

# Melville Douglas STANLIB Balanced Fund

Fund information update at 30 November 2022

## What is the fund's objective?

The objective of the fund is to deliver high growth of capital and income, a reasonable level of current income and relative stability for capital invested to obtain long term wealth accumulation.

## What does the fund invest in?

The fund is an actively managed multi-asset class mandate designed to reflect Melville Douglas's optimal long-term capital growth strategy. The fund focuses on delivering balance between investment returns and the risk associated with those returns, between capital growth and cash generation and balance between compound and cyclical price performers. The maximum equity effective exposure (including international equity) will not exceed 75% of the market value of the portfolio.

## What possible risks are associated with this fund?

General market risks include a decline in property values, share price volatility, a 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.

## 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?

As this is a well-managed balanced portfolio, with the objective of delivering strong risk adjusted returns over time, this fund will suit investors that are looking for stable income and reasonable capital growth over the longer term.

## Income

**Distribution** Net income is calculated and accrued daily and is declared and distributed semi-annually.

**Declaration** 30 June, 31 December

## General fund information

**Manager(s)** Paolo Senatore and Susan Gawith

**Size (NAV)** R 407.34 million

**Classification** South African - Multi Asset - High Equity

**Benchmark** ASISA SA MA High Equity-Sector Mean

**Regulation 28** Complies

Regulation 28 of the Pension Funds Act sets the limits in terms of the maximum exposure the retirement fund and the individual retirement fund member's savings (i.e. your savings) may have to various asset classes. For more information please refer to the Regulation 28 Guidelines available on our website ([www.stanlib.com](http://www.stanlib.com)). This Fund complies with this Regulation.

### Class B1

**Launch** 02 January 2008

**ISIN number** ZAE000112678

**JSE code** MDDB1

### Minimum investment requirements -

Lump sum R 10,000

Monthly R 500

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

### Maximum charges including VAT

	Class B1
<b>Initial fee (manager)</b>	0.000%
<b>Initial fee (adviser)</b>	3.450%
<b>Annual fee (manager)</b>	1.150%
<b>Annual fee (adviser)</b>	0.000%
<b>Performance fee</b>	N/A
<b>Adviser fee</b>	1.150%

**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.

**Adviser fee** - this is the maximum annual service fee (% based) an adviser can charge on the value of your portfolio. It is calculated and accrued daily and recovered monthly by means of a redemption of your units. It is not included in the **Annual fee**.

### Cost ratios (annual) including VAT as at 30 September 2022

	Class B1
<b>Based on period from:</b>	01/10/2019
<b>Total Expense</b>	1.22%
<b>Transaction Costs</b>	0.11%
<b>Total Investment Charge</b>	1.33%
<b>1 Year Total Expense</b>	1.23%

**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.

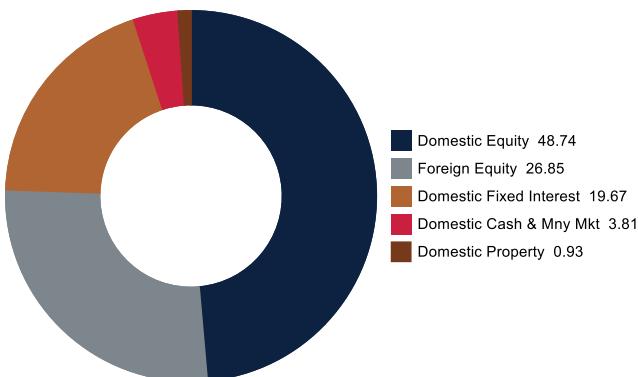
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# Melville Douglas STANLIB Balanced Fund

