

# Melville Douglas Global Growth Fund Ltd USD Balanced Class

Minimum Disclosure Document as at 31 March 2018

## Investment Growth\*\*\*



## Trailing Returns\*\*\*

	1 Month	YTD	1 Year	3 Years	5 Years	10 Years
Melville Douglas GGL US\$ Balanced A	-1.2	0.8	15.4	5.3	5.3	3.4
65% MSCI World , 35% JPM Global Agg (unhedged)	-1.0	-0.4	11.6	5.7	6.0	4.1
EAA Fund USD Flexible Allocation	-1.3	-1.5	6.7	2.0	2.5	1.3

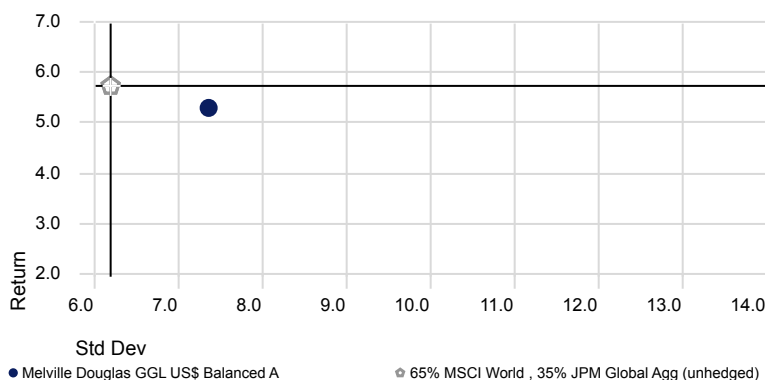
## Risk Matrix \*

	Class A	Benchmark	Cat Avg
Information Ratio (arith)	-0.2		-1.9
Std Dev	7.4	6.2	6.6
Sharpe Ratio **	-0.2	-0.2	-0.5
Best Month (In Last 3 Years)	5.3	3.9	4.1
Worst Month (In Last 3 Years)	-4.1	-3.3	-4.3

## Monthly Returns\*\*\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2018	5.3	-3.2	-1.2										
2017	1.7	2.2	0.6	2.5	2.3	0.3	2.1	0.8	0.8	2.7	1.6	0.6	19.7
2016	-3.7	-0.9	3.3	0.1	0.5	-0.9	1.9	0.0	0.1	-2.2	0.4	1.0	-0.7
2015	-1.1	3.2	-0.7	1.6	0.2	-1.7	0.9	-4.1	-2.4	5.0	-0.5	-1.2	-1.2
2014	-3.2	3.2	-0.1	0.2	1.7	1.2	-0.9	0.9	-1.7	0.4	1.8	-0.9	2.5
2013	1.9	-0.1	1.3	1.3	-0.2	-3.2	2.4	-1.7	3.5	2.1	1.1	1.2	9.9

## Risk-Reward \*



Not to be distributed within the European Union

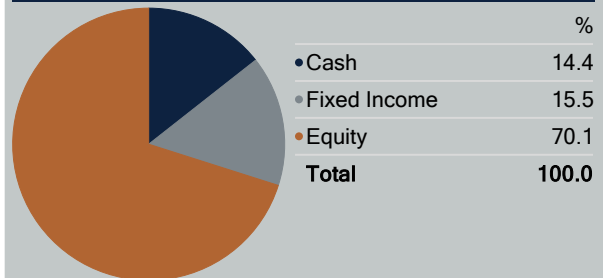
## Investment Objective

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 10 Holdings

	Weighting %
BBgBarc Long Term US Treasury MV USD	8.5
US Treasury 2.25	6.2
Microsoft Corp	3.7
iShares MSCI Japan ETF	3.4
Mastercard Inc A	3.3
Visa Inc Class A	3.3
iShares Core MSCI EM IMI ETF USD Acc	3.2
JPMorgan Chase & Co	3.1
Prudential PLC	3.1
Wells Fargo & Co	3.1

## Asset Allocation



## Operations

Price Date	2018/04/30
ISIN	JE00B559P010
Month end price (USD)	\$ 190.3
Fund AUM (m)	\$ 117.5

## 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.

### Etienne Vlok

Etienne joined Melville Douglas in 2010. He covers the domestic and global IT and media sectors. He holds a BCom Acc. Hons, CA(SA), CFA.

### Karl Holden

Karl specialises in global fixed income and currency markets. He is also lead manager of the Melville Douglas Income funds. Karl is a Chartered Wealth Manager, Fellow of the Chartered Institute for Securities and Investment and holds the Private Client Investment Advice and Management Certificate.

