

Melville Douglas STANLIB Balanced Fund

Fund information update at 31 January 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
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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 277.69 million
Classification	South African - Multi Asset - High Equity
Benchmark	FTSE/JSE Capped SWIX All Share Index 55% JSE All Bond Index 15% MSCI World Index (USD) 15% STeFI Call Deposit Rate Index 15%

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

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	1.79%	1.22%
Transaction Costs	0.06%	0.06%
Total Investment Charge	1.85%	1.28%
1 Year Total Expense	1.80%	1.23%

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.

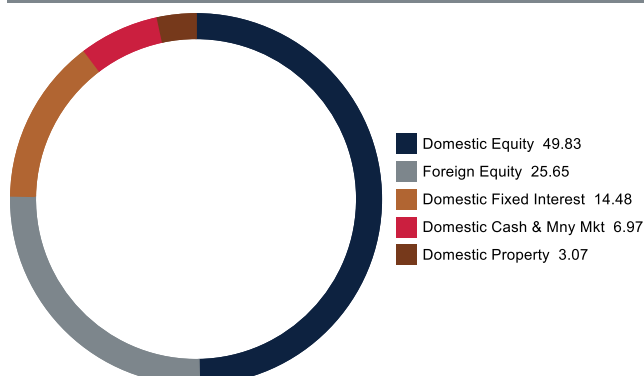
Total Investment Charges (TIC): This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct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

Melville Douglas STANLIB Balanced Fund

Monthly update at 31 January 2020

Holdings

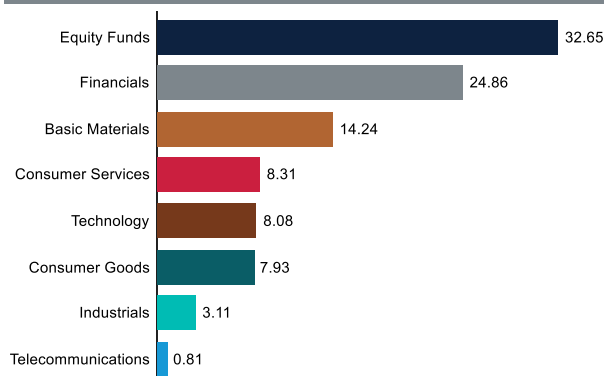
Asset allocation (%)



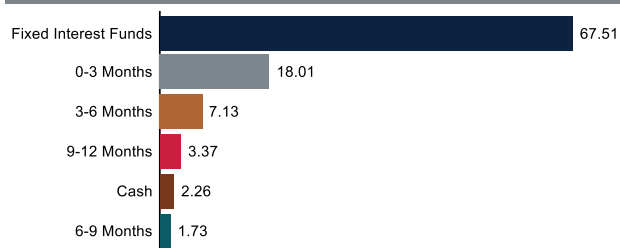
Top Equity holdings (%)

Anglo American Plc	4.99
Naspers Ltd	4.44
Santam Ltd	3.47
BHP Group Plc	3.12
Mondi Plc	3.08
Standard Bank Group Ltd	2.62
Quilter Plc	2.52
Bid Corp Ltd	2.16
FirstRand Ltd	2.09
NEPI Rockcastle PLC	2.01

Equity allocation (Industry) (%)



Fixed Interest allocation (%)



Performance and Income

Class A Launch: 10 June 2002

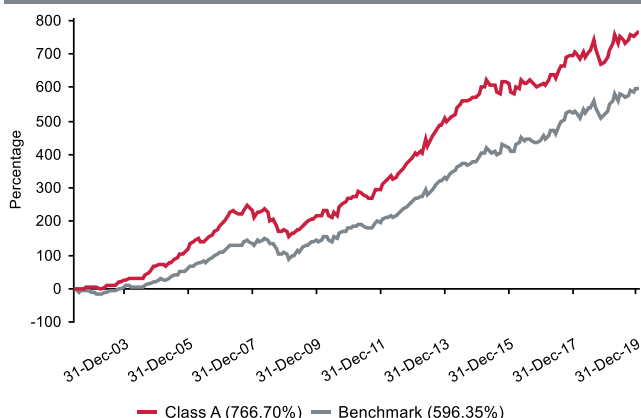
Class B1 Launch: 02 January 2008

Benchmark: FTSE/JSE Capped SWIX ALSI from 01/01/2020; FTSE/JSE ALSI from launch (55%); JSE ALBI (15%); MSCI World (15%); STeFI Call (15%)

Returns (%)	1yr	3yrs	5yrs	7yrs	10yrs
Class A					
Class	9.65	6.64	4.89	8.05	10.63
Rank/Out of	73/195	25/162	51/110	16/78	3/47
Sector Average	8.63	4.88	4.76	7.09	9.05
Benchmark	10.58	7.82	7.17	9.37	11.20
Class B1					
Class	10.27	7.24	5.41	8.34	10.82

