

# Melville Douglas Balanced Fund Limited

## USD Balanced Class

Fund information update at 31 January 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 | <b>Moderately aggressive</b> | Aggressive |

### What is the suggested investment period for this fund?

| Minimum period |          |        |         |                |         |
|----------------|----------|--------|---------|----------------|---------|
| 1 Month        | 6 Months | 1 Year | 3 Years | <b>5 Years</b> | 7 Years |

### 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

|                                          |                                  |
|------------------------------------------|----------------------------------|
| <b>Manager(s)</b>                        | Bernard Drotschie                |
| <b>Size (NAV)</b>                        | \$ 12.15 million                 |
| <b>Peer group</b>                        | EAA Fund USD Flexible Allocation |
| <b>Benchmark</b>                         | MSCI ACWI NR 50%<br>US Cash 50%  |
| <b>Section 65</b>                        | Not Approved                     |
| <b>Class C</b>                           |                                  |
| <b>Launch</b>                            | 16 May 2003                      |
| <b>ISIN number</b>                       | JE00B504TG57                     |
| <b>SEDOL code</b>                        | B504TG5                          |
| <b>Bloomberg</b>                         | MDBLBC JY                        |
| <b>Minimum investment requirements -</b> |                                  |
| New business                             | Open                             |
| Initial                                  | \$ 2,500                         |
| Subsequent                               | \$ 1,000                         |

### What are the costs to invest in this fund?

| Maximum charges              |                |
|------------------------------|----------------|
|                              | <b>Class C</b> |
| <b>Initial fee (manager)</b> | 0.000%         |
| <b>Initial fee (adviser)</b> | 3.000%         |
| <b>Annual fee (manager)</b>  | 0.950%         |
| <b>Annual fee (adviser)</b>  | 0.000%         |
| <b>Performance fee</b>       | 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 2021

|                                | <b>Class C</b> |
|--------------------------------|----------------|
| <b>Based on period from:</b>   | 01/01/2019     |
| <b>Total Expense</b>           | 1.41%          |
| <b>Transaction Costs</b>       | 0.02%          |
| <b>Total Investment Charge</b> | 1.42%          |
| <b>1 Year Total Expense</b>    | 1.37%          |

**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.

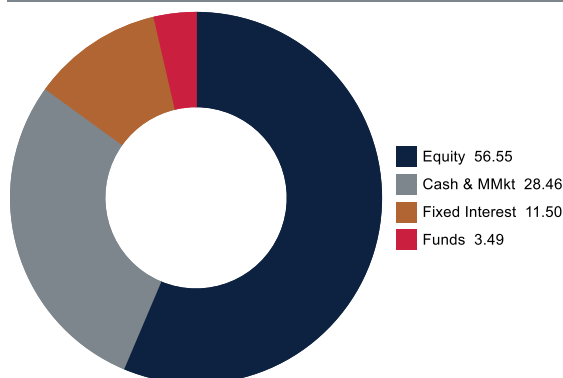
# Melville Douglas Balanced Fund Limited

## USD Balanced Class

Monthly update at 31 January 2022

### Holdings

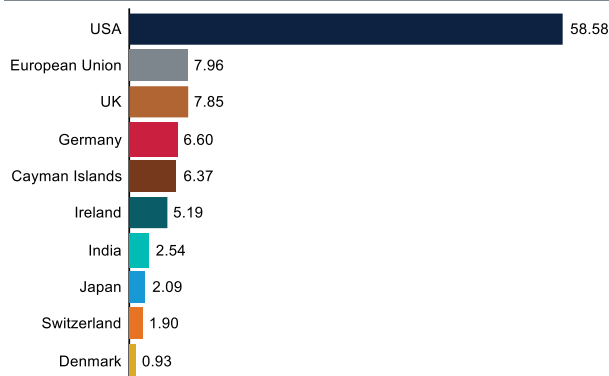
#### Asset class (%)



