

Melville Douglas STANLIB High Alpha Fund

Fund information update at 31 August 2019

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 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 143.26 million
Classification South African - Equity - General
Benchmark FTSE/JSE 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 30 June 2019

	Class A	Class B1
Based on period from:	01/07/2016	01/07/2016
Total Expense	1.80%	1.35%
Transaction Costs	0.12%	0.12%
Total Investment Charge	1.92%	1.47%
1 Year Total Expense	1.75%	1.18%

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.

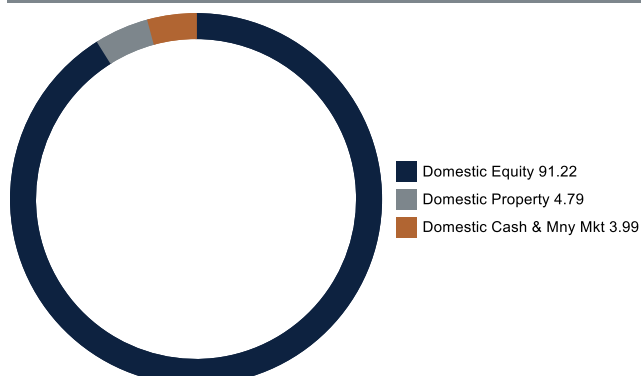
Total Investment Charges (TIC): This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct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

Melville Douglas STANLIB High Alpha Fund

Monthly update at 31 August 2019

Holdings

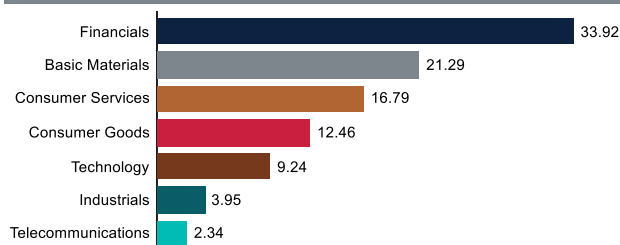
Asset allocation (%)



Top Equity holdings (%)

Naspers Ltd	8.66
Anglo American Plc	8.45
BHP Group Plc	6.84
Standard Bank Group Ltd	6.18
Santam Ltd	5.56
Mondi Plc	5.15
Bid Corp Ltd	5.10
FirstRand Ltd	4.18
AVI Ltd	3.64
NEPI Rockcastle PLC	3.19

Equity allocation (Industry) (%)



Performance and Income

Class A Launch: 01 March 2011

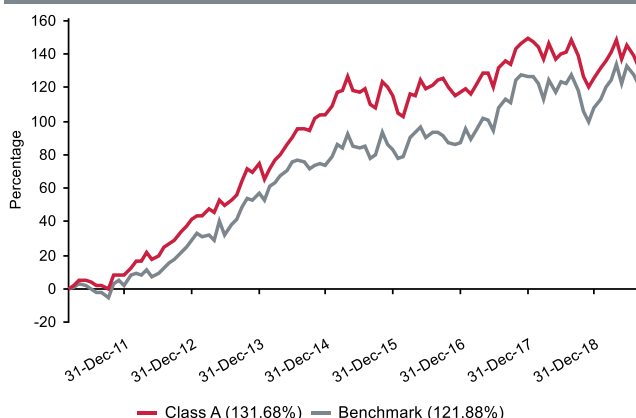
Class B1 Launch: 01 July 2015

Benchmark: FTSE/JSE All Share Index

Returns (%)	1yr	3yrs	5yrs	7yrs	Launch
Class A					
Class	-6.94	0.99	3.42	8.99	10.39
Rank/Out of	93/157	72/130	35/102	19/81	5/67
Sector Average	-5.91	0.95	2.37	7.37	7.73
Benchmark	-2.58	4.67	4.72	9.82	9.82
Class B1					
Class	-6.27	1.44			2.09
Benchmark	-2.58	4.67			4.63

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	21	34	53	66
Max Gain	12.50	15.60	27.90	96.60	150.58
Max Drawdown	-11.24	-11.37	-11.37	-11.37	-11.37
Highest	2.29	14.66	27.33	31.08	31.08
Lowest	-10.32	-10.32	-10.32	-10.32	-10.32
Class B1					
Highest	2.88	14.87			14.87
Lowest	-9.91	-9.91			-9.91

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
31 December 2018	2.85	3.37
28 June 2019	3.56	4.28
In last 12 months	6.41	7.65
In 2018	5.11	6.04

Melville Douglas STANLIB High Alpha Fund

Quarterly update at 30 June 2019

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 fund produced a return of 2.0% for the second quarter of 2019 and a year to date return of 9.1%. Both the measures are behind the All Share index. Most of the underperformance relative to the benchmark can be attributed to the underweight basic materials position and the large underweight position in Naspers relative to the index. The underweight position in Naspers is driven by risk management where Melville Douglas are unlikely to hold much more than a 10% position in any one counter. The fund did not have any exposure to Tongaat Hullet which seem to be facing accounting and balance sheet issues. In addition, the fund had no holding in Sasol which suffered a fall due to further misses on the construction of the ethane cracker. The fund was positively influenced by the overweight position in financial stocks which had a strong performance of the quarter, returning 8.7%.

Market overview

SA Equity followed on from the strong first quarter in 2019 with a volatile, yet positive outcome, returning 3.9% for the second quarter and bringing the year to date return for the JSE All Share Index to 12.2%. The second quarter had strong returns across all major sectors, but financials were the biggest beneficiary, returning 5.4% as markets began digesting lower interest rates globally. For the calendar year, resources remain the shining beacon, returning 20.7%. The returns over the quarter were very volatile. Markets were buoyed by the continued dovishness from the FED, but the month of May reminded markets that the risks to global growth are still alive and well. The trade tensions between the two global superpowers threaten global growth which is necessary given equity valuations.

Looking ahead

In South Africa, local company valuations remain in line with long term averages, but growth remains a key concern. SA GDP for the first quarter came in well below expectations. While lower interest rates could potentially provide some help to consumers and company earnings, more is required to instill business confidence, from a policy certainty perspective and fiscal position.

Given the strong start to the year, valuations have normalized from the modest valuations at the start of the year. The price we pay for SA equity has become ever more critical given the lack of growth. Although not very expensive, SA equities do not have a large margin of safety and diversification and discipline remain 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	Q2 2019	Q1 2019	Change
Domestic Cash & Mny Mkt	4.48	8.62	-4.14
Domestic Equity	90.75	86.41	4.34
Domestic Property	4.77	4.97	-0.20

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
A	Retail	227.39	2,459,496.31	5,592,610.93
B1	Retail	228.14	40,991,007.42	93,518,384.83

All data as at 30 June 2019.

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

Melville Douglas STANLIB High Alpha Fund

Important information update at 31 August 2019

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 August 2019.

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 all periods of 1 year or longer, where blank 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

Trustee

Standard Chartered Bank
Reg. No. 2003/020177/10
5th Floor, 4 Sandown Valley Crescent, Sandton, 2196
Telephone: +27 (0)11 217 6600

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