Melville Douglas STANLIB Dynamic Strategy Fund

Fund information update at 31 August 2018

MelvilleDouglas
A Member of Standard Bank Group

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

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?

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) Jerome O'Regan and Susan Gawith

Size (NAV) R 227.08 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 30 June 2018

	Class A	Class B1
Based on period from:	01/07/2015	01/07/2015
Total Expense	1.78%	1.23%
Transaction Costs	0.09%	0.09%
Total Investment Charge	1.87%	1.32%
1 Year Total Expense	1.72%	1.17%

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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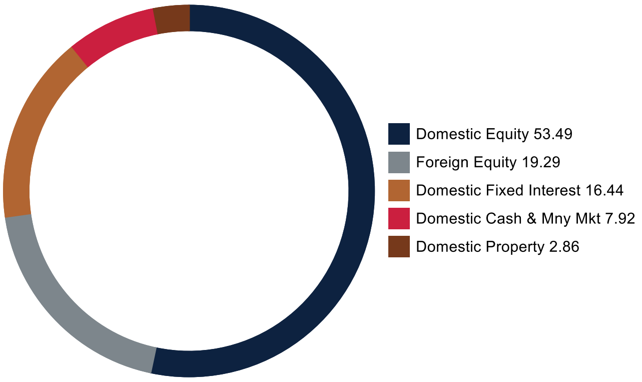
Holdings

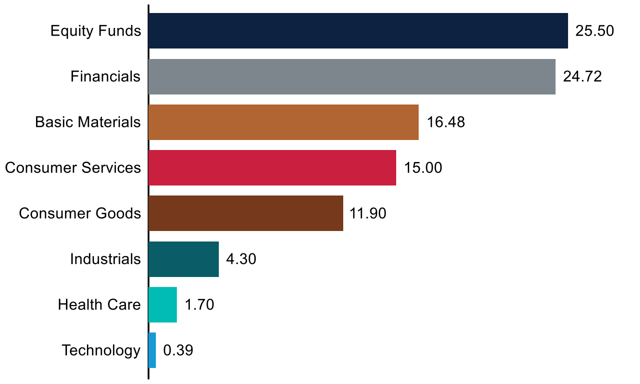
Asset allocation (%)



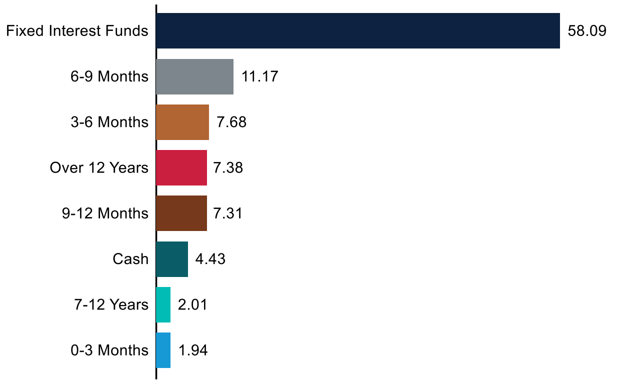
Top Equity holdings (%)

Naspers Ltd	5.76
Billiton Plc	5.55
Standard Bank Group Ltd	4.11
Anglo American Plc	3.66
Mondi Plc	3.25
British American Tobacco Plc	3.14
First Rand Ltd	2.49
Santam Ltd	2.40
Bid Corp Ltd	2.21
Coronation Fund Managers Ltd	2.16

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%)

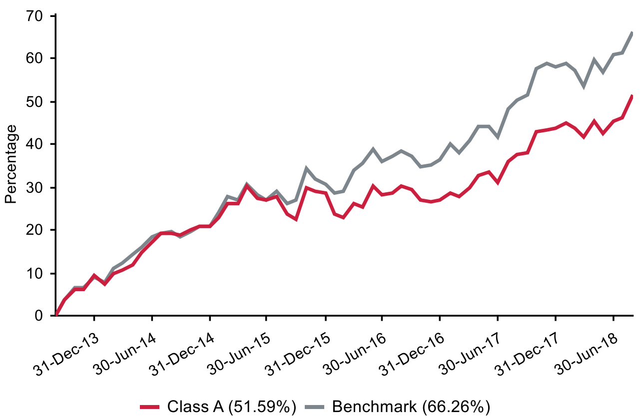
Returns (%)	1yr	3yrs	5yrs	7yrs	10yrs
Class A					
Class	10.19	6.97	8.68	12.39	10.57
Rank/Out of	6/59	17/50	13/41	13/39	11/34
Sector Average	4.65	5.29	8.00	10.76	9.37
Benchmark	10.46	9.61	10.70	12.86	10.89
Class B1					
Class	10.80	7.60	8.95	12.59	10.62

Returns (%) shown are cumulative for all periods shorter than or equal to 1 year and annualised for all periods greater than 1 year.

Statistics (%)	1yr	3yrs	5yrs	7yrs	10yrs
Class A					
Positive Months	9	21	39	57	76
Max Gain	10.19	23.83	51.59	127.49	232.41
Max Drawdown	-2.34	-5.18	-6.04	-6.04	-17.80
Highest	13.42	13.42	25.63	27.90	27.90
Lowest	6.67	-3.83	-3.83	-3.83	-22.57
Class B1					
Highest	14.06	14.06	25.27	27.54	27.54
Lowest	7.28	-3.39	-3.39	-3.39	-22.79

Highest – this reflects the highest 12 month return during the period.
Lowest - this reflects the lowest 12 month return during the period.

Cumulative performance (%) over 5 Years



Amount declared (cents per unit)

	Class A	Class B1
29 December 2017	5.70	7.18
29 June 2018	7.01	8.40
In last 12 months	12.71	15.58
In 2017	8.22	14.48

STANLIB

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.

Jerome O'Regan
MBA, CFA
Executive Director

Jerome has been involved in investment markets since 1984. Since joining Melville Douglas in 2004, Jerome has been instrumental in establishing the company's investment philosophy and process. Prior to this he was Head of Research at Fleming Martin and STANLIB and Chief Investment Officer at SCMB Asset Management. He is the lead manager on our key long-term capital growth fund – the Melville Douglas STANLIB Dynamic Strategy Fund (ZAR). He holds an MBA and is a CFA® Charterholder.

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

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 has performed relatively well and its offshore holdings have outperformed. In the domestic holdings, the resources shares outperformed the market but financials underperformed because we hold overweight positions in non-bank financials such as insurance companies which are correlated in part to equity market movements.

Market overview

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.

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	Q2 2018	Q1 2018	Change
Domestic Cash & Mny Mkt	8.88	12.80	-3.92
Domestic Equity	54.71	50.64	4.07
Domestic Fixed Interest	15.63	15.98	-0.36
Domestic Property	2.81	2.45	0.36
Foreign Equity	17.97	18.12	-0.16

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
A	Retail	521.36	1,532,428.29	7,989,445.76
B1	Retail	522.77	39,690,197.29	207,486,521.21

All data as at 30 June 2018.
Units – amount of participatory interests (units) in issue in relevant class.

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 figures quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro and are as at 31 August 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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