Melville Douglas STANLIB Bond Fund

Minimum Disclosure Document as at 31 December 2016

Investment Objectives

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

Investment Philosophy

At the heart of the Melville Douglas's investment philosophy is the preservation of the capital entrusted to us while delivering superior risk adjusted investment returns. We achieve this by focusing on our proprietary investment philosophy and process, which hinge on achieving balance, focusing on the long term, and basing our investment decisions primarily on fundamental research. In all our investments we strive to achieve balance between investment returns and the risk associated with those returns, between capital growth and cash generation, and a balance between compound and cyclical price performers.

Portfolio Facts

Portfolio Size	R 1'240.47 million
Sector Classification	South African - Interest Bearing - Variable Term
Income Distribution	Net revenue is declared on a daily basis and distributed quarterly.
Income Declaration	31 March, 30 June, 30 September & 31 December
Benchmark	BEASSA All Bond Index

	Class A
Launch Date	01 July 2014

Minimum Investment	
Lump Sum	R 50 000
Debit Order Per Month	R 1 000

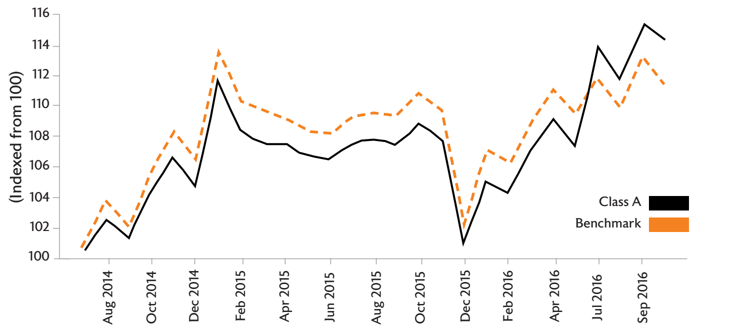
* Please refer to page 2 under "Statutory Disclosure and General Terms & Conditions"

	Class A
ISIN NO.	ZAE000191763
JSE Code	MDBFA
Total Expense Ratio	0.62%
Maximum Portfolio Charges	
Upfront Charge: Manager	0.00%
Upfront Charge: Intermediary	0.00% - 3.00%
Total Service Charge*	0.75%
Service Charge Intermediary Portion	0.00%

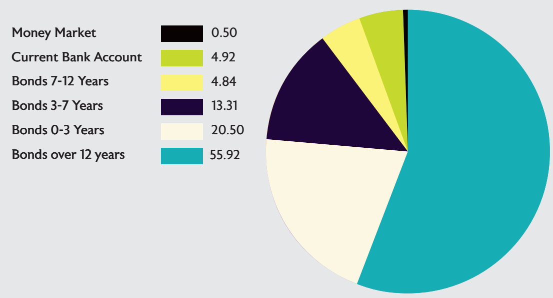
Portfolio charges above are quoted exclusive of VAT

* Currently the fund charges 0.45% excluding VAT

Cumulative Performance Since Inception



Sector (%)



Performance (%)

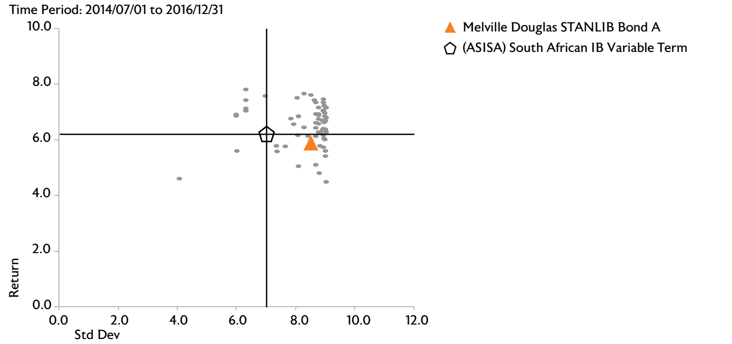
	1 year	3 years	5 years	10 years	Since Inception
Class A	14.31	N/A	N/A	N/A	5.98
Class B1	N/A	N/A	N/A	N/A	N/A
Sector	13.04	6.67	7.26	7.88	6.54
Benchmark	15.45	6.90	7.35	7.96	6.90
Rank (Class A)	23/32	0/0	0/0	0/0	20/22
Lowest Return Over 12 rolling months					-5.81
Highest Return Over 12 rolling months					7.04

Top Holdings (%)

