

# Melville Douglas Select Fund Limited

## Global Equity 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.

### What does the fund invest in?

The Class Fund invests primarily in quoted global equities, 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 |

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

| Minimum period |          |        |         |         |         |
|----------------|----------|--------|---------|---------|---------|
| 1 Month        | 6 Months | 1 Year | 3 Years | 5 Years | 7 Years |

### Who should consider investing in this fund?

Due to the higher risk profile of equities relative to bonds and cash, the fund is only suitable for persons prepared to bear substantial losses and volatility on their invested capital. Investors should be prepared to hold the fund for a period in excess of five years. Typically, the fund would form part of a wider wealth management strategy.

### Income

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

### General fund information

**Manager(s)** Justin Maloney and Derinia Mathura  
**Size (NAV)** \$ 826.75 million  
**Peer group** EAA Fund Global Large-Cap Blend Equity  
**Benchmark** MSCI ACWI NR USD

**Section 65** Approved

This Class Fund is approved for sale in South Africa under Section 65 of the Collective Investment Schemes Control Act, 2002 (CISCA).

#### Class A

**Launch** 30 March 2012  
**ISIN number** JE00B6VH9P99  
**SEDOL code** B6VH9P9  
**Bloomberg** MDEUGEJ JY

#### Minimum investment requirements -

**New business** Closed  
**Initial** \$ 15,000  
**Subsequent** \$ 1,000

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

| Maximum charges              |         |
|------------------------------|---------|
|                              | Class A |
| <b>Initial fee (manager)</b> | 0.000%  |
| <b>Initial fee (adviser)</b> | 3.000%  |
| <b>Annual fee (manager)</b>  | 1.200%  |
| <b>Annual fee (adviser)</b>  | 0.000%  |
| <b>Performance fee</b>       | 5.000%  |

**Class A:** The performance fee payable is 5% of the increase in the Net Asset Value per share (calculated in accordance with para 7.1(c) of the Prospectus) multiplied by the number of Participating Shares of that Class in issue or deemed to be in issue on the relevant Subscription Day (for the purposes of this calculation, any application for Participating Shares to be issued or redeemed on the relevant Subscription Day shall be disregarded). This performance fee shall be payable within three weeks of the first Business Day of each quarter, in respect of the preceding quarter.

**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 A    |
|--------------------------------|------------|
| <b>Based on period from:</b>   | 01/01/2020 |
| <b>Total Expense</b>           | 1.74%      |
| <b>Transaction Costs</b>       | 0.00%      |
| <b>Total Investment Charge</b> | 1.74%      |
| <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.

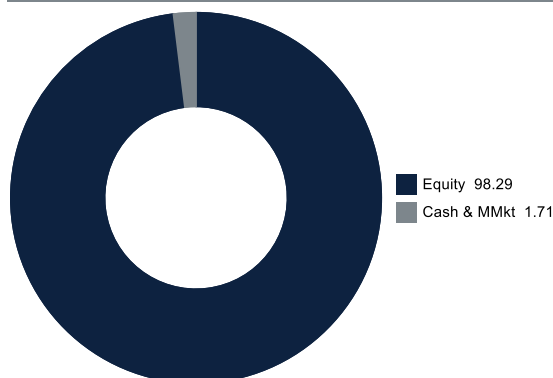
# Melville Douglas Select Fund Limited

## Global Equity Class

Monthly update at 31 December 2022

### Holdings

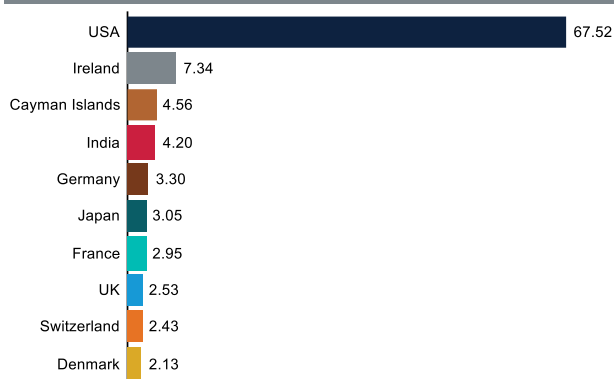
#### Asset class (%)



