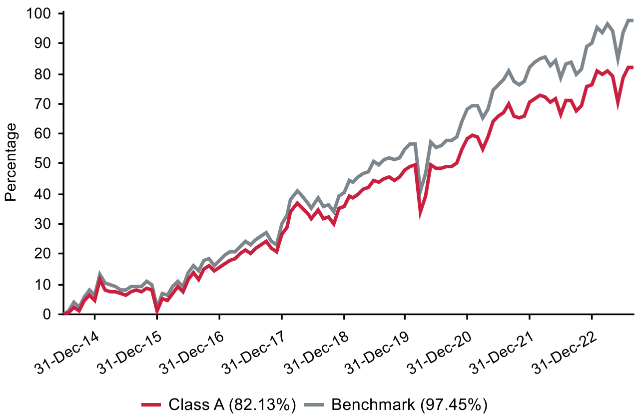
Class A Launch: 01 July 2014

Benchmark: FTSE/JSE All Bond Index

Returns (%)	1yr	3yrs	5yrs	7yrs	Launch
Class A					
Class	6.43	6.83	6.68	7.23	6.76
Rank/Out of	27/48	34/37	25/30	23/26	17/17
Sector Average	6.22	7.56	7.02	7.42	7.43
Benchmark	7.49	7.80	7.72	8.11	7.70

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	3yrs	5yrs	7yrs	Launch
Class A					
Positive Months	7	23	40	56	69
Max Gain	8.89	22.19	40.01	63.22	82.31
Max Drawdown	-5.81	-5.81	-10.44	-10.44	-10.44
Highest	7.31	15.64	15.64	15.64	15.64
Lowest	-0.74	-0.74	-4.09	-4.09	-5.81

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 A
30 September 22	2.05
30 December 22	2.04
31 March 23	1.83
30 June 23	2.02
In last 12 months	7.94
In 2022	7.95

Melville Douglas STANLIB Bond Fund

Quarterly update at 30 June 2023

MelvilleDouglas
A Member of Standard Bank Group

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.

Mzimasi Mabece
BSc
Head of Fixed Income: South Africa

Mzimasi has more than 14 years financial market experience spanning both quantitative analysis as well as portfolio management and has managed both fixed income and equity funds. Prior to joining Melville Douglas, he was Head of Fixed Income at Mvunonala Asset Managers. He previously held Portfolio Manager roles at Prowess Investment Managers and Old Mutual Investment Group (OMIGSA) and also worked at Sanlam Investments as a fixed income Quantitative Analyst. Mzimasi holds a BSc degree.

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. From 1995 he was with the FirstRand Group, gaining over 20 years' financial market experience. In 2000, he became CIO of RMB Private Bank Portfolio Management with the responsibility of growing the specialised institutional business. He was CIO for Ashburton Investments, FirstRand's asset management initiative, from its inception, and was instrumental in consolidating asset management businesses and investment processes. He holds an MSc (Mechanical Engineering).

Bernard Drotschie
BCom (Hons), CFA®, CFPTM
Chief Investment Officer

Bernard joined Melville Douglas in 2002 as a portfolio manager and analyst, prior to which he worked for Absa Asset Management. He is the lead manager on the Melville Douglas Global Growth Fund (USD) and co-manages the Melville Douglas Balanced Fund (USD) and the Melville Douglas Income Funds. He holds a BCom (Hons) degree in Econometrics, is a CFA® Charterholder and a Certified Financial Planner™ professional.

Fund review

Over the quarter the fund performed ahead of its benchmark (-1.41% vs. -1.53%) and in line with its peers. However, on a year-to-date basis the fund trails its benchmark slightly.

Market overview

The US debt ceiling claimed global headlines in May as the biggest economy in the world came perilously close to potentially defaulting on the nation's debt. President Joe Biden and Republican House Speaker Kevin McCarthy reached an agreement to suspend the nation's $31.4 trillion debt limit until January 1, 2025.

