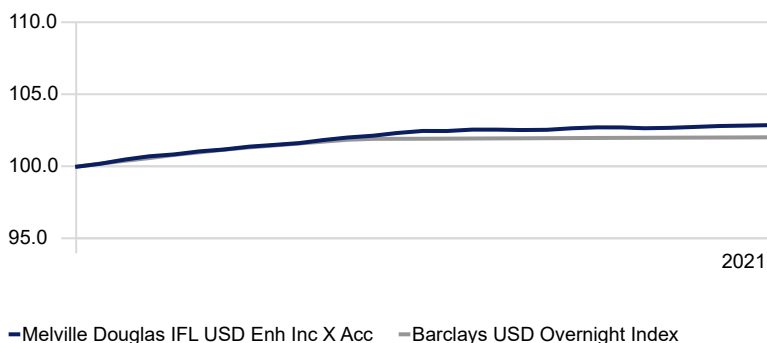


# Melville Douglas Income Fund Ltd

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

Minimum Disclosure Document as at 31 July 2021

### Investment Growth\*\*\*



### Trailing Returns\*\*\*

	1 Month	6 Months	YTD	1 Year	2 Years	Since Inception
Melville Douglas IFL USD Enh Inc X Acc	0.03	0.15	0.15	0.30	1.00	2.88
Barclays USD Overnight Index	0.01	0.04	0.05	0.08	0.60	2.05

### Risk Matrix \*

	Class X	Benchmark
Information Ratio (arith)	2.0	
Std Dev	0.3	0.2
Sharpe Ratio **	-0.2	-0.2

### Highest & Lowest 12 Month Rolling Return

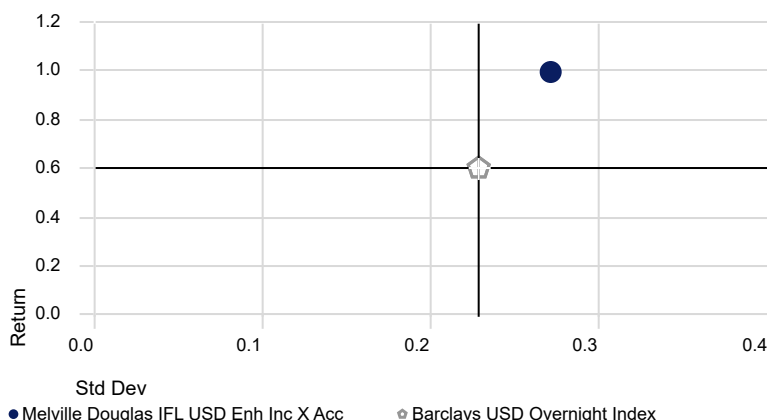
Highest 12 Month Rolling Return

Lowest 12 Month Rolling Return

### Monthly Returns\*\*\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021	0.00	-0.06	0.03	0.06	0.06	0.03	0.03						
2020	0.22	0.17	0.12	0.18	0.14	0.00	0.09	0.00	-0.03	0.02	0.10	0.06	1.07
2019				0.21	0.30	0.22	0.13	0.21	0.13	0.19	0.12	0.12	

### Risk-Reward \*

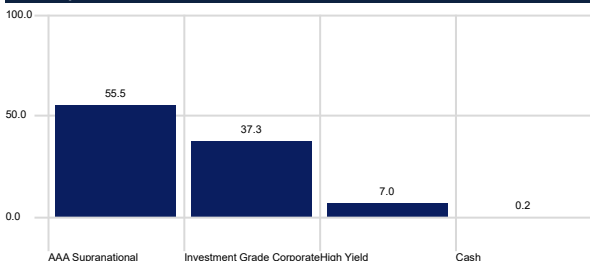


Not to be distributed outside of Jersey

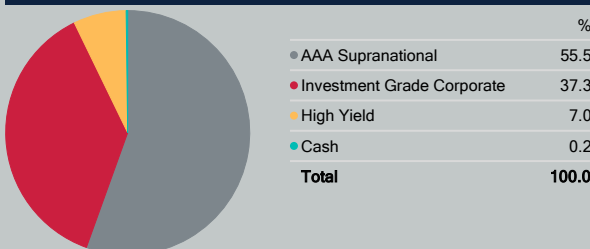
### Investment Objective

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)	\$10.30
Total Fund Value	\$61.35 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 Drotschie

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.

# Melville Douglas Income Fund Ltd

## Enhanced Income US Dollar Class



Minimum Disclosure Document as at 31 July 2021

### 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, O.Sonnichler & R Stewart
<b>Registered Office</b>	47-49 La Motte Street, St Helier, Jersey
<b>Publication Date</b>	16 August 2021

### Share Class ISIN

Class X	JE00BFM13T58
---------	--------------

### Minimum Investment

Class X	USD 1 000 000
---------	---------------

### Launch Date

Class X	21 March 2019
---------	---------------

### Fund Costs- 12 months

Fee Class	Management Fee*	TER	TC	TIC
<b>Class X</b>	0.15%	0.25%	0.02%	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
<b>Class X</b>	0.15%	0.25%	0.02%	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). The 36 month TER is a projected number.

\*Management fee includes fee payable to Manco

### Contact Details

#### Melville Douglas Investment Management (Pty) Ltd

8th Floor West Wing, 30 Baker Street, Rosebank, 2196. PO Box 411184, Craighall 2024, South Africa

Telephone:+27 (11) 721 7964 Fax: +27(0)86202 7235

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.

