

Melville Douglas STANLIB Dynamic Strategy Fund

Fund information update at 30 September 2019

What is the fund's objective?

The objective of the fund is to deliver high growth of capital and income at a reasonable level of current income and relative stability. The fund focuses on delivering balance between investment returns and the risk associated with those returns, between capital growth and cash generation and balance between compound and cyclical price performers.

What does the fund invest in?

The Dynamic Strategy Fund is an actively managed multi-asset class mandate designed to reflect Melville Douglas's optimal long-term capital growth strategy.

What possible risks are associated with this fund?

General market risks: include a decline in property values, share price volatility, a change in interest rates and economic conditions. 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?

As this is a well-managed balanced portfolio, with the objective of delivering strong risk adjusted returns over time, this fund will suit 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 semi-annually.

Declaration 30 June, 31 December

General fund information

Manager(s) Paolo Senatore and Susan Gawith
Size (NAV) R 252.40 million
Classification South African - Multi Asset - Flexible
Benchmark FTSE/JSE All Share Index 55%
 BESA All Bond Index 15%
 MSCI World Index (USD) 15%
 STeFI Call Deposit Rate Index 15%

Regulation 28 Does not apply

	Class A	Class B1
Launch	10 June 2002	02 January 2008
ISIN number	ZAE000039459	ZAE000112678
JSE code	MDDS	Mddb1
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	1.81%	1.24%
Transaction Costs	0.07%	0.07%
Total Investment Charge	1.88%	1.31%
1 Year Total Expense	1.78%	1.21%

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.

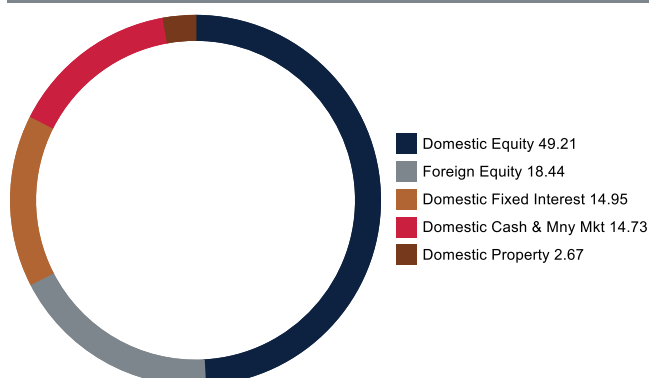
Total Investment Charges (TIC): This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct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

Melville Douglas STANLIB Dynamic Strategy Fund

Monthly update at 30 September 2019

Holdings

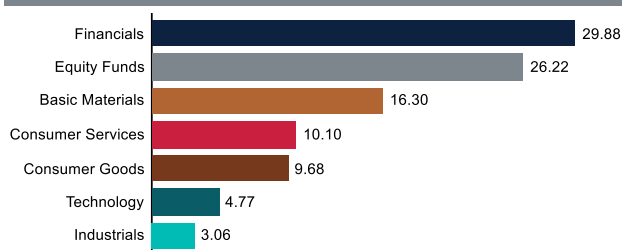
Asset allocation (%)



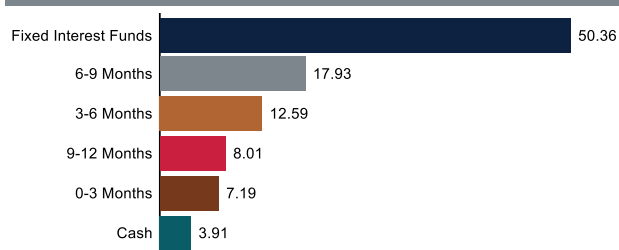
Top Equity holdings (%)

Anglo American Plc	4.73
BHP Group Plc	3.86
Santam Ltd	3.37
Naspers Ltd	3.18
Standard Bank Group Ltd	2.97
Mondi Plc	2.87
Sanlam Ltd	2.36
Richemont Securities	2.30
Quilter Plc	2.12
Bid Corp Ltd	2.04

Equity allocation (Industry) (%)



Fixed Interest allocation (%)



Performance and Income

Class A Launch: 10 June 2002

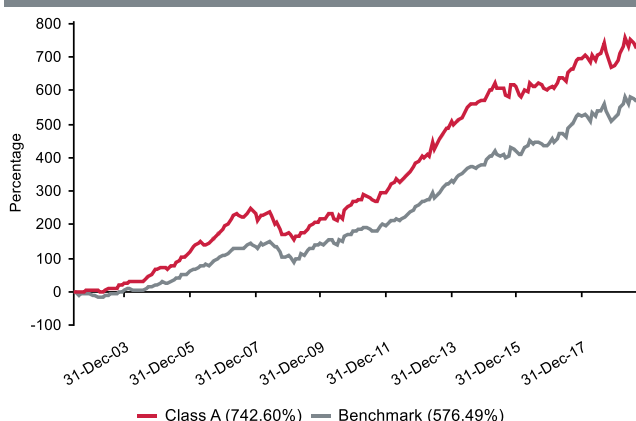
Class B1 Launch: 02 January 2008

Benchmark: FTSE/JSE ALSI (55%); BESA ALBI (15%); MSCI World (15%); STeFI Call (15%)

