

Melville Douglas STANLIB Dynamic Strategy Fund

Minimum Disclosure Document as at 30 June 2017

Investment Objectives

The Dynamic Strategy Fund is an actively managed multi-asset class mandate designed to reflect MelvilleDouglas' optimal long-term capital growth strategy. The fund focuses on delivering balance – a 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. The objective of the fund is to deliver high growth of capital and income at a reasonable level of current income and relative stability.

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	R1143.18 million
Sector Classification	South African - Multi Asset - Flexible
Income Distribution	Net revenue is declared on a daily basis and distributed bi-annually
Income Declaration	30 June & 31 December
Benchmark	FTSE/JSE All Share Index 55%; BEASSA All Bond Index 15%; MSCI World Index (USD) 15%; STeFI Call Deposit Rate Index 15%

	Class A	Class B1
Launch Date	15 May 2002	31 December 2007

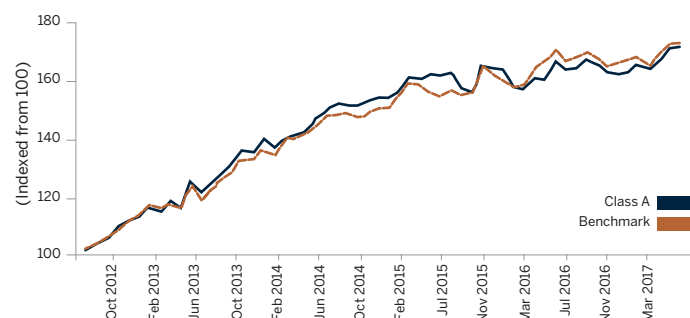
Minimum Investment		
Lump Sum	R 10 000	R 10 000
Debit Order Per Month	R 1000	R 1000

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

	Class A	Class B1
ISIN NO.	ZAE000039459	ZAE000112678
JSE Code	MDDS	MDDB1
Total Expense Ratio	1.94%	1.31%
Maximum Portfolio Charges		
Upfront Charge: Manager	0.00% - 3.00%	0.00% - 3.00%
Upfront Charge: Intermediary	1.50%	0.00%
Total Service Charge	1.50%	1.00%
Service Charge Intermediary Portion	0.50%	0.00%

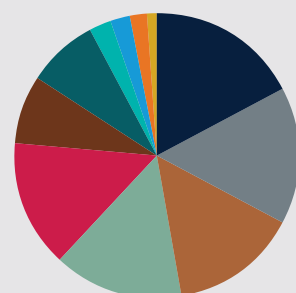
Portfolio charges above are quoted exclusive of VAT

Cumulative Performance - Last 5 Years



Sector Allocation

Domestic Telecommunications	0.92%
Domestic Health Care	2.03%
Domestic Industrials	2.12%
Domestic Technology	2.58%
Domestic Consumer Goods	7.91%
Domestic Basic Materials	7.99%
Domestic Money Markets	14.37%
Domestic Financials	14.54%
Domestic Consumer Services	14.59%
Domestic Fixed Interest	15.33%
Foreign Equity Unit Trusts	17.43%



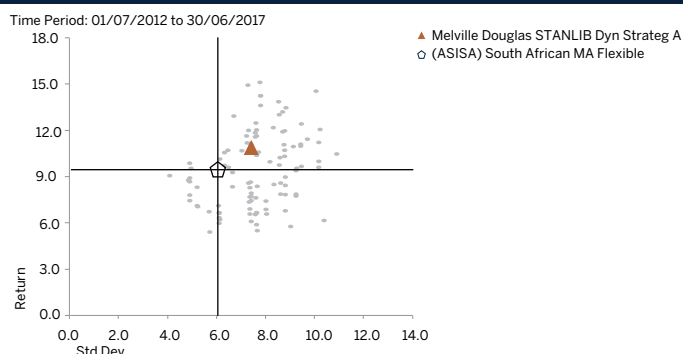
Performance (%)

	1 year	3 years	5 years	10 years	Since Inception
Class A	2.32	3.80	11.04	8.34	14.08
Class B1	2.90	4.10	11.10	N/A	N/A
Sector	1.31	3.96	9.66	8.09	12.23
Benchmark	4.25	6.10	12.14	9.44	12.10
Rank (Class A)	26/67	31/57	16/48	14/35	2/11
Lowest Return Over 12 rolling months					-22.57
Highest Return Over 12 rolling months					49.17

Top Holdings (%)

