

Melville Douglas STANLIB High Alpha Fund

Minimum Disclosure Document as at 31 May 2016

Investment Objectives

The portfolio's main objective is to generate capital growth over the medium to long term, with income generation as a secondary objective. The fund will adopt a more aggressive approach, attempting to achieve a high alpha relative to the benchmark. It shall aim towards long-term total performance returns in excess of the benchmark. The assets of the portfolio will comprise a mix of financially sound securities of companies listed across all sectors on the securities exchange in South Africa as permitted by the Act.

Investment Philosophy

Our investment philosophy is focused on maintaining the capital entrusted to us in real terms and to deliver superior risk-adjusted returns over time. We reconcile these aims by engaging in fundamental research to establish the intrinsic value of the investment opportunities available. We construct portfolios by buying superior businesses which generate strong and sustainable cash flows, and which have proven business models with known integrity and competence of management. The price we pay is determined by the intrinsic value and an appropriate margin of safety. We use macroeconomic data to understand the investing environment, but the portfolio construction process is bottom up.

Portfolio Facts

Portfolio Size	R 69.04 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

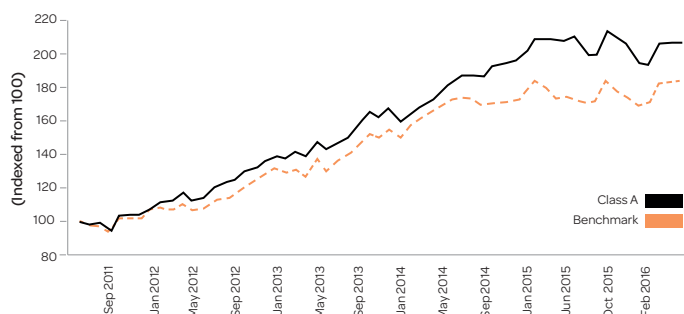
	Class A	Class B1
Minimum Investment		
Lump Sum	R100 000	R100 000
Debit Order Per Month	R1 000	R1 000

* Please refer to page 2 under "Statutory Disclosure and General Terms & Conditions"

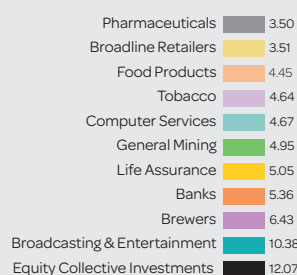
** Additional Information can be obtained from Portfolio Charges Brochure on www.stanlib.com

	Class A	Class B1
ISIN NO.	ZAE000154340	ZAE000207155
JSE Code	MDHFA	MDSB1
Total Expense Ratio	2.25%	1.44%
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%

Cumulative Performance Since Inception



Sector (%)



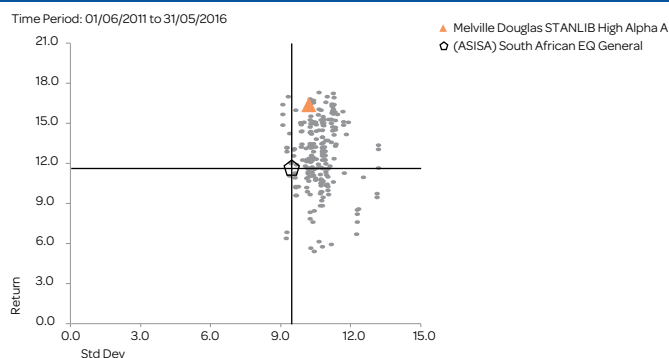
Performance (%)

	1 year	3 years	5 years	10 years	Since Inception
Class A	2.39	13.53	16.39	N/A	16.62
Sector	2.91	10.51	12.11	11.61	12.07
Benchmark	6.25	11.97	14.02	13.33	13.89
Rank (Class A)	86/147	21/111	10/85	0/0	10/85
Lowest Return Over 12 rolling months					-6.88
Highest Return Over 12 rolling months					31.08

Top Holdings (%)

Melville Douglas Select Fund Limited	12.07
Naspers Ltd	10.38
Bhp Billiton Plc	4.95
British American Tobacco Plc	4.64
SAB Miller Plc	3.55
Aspen Pharmacare Holdings Ltd	3.50
Sasol Ltd	3.45
First Rand Ltd	3.39
Fambrands	3.21
Enterprise Outsourcing	3.20

