

Melville Douglas STANLIB High Alpha Fund

Fund information update at 31 May 2020

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 161.09 million
Classification South African - Equity - General
Benchmark FTSE/JSE Capped SWIX All Share Index
Regulation 28 Does not apply

	Class A	Class B1
Launch	01 March 2011	01 July 2015
ISIN number	ZAE000154340	ZAE000207155
JSE code	MDHFA	MDSB1
Minimum investment requirements -		
Lump sum	R 10,000	R 10,000
Monthly	R 500	R 500

What are the costs to invest in this fund?

Maximum charges including VAT

	Class A	Class B1
Initial fee (manager)	0.000%	0.000%
Initial fee (adviser)	3.450%	3.450%
Annual fee (manager)	1.725%	1.150%
Annual fee (adviser)	0.575%	0.000%
Performance fee	N/A	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 31 March 2020

	Class A	Class B1
Based on period from:	01/04/2017	01/04/2017
Total Expense	1.77%	1.28%
Transaction Costs	0.09%	0.09%
Total Investment Charge	1.86%	1.37%
1 Year Total Expense	1.78%	1.20%

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.

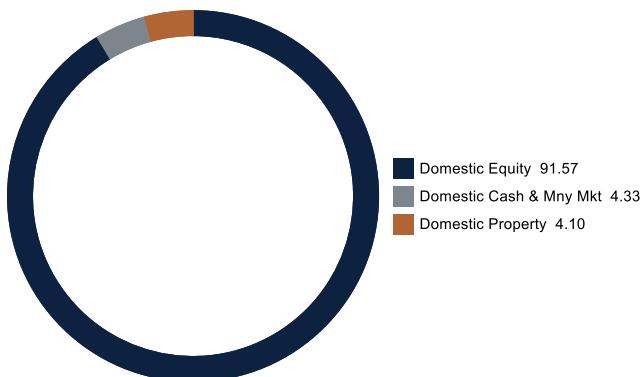
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Melville Douglas STANLIB High Alpha Fund

Monthly update at 31 May 2020

Holdings

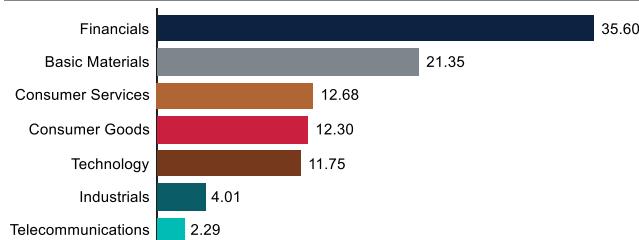
Asset allocation (%)



Top Equity holdings (%)

Anglo American Plc	8.28
Naspers Ltd	7.62
Bid Corp Ltd	6.42
BHP Group Plc	6.32
Mondi Plc	5.82
Standard Bank Group Ltd	5.55
Santam Ltd	5.28
FirstRand Ltd	4.36
Capitec Bank Holdings Ltd	4.20
Sanlam Ltd	4.04

Equity allocation (Industry) (%)



Performance and Income

Class A Launch: 01 March 2011

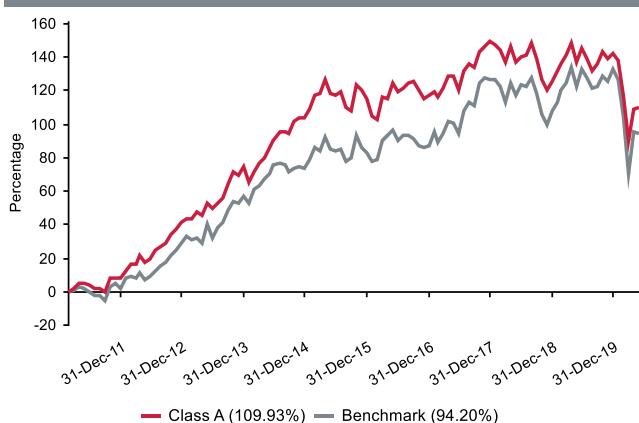
Class B1 Launch: 01 July 2015

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

Returns (%)	1yr	3yrs	5yrs	7yrs	Launch
Class A					
Class	-11.39	-2.80	-0.83	4.61	8.35
Rank/Out of	93/161	87/139	64/109	30/83	11/66
Sector Average	-9.63	-2.32	-0.60	3.60	6.00
Benchmark	-12.65	-1.13	0.96	4.78	7.43
Class B1					
Class	-10.77	-2.28			-0.17
Benchmark	-12.65	-1.13			1.13

