

Melville Douglas Select Fund Ltd

Global Equity Class

Minimum Disclosure Document as at 31 August 2020



Investment Growth***



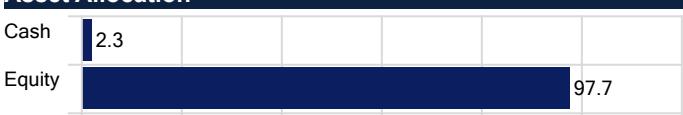
Investment Objective

To deliver attractive risk-adjusted returns over the long term. This is achieved by investing in the publicly traded shares of a diversified selection of robust, growing and shareholder-friendly businesses. The fund seeks best ideas across the globe, and is not restricted to any specific local stock market

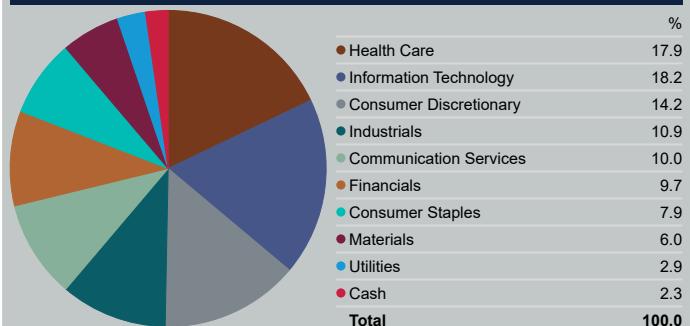
Top 10 Holdings

	Weighting %
Microsoft Corp	6.9
Alphabet Inc A	5.3
Amazon.com Inc	4.9
Tencent Holdings Ltd	4.7
Alibaba Group Holding Ltd ADR	4.4
Linde PLC	4.2
Mastercard Inc A	4.2
UnitedHealth Group Inc	4.2
Johnson & Johnson	3.9
Visa Inc Class A	3.7

Asset Allocation



Sector Allocation



Operations

Name	Melville Douglas SFL Global Equity A \$
Month End Price (Current Class)	\$21.13
Total Fund Value	\$572.90 Million

Fund Managers

Justin Maloney

Justin has over 25 years' experience of managing global equity funds. Before joining Melville Douglas in 2014, 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 and is also a CFA® Charterholder.

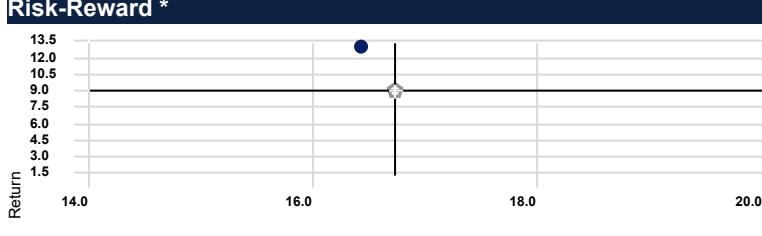
Prandhana Naidu

Prandhana joined Melville Douglas in 2014. She is the co-manager of the Melville Douglas Select Global Equity Fund. Prandhana also covers the global consumer staples sector. Prior to joining the company, she was a portfolio manager at Sasfin Securities. She holds a BBusSci (Hons) degree in Finance from the University of Cape Town, and is a CFA® Charterholder.

Portfolio Risk



Risk-Reward *



Not to be distributed outside of Jersey and South Africa

* Data is displayed over a 3 year rolling period

** Risk free rate = US Treasury T-Bill 3 Months

*** Class A 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.

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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 risk 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	14 September 2020
Compliance No.	31LN20

Share Class ISIN

Class A	JE00B6VH9P99
Class B	JE00BYYD6X79
Class C	JE00BYYD6Y86

Minimum Investment

Class A	Closed to new investments
Class B	\$ 2 500
Class C	\$ 2 500

Launch Date

Class A	30 March 2012
Class B	01 September 2016
Class C	01 September 2016

Fund Costs - 12 months

Fee Class	Management Fee*	Performance Fee	TER	TC	TIC
Class A	1.20%	5% above HWM	2.02%	0.08%	2.10%
Class B	1.70%	NIL	1.75%	0.08%	1.83%
Class C	1.00%	NIL	1.07%	0.08%	1.15%

