

# Melville Douglas STANLIB Dynamic Strategy Fund

Fund information update at 30 September 2018

## 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	<b>Moderately aggressive</b>	Aggressive
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## What is the suggested investment period for this fund?

### Minimum period

1 Month	6 Months	1 Year	3 Years	<b>5 Years</b>	7 Years
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## 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 228.99 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

	<b>Class A</b>	<b>Class B1</b>
<b>Launch</b>	10 June 2002	02 January 2008
<b>ISIN number</b>	ZAE000039459	ZAE000112678
<b>JSE code</b>	MDDS	Mddb1
<b>Minimum investment requirements -</b>		
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

	<b>Class A</b>	<b>Class B1</b>
<b>Initial fee (manager)</b>	0.000%	0.000%
<b>Initial fee (adviser)</b>	3.450%	3.450%
<b>Annual fee (manager)</b>	1.725%	1.150%
<b>Annual fee (adviser)</b>	0.575%	0.000%
<b>Performance fee</b>	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

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

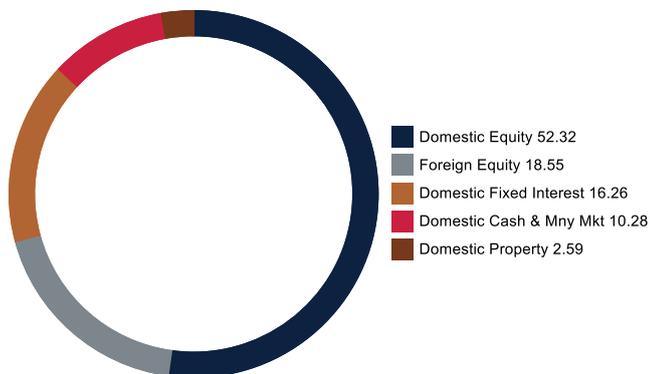
**Total Investment Charges (TIC):** This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not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

# Melville Douglas STANLIB Dynamic Strategy Fund

Monthly update at 30 September 2018

## Holdings

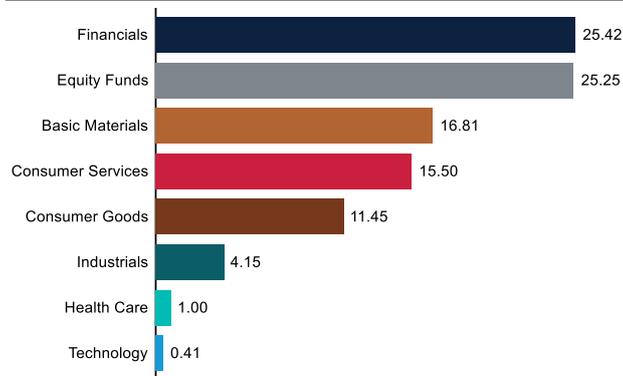
### Asset allocation (%)



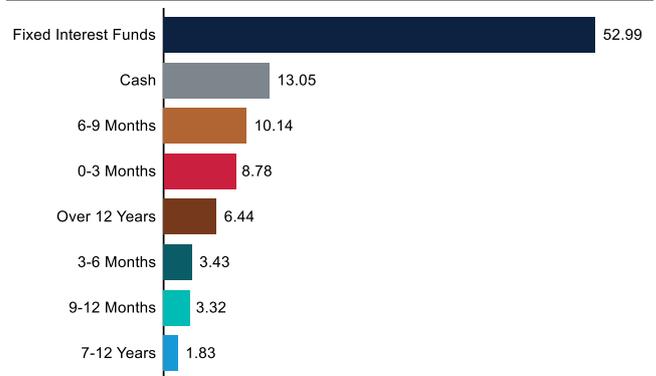
### Top Equity holdings (%)

Naspers Ltd	5.85
Billiton Plc	5.39
Standard Bank Group Ltd	4.20
Anglo American Plc	3.90
Mondi Plc	3.05
British American Tobacco Plc	2.91
Santam Ltd	2.58
First Rand Ltd	2.37
Old Mutual Ltd	2.11
Hudaco Industries Ltd	2.08

