

Melville Douglas Income Fund Limited

Sterling Income Class

Fund information update at 31 August 2021

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
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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 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)	£ 17.50 million
Peer group	EAA Fund GBP Diversified Bond - Short Term
Benchmark	BB UK Gvt 1-10 yrs 60% iBoxx GBP Corp 20% JPM Gbl 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	Class C
Launch	13 May 2020	15 September 2020
ISIN number	JE00BF1CX551	JE00BK987S19
SEDOL code	BF1CX55	BK987S1
Bloomberg	MDINGBB JY	MDINGBC JY
Minimum investment requirements -		
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

	Class B	Class C
Initial fee (manager)	0.000%	0.000%
Initial fee (adviser)	3.000%	3.000%
Annual fee (manager)	1.050%	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 30 June 2021

	Class B	Class C
Based on period from:	13/05/2020	15/09/2020
Total Expense	1.17%	0.87%
Transaction Costs	0.00%	0.00%
Total Investment Charge	1.18%	0.87%
1 Year Total Expense	1.17%	0.87%

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.

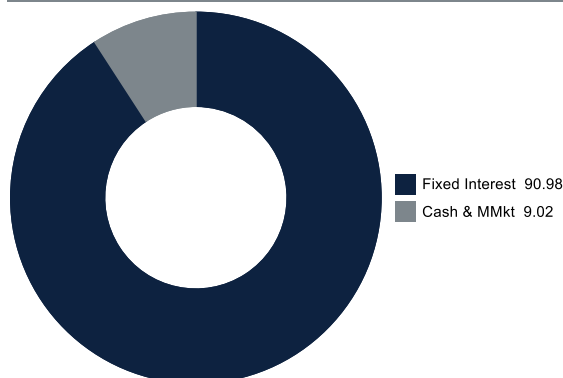
Melville Douglas Income Fund Limited

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Monthly update at 31 August 2021

Holdings

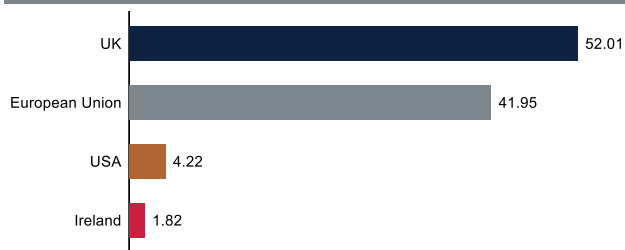
Asset class (%)



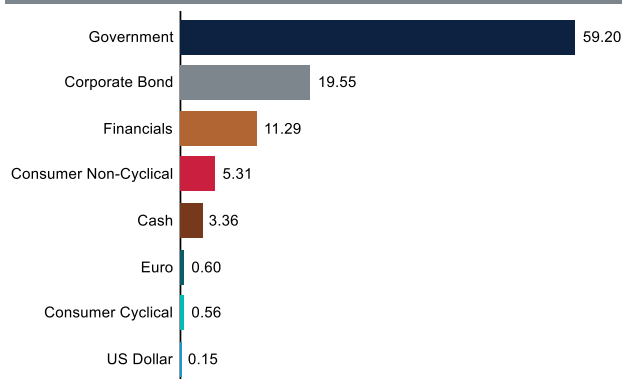
Top holdings (%)

iShares £ Corp Bond 0-5yr UCITS ETF GBP (Dist)	14.23
UK TSY Gilt 1.625% 22/10/2028	10.98
Inter-American Dev Bank 0.5% 15/09/2026	8.92
UK TSY Gilt 1.75% 07/09/2022	8.91
Intl Bank for Recon & Dev 1% 21/12/2029	8.86
UK TSY Gilt 1.5% 22/07/2026	6.93
European Investment Bank 0.75% 15/11/2024	6.42
UK TSY Gilt 0.875% 22/10/2029	4.10
KfW 1% 15/12/2022	3.51
iShares \$ High Yield Corp Bond UCITS ETF GBP Hdgd (Dist)	3.50

Country (%)



Category (%)



Performance and Income

Class B Launch: 13 May 2020

Class C Launch: 15 September 2020

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

Peer group: EAA Fund GBP Diversified Bond - Short Term

Returns (%)	3m	6m	9m	1yr	Launch
Class B					
Class	0.43	0.33	-1.35	-1.31	-1.16
Benchmark	1.39	1.40	-1.64	-0.92	-0.72
Peer group	0.16	0.20	-0.21	-0.05	0.44
Class C					
Class	0.51	0.48	-1.12		-1.66
Benchmark	1.39	1.40	-1.64		-1.78
Peer group	0.16	0.20	-0.21		-0.24

