

# Melville Douglas Select Fund Ltd

## Global Equity Class

Minimum Disclosure Document as at 31 March 2021



### 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	5.3
Prudential PLC	4.5
Facebook Inc A	4.2
Brenntag SE	4.1
Alphabet Inc A	4.0
Amphenol Corp Class A	4.0
Anthem Inc	4.0
Boston Scientific Corp	4.0
HDFC Bank Ltd ADR	4.0
Tencent Holdings Ltd	4.0

### Trailing Returns\*\*\*

	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Melville Douglas SFL Global Equity A \$	3.78	1.76	48.78	13.31	14.01	9.81
Melville Douglas SFL Global Equity B \$	3.73	1.77	49.17	13.32		
Melville Douglas SFL Global Equity C \$	3.80	1.94	50.21	13.89		
MSCI ACWI NR USD	2.67	4.57	54.60	12.07	13.21	10.30

### Risk Matrix \*

	Class A	Benchmark
Information Ratio (arith)	0.3	
Std Dev	16.8	17.9
Sharpe Ratio **	0.9	0.9
Best Month (In Last 3 Years)	12.6	12.3
Worst Month (In Last 3 Years)	-11.8	-13.5

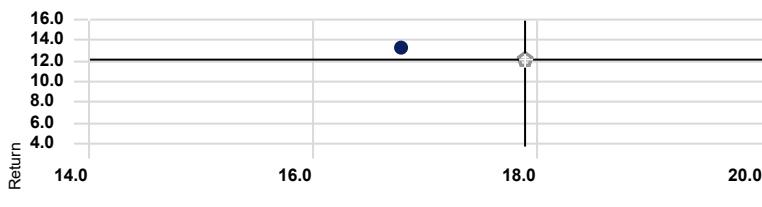
### Highest & Lowest 12 Month Rolling Return

Highest 12 Month Rolling Return	31.93
Lowest 12 Month Rolling Return	-10.11

### Monthly Returns\*\*\*

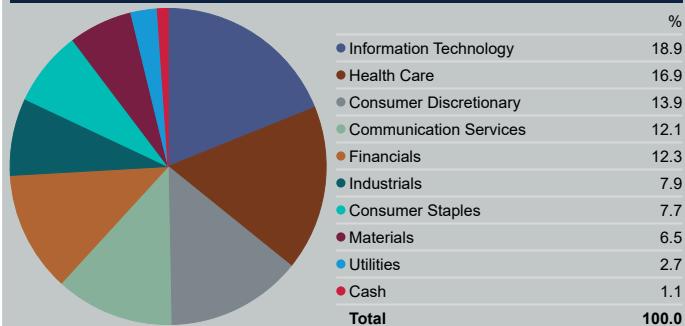
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021	-3.0	1.1	3.8										1.8
2020	-1.4	-7.3	-11.8	12.6	4.9	2.2	5.9	6.0	-2.9	-1.6	8.8	3.8	17.9
2019	6.6	2.6	2.5	4.2	-4.7	6.2	0.2	-2.2	0.2	2.5	3.4	3.9	27.7
2018	7.0	-3.9	-2.1	1.1	-0.1	-0.6	4.0	1.2	0.8	-7.1	2.9	-6.6	-4.4
2017	2.4	3.0	0.8	3.1	2.6	0.5	2.5	0.7	1.4	3.7	2.1	0.7	26.2
2016	-4.4	-2.1	6.0	0.0	1.3	-1.6	3.8	0.0	0.2	-3.0	1.8	1.6	3.4

### Risk-Reward \*



Not to be distributed outside of Jersey and South Africa

### Sector Allocation



### Operations

Name	Melville Douglas SFL Global Equity A \$
Month End Price (Current Class)	\$23.23
Total Fund Value	\$770.70 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



\* 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	21 April 2021
Compliance No.	L777N4

#### 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	2.04%	0.00%	2.05%
Class B**	1.70%	NIL	1.74%	0.00%	1.75%
Class C	1.00%	NIL	1.04%	0.00%	1.05%

