

Melville Douglas Income Fund Limited

US Dollar Income Class

Fund information update at 30 September 2021

What is the fund's objective?

The objective of the Class Fund is to provide a return in excess of its benchmark in US Dollars, whilst seeking to maintain a high degree of capital preservation.

What does the fund invest in?

The Class Fund invests primarily in quality global fixed interest securities, and, where in the opinion of the Investment Manager, direct investment in fixed interest securities will not achieve sufficient diversification to achieve the Class Fund's objective, in other collective investment schemes, money market instruments and cash that will maximise total returns in US Dollars.

What possible risks are associated with this fund?

The risk rating seen below 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.

Risk rating

Conservative	Moderately conservative	Moderate	Moderately aggressive	Aggressive
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What is the suggested investment period for this fund?

Minimum period

1 Month	6 Months	1 Year	3 Years	5 Years	7 Years
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Who should consider investing in this fund?

This fund is suitable for investors who wish to avoid the volatility and risks associated with higher risk asset classes, and are looking for a return over and above that of cash. Investment will be via highly liquid sovereign and investment grade corporate debt, with a focus on capital preservation.

Income

Distribution Dividends may be declared from time to time in accordance with the provisions of Companies (Jersey) Law, 19941 (as amended). Currently, income available for distribution attributable to the Class X Shares of the Fund may be distributed; there is no intention to distribute income on the Class A Shares or Class B Shares.

Declaration 31 March, 30 September

General fund information

Manager(s)	Karl Holden, Simon Bradbury and Bernard Drotschie
Size (NAV)	\$ 75.31 million
Peer group	EAA Fund USD Diversified Bond - Short Term
Benchmark	BB US Gvt 1-10 yrs 60% iBoxx USD Corp 20% JPM Gbl Gvt Bd USD 20%

Section 65

Approved
This Class Fund is approved for sale in South Africa under Section 65 of the Collective Investment Schemes Control Act, 2002 (CISCA).

	Class B	Class C
Launch	28 February 2018	03 June 2020
ISIN number	JE00BF1CWN63	JE00BK987R02
SEDOL code	BF1CWN6	BK987R0
Bloomberg	MDIUSDB JY	MDIUSDC JY
Minimum investment requirements -		
New business	Open	Open
Initial	\$ 2,500	\$ 2,500
Subsequent	\$ 1,000	\$ 1,000

What are the costs to invest in this fund?

Maximum charges

	Class B	Class C
Initial fee (manager)	0.000%	0.000%
Initial fee (adviser)	3.000%	3.000%
Annual fee (manager)	1.050%	0.750%
Annual fee (adviser)	0.000%	0.000%
Performance fee	N/A	N/A

Annual fee (manager) - this is a service charge (% based) applicable to each class of a fund, that is levied on the value of your portfolio and includes the **Annual fee (adviser)** fee (where applicable). Annual fees are calculated and accrued daily and recovered monthly from the income awaiting distribution in the fund.

Cost ratios (annual) including VAT as at 30 September 2021

	Class B	Class C
Based on period from:	01/10/2018	03/06/2020
Total Expense	1.18%	0.86%
Transaction Costs	0.00%	0.00%
Total Investment Charge	1.18%	0.86%
1 Year Total Expense	1.16%	0.86%

Total Expense (TER): This ratio shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated over the period shown and annualised to the most recently completed quarter. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER should not be regarded as an indication of future TERs.

Transaction Costs (TC): This ratio shows the percentage of the value of the fund incurred as costs relating to the buying and selling of the fund's underlying assets. TC are a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, investment decisions of the investment manager and the TER.

Total Investment Charges (TIC): This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct the TIC from performance figures, the performance is already net of the TIC.

