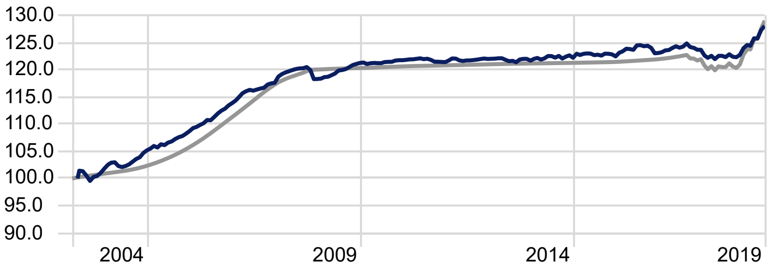
Melville Douglas Income Fund Ltd
US Dollar Class (the "Fund")

Minimum Disclosure Document as at 30 June 2019

Investment Growth***



Melville Douglas IFL USD Income Acc A   80% US Gvt 1-10yrs, 20% US Corporate

Trailing Returns***

	1 Month	YTD	1 Year	3 Years	5 Years	10 Years
Melville Douglas IFL USD Income Acc A	0.6	3.3	4.5	1.0	0.9	0.7
80% US Gvt 1-10yrs, 20% US Corporate	1.1	5.1	7.1	2.0	1.3	0.7

Risk Matrix *

	Class A	Benchmark
Information Ratio (arith)	-1.2	
Std Dev	1.6	1.9
Sharpe Ratio **	-0.5	-0.4

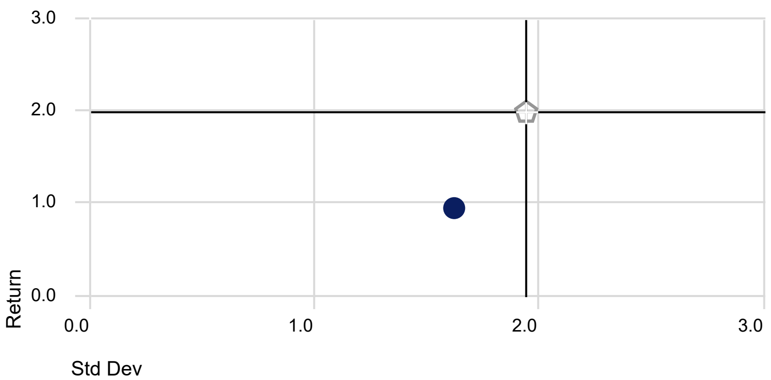
Highest and lowest 12 month rolling returns since inception

Highest 12 month rolling return	5.4
Lowest 12 month rolling return	-1.8

Monthly Returns***

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	0.5	-0.1	1.1	0.0	1.2	0.6							
2018	-0.8	-0.3	0.3	-0.5	0.5	0.0	-0.2	0.4	-0.4	-0.1	0.3	1.0	0.2
2017	0.1	0.3	0.1	0.3	0.3	-0.2	0.2	0.5	-0.5	-0.1	-0.3	0.0	0.5
2016	0.6	0.2	0.4	0.0	-0.1	0.7	0.0	-0.2	0.1	-0.3	-0.8	0.0	0.5
2015	0.6	-0.2	0.2	0.1	0.0	-0.2	0.1	-0.1	0.3	0.0	-0.1	-0.3	0.2
2014	0.3	0.1	-0.2	0.2	0.4	0.0	-0.2	0.3	-0.4	0.3	0.2	-0.4	0.4

Risk-Reward *



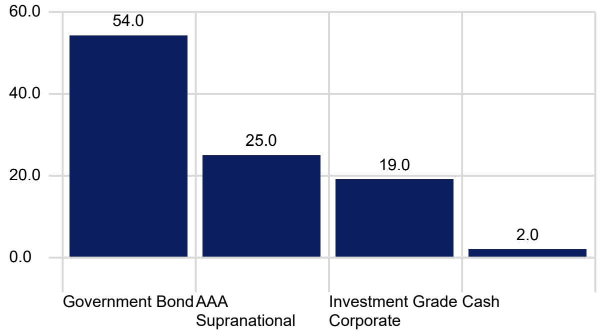
Melville Douglas IFL USD Income Acc A   80% US Gvt 1-10yrs, 20% US Corporate

Not to be distributed outside of Jersey and South Africa

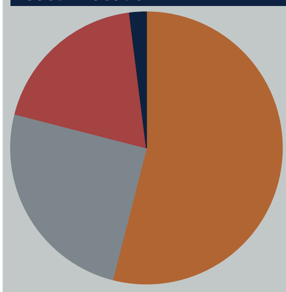
Investment Objective

To provide a return in excess of the benchmark in US Dollars, whilst maintaining a high degree of capital preservation by investing in quality fixed interest securities, selected collective investment vehicles, money market instruments and cash in order to maximise investment returns in US Dollars.

