Melville Douglas STANLIB Balanced Fund

Fund information update at 31 August 2020

What is the fund's objective?

The objective of the fund is to deliver high growth of capital and income, a reasonable level of current income and relative stability for capital invested to obtain long term wealth accumulation.

What does the fund invest in?

The fund is an actively managed multi-asset class mandate designed to reflect Melville Douglas's optimal long-term capital growth strategy. 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. The maximum equity effective exposure (including international equity) will not exceed 75% of the market value of the portfolio.

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

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?

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 309.23 million
Classification South African - Multi Asset - High Equity
Benchmark ASISA SA MA High Equity-Sector Mean
Regulation 28 Complies

Regulation 28 of the Pension Funds Act sets the limits in terms of the maximum exposure the retirement fund and the individual retirement fund member's savings (i.e. your savings) may have to various asset classes. For more information please refer to the Regulation 28 Guidelines available on our website (www.stanlib.com). This Fund complies with this Regulation.

	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
Adviser fee	N/A	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 2020

	Class A	Class B1
Based on period from:	01/07/2017	01/07/2017
Total Expense	1.79%	1.22%
Transaction Costs	0.06%	0.06%
Total Investment Charge	1.85%	1.28%
1 Year Total Expense	1.82%	1.24%

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.

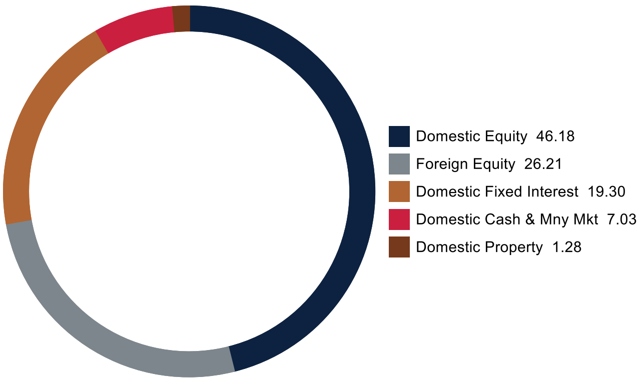
Melville Douglas STANLIB Balanced Fund

Monthly update at 31 August 2020

MelvilleDouglas
A Member of Standard Bank Group

Holdings

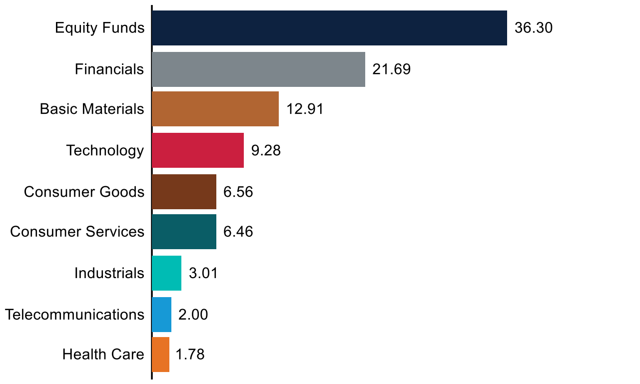
Asset allocation (%)



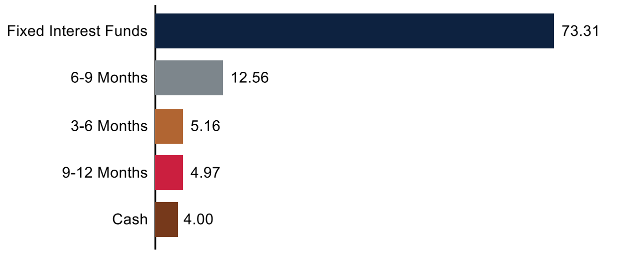
Top Equity holdings (%)

Naspers Ltd	4.18
Anglo American Plc	4.04
Bid Corp Ltd	3.06
BHP Group Plc	2.69
Santam Ltd	2.68
Mondi Plc	2.59
Prosus NV N (ZAR)	2.52
Standard Bank Group Ltd	2.38
Capitec Bank Holdings Ltd	2.15
FirstRand Ltd	2.01

Equity allocation (Industry) (%)



Fixed Interest allocation (%)



Performance and Income

Class A Launch: 10 June 2002 Class B1 Launch: 02 January 2008

Benchmark: ASISA SA MA High Equity-Sector Mean from 01/04/2020, previously FTSE/JSE Capped SWIX ALSI (FTSE/JSE ALSI from launch to 31/12/2019) (55%); JSE ALBI (15%); MSCI World (15%); STeFI Call (15%) from launch.

