

# Melville Douglas Income Fund Limited

## US Dollar Bond Class

Fund information update at 30 September 2022

### 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
--------------	-------------------------	----------	-----------------------	------------

### What is the suggested investment period for this fund?

#### Minimum period

1 Month	6 Months	1 Year	3 Years	5 Years	7 Years
---------	----------	--------	---------	---------	---------

### 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

<b>Manager(s)</b>	Karl Holden, Simon Bradbury and Bernard Drottschie
<b>Size (NAV)</b>	\$ 87.99 million
<b>Peer group</b>	EAA Fund USD Diversified Bond - Short Term
<b>Benchmark</b>	BB US Gvt 1-10 yrs 60% iBoxx USD Corp 20% JPM Gbl Gvt Bd USD 20%
<b>Section 65</b>	Approved

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

	<b>Class B</b>	<b>Class C</b>
<b>Launch</b>	28 February 2018	03 June 2020
<b>ISIN number</b>	JE00BF1CWN63	JE00BK987R02
<b>SEDOL code</b>	BF1CWN6	BK987R0
<b>Bloomberg</b>	MDIUSDB JY	MDIUSDC JY
<b>Minimum investment requirements -</b>		
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

	<b>Class B</b>	<b>Class C</b>
<b>Initial fee (manager)</b>	0.000%	0.000%
<b>Initial fee (adviser)</b>	3.000%	3.000%
<b>Annual fee (manager)</b>	1.050%	0.750%
<b>Annual fee (adviser)</b>	0.300%	0.000%
<b>Performance fee</b>	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 2022

	<b>Class B</b>	<b>Class C</b>
<b>Based on period from:</b>	01/10/2019	03/06/2020
<b>Total Expense</b>	1.17%	0.86%
<b>Transaction Costs</b>	0.00%	0.00%
<b>Total Investment Charge</b>	1.17%	0.86%
<b>1 Year Total Expense</b>	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.

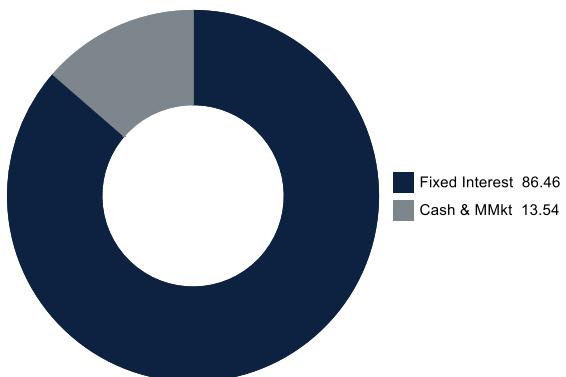
# Melville Douglas Income Fund Limited

## US Dollar Bond Class

Monthly update at 30 September 2022

### Holdings

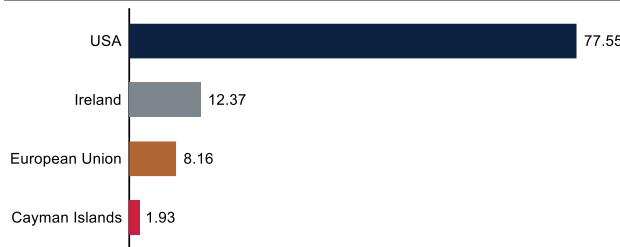
#### Asset class (%)



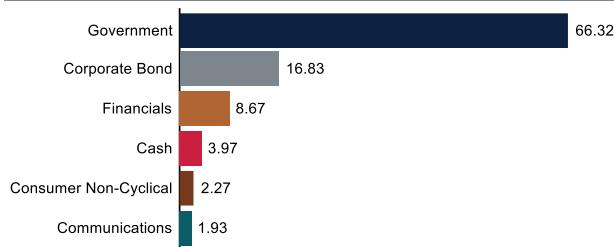
#### Top holdings (%)

