

Melville Douglas STANLIB High Alpha Fund

Fund information update at 31 August 2023



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) Bernard Drotchie, Paolo Senatore and Refilwe Moroka

Size (NAV) R 228.57 million

Classification South African - Equity - General

Benchmark FTSE/JSE Capped SWIX All Share Index

Regulation 28 Does not apply

Class B1

Launch 01 July 2015

ISIN number ZAE000207155

JSE code MDSB1

Minimum investment requirements -

Lump sum R 10,000

Monthly R 500

What are the costs to invest in this fund?

Maximum charges including VAT

	Class B1
Initial fee (manager)	0.000%
Initial fee (adviser)	3.450%
Annual fee (manager)	1.150%
Annual fee (adviser)	0.000%
Performance fee	N/A
Adviser fee	1.150%

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.

Adviser fee - this is the maximum annual service fee (% based) an adviser can charge on the value of your portfolio. It is calculated and accrued daily and recovered monthly by means of a redemption of your units. It is not included in the **Annual fee**.

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

	Class B1
Based on period from:	01/07/2020
Total Expense	1.18%
Transaction Costs	0.16%
Total Investment Charge	1.34%
1 Year Total Expense	1.19%

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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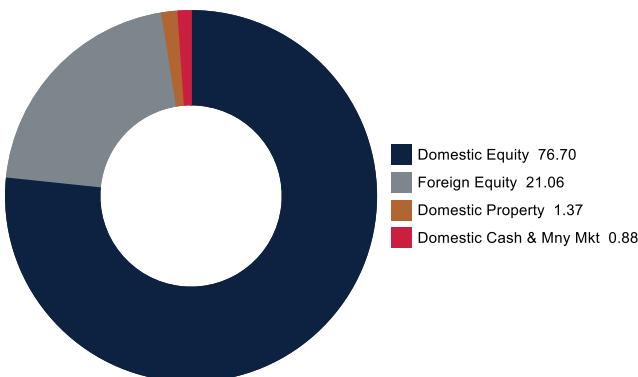
Melville Douglas STANLIB High Alpha Fund

Monthly update at 31 August 2023



Holdings

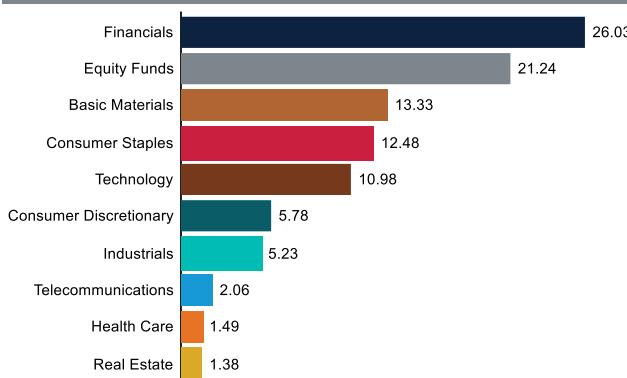
Asset allocation (%)



Top Equity holdings (%)

Naspers Ltd	7.21
FirstRand Ltd	5.66
Standard Bank Group Ltd	4.75
Bid Corp Ltd	3.88
Prosus NV N (ZAR)	3.67
Anglo American plc	3.64
Remgro Ltd	3.62
Compagnie Financière Richemont SA	3.55
British American Tobacco plc	3.45
Absa Group Ltd	3.45

Equity allocation (Industry) (%)



Performance and Income

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 B1					
Class	11.42	11.65	4.13	4.53	4.42
Rank/Out of	63/169	111/152	117/136	86/110	74/96
Sector Average	10.14	13.76	6.73	6.29	5.77
Benchmark	10.87	14.56	6.96	7.40	6.98

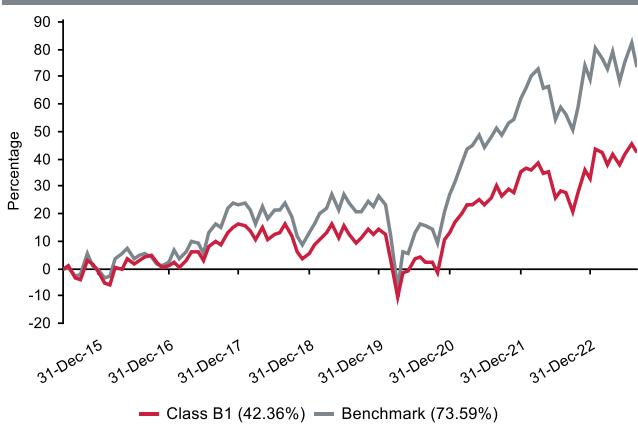
Returns (%) shown are cumulative for all periods shorter than or equal to 1 year and annualised for all periods greater than 1 year.

Statistics (%)	1yr	3yrs	5yrs	7yrs	Launch
Class B1					
Positive Months	6	21	34	49	55
Max Gain	21.04	47.90	62.38	62.38	62.38
Max Drawdown	-5.72	-12.85	-22.96	-22.96	-22.96
Highest	13.64	36.95	36.95	36.95	36.95
Lowest	-4.63	-13.98	-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.

