

Melville Douglas STANLIB Dynamic Strategy Fund

Fund information update at 31 May 2019

What is the fund's objective?

The objective of the fund is to deliver high growth of capital and income at a reasonable level of current income and relative stability. 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.

What does the fund invest in?

The Dynamic Strategy Fund is an actively managed multi-asset class mandate designed to reflect Melville Douglas's optimal long-term capital growth strategy.

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 242.33 million
Classification South African - Multi Asset - Flexible
Benchmark FTSE/JSE All Share Index 55%
 BESA All Bond Index 15%
 MSCI World Index (USD) 15%
 STeFI Call Deposit Rate Index 15%

Regulation 28 Does not apply

	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 March 2019

	Class A	Class B1
Based on period from:	01/04/2016	01/04/2016
Total Expense	1.81%	1.24%
Transaction Costs	0.07%	0.07%
Total Investment Charge	1.88%	1.31%
1 Year Total Expense	1.76%	1.20%

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.

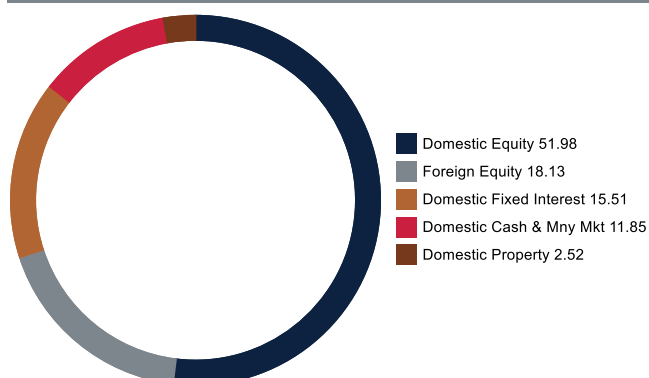
Total Investment Charges (TIC): This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct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

Melville Douglas STANLIB Dynamic Strategy Fund

Monthly update at 31 May 2019

Holdings

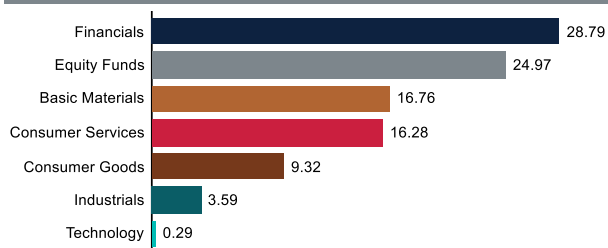
Asset allocation (%)



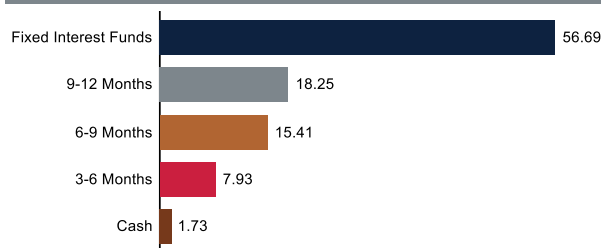
Top Equity holdings (%)

Anglo American Plc	4.88
Naspers Ltd	4.73
Standard Bank Group Ltd	4.51
BHP Group Plc	4.33
Santam Ltd	3.50
Mondi Plc	2.96
Richemont Securities	2.42
Firststrand Ltd	2.21
Sanlam Ltd	2.20
Old Mutual Ltd	2.17

Equity allocation (Industry) (%)



Fixed Interest allocation (%)



Performance and Income

Class A Launch: 10 June 2002

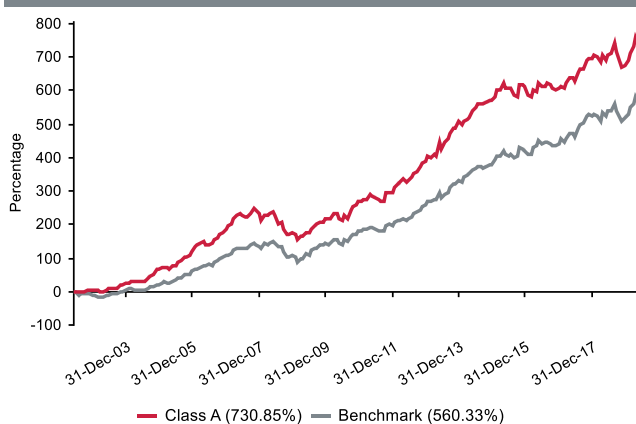
Class B1 Launch: 02 January 2008

Benchmark: FTSE/JSE ALSI (55%); BESA ALBI (15%); MSCI World (15%); STeFI Call (15%)