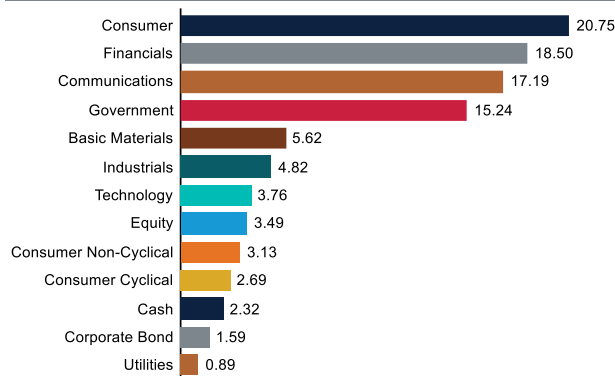
#### Top holdings (%)

|                                          |      |
|------------------------------------------|------|
| Microsoft Corp                           | 3.76 |
| Melville Douglas SFL Global Impact       | 3.49 |
| Alphabet Inc A                           | 2.88 |
| Amphenol Corp                            | 2.81 |
| UnitedHealth Group Inc                   | 2.74 |
| Anthem Inc                               | 2.65 |
| Mastercard Inc A                         | 2.49 |
| Asian Development Bank 1.875% 18/02/2022 | 2.47 |
| HDFC Bank Ltd Sp ADR                     | 2.45 |
| Visa Inc A                               | 2.33 |

#### 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 |
|----------------|------|------|------|------|-------|
| <b>Class C</b> |      |      |      |      |       |
| Class          | 4.89 | 7.00 | 6.88 | 4.99 | 5.08  |
| Benchmark      | 7.66 | 8.96 | 7.64 | 6.37 | 6.45  |
| Peer group     | 3.68 | 6.48 | 5.02 | 3.30 | 3.41  |

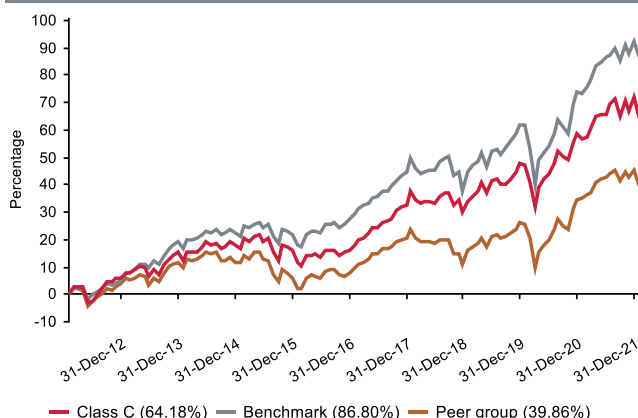
Returns (%) shown are cumulative for all periods shorter than or equal to 1 year and annualised for all periods greater than 1 year.

| Statistics (%)  | 1yr   | 3yrs   | 5yrs   | 7yrs   | 10yrs  |
|-----------------|-------|--------|--------|--------|--------|
| <b>Class C</b>  |       |        |        |        |        |
| Positive Months | 9     | 25     | 43     | 56     | 79     |
| Max Gain        | 9.81  | 30.46  | 46.04  | 55.39  | 77.06  |
| Max Drawdown    | -4.48 | -11.07 | -11.07 | -11.07 | -11.07 |
| Highest         | 21.84 | 21.84  | 21.84  | 21.84  | 21.84  |
| Lowest          | 4.89  | -4.16  | -4.16  | -8.13  | -8.13  |

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 2021

### Who are the investment managers?



**Bernard Drotschie**

BCom (Hons), CFA, CFP  
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 4.2% compared to a benchmark return of 4.0%. The outperformance was a result of the equity component's strong relative performance over the period, with the cash component performing broadly in line with its benchmark. Our asset allocation positioning to remain overweight global equity added value. The equity component delivered a strong return, outperforming the market in the final quarter of 2021 due to positive stock selection. The share prices of the two US health insurance holdings, UnitedHealth and Anthem, were especially strong following better than expected quarterly earnings reports. Both companies are long-term beneficiaries of the steady rise in healthcare costs as the US population ages and more people are diagnosed with chronic conditions. Microsoft, the largest holding in the fund, saw its shares hit new all-time highs on corporate results that convincingly beat expectations across its key businesses.

The cash (enhancement) component in the fund has a large amount of liquidity with approximately 70% of the assets set to mature over the coming nine months, and with short rates set to rise further will provide an opportunity to reinvest and lock into higher yields, something we have been patiently waiting for.

### Market overview

Growth headwinds unnerve investment markets.

2021 was a favourable year for risk assets despite some loss of momentum towards the latter part of the year as economic growth concerns resurfaced and the outlook for inflation became far less "transitory". Several factors including the US Federal Reserve (Fed) bringing forward the end of its quantitative easing (QE) program, in a sign that it wishes to start addressing stickier inflation, and the discovery of the new Omicron variant unnerved investors.

Central Banks are recognising that commencing the path to policy normalisation is needed to stabilise inflation and promote a sustained, rather than boom/bust, economic expansion. In other words, excess liquidity (an important driver for risk asset valuations) will gradually be drained from the economy and financial markets in the year ahead, an important development.