Meanwhile, in South Africa the country's central bank continued ranching up interest rates during the quarter. The South African Reserve Bank (SARB) surprised the market in May by raising interest rates by 50bps, taking the repurchase rate to 8.25% and the prime lending rate to 11.75%. It is expected that the current interest rate environment will likely dampen inflation in the near term, back to the 3 - 6% target range. However, the stickiness particularly of core inflation may contribute to the hawkishness of the central bank in the near term. Currency weakness was a major driver in the policy decision; the Rand had depreciated almost 10% since the March meeting. No sooner had the central bank announced its policy decision, politics reared its ugly head again and, in the process, pulling South Africa into the midst of the Russia/Ukraine conflict. US Ambassador to South Africa, Reuben Brigety, in a press conference, revealed an alleged clandestine arms sale to Russia by South Africa. These allegations sent the local currency and domestic asset classes on a free fall, with ZAR weakness reaching an all-time low of R19.88 per USD on 1st June 2023. The response by the South African government did not help either, as during this turmoil, it granted Russian president Vladimir Putin diplomatic immunity for the upcoming BRICS summit scheduled in August. This political stance brought another blow to the weak currency. While the arms sale claims have yet to be verified, investor sentiment towards the political ties with Russia resulted in further capital outflows. The SARB issued a statement citing that the risks of indirect sanctions imposed on South Africa have been included in their Risks and Vulnerabilities matrix (RVM). At current exchange rates, we think the currency weakness is overdone. South Africa has seen significant capital outflows over the course of the year as tightening global financial conditions have led the market to react to the country's deteriorating risk profile. The composition of holders of South African Government Bonds (SAGB) has changed substantially over the last five years. In 2018, 42% of the total government bonds in issue were owned by foreigners. This number has decreased down to 25% in 2023. South African credit default swaps (CDS) spreads, which measures cost of insuring against sovereign default risk, remain at elevated levels. Domestic inflation has been driven primarily by fuel, electricity, and food price inflation. With a weaker Rand, South Africa will import more inflation, especially on fuel. Along with fighting inflation, the SARB's primary mandate is to protect the value of the currency in the interests of long-term economic growth. Eskom remains the main impediment to the economy, keeping operating costs high along with production constraints. The South African PMI, Absa Purchasing Managers Index as a measure of economic activity, remains in a contractionary state. Businesses and households scramble to implement backup solutions to the power outages with generators and solar power. With the weakening Rand, the input costs of running the generators will significantly affect business profits and raise the costs of imported solar supplies. On a positive note, the price of fuel came down at the beginning of June, which will support the fight against inflation, with petrol down 71 cents/l and diesel down 84 cents/l. The Monetary policy committee (MPC) forecasts 280 days of loadshedding in 2023. GDP forecasts have been revised slightly higher to 0.3% from 0.2%, the 10-bps revision will not be enough to elevate the country from its low growth path for the foreseeable future.

Given the surprise 50 basis points hike by the central bank in its last meeting we believe that the bank will hike rates by a further 25 basis points in its next meeting in July 2023. This should take the repo rate to 8.50% and its peak. Beyond this peak, we believe the central bank will hold rates steady for longer than was previously expected. In the current environment, global central banks are unlikely to loosen monetary policy and as such the SARB is unlikely to begin cutting policy rates before developed central banks do.

Looking ahead

We expect some level of volatility to persist, given the risk that are still on the table (geopolitical and fiscal risks) but believe the worst is behind us and given the attractive valuations on offer, we have increased our duration in the fund. Assuming the disinflationary forces persist, we will continue to look to increasing the duration of our fund.

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	Q2 2023	Q1 2023	Change
Domestic Cash	0.28	1.63	-1.35
Domestic Fixed Interest Corp	2.19	2.09	0.11
Domestic Fixed Interest Govt	97.53	96.28	1.24

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
A	Retail	88.10	11,159,324.61	9,830,938.00

All data as at 30 June 2023.
Units – amount of participatory interests (units) in issue in relevant class.

STANLIB

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 Bond 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 is a portfolio that derives its income primarily from interest-bearing instruments. The yield (if shown) is a current effective yield calculated daily.

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 31 August 2023.

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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