

# Melville Douglas Income Fund Ltd

## Enhanced Income US Dollar Class (the "Fund")

Minimum Disclosure Document as at 31 December 2019



### Investment Growth\*\*\*



— Melville Douglas IFL USD Enh Inc X Acc — Barclays USD Overnight Index

### Trailing Returns\*\*\*

	1 Month	3 Months	6 Months	1 Year	Since Inception
Melville Douglas IFL USD Enh Inc X Acc	0.12	0.43	0.90	1.6	
Barclays USD Overnight Index	0.14	0.42	1.00	2.2	1.6

### Risk Matrix \*

	Class X		Benchmark		
Information Ratio (arith)					
Std Dev					
Sharpe Ratio **					

### Highest & Lowest 12 Month Rolling Return

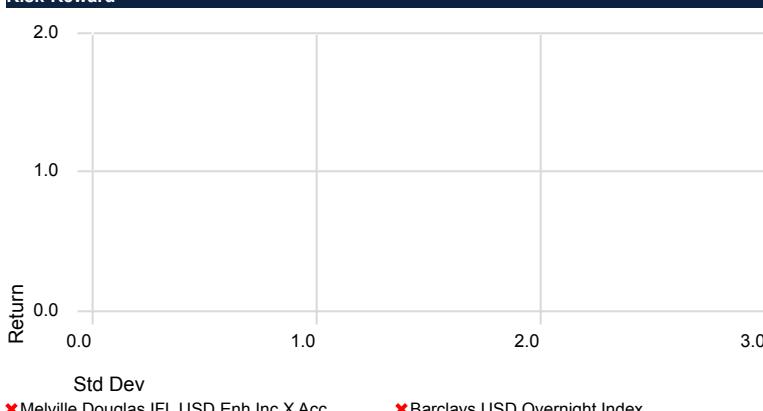
Highest 12 Month Rolling Return

Lowest 12 Month Rolling Return

### Monthly Returns\*\*\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019		0.2	0.3	0.2	0.1	0.2	0.1	0.2	0.1	0.1	0.1	0.1	

### Risk-Reward \*

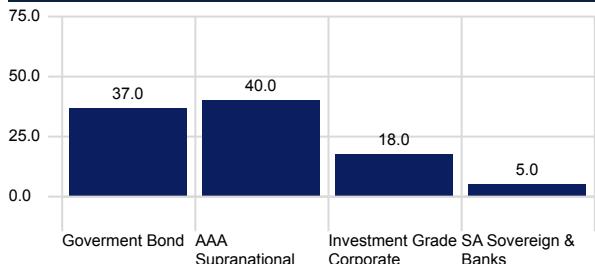


Not to be distributed outside of Jersey

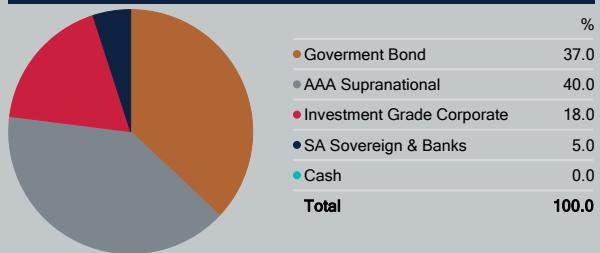
### Investment Objective

The objective of the fund is to provide a return in excess of the Barclays Benchmark Overnight USD Cash index, whilst maintaining a high degree of capital preservation, by investing primarily in quality fixed, floating and inflation linked securities.

### Security Sector



### Asset Allocation



### Operations

Name	Melville Douglas IFL USD Enh Inc X Acc
Month End Price (Current Class)	\$10.2
Total Fund Value	\$37.4 Million

### 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.

#### Simon Bradbury

Simon has built up extensive knowledge of global wealth management solutions, specialising in international fixed income and currency markets, and is the co-manager of the Melville Douglas Income and Enhanced Income funds. Simon is a Chartered Fellow of the Chartered Institute For Securities and Investment, and has been awarded Chartered Wealth Manager status.

#### Bernard Drotchie

Bernard is the 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 X 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.

