

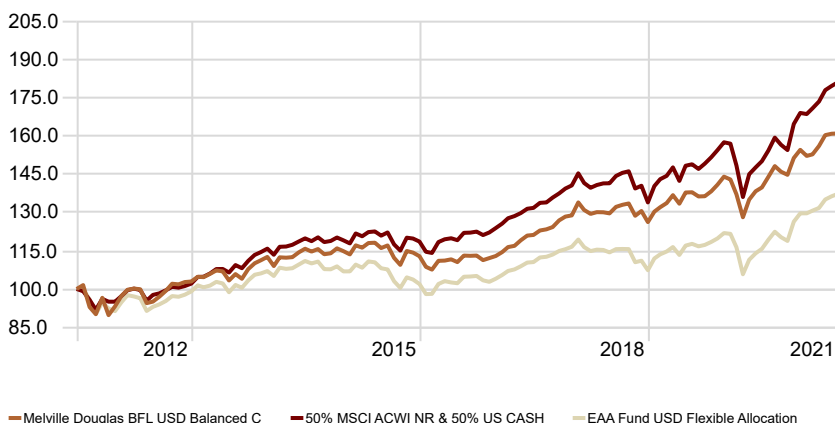
Melville Douglas Balanced Fund Ltd

USD Balanced Class (the "Fund")

Minimum Disclosure Document as at 30 June 2021



Investment Growth***



Trailing Returns***

	1 Month	YTD	1 Year	3 Years	5 Years	10 Years
Melville Douglas BFL USD Balanced C	0.06	4.17	15.16	7.49	7.82	4.88
50% MSCI ACWI NR & 50% US CASH	0.80	7.12	20.63	8.58	8.74	6.12
EAA Fund USD Flexible Allocation	0.68	5.90	18.64	6.29	6.08	3.22

Risk Matrix *

	Class C	Benchmark	Cat Avg
Information Ratio (arith)	-0.9		-1.6
Std Dev	8.7	12.8	9.9
Sharpe Ratio **	0.7	0.8	0.5

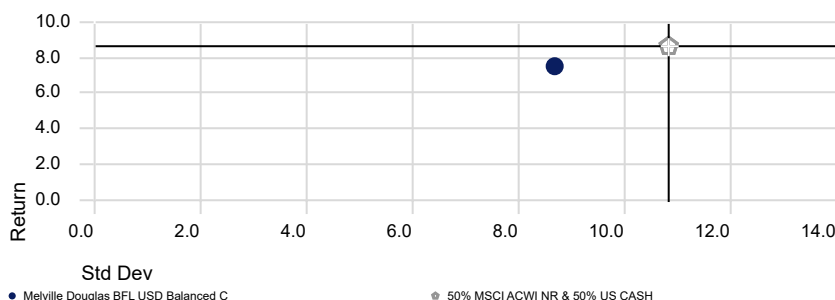
Highest and lowest 12 month rolling return since inception

Highest 12 Month Rolling Return	20.92
Lowest 12 Month Rolling Return	-25.99

Monthly Returns***

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021	-1.5	0.4	2.2	2.7	0.3	0.1							
2020	-0.8	-4.1	-6.6	5.4	2.4	1.1	3.0	2.9	-1.5	-0.8	4.6	2.1	7.3
2019	3.2	1.3	1.2	2.3	-2.5	3.3	0.1	-1.2	0.1	1.4	1.9	2.2	14.1
2018	3.9	-2.2	-1.2	0.5	0.0	-0.3	2.0	0.6	0.4	-3.6	1.5	-3.3	-2.0
2017	1.4	1.7	0.4	1.9	1.6	0.2	1.4	0.4	0.7	2.1	1.2	0.4	14.1
2016	-3.7	-1.0	3.2	0.1	0.4	-1.0	2.3	-0.1	0.1	-1.6	0.7	0.7	0.1

Risk-Reward *



Not to be distributed outside of Jersey.