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	8	24	35	53	77
Max Gain	9.65	22.33	27.56	73.62	176.12
Max Drawdown	-2.93	-8.45	-8.45	-8.45	-8.45
Highest	10.77	13.42	16.40	27.90	27.90
Lowest	-0.85	-3.31	-3.83	-3.83	-3.83
Class B1					
Highest	11.40	14.06	16.08	27.54	27.54
Lowest	-0.28	-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
28 June 2019	8.53	10.00
31 December 2019	6.30	7.86
In last 12 months	14.83	17.86
In 2019	14.83	17.86

Melville Douglas STANLIB Balanced Fund

Quarterly update at 31 December 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 an attractive return of 12.7% for the year ending December 2019. This is especially attractive considering that inflation may print at just over 4% for the year. For the calendar year, the fund's SA equity component is up 8.0%, well ahead of the Capped SWIX return of 6.8% however, below the ALSI return (12.0%). The primary driver of the equity markets has been the resource sector, which was up 28.5% for the year on the back of much stronger precious metal prices. The offshore component continued to provide a pleasing contribution to overall portfolio performance, up 27.7% in ZAR for the year. In addition, the fixed income component, as represented by investments in the bond market, outperformed cash holdings for the year. The bond fund in which the fund is invested produced a return of 9.2%. As noted above, the market performance was driven primarily by resources, with the top five JSE-ALSI performing shares being resource shares (including Impala Platinum Holdings with a 291% return for the year). Clicks was the top non-resource counter up 36.8% for the year, which the fund does not hold on valuation considerations. Fortunately, the fund continued to hold no exposure to index heavyweight Sasol, which was down 27.6% for the year. Of the main industrial counters, Shoprite (which is not held) was down by 32.2%. The fund's top performing share was Quilter which recorded a positive return of 38.4% for the year.

Market overview

Locally, South African markets lagged both developed markets and its emerging market peers over 2019. There were large discrepancies across sectors with resources rallying while Financials ended the year flat 0.6%. On the positive note, the Rand surprised and strengthened sharply, appreciating 4.8% against the USD during the month and 2.9% for the year. Emerging markets, including SA, recouped some of the year's underperformance by delivering the highest returns over the 4th quarter of 2019, driven by better sentiment around trade negotiations and an improvement in global PMIs. International markets ended the year strongly, with the MSCI All Country World Index returning 26.6% in USD for 2019. Certainty was the recurring theme for the month of December relative to other months during the quarter. In addition, progress was made on stage 1 of the US-China trade deal. The UK elections took place with Boris Johnson re-elected as Prime Minister, thereby avoiding a difficult and possibly drawn out scenario, as their policies were perceived to be market unfriendly. The multiple stream of certainty enabled markets to continue their upward rally. Equity markets ended the year at new all-time highs, US unemployment is at multi-generational lows and even the bond market shared in the upbeat outlook with the 2-10-year yield curve spread at its highest in over a year.

Looking ahead

In South Africa, the economy continues to battle with power supply issues, with unexpected load shedding impacting the country in early January 2020. Its impact on mining and manufacturing of the year could most likely be felt in both 4Q19 and 1Q20 GDP prints. Eskom remains the country's largest risk to economic recovery. It is likely with these constraints the South African economy may well struggle to achieve growth, as measured by GDP, of above 1% for the calendar year. The SARB had some possibility to cut interest rates in attempts to stimulate growth in the economy, as the country posted the lowest inflation print in 9 years (3.6% yoy, 3Q19). Despite this, the SARB kept interest rates unchanged due to the country's deteriorating fiscal position and sovereign risks. Important events that are still to take place are the budget speech in February and Moody's credit rating announcement in March. We believe that risks to the South African sovereign downgrade remain, however the rating agents appear to be prepared to give the new administration some time to bring envisaged changes. However even if there is a downgrade, we believe that the bond market has largely priced this into current valuation levels. Even though growth remains a concern, local company valuations appear attractive as such, given global stability, we are of the view that the equity market can deliver a return which is at least in line with the quantum of dividends and earnings growth. Internationally, US-China trade deal is now expected to be signed on the 15th January. The Fed did not hike rates in December and removed the word "uncertainty" from the outlook speech, lending further support to risk assets in a lower-for-longer rate environment into 2020. Considering that the offshore equities have rallied strongly over the past year and that valuation levels are more elevated, it is unlikely to expect similar returns during 2020. Within the South African bond market universe, we expect the returns to be comprised primarily of the coupon which for the 10-year bond is around 9%.

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	9.42	14.73	-5.32
Domestic Equity	51.45	49.21	2.24
Domestic Fixed Interest	15.02	14.95	0.07
Domestic Property	2.98	2.67	0.31
Foreign Equity	21.14	18.44	2.70

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
A	Retail	531.06	2,327,599.31	12,360,856.87
B1	Retail	532.62	48,386,100.44	257,715,153.34

All data as at 31 December 2019.

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

Melville Douglas STANLIB Balanced Fund

Important information update at 31 January 2020



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 January 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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