RSA R186 10.50% 21/12/2026	14.36
RSA R2048 8.75% 28/02/2048	8.37
RSA R2044 8.75% 31/01/2044	7.67
RSA R2030 8.00% 31/01/2030	7.53
Republic of South Africa 6.75% March 2021	7.6
RSA R213 7.00% 28/02/2031	6.78
RSA R2040 9.00% 31/01/2040	6.31
RSA R214 6.5% 28/02/2041	6.22
RSA R209 6.25% 31/03/2036	5.88
RSA R2023 7.75% 28/02/2023	4.37

Risk Reward

Time Period: 2014/07/01 to 2016/12/31



Source: Morningstar Direct

Portfolio Risk and Term

Conservative		Moderate		Aggressive

Yield To Maturity: 9.15

Income Distribution

	Paid in the last 12 months	Paid during 2015	2015 payments as a % of year end price
Class A	8.00 cpu	7.28cpu	**7.83%**

STANLIB

Please refer to page 2 for more details regarding this portfolio as well as other important information for consideration

MELVILLE DOUGLAS

Wealth and Investment | Standard Bank

Melville Douglas STANLIB Bond Fund

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Franchise

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.

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
A	0.62	0.00	0.62

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)

Portfolio Manager

The fund is managed by Melville Douglas Fixed Income team, comprising of Jerome O Reagan, Bernard Drotschie and Craig Smith. The team consists of dedicated experts with the depth, breadth and experience to cover a broad range of debt securities and conduct proprietary analysis.

Fund Features

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

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. The benchmark of the Fund is the South African All Bond Index (Beassa ALBI TR ZAR).The Fund has a minimum weighted average duration of 2 years.

Risk

General market risks including:

- A rise or volatility in bond yields
- Rising interest rates
- Economic and political risk
- Inflation uncertainty
- 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.

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 15h00*. Investments and repurchases will receive the price of the same day if received prior to 15h00.*Prior to 8 August 2016, this portfolio was valued on a daily basis at 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: HX2145

Publishing Date: 26 January 2017

Quarterly Comment

Following the outcome of the US presidential election in November - the “Trump rally” – meant many markets recorded reasonable returns for the year. In SA the ALBI managed a 15.4% return as high starting yields compressed during the course of the year, along with a strengthening rand. At the beginning of the year was little to be positive about the state of flux that had been thrust upon South Africa. As a result, many SA investors will be glad to start 2017 on a less anxious note. The Fund delivered a return of 14.3% for the year, its conservative approach to duration meant that it underperformed a largely political event driven bond market.

The themes that characterized 2016 were not consistent: on the one hand “deglobalisation” and falling bond yields, and on the other rising commodity prices and reflation. Commodity prices bottomed out in January and then rose strongly, suggesting a cyclical recovery, but bond yields continued to decline, responding to weak growth signals, monetary accommodation and safe-haven demand. The year began with Japan announcing it would implement a negative policy rate, and the Japanese 10-year yield dipped below zero as a result. More unexpected was the response of the yen, which strengthened substantially against the US dollar, exactly the opposite of what was intended. The declining-yield phenomenon was eventually enough to push German 10-year bond yields into negative territory as well; and the final straw was Brexit. In SA, political events caused a lot of volatility, but did not change the overall positive direction of the rand or the decline of bond yields, notwithstanding the looming threat of a credit rating downgrade. Some of the tensions that were evident in 2016 will continue to play out in 2017. The US will need to adjust short term interest rates to reflect the reality of a higher inflation rate and fuller employment; the impact of the Trump administration’s growth policies could exaggerate the tension. The impact of higher US interest rates on other regions will also be an issue, unless growth accelerates to higher levels. More supportively, the global earnings cycle appears to have turned positive and should provide a stronger underpin. Bond yields are likely to rise further as growth and inflation push on. Europe in particular will remain a potential source of politically-generated volatility as the year goes on, since there are a number of upcoming elections (Germany, France, Netherlands) which may produce disruptive changes. For SA investors, the local earnings cycle should turn positive and inflation should decline; the potential for interest rate cuts later in the year should thus become clearer and better outcomes than in 2016 are thus likely. As elsewhere, however, political issues remain a potentially disruptive overlay and policy implementation will need to be properly executed. The prospect of a foreign debt rating downgrade has not gone away. Investors will need to remain diversified and cautious, but at this point can be hopeful of a better, if not less volatile, year.

The portfolio presently reflects a tactically neutral duration position as we envisage a combination of lower inflation differentials and the country risk spread to work in favour of lower yields.