

Investment Growth***



Investment Objective

The objective is to provide long term capital growth in US Dollar terms by investing in a balanced portfolio of globally diversified equity and fixed income.

Top Holdings

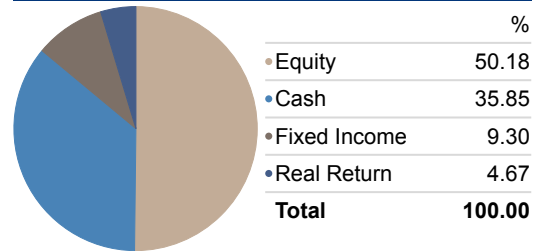
Portfolio Date: 2016/06/30

Funds	Weighting %
MD Select Ltd Global Equity	45.25
MD Income Ltd US\$ Income	9.30
SBIFL Multi Manager Absolute Return USD	4.67
Threadneedle Eurp Sel ZNA	2.96
Allianz Europe Equity Growth PT EUR	1.97

Trailing Returns***

	1 Month	YTD	1 Year	3 Years	5 Years
MD Balanced Ltd Balanced	-0.98	-2.06	-4.76	2.27	2.03
50% MSCI & 50% US CASH	-0.46	0.78	-0.64	3.99	3.92
(ASISA) Global MA Flexible	-1.17	0.03	-6.07	1.67	2.03

Asset Allocation



Risk Matrix *

	Fund	Benchmark	Cat Avg
Information Ratio (arith)	-0.93		-0.55
Std Dev	7.28	5.81	9.12
Sharpe Ratio **	0.81	0.98	0.81
Best Month (In Last 3 Years)	4.99	3.93	6.23
Worst Month (In Last 3 Years)	-4.15	-3.29	-6.12

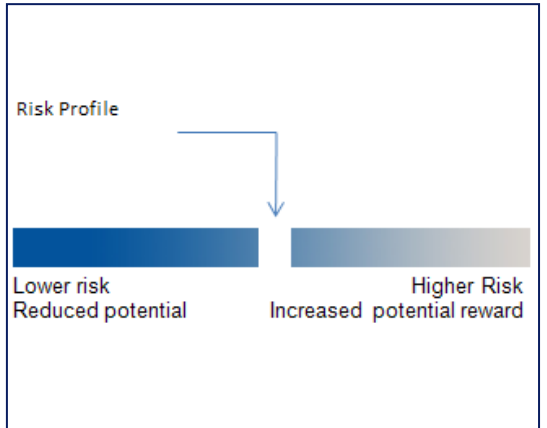
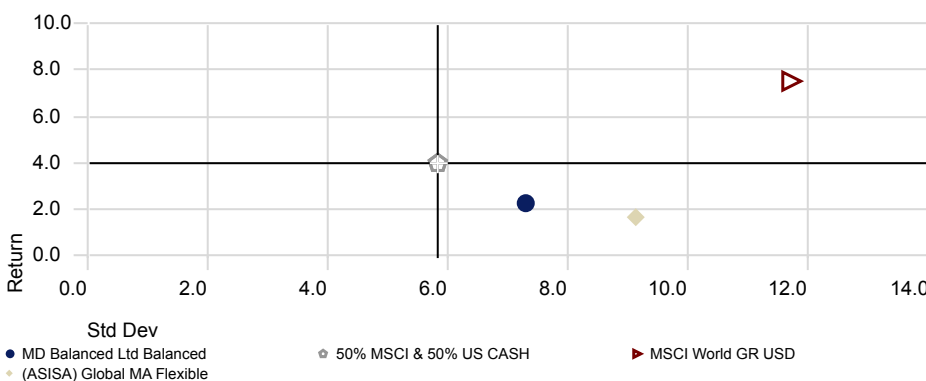
Monthly Returns***

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2016	-3.71	-0.99	3.21	0.09	0.44	-0.98							
2015	-1.11	3.13	-0.77	1.56	0.11	-1.77	0.87	-4.15	-2.46	4.99	-0.56	-1.24	-1.73
2014	-3.17	3.14	-0.12	0.18	1.69	1.23	-0.95	0.85	-1.76	0.33	1.70	-0.95	2.02
2013	1.81	-0.16	1.25	1.26	-0.34	-3.34	2.43	-1.73	3.62	2.14	1.08	1.17	9.37
2012	4.39	2.49	0.46	-0.26	-5.47	0.65	2.04	2.37	2.80	-0.24	0.88	0.21	10.46
2011	1.89	-0.40	0.47	3.54	-1.80	-2.07	1.52	-8.49	-3.02	7.14	-7.07	3.88	-5.40