Security Sector



Asset Allocation



	%
Government Bond	54.0
AAA Supranational	25.0
Investment Grade Corporate	19.0
Cash	2.0
Total	**100.0**

Operations

Name	Melville Douglas IFL USD Income Acc A
Month end price (USD)	$ 170.4
Total fund AUM (m)	$ 69.5

Fund Managers

Karl Holden
Karl specialises in global fixed income and currency markets. He is also a co-manager of the Melville Douglas Balanced Fund. 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.

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

* 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.
The benchmark of the fund at launch was 100% USD Libor Overnight. This was changed on 31 August 2017 to 80% US Govt 1-10 years/ 20% US Corporate Bond

Source: Morningstar Direct, Melville Douglas Investment Management

Melville Douglas Income Fund Ltd
US Dollar Class

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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

Manager	STANLIB Fund Managers Jersey Limited
Investment Manager	Melville Douglas Investment Management (Pty) Ltd
Custodian	Link Corporate Services (Jersey) Limited
Auditors	PwC, Ireland
Fund Directors	H.Holmes, GS.Baillie, M.Farrow, and O.Sonnbichler
Registered Office	47-49 La Motte Street, St Helier, Jersey
Publication Date	15 July 2019
Compliance No.	7ZB645

Share Class ISIN

Class A	JE00B54RMC79
Class B	JE00BF1CWN63

Minimum Investment

Class A	Closed to new investments
Class B	USD 2 500

Launch Date

Class A	March 2003
Class B	01 September 2017

Fund Costs- 12 months

Fee Class	Current Management Fee	TER	TC	TIC
Class A	0.80%	1.09%	0.00%	1.09%

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. TER reflected is 1 month in arrears. Estimated transaction costs may include Bond, Money Market and FX Costs (where applicable). Where a Share Class has been in existence for less than 12 months, no TER is reflected.

Fund Costs- 36 months

Fee Class	Current Management Fee	TER	TC	TIC
Class A	0.80%	0.91%	0.00%	0.91%

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. TER reflected is 1 month in arrears. Estimated transaction costs may include Bond, Money Market and FX Costs (where applicable). Where a Share Class has been in issue for less than 36 months, no TER is reflected.

Contact Details

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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 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 and Melville Douglas Income Fund Limited are regulated by the Jersey Financial Services Commission.

Prices are calculated and published daily and are available from the manager on request.

Performance figures are calculated for the relevant class on a NAV basis.

Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending. Collective Investment Schemes are generally medium to long-term investments.

An investment management agreement exists between the Fund, the Manager and Melville Douglas Investment Management (Pty) Ltd exists 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 appointed 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.

Melville Douglas Income Fund Ltd
US Dollar Class

MelvilleDouglas
A Member of Standard Bank Group

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Quarterly Commentary

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 maximize total returns in US Dollars.

The Fund's performance for the period was 1.82% versus the Fund's benchmark return of 2.76%.

Market Overview

Yields across the entire US government yield curve fell sharply in the quarter with the market now discounting at least one interest rate cut before year end. This rapid re-pricing in monetary policy expectations has effectively pushed the Federal Reserve (Fed) into a corner whereby it threatens to disturb the ongoing resilience in risk assets if it doesn't deliver some level of cautionary easing in the third quarter. On one hand, it seems at odds with conventional monetary policy that the central bank should be considering rate cuts at a time when equity markets are at or close to all-time highs, the employment market is robust and general domestic economic data suggests that overall growth conditions remain at or above trend. On the other, it appears that the Fed's dual mandate (targeting employment and inflation) has expanded to include keeping equity markets in a constant state of high spirits. To put this into perspective, we recall the catalyst for the equity market sell-off in late December 2018, namely the US central bank describing interest rates as 'far from neutral' (i.e. they had further to rise). The rest is history as they say, but put bluntly, equity markets fell sharply and were then subsequently (and rapidly) reinvigorated by what can only be described as a complete U-turn in the Fed's interest rate outlook – and this goes a long way to explain the decline in bond yields so far this year.

