

Melville Douglas STANLIB Bond Fund

Minimum Disclosure Document as at 30 June 2018

Investment Objectives

The SA Bond Fund is an actively managed, unconstrained, South African fixed-income strategy that aims to generate consistent and predictable long term returns through investments in high quality income-yielding debt securities. The objective of the fund is to achieve capital preservation and income generation by investing in long-term fixed interest securities.

Investment Philosophy

At the heart of the Melville Douglas's investment philosophy is the preservation of the capital entrusted to us while delivering superior risk adjusted investment returns. We achieve this by focusing on our proprietary investment philosophy and process, which hinge on achieving balance, focusing on the long term, and basing our investment decisions primarily on fundamental research. In all our investments we strive to achieve balance between investment returns and the risk associated with those returns, between capital growth and cash generation, and a balance between compound and cyclical price performers.

Portfolio Facts

Portfolio Size	R 1'515.7 million
Sector Classification	South African - Interest Bearing - Variable Term
Income Distribution	Net revenue is declared on a daily basis and distributed quarterly
Income Declaration	31 March, 30 June, 30 September & 31 December
Benchmark	BEASSA All Bond Index

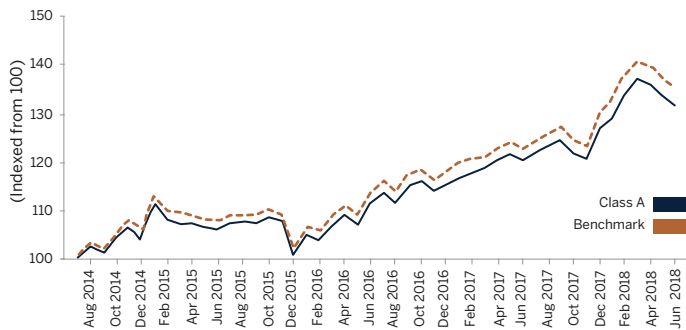
Class A	
Launch Date	01 July 2014

Minimum Investment	
Lump Sum	R 100 000
Debit Order Per Month	R 1000

Class A	
ISIN NO.	ZAE000191763
JSE Code	MDBFA
Total Expense Ratio	0.63%
Maximum Portfolio Charges	
Upfront Charge: Manager	0.00%
Upfront Charge: Intermediary	0.00% - 3.00%
Total Service Charge	0.75%
Service Charge Intermediary Portion	0.00%

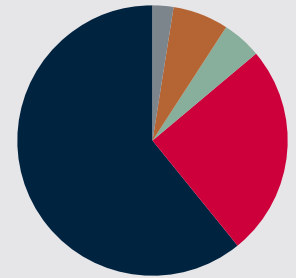
Portfolio charges above are quoted exclusive of VAT

Cumulative Performance Since Inception



Sector Allocation

Cash	2.68%
Domestic Bonds 0-3 Years	6.50%
Domestic Bonds 3-7 Years	4.87%
Domestic Bonds 7-12 Years	25.21%
Domestic Bonds over 12 years	60.74%



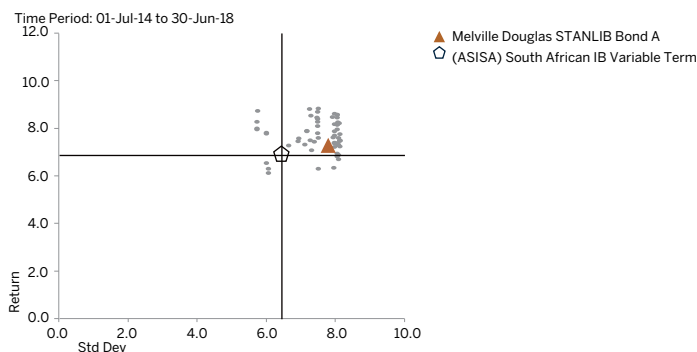
Performance (%)

	1 year	3 years	Since Inception
Class A	9.39	7.30	7.10
Sector	8.98	7.41	7.72
Benchmark	10.19	7.76	7.88
Rank (Class A)	23/33	16/25	17/18
Lowest Return Over 12 rolling months			-5.81
Highest Return Over 12 rolling months			14.31

Top Holdings (%)

RSA R186 10.50% 21/12/2026	14.38%
RSA R2048 8.75% 28/02/2048	12.09%
RSA R2044 8.75% 31/01/2044	7.64%
RSA R2037 8.50% 31/01/2037	7.39%
RSA R2030 8.00% 31/01/2030	7.06%
RSA R209 6.25% 31/03/2036	6.14%
RSA R213 7.00% 28/02/2031	5.96%
RSA 8.25% 31/03/2032	5.84%
RSA R214 6.5% 28/02/2041	5.43%
RSA 8.875% 28/02/2035	5.15%

Risk Reward



Source: Morningstar Direct

Portfolio Risk and Term

Conservative	Moderate	Aggressive
--------------	----------	------------

Yield To Maturity 9.03

Income Distribution

Fund Class	Paid in the last 12 months	Paid during 2017	2017 payments as a % of year end price
Class A	7.79 cpu	7.84cpu	7.92%

Melville Douglas STANLIB Bond Fund

Minimum Disclosure Document as at 30 June 2018

Franchise

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.

Total Expense Ratio, Transaction Costs & Total Investment Charge

Total Expense Ratio (TER): This 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 a rolling three years (where applicable 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 cannot be regarded as an indication of future TERs.