Operations

Month End Price Date	2016/06/30
Month End Price (USD)	150.31
Fund Size	13 185 353
ISIN	JE00B504TG57
Minimum Investment (USD)	10 000
Manager Name****	Multiple

Risk-Reward *



Not to be distributed within the European Union

* Data is displayed over a 3 year rolling period
** US Treasury T-Bill 3 Mon
*** 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.
**** Jerome O'Regan & Bernard Drotschie

Melville Douglas Balanced Fund Ltd - Balanced Class

Quarterly Commentary

The second quarter of 2016 continued the trend of elevated volatility that has persisted since the latter half of 2015. After global markets got off to a strong start in April, May saw renewed concerns about the trajectory and sustainability of global growth after a weak US jobs report spooked markets. Comments made by the Federal Reserve seemed to indicate there was limited scope to raise interest rates in June or July, and the subsequent uncertainty introduced by the Brexit vote likely means that more than one rate hike for the remainder of the year is unlikely.

Brexit dominated headlines in June – firstly as the market took the view that a ‘Remain’ vote was the most likely outcome, followed by substantial volatility and a dramatic sell-off in the wake of the referendum proving to go the other way. Following dovish central bank comments that temporarily calmed markets, equity markets finished June strongly, with the most notable outcomes a dramatic weakening (to thirty year lows) of the pound relative to the dollar, combined with a very strong rally in bonds to historically low yields.

On the topic of Brexit, the long term implications for the UK, European and global economy are unclear, and given the political process that now needs to play out, we think the uncertainty will persist until there is more clarity on the next leader of the British government, and the approach to addressing the result of the ‘Leave’ vote. However, whatever the ultimate nature of the relationship between the UK and Europe, none of the recent developments bode well for global growth, either in the short or medium term. The possibility that further referenda on the topic of EU membership may be held in several European nations should not be discounted, given the sense of euro-scepticism that currently prevails. Speculating on the likelihood of such votes is unproductive, but what is certain is that the climate of uncertainty this will foster will likely put further pressure on much-needed investment required to reignite economic growth.

Unsurprisingly, equity as an asset class underperformed over the quarter, as investors again fled to the relative safety of fixed income. At the end of June, roughly \$11.7 trillion of sovereign debt was yielding zero or less, according to research done by Fitch. Several sectors of the equity market – predominantly those that pay high dividend yields, such as utilities or telecommunications – are trading at all time high valuations, with dividend yields well below long term averages. The chart below shows the average P/E of the S&P 500 Utilities sector over a 15-year period, as well as the dividend yield.

As can be seen, the rerating of equities with supposedly bond-like characteristics has been a feature of markets post the global financial crisis. In particular, we think that a sector such as utilities – which has no effective pricing power to speak of – is now at very extreme valuation levels, and does not adequately reward investors for the risk being assumed. As such, we are not inclined to pursue these opportunities.

Finally, it is worth remembering that earnings growth – particularly in the US – has been much lower than expected. As an example, the growth in earnings for the S&P 500 for the quarter ended June 2016 was estimated to be 9.5% in July 2015, only to be revised lower to 4.2% in December 2015. At present, expectations are now for year-over-year earnings growth of -4.4% for this quarter. While earnings are likely forming a base to grow from for 2017 as the negative effects of a stronger dollar and lower oil price start to fade, we think consensus expectations are still too high, and thus prefer to remain cautious in deploying capital.

During the second quarter no changes were made to the asset allocation. We did however increase the exposure to the Melville Douglas Equity fund at the expense of third party funds.

Other Fund Facts		Fund Costs
Manager	STANLIB Fund Managers Jersey Limited	TER = 1.41%
Investment Manager	Standard Bank International Investments Limited	TC = 0.02%
Custodian	Capita Trust Company (Jersey) Limited	TIC = 1.43%
Auditors	PwC, Ireland	TER = (Total Expense Ratio)
Fund Directors	H Holmes, GS. Baillie, M. Farrow, and O Sonnblichter	TC = (Transaction Costs)
Registered Office	47-49 La Motte Street, St Helier, Jersey	TIC = (Total Investment Cost ; TER + TC = TIC)
Launch Date	16 February 1999	Where a transaction cost is not readily available, a reasonable best estimate has been used. Estimated transaction costs may include Bond, Money Market and FX Costs (where Applicable).

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Statutory disclosure and general terms and conditions

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