Monthly update at 30 November 2022

## Holdings

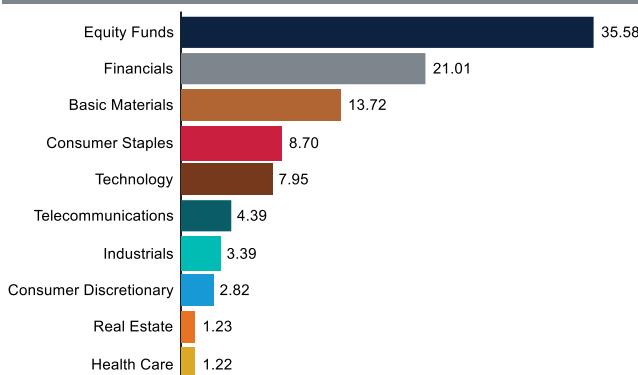
### Asset allocation (%)



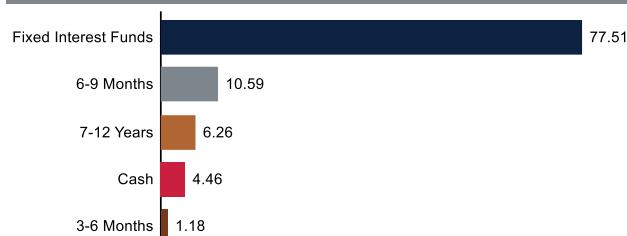
### Top Equity holdings (%)

Naspers Ltd	3.87
Anglo American plc	3.24
FirstRand Ltd	2.84
MTN Group Ltd	2.70
British American Tobacco plc	2.54
Standard Bank Group Ltd	2.47
Prosus NV N (ZAR)	2.13
Bid Corp Ltd	1.99
BHP Group Ltd	1.83
Absa Group Ltd	1.72

### Equity allocation (Industry) (%)



### Fixed Interest allocation (%)



## Performance and Income

Class B1 Launch: 02 January 2008

Benchmark: ASISA SA MA High Equity-Sector Mean from 01/04/2020, previously FTSE/JSE Capped SWIX ALSI (FTSE/JSE ALSI from launch to 31/12/2019) (55%); JSE ALBI (15%); MSCI World (15%); STeFI Call (15%) from launch.

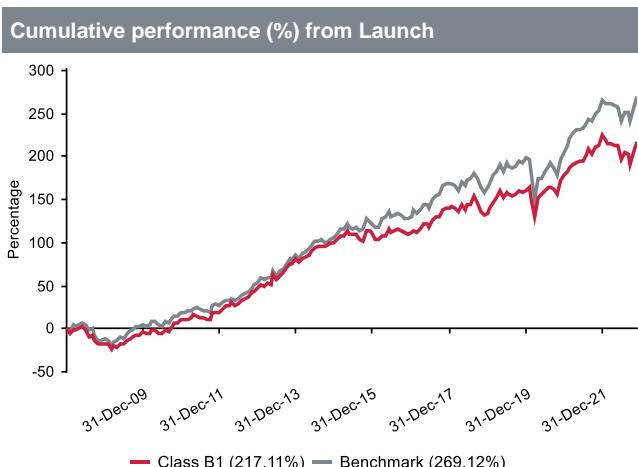
Returns (%)	1yr	3yrs	5yrs	7yrs	10yrs
<b>Class B1</b>					
Class	1.52	7.01	5.77	5.85	8.22
Rank/Out of	179/206	156/185	81/163	71/122	28/69
Sector Average	4.17	8.88	5.76	6.04	7.86
Benchmark	4.17	8.09	6.53	7.42	9.36

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 B1</b>					
Positive Months	5	24	38	52	77
Max Gain	8.94	41.29	41.29	59.98	125.94
Max Drawdown	-10.49	-12.78	-12.78	-12.78	-12.78
Highest	17.08	26.08	26.08	26.08	27.54
Lowest	-4.08	-8.63	-8.63	-8.63	-8.63

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

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



### Amount declared (cents per unit)

	Class B1
31 December 21	8.91
30 June 22	10.39
In last 12 months	19.30
In 2021	14.96

# Melville Douglas STANLIB Balanced Fund

Quarterly update at 30 September 2022



## Who are the investment managers?

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.



