

# Melville Douglas STANLIB Balanced Fund

Fund information update at 28 February 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	<b>Moderately aggressive</b>	Aggressive
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## What is the suggested investment period for this fund?

### Minimum period

1 Month	6 Months	1 Year	3 Years	<b>5 Years</b>	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 420.35 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

	<b>Class B1</b>
<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 31 December 2022

	<b>Class B1</b>
<b>Based on period from:</b>	01/01/2020
<b>Total Expense</b>	1.24%
<b>Transaction Costs</b>	0.11%
<b>Total Investment Charge</b>	1.35%
<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.

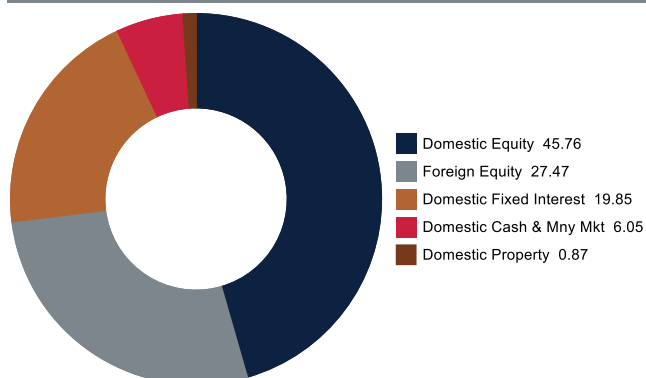
**Total Investment Charges (TIC):** This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct the TIC from performance figures, the performance is already net of the TIC.

# Melville Douglas STANLIB Balanced Fund

Monthly update at 28 February 2023

## Holdings

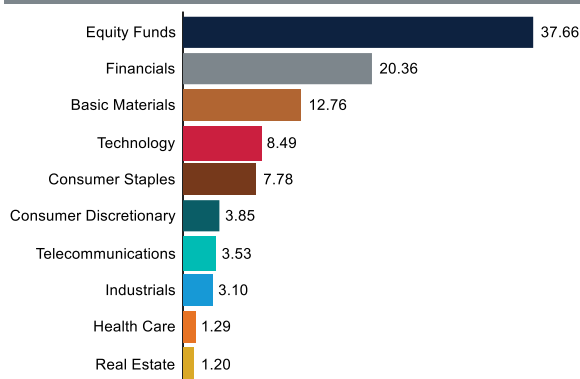
### Asset allocation (%)



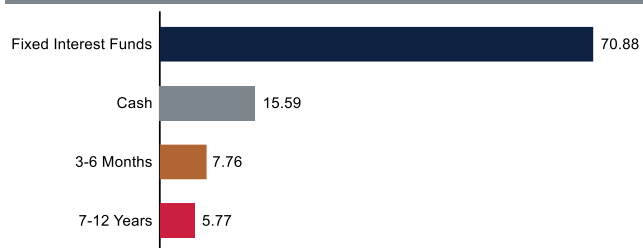
### Top Equity holdings (%)

Naspers Ltd	4.09
Anglo American plc	2.80
FirstRand Ltd	2.61
Bid Corp Ltd	2.17
Standard Bank Group Ltd	2.16
Prosus NV N (ZAR)	2.10
Richemont Securities	2.01
MTN Group Ltd	1.96
British American Tobacco plc	1.93
Absa Group Ltd	1.77

### Equity allocation (Industry) (%)



### Fixed Interest allocation (%)



## Performance and Income

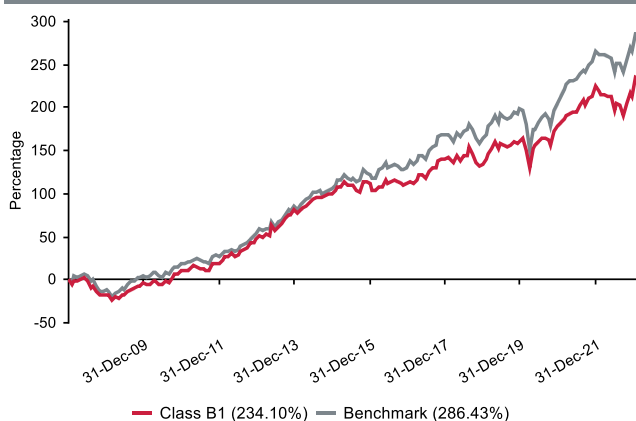
Class B1 Launch: 02 January 2008

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	5.81	10.12	6.77	7.36	8.40
Rank/Out of	123/210	150/190	122/166	56/131	27/72
Sector Average	6.43	11.68	7.41	7.03	7.92
Benchmark	6.65	11.31	7.75	8.48	9.38

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

### Cumulative performance (%) from Launch



Statistics (%)	1yr	3yrs	5yrs	7yrs	10yrs
<b>Class B1</b>					
Positive Months	5	23	37	53	76
Max Gain	14.92	45.33	45.33	64.56	124.39
Max Drawdown	-7.81	-10.49	-12.78	-12.78	-12.78
Highest	8.79	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)

	<b>Class B1</b>
<b>30 June 22</b>	10.39
<b>30 December 22</b>	9.33
<b>In last 12 months</b>	19.72
<b>In 2022</b>	19.72

# Melville Douglas STANLIB Balanced Fund

Quarterly update at 31 December 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

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).