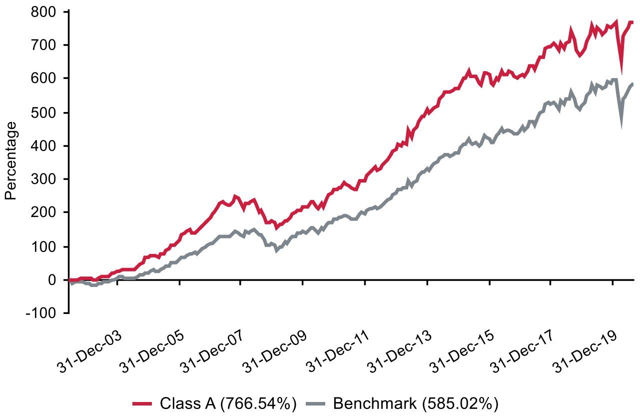
Returns (%)	1yr	3yrs	5yrs	7yrs	10yrs
Class A					
Class	3.88	4.31	4.74	6.57	10.48
Rank/Out of	118/194	52/170	49/125	32/83	6/54
Sector Average	4.75	3.19	4.26	6.08	8.55
Benchmark	1.80	4.69	6.47	8.11	10.59
Class B1					
Class	4.63	4.95	5.38	6.96	10.74

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	10yrs
Class A					
Positive Months	8	23	35	53	78
Max Gain	14.85	14.85	27.67	56.29	171.25
Max Drawdown	-12.86	-12.86	-12.86	-12.86	-12.86
Highest	10.77	13.42	13.42	25.63	27.90
Lowest	-9.16	-9.16	-9.16	-9.16	-9.16
Class B1					
Highest	11.40	14.06	14.06	25.27	27.54
Lowest	-8.63	-8.63	-8.63	-8.63	-8.63

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 A	Class B1
31 December 19	6.30	7.86
30 June 20	5.11	6.57
In last 12 months	11.41	14.43
In 2019	14.83	17.86

STANLIB

Melville Douglas STANLIB Balanced Fund

Quarterly update at 30 June 2020

MelvilleDouglas
A Member of Standard Bank Group

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 is up strongly for the quarter, the 13.3% gain reversing the pain of the first quarter. Local equity bounced over 15%, led by financial services, resources and Naspers. The ZAR strengthened 3.4% over the quarter against the USD, but strong global markets meant the offshore holdings were up nearly 14% in ZAR. Local bonds also rallied nicely and provided a return of 10.3% for the period. Over the year, the fund is up a modest 0.6%, driven entirely by the performance of a few rand hedges, the offshore holdings and cash. This highlights the benefits of diversification in a period when the capped SWIX fell nearly 11% and domestic bonds were flat.

We sold out our entire holdings in City Lodge and the Foschini group in the quarter. Both companies have stretched balance sheets and would suffer from an extended lockdown. We have added to a few of the quality businesses where we saw compelling value, including Bidvest, Bidcorp, Capitec and FirstRand. We do expect most of the businesses we own to see falling earning over the next 12 months as a result of the lockdown worsening already flagging growth. However, as long-term investors we need to take advantage of valuation opportunities that the current volatility provides.

Market overview

The first half of the year was a "tale of two halves" as far as investment markets were concerned. During the first quarter investors endured significant volatility as COVID-19 concerns resulted in one of the fastest and sharpest declines in history. The impact of the deadly virus on the global economy became a reality as governments enforced lockdown measures by keeping people home. Equally impressive has been the sharp recovery in investment markets during Q2. Policy makers provided the sugar rush that investor have been looking for through significant monetary and fiscal stimulus, at multiples of what was experienced in the aftermath of the Global Financial Crisis. But it wasn't just the magnitude of the stimulus that surprised but also the swiftness with which these coordinated decisions were taken.

The ALSI has outperformed both Emerging and Developed equity markets in Q2 but has underperformed both markets significantly year to date. The Resources sector has continued its outperformance this year with another strong quarterly return of 41%, thanks to the gold companies and Sasol which has bounced sharply from its low in March (the stock is still down 57% this year). Naspers is up 28% and given its weight in the index is an important contributor to returns this year. Domestic stocks recovered somewhat on lower interest rates and a general improvement in risk sentiment but are still down significantly this year. The weak growth outlook in SA continues to weigh on domestic shares. Local bonds produced handsome return for investors who locked in very attractive yields only a few months ago and have already been rewarded with a 10% return in Q2. And finally, although the rand has gained back some ground in Q2, the currency remains 20% weaker against the USD this year.

Looking ahead

As we head into the second half of the year economies will recover as the world reopens its doors for business and the stimulus measures take hold. Base effects are expected to amplify the initial rate of recovery. Although we have seen evidence of a second wave of increases infections in the US as people returned to their workplace, shopping malls and restaurants, the rate of infection has stabilised and is trending lower in most of the developed world. Even though the reoccurrence of COVID-19 remains highly probable, we don't expect full scale lockdown measures to be implemented again (given the economic costs), but rather targeted restrictions. Globally, healthcare organisations are also better equipped to respond to the pandemic and pharmaceutical companies have made significant progress in finding treatments for patients who have been hospitalised or ended up in ICU, but it will only be the discovery of a vaccine that will ultimately speed up the global economic recovery process and ensure the sustainability of it.

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 2020	Q1 2020	Change
Domestic Cash & Mny Mkt	8.29	6.04	2.25
Domestic Equity	45.20	48.58	-3.38
Domestic Fixed Interest	20.17	15.65	4.52
Domestic Property	1.47	1.45	0.03
Foreign Cash & Mny Mkt	0.00	1.19	-1.19
Foreign Equity	24.86	27.08	-2.22

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
A	Retail	522.93	3,213,462.69	16,804,168.86
B1	Retail	524.43	53,921,880.92	282,781,610.63

All data as at 30 June 2020.
Units – amount of participatory interests (units) in issue in relevant class.

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 Balanced 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 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

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
2nd Floor, 115 West Street, 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