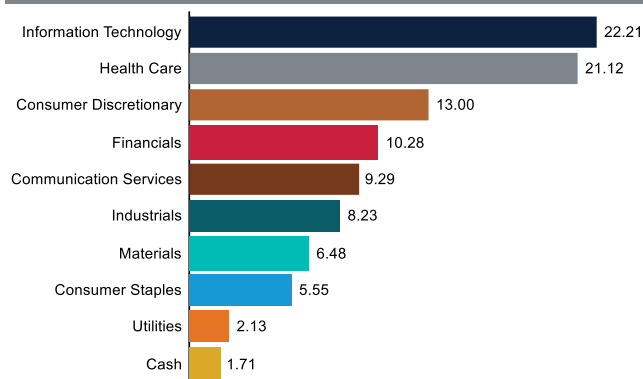
#### Top holdings (%)

|                        |      |
|------------------------|------|
| Microsoft Corp         | 5.80 |
| UnitedHealth Group Inc | 4.80 |
| Boston Scientific Corp | 4.78 |
| Linde plc              | 4.77 |
| Amphenol Corp          | 4.67 |
| Johnson & Johnson      | 4.49 |
| Mastercard Inc A       | 4.45 |
| Visa Inc A             | 4.24 |
| HDFC Bank Ltd Sp ADR   | 4.20 |
| Alphabet Inc A         | 3.88 |

#### Country (%)



#### Sector (%)



### Performance and Income

Class A Launch: 30 March 2012

Benchmark: MSCI ACWI NR USD

Peer group: EAA Fund Global Large-Cap Blend Equity

| Returns (%)    | 1yr    | 3yrs | 5yrs | 7yrs | 10yrs |
|----------------|--------|------|------|------|-------|
| <b>Class A</b> |        |      |      |      |       |
| Class          | -20.80 | 2.24 | 5.47 | 7.90 | 7.26  |
| Benchmark      | -18.36 | 4.00 | 5.23 | 8.10 | 7.98  |
| Peer group     | -19.49 | 2.32 | 3.06 | 5.76 | 5.98  |

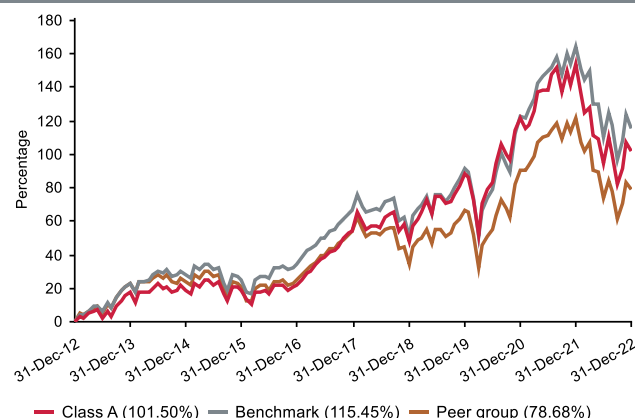
Returns (%) shown are cumulative for all periods shorter than or equal to 1 year and annualised for all periods greater than 1 year.

| Statistics (%)  | 1yr    | 3yrs   | 5yrs   | 7yrs   | 10yrs  |
|-----------------|--------|--------|--------|--------|--------|
| <b>Class A</b>  |        |        |        |        |        |
| Positive Months | 4      | 20     | 36     | 54     | 74     |
| Max Gain        | 13.70  | 67.36  | 72.33  | 129.59 | 154.41 |
| Max Drawdown    | -28.49 | -28.49 | -28.49 | -28.49 | -28.49 |
| Highest         | 9.66   | 48.78  | 48.78  | 48.78  | 48.78  |
| Lowest          | -23.37 | -23.37 | -23.37 | -23.37 | -23.37 |

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 Select Fund Limited

## Global Equity Class

Quarterly update at 31 December 2022

### Who are the investment managers?



**Justin Maloney**

BSc (Hons), CFA®, Chartered FCSI  
Fund Manager

Justin joined Melville Douglas in 2014 and has over 26 years' experience of managing global equity funds. He co-manages the Melville Douglas Select Global Equity Fund and covers a range of sub-sectors for the team. Prior to joining the company, he was a global equity fund manager in London for Sanlam and F&C Asset Management. He holds a BSc (Hons) degree in Business from Cass Business School, University of London. He is also a CFA® Charterholder and a Chartered Wealth Manager. Justin is based in Jersey.