**Susan Gawith**  
BSc, MBA  
Portfolio Manager

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 final quarter of 2022 offered some respite to investors. The fund was up 7.8% for the quarter, driven largely by domestic equities rallying 12.1%. However other risk assets also performed well, with domestic bonds up 5.5% and global equity up 4.1%, despite the ZAR strengthening 6.2% against the USD for the quarter. The best performers this quarter were Richemont (30.4%), Impala Platinum (25.3%) and Naspers and Prosus up 25.2% and 24.2% and Anglo American up 21.5%. Resource, luxury, and Chinese internet names were all buoyed by news of the Covid restrictions in China being lifted. Most of these shares remained positive in December, with OUTsurance also running 8%. The detractors were Remgro, Transaction Capital and Mr Price, as investors questioned the resilience of domestic consumers in 2023. Our newly added property share Resilient is up 12.1% for the quarter, with the property sector gaining as evidence emerged that companies have now absorbed the Covid shock and can grow earnings off the new lower base.

## Market overview

Despite global central banks' best efforts to reduce inflation by slowing demand growth with tighter monetary policy, risk assets made a comeback during the fourth quarter of 2022. The US dollar lost its shine, giving back some of its outperformance over the past year and seeing the ZAR strengthen 6.2% against the USD for the quarter and improving the one-year decline to 6.5%. The bounce from the October lows was due to investors focusing on the improved outlook for inflation as consumer goods, food and energy prices all eased. An important development, as high and stubborn inflation coupled with a vibrant labour market, have resulted in one of the most aggressive interest rate hiking cycles in recent history. Additional factors that contributed to the bounce in equity markets are the prospect of less restrictive COVID-19 measures in China and a significant decline in the price of natural gas in Europe.

December was softer than the quarter with the MSCI ACWI down 3.8%, but up 3.9% for the quarter. Consistent with the theme of 2022, the weakness was largely related to the outlook for interest rates. The Fed raised rates by the expected 50bps in December, however the commentary remained hawkish. Powell indicated that he does not see them lowering rates until they are confident inflation is moving lower and staying down. Stocks remain sensitive to any perceived changes in Fed policy. Both the FTSE/JSE All Share Index and the FTSE/JSE Capped SWIX Index followed global markets and closed the year softer down 2.3% and 2.8% in December but gained 15.2% and 12.2% for the quarter. SA Bonds were up, 0.6% in December and 5.7% for the quarter.

Over the last 12 months there has been nowhere to hide with both bonds and equities seeing negative returns as yields rose. Other than Greece (0.3%), every major stock market was negative last year (in dollar terms). The S&P 500 had its worst year since the GFC. Tech stocks have predominantly taken the brunt of the selling pressure as the rising yields environment has weighed on growthier names seeing the Nasdaq falling by over 33% in 2022.

## Looking ahead

Valuations across asset classes have adjusted to the reality that both inflation and interest rates will remain stickier than what was expected a year ago. Volatility and cheaper valuations do however provide new opportunities that should be welcomed by patient investors that focus on long term fundamentals. Many high-quality stocks with structural growth tailwinds and strong balance sheets have become attractive once again and provide the necessary margin of safety for us to consider in client portfolios. Cash and fixed income yields have also adjusted significantly higher and for the first time since the 2008 Global Financial Crisis are providing returns that exceed longer term inflation forecasts, which allows investors to take less risks (lower equity and credit risk) than before to generate positive risk-adjusted returns in balanced portfolios.

We believe that volatility will remain elevated in the near term as the global economy resets to a period of sub trend growth. However, lower starting valuations coupled with declining inflation, a peaking interest rate cycle and defensive positioning by market participants do provide the necessary backdrop for investors to look forward to a year of improved investment returns.

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
Domestic Cash & Mny Mkt	3.21	4.88	-1.68
Domestic Equity	48.84	45.52	3.32
Domestic Fixed Interest	20.76	20.98	-0.21
Domestic Property	0.96	0.91	0.05
Foreign Equity	26.23	27.71	-1.48

The portfolio adhered to its portfolio objective over the quarter.

## Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
B1	Retail	591.07	62,043,055.71	366,718,022.65

All data as at 31 December 2022.

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

# Melville Douglas STANLIB Balanced Fund

Important information update at 28 February 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 28 February 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)

### Trustee

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

### 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)