

# Melville Douglas Balanced Fund Ltd USD Balanced Class

Minimum Disclosure Document as at 30 September 2017

## Investment Growth\*\*\*



— MD Balanced Ltd Balanced — 50% MSCI & 50% US CASH — (ASISA) Global MA Flexible

## Trailing Returns\*\*\*

	1 Month	YTD	1 Year	3 Years	5 Years	10 Years
MD Balanced Ltd Balanced	0.7	10.1	9.9	3.0	4.0	1.6
50% MSCI & 50% US CASH	1.2	8.4	9.5	4.5	6.0	3.2
(ASISA) Global MA Flexible	0.6	12.1	11.0	3.2	5.3	2.0

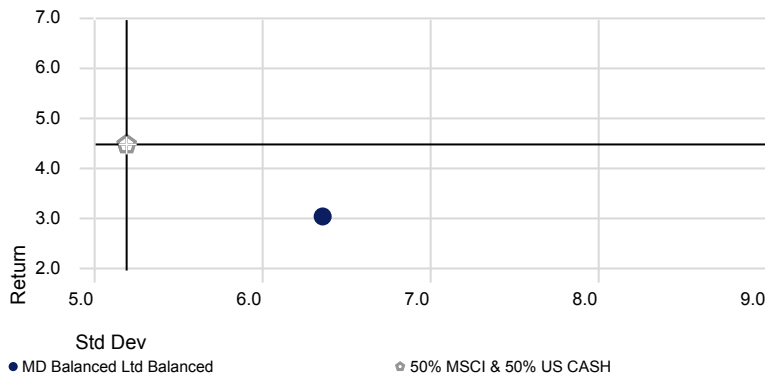
## Risk Matrix \*

	Class A	Benchmark	Cat Avg
Information Ratio (arith)	-0.9		-0.3
Std Dev	6.4	5.2	8.8
Sharpe Ratio **	0.1	0.3	0.2
Best Month (In Last 3 Years)	5.0	3.9	6.2
Worst Month (In Last 3 Years)	-4.2	-3.3	-6.1

## Monthly Returns\*\*\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017	1.4	1.7	0.4	1.9	1.6	0.2	1.4	0.4	0.7				
2016	-3.7	-1.0	3.2	0.1	0.4	-1.0	2.3	-0.1	0.1	-1.6	0.7	0.7	0.1
2015	-1.1	3.1	-0.8	1.6	0.1	-1.8	0.9	-4.2	-2.5	5.0	-0.6	-1.2	-1.7
2014	-3.2	3.1	-0.1	0.2	1.7	1.2	-1.0	0.9	-1.8	0.3	1.7	-1.0	2.0
2013	1.8	-0.2	1.3	1.3	-0.3	-3.3	2.4	-1.7	3.6	2.1	1.1	1.2	9.4
2012	4.4	2.5	0.5	-0.3	-5.5	0.6	2.0	2.4	2.8	-0.2	0.9	0.2	10.5

## Risk-Reward \*



● MD Balanced Ltd Balanced

● 50% MSCI & 50% US CASH

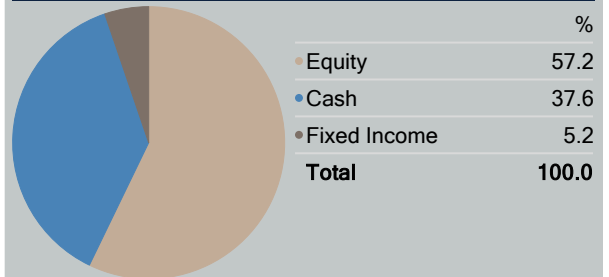
## Investment Objective

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

	Weighting %
MD Select Ltd Global Equity	57.2
JPM US Dollar Liquidity C (acc.)	34.0
iShares 1-3 Year Credit Bond ETF	2.6
iShares \$ Short Dur Corp Bd ETF USD Dist	2.6

## Asset Allocation



## Operations

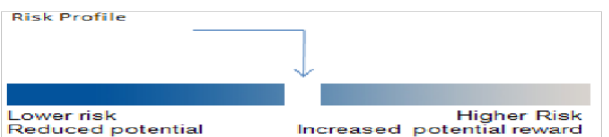
Price Date	2017/09/30
Month end price (USD)	\$ 169.0
ISIN - Class A	JE00B504TG57
Fund AUM (m)	\$ 11.4

## Fund Managers

### Bernard Drotschie

Bernard is the Deputy Chief Investment Officer and is head of the SA fixed income strategy. He holds a B.Com (Hons) degree in Econometrics, is a CFA® Charterholder, and is a Certified Financial Planner™ professional.