**Paolo Senatore**  
MSc (Mechanical Engineering)  
Strategist



**Susan Gawith**  
BSc, MBA  
Portfolio Manager

Paolo joined Melville Douglas in 2018 as a strategist and co-manages the Melville Douglas STANLIB High Alpha Fund. Prior to this he was with the FirstRand Group since 1995, gaining over 20 years' financial market experience. During 2000, he became chief investment officer of RMB Private Bank Portfolio Management and held the responsibility of growing the specialised institutional business. He was chief investment officer for Ashburton Investments, FirstRand's asset management initiative, since its inception and was instrumental in consolidating the group's various asset-management businesses and investment processes. He holds an MSc (Mechanical Engineering).

Before joining Melville Douglas in 2006, Susan was a rated sell-side analyst covering consumer stocks, and is now Melville Douglas's lead analyst on the retail, hotel and leisure sectors. She is also the co-manager of our key long-term capital growth fund - the Melville Douglas STANLIB Balanced Fund (ZAR). Susan holds a BSc degree and an MBA.

## Fund review

The third quarter has continued to disappoint investors. The fund fell 1.2% in the quarter, driven largely by a weak domestic equity result. The ZAR weakened 5.3% against a rampant USD, so offshore holdings were up 2.8% despite the weak offshore equity markets. Despite the sell off in global bonds, the local bond holdings were up 0.76%, as our strong real return differentiates our bonds from those in developed markets.

Two of the best performers were new holdings Absa, up 18.2% and Shoprite up 11.5%. Whilst falling oil prices pulled former winner Sasol down nearly 20%. Falling global growth expectations have generally been a drag on resource prices.

## Market overview

Liquidity is the lifeline for global economies and investment markets. Aggressive monetary easing from global central banks alongside unprecedented fiscal expansion have played an important role in stimulating economic growth since the onset of COVID-19. But this time, central banks have probably gone too far. The combination of pent-up demand, supply chain bottlenecks, rapidly increasing energy and food prices (linked to the war in Ukraine), and tight labour markets, have released the inflation genie for the first time since the early 1980's. Central Banks have made their intentions clear and will do "whatever it takes" to bring inflation under control and regain credibility by implementing synchronised monetary tightening to slow demand. Investors have reacted to this and are positioning themselves for the risk that central banks will engineer a recession with their aggressive interest rate hikes. There have been few places to hide this year with global equity and bond markets down significantly, after reaching new lows at the end of the third quarter.

The strong US dollar and rapidly rising rates have seen in cyclical and long dated growth assets such as IT and emerging markets taking the brunt of the pain during the third quarter. Europe remains one of the worst performing equity markets this year, given the challenges associated with the war in Ukraine. Gas and oil supply into the region remain a risk and the significant increase in the cost of energy will be a headwind to household balance sheets and company profit margins. The question of course is if these fiscal stimulus measures announced in countries such as the UK result in even stickier inflation which will most likely be accompanied by higher interest rates and an increased risk of a recession down the line? During September, the MSCI ACWI lost 9.6% in USD, its worst month since the March '20 Covid crisis. Growth stocks came under significant pressure as bond yields sold off, while defensive sectors such as Healthcare and Staples outperformed. A recalibration in the outlook for interest rates resulted in global bonds losing 5% of their value during the month. It has been a particularly difficult period for global bond investors this year that have on all account lost, depending on which currency, anywhere between 20-40 years' worth of income yield over the past 9 months.

South African Equity declined 2.4% in the third quarter of 2022, as measured by the FTSE/JSE Capped SWIX index. The index is now down 7% for the first 9 months of the 2022 year. South African Equity has held up well in 2022 relative to global equity. When measured in USD, SA equity is down 17.4% against Emerging Market equity and Developed Market equity which is down 27.2% and 25.6% for the year to September respectively. This is most likely driven by the fact that SA equity was far better value than global equity at the start of the year.

## Looking ahead

Risk assets have had a tough year given the record movements in interest rates after a prolonged period of cheap money and a sudden increase in inflation. Earnings expectations will come down as interest rates and cost-of-living pressures rise, but valuations remain attractive. The key catalyst to unlocking the value will be the peak of interest rates, which is wholly dependent on the inflationary expectations globally.