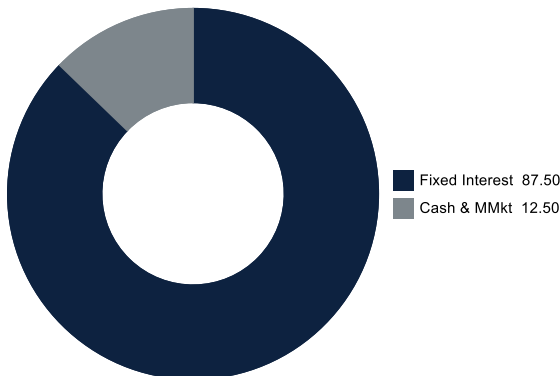
Melville Douglas Income Fund Limited

US Dollar Income Class

Monthly update at 30 September 2021

Holdings

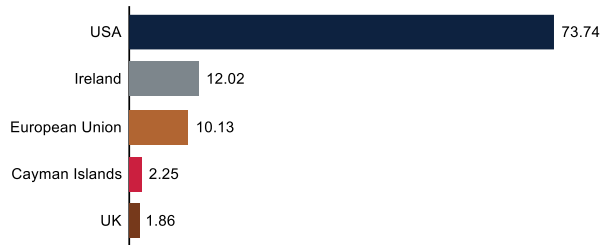
Asset class (%)



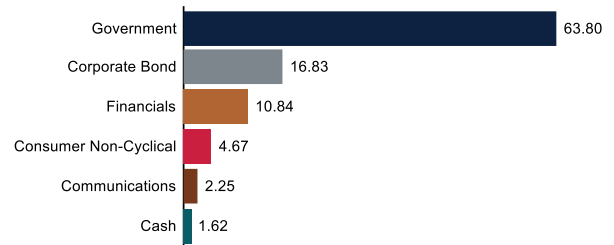
Top holdings (%)

US TSY Note/Bond 2.25% 15/02/2027	12.04
iShares \$ Short Dur Corp Bond UCITS ETF USD (Dist)	10.61
European Investment Bank 2.5% 15/10/2024	9.15
US TSY Note/Bond 2.625% 15/02/2029	7.82
US TSY Note/Bond 2.125% 30/06/2022	7.75
KfW 2.125% 07/08/2023	6.61
US TSY Note/Bond 1.75% 15/11/2029	6.20
Inter-American Dev Bank 1.125% 13/01/2031	6.15
Intl Bank for Recon & Dev 1.5% 28/08/2024	5.77
US TSY Note/Bond 2.875% 31/10/2023	5.31

Country (%)



Category (%)



Performance and Income

Class B Launch: 28 February 2018

Class C Launch: 03 June 2020

Benchmark: BB US Gvt 1-10 yrs (80% from launch to 30/04/20) 60%; iBoxx USD Corp 20%; JPM Gbl Gvt Bd USD (from 01/05/20) 20%

Peer group: EAA Fund USD Diversified Bond - Short Term

Returns (%)	YTD	1yr	2yrs	3yrs	Launch
Class B					
Class	-1.52	-1.47	1.39	2.71	2.26
Benchmark	-2.04	-1.11	2.80	4.70	4.04
Peer group	0.10	0.74	1.48	2.01	1.83
Class C					
Class	-1.29	-1.17			-0.69
Benchmark	-2.04	-1.11			0.26
Peer group	0.10	0.74			0.23

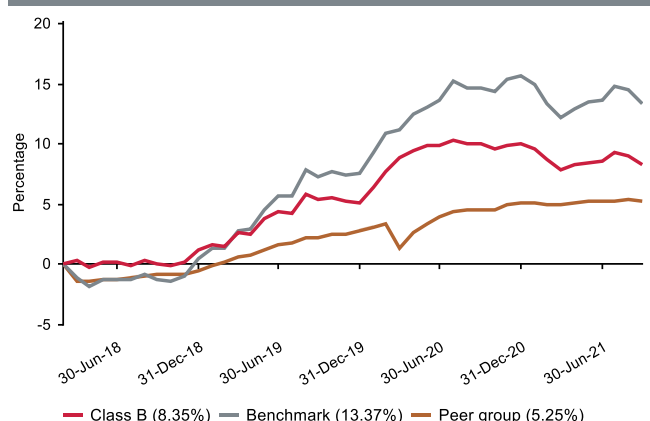
Returns (%) shown are cumulative for all periods shorter than or equal to 1 year and annualised for all periods greater than 1 year.