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*	Performance Fee	TER	TC	TIC
Class A	1.20%	5% above HWM	1.88%	0.08%	1.96%
Class B	1.70%	NIL	1.75%	0.08%	1.83%
Class C	1.00%	NIL	1.21%	0.08%	1.29%

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 Select Fund Limited are regulated by the Jersey Financial Services Commission.

Prices are calculated and published daily and 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.

Quarterly Commentary

Fund Review

The first six months of 2020 can best be described as a "tale of two halves". The first quarter experienced one of the fastest declines in equity markets as economies around the world went into lockdown in attempts to prevent the spread of the coronavirus. Governments adopted a "whatever-it-takes" approach to help soften the blow to corporates and individuals. Massive stimulus packages through both fiscal and monetary support have provided a safety net, and as a result, the second quarter recovered most of the prior quarter's losses. The MSCI All Country World Index rallied +19.22%. The fund was able to outperform the index, with the A-class, B-class, C-class and X-class returning +20.67%, +20.52%, +20.73% and +20.97% respectively.

All sectors and regions delivered positive returns over the quarter, although the magnitude differed significantly. The best performers were information technology (+30%), consumer discretionary (+29%) and materials (+26%). By contrast, significant laggards included defensive sectors (i.e. consumer staples +9% and utilities +7%), interest rate impacted financials (+12%) and social distancing constrained real estate (+11%). The quarter experienced a strong risk-on rally as the rate of change in macroeconomic data points turned positive. While the actual numbers continue to be dire, the change in direction from artificially depressed levels was sufficient to drive positive investor sentiment.

The fund's stock selection drove the outperformance. Low exposure to traditional "bond proxy" sectors like real estate and utilities also contributed. The lower financials weighting versus the benchmark – a decision we took during March – also helped drive the outperformance. The sector lagged the overall market on concerns that non-performing loans will rise amidst the tough economic backdrop and low rates will squeeze net interest margins.

Similar to the previous quarter, the top positive contributors over the quarter were Microsoft, Tencent and Brenntag.

During the quarter, we had a meeting with Microsoft which further strengthened our conviction about its growth potential, particularly regarding its Azure cloud computing service. The company highlighted their clients' increasing urgency to drive digital transformation. There remains plenty of scope for growth given only about a third of its Windows server customers have started the transition to cloud computing. Once on Microsoft's cloud platform there is further potential to migrate users to higher margin software services.

Tencent shares were bolstered by a good reaction to the announcement of 40 more game products at its annual video games conference Beyond the games business, Tencent's businesses include media platforms and messaging services that make money from digital advertising. The China digital advertising market delivered respectable +14% industry-wide growth in the first quarter of 2020. While this was a deceleration from previous +30% growth levels, it is a solid result given the severe COVID-19 impact. Online gaming, education and e-commerce drive the advertising market growth. Amidst this backdrop, Tencent gained market share given its advertising revenue grew +31% over the first quarter.

Brenntag, a global chemicals distributor, reported a relatively benign first quarter because the coronavirus impact was restricted to China and other parts of Asia. The current quarter is likely to be tougher as the macro effects of the COVID-19 disruptions have spread from Asia to Europe and then to the US. Encouragingly, Brenntag's cash flow generative business model has (so far) proven to be resilient through this difficult period. Given its underlying strength, it is an attractively valued cyclical stock to hold for an eventual economic recovery.

There were no stocks that detracted from performance as all holdings delivered a positive return. The bottom performers were therefore the holdings that lagged the benchmark over the quarter.

Unilever has one of the most attractive exposures to the emerging market consumer, with 58% of sales generated from these higher growth regions. However, given the outsized impact COVID-19 will have on some of the large economies like India and Brazil, investors became a bit more cautious on the near-term outlook. In addition, defensive consumer staples companies, such as Unilever, typically lag in market rally as investors chase more operationally geared ideas.