We have been stress testing the cash flows and balance sheets of the companies we own. In an inflationary environment it is also critical that companies have the pricing power that strong brands confer. In uncertain times, diversification and risk management are of utmost importance. We remain focussed on stock selection and long-term value creation.

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	Q3 2022	Q2 2022	Change
Domestic Cash & Mny Mkt	4.88	8.51	-3.63
Domestic Equity	45.52	46.16	-0.65
Domestic Fixed Interest	20.98	19.13	1.85
Domestic Property	0.91	0.00	0.91
Foreign Equity	27.71	26.20	1.52

The portfolio adhered to its portfolio objective over the quarter.

## Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
B1	Retail	548.95	62,602,138.60	343,654,486.63

All data as at 30 September 2022.

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

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# Melville Douglas STANLIB Balanced Fund

Important information update at 30 November 2022



## Disclosures

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 future performance. CIS are traded at ruling prices and can engage in borrowing and scrip lending.

The Melville Douglas STANLIB Balanced Fund is a portfolio of the STANLIB Collective Investment Scheme (the Scheme).

The manager of the Scheme is STANLIB Collective Investments (RF) (Pty) Limited (the Manager). The Manager is authorised in terms of the Collective Investment Schemes Control Act, No. 45 of 2002 (CISCA) to administer Collective Investment Schemes (CIS) in Securities. Liberty is a full member of the Association for Savings and Investments of South Africa (ASISA). The Manager is a member of the Liberty Group of Companies. 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 a CIS portfolio. A schedule of fees and charges and maximum commissions is available on request from the Manager.

The trustee of the Scheme is Standard Chartered Bank.

The investments of this portfolio are managed, on behalf of the Manager, by Melville Douglas Investment Management (Pty) Ltd, an authorised financial services provider (FSP), FSP No. 595, under the Financial Advisory and Intermediary Services Act (FAIS), Act No. 37 of 2002.

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)) and in South African printed news media. This portfolio is valued at 15h00. Forward pricing is used. Investments and repurchases will receive the price of the same day if received prior to 15h00.

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.

This portfolio is a third party named, co-named portfolio. The Manager retains full legal responsibility for this portfolio. A third party named, co-named portfolio is a portfolio bearing the name of both the Manager and the financial services provider (FSP) where the FSP, under an agreement with the Manager, undertakes financial services of a discretionary nature, as contemplated in the Financial Advisory and Intermediary Services Act, Act No. 37 of 2002 (FAIS), in relation to the assets of the portfolio. Melville Douglas Investment Management (Pty) Ltd, an authorised FSP, FSP No. 595, FAIS, is the third party manager of this portfolio.

The FSP is a related party to the Manager, the FSP may earn additional fees other than those charged by the Manager. It is the responsibility of the FSP to disclose additional fees to the investor. This document is not advice, as defined under FAIS. Please be advised that there may be representatives acting under supervision.

All performance returns and ranking figures quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro and are as at 30 November 2022.

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.

Portfolio performance figures are calculated for the relevant class of the portfolio, 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. Portfolio performance accounts for all costs that contribute to the calculation of the cost ratios quoted, all returns quoted are 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 periods of 1 year or longer, where no value is shown 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 Manager and from the Manager's website ([www.stanlib.com](http://www.stanlib.com)).

## Contact details

### Manager

STANLIB Collective Investments (RF) (Pty) Limited  
Reg. No. 1969/003468/07  
17 Melrose Boulevard, Melrose Arch, 2196  
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Email: [contact@stanlib.com](mailto:contact@stanlib.com)  
Website: [www.stanlib.com](http://www.stanlib.com)

### Third Party Manager

Melville Douglas Investment Management (Pty) Ltd  
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Telephone: +27 (0)11 721 7964  
Website: [www.melvilledouglas.co.za](http://www.melvilledouglas.co.za)

### Trustee

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