The sooner central banks act to lower inflation expectations and rein in excess demand, the lower the chances of a policy mistake (acting too aggressively) as the global economic cycle matures. Yet while this transition in monetary (and fiscal) support plays out, investors should tread carefully. Prices of speculative assets such as cryptocurrencies and high profile but unprofitable businesses have increased hugely from their lows last year, and have no doubt benefited from an environment of growing speculation during a period where the cost of money has effectively become all but free. This will no longer be the case and as investors start to unwind their leveraged positions, the consequences for these asset prices and the potential impact on the rest of the market remains to be seen. As we enter the next phase of the economic cycle, investment returns are expected to moderate as the 'punchbowl' of ultra-loose monetary conditions is withdrawn and economic growth momentum moderates back to trend levels.

### Looking ahead

The outlook for growth remains positive, but headwinds remain.

The pace of the global economic recovery has been extraordinary, underpinned by aggressive monetary and fiscal stimulus programs as well as the large-scale rollout of successful inoculation programs in many developed economies. Consumer demand was supported by income transfers and very low interest rates, which also led to an increase in asset prices in real estate and equity markets. Combined, these events have resulted in an improvement in confidence and a sharp increase in the requirement for goods/products, as consumers diverted their spending away from services (travel, hotels, tourism, restaurants, cafes etc.), which unfortunately could not all be met as manufacturing activity struggled to get back to the levels achieved pre-COVID. The services sector has not yet made a full recovery and the current fourth/fifth wave of infections across Europe and other parts of the world will once again hamper the recovery trajectory as governments impose renewed restrictions and households stay/work from home and isolate. The International Monetary Fund (IMF) recently updated their outlook for the global economy. The picture painted is one of optimism given that growth for the year ahead, even after 2021 growth expected to be the strongest in nearly five decades, is forecast to remain well above trend. However, while the fundamental outlook remains favourable, headwinds loom. Supply bottlenecks, higher-for-longer inflation, new variants of COVID-19 and rising interest rates pose downside risk to the pace of economic recovery further out.

Apart from the risks involved with COVID-19, policy error by monetary authorities remains the key risk for asset prices. During the lockdowns of early 2020, central banks and governments threw in the kitchen sink through expensive and huge bond buying programs and furlough schemes to ensure people made it through a self-imposed recession. A lot of the monetary stimulus found its way into asset markets (such as equities and real estate) as well as the real economy. With world economic growth set to remain above trend and inflation broadening and tracking above target levels, central banks are now looking to withdraw some of the monetary punchbowl.

The fear is that less monetary support equates to lower markets, but this has rarely been the case in the past, except for periods when there was an interest rate "shock" (2006 and 2018) which resulted in a significant slowdown in economic activity. It tends not to be the first-rate hike, but rather the fourth or more, that marks the market top. The same phenomenon was also apparent with the tapering of quantitative easing. When seeking to normalise policy after the Global Financial Crisis (GFC) of 2007-09, the Federal Reserve announced tapering in late 2013 and then started it in early 2014. Although financial markets experienced some volatility around those events, the MSCI All Country World index was comfortably up over 2013 and 2014 as the economy, and corporate earnings growth, had enough strength to offset the policy change. On balance, we expect the same today and despite some headwinds in the near term, we are comfortable with an overweight position to global equities on better-than-expected earnings growth, at the expense of low yielding assets such as cash and government bonds. However, as always, we stand ready to make changes to our positioning should threats to our 2022 prediction of ongoing global economic expansion and corporate profit growth materialise more meaningfully.

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.

# Melville Douglas Balanced Fund Limited

## USD Balanced Class



### Change in allocation of the fund over the quarter

| Asset type     | Q4 2021 | Q3 2021 | Change |
|----------------|---------|---------|--------|
| Cash & MMkt    | 27.64   | 34.09   | -6.45  |
| Equity         | 57.47   | 56.50   | 0.97   |
| Fixed Interest | 11.50   | 6.24    | 5.26   |
| Funds          | 3.39    | 3.18    | 0.21   |

The portfolio adhered to its portfolio objective over the quarter.

### Fund classes

| Class | Type   | Price (\$) | Units     | NAV (\$)      |
|-------|--------|------------|-----------|---------------|
| C     | Retail | 227.35     | 57,709.14 | 13,120,070.43 |

All data as at 31 December 2021.

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

## Important information at 31 January 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 Asset Management (Pty) Limited, which is wholly 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](http://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 January 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](http://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.

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GS.Baillie, M.Farrow, O.Sonnichler and R Stewart

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#### RSA Representative

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