## 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>	Apex Financial Services (Corporate) Limited.
<b>Auditors</b>	PwC, Ireland
<b>Fund Directors</b>	GS.Baillie, M.Farrow, and O.Sonnichler
<b>Registered Office</b>	47-49 La Motte Street, St Helier, Jersey
<b>Publication Date</b>	15 January 2020

## Share Class ISIN

Class X	JE00BFM13T58
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## Minimum Investment

Class X	USD 1 000 000
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## Launch Date

Class X	21 March 2019
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## Fund Costs- 12 months

Fee Class	Management Fee*	TER	TC	TIC
Class X	0.15%	0.26%	0.01%	0.27%

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).

\*Management fee includes fee payable to Manco

## Fund Costs- 36 months

Fee Class	Management Fee*	TER	TC	TIC
Class X	0.15%	0.26%	0.01%	0.27%

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).

\*Management fee includes fee payable to Manco

## Contact Details

### Melville Douglas Investment Management (Pty) Ltd

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

## 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 share price. This is an accumulation portfolio and does not distribute income. Telephone calls may be recorded. Apex Financial Services (Corporate) 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 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.

## Quarterly Commentary

### Fund Review

The objective of the Class Fund is to provide a return in excess of the Barclays Benchmark Overnight USD Cash Index, whilst seeking to maintain a high degree of capital preservation. Investment will primarily be in quality fixed, floating and inflation linked interest bearing securities, and, where in the opinion of the Investment Manager, direct investment in direct securities will not achieve sufficient diversification to achieve the Class Fund's objective, the fund may also invest in other collective investment schemes

The Fund's performance for the period was 0.43% versus the Fund's benchmark return of 0.42%.

### Market Overview

Developed market government yields have been rising since early September, in line with the fade in some factors that have helped support bond markets over recent quarters. It appears, for now at least, that worst case scenarios for both trade wars (phase one) and BREXIT have been avoided although both will remain important factors in the year ahead. The positive sentiment from recent news flow on these events has been married with some more encouraging global manufacturing data and importantly, confirmation that the US, Germany and UK have avoided recessions – the former convincingly so. Deeper, and potentially less effective, negative interest rates in the Eurozone seem to be off the cards for now amid mounting speculation that some fiscal assistance is on the horizon thanks to the affordability offered by ultra-low and often negative yields. The US Federal Reserve are telling investors that three 'insurance' interest rate cuts this year are more than enough given the ongoing broad strength in the US economy and as a result, the dreaded inversion of the yield curve (recession indicator) appears behind us for now. The direction for government yields in 2020 remains a difficult call thanks to the ever increasing geo-political influence, but fundamentally we still view global bond markets as expensive. As above, some uncertainties (trade wars/BREXIT) have eased and global central banks have loosened policy further, all whilst economic growth conditions have fared better than many expected. The icing on the cake in the period ahead could be some co-ordinated fiscal easing which would support economies without the need for even deeper interest rate cuts. The last few months has brought us encouraging signs that some key global economic data points are bouncing off their lows and a continuation of this theme in the New Year should be justification enough for yields to trend higher in the months ahead.

### Looking Ahead

The record breaking length of the US economic expansion has naturally led investors to increasingly fret about the timing of the next recession. For much of 2019, their fears were heightened by ever declining US government bond yields which were all but predicting the wait wouldn't be too long. Yet, despite an understandable decline in manufacturing (which contributes less than 15% to US GDP), the economy's resilience has been very impressive. The dreaded two consecutive quarters of negative growth (recession) seem a distant prospect with the economy averaging an annualised GDP rate of 2.4% in January through September. It appears the side effects (cheaper money, higher equity markets, tighter credit spreads etc.) of the Federal Reserve's late 2018 turnaround to 'all out doves' has worked its magic and the US consumer remains resilient safe in the knowledge that the employment market remains exceptionally strong.

The Fund has performed in line with the benchmark over the quarter, and has outperformed since launch in March 2019. The Fund has maintained a defensive duration position throughout the period, however we have found opportunities to slightly increase duration in recent weeks as the yield curve steepened over the fourth quarter. This change of dynamic at the short-end of the curve has primarily been driven by the Fed's intervention in the cash market via T-Bill purchases with the primary objective of additional liquidity in the Repo market. More recently, we have increased exposure both supranational and selective investment grade corporate bond positions, enabling the Fund to lock into more favourable yields.