Transaction Costs (TC): The percentage of the value of the fund as costs relating to the buying and selling of the Fund's underlying assets. Transaction costs 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): The percentage of the value of the Fund incurred as costs, relating to the investment of the Fund. As fund returns are reported after deducting all fees and expenses, these costs (the TER & TC) should not be deducted from the fund returns. It is the sum of the TC & TER.

TER and Transaction Costs Breakdown

Fund Class	12 month TER	36 month TER	36 month TC	36 month TIC
Class A	0.50	0.63	–	0.63

TER + TC = TIC

Where a transaction cost is not readily available, a reasonable best estimate has been used. Estimated transaction costs may include bond, money market and fx costs (where applicable)

Portfolio Manager

The fund is managed by Melville Douglas Fixed Income team, comprising of Jerome O'Regan, Bernard Drotschie and Mzimasi Mabece. The team consists of dedicated experts with the depth, breadth and experience to cover a broad range of debt securities and conduct proprietary analysis.

Fund Features

The objective of the fund is to achieve capital preservation and income generation by investing in long-term fixed interest securities.

Securities will normally consist of a spread of gilts, semi-gilts, loan stock, debentures, debenture bonds, approved securities, notes and liquid assets and any other securities which are consistent with the fund's investment policy. The benchmark of the Fund is the South African All Bond Index (Beassa ALBI TR ZAR). The Fund has a minimum weighted average duration of 2 years.

Risk

General market risks including:

- » A rise or volatility in bond yields
- » Rising interest rates
- » Economic and political risk
- » Inflation uncertainty
- » 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, interest rate risk, settlement risks, and potential limitations on the availability of market information.

Statutory Disclosure and General terms & Conditions

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 the future. An investment in the participations of a CIS in securities is not the same as a deposit with a banking institution. CIS are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from STANLIB Collective Investments (Rf) Pty Ltd (the Manager).

Commission and incentives may be paid and if so, would be included in the overall costs. Forward pricing is used. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Liberty is a full member of the Association for Savings and Investments of South Africa. The Manager is a member of the Liberty Group of Companies. The Manager carries full responsibility for this third party portfolio. This portfolio is valued on a daily basis at 15h00*. Investments and repurchases will receive the price of the same day if received prior to 15h00.

The Total Expense Ratio (TER) of a portfolio is a measure of the portfolio's assets that were relinquished as operating costs expressed as a percentage of the daily average value of the portfolio calculated over a period of usually a financial year. Typical expenses which are deducted from a portfolio include service charges, taxes, trustee fees and audit fees.

Additional information about this product, including brochures, application forms and annual or quarterly reports, can be obtained from the Manager, free of charge, and from the website: www.stanlib.com. The prices of unit trust funds are calculated and published on each working day. These prices are available on the Manager's website and in the South African printed news media.

The performance is calculated for the portfolio, as well as that the individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax.

The manager does not provide any guarantee either with respect to the capital or the return of a portfolio.

*Prior to 8 August 2016, this portfolio was valued on a daily basis at 15h30.

Contact Details

Melville Douglas Investment Management (Pty) Ltd
8th Floor West Wing, 30 Baker Street, Rosebank, 2196 PO Box 411184, Craighall, 2024, South Africa
Tel: +27 (0)11 721 7964 Fax: +27 (0)86 202 7235 www.melvilledouglas.co.za
A subsidiary of Standard Bank Group Limited Reg 1987/005041/07
An authorised financial services provider

Contact Details

17 Melrose Boulevard, Melrose Arch, Johannesburg, South Africa
PO Box 202, Melrose Arch, 2076
Contact Centre 0860 123 003
www.stanlib.com

STANLIB Collective Investments (RF) Pty Limited Reg. No. 1969/003468/07

Trustees : Standard Chartered Bank, 4 Sandown Valley Crescent, Sandton, 2196
Tel: 011 217 6600

Compliance No: 6ZB483

Publishing Date: 10 August 2018

Quarterly Comment

Fund review

During the quarter we used the bonds sell off to opportunistically increase the duration position of the fund. At bond yields above 9.0% on the benchmark R186 we were buyers of bonds and we also used the sell off to restructure the sector exposures in the fund. We reduced our long duration exposure to the ultra-long end of the bond yield curve slightly and increased exposure to the belly of the curve. The fund however remains long the ultra-long end of the yield curve and overall its modified duration is neutral relative to the ALBI benchmark's modified duration. As a strategy to enhance the fund's performance through yield pickup we participated in new credit issuance auctions and were allocated our full allocation we had bid for. We bought the high quality Mercedes Benz 3 year floating rate paper when it came to market.

During the quarter the fund performed slightly below its benchmark (6 basis points below) and this can be attributed to the relatively long duration position compared to its benchmark while bonds sold off during the period.

Market overview

Global events, including heightened concerns around global trade, higher interest rates and a strong USD collectively dampened risk appetite and emerging markets experienced large scale capital outflows. The domestic market was not spared as foreign investors sold domestic assets, including bonds, in droves during the quarter, resulting in a sharp sell-off in bond yields. The benchmark R186 yield to maturity at one stage rose to levels above 9.0%.

From an economic point of view the quarter was characterised by a mixed bag of economic data with first quarter GDP and trade statistics disappointing. Despite the weakness in local currency and higher oil prices, headline inflation surprised on the downside with the latest data, printing at 4.4% y/y. The South African Reserve Bank left interest rates unchanged at 6.5%.

Looking ahead

We expect interest rates to remain unchanged in the near term as inflation continues to surprise on the downside and demand remains lacklustre.

We believe that bonds above 9.0% offer good value for long term investors and have been increasing our duration by increasing our exposure to longer dated bonds and have been increasing our holding in credit opportunistically. Our duration positioning is currently in line with the benchmark.