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	6	20	32	51	71
Max Gain	10.34	12.98	22.91	66.82	150.58
Max Drawdown	-22.63	-23.69	-23.69	-23.69	-23.69
Highest	8.16	14.66	14.66	28.05	31.08
Lowest	-21.09	-21.09	-21.09	-21.09	-21.09
Class B1					
Highest	8.93	14.87			14.87
Lowest	-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 A	Class B1
28 June 2019	3.56	4.28
31 December 2019	2.30	3.30
In last 12 months	5.86	7.58
In 2019	5.86	7.58

Melville Douglas STANLIB High Alpha Fund

Quarterly update at 31 March 2020

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



Greg Wood
BBusSc, CFA
Portfolio manager

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 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 fund achieved a negative return of 21.2% for the first quarter of 2020 against the benchmark's negative return of 26.6%. Our underweight exposure to many SA consumer facing counters helped the relative return of the fund. We were underweight banks for the quarter and began to incrementally increase the exposure towards the backend of the quarter given the extreme valuations. The fund managed to avoid some large index holdings which had a difficult quarter. An example is Sasol, where the fund did not have any exposure. The fund does not hold global equity, unlike many of the peers. This remains a SA equity fund. Having said this, the fund does have many international counters within the portfolio that help diversify South African risk. These counters helped the relative performance as the Rand lost 28% of its value against the US Dollar over the quarter.

Market overview

The JSE Capped SWIX had an extremely poor start to the year, returning negative 26.6% for the first quarter of 2020. The spread of the Coronavirus outside China and the slow responses from many countries has manifested itself in lockdowns globally to contain the virus. The result is an almost certain global recession and equity prices in the first quarter have reflected the impact on companies in general. The length of the shutdowns remains key as the longer the shutdowns persist, the more permanent the economic effects will become as corporate failures and unemployment will ratchet up. Many governments have reacted with unprecedented monetary and fiscal policy to stimulate the demand side of the economy. These measures however have a finite life and moving out of lockdown in a responsible manner remains paramount. We have case studies from China, South Korea and evolving studies from EU5 which suggest that lockdowns are containing the virus, but the situation remains fluid.

In South Africa, we were downgraded to junk status by Moody's on 27th March 2020. While the timing was unfortunate, it was not unexpected and market prices did not react negatively given much of the downgrade was priced in. The downgrade will have negative effects on the fragile economy. The South African government does not have the fiscal resources to prop up the economy through the downfall. SA corporates, where possible will have to absorb much of the economic fallout. SA will need to ride the coat tails of a fiscally induced recovery outside our borders once the world moves out of lockdown.

Looking ahead

Global recession is looming, and South Africa will most likely have a more prolonged recovery period post the lockdown given the limited resources we have at our fiscal disposal. The SARB has intervened thus far and has some headroom to move further with interest rate cuts given the benign inflation outlook and the extremely low interest rates globally.

The important numbers to watch remain the Coronavirus containment as this will guide the length of global lockdowns. Once the lockdowns are behind the world, there are stimulatory efforts that could push a global recovery, but time is of the essence. We will only be able to get more clarity on the damage and potential recovery once the world is up and running, but this must only be done in a responsible manner given the vast social implications of the Coronavirus.

We have done work on balance sheets, as we believe strong balance sheets are more important than short to medium term earnings now. Some strong balance sheets that we believe will have opportunities on the other side of the economic downturn appear to have a reasonable valuation. Now, more than ever, stock selection and diversification are paramount.

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	Q1 2020	Q4 2019	Change
Domestic Cash & Mny Mkt	6.55	6.89	-0.34
Domestic Equity	89.02	89.10	-0.08
Domestic Property	4.42	4.00	0.42

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
A	Retail	171.41	2,777,040.28	4,760,038.77
B1	Retail	171.65	47,698,638.61	81,876,555.75

All data as at 31 March 2020.

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

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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 31 May 2020.

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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