

Melville Douglas STANLIB Bond Fund

Fund information update at 30 September 2021



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
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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 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 and Bernard Drotchie

Size (NAV) R 2.65 billion

Classification South African - Interest Bearing - Variable Term

Benchmark 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 2021

	Class A
Based on period from:	01/07/2018
Total Expense	0.86%
Transaction Costs	0.00%
Total Investment Charge	0.86%
1 Year Total Expense	0.85%

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.

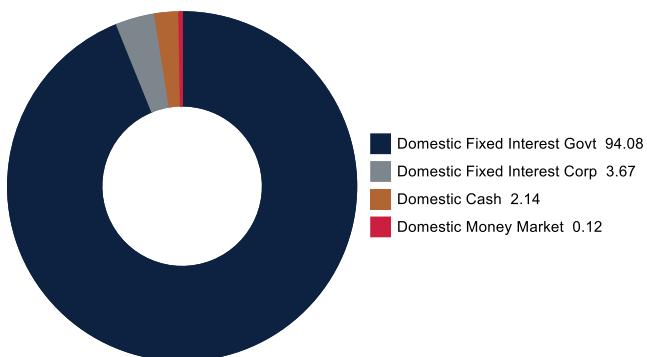
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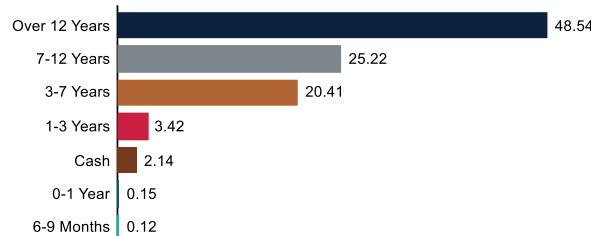
Monthly update at 30 September 2021

Holdings

Asset allocation (%)



Fixed Interest allocation (%)



Fixed Interest Top 10 Issuer exposure (%)



Performance and Income

Class A Launch: 01 July 2014

Benchmark: JSE All Bond Index

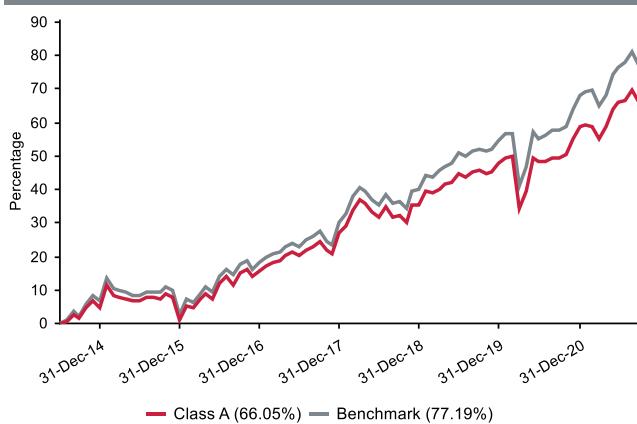
Returns (%)	1yr	3yrs	5yrs	7yrs	Launch
Class A					
Class	11.29	7.84	7.58	7.30	7.24
Rank/Out of	31/35	23/28	21/24	15/17	15/16
Sector Average	12.70	8.16	7.66	7.54	7.89
Benchmark	12.46	9.08	8.51	8.18	8.21

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

Statistics (%)	1yr	3yrs	5yrs	7yrs	Launch
Class A					
Positive Months	9	25	41	53	55
Max Gain	13.71	30.29	48.56	67.73	69.66
Max Drawdown	-2.65	-10.44	-10.44	-10.44	-10.44
Highest	15.64	15.64	15.64	15.64	15.64
Lowest	3.97	-4.09	-4.09	-5.81	-5.81

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

Cumulative performance (%) from Launch



Amount declared (cents per unit)

	Class A
31 December 20	1.96
31 March 21	1.91
30 June 21	1.98
30 September 21	1.96
In last 12 months	7.81
In 2020	7.78

Melville Douglas STANLIB Bond 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.



Mzimasi Mabece

BSc

Head of Fixed Income: South Africa



Bernard Drotchie

BCom (Hons), CFA, CFP

Chief Investment Officer

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.

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

This quarter was characterised by volatility in the bond market and as such the fund performed slightly behind its benchmark.

Market overview

The third quarter in 2021 can best be described as a quarter of two halves, with a very eventful beginning to the quarter that not only threatened the political stability of the country but its economic recovery trajectory as well. In early July, the Constitutional Court sentenced former President Jacob Zuma to 15 months incarceration following the latter's defiance of an order by the apex court to appear before a commission of enquiry and answer pertinent questions relating to allegations of impropriety during his tenure as the Head of the State.