Returns (%)	1yr	3yrs	5yrs	7yrs	10yrs
Class A					
Class	3.04	5.44	5.05	9.11	10.80
Rank/Out of	21/59	12/49	20/43	12/34	10/29
Sector Average	1.03	2.60	4.62	8.20	9.69
Benchmark	5.37	7.56	7.55	10.51	11.40
Class B1					
Class	3.63	6.04	5.52	9.37	10.95

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	10yrs
Class A					
Positive Months	7	23	36	54	77
Max Gain	11.12	21.86	29.97	87.06	183.28
Max Drawdown	-5.81	-8.45	-8.45	-8.45	-8.45
Highest	5.91	13.42	16.40	27.90	27.90
Lowest	-3.31	-3.31	-3.83	-3.83	-3.83
Class B1					
Highest	6.52	14.06	16.08	27.54	27.54
Lowest	-2.77	-2.77	-3.39	-3.39	-3.39

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	6.00	7.45
28 June 2019	8.53	10.00
In last 12 months	14.53	17.45
In 2018	13.01	15.85

Melville Douglas STANLIB Dynamic Strategy Fund

Quarterly update at 30 September 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).



Susan Gawith
BSc, MBA
Portfolio Manager

Before joining Melville Douglas in 2006, Susan was a rated sell-side analyst covering consumer stocks, and is now Melville Douglas's lead analyst on the retail, hotel and leisure sectors. She is also the co-manager of our key long-term capital growth fund – the Melville Douglas STANLIB Dynamic Strategy Fund (ZAR). Susan holds a BSc degree and an MBA.

Fund review

The fund had a pleasing return for the year to date having achieved a return of 10.1% for the nine months ending September 2019. The fund returned 3.9% over a twelve-month period, which is slightly below the inflation of 4.3% for that period. Year to date the fund SA equity is up 7.2%, well ahead of the SWIX return of 4.3% and similar to the ALSI return of 7.1%. The primary driver of equity markets has been the resource sector, which was up 13% year-to-date on the back of much stronger precious metal prices. The offshore component continued to provide a pleasing contribution to overall portfolio performance, up 24% in ZAR to September. In addition, the fixed income component, as represented by investments in the bond market, slightly outperformed cash holdings for the nine-month period ending September as well as over the preceding twelve-month period. As noted, market performance was driven primarily by resources, with the top seven performing shares (including Implats with a 159% return) being resource shares. ABI was the top non-resource counter up 52.8%, which represents 2.7% of the SA equity in the fund. Fortunately, the fund had no exposure to index heavyweight Sasol, which was down 40% for the nine months.

Market overview

After one of the strongest and broadest rallies across every major asset during the first half of the year, asset class returns have been more modest during the third quarter of 2019 with global bonds outperforming global equity. Even so, global equity markets are still up 17% for the calendar year to date, a very good result given the uncertain geopolitical and macro backdrop, and much stronger than most other asset classes. The US continue to dominate regional returns and Developed markets outperformance over Emerging markets persist. The same holds true for the US dollar which has (not for the first time) strengthened on a trade weighted basis. The strong returns can primarily be ascribed to the change in tone by the Federal Reserve and much lower global government bond yields. But leading indicators have continued to deteriorate as the trade war between the US and China escalated, indicating tougher times ahead. At the same time, business and consumer confidence turned down sharply due to the heightened uncertainty caused by the trade spat and increased geopolitical tension. Global manufacturing and industrial production retreated, and investment spending has come to an abrupt halt as global trade turned negative.

Looking ahead

In South Africa, local company valuations have fallen below long-term averages, because growth remains a concern. SA GDP continues to disappoint but is expected to record a marginal improvement during 2020. Weak consumer and business confidence continues to hamper economic growth. This is exacerbated by the declining global back drop, with declining economic indicators being pronounced in Europe and also starting to manifest in other major markets, such as the USA and China. Given the difficult global and domestic growth scenarios it is expected that the local equity market will continue a difficult and volatile path.

The benign interest rate outlook from the SARB as well as other central banks and high real local bond yields has helped local bond markets. This environment of high real SA yields provides a compelling investment opportunity and we are likely to increase our bond weighting in the fund. We believe that risks to the South African sovereign downgrade remain, however the rating agents are prepared to give the new administration some time to bring envisaged changes and as such the risk is not imminent and this should support the bond market. The outlook is not expected to change much in the near term as the current economic expansion appears decisively late cycle. The good news is that global central banks are on alert to inject additional liquidity and fiscal support could be on offer again. At the same time, non-manufacturing activity and consumer spending have remained robust and have benefited from a combination of low levels of unemployment, positive real disposable income growth and loose monetary policy. But while the global economy is adjusting to a period of slower growth, risks remain, and small unexpected events could provide the spark for the next economic downturn.

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 2019	Q2 2019	Change
Domestic Cash & Mny Mkt	14.73	12.50	2.23
Domestic Equity	49.21	51.99	-2.78
Domestic Fixed Interest	14.95	15.32	-0.38
Domestic Property	2.67	2.53	0.14
Foreign Equity	18.44	17.65	0.79

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
A	Retail	521.96	2,070,554.52	10,807,542.79
B1	Retail	522.75	46,213,913.52	241,585,271.91

All data as at 30 September 2019.

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

Melville Douglas STANLIB Dynamic Strategy Fund

Important information update at 30 September 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 Dynamic Strategy 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 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).

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