

Melville Douglas Balanced Fund Limited

USD Balanced Class

Fund information update at 31 December 2022

What is the fund's objective?

The objective of the Class Fund is to provide long-term capital growth in US Dollar terms by investing in a balanced portfolio of globally diversified equity, fixed income and cash.

What does the fund invest in?

The Class Fund invests in a well-diversified portfolio comprising quoted global equities, global fixed income securities including government and corporate bonds and money market instruments which will maximise investment returns in USD.

What possible risks are associated with this fund?

The risk rating seen below is designed to give an indication of the level of risk, measured by volatility, associated with this specific portfolio. In order to arrive at the specific risk rating of the portfolio in question, Melville Douglas measures the volatility of the fund, in the form of standard deviation, over a three year rolling period, and compares the result to internal risk parameters. Please note that these risk ratings are designed as a guide only.

Risk rating

Conservative	Moderately conservative	Moderate	Moderately aggressive	Aggressive
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What is the suggested investment period for this fund?

Minimum period

1 Month	6 Months	1 Year	3 Years	5 Years	7 Years
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Who should consider investing in this fund?

The fund is aligned to investors who require a real return on their capital over time. The fund is suited to investors with a moderate risk profile.

Income

Distribution Income available for distribution attributable to the Class Fund shall be accumulated and not distributed to Shareholders.

General fund information

Manager(s)	Bernard Drotschie
Size (NAV)	\$ 10.42 million
Peer group	EAA Fund USD Flexible Allocation
Benchmark	MSCI ACWI NR 50% US Cash 50%
Section 65	Not Approved
	Class C
Launch	16 May 2003
ISIN number	JE00B504TG57
SEDOL code	B504TG5
Bloomberg	MDBLBLC JY
	Minimum investment requirements -
New business	Open
Initial	\$ 2,500
Subsequent	\$ 1,000

What are the costs to invest in this fund?

Maximum charges

	Class C
Initial fee (manager)	0.000%
Initial fee (adviser)	3.000%
Annual fee (manager)	0.950%
Annual fee (adviser)	0.000%
Performance fee	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 31 December 2022

	Class C
Based on period from:	01/01/2020
Total Expense	1.41%
Transaction Costs	0.01%
Total Investment Charge	1.42%
1 Year Total Expense	1.47%

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.

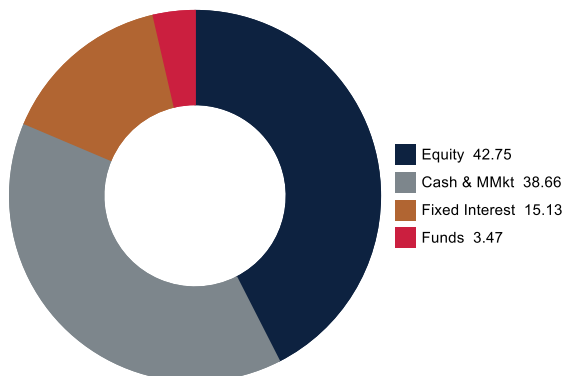
Melville Douglas Balanced Fund Limited

USD Balanced Class

Monthly update at 31 December 2022

Holdings

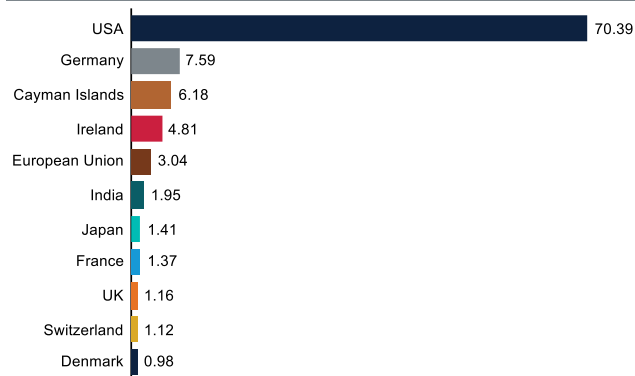
Asset class (%)