Cumulative performance (%) from Launch



Amount declared (cents per unit)

	Class B1
30 December 22	3.25
30 June 23	2.10
In last 12 months	5.35
In 2022	8.19

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Melville Douglas STANLIB High Alpha Fund

Quarterly update at 30 June 2023

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.



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



Paolo Senatore
MSc (Mechanical Engineering)
Strategist



Refilwe Moroka
BCom, BCompt (Hons), CFA®
Senior Analyst, Investment Research

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.

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).

Refilwe joined Melville Douglas in 2017 as domestic equity research analyst covering the Diversified industrials and Telecommunications sectors, and is now the Head of Domestic Equity Research. Refilwe co-manages the Melville Douglas High Alpha Fund and the Melville Douglas Balanced Fund. Prior to joining Refilwe was a Diversified Lending & Leveraged Credit Risk Manager dealing specifically in the FMCG, Retail sector at Standard Bank. She holds a B.Com Accounting degree, a B.Compt (Hons) in Cost Management Accounting and is a CFA® Charterholder.

Fund review

The High Alpha Fund delivered a return of 2.96% for the 2Q23 ahead of the FTSE/JSE Capped SWIX Index which returned 1.16% and the Peer Group return of 1.69%. The Domestic SA equity portion of the portfolio returned 0.50% for the quarter, underperforming the FTSE/JSE Capped SWIX Index but in line with Peer Group which returned 0.51%. The Offshore equity component of the portfolio returned 13% in Rand terms for the quarter against the MSCI ACWI which also returned 13%. The best performing sector for the 2Q23 was Consumer Discretionary (+9.6%) followed by Telecoms (+7.5%) and Financial (+4.7%). The Fund's best performing stocks were FirstRand, Richemont, MTN, Sanlam and Remgro, with the worst performing stocks being Impala Platinum, Northam Platinum, Anheuser-Busch, Anglo American and AngloGold.

Market overview

Global equity markets have not disappointed this year. At the end of June, the MSCI ACWI returned 13.9% for the calendar year and the global equity index was up over 20% since the market bottomed in October 2022. The performance is slightly surprising given that the interest rates have not yet peaked, and central banks have once again turned more hawkish in their guidance. The outlook for the global economy and corporate profit growth however remains lacklustre after a period of stronger than expected growth. Admittedly, headline inflation has fallen sharply as energy, metal and soft commodity prices are significantly lower than a year ago, but core inflation remained stickier given strong employment markets supporting services-driven businesses and the housing market. Lower inflation if sustained, does provide a glimmer of hope that the end of the monetary tightening cycle is in sight and that policy interest rates could be materially lower next year. The strong returns from global equities are attributed to a significant rerating in valuations across the 10 largest mega cap tech stocks. The S&P 500 index returned 16.9% this year of which c.13.3% was attributable to the mega cap stocks. After a dismal May, SA assets bounced back in June. Overall, the performance from the South African equity market has been disappointing this year, a reflection of negative earnings revisions. After a strong start to the year, returns dwindled as Resources (ex-gold) sold off on growth concerns and lower commodity prices given China's softer than expected economic recovery. The weak currency coupled with a strong performance from Richemont, Bidcorp, Bidvest, and NPN/PRX contributed to the strong returns from the Industrial index (+17.5%). Financials (+6.7%), was the next best performing sector underpinned by strong earnings growth and attractive valuations. Resources (-10.5%), the worst performing sector dragged down by PGMs.

Looking ahead

Inflation in South Africa continues to hover at levels above its upper target band of 6%, driven primarily by fuel, electricity, and food price inflation. 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. The South African GDP is expected to grow by a meagre c.0.3% during 2023 in an environment marred by unrelenting loadshedding, unprecedented levels of unemployment, and infrastructure under significant strain. The 0.75% Developed market growth expectation reflects the lacklustre Global economic growth expectations for 2023. With diversification and risk management at our core, we continue to focus on stock selection and long-term value creation, and we believe the Fund is well positioned to benefit from undemanding valuations within the South African equity market. We continue to actively monitor the key drivers of asset class returns, which include valuations, the outlook for inflation, interest rates, the change in the direction of leading economic indicators and developments in employment. We are the mindful of the risks inherent in investing in SA and have taken steps to manage the risk by continuously performing sensitivity analysis to our model portfolio as well as stress testing our assumptions to ensure we capture opportunities that will benefit our clients over the long term and manage risks. In conclusion, we believe that investors should look forward to a year of improved investment returns stemming from lower starting valuations, declining inflation, a peaking interest rate cycle, defensive positioning by market participant.

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 & Mny Mkt	0.42	9.71	-9.29
Domestic Equity	77.30	69.49	7.81
Domestic Property	1.44	1.17	0.27
Foreign Equity	20.85	19.63	1.22

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
B1	Retail	248.53	38,352,503.38	95,317,802.63

All data as at 30 June 2023.

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

Melville Douglas STANLIB High Alpha Fund

Important information update at 31 August 2023



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 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

Manager

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