### Equity allocation (Industry) (%)



### Fixed Interest allocation (%)



## Performance and Income

Class A Launch: 10 June 2002

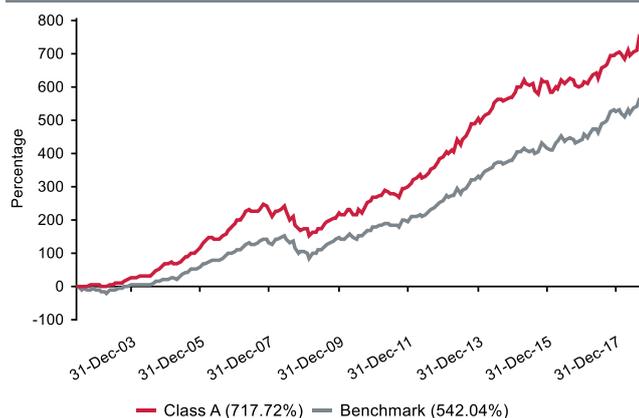
Class B1 Launch: 02 January 2008

Benchmark: FTSE/JSE ALSI (55%); BESA ALBI (15%); MSCI World (15%); STeFI Call (15%)

Returns (%)	1yr	3yrs	5yrs	7yrs	10yrs
<b>Class A</b>					
Class	6.65	6.37	7.30	12.00	11.09
Rank/Out of	11/58	14/50	15/41	14/39	10/34
Sector Average	1.56	4.65	6.77	10.47	9.66
Benchmark	6.78	8.40	9.28	12.67	11.46
<b>Class B1</b>					
Class	7.24	6.99	7.59	12.21	11.15

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	10yrs
<b>Class A</b>					
Positive Months	8	21	38	57	76
Max Gain	9.73	23.83	46.36	127.49	232.41
Max Drawdown	-2.80	-5.18	-6.04	-6.04	-11.42
Highest	13.42	13.42	23.95	27.90	27.90
Lowest	6.65	-3.83	-3.83	-3.83	-22.57
<b>Class B1</b>					
Highest	14.06	14.06	23.60	27.54	27.54
Lowest	7.24	-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.

### 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

# Melville Douglas STANLIB Dynamic Strategy 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.



**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 continues to be disappointing for SA equity investors, With September down 4.2% 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. Although the fund was down for the month it has performed relatively well, the domestic equity was stronger than the ALSI, benefitting from being underweight healthcare. Although the stronger ZAR took some shine off the offshore performance, our equity selection also outperformed the index.

## 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 loss 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	10.28	8.88	1.39
Domestic Equity	52.32	54.71	-2.39
Domestic Fixed Interest	16.26	15.63	0.63
Domestic Property	2.59	2.81	-0.22
Foreign Equity	18.55	17.97	0.59

The portfolio adhered to its portfolio objective over the quarter.

## Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
A	Retail	521.06	1,867,969.52	9,733,285.16
B1	Retail	521.82	42,018,133.19	219,259,484.80

All data as at 30 September 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](http://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](http://www.stanlib.com)).

## Contact details

### Manager

STANLIB Collective Investments (RF) (Pty) Limited  
Reg. No. 1969/003468/07  
17 Melrose Boulevard, Melrose Arch, 2196  
Telephone: 0860 123 003  
Email: [fundfactsheets@stanlib.com](mailto:fundfactsheets@stanlib.com)  
Website: [www.stanlib.com](http://www.stanlib.com)

### Third Party Manager

Melville Douglas Investment Management (Pty) Ltd  
An authorised financial services provider, FSP No. 595  
Reg. No. 1987/005041/07  
8th Floor West Wing, 30 Baker Street, Rosebank, 2196  
Telephone: +27 (0)11 721 7964  
Website: [www.melvilledouglas.co.za](http://www.melvilledouglas.co.za)

### Trustee

Standard Chartered Bank  
Reg. No. 2003/020177/10  
5th Floor, 4 Sandown Valley Crescent, Sandton, 2196  
Telephone: +27 (0)11 217 6600