## Portfolio Risk



Not to be distributed within the European Union

\* 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 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, 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

<b>Manager</b>	STANLIB Fund Managers Jersey Limited
<b>Investment Manager</b>	Melville Douglas Investment Management (Pty) Ltd
<b>Custodian</b>	Capita Trust Company (Jersey) Limited
<b>Auditors</b>	PwC, Ireland
<b>Fund Directors</b>	H.Holmes, G.S.Baillie, M.Farrow, and O.Sonnbichler
<b>Registered Office</b>	47-49 La Motte Street, St Helier, Jersey
<b>Publication Date</b>	30th October 2017
<b>Compliance No.</b>	HX2499
<b>Minimum Investment</b>	\$10 000
<b>Launch Date</b>	16 February 1999

## Fund Costs- 12 months

Fee Class	TER	TC	TIC
<b>Class</b>	0.85%	0.0%	0.85%

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. Estimated transaction costs may include Bond, Money Market and FX Costs (where Applicable)

## Fund Costs- 36 months

Fee Class	TER	TC	TIC
<b>Class</b>	0.72%	0.0%	0.72%

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. Estimated transaction costs may include Bond, Money Market and FX Costs (where Applicable)

## Contact Details

### Melville Douglas Investment Management (Pty) Ltd

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www.melvilledouglas.co.za

## 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 day unit price. This is an accumulation portfolio and does not distribute income. Transaction requests received before 14h30 (UK Time) will receive the following valuation point unit price. This is an accumulation portfolio and does not distribute income. Telephone calls may be recorded. Capita Trust Company (Jersey) Limited, STANLIB Fund Managers Jersey Limited, Standard Bank International Investments Limited are regulated by the Jersey Financial Services Commission. The fund is also regulated by the Jersey Financial Services Commission

Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending.

Representative Agreement exists between Standard Bank International Investments Limited 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 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.

Fund Prospectus, application forms as well as annual and interim financial statements, are available at [www.melvilledouglas.com](http://www.melvilledouglas.com)

### Commentary

*The world this year has been remarkably benign. Strong economic growth, accommodative central banks, sustained recovery in corporate earnings and continued low interest rates have combined to produce strong results from equity markets and commodities. They have also provided resilience against more unstable geopolitics. Can it last?*

The favourable macroeconomic environment this year has been remarkable. Not only has growth improved beyond expectation, it has broadened across much of the world, so that this year for the first time since the financial crisis, synchronized growth is a reality. The pull has exerted a strong force on commodities and emerging markets, but equities generally have benefited.

Rising commodity prices and buoyant emerging markets are typically signs of “above-trend” growth, and would usually be accompanied by higher inflation and rising interest rates.

In this cycle, however, inflation has proven remarkably benign, and as a result, central banks have not been compelled to react very strongly. This is so even though real interest rates have been persistently low.

But now, central banks are starting to worry that as growth takes hold that there will come a point where inflation responds unexpectedly swiftly, and that markets are too complacent about the tightening of monetary policy. If an inflationary surge forced a sudden change, the disruption could be substantial and volatile. As a result, for most of this year, the rhetoric of central banks has changed from the post-crisis “whatever it takes” (to generate growth) to a series of warnings regarding the necessity of “normalizing” interest rates and how they propose to remove the extraordinary amount of monetary accommodation that has been provided.

As far as the long bond yield is concerned, it has more than just inflation to contend with. In the past months, geopolitical risks (mainly North Korea, but also Iran and other issues) have risen, which creates additional demand for “safe haven” assets. This may have held the long bond yield lower than it otherwise would have been. It certainly looks that way: as soon as geopolitical factors fade, long bond yields rise.

Meanwhile, equity markets are buoyed by a remarkable confluence of benign influences, without much evidence of structural stress. Not only have companies delivered strong earnings growth this year, but guidance has been sufficiently benign that analysts have not felt the need to adjust forecasts downwards, as in prior years. Furthermore, the growth is being delivered more from improved revenues, rather than just cost-cutting and financial engineering. Of course, this fact may also be a measure of improving pricing power and therefore impending inflation.

### Outlook

Investors need to be aware that 2017 will prove to have been the point at which the “post-crisis” mode of policy-making and adjustment changed. The fact that the global environment has been so benign this year carries with it the seeds of further change, and it would be remiss to assume that 2018 will be a repeat. While central banks remain extremely vigilant, there are many things they don’t know. The messaging from them is changing from a mode of being “data-driven” (i.e. backward-looking) to something much more proactive, in an attempt to ensure that an inflation surprise can be dealt with without recourse to sudden changes of policy. The concern is that markets are not fully in agreement regarding the need for the change. And “gradual” policy change does not automatically guarantee gradual market adjustment. If there is a tension between the market view and the policy settings, the likelihood of a dislocation rises, and what causes it - a geopolitical event, a policy error (fiscal or monetary) or inflation - won’t matter in the short run.

The positioning in the fund favors equity, which is expected to outperform as the synchronized global economic backdrop provides a promising environment for companies to grow profits. Equities have performed strongly this year and valuations are no longer cheap, yet we are still finding more attractive opportunities in the asset class than cash and bonds where income yields are well below inflation.

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