Starbucks - the global café chain - announced revenue was down as much as \$3.2bn and it expects to swing to a loss in its fiscal year third quarter (i.e. quarter ending 30th June) due to the coronavirus pandemic. By the end of June, Starbucks expects weekly cash flow to be positive as more of its cafés reopen. The pandemic has accelerated plans to modify and reorganise its café locations. As many as 400 company-owned cafés in the US are targeted to close over the next 18 months. As more customers order through Starbucks' app, the company plans to add more pick-up stores in dense urban markets, such as New York, Chicago and San Francisco.

Boston Scientific, the medical devices manufacturer, was impacted by an uptick in COVID-19 cases in the southern and western US states as it will further delay some elective procedures. For example, last week the Governor of Texas banned elective surgeries in four counties within the state (where cases had spiked 80% in a week) to preserve bed space for coronavirus patients. We think this "blunt" ban is overkill as elective procedures will not dramatically diminish most hospitals' ability to care for COVID patients. However, the political equation will make it more likely for other states following this lead.

Market Overview

The corona-crisis can be described as two crises wrapped into one. The first is a relatively short, but very deep, supply-shock as government action to stem infections halted businesses. The recent improvement in economic data – the driver behind the sharp recovery in equity markets over the second quarter – is off a very low base of inactivity. We are already seeing the supply-side shock dissipate as social distancing and supply-chain disruptions ease. This optical bounce has bolstered sentiment, but one must be wary about over-extrapolating the positive recovery trendline.

The second crisis is longer lasting and is centred around demand. Recessions are seldom painless. High unemployment and a more uncertain world will impact consumer demand and businesses' willingness to invest in big long-term projects. Unhelpfully, the cost of doing business could also rise as a result of protectionist supply-chain disruptions and trade tariffs. Companies may need to pay higher taxes to pay for huge government budget deficits.

As investors warmed up to an economic recovery in the hope of having come through the worst, we saw a sharp rotation out of growth style investments into the more value, cyclically orientated sectors. The rotation however was not limited to cyclical sectors. Stocks across all sectors that had been beaten down in the first quarter sell-off also caught a bid in the rally. A sustained leadership change in favour of cyclicals would require higher bond yields, GDP growth surprising to the upside, and higher inflation. While we understand the drivers responsible for the rotation, it is too early to view them as sustainable. Our investment philosophy and process skews in favour of quality and growth stocks, and as a result, the fund is likely to lag the market over short periods where there is a sharp style rotation into more value orientated sectors. However, over the longer-term, focusing on sustainable businesses that consistently grow earnings in a responsible manner is expected to drive outperformance.

Looking ahead

Although this year's global recession has been the deepest for many decades it also looks set to be one of the shortest and most memorable in recent history. The pace of recovery will to a large extent be determined by the severity of re-infections and the effects on consumer behaviour. The bounce in investment markets has played an important role in "protecting" consumers wealth (and confidence), even though dividend-and-interest income has been decimated. Consumer spending and confidence will also be influenced by the pace of job creation after a period of large-scale layoffs. Without a continued improvement in employment momentum, a gap will be left in personal income once the temporary stimulus programs come to an end, leaving the economic recovery, alongside the recent uptrend in investment markets, vulnerable.

Despite improving trends in leading indicators that have propped equity markets higher, there is limited margin of safety in that valuations are expensive relative to history. In addition to the recessionary risks, other risks include geopolitics and a resurgence in infections that have the potential to derail the recovery we have seen of late. It is for the reasons above that we adopt a more conservative outlook for equities as an asset class.

The fund is well positioned and remains adequately diversified to navigate through the crisis. Our balanced, high conviction approach ensures we are not carrying undue risks from a valuation or earnings perspective. We remain focused on investing in quality businesses with structural growth drivers and strong balance sheets that allows them to continuously invest and generate attractive and sustained growth for shareholders.

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.