Melville Douglas Income Fund Limited
Sterling Bond Class

MelvilleDouglas
A Member of Standard Bank Group

Fund information update at 31 July 2022

What is the fund's objective?

The objective of the Class Fund is to provide a return in excess of its benchmark in Sterling, 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 Sterling.

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

Manager(s) Karl Holden, Simon Bradbury and Bernard Drotschie

Size (NAV) £ 22.96 million

Peer group EAA Fund GBP Diversified Bond - Short Term

Benchmark BB UK Gvt 1-10 yrs 60%
iBoxx GBP Corp 20%
JPM Glbl Gvt Bd GBP 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
Launch	13 May 2020
ISIN number	JE00BF1CX551
SEDOL code	BF1CX55
Bloomberg	MDINGBB JY

Minimum investment requirements -

New business	Open
Initial	£ 2,500
Subsequent	£ 1,000

What are the costs to invest in this fund?

Maximum charges	Class B
Initial fee (manager)	0.000%
Initial fee (adviser)	3.000%
Annual fee (manager)	1.050%
Annual fee (adviser)	0.300%
Performance fee	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 June 2022	Class B
Based on period from:	13/05/2020
Total Expense	1.17%
Transaction Costs	0.01%
Total Investment Charge	1.18%
1 Year Total Expense	1.17%

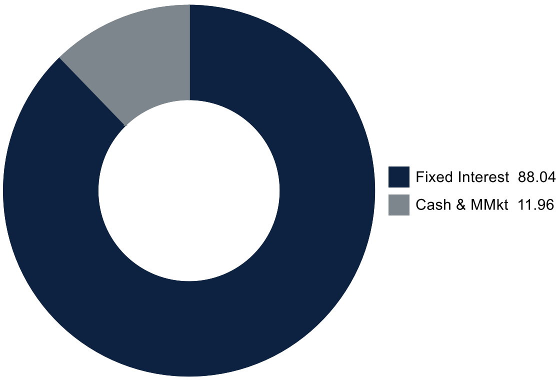
Total Expense (TER): This ratio shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated over the period shown and annualised to the most recently completed quarter. A higher TER does not 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
Sterling Bond Class

Monthly update at 31 July 2022

Holdings

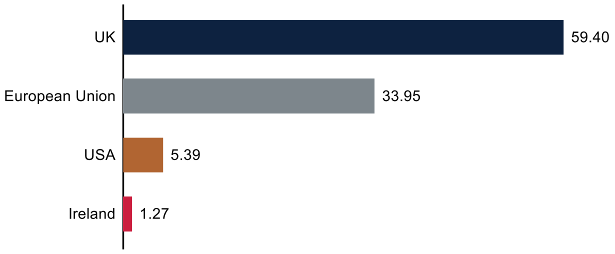
Asset class (%)



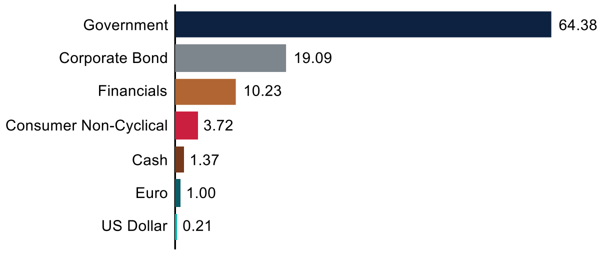
Top holdings (%)

iShares £ Corp Bond 0-5yr UCITS ETF GBP (Dist)	13.91
UK TSY Gilt 1% 31/01/2032	13.09
UK TSY Gilt 0.875% 22/10/2029	11.29
UK TSY Gilt 1.625% 22/10/2028	8.13
Inter-American Dev Bank 0.5% 15/09/2026	7.19
Intl Bank for Recon & Dev 1% 21/12/2029	6.90
UK TSY Gilt 1.5% 22/07/2026	6.72
European Investment Bank 0.75% 15/11/2024	4.91
KfW 0.875% 15/09/2026	4.12
iShares $ High Yield Corp Bond UCITS ETF GBP Hdgd (Dist)	3.91

Country (%)



Category (%)



