Melville Douglas STANLIB High Alpha Fund

Fund information update at 29 February 2020

MelvilleDouglas
A Member of Standard Bank Group

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 145.98 million
Classification South African - Equity - General
Benchmark FTSE/JSE Capped SWIX 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 31 December 2019

	Class A	Class B1
Based on period from:	01/01/2017	01/01/2017
Total Expense	1.77%	1.30%
Transaction Costs	0.09%	0.09%
Total Investment Charge	1.86%	1.39%
1 Year Total Expense	1.76%	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 29 February 2020

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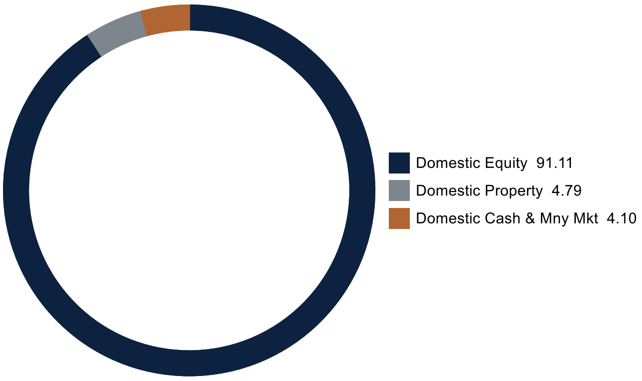
Holdings

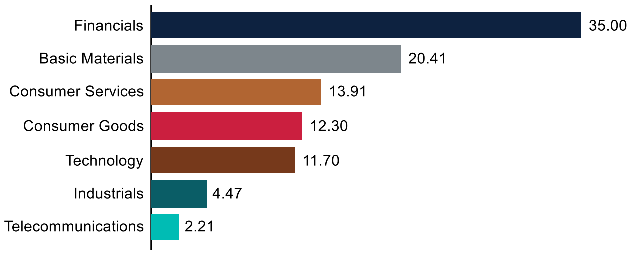
Asset allocation (%)



Top Equity holdings (%)

Anglo American Plc	8.40
Naspers Ltd	7.73
Mondi Plc	5.82
Santam Ltd	5.44
BHP Group Plc	5.35
Standard Bank Group Ltd	5.13
Bid Corp Ltd	4.61
FirstRand Ltd	4.23
Quilter Plc	3.81
Prosus NV N (ZAR)	3.46

Equity allocation (Industry) (%)



Performance and Income

Class A Launch: 01 March 2011 Class B1 Launch: 01 July 2015

Benchmark: FTSE/JSE Capped SWIX ALSI (J433T) from 01/01/2020; FTSE/JSE ALSI (J203T) from launch.

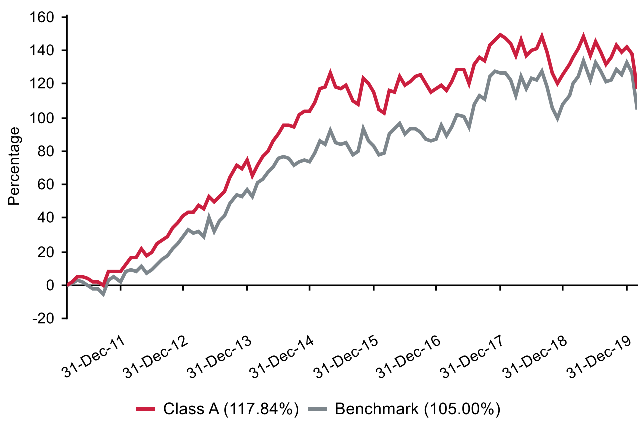
Returns (%)	1yr	3yrs	5yrs	7yrs	Launch
Class A					
Class	-7.66	0.23	0.00	6.16	9.04
Rank/Out of	93/158	71/132	61/103	27/81	10/66
Sector Average	-6.49	0.02	0.27	5.03	6.73
Benchmark	-7.12	2.63	1.90	6.62	8.29
Class B1					
Class	-7.01	0.74			0.59
Benchmark	-7.12	2.63			2.37

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 A					
Positive Months	6	21	32	51	69
Max Gain	5.37	15.24	22.91	73.93	150.58
Max Drawdown	-12.37	-12.62	-12.62	-12.62	-12.62
Highest	8.16	14.66	26.52	30.35	31.08
Lowest	-7.66	-10.32	-10.32	-10.32	-10.32
Class B1					
Highest	8.93	14.87			14.87
Lowest	-7.01	-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.

Cumulative performance (%) from Launch



Amount declared (cents per unit)

	Class A	Class B1
28 June 2019	3.56	4.28
31 December 2019	2.30	3.30
In last 12 months	5.86	7.58
In 2019	5.86	7.58

STANLIB

Melville Douglas STANLIB High Alpha Fund

Quarterly update at 31 December 2019

MelvilleDouglas
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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 achieved a return of 2.4% for the fourth quarter of 2019 against the benchmark return of 4.6%. The underweight position in basic materials (most notably precious metals) detracted from the relative performance. Most of the SA facing consumer businesses (City Lodge, Woolies etc), detracted from the performance due to the negative macroeconomic data while our holding in Capitec bucked the trend from SA cyclical counters delivering 13% for the quarter. In addition, our new holding in Mr Price provided a return of 17% as we bought into weakness. Quilter Plc generated a strong return as Brexit fears eased. Anheuser Busch detracted from the relative return as they reported unexpected poor numbers during the quarter.

Market overview

The JSE All share had a positive, but volatile 2019 returning 12.1% for the year (average CPI was around 4.3%). The first half returned 12.7% and the second half of the year was slightly negative due to a very poor third quarter. The fourth quarter returned a pleasing 4.6% despite very poor macroeconomic news flow. Tito Mboweni released a very negative medium-term budget speech which pointed to a very grim fiscal trajectory. We also had very poor GDP numbers and more load shedding due to Eskom unplanned shutdowns. Basic Materials were the primary driver of returns, delivering 28.5% for the calendar year. Not surprisingly, Financials were the laggards as they are very sensitive to domestic growth.

Looking ahead

Domestically, growth remains a key concern and the very high real interest rates will persist and choke growth if the fiscal issues are not addressed. Monetary policy alone remains a blunt instrument and can only be effective once the fiscal and political uncertainties are addressed.

Domestic equities do not look very expensive relative to history and are not necessarily factoring in strong earnings growth. Risks, however remain domestically and globally and we envisage a prolonged period of volatility. Fundamentally we believe that the current value in SA equities will reward the patient long term investor but returns in the near term may prove difficult to capture.

The price we pay for SA equity has become ever more critical given the lack of growth. Although not expensive, diversification and discipline remain paramount. Equities can stay cheap for long periods in a low to no growth environment, like the one we currently find ourselves in domestically.

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	Q4 2019	Q3 2019	Change
Domestic Cash & Mny Mkt	6.89	3.65	3.25
Domestic Equity	89.10	91.72	-2.62
Domestic Property	4.00	4.63	-0.62

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
A	Retail	220.34	2,564,178.74	5,649,931.23
B1	Retail	221.33	44,457,978.45	98,399,309.17

All data as at 31 December 2019.
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 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 29 February 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

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