**Derinia Mathura**

BBusSci (Hons) Finance, CFA®  
Fund Manager

Derinia joined Melville Douglas in 2013 as the lead analyst for a range of global equity holdings within the consumer discretionary sector. She is the co-manager of the Melville Douglas Select Global Equity Fund. Prior to joining, she worked for RMB Morgan Stanley as a sell-side equity research analyst covering financials. Derinia has a BBusSci (Hons) degree in Finance and is also a CFA® Charterholder.

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

The fund's net asset value rebounded, driven by a relief rally that followed heavy market selloffs in prior quarters. Stock selection enabled the fund to outperform the MSCI All Country World benchmark index. Notable contributors included Nike (better than expected sales amidst an inventory glut), JPMorgan (strong net interest income) and Tencent (easing Covid-related restrictions and regulatory backdrop).

The large holding in US health insurance company Elevance was reduced. The sector tends to underperform in the two-year lead-up to US presidential elections (next election in November 2024) as uncertainty over healthcare policy is stoked by campaign pledges. Beyond election cyclical we remain positive about the prospects for Elevance and its rival UnitedHealth because they continue to garner a larger slice of the Medicare/Medicaid pie and they profit from the ongoing growth in health spending as populations age and more treatments become available. The proceeds from reducing Elevance were used to buy an initial stake in Thermo Fisher. This "one-stop shop" life science tools and services business also benefits from rising healthcare spending but has less political risk.

### Market overview

Global stock markets were boosted by hopes the Federal Reserve would temper its hawkishness. This expectation was fueled by the release of lower than anticipated US inflation data. In addition, corporate earnings reports were mixed but not as bad as feared. Some companies successfully leapt over a low-set bar. For example, US banks reported solid profits that were supported by strong net interest income amidst a higher rate environment. Others tripped over. Notable amongst these were Big Tech names such as Microsoft, Alphabet, Amazon and Meta Platforms. Demand for their services proved to be less resilient than investors had hoped as customers tightened their belts. Chinese stocks exhibited a powerful rebound in anticipation of easier Covid restrictions leading to a substantial pick-up in economic activity.

The waxing and waning of industry-sector and regional performance is why it pays to be diversified. In doing so the portfolio limits the need to flip-flop between short-term performance trends. This enables compound returns to be generated by holding quality investments through the ups and downs rather than cutting-and-running (often at the wrong time in hindsight) when they are temporarily out of favour.

### Looking ahead

2023 beckons for quality-growth stocks (to which the portfolio has a bias). The tighter monetary policy backdrop is starting to bite into demand, albeit mitigated by healthy consumer savings and solid corporate balance sheets. As a result, there will be far fewer companies compared to recent years that can grow revenue and cash flows at a robust clip. It makes sense to pay a premium for growth when it is scarce. It doubly makes sense when the same stocks have devalued over the past year.

More importantly, beyond the business cycle perspective, there is empirical evidence to show quality strategies provide better risk-adjusted returns than more speculative investments. This anomaly is due to persistent demand for high-risk stocks that offer embedded leverage (i.e., similar returns to buying on margin) and lottery characteristics. Retail investors are drawn to moon-shots that will be the next Apple or Tesla. This persistent over-bidding of high-risk investments is well underpinned by human nature (i.e., greed) and by investors seeking to gamble insufficient savings to meet future retirement needs amidst a low return world. The meme stock boom-and-bust is the most recent example. The upshot is that the fund's "boring" quality-growth shares can continue to deliver better outcomes for patient investors.

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 | 1.71    | 1.73    | -0.01  |
| Equity      | 98.29   | 98.27   | 0.01   |

The portfolio adhered to its portfolio objective over the quarter.

### Fund classes

| Class | Type   | Price (\$) | Units         | NAV (\$)       |
|-------|--------|------------|---------------|----------------|
| A     | Retail | 20.69      | 12,865,531.81 | 266,233,564.41 |

All data as at 31 December 2022.

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

# Melville Douglas Select Fund Limited Global Equity Class

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 Global Equity Class is a class fund of the Melville Douglas Select 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](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 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](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.

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.

## Contact details

### Manager and Registrar

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Email: [SFMJ@stanlib.com](mailto:SFMJ@stanlib.com)  
Website: [www.stanlib.com](http://www.stanlib.com)

### Fund Directors

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

### Trustee/Custodian

Apex Financial Services (Corporate) Limited  
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12 Castle Street, JE2 3RT  
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### Investment Manager and Distributor

Melville Douglas Investment Management (Pty) Ltd  
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Website: [www.melvilledouglas.co.za](http://www.melvilledouglas.co.za)

### RSA Representative

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