

Melville Douglas Income Fund Limited

Enhanced Income (USD) Class

Fund information update at 31 December 2023

What is the fund's objective?

The objective of the Class Fund is to provide a return in excess of Barclays Benchmark Overnight USD Cash Index, whilst maintaining a high degree of capital preservation.

What does the fund invest in?

The Class invests primarily in quality short-dated 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 Class Fund may also invest in other collective investment schemes.

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
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What is the suggested investment period for this fund?

Minimum period

1 Month	6 Months	1 Year	3 Years	5 Years	7 Years
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Who should consider investing in this fund?

This fund is suitable for investors who are seeking an alternative to cash via a diversified portfolio of highly liquid money market and short dated fixed term investments.

Income

Income available for distribution attributable to the Class Fund shall be accumulated and not distributed to Shareholders.

General information

Size (NAV)	\$ 70.58 million
Peer group	EAA Fund USD Diversified Bond - Short Term
Benchmark	Barclays Overnight USD Cash Index
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	Class C
Launch	04 August 2023
ISIN number	JE00BFM12X20
SEDOL code	BFM12X2
Bloomberg	MDIEIBU JY
Minimum investment requirements -	
New business	Open
Initial	\$ 15,000
Subsequent	\$ 1,000

What are the costs to invest in this fund?

Maximum charges

	Class B	Class C
Initial fee (manager)	0.000%	0.000%
Initial fee (adviser)	3.000%	3.000%
Annual fee (manager)	0.950%	0.750%
Annual fee (adviser)	0.000%	0.000%
Performance fee	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 31 December 2023

	Class B	Class C
Based on period from:	04/08/2023	04/08/2023
Total Expense	1.03%	0.83%
Transaction Costs	0.00%	0.00%
Total Investment Charge	1.03%	0.83%
1 Year Total Expense	1.03%	0.83%

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.

The TER, TC & TIC cannot be determined accurately for portfolios/portfolio classes that are not yet 1 year old because of the short life span of the portfolio/portfolio class. Calculations in this instance are based on actual data where possible and best estimates where actual data is not available.

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Who are the investment managers?

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.



Karl Holden

Head of International Fixed Interest and Currency Strategy



Simon Bradbury

Fixed Income 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 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.

Monthly update at 31 December 2023

Performance

Class B Launch: 04 August 2023

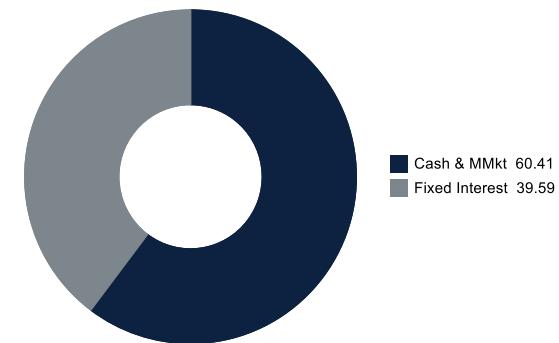
Class C Launch: 04 August 2023

Benchmark: Barclays Overnight USD Cash Index

No performance is currently included as performance data may not be shown for portfolios/classes that have less than a 6 month track record.

Holdings

Asset class (%)



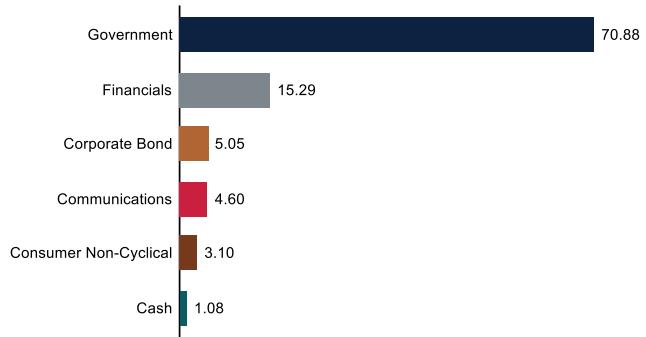
Top holdings (%)

US TSY Note/Bond 2.125% 31/07/2024	8.42
US TSY Note/Bond 2.875% 30/04/2025	8.37
US TSY Note/Bond 2.5% 31/05/2024	8.16
Inter-American Dev Bank 0.625% 15/07/2025	6.50
Asian Development Bank 4.125% 27/09/2024	6.19
US TSY Note/Bond 2% 30/06/2024	5.21
KfW 2.625% 28/02/2024	3.95
European Investment Bank 2.25% 24/06/2024	3.84
KfW 5.125% 29/09/2025	3.55
US TSY Bill 0% 09/05/2024	3.44

Currency (%)



Category (%)



Quarterly update at 31 December 2023

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 1.88% versus the Fund's benchmark return of 1.36%.

Market overview

Global bond markets staged an impressive rally in the final quarter of 2023 driven by optimism that the US Federal Reserve (Fed), along with other major central banks, have not only reached the end of their respective tightening cycles but will begin cutting rates in 2024. This performance marks a welcome reprieve from the violent sell-off in world bond markets which began in mid-2020, triggered by a sharp rise in global inflation and the subsequent realisation that it would only be brought under control by an equally sharp rise in interest rates. Inflation rates are still above central bank target levels, but markets appear optimistic that price pressures will continue to trend lower in the coming quarters, predominantly due to the lagged effects of rate hikes bearing down on growth conditions, which in the US have proved to be much more resilient than forecast.

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Looking ahead

The Fed affirmed speculation of a 'pivot' towards reversing a 22-year high in interest rates at its meeting in December. Whilst the caveat remains that rates would rise further should price pressures reignite, the latest forecasts (dot plot) now assume an increased 75 basis points of cuts in 2024 and no further hikes. It may still be early to declare final victory on inflation, but there is no doubt that the Fed have exceeded expectations by raising interest rates significantly without triggering a recession or meaningful impact on employment. Markets tend to exaggerate monetary policy expectations when it turns course, and this time has been no different with a significant rally in government bonds and futures pricing in roughly six cuts this year, commencing in March. In the absence of a recession (our base case), we view the recent sharp drop in yields as excessive, driven by over exuberance on the Fed's much anticipated pivot. Inflation is not yet at target levels and the last leg of the battle may prove difficult, particularly with economic growth conditions remaining much more resilient than widely expected, notably within the employment market. We are cognisant that excess savings and the benefits of the mass refinancing in the aftermath of the pandemic are, to some degree, living on borrowed time and we do expect much more subdued growth in the year ahead. However, the wealth effect from key drivers such as higher property/equity prices and a solid employment market provide a decent cushion against a material slowdown. This is in addition to a central bank which has now amassed an anti-recession armoury of over 500 basis points, ready for deployment if necessary – that is, if inflation continues to trend towards target levels.

The Fund performed strongly in December and indeed over the fourth quarter to end the year broadly in line with the cash benchmark. The fall in one and two-year US Treasury yields in recent weeks has widened the negative spread over one-month Treasuries (Cash), and while offering long-term value, in the short-term we would prefer to wait for a better entry point to extend the Fund's duration further.

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	Q4 2023	Q3 2023	Change
Cash & MMkt	60.41	60.75	-0.34
Fixed Interest	39.59	39.25	0.34

The portfolio adhered to its portfolio objective over the quarter.

Fund classes				
Class	Type	Price (\$)	Units	NAV (\$)
B	Retail	10.22	13,849.27	141,572.20
C	Retail	10.23	13,849.26	141,686.81

All data as at 31 December 2023.

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

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Important information at 31 December 2023

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 Enhanced Income (USD) 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 USD, as at 31 December 2023, 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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