

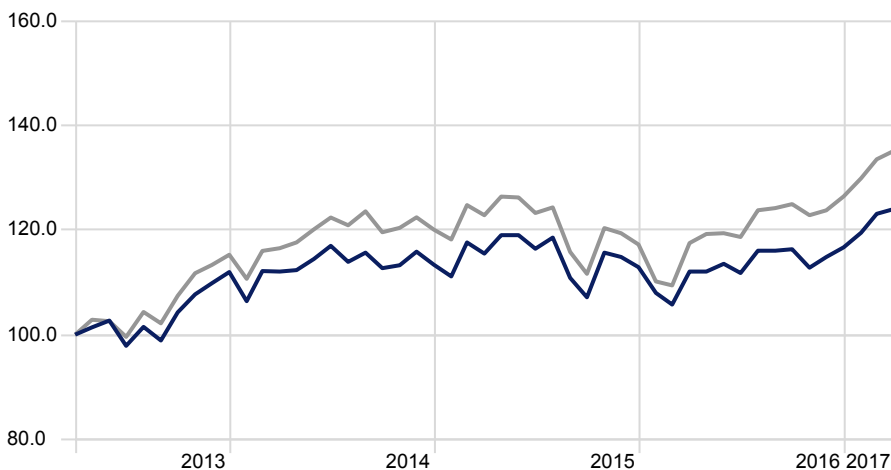
# Melville Douglas Select Fund Ltd - Global Equity Class

Minimum Disclosure Document as at 31 March 2017



MELVILLE DOUGLAS

## Investment Growth\*\*\*



—MD Select Ltd Global Equity

—MSCI ACWI NR USD

## Trailing Returns\*\*\*

|                               | 1 Month | YTD | 1 Year | 3 Years |
|-------------------------------|---------|-----|--------|---------|
| MD Select Ltd Global Equity A | 0.8     | 6.3 | 10.7   | 3.4     |
| MSCI ACWI NR USD              | 1.2     | 6.9 | 15.0   | 5.1     |

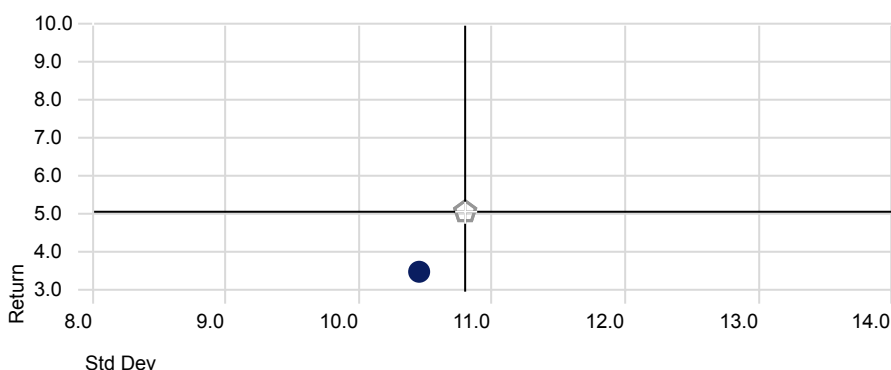
## Risk Matrix \*

|                               | Class A | Benchmark |
|-------------------------------|---------|-----------|
| Information Ratio (arith)     | -0.6    |           |
| Std Dev                       | 10.5    | 10.8      |
| Sharpe Ratio **               | 0.4     | 0.5       |
| Best Month (In Last 3 Years)  | 8.0     | 7.8       |
| Worst Month (In Last 3 Years) | -6.5    | -6.9      |

## Monthly Returns\*\*\*

|      | Jan  | Feb  | Mar  | Apr | May | Jun  | Jul  | Aug  | Sep  | Oct  | Nov  | Dec  | Year |
|------|------|------|------|-----|-----|------|------|------|------|------|------|------|------|
| 2017 | 2.4  | 3.0  | 0.8  |     |     |      |      |      |      |      |      |      |      |
| 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  |
| 2015 | -2.0 | 5.9  | -1.8 | 3.1 | 0.0 | -2.2 | 1.8  | -6.5 | -3.4 | 8.0  | -0.7 | -1.7 | -0.4 |
| 2014 | -5.0 | 5.4  | -0.1 | 0.2 | 1.9 | 2.2  | -2.6 | 1.5  | -2.6 | 0.5  | 2.3  | -2.2 | 1.2  |

## Risk-Reward \*



● MD Select Ltd Global Equity

● MSCI ACWI NR USD

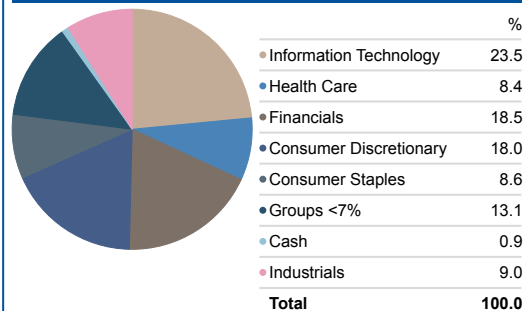
## Investment Objective

To provide long-term capital growth by investing primarily in quoted global equities, that seek to maximise investment returns in US dollars.