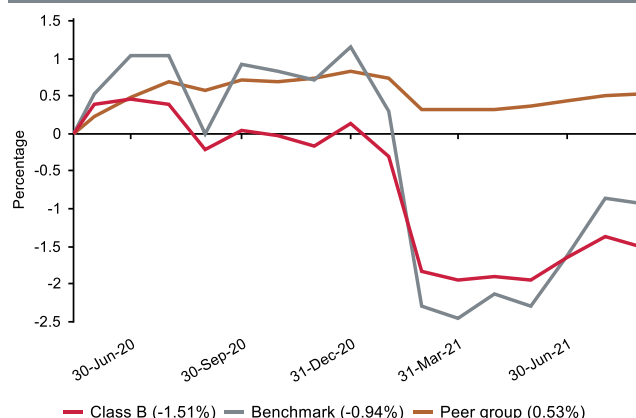
Returns (%) shown are cumulative for all periods shorter than or equal to 1 year and annualised for all periods greater than 1 year.

Statistics (%)	1yr	Launch
Class B		
Positive Months	5	6
Max Gain	0.60	1.01
Max Drawdown	-2.09	-2.79
Highest	-1.31	-1.31
Lowest	-2.32	-2.32

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 2021

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 period was +0.35% (A Class) and +0.55% (X Class) versus the Fund's benchmark return of +0.85%. Year-to-date the Fund has delivered -1.73% (A Class) and -1.34% (X Class) versus the benchmark return of -2.74%.

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

At the most recent Monetary Policy Committee (MPC) meeting there was no change in policy, UK base rates remain at a record low of 0.1% and quantitative easing (QE) target at £895 billion, which at the current monthly pace of £3.4 billion will end in December 2021. The committee warned against "premature tightening" and pushed back on speculation that given the surge in inflationary pressures, they are preparing to remove current monetary stimulus, saying the UK economy still requires support to recover from the pandemic. Inflation has picked up recently, driven by not only base effects, but rising price pressures from continued supply chain disruptions, the re-opening of the economy, and also from BREXIT related issues, something which is unique to the UK following the end of trading agreements earlier in the year. Unemployment remains above pre-pandemic levels, although the true reflection of unemployment does not show in the data with many employees still on "Furlough" as the hospitality sector remains under pressure from government restrictions following the third wave of COVID-19. The government has stepped up the vaccination program following the introduction of the more contagious Delta variant in an effort to reduce the chance of extending the re-opening deadline further. Whilst this is good news for sectors which have been hit the hardest (services/hospitality etc), the country faces significant labour and skills shortages which could ultimately feed through to higher wage inflation, therefore adding additional inflationary pressure into the system. The burning question, will the Bank of England lift rates before the Fed?, this is of course possible, but for now the MPC have made it clear that they are in no hurry to remove monetary stimulus.

In line with the US Treasury market, long-dated UK sovereign (Gilt) bond yields have fallen over the quarter leading to a flattening of the yield curve. This has been driven by a repricing of reflation expectations and timing of the eventual pullback in central bank stimulus with the 30 year Gilt yield falling 16 basis points to end the month at 1.23%. However, 2 year yields have barely moved, currently 0.05% as the BOE rhetoric is still firmly supportive, confirming stimulus measures will remain in place. The prospect of elevated inflation in the months ahead, which could rise as the removal of lockdown measures are relaxed further in July, may force the MPC to re-assess their current policy stance and ultimately prompt the bond market to discount interest rate rises ahead. We remain positive on the outlook for the UK economic recovery and forecast the 10-year Gilt yield to resume its upward path in the second half of the year and as such, the Fund remains defensively positioned with respect to duration. 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 a slight overweight to IG corporate credit and overweight to HY credit as the positive carry remains attractive 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.

Sterling has recently surrendered some of its strength versus the US Dollar but is still holding onto gains of circa 1.2% year-to-date. The currency enjoyed something of a sugar rush up until the end of May as rising UK government yields, less BREXIT distraction and a successful vaccination roll-out bolstered optimism. More recently however a combination of a strong US Dollar and rises in COVID-19 (Delta variant) cases in the UK delaying the full re-opening of the economy have prompted a mild reversal in Sterling, however, we remain constructive over the longer-term and the Fund retains an overweight to Sterling.

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.

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Change in allocation of the fund over the quarter

Asset type	Q2 2021	Q1 2021	Change
Cash & MMkt	8.62	7.20	1.41
Fixed Interest	91.38	92.80	-1.41

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (£)	Units	NAV (£)
B	Retail	9.84	34,562.08	339,975.47
C	Retail	9.82	8,194.27	80,491.23

All data as at 30 June 2021.

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

Important information at 31 August 2021

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 Income 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 Asset Management (Pty) Limited, which is wholly 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 August 2021, 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.

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