Statistics (%)	1yr	2yrs	3yrs	Launch
Class B				
Positive Months	6	14	21	24
Max Gain	1.25	4.90	10.42	10.57
Max Drawdown	-1.92	-2.17	-2.17	-2.17
Highest	4.62	6.68	6.68	6.68
Lowest	-1.47	-1.47	-1.47	-1.47
Class C				
Highest	-0.57			-0.57
Lowest	-1.17			-1.17

Highest - this reflects the highest 12 month return during the period.

Lowest - this reflects the lowest 12 month return during the period.

Cumulative performance (%) from Launch



Melville Douglas Income Fund Limited

US Dollar Income Class

Quarterly update at 30 September 2021

Who are the investment managers?



Karl Holden

Head of International Fixed Interest and Currency Strategy

Karl joined Standard Bank in 1991 and specialises in global fixed income and currency markets. He is lead manager of the Melville Douglas Income funds and also manages the investments of a number of high-net-worth clients. 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. Karl is based in Jersey.



Simon Bradbury

Fixed Income and Currency Strategy

Simon joined Standard Bank in 2002, with over 30 years' experience in the finance industry. He has built up extensive knowledge of global wealth management solutions, specialising in international fixed income and currency markets. He is co-manager of the Melville Douglas Income and Enhanced Income Funds, whilst he also manages the investments of a number of high-net-worth clients. Simon is a Chartered Fellow of the Chartered Institute For Securities and Investment and has been awarded Chartered Wealth Manager status.



Bernard Drotschie

BCom (Hons), CFA, CFP
Chief Investment Officer

Bernard joined Melville Douglas in 2002 as a portfolio manager and analyst, prior to which he worked for Absa Asset Management. He is the lead manager on the Melville Douglas Global Growth Fund (USD) and co-manages the Melville Douglas Balanced Fund (USD) and the Melville Douglas Income Funds. He holds a BCom (Hons) degree in Econometrics, is a CFA® Charterholder and a Certified Financial Planner™ professional.

Melville Douglas Investment Management (Pty) Ltd, FSP 595, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act 2002, manage the investments of the fund. Since 1983 Melville Douglas has been delivering superior investment returns across a number of asset classes. As a global boutique investment management company within the Standard Bank Group, we are uniquely positioned to offer domestic and offshore investment solutions. What truly sets Melville Douglas apart is our experienced investment team and our approach to investing – driven by balance, a long-term view and a commitment to fundamental research – which informs our investment decisions across the board.

Fund review

The objective of the Class Fund is to provide a return in excess of its benchmark in US Dollars, whilst seeking to maintain a high degree of capital preservation, by investing primarily in quality global fixed interest securities, and, where in the opinion of the Investment Manager, direct investment in fixed interest securities will not achieve sufficient diversification to achieve the Class Fund's objective, in other collective schemes, money market instruments and cash that will maximise total returns in US Dollars.

The Fund's performance for the period was -0.20% (A Class) and +0.00% (X Class) versus the Fund's benchmark return of -0.22%. Year-to-date the Fund has delivered -1.44% (A Class) and -0.85% (X Class) ahead of the benchmark return of -2.04%.

Performance is also markedly ahead of the SA Peer Group ((ASISA) Global IB Variable Term) which is down -5.02% YTD.

Market overview

US government bond yields have risen sharply since early August with the 10-year benchmark closing the quarter at 1.49%. A number of domestic and global factors have combined to pressure yields higher but perhaps most notable was the Federal Reserve's hawkish tilt in September, indicating that a reduction in monthly bond purchases (tapering) may commence in November and half of Fed officials now see the first increase in interest rates by the end of next year. These forecasts are not written in stone and clearly, the Fed will evaluate the economic landscape 'post-quantitative easing' (QE) before committing to any tightening in monetary policy, but it is evident that there are firm intentions to begin unwinding emergency pandemic policies and the bond market is once again taking note.

