

Earning their keep (quietly): **un-meme-able investments**

/ By **Bernard Drotschie**
Chief Investment Officer

When the social media age meets global disruption, the line between digital entertainment and financial commentary can be blurred. From conflict in the Middle East to international alliances, viral memes typically get more attention than cogent – “boring” – analysis. That irresistibly shareable video is not just killing commute time; it is contributing to narratives that move markets. However, the half-life of a TikTok post is short. **Fundamentals endure.**

This informs one topic that rarely trends as a short video: bond investing. It hardly lends itself to the latest viral dance. That is part of what makes it so important in times of worldwide tumult. A bundle of South African bonds, for example, is not here to entertain; it is here to do a job.





The virtue of the un-meme-able asset

The job of bonds in a portfolio is to provide a relatively dependable income stream alongside the potential for capital gains – albeit not the thrilling gains one hopes for when allocating capital to businesses at the cutting edge of AI, for example. Content creators have a knack for turning almost anything into social media mania. However, the model has yet to be developed to make debt instruments issued by governments “break the internet”.

Return-of-the-mill

While a tweet might move Tesla, bonds are driven by a different logic entirely. Interest rates are important factors. Rates and bond prices move in opposite directions. Higher-than-expected inflation erodes the real value of coupon payments. And, of course, there is always the risk of default – even governments can run out of money.

If their goal was to conjure up digital delirium or move mimetically, bonds would fail. But they are out to contribute to the overall risk-adjusted return of a strategically constructed portfolio of assets – including the sexy stocks that can trend online.

South Africa's unusual advantage

South African bonds occupy an interesting position in global markets. The country carries the challenges typical of an emerging economy: fiscal pressure, political uncertainty, and a volatile currency. These factors contribute to higher yields on local bonds compared with many developed markets.

For investors, however, those higher yields represent compensation. Simply holding South African government bonds has, historically, generated meaningful income. If inflation moderates or fiscal conditions improve more than the market forecasts, bond prices may also rise, providing investors with capital gains in addition to the income they receive.

This combination of income and potential price appreciation is what makes the local bond market structurally appealing, particularly for investors able to tolerate short-term fluctuations.



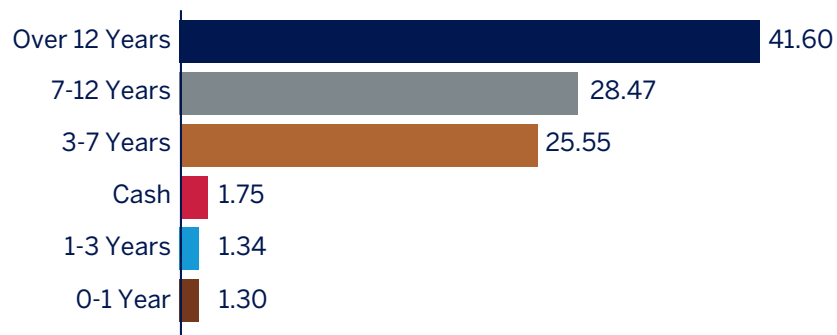
Melville Douglas and South African bonds

A case in point is the Melville Douglas SA Bond Fund. You have almost certainly never seen it trending. However, it may have been quietly working for you in the background.

HOLDINGS ASSET ALLOCATION (%)



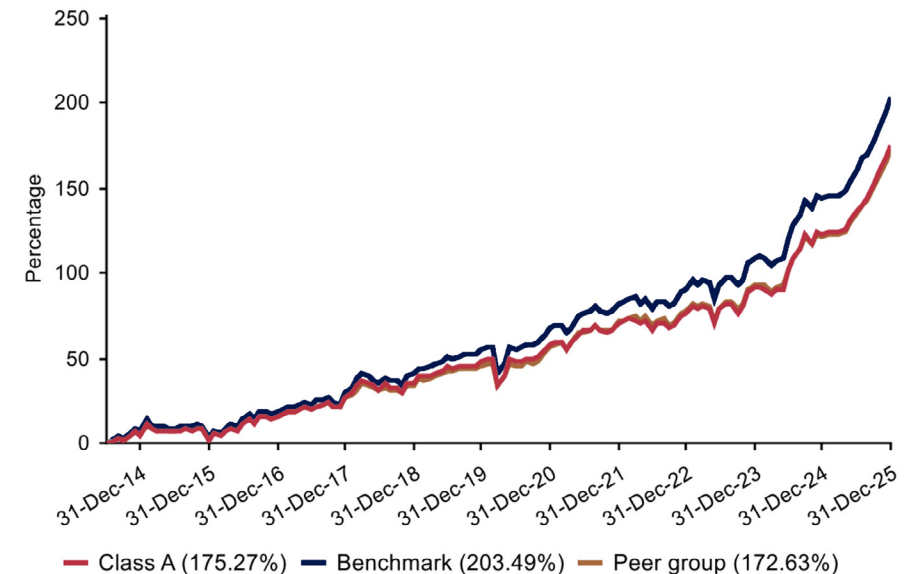
FIXED INTEREST ALLOCATION (%)



Source: Melville Dougals

Aiming at capital preservation and income generation by investing in long-term debt, this fund has produced a cumulative performance of over 175% since its inception in 2014. Throughout this spell, it has trended on social media precisely zero times.

CUMULATIVE PERFORMANCE (%) FROM LAUNCH



[Read more](#) about the Melville Douglas approach and our offerings, including the Melville Douglas SA Bond Fund.



melvilledouglas.co.za

Melville Douglas

Melville Douglas is a subsidiary of Standard Bank Group Limited. Melville Douglas Investment Management (Pty) Ltd. (Reg. No. 1987/005041/07) is an Authorised Financial Services Provider (FSP number 595).

Disclaimer

This article has been prepared for information purposes only and is not an offer (or solicitation of an offer) to buy or sell a product and does not constitute advice by Melville Douglas, it should not be relied upon as such. Contact Melville Douglas before acting on any information in this article, as Melville Douglas makes no representation or warranty about the suitability of a product for a particular client or circumstance. This information is not intended to be, and should not be construed as, tax, investment and/or legal advice.

It's Personal.