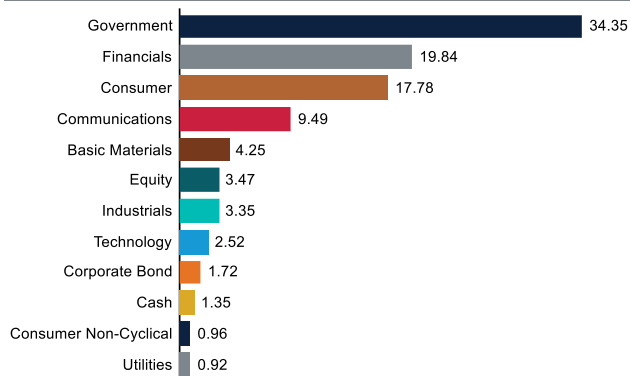
Top holdings (%)

US TSY Note/Bond 1.25% 31/07/2023	3.95
Inter-American Dev Bank 0.5% 24/05/2023	3.54
Melville Douglas SFL Global Impact	3.47
US TSY Note/Bond 2.5% 31/05/2024	3.26
Intl Bank for Recon & Dev 1.75% 19/04/2023	3.24
European Investment Bank 2.875% 15/08/2023	2.85
BNG Bank N.V. 0.75% 17/04/2023	2.85
Inter-American Development Bank 0.25% 15/11/23	2.54
Microsoft Corp	2.52
US TSY Note/Bond 2.125% 30/11/2023	2.34

Country (%)



Category (%)



Performance and Income

Class C Launch: 16 May 2003

Benchmark: MSCI ACWI NR (MSCI World NR from launch to 30/04/20) 50%; US Cash 50%

Peer group: EAA Fund USD Flexible Allocation

Returns (%)	1yr	3yrs	5yrs	7yrs	10yrs
Class C					
Class	-13.40	0.16	2.35	3.62	3.47
Benchmark	-10.74	1.98	3.51	5.03	5.05
Peer group	-13.47	-0.12	0.80	2.45	1.92

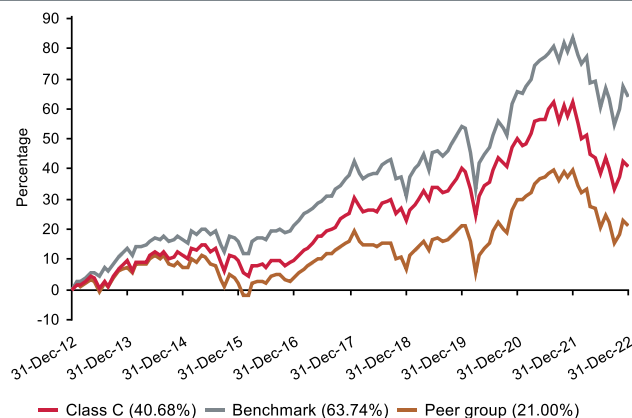
Returns (%) shown are cumulative for all periods shorter than or equal to 1 year and annualised for all periods greater than 1 year.

Statistics (%)	1yr	3yrs	5yrs	7yrs	10yrs
Class C					
Positive Months	4	20	36	55	75
Max Gain	6.65	30.46	32.42	55.39	62.44
Max Drawdown	-17.75	-17.75	-17.75	-17.75	-17.75
Highest	4.89	21.84	21.84	21.84	21.84
Lowest	-14.81	-14.81	-14.81	-14.81	-14.81

Highest - this reflects the highest 12 month return during the period.

Lowest - this reflects the lowest 12 month return during the period.

Cumulative performance (%) over 10 Years



Melville Douglas Balanced Fund Limited USD Balanced Class

Quarterly update at 31 December 2022

Who are the investment managers?