On Friday 9th July, two days after incarceration of the former president, riot incidents were reported in some parts of KZN. Initially these were very similar to service delivery protests that are so common in South Africa and involved barricading of roads and were initially thought to be agitations for the release of the former president. Later that day these began taking a new twist where incidents of looting of businesses were reported in Durban and the blocking of the N3 highway near the Mooi River toll plaza and where freight trucks were stoned and burnt. Over the weekend these spread wider in KZN and by Monday 12th July these had spilled over to Gauteng. The mayhem and destruction of property of both large and small businesses was what was new and appeared coordinated about these riots. Social media was used extensively to encourage and coordinate this destruction. Police were very slow to respond to these incidents and it took President Ramaphosa to deploy soldiers in the affected areas, to bring these under control. It was only after seven days that these riots were quelled but not before they had caused untold destruction to the country's economy and many lives were lost. In his address to the nation following these events, the President unveiled a series of relief measures including the reinstatement of a monthly welfare payment of R350 until the end of March 2022 and a R400 million state contribution to a humanitarian relief fund. The National Treasury calculated that a relief package for businesses and individuals affected by these deadly riots would cost R38.9 billion and would be able to afford this relief package without stretching the fiscus due to tax collections having exceeded expectations, especially from the mining and financial services industries.

In response to these events the currency weakened and tested the R15/USD mark, before returning to pre riot levels. Response from the local bond market turned out to be muted, with the sell off at the height of the riots no more than 30 basis points, whilst the equity market by and large ignored the events.

The SARB in its statement at the end of its July meeting raised its concerns about the destruction that the riots may have inflicted on the already fragile economy and as such was less hawkish on its interest rate forward guidance path, keeping rates on hold and the QPM model revising its interest rate trajectory from the May meeting to just one 25 basis points hike in the second half of 2021. The local currency and bond markets were buoyed by this benign interest rate outlook. This buoyancy was roiled by two significant global events in August. Beginning of August the US labour statistics surprised the market with the US nonfarm payrolls printing significantly higher than what the market expectations were and at the end of that month, in his opening remarks at the Jackson Hole Symposium, the US Fed Chairman Jeremy Powell gave the clearest indication that the US Federal Reserve would begin tapering its asset buying program by the end of 2021. These two events spooked EM currencies and asset prices and at the back of these, both the local currency and bond yields weakened significantly with the ZAR printing significantly above R15/USD from around R14,30/USD and bond yields selling off by more than 50 basis points with the 10 year bond yields currently at around 9.60%.

Tax collections and buoyancy have continued to improve and to print ahead of estimates with significant windfalls coming from the mining and financial services industries. This tax buoyancy coupled with the upward revision of the country's economic growth estimates following the rebasing of GDP calculations, should go a long way in improving the country's precarious fiscal situation. The revised GDP forecasts should de-risk South Africa, resulting in the country's debt ratios falling back in line with its peers. This reduces the risk of further sovereign credit downgrades by rating agents in the next review cycle towards the end of this year. The improved fiscal outlook should lower the country's cost of borrowing as well as the need to borrow in the first place, resulting in reduction in bond issuances. The above factors are very much bond and currency supportive and should result in firmer bond yields and stronger currency.

Looking ahead

We believe that at these levels local bond yields are very attractive and offer value, as such we have increased the duration in the bond fund from neutral levels.

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	2.14	2.24	-0.10
Domestic Fixed Interest Corp	3.67	2.80	0.87
Domestic Fixed Interest Govt	94.08	94.84	-0.77
Domestic Money Market	0.12	0.11	0.00

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
A	Retail	95.18	27,708,039.38	26,373,860.41

All data as at 30 September 2021.

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

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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 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 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

Manager

STANLIB Collective Investments (RF) (Pty) Limited

Reg. No. 1969/003468/07

17 Melrose Boulevard, Melrose Arch, 2196

Telephone: 0860 123 003

Email: contact@stanlib.com

Website: www.stanlib.com

Third Party Manager

Melville Douglas Investment Management (Pty) Ltd

An authorised financial services provider, FSP No. 595

Reg. No. 1987/005041/07

8th Floor West Wing, 30 Baker Street, Rosebank, 2196

Telephone: +27 (0)11 721 7964

Website: www.melvilledouglas.co.za

Trustee

Standard Chartered Bank

Reg. No. 2003/020177/10

2nd Floor, 115 West Street, Sandton, 2196

Telephone: +27 (0)11 217 6600

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This is a Minimum Disclosure Document (MDD) and General Investor Report (GIR).