Melville Douglas STANLIB Bond Fund

Fund information update at 29 February 2024

MelvilleDouglas
A Member of Standard Bank Group

What is the fund's objective?

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

What does the fund invest in?

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.

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

What is the suggested investment period for this fund?

Minimum period

1 Month	6 Months	1 Year	3 Years	5 Years	7 Years

Who should consider investing in this fund?

This fund suits 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 quarterly.

Declaration 31 March, 30 June, 30 September, 31 December

General fund information

Manager(s) Mzimasi Mabece, Paolo Senatore and Bernard Drotschie

Size (NAV) R 2.85 billion

Classification South African - Interest Bearing - Variable Term

Benchmark FTSE/JSE All Bond Index

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
Launch	01 July 2014
ISIN number	ZAE000191763
JSE code	MDBFA
Minimum investment requirements -	
Lump sum	R 50,000
Monthly	R 1,000

What are the costs to invest in this fund?

Maximum charges including VAT

	Class A
Initial fee (manager)	0.000%
Initial fee (adviser)	3.450%
Annual fee (manager)	0.863%
Annual fee (adviser)	0.000%
Performance fee	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 2023

	Class A
Based on period from:	01/01/2021
Total Expense	0.86%
Transaction Costs	0.00%
Total Investment Charge	0.86%
1 Year Total Expense	0.87%

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.

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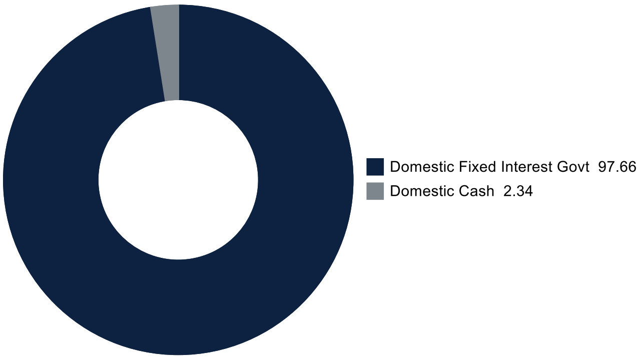
Melville Douglas STANLIB Bond Fund

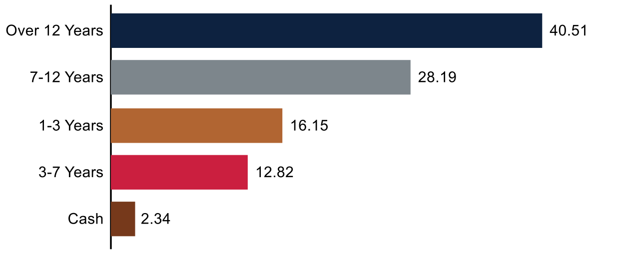
Monthly update at 29 February 2024

Holdings

Asset allocation (%)



Fixed Interest allocation (%)



Fixed Interest Top 10 Issuer exposure (%)

Performance and Income

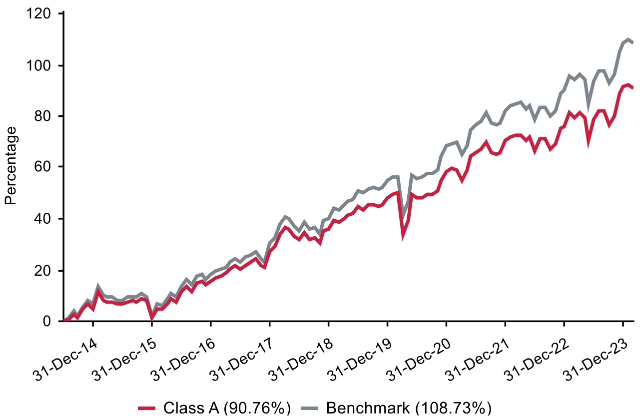
Class A Launch: 01 July 2014

Benchmark: FTSE/JSE All Bond Index

Returns (%)	1yr	3yrs	5yrs	7yrs	Launch
Class A					
Class	6.23	6.29	6.55	7.11	6.91
Rank/Out of	46/53	34/38	25/33	24/28	17/18
Sector Average	7.09	6.88	6.98	7.44	7.54
Benchmark	7.64	7.18	7.75	8.15	7.91

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	23	40	55	73
Max Gain	12.52	23.67	43.01	62.71	91.93
Max Drawdown	-5.81	-5.81	-10.44	-10.44	-10.44
Highest	8.54	15.64	15.64	15.64	15.64
Lowest	-0.74	-0.74	-4.09	-4.09	-5.81

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
31 March 23	1.83
30 June 23	2.02
29 September 23	2.03
29 December 23	2.02
In last 12 months	7.90
In 2023	7.90

Melville Douglas STANLIB Bond Fund

Quarterly update at 31 December 2023

MelvilleDouglas
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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.

Mzimasi Mabece
BSc
Head of Fixed Income: South Africa

Mzimasi has more than 14 years financial market experience spanning both quantitative analysis as well as portfolio management and has managed both fixed income and equity funds. Prior to joining Melville Douglas, he was Head of Fixed Income at Mvunonala Asset Managers. He previously held Portfolio Manager roles at Prowess Investment Managers and Old Mutual Investment Group (OMIGSA) and also worked at Sanlam Investments as a fixed income Quantitative Analyst. Mzimasi holds a BSc degree.