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

\*\*Class B management fee includes 0.50% rebate payable to adviser

### Fund Costs - 36 months

Fee Class	Management Fee*	Performance Fee	TER	TC	TIC
Class A	1.20%	5% above HWM	1.79%	0.00%	1.79%
Class B**	1.70%	NIL	1.74%	0.00%	1.75%
Class C	1.00%	NIL	1.13%	0.00%	1.14%

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

\*Management fee includes fee payable to Manco

\*\*Class B management fee includes 0.50% rebate payable to adviser

### 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 1987/050410/7, 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 (31 March 2020)

### Fund Review

The vaccine roll-out gaining traction combined with expectations for stronger global growth drove equity markets higher. An additional \$1.9 trillion in stimulus was made available to the US economy. This - along with pent-up demand as a result of being in some degree of lockdown for over a year - has led the sharp recovery in re-opening plays. The MSCI All Country World index returned 4.6%. The A-class of the fund delivered a positive absolute return but was not able to keep up due to its bias towards stable, quality compounders. Top performers were those stocks that have a cyclical element – the likes of Prudential, Alphabet, Brenntag and Estee Lauder. Danish wind-farm operator Ørsted was the biggest detractor. Ørsted's share price had run hard over the past few months on the back of growing fiscal spend targeted towards renewable energy. With bond yields moving higher over the quarter, there was a selloff in Utilities – a sector that is viewed as a bond proxy.

### Market Overview

Despite the Suez Canal crisis and unhealthy trading practices spurred on by small-scale investors acting en masse, global markets tracked higher as improved optimism on returning to some sense of normality spurred global activity. The commitment to maintaining accommodative policy support from central banks around the world comforted markets. Concerns have been mounting on how long this stance would hold, especially as forward-looking indicators continue to point to accelerating growth. The bond market quickly priced in the stronger growth outlook, with longer dated yields rising sharply off their 12-month lows.

The style rotation that started towards the end of 2020 continued. Cyclically sensitive stocks that benefit to a greater degree coming out of a recession outperformed longer term secular growth winners as investors repositioned their exposures. With supply constraints and pent-up demand materializing, concerns around inflation have come to the forefront. Our holdings are dominant in their industries and have strong pricing power therefore we view the risk to earnings from rising cost pressures as low. We take a long-term view when identifying quality compounders that are backed by structural tailwinds as opposed to taking short term tactical views. These long-term winners will continue to be disruption-proof franchises that can grow profits without needing a strong economy or higher inflation. While these stocks have been side-lined over the past six months as the market chased bombed out re-opening trades, we expect them to come back into favour as the global economy reverts to its low growth secular norm.

There were no major changes to our holdings over the quarter. We have been incrementally adding to selected mega-cap technology stocks, such as Amazon, Visa and Facebook. As 2020 winners, many of these names were sold as investors rotated into re-opening plays. The earnings trajectory remains solid, and we expect the growth drivers to be further supported by sticky trends brought about as a result of the lock down. While the market may continue to take a short-term view, we remain committed to staying true to our investment philosophy in delivering superior risk-adjusted returns for our clients over the long run

### Looking ahead

Coming out of a recession, earnings estimates err more on the conservative side as the investment community tends to be more guarded than usual. There are clearly behavioural factors, such as anchoring to the most recent (depressed) datapoint, the difficult of changing a pessimistic mindset and the embarrassment of getting it very wrong. This phenomenon was observed coming out of the prior recessions in 2003 and 2010. Current global earnings forecasts are sitting at 25% for 2021 with the potential to surprise to the upside. We may therefore see share prices remain supported despite lofty valuations. As a result, we could well see another year of positive, albeit limited returns, from equities.

The profit recovery in 2021 will be faster for cyclical companies with high operating and financial leverage. Companies with less cyclical and more stable earnings (i.e. the ones we tend to bias) did not see their earnings collapse in 2020, and therefore there is less scope for a sharp rebound in 2021. We are happy to own these "Steady Eddies" – consistency trumps volatility when capturing compound returns. We maintain our disciplined approach. A balanced portfolio that invests in quality assets - at a reasonable price - will deliver superior risk-adjusted returns over the long term.

**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.**