Looking ahead

We see many pillars of support that should ensure economic conditions remain above trend over the medium term. Notably, fiscal support measures should continue to aid growth and as above, barring a policy error, the withdrawal of easy monetary conditions will be sanctioned at a gradual pace ensuring ongoing accommodative support relative to the economic backdrop. In addition, consumer's 'pent-up demand' is not necessarily yesterday's story and is emboldened by the positive wealth effect from asset price inflation. Employment trends remain constructive with job openings at record levels and resultant supply/demand forces are pushing wage negotiations in favour of the employee in many areas.

Elevated inflation has proved to be a lot more problematic than the Fed envisaged when it pre-emptively calmed markets with its 'run hot' mantra last year. Strong demand met by ongoing supply chain issues and bottlenecks have allowed inflation to remain somewhat 'stickier' than anticipated and earlier forecasts for a short-lived rise and fall have not yet materialised. Without doubt, US headline inflation will not remain above 5% in the coming quarters, but it has to fall precipitously to re-visit the Fed's comfort level and ongoing strength in many key commodity prices and liquidity rich consumer demand may just keep it 'running hot' for a while longer.

With the above in mind, we believe the US government bond market continues to under-price the risk of the Fed's willingness to reign in emergency policies in an environment which currently justifies it. Relative to current growth and inflation, yields are clearly out of sync but we think relative to where both will settle after the storm in coming quarters, they still appear rich. The Fund's strategy remains defensively positioned from a duration perspective which has and continues to add relative value this year.

Investment grade (IG) corporate bond spreads ended the quarter almost unchanged. New issuance and subsequent investor buying both remain strong as the rush for cheap borrowing costs continues to be met by demand for every additional basis point in the ongoing low yield environment. We continue to believe that longer-dated IG bonds remain exposed given (near) historically tight spread levels and our view that US Treasury yields at the ten-year area of the curve will test 2% in the coming quarters – in effect we do not expect spreads to tighten more than government bond yields will rise. Whilst we retain an overweight allocation in this space, exposure is predominantly targeted at the shorter end of the maturity.

High yield (HY) spreads widened slightly in the quarter with the broader market posting near flat returns. The lack of further significant spread compression indicates to us that the early July historical low for spreads may have been set as a firm resistance level. The yield pick-up in HY markets remains a draw in the current environment but perhaps the exceptionally strong performance from these markets in recent quarters has factored in a lot of the good news and some attention may now be paid to the upcoming removal of ultra-easy monetary conditions. Unless an unknown 'risk off' event disturbs markets, we remain constructive and subsequently overweight HY for yield enhancement, but we are mindful that most of the capital gains in the current cycle may be in the rear-view mirror.

The US Dollar has been rising sharply since May and now sits close to its highest level for this year. The US economy may have experienced 'peak growth' but the outlook remains sufficiently firm for the Federal Reserve to consider tapering QE purchases before year-end, opening the prospect of a tightening in monetary policy in 2022. In this respect, the US also holds an advantage from not only a current but also forward looking 'carry' perspective. It is plausible that other developed nations enjoy periods of economic outperformance versus the US which may lead to bouts of strength for the likes of the Euro and Sterling. However, for now the United States remains the front runner and until the yield and growth outlook turns in favour of other major economies, we maintain our overweight allocation.

The commentary gives the views of the portfolio manager at the time of writing. Any forecasts or commentary included in this document are not guaranteed to occur.

Melville Douglas Income Fund Limited

US Dollar Income Class

Change in allocation of the fund over the quarter

Asset type	Q3 2021	Q2 2021	Change
Cash & MMkt	12.50	7.54	4.96
Fixed Interest	87.50	92.46	-4.96

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (\$)	Units	NAV (\$)
B	Retail	10.83	273,504.53	2,963,378.57
C	Retail	9.91	321.20	3,182.54

All data as at 30 September 2021.

Units – amount of participatory interests (units) in issue in relevant class.

Important information at 30 September 2021

Disclosures

Collective Investment Funds (CIF) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to future performance. CIF are traded at ruling prices and can engage in borrowing and scrip lending.