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. From 1995 he was with the FirstRand Group, gaining over 20 years' financial market experience. In 2000, he became CIO of RMB Private Bank Portfolio Management with the responsibility of growing the specialised institutional business. He was CIO for Ashburton Investments, FirstRand's asset management initiative, from its inception, and was instrumental in consolidating asset management businesses and investment processes. He holds an MSc (Mechanical Engineering).

Bernard Drotschie
BCom (Hons), CFA®, CFPTM
Chief Investment Officer

Bernard joined Melville Douglas in 2002 as a portfolio manager and analyst, prior to which he worked for Absa Asset Management. He is the lead manager on the Melville Douglas Global Growth Fund (USD) and co-manages the Melville Douglas Balanced Fund (USD) and the Melville Douglas Income Funds. He holds a BCom (Hons) degree in Econometrics, is a CFA® Charterholder and a Certified Financial Planner™ professional.

Fund review

The fund performed in line with its peers for the month (1.40%) and ahead of its peers and the benchmark for the quarter (8.26%). However, on a YTD basis the fund performed behind both its peers and the benchmark (9.17% vs. 9.28% peer group).

Market overview

2023 has been another interesting year for investors with plenty of surprises. At the beginning of the year, we saw the collapse of Silicon Valley Bank and takeover of Credit Suisse, investors expecting a "hard landing" in the US, global inflation running hot with central banks determined to smash the inflation dragon and geopolitical tensions continuing unabated. All these factors contributed to price volatility and uncertainty throughout the year.

In November headline inflation as measured by the consumer price inflation (CPI) eased to 5.5% (against forecasts of 5.6%) amid moderating transport (fuel) costs, notwithstanding sustained pressure in food and non-alcoholic beverage prices. This moderation in inflation came after three consecutive months of higher inflation, with the October print (5.9%) very close to the upper bound of the South African Reserve Bank's (SARB) inflation target band between 3.0% and 6.0%. However, core inflation (which excludes the price of food, non-alcoholic beverages, fuel, and energy) was slightly higher at 4.5%. In its last meeting of the year in November, the SARB left its benchmark interest rate unchanged at 8.25% (in line with market expectations) and emphasised that inflation risks remain elevated though the risks for medium-term domestic growth appear balanced. The SARB's main goal remains to firmly anchor inflation expectations around the midpoint of its targeted range.

The SARB's November decision to leave rates unchanged fuelled market expectations of a peak in interest rates in South Africa. This was the third consecutive meeting where the central bank had kept rates on hold. This view was further bolstered by the rhetoric emanating from the US Federal Reserve (US Fed). In its last meeting of the year in December 2023, US Fed Chair, Jerome Powell, indicated that the Federal Open Market Committee (FOMC) had pivoted towards a more dovish stance, leading investors to speculate when rate cuts may begin and the magnitude of those rate cuts in 2024. The combination of pending rate cuts and recent data out of the US, which showed that the economy remains resilient, bolstered expectations of a "soft landing" for the US economy. This benign interest rate outlook was behind the compression in global bond yields and a weaker US currency at the end of 2023. South African bond yields and the Rand benefitted from this, with the SA 10-year bond (R2035) closing the year at 11.37% compared to 12.37% at the end of September. The South African Rand joined the party with the currency strengthening from R18.923 (September 2023) to R18.362 (December 2023) against the US dollar.

We remain concerned that further escalations in geopolitical tensions will hinder improvements to global trade and the reversion of inflation to the SARB's long term target. Currency vulnerability and supply-side pressures will continue to manifest themselves in elevated goods inflation, although to a lesser extent with the unwinding of international supply chain bottlenecks. Slower inflation will be a key feature of the medium-term outlook, but the risk remains that it will likely be stickier than projected. With policy becoming more restrictive as inflation slowed and after three consecutive holds by the SARB, we are convinced that we have reached the peak in nominal interest rates. Besides local general elections, in 2024 three important economies i.e., United States, Britain and India, will also head to the polls. Elections induce uncertainty and thus volatility and we can therefore expect volatility to persist with the SARB unlikely to cut policy rates before SA general elections, expected to take place sometime in the second quarter of the year. In February the minister of finance will table in the National Assembly, yet another challenging budget. With the commodity cycle behind us and the effects of loadshedding on growth and corporate profitability, revenue collections will shrink, and the challenge will be on the minister to curb government expenditure and deliver a sound budget.

Looking ahead

Looking ahead, we believe near-term growth projections should improve on a lower load-shedding intensity, while growth in the medium term will continue to rely on the structural reform agenda and improving external demand. At current levels (11.37%), we believe local bond yields are still attractive, but caution is required going forward, attractive valuations notwithstanding. We will maintain a neutral duration position in the fund whilst the above risks play themselves out. We believe rate cuts could materialise later in the second quarter of 2024 but will monitor the actions of developed central banks closely as these will have a bearing on how soon the SARB can move on policy rates.

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 2023	Q3 2023	Change
Domestic Cash	1.18	2.87	-1.69
Domestic Fixed Interest Govt	98.82	97.13	1.69

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
A	Retail	90.02	8,740,797.77	7,868,451.99

All data as at 31 December 2023.
Units – amount of participatory interests (units) in issue in relevant class.

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Melville Douglas STANLIB Bond Fund

Important information update at 29 February 2024

MelvilleDouglas
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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 Bond 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 is a portfolio that derives its income primarily from interest-bearing instruments. The yield (if shown) is a current effective yield calculated daily.

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 29 February 2024.

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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