Risk Reward



Source: Morningstar Direct

Portfolio Risk and Term

Conservative Moderate **Aggressive**

Income Distribution

	Paid in the last 12 months	Paid during 2015	2015 payments as a % of year end price
Class A	0.66cpu	0.66cpu	0.00%
Class B1	1.78cpu	1.78cpu	0.85%

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Franchise

The fund is aggressively managed; careful selection of the companies the fund holds offers significant opportunity to control the risk in the portfolio. Melville Douglas's approach to equity investment is rigorously based on an assessment of the industry growth prospects for each holding, and for the ability of the individual company to improve its industry position by skilful management and strategic positioning. The key characteristics of companies we prefer are the ability to convert revenue into cash on a reliable and sustainable basis; the ability of management to deploy that cash either in expansion or new projects that will achieve a return above the cost of capital; and a track record that demonstrates a willingness to return surplus cash and capital to shareholders. We are also strongly focused on the price we pay; we believe strongly that the cost of purchase determines the return that can be achieved.

Quarterly Comments

After a very volatile final quarter of 2015, there was little respite in the first quarter of 2016, though the overall direction was positive, backed by a stabilisation and in some cases marked improvement in economic data. The JSE delivered a return of 3.9% overall, but with very mixed underlying results and led by a soaring 18% return from the resources sector. This was helped by an improvement in some underlying commodity prices. Industrials were down slightly. The aftermath of the finance ministry debacle in December continued to play out, with the Treasury particularly vocal in its commitment to fiscal rectitude and restoring credibility. It demonstrated this clearly in the February budget which showed a faster path to lower deficits than previously. The rand pulled back from the very weak levels it had struck in December, but concerns over the inflationary impact remained. As a result the Reserve Bank felt compelled to implement a sharp interest rate increase and over the quarter the policy interest rate was pushed up 0.75%, a sharp reminder of the Reserve Bank's commitment to its inflation target. This is a key component in restoring the economy to an even keel and helping to avert the worst of the inflationary consequences of a weaker rand. Assisted by improvements in global data and supportive comments from developed market central banks, sentiment improved substantially by the end of the quarter.

Looking forward, challenges remain. Global monetary policy is theoretically supportive of markets, but with both Japan and Europe now implementing negative policy interest rates there may be limits to further support and it is already clear there can be unexpected consequences. In Japan, the currency strengthened very sharply after the implementation of negative rates, exactly the opposite of the intended outcome. In addition, the US economy is sufficiently strong that inflation is beginning to be evident, masked only by very low energy prices. Because interest rates are already arguably too low for the current combination of employment and inflation conditions, there is significant risk to the currently cautious implementation of interest rate increases. As the year goes by the tension between the need to raise rates domestically and the need to avoid the global dislocations that result from higher US dollar interest rates will become more evident. This means that we expect continued volatility; in addition, as is already evident, earnings growth is less certain. In addition there are a number of political events that could prove sources of volatility globally and domestically.

The fund generated a return of 0.6% vs the benchmark of 3.9% for the quarter. Most of the underperformance was generated by the underweight position to basic materials which returned 18.1% for the quarter. The fund remains defensively positioned given the global uncertainties and lack of growth globally. Diversification and valuation remain key given the lack of growth globally and specific risks domestically.

Portfolio Manager

Michael Laws

Michael is the Deputy Managing Director of Melville Douglas. He has been involved in investment since 1998. He holds a BCom and is a Chartered Financial Analyst.

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

The risk in the fund is controlled by the quality of the equities held. The weightings of individual holdings are based on conviction levels drawn from the Melville Douglas investment process. This process is based on extensive fundamental research, using both proprietary & external sources. The portfolio will be subject to equity volatility and is likely to follow the direction of the broader market to a high degree. In the long term, investment return is the reward for the risks that are taken, and the risk exposure is essential to achieve the fund's long term goals.

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, 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 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 15h30. Investments and repurchases will receive the price of the same day if received prior to 15h30.

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.

Contact Details

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Compliance No: HX4034

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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	TER	TC	TIC
Class A	2.25%	0.34%	2.59%
Class B1	1.44%	0.34%	1.78%

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)