## Top 10 Holdings

|                         | Weighting % |
|-------------------------|-------------|
| Visa Inc Class A        | 5.2         |
| Oracle Corp             | 3.8         |
| Alphabet Inc A          | 3.7         |
| iShares MSCI Japan      | 3.6         |
| Microsoft Corp          | 3.5         |
| Illinois Tool Works Inc | 3.5         |
| Prudential PLC          | 3.4         |
| Wells Fargo & Co        | 3.4         |
| JPMorgan Chase & Co     | 3.3         |
| Mastercard Inc A        | 3.3         |

## Asset Allocation



## Operations

|                       |              |
|-----------------------|--------------|
| Price Date            | 2017/03/31   |
| Month end price (USD) | \$ 13.4      |
| ISIN - Class A        | JE00B6VH9P99 |
| Fund AUM (m)          | \$ 203.2     |

## Fund Managers

### Bernard Drotschie

Bernard is Melville Douglas's Head of Equity and the lead manager on the Melville Douglas Global Equity Fund. He holds a BCom (Hons) Econometrics, CFA.

### Mervin Naidoo

Mervin is a senior member of the Global Equity team and is head of the offshore research team while also covering global financial companies. Prior to joining Melville Douglas, he held senior equity research roles at Credit Suisse, J.P Morgan and Andisa Securities. He holds a BCom Hons, CA(SA).

### 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.

## Portfolio Risk

### Risk Profile



**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.

# Melville Douglas Select Fund Ltd - Global Equity Class

## Minimum Disclosure Document as at 31 March 2017

### 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.

### 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, GS.Baillie, M.Farrow, and O.Sonnbichler |
| <b>Registered Office</b>  | 47-49 La Motte Street, St Helier, Jersey          |
| <b>Publication Date</b>   | 26th April 2017                                   |
| <b>Compliance No.</b>     | HX4248  |

### Share Class ISIN

|         |              |
|---------|--------------|
| Class A | JE00B6VH9P99 |
| Class B | JE00YYD6X79  |
| Class C | JE00YYD6X86  |

### Minimum Investment

|         |          |
|---------|----------|
| Class A | \$15 000 |
| 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   |
|----------------|----------------|-----------------|-------|-------|-------|
| <b>Class A</b> | 1.00%          | 5% above HWM    | 1.46% | 0.17% | 1.63% |
| <b>Class B</b> | 1.50%          | NIL             | 1.80% | 0.17% | 1.97% |
| <b>Class C</b> | 1.20%          | NIL             | 1.51% | 0.17% | 1.68% |

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 | Performance Fee | TER   | TC    | TIC   |
|----------------|----------------|-----------------|-------|-------|-------|
| <b>Class A</b> | 1.00%          | 5% above HWM    | 1.36% | 0.17% | 1.53% |
| <b>Class B</b> | 1.50%          | NIL             | 1.80% | 0.17% | 1.97% |
| <b>Class C</b> | 1.20%          | NIL             | 1.51% | 0.17% | 1.68% |

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](http://www.melvilledouglas.co.za)

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

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## Quarterly commentary

The first quarter of 2017 saw a continuation of the optimism that propelled markets to new highs after the November US elections. Towards the end of March, the initial unbridled exuberance gave way to more selective returns as investors began to digest the political limitations, harsh realities and likely compromises that any attempt by the Trump administration to reflate the US economy must necessarily overcome.

That is not to say the market optimism is entirely unfounded: indeed, many fundamental metrics and leading indicators seem to suggest that there is at least some element of synchronized global growth taking hold. While we are unlikely to see global GDP growth return to the long-term trend level soon, the fact that several large developed economies are all showing signs of improvement concurrently positions equity as an attractive asset class for 2017 in our view.

This is particularly true when keeping in mind that the Federal Reserve raised US interest rates another 25bps in March, and signaled that further rate hikes in 2017 are very much on the cards. Fixed income investors face the unappealing certainty of capital erosion in a rising rate environment. Equities tend to outperform bonds in an upturn, as higher rates are counterbalanced by improving earnings growth as the underlying economy recovers.

This doesn't imply that investors should think 2017 will be smooth sailing: if the election results in 2016 taught us anything, it is that the future is inherently unknowable, and unlikely outcomes should be expected. The risk of further political instability in Europe is one such factor, and the German, Italian and French elections will be closely watched for signs of further traction of the protectionist economic mindset that has emerged since the middle of 2016. The negotiations around Brexit are likely to be antagonistic, and geopolitical risk in general has increased, with renewed tensions between the US and China a potential source of risk. On the topic of China, the ongoing transition to a services-led economy has the potential to create dislocations in that economy as the government tries to stimulate domestic demand.

We readily acknowledge all these unknowns – any of which could be the cause of a sharp market correction – but would point out that our investment philosophy is focused on investing in businesses with a durable competitive edge that allows them to grow their profits over a long-term horizon. Unless we have reason to believe the durability of the competitive advantage has been eroded, the intrinsic value of such a company will increase over time, and we would use short-term price volatility to build our positions at attractive prices.

### Outlook

As previously mentioned, we believe there are signs of synchronized global growth from major developing economies. Combined with the Fed hiking rates in the US, we think the outlook for equities are reasonably positive for 2017, barring any major adverse geopolitical outcomes. Emerging markets in particular may benefit, as commodity prices have recovered markedly, and valuations are not as expensive relative to developed markets.

However, as there are several major potential risks to markets – mostly of a political nature – we advocate that investors should be selective about committing capital: returns may diverge dramatically, and investors need to be cautious about the price paid. We will stick to our process: finding businesses with a durable competitive edge that are exposed to markets experiencing structural growth.



#### Disclaimer

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