

Melville Douglas STANLIB High Alpha Fund

Fund information update at 30 September 2018

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 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
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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?

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 98.60 million
Classification South African - Equity - General
Benchmark FTSE/JSE 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 30 June 2018

	Class A	Class B1
Based on period from:	01/07/2015	01/07/2015
Total Expense	1.92%	1.41%
Transaction Costs	0.22%	0.22%
Total Investment Charge	2.14%	1.63%
1 Year Total Expense	1.77%	1.41%

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.

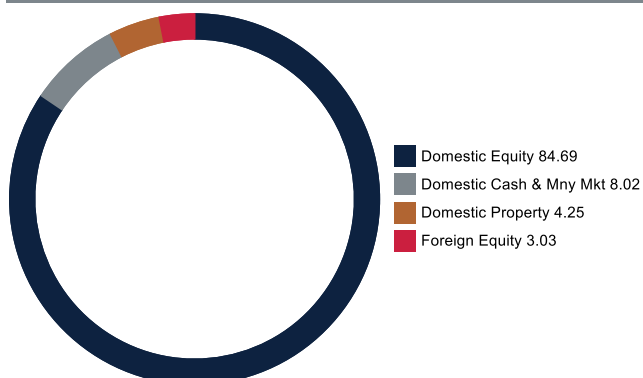
Total Investment Charges (TIC): This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct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

Melville Douglas STANLIB High Alpha Fund

Monthly update at 30 September 2018

Holdings

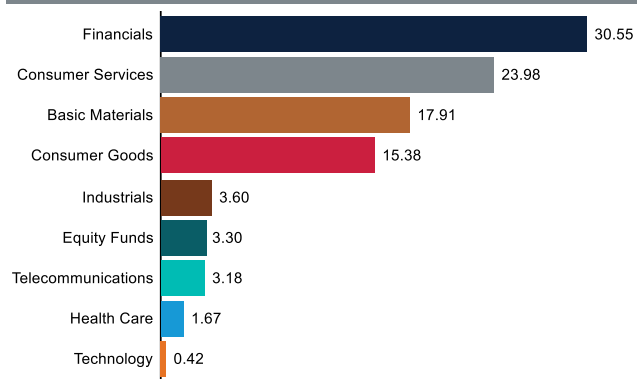
Asset allocation (%)



Top Equity holdings (%)

Naspers Ltd	9.25
Billiton Plc	7.35
Anglo American Plc	5.98
British American Tobacco Plc	5.53
Standard Bank Group Ltd	4.95
Santam Ltd	4.65
First Rand Ltd	4.32
Bid Corp Ltd	4.17
Old Mutual Ltd	3.37
Richemont Securities	3.28

Equity allocation (Industry) (%)



Performance and Income

Class A Launch: 01 March 2011

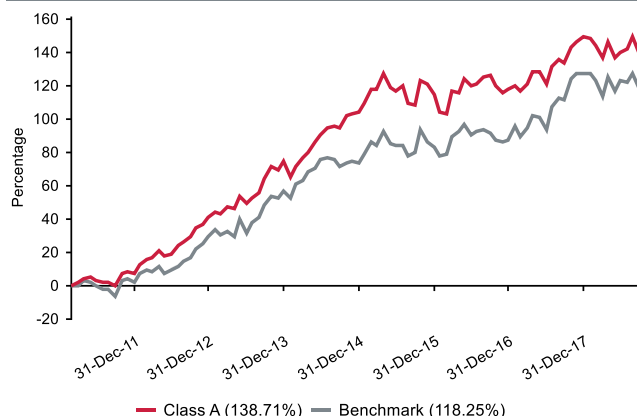
Class B1 Launch: 01 July 2015

Benchmark: FTSE/JSE All Share Index

Returns (%)	1yr	3yrs	5yrs	7yrs	Launch
Class A					
Class	2.06	4.64	7.71	13.32	12.16
Rank/Out of	74/166	50/127	20/96	8/78	5/71
Sector Average	1.13	4.13	6.03	10.41	9.01
Benchmark	3.32	6.67	7.98	12.76	10.83
Class B1					
Class	2.49	5.10			3.42
Benchmark	3.32	6.67			5.44