US TSY Note/Bond 1.875% 15/02/2032	13.41
iShares \$ Short Dur Corp Bond UCITS ETF USD (Dist)	10.86
US TSY Note/Bond 2.25% 15/02/2027	10.52
US TSY Note/Bond 1.75% 15/11/2029	9.92
European Investment Bank 2.5% 15/10/2024	7.12
Inter-American Dev Bank 1.125% 13/01/2031	6.89
Intl Bank for Recon & Dev 1.5% 28/08/2024	6.18
US TSY Note/Bond 2.625% 15/02/2029	5.63
KfW 2.125% 07/08/2023	5.37
US TSY Note/Bond 2.875% 31/10/2023	5.36

#### Country (%)



#### Category (%)



### Performance and Income

Class B Launch: 28 February 2018

Class C Launch: 03 June 2020

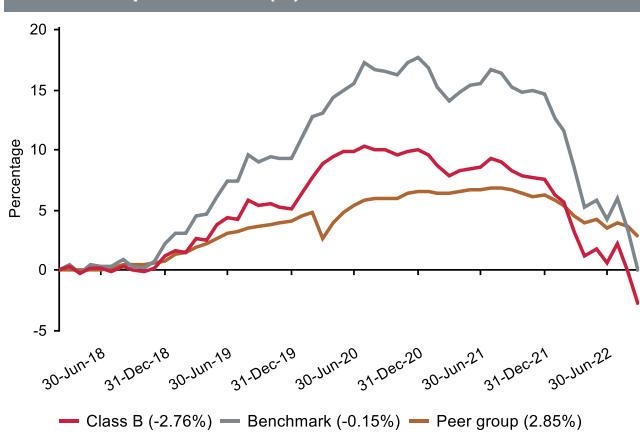
Benchmark: BB US Gvt 1-10 yrs (80% from launch to 30/04/20) 60%; iBoxx USD Corp 20%; JPM Glbl Gvt Bd USD (from 01/05/20) 20%

Peer group: EAA Fund USD Diversified Bond - Short Term

Returns (%)	1yr	2yrs	3yrs	4yrs	Launch
<b>Class B</b>					
Class	-10.25	-5.97	-2.65	-0.69	-0.61
Benchmark	-13.36	-7.44	-2.90	-0.14	-0.03
Peer group	-3.62	-1.46	-0.25	0.57	0.62
<b>Class C</b>					
Class	-9.96	-5.67			-4.79
Benchmark	-13.36	-7.44			-5.84
Peer group	-3.62	-1.46			-1.44

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

#### Cumulative performance (%) from Launch



Statistics (%)	1yr	2yrs	3yrs	4yrs	Launch
<b>Class B</b>					
Positive Months	2	8	16	23	26
Max Gain	-	0.41	4.90	10.42	10.57
Max Drawdown	-10.25	-11.61	-11.84	-11.84	-11.84
Highest	-1.61	4.62	6.68	6.68	6.68
Lowest	-10.25	-10.25	-10.25	-10.25	-10.25
<b>Class C</b>					
Highest	-1.31	-0.57			-0.57
Lowest	-9.96	-9.96			-9.96

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

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

Quarterly update at 30 September 2022

### Who are the investment managers?



**Karl Holden**

Head of International Fixed Interest and Currency Strategy



**Simon Bradbury**

Fixed Income and Currency Strategy



**Bernard Drotchie**

BCom (Hons), CFA®, CFPTM  
Chief Investment Officer

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 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 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 third quarter was -3.37% (A Class) and -3.17% (X Class), ahead of the benchmark return of -4.16%.

-Year-to-date performance is -9.55% (A Class) and -9.00% (X Class), ahead of the benchmark return of -12.92%.

-The Fund continues to markedly outperform the SA Peer Group (ASISA - Global IB Variable Term) which has posted a negative return of -19.84% year-to-date.

### Market overview

The rout in global government bond markets continued unabated in the third quarter with yields rising sharply in reaction to ongoing extreme inflationary pressures and therefore, increasingly 'hawkish' central banks. Earlier hopes that weakening economic data would convince central banks to adopt less aggressive tightening cycles had cold water thrown on it in July when the US Federal Reserve committed to 'do whatever it takes' to bring inflation back in line. This monetary policy mantra has been quickly adopted on a global scale and interest rate expectations continue to climb despite the clear negative ramifications for future economic growth conditions as lowering inflation has become overwhelmingly more important than achieving a 'soft landing'. Having become accustomed to the luxury of predictable central bank 'forward guidance' and absence of inflationary pressures for many years, global bond markets are now contending with heightened uncertainty on both fronts and their reaction has been distinctly negative.