Returns (%)	1yr	3yrs	5yrs	7yrs	10yrs
Class A					
Class	4.87	4.76	5.44	10.04	11.71
Rank/Out of	19/57	10/48	16/40	14/34	9/28
Sector Average	2.25	1.83	4.68	9.03	10.49
Benchmark	6.08	6.24	7.47	11.35	12.00
Class B1					
Class	5.47	5.35	5.85	10.26	11.83

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	23	37	56	78
Max Gain	11.12	21.86	34.26	101.30	211.77
Max Drawdown	-8.45	-8.45	-8.45	-8.45	-8.45
Highest	11.01	13.42	23.32	27.90	27.90
Lowest	-3.31	-3.31	-3.83	-3.83	-15.58
Class B1					
Highest	11.61	14.06	22.95	27.54	27.54
Lowest	-2.77	-2.77	-3.39	-3.39	-15.82

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
29 June 2018	7.01	8.40
31 December 2018	6.00	7.45
In last 12 months	13.01	15.85
In 2018	13.01	15.85

Melville Douglas STANLIB Dynamic Strategy Fund

Quarterly update at 31 March 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

Equity markets globally have made a very good start to the year, closing their best quarter since 2009 with positive double digit returns, after a poor performance in Q4 2018. The fund was up 7.6% for the quarter and 2.6% for March, with local equity up 8.6% for the quarter and 2.8% in March. The rand unfortunately lost some ground during the quarter after the strong rally in January and ended up performing very much in line with its peer group. The offshore component benefited from strong equity returns and currency weakness. The best performers for the quarter were BAT, up 29.5%, and Anheuser-Busch, up 26.7%, although both of these counters are still down 11%-12% on a one-year basis. The company-specific concerns around gearing in the case of ABI and regulatory risk facing BAT are still issues, but in the dramatic risk-averse environment of 2018 these counters were markedly oversold. Resource shares did well, with BHP up 23% and Anglo American up 22% for the quarter, boosted by Vale's supply woes which buoyed the iron ore price.

Market overview

Although the JSE ALSI index provided investors with a very healthy 8% return over the quarter, the index lagged global and emerging markets as domestic growth remains lacklustre. The bounce in equities seemed to be driven by an improvement in the global risk appetite, with the US Federal Reserve turning more dovish, as well as by perceived progress in the trade talks between the US and China. Valuations at the end of 2018 had also become compelling.

The good news for government and SA as a whole was that Moody's left SA's sovereign rating and outlook unchanged. This should restore some stability to the value of the rand and SA government bonds. Business and consumer confidence levels remain depressed and have worsened since the beginning of the year, but other economic indicators such as consumer lending, retail sales and employment figures suggest that the worst might be behind us. The ALSI's returns continue to be dominated by a strong performance from the Resources sector, where the level of outperformance during the past 12 months is noteworthy. Platinum stocks in particular have done exceptionally well. The prices of many rand hedge stocks have bounced backed strongly from the oversold levels reached towards the end of last year. These include BAT, ABI, Richemont and Naspers, providing welcome relief for many SA investors. The performance of domestic-orientated stocks was disappointing, with the Retail sector taking the brunt of the pain.

Looking ahead

The SARB started the year with a very dovish statement and benign inflation outlook in its January meeting and again in its last meeting at the end of March. In both meetings the bank left rates unchanged at 6.75%. President Cyril Ramaphosa, in his State of the Nation address in early February, outlined very bold plans to boost the economy, deal with graft, and promised to tackle governance issues at most state-owned enterprises, which have become a drain on the fiscus. SA remains constrained by very high real interest rates, with low levels of investment and job creation, caused by policy uncertainty and fiscal constraints. In addition, high real increases in utility bills and transport costs are placing enormous pressures on the consumer. The struggles are real and the trading updates and results that we have seen confirm the tough environment. From a valuation perspective, domestic equities reflect reasonable value, given the rally over the last quarter. Risks remain and diversification is 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 2019	Q4 2018	Change
Domestic Cash & Mny Mkt	13.85	9.21	4.64
Domestic Equity	50.72	53.03	-2.31
Domestic Fixed Interest	14.12	17.31	-3.19
Domestic Property	2.52	2.54	-0.01
Foreign Equity	18.78	17.91	0.87

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
A	Retail	523.25	1,985,153.24	10,387,328.59
B1	Retail	523.95	42,146,290.99	220,827,356.99

All data as at 31 March 2019.

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

Melville Douglas STANLIB Dynamic Strategy Fund

Important information update at 31 May 2019



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 Dynamic Strategy 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 2019.

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 all periods of 1 year or longer, where blank 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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