The US Dollar Income Class is a class fund of the Melville Douglas Income Fund Limited (the Fund). The Fund is an 'umbrella fund' and an open-ended investment fund company registered by way of continuation in Jersey under a certificate of continuance dated 31 March 2003 with limited liability under the Law as a no par value company. The Fund is regulated as a Collective Investment Fund by the Jersey Financial Services Commission. The manager of the Fund is STANLIB Fund Managers Jersey Limited (the Manager). The Manager is 100% owned by STANLIB Asset Management (Pty) Limited, which is wholly owned by STANLIB Limited, which is wholly owned by Liberty Holdings Limited. Liberty is a full member of the Association for Savings and Investments of South Africa (ASISA). The manager has a right to close a portfolio to new investors in order to manage the portfolio more efficiently in accordance with its mandate. The Manager does not provide any guarantee either with respect to the capital or the return of the class fund. A schedule of fees and charges and maximum commissions is available on request from the Manager. The custodian/trustee of the Fund is Apex Financial Services (Corporate) Limited (the Custodian). The Fund, the Manager and the Custodian are regulated by the Jersey Financial Services Commission.

The investments of this class fund are managed, on behalf of the Manager, by Melville Douglas Investment Management (Pty) Ltd (the Investment Manager), an authorised financial services provider (FSP), FSP No. 595, under the Financial Advisory and Intermediary Services Act (FAIS), Act No. 37 of 2002. The Investment Manager, pursuant to a distribution agreement made between it and the Manager, acts as distributor to the class fund in South Africa.

STANLIB Collective Investments (RF) (Pty) Limited is the appointed Fund's representative in the RSA, by the Manager, in respect of the Fund. The RSA Representative is responsible for assisting the Fund with compliance with RSA regulatory requirements in respect of certain Classes to be marketed to investors in the RSA.

Prices are calculated and published on each working day, these prices are available on the Manager's website (www.stanlib.com). This portfolio is valued at 23h59 (GMT). Forward pricing is used. Investments and repurchases will receive the price of the next day if received prior to 14h30 (GMT). Settlement must be made in the relevant class fund's base currency.

This portfolio is permitted to invest in foreign securities. Should the portfolio include any foreign securities these could expose the portfolio to any of the following risks: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information.

All return figures quoted are in USD, as at 30 September 2021, based on data sourced from Morningstar.

Annualised return figures are the compound annualised growth rate (CAGR) calculated from the cumulative return for the period being measured. These annualised returns provide an indication of the annual return achieved over the period had an investment been held for the entire period. Actual annual figures are available on request from the Manager.

Fund performance figures are calculated for the relevant class of the Fund, for a lump sum investment, on a NAV-NAV basis, with income reinvested on the ex-dividend date. Individual investor performance may differ due to initial fees, actual investment date, date of reinvestment of income and dividend withholding tax. Fund performance figures account for all costs that contribute to the calculation of the cost ratios quoted, all fund returns quoted are therefore after these costs have been accounted for.

Statistics - Positive Months: the number of individual 1 month periods during the specified time period where the return was not negative; Max Gain: the maximum gain in a trough-to-peak incline before a new trough is attained, quoted as the percentage between the trough and the peak. It is an indicator of upside risk over a specified time period (quoted for all periods of 1 year or longer); Max Drawdown: the maximum loss in a peak-to-trough decline before a new peak is attained, quoted as the percentage between the peak and the trough. It is an indicator of downside risk over a specified time period (quoted for all periods of 1 year or longer, where blank no loss was experienced); Highest and Lowest: the highest and the lowest 1 year return (%) that occurred during the specified time period (quoted for all relevant classes launched 1 year or more prior to current month end date).

Additional information about this product including, but not limited to, brochures, application forms and annual or quarterly reports, can be obtained free of charge, from the Investment Manager and from the Investment Manager's website (www.melvilledouglas.co.za).

This document does not constitute an offer of sale. Investors are requested to view the latest Prospectus and Minimum Disclosure Document for information pertaining to this product, as well as seeking professional advice, should they be considering an investment in this product. The Manager provides no guarantee or warranty as to the accuracy of the content of this document. Every effort has been made to ensure that the content is accurate at time of issue. This document is not advice, as defined under FAIS. Please be advised that there may be a representative acting under supervision.

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