

Melville Douglas Income Fund Ltd

US Dollar Class (the "Fund")

Minimum Disclosure Document as at 30 June 2020

Investment Growth***



Trailing Returns

	1 Month	YTD	1 Year	3 Years	5 Years	10 Years
Melville Douglas IFL USD Income Acc A	0.1	4.6	5.6	2.9	2.0	1.1
Melville Douglas IFL USD Income Acc B	0.0	4.5	5.2			
60% US Gvt 1-10yrs, 20% US Corp, 20% JPM Global Gov Bond	0.5	5.8	7.6	4.3	2.7	1.4

Risk Matrix *

	Class A	Benchmark
Information Ratio (arith)	-1.4	
Std Dev	2.1	2.6
Sharpe Ratio **	0.2	0.3

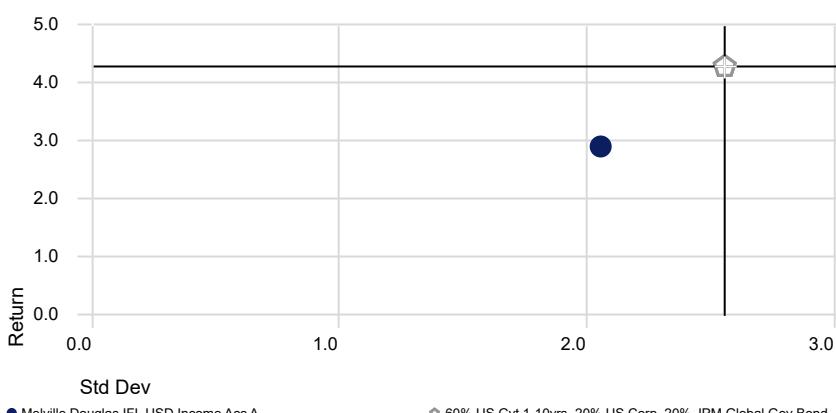
Highest & Lowest 12 Month Rolling Return

Highest 12 Month Rolling Return	5.78
Lowest 12 Month Rolling Return	-1.65

Monthly Returns***

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	1.2	1.2	1.1	0.5	0.4	0.1							
2019	0.5	-0.1	1.1	0.0	1.2	0.6	-0.1	1.6	-0.4	0.2	-0.3	-0.1	4.2
2018	-0.8	-0.3	0.3	-0.5	0.5	0.0	-0.2	0.4	-0.4	-0.1	0.3	1.0	0.2
2017	0.1	0.3	0.1	0.3	0.3	-0.2	0.2	0.5	-0.5	-0.1	-0.3	0.0	0.5
2016	0.6	0.2	0.4	0.0	-0.1	0.7	0.0	-0.2	0.1	-0.3	-0.8	0.0	0.5
2015	0.6	-0.2	0.2	0.1	0.0	-0.2	0.1	-0.1	0.3	0.0	-0.1	-0.3	0.2

Risk-Reward *

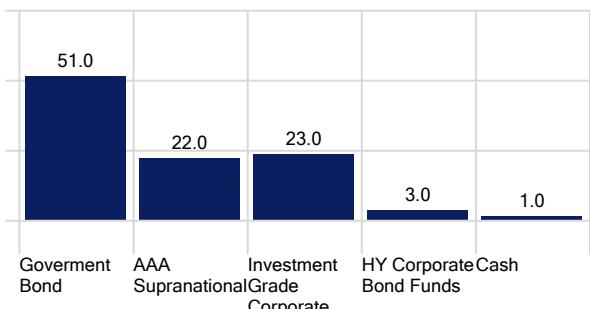


Not to be distributed outside of Jersey and South Africa

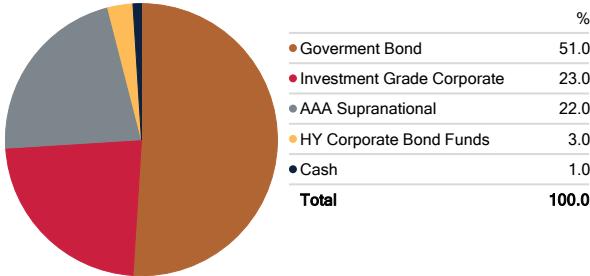
Investment Objective

To provide a return in excess of the benchmark in US Dollars, whilst maintaining a high degree of capital preservation by investing in quality fixed interest securities, selected collective investment vehicles, money market instruments and cash in order to maximise investment returns in US Dollars.