Looking Ahead

There are of course many other factors at play, not least the ongoing trade war with China that many had hoped would have been at least partially put to bed by now. On reflection, expecting China to just 'roll over' was optimistic given their rapid ascent in the 'superpower' league table. In addition, it would be wise to remember that China has a considerable monetary war chest at its disposal including 4% plus interest rates, a currency that they can effectively devalue at will and not forgetting the over $1 trillion IOU from America in the form of US Treasury stock. Without doubt, the trade war has weighed on sentiment and more recently evidence is coming through in the hard numbers with manufacturing activity declining on a global scale. In fact, in the first quarter of 2019 global trade expanded at an annual pace of just 0.4%, down from 4.3% in the same period a year earlier.

This in turn brings the next big issue into play, namely the length and resilience of the US economic expansion which is just about to enter the record books as the longest in history. When near the top of the ladder everybody knows there is only one way you can go and with the dampening effects of previous rate hikes catching up and fading stimulus from President Trump's tax cuts, the economy, it appears, is searching for its next sugar rush and for the time being, it has been delivered in the form of expectations of lower interest rates. This is where our thinking is slightly at odds with the market consensus. Firstly, we do not think that the Fed are about to embark on a full-blown easing cycle but rather a modest recalibration to keep things ticking over whilst the uncertainty from trade wars drags on. The Fed will not want to use up too much of its monetary ammunition at a time when the economy still looks pretty solid – it would be wise to save rate tools for the next recession, which make no mistake, will rear its head at some stage. In effect, we have something of a balancing act in play, but the reaction from the bond market is suggesting something more sinister. Whilst we cannot ignore the allure of the US bond market given that over $12 trillion of global debt is now offering negative yields, we think US government yields are too low relative to both the underlying economic fundamentals and the level to which the Fed will ultimately cut interest rates. Put simply, the Fed are not running to rescue an economy that is going into a wholesale reverse (i.e. suggestive of a prolonged easing cycle), it is acting to keep it moving at a solid pace.

Whilst we cannot profess to know the outcomes of the trade war negotiations and we understand that it could quickly escalate into a serious global issue (if it hasn't already), we do know that manufacturing in the US only accounts for a small portion of overall gross domestic product (GDP) and the dominant force of 'services' continue to be underpinned by a strong and growing workforce receiving above inflation pay rises.

In broad value terms, the US Dollar fell in the quarter and is now roughly flat year-to-date. Given heightened expectations for an interest rate cut in July, it is perhaps not unsurprising that the US Dollar has recently surrendered some gains, but we believe it is still too early to assume this is the start of a prolonged downturn in the currency. Notwithstanding the obvious yield and economic growth advantage versus most developed market peers, the US Federal Reserve has monetary firepower in the ability to lower interest rates from the current 2.5% to counteract weaker growth conditions. This is in stark contrast to others such as the Eurozone and Japan where rates are already negative and the benefits of cutting any deeper remain in question. In addition, with inflation in both regions below target and a cloudy outlook for manufacturing given trade wars, the respective central banks are unlikely to be too disheartened if their currencies remain weaker for longer. Perhaps the best for the US Dollar is in the rear-view mirror and on a purchasing parity basis it is undoubtedly overvalued, but we see few catalysts in the current environment that could drive it sharply lower over the short to medium term. We prefer to get 'paid to wait' and for the time being, that is the luxury the US Dollar affords even if the tide may be slowly turning. The Fund remains fully invested in base currency until our conviction is high enough to venture into sub-zero yielding alternatives.

From a duration strategy perspective, whilst the Fund remains underweight relative to benchmark which has weighed on relative returns in the period, we have been cognisant of the market's will to push yields lower and have been moderately extending overall maturities. This in turn, has resulted in solid returns over and above comparable cash yields during the quarter but as mentioned above, we are not confident that yields will continue to move materially lower from current levels – it is possible this year's returns may have been frontloaded in H1.

Fund Prospectus, application forms as well as annual and interim financial statements, are available at www.melvilledouglas.com

Source: Morningstar Direct, Melville Douglas Investment Management