

# Melville Douglas STANLIB Balanced Fund

Fund information update at 31 August 2023

## 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)** Bernard Drottschie, Paolo Senatore and Refilwe Moroka

**Size (NAV)** R 399.38 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 June 2023

	Class B1
<b>Based on period from:</b>	01/07/2020
<b>Total Expense</b>	1.24%
<b>Transaction Costs</b>	0.10%
<b>Total Investment Charge</b>	1.34%
<b>1 Year Total Expense</b>	1.22%

**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.

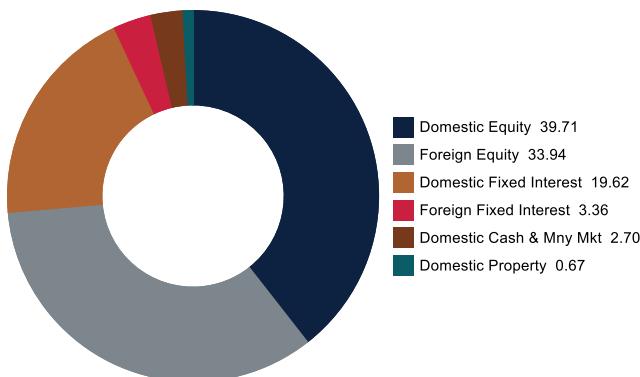


# Melville Douglas STANLIB Balanced Fund

Monthly update at 31 August 2023

## Holdings

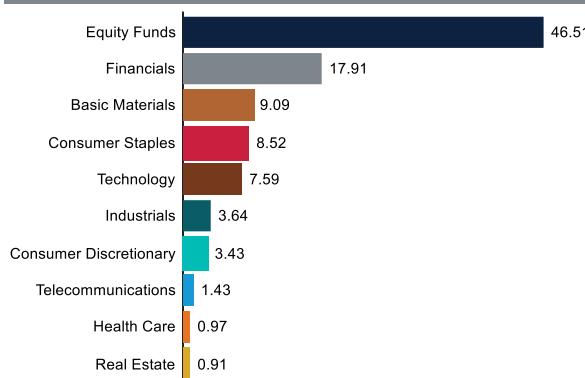
### Asset allocation (%)



### Top Equity holdings (%)

Naspers Ltd	3.64
FirstRand Ltd	2.85
Standard Bank Group Ltd	2.41
Bid Corp Ltd	1.95
Prosus NV N (ZAR)	1.90
Compagnie Financière Richemont SA	1.85
Anglo American plc	1.83
Remgro Ltd	1.83
Absa Group Ltd	1.75
British American Tobacco plc	1.74

### 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.

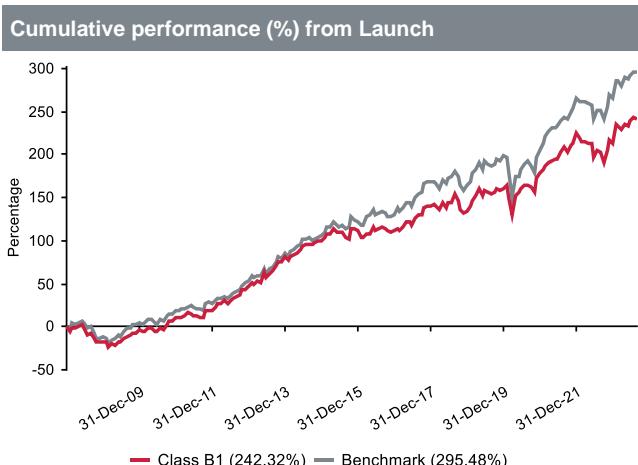
Returns (%)	1yr	3yrs	5yrs	7yrs	10yrs
<b>Class B1</b>					
Class	12.83	8.89	6.14	6.79	7.54
Rank/Out of	75/207	156/191	122/167	61/142	32/75
Sector Average	12.24	10.65	6.86	6.46	7.41
Benchmark	12.27	10.58	7.03	7.77	8.85

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	6	21	36	52	75
Max Gain	17.96	34.01	49.18	63.46	107.48
Max Drawdown	-4.05	-10.49	-12.78	-12.78	-12.78
Highest	14.67	26.08	26.08	26.08	26.08
Lowest	-4.08	-4.08	-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
30 December 22	9.33
30 June 23	6.78
In last 12 months	16.11
In 2022	19.72

# Melville Douglas STANLIB Balanced Fund

Quarterly update at 30 June 2023



## 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.



**Bernard Drotchie**  
BCom (Hons), CFA®, CFPTM  
Chief Investment Officer



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



**Refilwe Moroka**  
BCom, BCompt (Hons), CFA®  
Senior Analyst, Investment Research

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.

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

Refilwe joined Melville Douglas in 2017 as domestic equity research analyst covering the Diversified industrials and Telecommunications sectors, and is now the Head of Domestic Equity Research. Refilwe co-manages the Melville Douglas High Alpha Fund and the Melville Douglas Balanced Fund. Prior to joining Refilwe was a Diversified Lending & Leveraged Credit Risk Manager dealing specifically in the FMCG, Retail sector at Standard Bank. She holds a B.Com Accounting degree, a B.Compt (Hons) in Cost Management Accounting and is a CFA® Charterholder.