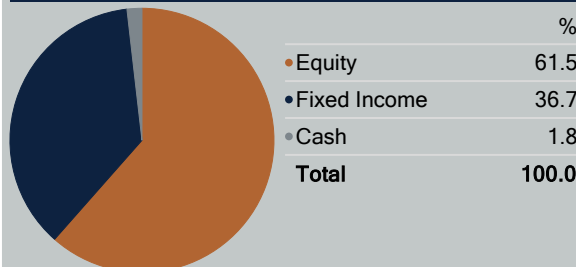
Investment Objective

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

Top Holdings

	Portfolio Weighting %
Microsoft Corp	3.3
Melville Douglas Slt Ltd Glb Impct X	2.8
Facebook Inc Class A	2.7
Alphabet Inc Class A	2.6
Partners Group Holding AG	2.5
Brenntag SE	2.4
HDFC Bank Ltd ADR	2.4
Boston Scientific Corp	2.4
European Invst Bank 1.50	2.4
Visa Inc Class A	2.4

Asset Allocation



Operations

Name	Melville Douglas BFL USD Balanced C
Month End Price Class C	\$219.03
Total Fund Value	\$13.69 Million

Fund Managers

Bernard Drotschie

Bernard is the Chief Investment Officer. He holds a B.Com (Hons) degree in Econometrics, is a CFA® Charterholder, and is a Certified Financial Planner™ professional.

Portfolio Risk

LOW

MEDIUM

HIGH

* Data is displayed over a 3 year rolling period
 ** Risk free rate = US Treasury T-Bill 3 Months
 *** Class C since inception. Information compiled using Morningstar based on the most recent published information available to Morningstar at the end of the relevant period. This information is for illustrative purposes only.

Benchmark change on 1 May 2020 to 50% MSCI ACWI & 50% US CASH

Source: Morningstar Direct, Melville Douglas Investment Management

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Additional Risk Information

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, interest rate and potential limitations on the availability of market information.

The risk rating seen on page 1 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.

Other Fund Facts

Manager	STANLIB Fund Managers Jersey Limited
Investment Manager	Melville Douglas Investment Management (Pty) Ltd
Custodian	Apex Financial Services (Corporate) Limited
Auditors	PwC, Ireland
Fund Directors	GS.Baillie, M.Farrow, O.Sonnichler & R Stewart
Registered Office	47-49 La Motte Street, St Helier, Jersey
Publication Date	16 July 2021
Share Class ISIN	JE00B504TG57
Minimum Investment	\$10 000
Launch Date	16 February 1999

Fund Costs- 12 months

Fee Class	Management Fee*	TER	TC	TIC
Class C	0.95%	1.37%	0.03%	1.40%
TER = (Total Expense Ratio), TC = (Transaction Costs), TIC = (Total Investment Cost ; TER + TC = TIC)				
Where a transaction cost is not readily available, a reasonable best estimate has been used. TER reflected is 1 month in arrears. Estimated transaction costs may include Bond, Money Market and FX Costs (where applicable).				
*Management fee includes fee payable to Manco				

Fund Costs- 36 months

Fee Class	Management Fee*	TER	TC	TIC
Class C	0.95%	1.35%	0.03%	1.38%
TER = (Total Expense Ratio), TC = (Transaction Costs), TIC = (Total Investment Cost ; TER + TC = TIC)				
Where a transaction cost is not readily available, a reasonable best estimate has been used. TER reflected is 1 month in arrears. Estimated transaction costs may include Bond, Money Market and FX Costs (where applicable).				
*Management fee includes fee payable to Manco				

Contact Details

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Statutory Disclosure and General terms and Conditions

This document does not constitute an offer to buy or a solicitation of an offer to buy or sell shares of the Fund in any jurisdiction in which an offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer of solicitation and is for information purposes only. Subscriptions will only be received and shares issued on the basis of the current prospectus and prospective investors should carefully consider the risk warnings and disclosures for the Fund set out therein. The value of shares may go down as well as up and investors may get back less cash than originally invested. 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. Past performance is not necessarily a guide to future performance. An investment in the shares of the Fund is not the same as a deposit with a banking institution. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Please refer to the prospectus for more details on the charges and expenses that may be recovered from the Fund. Shares are valued on a daily basis using 23:59 (UK Time) prices. Transaction requests received before 14h30 (UK Time) will receive the following valuation point share price. This is an accumulation portfolio and does not distribute income. Telephone calls may be recorded. Apex Financial Services (Corporate) Limited, STANLIB Fund Managers Jersey Limited and Melville Douglas Balanced Fund Limited are regulated by the Jersey Financial Services Commission.

Prices are available from the Manager on request.

Performance figures are calculated for the relevant class on a NAV basis.

Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending. Collective Investment Schemes are generally medium to long-term investments.

An investment management agreement exists between the Fund, the Manager and Melville Douglas Investment Management (Pty) Ltd appointing Melville Douglas Investment Management (Pty) Ltd as the sole representative for the investment management functions performed in South Africa. Melville Douglas Investment Management (Pty) Ltd is a company registered in South Africa with company number 1987/05041/07, and a subsidiary of Standard Bank Group Limited. Melville Douglas Investment Management (Pty) Ltd is licensed as a financial services provider in terms of Section 8 of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002). The appointed representative for the Fund in South Africa is STANLIB Collective Investments (RF) Pty Ltd.

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

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Fund Prospectus, application forms as well as annual and interim financial statements, are available at www.melvilledouglas.com

Source: Morningstar Direct, Melville Douglas Investment Management

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Quarterly Commentary (30 June 2021)

Fund Review

Over the quarter, the fund returned 3.2% compared to a benchmark return of 4.4%. Relative performance lagged due to the underperformance from equity over the period, with stock selection within our Financials, Health Care and Utilities holdings detracting from performance. Wind farm developer Ørsted sold-off on mixed corporate results, and multinational insurer Prudential on a delay to the spin-off of its US business. These negatives were partly offset by Nike, Facebook and Alphabet which rallied on blowout earnings results. The non-equity component of the fund outperformed its benchmark.

From an asset allocation perspective, the overweight position to global equities contributed positively to performance.

Overview

Global equity returns have continued to please this year aided by strong underlying growth in company earnings and improving economic fundamentals as vaccination programmes are progressing and allowing for increased liftings of economically harmful restrictions. At the same time monetary and fiscal policies around the world have been exceptionally accommodative over the past year and played an important part in supporting valuations across asset classes, including commodity prices. On the face of it a favourable backdrop, but growth momentum is about to slow as positive base effects and policy support measures start to fade, whilst inflationary pressures have become a much larger factor for central banks to contend with. At the same time the full impact on economic growth from the new Delta strain of Covid still needs to be revealed.

Back to Basics – Fundamentals remain supportive

The underlying growth outlook for many economies remains encouraging. Covid-19 and its effects are not going to disappear any time soon, but countries, companies and households have learned to adapt to a new environment. The successes achieved from the vaccination programmes have been well documented and alongside technological innovation, has led to the strong rebound in economic activity as pent up end demand is now starting to be unlocked. The evidence thus far has been positive, and the vaccinations have allowed economies, particularly developed economies, to ease the restrictions that were enforced on mobility during the height of the pandemic. It is interesting to note that global mobility has recovered to such an extent that it now stands only 12% below pre-pandemic levels.

Now that economies are reopening consumers are and will be looking to deploy their excess savings which have been built up due to forced isolations. Industries that had been most negatively affected from the pandemic such as leisure, travel, restaurants and other non-tradeable services sectors look set to benefit the most as we exit from the pandemic. Demand looks to remain strong as the year progresses leading to inventories across many product categories to either be run down to historically low levels or in some cases depleted, causing supply bottlenecks. In time manufacturers will certainly catch up with demand again, but until markets are in equilibrium the excess demand over supply will result in higher prices for perhaps longer than what was originally thought. The inventory rebuilding process will however be an important contributor and underpin to the cyclical rebound in global growth over the medium term.

In addition, policy makers have once again been successful in rebuilding business and consumer confidence through unorthodox (whatever it takes) and unprecedented monetary and fiscal support measures, such as “handing out” cash to individuals, households and companies to support them during these surreal and challenging times. The Biden administration have asked for an additional \$4tn to be spent over the next decade on further income support initiatives; social upliftment, education, and infrastructure programmes with a focus on supporting environmentally friendly projects. Europe is about to embark on their own Recovery Plan which is also primarily focused on infrastructure spending with significant benefits for several Eastern European countries. These spending plans will in the immediate future provide an underpin to economic growth and while there will be a bill to be repaid in time as government balance sheets expand, policy makers are adamant not to repeat the same mistakes made in the aftermath of the Global Financial Crisis when fiscal support was pulled back too early and left the task of supporting economic growth squarely on the shoulders of Central Banks.