# Melville Douglas Income Fund Ltd

## Enhanced Income US Dollar Class



Minimum Disclosure Document as at 31 July 2021

### Quarterly Commentary (30 June 2021)

#### 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 + 0.15% versus the Fund's benchmark return of + 0.02%.

#### Market Overview

The sharp rise in medium to long-dated yields that characterised the first quarter, came to an abrupt end as yields drifted slightly lower over the quarter, unwinding some of the previous rise. Developed market sovereign yield curves bear flattened in June as the spectra of the end of ultra-loose monetary policy came into focus following the above consensus inflation data in both the UK and US. Short-dated yields however, rose in the month after an uneventful April and May, particularly in the US following June's Federal Reserve Open Market (FOMC) meeting where they indicated that interest rates could start to rise in 2023, with the committee starting to "talk about talking about" tapering in 2022. But it was not only short yields that moved, longer-dated yields drifted lower on the prospect that central banks will tighten monetary policy to ensure their economies don't overheat. The economic recovery momentum is firmly in place with growth forecasts revised higher for 2021. However, it's possible that growth has peaked for this cycle, and although economic data releases remain solid, they do appear to be rolling over as the base effects are falling away. The "known unknown" is of course the pandemic, and whilst the recovery has been very strong, any further extended lockdown measures would put downside risk to this year's global growth projections. In the first half of 2021, bond yields have generally risen across the maturity spectrum, more pronounced in longer-dated bonds which have lost significant value.

#### Looking Ahead

Following a marked jump in the US benchmark 10-year yield in Q1, the rise in yields ran out of steam ending the quarter lower at 1.45%. Initially in the quarter, the market went into a "holding pattern" with the 10-year yield trading in a fairly narrow 20 basis point range, however, volatility returned in June following a significant increase in inflationary pressures, driven by not only base effects from the low levels at the start of the pandemic in 2020, but also from the re-opening of the US economy. Headline inflation came in at 5% annualised, the largest gain since 2008 as price pressures started to build across the economy as businesses tried to balance the rush for demand against shortages in materials. In addition, labour shortages continue to be a headwind for employers, particularly in the services sector which is now experiencing higher wage costs in some areas. COVID-19 relief packages are in the process of being withdrawn and we anticipate a firm employment market in the coming quarters but it will take some time for unemployment levels to fall to pre-pandemic lows.

Treasury Secretary Janet Yellen's comments in May sparked a reaction in bond markets with yields rising as she commented "it may be that interest rates will have to rise somewhat to make sure our economy doesn't overheat" which the market digested as the FOMC already talking about monetary tightening. This was quickly retracted later in the day, but was the initial catalyst of what was to come from June's FOMC meeting. In Jerome Powell's testimony following the Fed's June meeting, there was a slight change to the rhetoric where he signalled that whilst they will continue to provide substantial ongoing support to the economy, with no change to either interest rates or monthly bond purchases, there is a risk that "transitory" inflation could be higher and remain above their average target level of 2%, than they had envisaged at previous meetings. Inflationary pressures are now clearly a concern to the committee with the majority of FOMC members worried about upside risks and this was evident from the change in the Fed's 'Dot Plot's' where two rate hikes in 2023 are now priced in from zero at their previous meeting. However, the Fed will want to see evidence that the recent spike in prices is either "transitory" or more "sticky" before raising rates, with Powell commenting that the change in Dot Plot's does not signify definitive interest rate hikes. Tapering of the monthly bond purchases is now being discussed by the committee, although they "are not close to making a decision", but these are the initial warning shots that we are getting closer to the end of ultra-low monetary policy. The initial reaction in the bond market was fairly benign with short yields drifting higher leading to a flattening of the yield curve as the market starts to discount higher interest rates in 2023 with the 2 year yield rising to 0.25%, breaking out from what has been an almost a flat rate of 0.15% since December 2020. **The Fund has retained a very defensive duration positioning (sub 1-year) which has added value in the short term.**

There is no doubt that the positive momentum behind the strong economic recovery from the roll-out of the vaccination programs, re-opening of the US economy and demand for goods disrupted by supply chain issues from global lockdowns will lead to higher levels of growth in 2021 and keep inflationary pressures elevated. **This should translate into higher yields in the months ahead where we expect ultra-short yields to slowly grind higher which will provide an opportunity to extend duration, locking into higher yields.**

Investment grade (IG) spreads have continued to trade within a tight range, with the 10 year US 'BBB' spread ending the quarter at a mere 104 basis points pick up over the comparable US Treasury, setting a new record low. The IG market has been supported by a fall in longer-dated sovereign bonds yields, but also positive momentum from investor's 'demand for yield' even at these lofty valuation levels. Similarly in the High Yield (HY) market where yield spreads remain at historically tight levels, investor demand for new issues remains strong and with central bank policy likely to remain accommodative, yield spread differentials should remain supported. Indeed data from Moody's the rating agency recently confirmed that the ratio of credit upgrades to downgrades is moving higher particularly in the US, where in April and May 2021, there were 3.8 upgrades for every downgrade. **The Fund has retained an overweight to short-dated IG corporate credit and overweight to HY credit taking advantage of the positive carry in the current environment.** However, we are reluctant to increase exposure as valuations remain expensive with limited further spread compression unlikely to compensate for rising government bond yields.

**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.**