Performance and Income

Class B Launch: 13 May 2020

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

Peer group: EAA Fund GBP Diversified Bond - Short Term

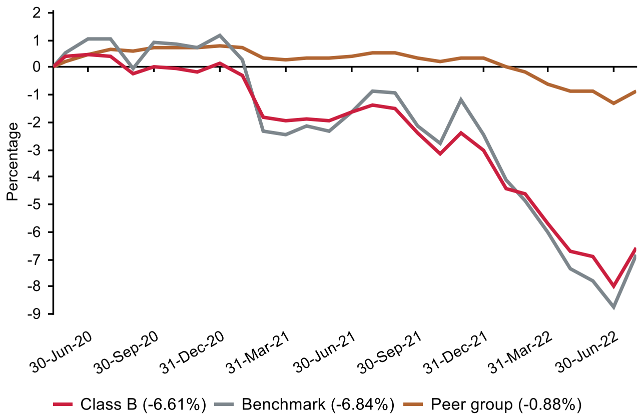
Returns (%)	6m	9m	1yr	2yrs	Launch
Class B					
Class	-2.30	-3.58	-5.32	-3.55	-3.04
Benchmark	-2.82	-4.19	-6.03	-3.98	-3.14
Peer group	-0.88	-1.10	-1.39	-0.78	-0.38

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	Launch
Class B			
Positive Months	2	7	8
Max Gain	1.46	1.46	3.02
Max Drawdown	-6.68	-8.31	-9.89
Highest	-1.31	-1.31	-1.31
Lowest	-6.43	-6.43	-6.43

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



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Quarterly update at 30 June 2022

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 Sterling, 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 Sterling.

-The Fund's performance for the second quarter was -2.36% (A Class) and -2.17% (X Class), ahead of the benchmark return of -2.89%.

-Year-to-date performance was -5.07% (A Class) and -4.69% (X Class), ahead of the benchmark return of -6.45%.

Market overview

The global economy has rapidly entered a period of payback from the extraordinary and often unconventional stimulus measures sanctioned throughout the pandemic, unaided by the stark reality that central banks consistently underestimated inflation. Liquidity now needs to be drained from the system and interest rates can only go one way until such time as inflation eases materially or tighter monetary conditions eventually choke growth to the point of recession. The prospect for a 'soft landing' is understandably heavily in debate and consensus is rapidly shifting towards a recession unfolding sometime next year.

Government bond markets have posted deeply negative returns this year, aggressively re-pricing for the new 'inflationary and tighter policy norm'. Many factors will dictate the direction from here but generally, yields spike most in the early phase of a tightening cycle and that currently seems to be the playbook. However, we still expect yields to climb higher, albeit at a more modest pace, whilst central banks remain firmly in hawkish mode. Our defensive duration strategy has shielded the Fund from the worst of the drawdown in bond markets and although negative returns have been unavoidable, the Fund continues to deliver meaningful relative outperformance against benchmark and peer group.

Looking ahead

The UK Monetary Policy Committee (MPC) hiked interest rates by a further 25 basis points in June to 1.25%, the highest level since 2009. It is highly likely the MPC will up the ante and 50 basis point hikes cannot be discounted in the months ahead. The UK economy is facing a particularly challenging period, with the combination of monetary tightening, rising price pressures and growing evidence of economic contraction having increased the risk of a recession in the next 12 months - although this is not currently our base case the probability is certainly rising.

UK sovereign bond yields have continued to climb in the quarter, reflecting the more hawkish rhetoric emanating from the MPC's fight against inflation. Whilst the worst appears to be behind is in respect of the severity of the spike in yields, it is quite possible that the ten-year could test 2.75% by year-end, especially if inflation surprises to the upside of already elevated expectations. Our bias is towards maintaining a defensive underweight duration strategy, however, as yields drift higher in the coming months, we aim to continue to close the gap relative to benchmark given markedly more attractive entry levels compared to only some months ago.

A combination of rising government bond yields and wider credit spreads have pushed investment grade (IG) and high yield (HY) bond prices sharply lower. IG and HY bond markets remain highly correlated to the direction of risk assets and downside volatility this year has pushed credit spreads on both above long-term averages. Both markets now clearly offer more attractive yield levels, but we see few catalysts, at least over the short to medium-term, for credit spreads to tighten. We are content to maintain our current credit allocation but wish to wait for a more attractive entry level before increasing exposure.

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	Q2 2022	Q1 2022	Change
Cash & MMkt	10.39	11.31	-0.92
Fixed Interest	89.61	88.69	0.92

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (£)	Units	NAV (£)
B	Retail	9.20	26,729.33	246,025.05

All data as at 30 June 2022.
Units – amount of participatory interests (units) in issue in relevant class.

Important information at 31 July 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 Sterling 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). 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 GBP, as at 31 July 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).

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

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Website: www.stanlib.com

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

Trustee/Custodian

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