Aggressive monetary policy and lower interest rates, without question, have greatly assisted in supporting the prices of most assets across financial markets, real estate and even crypto currencies until recently. A strong positive correlation exists between the returns of asset prices and consumers propensity and willingness to consume or to invest as confidence levels improve, something which central banks understand all too well. Yet, while asset prices have recovered, sadly the wealth inequality gap that exists between the rich and poor has widened and speaks to the importance of the government support measures (fiscal support) to uplift and provide opportunities for the element of the demographic that has been left behind. Spending on infrastructure, education, healthcare and poverty alleviation programmes hopefully will go a long way in dealing with the increasing divide across communities. A more holistic and inclusive environment may also assist in reducing populism and protectionism with positive consequences down the line for globalisation, improved competition and ultimately lower sustained inflation and interest rates.

Monetary policy to become less supportive

At the latest FOMC meeting in June the Fed signaled that the end of Quantitative Easing (QE) and higher interest rates may come sooner than what has been previously communicated. The committee has revised its economic growth forecasts to +7% and inflation to +3% (core PCE) for this year but has again confirmed that the significant uplift in inflation is still expected to be transitory in nature due to base effects and short-term supply bottlenecks across various product items. In the Q&A session afterwards, Fed Chairman Powell did concede that the inflation rate might be higher for longer, but also mentioned that supply constraints in the near term will act as a headwind to the growth rate of industrial production and manufacturing once the base effects start to fade.

The statement did mention that “the Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. With inflation having run persistently below this longer-run goal, the Committee will aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at this level. The Committee expects to maintain an accommodative stance of monetary policy until these outcomes are achieved.” In other words, investors should not expect a sudden change in monetary policy, but rather a gradual adjustment to the status quo. However, the Fed reiterated that its decisions will be data dependent and that in the near term the Central Bank's priority is to support the economy and the job market. A similar approach is expected from the ECB in Europe and the BOE in the UK and other developed market central banks. Good news for investors as economies will ostensibly be allowed to run “hot” for longer before a more restrictive approach can be expected. Quantitative easing will likely be pulled back either later this year or early in 2022 and interest rates are only expected to be increased early 2023. The risk is that the Fed starts to pull in the reins while growth starts to slow or perhaps even worse, is too slow to react to an overheating economy. Only time will tell, but for now investment markets have taken comfort from the Fed's guidance and equity markets have continued to reach new highs and bond yields have recently eased from their spike in the early part of the year.

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Quarterly Commentary Continued (30 June 2021)

Outlook

The outlook for economic growth remains robust. The US has been one of best performing economies this year but as restrictions are lifted across Europe and other emerging markets, growth is expected to broaden more widely. Significant consumer led pent up demand exists. The recovery in services is expected to outweigh consumer spending given the supply constraints which have affected the demand for new vehicles and houses. The supply bottlenecks have not only held back the recovery in industrial production but have also resulted in much higher prices and inflation expectations, even though this is expected to be transitory.

Policy makers are in no rush to withdraw the excess liquidity created over the past year. Monetary accommodation will however become less supportive for financial assets and the real economy as the growth rate in money supply and credit extension starts to slow. Without credit neither inflation nor growth are possible. The same holds true for fiscal support. In time, government bond yields will reflect this reality and perhaps at the same time when economic growth and earnings momentum peak.

Growth momentum is expected to turn down as base effects start to wear off. That doesn't mean that corporates earnings are expected to decline but it does indicate that investors should expect lower returns than what have been achieved during the past 12 months and that the strong outperformance from cyclical sectors such as materials and financials (from oversold levels) are perhaps behind us. In other words, investors will be entering a phase where stock selection backed by fundamental research will play a more important role in achieving outperformance than simply investing in the cheapest stocks and benefitting from a re-rating. Another headwind for investors to consider is valuations which appear to have run ahead of themselves given the magnitude of monetary stimulus. Both monetary and fiscal stimulus have either reached or will very soon reach a negative inflection point given that the magnitude of stimulus has started to decline from the extreme levels seen earlier this year.

Portfolio Positioning

From an asset allocation perspective, we remain comfortable with the maximum overweight position to equities that we introduced in the quarter even though returns are expected to moderate. Earnings growth remains strong and is expected to offset a derating in the asset class as excess public liquidity rolls over and the discount rate adjusts higher. As growth normalises over the next year investors need to be more selective and circumspect in their approach. Companies with secular growth drivers, strong balance sheets and pricing power tend to do well in this environment.

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.