### Looking ahead

US government bonds suffered further losses in the quarter with ten-year yields rising over 80 basis points to 3.83%. The US Federal Reserve (Fed) is battling the highest inflation in nearly forty years and has acknowledged that a slowdown in economic growth conditions and rise in unemployment are prices worth paying to ease rampant price pressures. Five interest rate hikes have now been sanctioned this year with the last three being 75bps moves and the tightening phase is not over yet. At the last Fed meeting, interest rate projections were raised even further and now imply rates reaching 4.4% this year and 4.6% in 2023 before moderating to 3.9% in 2024. This ongoing and rapid withdrawal of liquidity will undoubtedly weigh on the growth outlook in the coming quarters, but the Fed has made it clear that the priority must be to lower inflation before it becomes entrenched which would impact more longer-term economic damage than an economic slowdown or recession. Ultimately, whilst economic conditions remain broadly resilient currently, predominantly the employment market, tightening policy aggressively now should dampen demand and weigh on inflation whilst at the same time building in interest rate armoury for the impending slowdown in growth. It remains a fine balancing act for the Fed who still consider that a 'hard landing' can be avoided – the jury remains divided.

The Fund's maximum overweight exposure to the US Dollar continues to add significant relative value with the currency (DXY Index) higher by over 17% year-to-date. Momentum is clearly behind the US Dollar and support factors remain in place for continued upside although we are cognisant that the currency will fall prey to selling pressure on any signs that the Federal Reserve may dial back the hawkishness. With core inflationary pressures persisting, the threat of even tighter monetary policy will persist and continue to support the currency over the short to potentially medium-term.

As yields continued to climb during the quarter, we increased the overall duration of the Fund but still remain underweight relative to benchmark. This ongoing defensive strategy has added considerable relative value against both benchmark and peer group. Whilst most of the rise in government bond yields may be in the rear-view mirror as the market has discounted an aggressive interest rate outlook, we still believe it is too early to lift the duration of the Fund to 'neutral' against benchmark but continue to closely monitor the outlook for inflation which will undoubtedly influence direction in the coming months and quarters.

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.

### Change in allocation of the fund over the quarter

Asset type	Q3 2022	Q2 2022	Change
Cash & MMkt	13.54	7.70	5.84
Fixed Interest	86.46	92.30	-5.84

The portfolio adhered to its portfolio objective over the quarter.

### Fund classes

Class	Type	Price (\$)	Units	NAV (\$)
B	Retail	9.72	220,804.79	2,147,077.84
C	Retail	8.92	1,158.75	10,337.28

All data as at 30 September 2022.

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

### Important information at 30 September 2022

#### 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 Bond 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 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](http://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 2022, 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](http://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.

Trail fees are paid inclusive of VAT meaning, where a South African adviser is registered for VAT, the VAT levied is included in the fee payable to the adviser out of the fund's annual management charge. Initial fees are also paid inclusive of VAT.

#### Contact details

##### Manager and Registrar

STANLIB Fund Managers Jersey Limited

Reg. No. 30487

Standard Bank House, 47-49 La Motte Street, JE2 4SZ

Telephone: +44 (0)1534 881400

Email: SFMJ@stanlib.com

Website: [www.stanlib.com](http://www.stanlib.com)

##### Fund Directors

GS.Baillie, M.Farrow, O.Sonnichler and R Stewart

##### Trustee/Custodian

Apex Financial Services (Corporate) Limited

Reg. No. 702

12 Castle Street, JE2 3RT

Telephone: +44 (0)1534 847000

##### Investment Manager and Distributor

Melville Douglas Investment Management (Pty) Ltd

An authorised financial services provider, FSP No. 595

Reg. No. 1987/005041/07

8th Floor West Wing, 30 Baker Street, Rosebank, 2196

Telephone: +27 (0)11 721 7964

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

##### RSA Representative

STANLIB Collective Investments (RF) (Pty) Limited

Reg. No. 1969/003468/07

17 Melrose Boulevard, Melrose Arch, 2196

Telephone: 0860 123 003