## Fund review

Q2 of 2023 continued the fund's strong momentum, up 3.4% in Q2, ahead of the peer group and benchmark (2.9%). The 6-month number is 8.5%, up against the benchmark and peers (7.4%). The 1-year return of 14.9% (against benchmark of 14.7%) is a welcome recovery from the lower returns investors have got used to. The ZAR weakened 5.8% against the USD for the quarter, which boosted our offshore returns. The Global Equity fund returned 13.3% in the quarter, but domestic equity was very subdued due to the May sell off. The MD Global Equity Fund for Q2 2023 is up 6.13% versus the benchmark of 6.18% (in USD). Over a rolling 12-month period we are nicely ahead relative to the benchmark with the fund outperforming by 1.90%. FirstRand bucked this trend, up 13.4% for the quarter as investors rewarded its quality. Richemont rose 13% on currency and general strength in global luxury goods on the China reopening. The pain for the quarter was largely in resource share, which are usually good ZAR hedges, but were sold off on global growth concerns. The domestic bond overweight hurt in May but recovered sharply in June. For the quarter bonds are down 1.3%.

## Market overview

Global equity markets have not disappointed this year. At the end of June, the MSCI ACWI returned 13.9% for the calendar year and the global equity index was up over 20% since the market bottomed in October 2022. The performance is slightly surprising given that the interest rates have not yet peaked, and central banks have once again turned more hawkish in their guidance. The outlook for the global economy and corporate profit growth however remains lacklustre after a period of stronger than expected growth. Admittedly, headline inflation has fallen sharply as energy, metal and soft commodity prices are significantly lower than a year ago, but core inflation remained stickier given strong employment markets supporting services-driven businesses and the housing market. Lower inflation if sustained, does provide a glimmer of hope that the end of the monetary tightening cycle is in sight and that policy interest rates could be materially lower next year.

The strong returns from global equities are attributed to a significant rerating in valuations across the 10 largest mega cap tech stocks. The S&P 500 index returned 16.9% this year of which c.13.3% was attributable to the mega cap stocks.

After a dismal May, SA assets bounced back in June. Overall, the performance from the South African equity market has been disappointing this year, a reflection of negative earnings revisions. After a strong start to the year, returns dwindled as Resources (ex-gold) sold off on growth concerns and lower commodity prices given China's softer than expected economic recovery. The weak currency coupled with a strong performance from Richemont, Bidcorp, Bidvest, and NPN/PRX contributed to the strong returns from the Industrial index (+17.5%). Financials (+6.7%), was the next best performing sector underpinned by strong earnings growth and attractive valuations. Resources (-10.5%), the worst performing sector dragged down by PGMs.

## Looking ahead

In conclusion, financial market expectations continue to be discounting, prematurely in our view, a series of US interest rate cuts in the second half of the year. We believe the path for interest rates will primarily be set by the outlook for inflation and, with core inflation proving to be stubbornly high in the short-term, central banks are unlikely to be in a hurry to ease tight monetary conditions by lowering interest rates too early. As such we would not be surprised to see some volatility in asset prices in the months ahead as the lagged effects of unusually steep tightening affect growth momentum and demand. We continue to actively monitor the key drivers of asset class returns, which include valuations, the outlook for inflation, interest rates, the change in the direction of leading economic indicators and developments in employment. We stand ready to change tack as the environment dictates and although we believe that investors should look forward to a year of improved investment returns in response to numerous factors – lower starting valuations, declining inflation, a peaking interest rate cycle, defensive positioning by market participants – for now, we remain prudently positioned; underweight to equities, neutral to fixed income and overweight cash plus.

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	Q2 2023	Q1 2023	Change
Domestic Cash & Mny Mkt	3.99	6.81	-2.82
Domestic Equity	41.68	43.41	-1.73
Domestic Fixed Interest	19.10	20.22	-1.13
Domestic Property	0.74	0.81	-0.07
Foreign Equity	33.01	28.04	4.97
Foreign Fixed Interest	1.49	0.71	0.78

The portfolio adhered to its portfolio objective over the quarter.

## Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
B1	Retail	630.54	60,176,353.50	379,435,285.60

All data as at 30 June 2023.

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

STANLIB

# Melville Douglas STANLIB Balanced Fund

Important information update at 31 August 2023



## 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 31 August 2023.

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  
Telephone: 0860 123 003  
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  
An authorised financial services provider, FSP No. 595  
Reg. No. 1987/005041/07  
8th Floor West Wing, 30 Baker Street, Rosebank, 2196  
Telephone: +27 (0)11 721 7964  
Website: [www.melvilledouglas.co.za](http://www.melvilledouglas.co.za)

### Trustee

Standard Chartered Bank  
Reg. No. 2003/020177/10  
2nd Floor, 115 West Street, Sandton, 2196  
Telephone: +27 (0)11 217 6600

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