

Melville Douglas STANLIB Bond Fund

Minimum Disclosure Document as at 31 March 2017

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 1 362.39 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 100 000
Debit Order Per Month	R 1 000

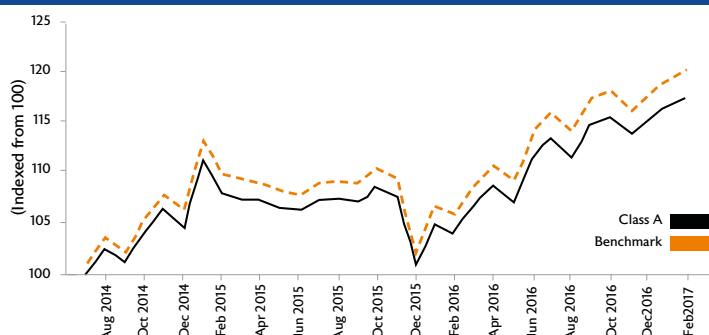
* Please refer to page 2 under "Statutory Disclosure and General Terms & Conditions"

Class A	
ISIN NO.	ZAE000191763
JSE Code	MDBFA
Total Expense Ratio	0.51%
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

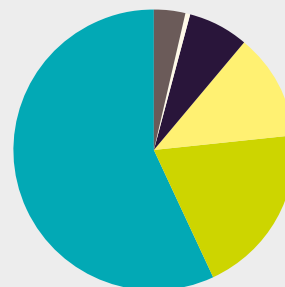
* Currently the fund charges 0.45% excluding VAT

Cumulative Performance Since Inception



Sector (%)

Current Bank Account	3.80
3-6 Months	0.47
Bonds 0-3 Years	6.77
Bonds 3-7 Years	12.27
Bonds 7-12 Years	19.56
Bonds over 12 years	56.92



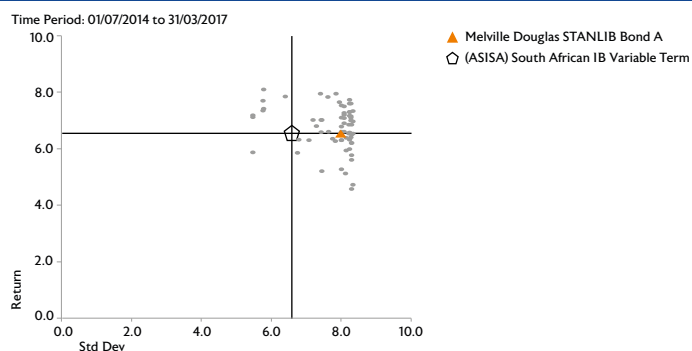
Performance (%)

	1 year	3 years	5 years	10 years	Since Inception
Class A	10.83	N/A	N/A	N/A	6.44
Class B1	N/A	N/A	N/A	N/A	N/A
Sector	9.73	7.29	7.36	8.02	6.92
Benchmark	11.02	7.45	7.37	8.05	7.21
Rank (Class A)	18/32	0/0	0/0	0/0	18/21
Lowest Return Over 12 rolling months					-5.81
Highest Return Over 12 rolling months					14.31

Top Holdings (%)

RSA R186 10.50% 21/12/2026	15.50
RSA R2048 8.75% 28/02/2048	10.35
RSA R2030 8.00% 31/01/2030	8.79
RSA R209 6.25% 31/03/2036	8.00
RSA R2037 8.50% 31/01/2037	7.51
RSA R213 7.00% 28/02/2031	6.83
RSA R214 6.5% 28/02/2041	6.18
RSA R2044 8.75% 31/01/2044	5.96
RSA R2040 9.00% 31/01/2040	4.89
RSA R2023 7.75% 28/02/2023	4.33

Risk Reward



Source: Morningstar Direct

Portfolio Risk and Term

Conservative	Moderate	Aggressive
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Yield To Maturity: 9.07

Income Distribution

	Paid in the last 12 months	Paid during 2016	2016 payments as a % of year end price
Class A	8.03 cpu	8.00 cpu	8.18%

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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	0.51%	–	0.51%

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.

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.

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

Contact Details

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Compliance No: HX1707

Publishing Date: 24 April 2017

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Quarterly Comment

The Fund outperformed its benchmark in 1Q2017, delivering a return of 2.67% versus 2.5% for the ALBI, able to take advantage of the volatility in the local bond market which saw the SA 10-year yield trade in a wide range of 8.31% to 8.96%.

The March quarter will have left most SA investors both shaken and stirred. The ALBI delivered a positive return overall, after absorbing a 3.5% decline towards the end of the period. In January local bonds were pushed by a favorable global backdrop, a better domestic outlook, and a diminishing risk of a credit rating downgrade. A fiscally credible but growth-dampening budget in February was also a net positive for bonds, as increased tax rates and fiscal drag took money away from households to fund existing government spending. The political environment also deteriorated, and at the end of the quarter the president replaced a large proportion of his cabinet, including firing the minister and deputy minister of finance. Rating agencies responded swiftly: just four days later, after the quarter ended, Standard and Poor's downgraded SA's foreign denominated government debt to sub-investment grade. Later in the same week, Fitch downgraded both the rand-denominated debt and the foreign debt to sub-investment grade. Moody's also announced a review, and a downgrade is likely, though this would leave the Moody's ratings still at investment-grade. The consequences of the downgrades will take some time to materialize, though the market impact had already been well priced in: pretty much since December 2015, when the president first fired a finance minister, SA's foreign debt was priced as if the downgrade had already taken place. Since the payment of interest is now the largest single budget item, and newly issued debt will all carry the higher interest rates involved, the fiscal position is weaker than before, and the budget targets will thus be more difficult to achieve. The new finance minister has committed to sticking to the fiscal plan, but may find it hard to achieve; and the downgrades are not only about the fiscal numbers but about the governance of government expenditure. The mooted nuclear power plan, considered by most as completely unaffordable, and thus pushed into the distant future by the previous minister, has now emerged as a more imminent issue and will require firm control of Eskom, the power utility, and at Treasury. Funding it will be a major undertaking and would certainly require additional government guarantees.

Fortunately for the economy at large, the global backdrop is about as favourable as it can be: the world is now entering a more synchronised growth phase, and notably in Europe the upswing is leading the monetary authorities to guide market expectations towards reduced monetary accommodation. In the US the debate is no longer about whether interest rates will rise, but by how much and how fast; in the US and the UK the inflation cycle is well under way. There are both geopolitical threats and domestic issues in Europe that pose risks to a smooth path, but local bonds appear to be supported by relative valuations within the Emerging Market debt universe. The political scene in SA might not stabilise at least until the ANC's elective conference later in the year; so investors need to be cautious but also alert to the fact that there are counteracting forces for the economy and opportunities are likely to emerge. The downgrade is now a fact, but markets are forward looking. The portfolio presently reflects a tactically underweight duration position as we assess the political impacts on fundamental drivers for the bond market.