Bernard Drotschie

BCom (Hons), CFA®, CFPTM
Chief Investment Officer

Bernard joined Melville Douglas in 2002 as a portfolio manager and analyst, prior to which he worked for Absa Asset Management. He is the lead manager on the Melville Douglas Global Growth Fund (USD) and co-manages the Melville Douglas Balanced Fund (USD) and the Melville Douglas Income Funds. He holds a BCom (Hons) degree in Econometrics, is a CFA® Charterholder and a Certified Financial Planner™ professional.

Melville Douglas Investment Management (Pty) Ltd, FSP 595, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act 2002, manage the investments of the fund. 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.

Fund review

Over the quarter, the fund returned 5.3% compared to a benchmark return of 5.7%. The underperformance was the result of an underweight position in global equity over the period. The global equity component performed ahead of its benchmark and contributed positively. The outperformance from equity during 4Q22 was driven by stock selection. Our allocation was a detractor from our performance, with the biggest negative contributors being having no energy exposure and our underweight to financials. Our overweight to communication services, consumer discretionary and IT also hurt offset somewhat by our overweight to healthcare. Our stock selection was particularly strong in IT where our holdings did +13.6% versus the benchmark of 5.8%. Consumer discretionary was another area of outperformance with our holdings able to deliver a positive return of 10.2% versus the market down -0.7%. The fund's holdings in Chinese exposed names like LVMH, Starbucks and Alibaba benefitted on better news flow around the reopening of China. Nike (+41.2%) was one of the star performers as it delivered a strong earnings beat and raised guidance when it reported its quarterly results. During the fourth quarter the 'cash' strategy performed broadly in line with its benchmark – returning circa +0.90%. Against a backdrop of rapidly rising interest rates and inflation at multi-decade highs, 2022 was understandably a challenging year for US Dollar 'cash-linked' strategies. Ultra-short-dated bond yields rose significantly leading to negative returns with the 2-year US government yield spiking 369 basis points as the Federal Reserve sanctioned a cumulative 425 basis points of interest rate hikes. We enter 2023 with markedly higher yields and whilst the global interest rate cycle is yet to reach its finale, bond markets will anticipate the peak in advance hence the decision to selectively increase duration over the quarter, primarily via US Treasuries and Supranational bonds. The search for yield enhancement will continue in 2023 where we feel more confident that the strategy will produce positive cash-plus returns.

Market overview

Despite global central banks best efforts to rein in inflation by way of slowing demand growth with much tighter monetary policy, risk assets made a comeback during the fourth quarter of 2022 whilst the US greenback lost its shine, giving back some of its significant outperformance over the past year. Several factors contributed to the bounce from the October lows with investors focusing on the improved outlook for inflation as consumer goods, food and energy prices all eased leading to predictions that inflation has peaked. An important development, as high and stubborn inflation coupled with a vibrant labour market, has resulted in one of the most aggressive interest rate hiking cycles in recent history. With the disinflationary trend intact as supply constraints ease, central banks have indicated their preference to slowdown the pace of monetary tightening and to follow a "wait and see approach", meaning that interest rates will probably peak towards the end of the first quarter in 2023. Additional factors that contributed to the bounce in equity markets are the prospect of less restrictive COVID-19 measures in China and a significant decline in the price of natural gas in Europe. Gas storage levels have been adequately increased to cater for the colder winter months in the Northern hemisphere as users switched to liquid natural gas. As a result, and not for the first time this year, we have seen that a lower than expected inflation print in the US has resulted in lower bond yields and a rerating in equity markets, an indication of just how sensitive equity valuations and risk appetite has become to changes in the outlook for the cost of funding (bond yields).

Looking ahead

The outlook for macroeconomic conditions, monetary policy and the geopolitical backdrop remains highly uncertain given the warning from US Federal Reserve Chair Powell that "monetary policy affects the economy and inflation with uncertain lags, and the full effects of our rapid tightening so far are yet to be felt" and as such investors should expect volatility to remain elevated and very much data dependent as the global economy enters a period of below-trend growth or, even worse, a recession. However, lower starting valuations coupled with declining inflation, a peaking interest rate cycle and defensive positioning by market participants do provide the necessary backdrop for investors to look forward to a year of improved investment returns.