## Portfolio Risk

### Risk Profile



\* 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 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>	Link Corporate Services (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>	2 May 2018
<b>Compliance No.</b>	HX4307

## Share Class ISIN

Class A	JE00B559P010
Class B	JE00BD2X3T71
Class C	JE00BD2X3V93

## Minimum Investment

Class A	\$15 000
Class B	\$ 2 500
Class C	\$ 2 500

## Launch Date

Class A	21 June 1998
Class B	01 September 2016
Class C	01 September 2016

## Fund Costs- 12 months

Fee Class	Management Fee	TER	TC	TIC
<b>Class A</b>	1.00%	1.26%	0.20%	1.46%
<b>Class B</b>	1.50%	1.75%	0.20%	1.95%
<b>Class C</b>	1.2%	1.44%	0.20%	1.64%

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	Management Fee	TER	TC	TIC
<b>Class A</b>	1.00%	1.27%	0.20%	1.47%

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). Share classes in issue for less than 36 months is not disclosed.

## Contact Details

### Melville Douglas Investment Management (Pty) Ltd

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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 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. Link Corporate Services (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.

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### Quarterly Commentary

The fund's performance during the year was especially pleasing giving the strong return from global equity markets where returns in 2017 were high, buoyed by a combination of earnings growth and an increasing confidence that interest rates would not rise disruptively. The MSCI All-country World index returned almost 25%; calendar year returns have been higher on only three other occasions in the past thirty years, and two of those were years in which markets were starting from recession-hit bases (2003 and 2009). A large part of the return was attributable to expanding ratings: earnings growth surprised positively but benign inflation and central bank policy encouraged higher multiples.

The surprise of 2017 was that across the developed world, inflation remained subdued except in the UK. In particular, US inflation rates continue to track at post-crisis lows, even though a number of inflation drivers such as the labour market and the dollar were no longer the benign influences they had previously been. This allowed long bond yields to remain practically unchanged over the year, in spite of a few wobbles. But this is not to say that market interest rates did not respond to more buoyant economic conditions, and short-term interest rates rose quite sharply. This will eventually have consequences for credit creation and provide a brake for excess demand, but for now the picture remains very benign.

So what are the challenges for 2018?

The "exit path" from the complications of the financial crisis has by now become well-worn. The US has now moved into a very normal-looking late phase of the business cycle with low unemployment and above-trend growth. Of course, the aftermath of the crisis is felt still in high government debt and low inflation. But the normalization has finally created sufficient pull to allow the rest of the developed world (with aggressive monetary assistance) to follow on. Earnings growth remains on track to remain strong in 2018, but whether it can surprise is another question.

US tax adjustments may help internally, but the unintended consequences of the tax cuts have not been assessed. Almost certainly, the US budget deficit will expand, perhaps to 5% of GDP. That is a level of deficit funding that would normally be associated only with an attempt to mitigate the impact of a recession. How sensible is it to create a massive corporate tax cut at the peak of the earnings cycle, funded by government borrowing at a point where its debt burden is already the highest in history? The answer is that there is no justification, either in logic or fairness, and there is a bill that will have to be paid. Where that stress will fall is yet unclear, and it is possible that only the next downturn will reveal what the side-effects will be. In the short run, however, the impact on equity markets will be largely favourable – though obviously more beneficial to some companies than to others.

But it may also be a source of disruption. Interest rate markets may be priced very complacently: they have behaved as if there is an endless source of nearly-free liquidity, with no inflationary consequences. Boosting deficits while the unemployment rate is so low is somewhat experimental, and interest rate markets will be more than sensitive to inflation rates and Federal Reserve policy. If there are inflationary consequences, the Fed can end up in a tangle because it will be behind the curve: in order to temper inflationary expectations it will need to ensure rising real interest rates, and as the inflation rate reaches or moves above target, interest rate increases will have to move faster. Rising real interest rates will be a genuine test for equity markets.

While global growth remains as high as it is, there is also a risk that some kind of commodity price shock could be disruptive. Typically, this would be the oil price, which is embedded deeply in so many production and distribution costs. There is no sign of such a thing yet, and up to now the supply balance has kept dollar prices in check. But it would be remiss not to note that a range of industrial commodity price rose quite sharply in 2017, and the residual impact of that on corporate costs and margins has yet to be seen.

Outlook

This may well prove the year in which the post-crisis monetary experiment is tested for robustness. The idea that central banks will have to adjust to a more proactive policy-setting mode has been clear for some time, but equity markets are now starting from a much higher rating level and resilience will therefore be much lower. As real interest rates start to rise across the globe, the pressure on market prices will rise, and so very likely will volatility and dispersion. The potential for disruptive price change is higher than it has been and the ability to recover from disruption is lower. Diversification is the answer: stretched valuations, whatever the apparent justification, are not likely to hold. As always, we will navigate the valuation waters with care and diligence.

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