Supplementary Data



Asset Allocation



Operations

Name	Melville Douglas IFL USD Income Acc A
Month End Price (Current Class)	\$179.84
Total Fund Value	\$71.85 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



LOW

MEDIUM

HIGH

* Data is displayed over a 3 year rolling period
** Risk free rate = US Treasury T-Bill 3 Months
*** Class A 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. The benchmark of the fund at launch was 100% USD Libor Overnight. This was changed on 31 August 2017 to 80% US Govt 1-10 years/ 20% US Corporate Bond. The benchmark was changed again on 1 May 2020 to 60% US Govt 1-10 years/ 20% US Corporate Bond, 20% JPM Global Gov Bond

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		Fund Costs- 12 months									
		Fee Class	Current Management Fee*	TER	TC	TIC					
Manager	STANLIB Fund Managers Jersey Limited	Class A	0.95%	1.06%	0.01%	1.07%					
Investment Manager	Melville Douglas Investment Management (Pty) Ltd	Class B	1.25%	1.34%	0.01%	1.37%					
TER = (Total Expense Ratio), TC = (Transaction Costs), TIC = (Total Investment Cost ; TER + TC = TIC)											
Custodian	Apex Financial Services (Corporate) Limited	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).									
Auditors	PwC, Ireland	* Management Fee includes fee payable to Manco									
Fund Directors	GS.Baillie, M.Farrow, O.Sonnichler & R Stewart										
Registered Office	47-49 La Motte Street, St Helier, Jersey										
Publication Date	16 July 2020										
Compliance No.	4616LN										
Share Class ISIN											
Class A	JE00B54RMC79										
Class B	JE00BF1CWN63										
Minimum Investment											
Class A	Closed to new investments										
Class B	USD 2 500										
Launch Date											
Class A	March 2003										
Class B	01 September 2017										
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											
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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 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 period was +0.99% versus the Fund's benchmark return of +2.18%.

Market Overview

Despite a strong rally in risk assets during the quarter, US government bonds have traded in an exceptionally narrow range. The natural inclination should have been for 'safe-haven' yields to rise in this environment but the bond market remains heavily supported by ongoing robust quantitative easing (QE) measures and the US Federal Reserve's 'lower for longer' forward guidance on interest rates. In contrast to the stability exhibited in developed government bonds, Investment Grade (IG) and High Yield (HY) bond spreads have tightened considerably in line with the sharp recovery in global equity markets. The US Dollar has surrendered the majority of its first quarter gains in the period but still remains higher year-to-date.

Looking Ahead

Whilst economic data appears to be solidly rebounding from the lows experienced during full lockdown, it remains unclear whether the economy will eventually experience a V, U or W shaped recovery. However, we do believe the worst has passed and a resumption to more normal growth levels (however long it takes) will, in time, unleash a major obstacle for the bond markets – namely, the dialling back of unprecedented stimulus measures. Yields at, or close to all-time lows are offering very little protection in the event of this outcome and as such, the Fund remains defensively positioned in respect of duration.

IG and HY corporate spreads tightened considerably in the quarter in line with the resurgence in risk appetite. At their peak in March, spreads for both investment and non-investment grade corporate debt only rose to half the levels experienced in the height of the credit crisis as a number of factors lent support to these markets, predominantly, central bank support via quantitative easing and the ongoing search for yield in a world of low and often negative interest rates. The short-term direction of risk assets, to which these markets are highly correlated to, is clearly uncertain given the recent rally and for this reason, we have only tentatively begun allocating to HY debt in the Fund. Over the past twenty years, quarterly falls of over 4% in HY markets have always generated a positive return in the subsequent two years – in many cases those returns have been in excess of 20%. History doesn't always repeat itself but in the absence of yield in developed market government bonds, we view an allocation to HY as a viable long-term investment opportunity and will continue to time monies into the market on period of weakness.

In trade-weighted terms, the US Dollar still remains positive year-to-date but has surrendered some gains in the quarter. Its negative correlation to the 'risk on' environment is clear and perhaps offers some insight into its future direction post-Covid-19. However, we are minded that there have been multiple false dawns for a reversal of the currency's fortunes throughout the extended period in which the Fund has maintained the overweight allocation. We are cognisant that the US Dollar is undoubtedly overvalued and has been for some time, but has been understood given the relative growth and interest rate advantage enjoyed by the US. Taking a medium to long term view, a recovery in the 'global' economy will likely weigh on the US Dollar as other developed economies play catch-up. This should be positive for the Euro which has generally been in a downtrend for over two years now. Any Euro weakness back towards recent lows may be used as an opportunity to build some exposure into the Fund, ultimately potentially close to benchmark weight. For now, the US Dollar overweight strategy remains but are watching closely for opportunities to re-balance.

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.