Melville Douglas Select Fund Limited Global Equity	17.43%
Melville Douglas Stanlib Bond Fund	14.55%
Naspers Ltd-N-	6.40%
BHP Billiton Plc	3.63%
British American Tobacco Plc	2.50%
Standard Bank Group Ltd	2.41%
Firststrand Ltd	2.31%
EOH Holdings	2.02%
Santam Ltd	2.01%
Coronation Fund Managers Ltd	1.82%

Risk Reward



Source: Morningstar Direct

Portfolio Risk and Term

Conservative	Moderate	Aggressive
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Income Distribution

Fund Class	Paid in the last 12 months	Paid during 2016	2016 payments as a % of year end price
Class A	2.52 cpu	13.21 cpu	0.00%
Class B1	10.25 cpu	12.82 cpu	2.73%

Franchise

The fund is prudently managed, with a flexible approach to asset allocation to reflect the balance of risks in investment markets and the economic environment at any given time. The core of the portfolio is its equity holdings, and careful selection of the companies the fund holds offers another 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. The investment process for non-equity asset classes is similar, with the understanding that the more non-equity assets the portfolio retains the less the likelihood of achieving a reasonable real return over time. 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. Our focus is always long term and turnover in the portfolio is typically low.

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	12 month TER	36 month TER	36 month TC	36 month TIC
Class A	1.77	1.94	0.10	2.04
Class B1	1.23	1.31	0.10	1.41

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

Jerome O'Regan

Jerome is Melville Douglas's Chief Investment Officer and has been involved in investment markets since 1984. Among other positions he has held are head of research at Fleming Martin and STANLIB, and Chief Investment Officer at SCMB Asset Management. He holds an MBA from UCT and is a Chartered Financial Analyst.

Susan Gawith

Susan is an executive Portfolio manager at Melville Douglas. She worked in retail before moving to financial markets in 1999 and was a rated retail analyst at Cazenove. She has a BSc TRP and an MBA from UCT.

Fund Features

A well-managed balanced portfolio, with the objective of delivering strong risk adjusted returns over time.

Risk

General market risks:

- » A decline in property values
- » Share price volatility
- » 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.

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 (Rf) Pty 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.

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.

The performance is calculated for the portfolio, as well as that the individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax.

The manager does not provide any guarantee either with respect to the capital or the return of a portfolio.

*Prior to 8 August 2016, this portfolio was valued on a daily basis at 15h30.

Contact Details

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Compliance No: HX0165

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Quarterly Comment

The second quarter was very difficult for SA investors, with the ALSI down 40bps and bonds underperforming cash. In addition to Moody's credit rating downgrade, markets also had to contend with the public protector telling Parliament to change the Constitutional mandate of the Reserve Bank, a new mining sector charter, weak economic indicators and more political wrangling. The equity market was led down by resources, which responded very negatively to the new mining charter. Globally, economic data continued to show broadening recovery outside the US and in Europe particularly. There was a clear lift in confidence following the French elections and economic improvement is spreading across the region, lifting employment and narrowing the growth differential. In general, central banks remain very supportive, but the debate is moving on: the focus is now on how aggressive monetary policy will be unwound, rather than on how much is still necessary. In SA, the economic news is likely to remain poor, but it would not take much to turn the economy, which is struggling under the burden of high interest rates as a result of politics and the resulting credit rating downgrades.

The fund generated a return of 0.9% against the benchmark of 0.6% in the second quarter of 2017. The equity was down in line with the market, with weak performances from a number of the domestic small caps, notably Adapt IT, Famous Brands, Hudaco and EOH. Real Estate produced a strong return, driven by the holding in Nepi. Technology pulled down the absolute and relative return as EOH and Adapt IT both had a difficult quarter. We have subsequently met with the EOH management (including the new CEO) and continue to hold a high conviction position in the business based on a compelling valuation and expected mid teen growth for the foreseeable future.

During the quarter, we added to financial exposure by topping up Coronation, Old Mutual, Standard Bank and FirstRand. We also added Barclays Africa Group as it presented a compelling valuation opportunity at the book build. We also topped up EOH, Famous Brands and Anglo American which were offering value. We trimmed Mr Price, Richemont, Mondi and Naspers post price rallies. We exited MediClinic, as after the price rally we felt that the risk and headwinds in the business are not adequately reflected in the valuation.

On the fixed interest side, we switched the majority of our holding in the R186 into our bond fund. This bond is heavily owned by offshore investors and is likely to sell off more than the index in the case of a ratings downgrade.

Risks abound, but downgrades and the recession are priced in and investors need to start looking through the immediate news flow and remain alert for mispriced opportunities.