

Melville Douglas STANLIB High Alpha Fund

Minimum Disclosure Document as at 30 June 2018

Investment Objectives

The High Alpha Fund is a high-conviction, actively managed, South African listed securities fund. The fund comprises a concentrated portfolio of high quality, superior South African listed businesses hand-picked on fundamental principles. The objectives of this fund are 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.

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	R93.94 million
Sector Classification	South African - Equity - General
Income Distribution	Net revenue is declared on a daily basis and distributed annually.
Income Declaration	31 December
Benchmark	FTSE/JSE All Share Index

	Class A	Class B1
Launch Date	28 February 2011	01 July 2015

Minimum Investment	Class A	Class B1
Lump Sum	R 10 000	R 10 000
Debit Order Per Month	R 1000	R 1000

	Class A	Class B1
ISIN NO.	ZAE000154340	ZAE000207155
JSE Code	MDHFA	MDSB1
Total Expense Ratio	1.92%	1.41%
Maximum Portfolio Charges		
Upfront Charge: Manager	0.00%	0.00%
Upfront Charge: Intermediary	0.00% - 3.00%	0.00% - 3.00%
Total Service Charge	1.50%	1.20%
Service Charge Intermediary Portion	0.50%	0.00%

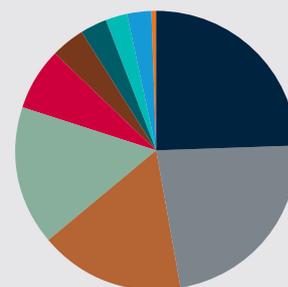
Portfolio charges above are quoted exclusive of VAT

Cumulative Performance - Last 5 years



Sector Allocation

Domestic Consumer Services	23.61%
Domestic Financials	22.12%
Domestic Basic Materials	16.03%
Domestic Consumer Goods	15.48%
Domestic Cash	6.91%
Domestic Industrials	3.68%
Foreign Equity Unit Trusts	2.92%
Domestic Telecommunications	2.61%
Domestic Healthcare	2.47%
Domestic Technology	0.48%



Performance (%)

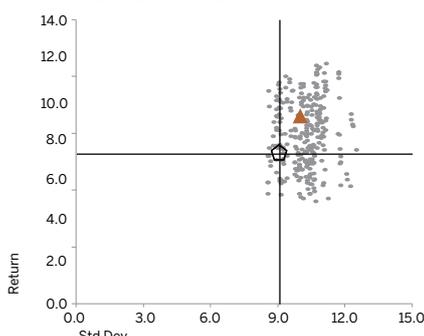
	1 year	3 years	5 years	Since Inception
Class A	8.94	3.49	9.97	12.71
Class B1	9.33	3.90		
Sector	7.99	2.94	8.44	9.46
Benchmark	15.02	6.68	11.05	11.66
Rank (Class A)	72/164	53/126	22/101	5/74
Lowest Return Over 12 rolling months				-6.88
Highest Return Over 12 rolling months				31.08

Top Holdings (%)

Naspers Ltd	11.13%
BHP Billiton Plc	8.27%
British American Tobacco Plc	6.04%
Standard Bank Group Ltd	5.72%
Anglo American Plc	4.58%
First Rand Ltd	4.28%
Bidcorp Ltd	4.10%
Santam Ltd	3.34%
Richemont Securities	3.22%
Mondi Plc	3.17%

Risk Reward

Time Period: 01-Jul-13 to 30-Jun-18



Source: Morningstar Direct

Portfolio Risk and Term

Conservative Moderate **Aggressive**

Income Distribution

Fund Class	Paid in the last 12 months	Paid during 2017	2017 payments as a % of year end price
Class A	2.83 cpu	2.83cpu	1.19%
Class B1	3.27 cpu	3.27 cpu	1.37%

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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	1.77	1.92	0.22	2.14
Class B1	1.43	1.41	0.22	1.63

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

Paolo Senatore

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

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 Features

The fund is a pure equity portfolio, with the objective of delivering returns in excess of the FTSE/JSE All Share over time.

Risk

General market risks such as:

- » Unfavourable market movements
- » Volatility
- » Economic and political risk
- » Company 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, macroeconomic 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

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Quarterly Comment

2018 has proved a disappointment for equity investors. After a strong start, equity markets stumbled and have not recovered to January highs. In fact, the US is the only major market to have delivered a positive dollar return in the first six months. Pressure on emerging markets worsened. During the quarter the JSE was able to deliver a return of 4.5%, led again by resources which were up just under 20%. The outflows from emerging markets were part of a global retreat which affected the JSE and the bond market, and the rand fell almost 14% over the quarter. This brought it back in line with other EM currencies so far this year. As far as the fund is concerned, it delivered a return of 1.4% for the quarter, behind the benchmark which achieved a return of 4.9%. Some of the underperformance was driven by the underweight position in resources. We have an overweight position in financials which had a very difficult quarter. Financials poor performance was generally across the board given the growth and emerging market risk caused by potential trade wars.

The combination of weaker growth outside the US combined with higher US tariffs and threats of retaliation created a painful dislocation for export and commodity economies. The direct impacts of the tariff spat are modest, but the worry is that there is more to follow and confidence and market pricing are already adjusting. Part of the Chinese response to US tariff moves has been to allow the renminbi to depreciate, which adds to the pain for other emerging markets. That has been especially true for economies running current account deficits, which have needed to maintain more restrictive monetary policy (including SA). The slow patch outside the US has been much more extended than economists expected; now they think it will start to lift in the second half of 2018, which will be a key driver for South Africa. SA has been faced not only with external headwinds but the exposure of the costs of cleaning up post-Zuma: a reversion to fiscal stability will take some time, but the right moves are being made, including at state-owned companies. The political difficulties are substantial, most obviously as far as wage negotiations are concerned, but many of the right steps are being taken. Investors are for now more inclined to focus on the risks (Mining Charter, land reform), but equity valuations have changed substantially without a material undermining of the earnings outlook so far. In real terms the rand has weakened to levels that will boost export earnings and activity (weaker levels are associated historically only with global recession or the worst of the Zuma era). Equity ratings have dropped to much more attractive levels and what was an expensive market earlier in the year is producing some interesting valuations. If Europe and Japan can revert to stronger growth, markets will recover and export demand will help SA. The spotlight put on the complications and costs of restoring normality to SOEs and other government institutions has diverted investors' attention, and the US's trade policies have no historical precedent in the modern era and so there are both local and global risks. Our central view is that global growth will recover; political progress and receding inflation threats will at some point enable the Reserve Bank to assist recovery, or at least stand still, whereas markets are pricing for interest rate increases. We thus think that SA can play some catch-up with the rest of the world and a stronger cycle can take hold. Timing is very uncertain, but we have already taken advantage of cheaper valuations to ensure the portfolio will benefit.