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	Launch
Class A					
Positive Months	7	20	37	56	60
Max Gain	6.59	22.91	51.42	150.58	150.58
Max Drawdown	-5.08	-9.15	-10.69	-10.69	-10.69
Highest	14.66	14.66	28.05	31.08	31.08
Lowest	2.06	-6.88	-6.88	-6.88	-6.88
Class B1					
Highest	14.87	14.87			14.87
Lowest	2.49	-1.63			-1.63

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 December 2017	1.37	1.78
29 June 2018	2.26	2.67
In last 12 months	3.63	4.45
In 2017	2.83	3.27

Melville Douglas STANLIB High Alpha Fund

Quarterly update at 30 September 2018

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

2018 continues to be disappointing for SA equity investors. The quarter to September was down 1.3%, and the 12 month rolling performance of the ALSI more than halving from 7.2% at the end of August to 3.3% at the end of September. The JSE's three and five year returns are well below historical averages. Emerging markets remained under pressure, spooked by events in Turkey, Brazil and Argentina. A stronger US dollar, reduced US dollar liquidity and a higher oil price have added to the pressure for emerging markets. The fund was flat over the quarter, 1.3% ahead of the benchmark. The resource counters continued to help the performance of the fund while the SA facing counters had a tough period given the lack of performance from the local economy where we continue to see downward earnings revisions. As always, we remain diversified in the fund and focus on companies that have defensive earnings qualities and robust balance sheets.

Market overview

Despite the concerns about oscillating trade tensions between USA and China, September was a better month for emerging markets compared to August's indiscriminate sell-off. The central banks in key EMs raised interest rates, whilst the SARB opted to leave rates unchanged. The decision was a close call though, with three members of the seven-member committee voting for a rate hike. In its meeting the SARB revised its inflation forecast upward and sees inflation moving away from the target midpoint but remaining within the 3.0% – 6.0% target band until 4Q2020. Our interest rate view has now changed, and we see the SARB keeping rates on hold at 6.50% for the remainder of the year but the risks for further rate hikes in 2019 have increased.

Increased trade tensions between the US and China have put a damper on global trade and the higher oil price is slowly eating into consumers disposable income in SA and abroad. Brexit is looming, with uncertainty continuing to weigh on confidence levels and economic activity. Italy's budget announcement will have the bond vigilantes circling. The rand has made up some lost ground against the major developed market currencies after the significant sell off in August – broadly in line with other EM currencies.

We believe that tightening global financial conditions, the US trade standoff and domestic politics ahead of general elections could weigh heavy on our capital markets and the rand in the near term. Although we are starting to see some valuation underpin, we are still cautious and will remain defensively positioned.

Looking ahead

The divergence in growth between the US and the rest of the world continues to widen. Disappointing growth outside the US is one reason, but a stronger dollar and a decline in US dollar global liquidity are also to blame. Economic growth and investment returns outside the US have disappointed this year. The liquidity screws have been slowly tightened and global trade has softened. Consumer spending has remained robust in developed economies where strong growth in employment and income have provided an important underpin. A stronger dollar and trade uncertainties have prevented any acceleration in investment spending outside of the US. Political risks remain elevated as well: Italy poses ongoing concerns in Europe, BREXIT negotiations will heat up, and trade policy is not fully resolved. Eurozone growth is reasonable but will need to be very robust to cope.

SA is stuck in a low-confidence cycle and a recession, which complicate the outlook; but it has all the required basics to enable a cyclical recovery, even without lower interest rates. While most investors are watching for a catalyst to improve confidence and lead to an economic recovery, it is more likely that there will be a slow and stealthy recovery. At some point an accumulation of factors will have combined to lift things and we'll be out of recession.

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	Q3 2018	Q2 2018	Change
Domestic Cash & Mny Mkt	8.02	6.91	1.11
Domestic Equity	84.69	85.85	-1.16
Domestic Property	4.25	4.32	-0.07
Foreign Equity	3.03	2.92	0.12

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
A	Retail	223.82	2,867,325.73	6,417,641.79
B1	Retail	224.16	32,512,180.79	72,878,115.48

All data as at 30 September 2018.

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

Melville Douglas STANLIB High Alpha Fund

Important information update at 30 September 2018



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 figures quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro and are as at 30 September 2018.

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).

Contact details

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