Melville Douglas STANLIB High Alpha Fund

Fund information update at 31 May 2021

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**

What is the suggested investment period for this fund?

Minimum period

1 Month	6 Months	1 Year	3 Years	**5 Years**	7 Years

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 216.10 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 31 March 2021

	Class B1
Based on period from:	01/04/2018
Total Expense	1.21%
Transaction Costs	0.13%
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.

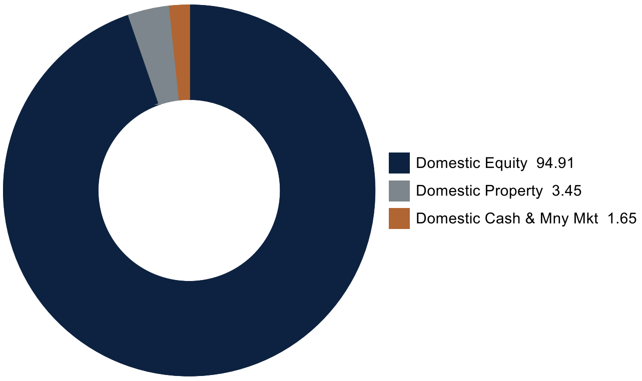
Melville Douglas STANLIB High Alpha Fund

Monthly update at 31 May 2021

MelvilleDouglas
A Member of Standard Bank Group

Holdings

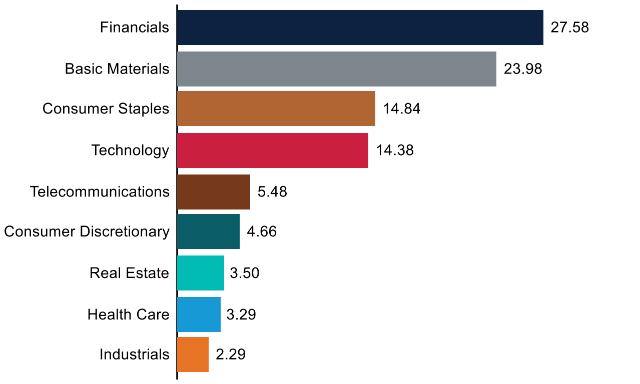
Asset allocation (%)



Top Equity holdings (%)

Naspers Ltd	9.84
Anglo American plc	9.33
BHP Group Plc	6.24
FirstRand Ltd	5.20
Standard Bank Group Ltd	5.16
Mondi Plc	4.98
Prosus NV N (ZAR)	4.31
Bid Corp Ltd	4.31
British American Tobacco Plc	3.98
Santam Ltd	3.75

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.

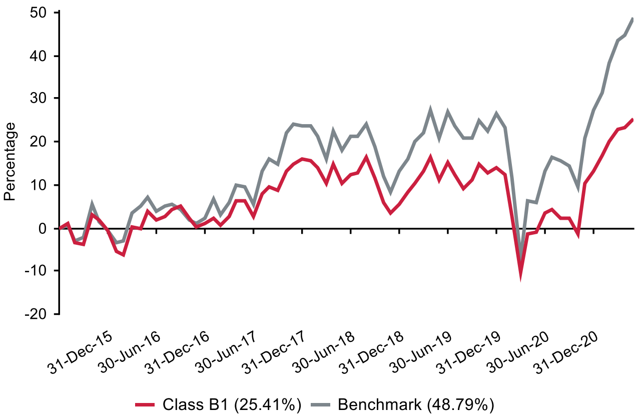
Returns (%)	1yr	2yrs	3yrs	5yrs	Launch
Class B1					
Class	26.46	6.23	4.35	3.86	3.90
Rank/Out of	130/160	128/153	113/145	77/113	65/100
Sector Average	35.31	10.64	7.03	4.99	4.98
Benchmark	40.75	10.87	7.98	6.80	6.94

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	2yrs	3yrs	5yrs	Launch
Class B1					
Positive Months	9	15	23	37	41
Max Gain	27.21	39.66	39.66	39.66	39.66
Max Drawdown	-5.55	-22.19	-22.96	-22.96	-22.96
Highest	36.95	36.95	36.95	36.95	36.95
Lowest	-13.98	-20.52	-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 June 20	3.18
31 December 20	1.10
In last 12 months	4.28
In 2020	4.28

STANLIB

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

South African equity continued its strong momentum from the fourth quarter 2020 into the first quarter 2021, with the FTSE/JSE Capped SWIX delivering a first quarter return of 12.6%, bringing the rolling twelve month return to 54.2%, admittedly off a low base given the trough of the market was on 23rd March 2020. The fund underperformed over the quarter, delivering a return of 8.6% mainly due to the basic material underweight position.

The fund's best performing sectors were the telecommunications, basic materials, healthcare and technology sectors. The fund benefitted from the recent addition, MTN which returned 42% for the quarter. Other notable returns came from Coronation Fund Managers, Anglo American, Naspers, BHP Billiton and Netcare.

Underperforming sectors were consumer goods, dragged down by Anheuser Busch In-Bev and financials which were impacted by the holdings in Santam and Standard Bank.

Market overview

Despite an improvement off record lows, business confidence has improved, but not to the required level to promote investment and job creation given the ongoing policy uncertainty and lack of reliable electricity. We should however experience a positive effect from short term inventory restocking as most companies drew down on inventory in 2020 to conserve cash.

Despite these factors, South African equities significantly outperformed global equities and our emerging market peers measured in US Dollars over the quarter as valuations catch up to the rest of the world. The FTSE/JSE Capped SWIX returned 12.0% in USD over the quarter whereas the MSCI AC World Index and the MSCI Emerging Market Index returned 4.6% and 2.3% in US Dollars respectively.

Globally, macro-economic factors continue to be supportive of risk assets, with unprecedented monetary and fiscal policy in place. This should be supportive of South African equities in the near term given our equities look relatively cheap when compared to global peers. We do however need to be cognisant of global yields reversing off very low levels. This was evidenced in the first quarter of 2021 where we witnessed some short sharp sell offs as the threat of rising yields emerged.

Crucially, South Africa need to execute on the vaccine rollout and manage the fiscal situation which has deteriorated dramatically as GDP slumped and the required sovereign borrowings increased in 2020. Longer term the country requires investment to stimulate growth and job creation. The current GDP forecasts will not be enough to meaningfully reduce the unemployment rate, crucial to company earnings growth and sustainable equity returns.

Many listed South African companies have however managed their way through a very difficult 2020 and the balance sheets for the most part appear to be resilient, despite falling earnings. These strong balance sheets should allow the companies to recover and many who cut or did not pay dividends in 2020 should resume the distributions in 2021.

Looking ahead

We expect more volatility for the rest of 2021.The opening of the economy and capacity utilisation are of utmost importance. Many share prices have recovered strongly in anticipation of the earnings recovery. Earnings misses could therefore have a significantly negative impact off the current valuations. 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 2021	Q4 2020	Change
Domestic Cash & Mny Mkt	3.54	1.43	2.11
Domestic Equity	93.01	94.35	-1.35
Domestic Property	3.46	4.22	-0.77

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
B1	Retail	230.07	49,283,329.46	113,383,949.77

All data as at 31 March 2021.
Units – amount of participatory interests (units) in issue in relevant class.

Melville Douglas STANLIB High Alpha Fund

Important information update at 31 May 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 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 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).

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