From an asset allocation perspective, we have reduced risk in portfolios further by cutting the equity exposure to underweight and have used the proceeds to increase the allocation to longer dated money market instruments to enhance the yield on cash, as interest rates move closer to their peak during this cycle. Although equity valuations are much more reasonably priced than a year ago when interest rates were exceptionally low, the recent rally leaves investors with a limited margin of safety should corporate profit margins and/or earnings decline, as we expect.

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	Q4 2022	Q3 2022	Change
Cash & MMkt	38.66	40.17	-1.51
Equity	42.75	44.20	-1.46
Fixed Interest	15.13	12.37	2.76
Funds	3.47	3.26	0.21

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (\$)	Units	NAV (\$)
C	Retail	196.89	52,905.18	10,416,759.04

All data as at 31 December 2022.

Units – amount of participatory interests (units) in issue in relevant class.

Melville Douglas Balanced Fund Limited

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Important information at 31 December 2022

Disclosures

Collective Investment Funds (CIF) 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. CIF are traded at ruling prices and can engage in borrowing and scrip lending.

The USD Balanced Class is a class fund of the Melville Douglas Balanced Fund Limited (the Fund). The Fund is an 'umbrella fund' and an open-ended investment fund company registered by way of continuation in Jersey under a certificate of continuance dated 31 March 2003 with limited liability under the Law as a no par value company. The Fund is regulated as a Collective Investment Fund by the Jersey Financial Services Commission. The manager of the Fund is STANLIB Fund Managers Jersey Limited (the Manager). The Manager is 100% owned by STANLIB Limited, which is wholly owned by Liberty Holdings Limited. Liberty is a full member of the Association for Savings and Investments of South Africa (ASISA). 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 the class fund. A schedule of fees and charges and maximum commissions is available on request from the Manager. The custodian/trustee of the Fund is Apex Financial Services (Corporate) Limited (the Custodian). The Fund, the Manager and the Custodian are regulated by the Jersey Financial Services Commission.

The investments of this class fund are managed, on behalf of the Manager, by Melville Douglas Investment Management (Pty) Ltd (the Investment Manager), an authorised financial services provider (FSP), FSP No. 595, under the Financial Advisory and Intermediary Services Act (FAIS), Act No. 37 of 2002. The Investment Manager, pursuant to a distribution agreement made between it and the Manager, acts as distributor to the class fund in South Africa.

STANLIB Collective Investments (RF) (Pty) Limited is the appointed Fund's representative in the RSA, by the Manager, in respect of the Fund. The RSA Representative is responsible for assisting the Fund with compliance with RSA regulatory requirements in respect of certain Classes to be marketed to investors in the RSA.

Prices are calculated and published on each working day, these prices are available on the Manager's website (www.stanlib.com). This portfolio is valued at 23h59 (GMT). Forward pricing is used. Investments and repurchases will receive the price of the next day if received prior to 14h30 (GMT). Settlement must be made in the relevant class fund's base currency.

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.

All return figures quoted are in USD, as at 31 December 2022, based on data sourced from Morningstar.

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.

Fund performance figures are calculated for the relevant class of the Fund, 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. Fund performance figures account for all costs that contribute to the calculation of the cost ratios quoted, all fund returns quoted are therefore 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 Investment Manager and from the Investment Manager's website (www.melvilledouglas.co.za).

This document does not constitute an offer of sale. Investors are requested to view the latest Prospectus and Minimum Disclosure Document for information pertaining to this product, as well as seeking professional advice, should they be considering an investment in this product. The Manager provides no guarantee or warranty as to the accuracy of the content of this document. Every effort has been made to ensure that the content is accurate at time of issue. This document is not advice, as defined under FAIS. Please be advised that there may be a representative acting under supervision.

Trail fees are paid inclusive of VAT meaning, where a South African adviser is registered for VAT, the VAT levied is included in the fee payable to the adviser out of the fund's annual management charge. Initial fees are also paid inclusive of VAT.

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