

# Melville Douglas Income Fund Ltd

## Sterling Class

Minimum Disclosure Document as at 31 March 2021

### Investment Growth\*\*\*



### Trailing Returns\*\*\*

	1 Month	YTD	1 Year	3 Years	5 Years	10 Years
Melville Douglas IFL GBP Income Acc A	-0.1	-2.1	-1.1	0.7	0.4	0.1
Melville Douglas IFL GBP Income Acc B	-0.1	-2.1				
Melville Douglas IFL GBP Income Acc C	-0.1	-2.0				
Melville Douglas IFL GBP Income Acc X	0.0	-1.9	-0.3			
60% UK Gvt 1-10 yrs, 20% UK Corp, 20% JPM Global Gov Bond	-0.1	-3.6	-0.7	1.6	0.7	0.6

### Risk Matrix \*

	Class A	Benchmark
Information Ratio (arith)	-0.7	
Std Dev	1.8	2.8
Sharpe Ratio **	0.1	0.1

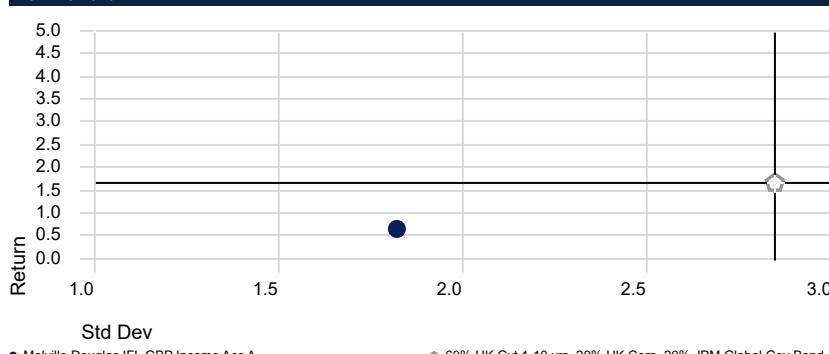
### Highest & Lowest 12 Month Rolling Return

Highest 12 Month Rolling Return	5.00
Lowest 12 Month Rolling Return	-3.71

### Monthly Returns\*\*\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021	-0.4	-1.5	-0.1										
2020	0.8	0.4	-0.1	0.5	0.6	0.1	-0.1	-0.6	0.3	-0.1	-0.1	0.3	2.2
2019	-0.2	-0.3	0.9	-0.4	0.9	0.1	1.0	0.4	-0.1	-0.8	-0.3	-0.4	0.9
2018	-1.4	0.1	-0.1	0.1	0.8	-0.2	-0.1	0.3	-0.4	0.4	0.0	0.2	-0.4
2017	-0.5	0.8	-0.1	-0.2	0.3	-0.8	0.1	0.7	-1.4	0.1	-0.3	0.3	-1.0
2016	0.6	0.4	-0.1	-0.3	0.2	1.5	0.6	0.4	0.0	-0.2	-0.5	0.5	3.3

### Risk-Reward \*



Not to be distributed outside of Jersey & South Africa

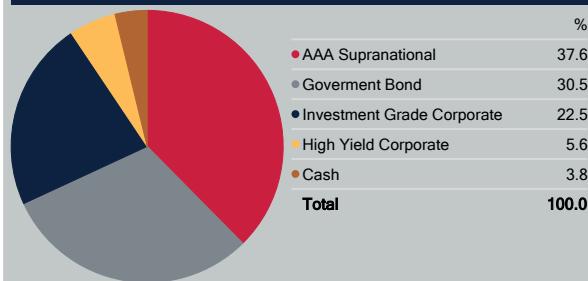
### Investment Objective

To provide a return in excess of the benchmark in Sterling, 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 Sterling.

### Security Sector



### Asset Allocation



### Operations

Name	Melville Douglas IFL GBP Income Acc A
Month End Price (Current Class)	GBP 119.75
Total Fund Value	GBP 16.84 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



\* 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% GBP Libor Overnight. This was changed on 31 August 2017 to 80% GBP Govt 1-10 years/ 20% UK Corporate Bond

Benchmark changed on the 1 May 2020 to 60% UK Gvt 1-10 yrs, 20% UK Corp, 20% JPM Global Gov Bond

Source: Morningstar Direct, Melville Douglas Investment Management

# Melville Douglas Income Fund Ltd

## Sterling Class

Minimum Disclosure Document as at 31 March 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>	21 April 2021
<b>Compliance No.</b>	L777N4

### Share Class ISIN

Class A	JE00B4ZCW915
Class B	JE00BF1CX551
Class C	JE00BK987S19
Class X	JE00BF1CX668

### Minimum Investment

Class A	Closed to new investments
Class B	GBP 1 500
Class C	GBP 1 500
Class X	GBP 1 000 000

### Launch Date

Class A	25 September 2003
Class B	01 September 2017
Class C	19 September 2020
Class X	24 August 2018

### Fund Costs- 12 months

Fee Class	Management Fee*	TER	TC	TIC
Class A	0.95%	1.04%	0.00%	1.07%
Class B**	1.05%	1.16%	0.00%	1.19%
Class C	0.75%	0.84%	0.00%	0.87%
Class X	0.15%	0.25%	0.00%	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.

\*\*Class B management fee includes 0.30% rebate payable to adviser

### Fund Costs- 36 months

Fee Class	Management Fee*	TER	TC	TIC
Class A	0.95%	1.08%	0.00%	1.10%
Class B**	1.05%	1.16%	0.00%	1.18%
Class C	0.75%	0.84%	0.00%	0.87%
Class X	0.15%	0.25%	0.00%	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.

\*\*Class B management fee includes 0.30% rebate payable to adviser

### 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](http://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.

### Quarterly Commentary (31 March 2020)

#### 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 -2.07% (A Class) and -1.88% (X Class) versus the Fund's benchmark return of -3.55%.

#### Market Overview

The first quarter has been dominated by the aptly named 'reflation trade', prompting considerable upward adjustments in developed market government bond yields. The most powerful support driver for investment markets, not only from the onset of the pandemic in Q1 last year but effectively since the Global Financial Crisis (GFC) over a decade ago, is the willingness of central banks to 'do whatever it takes', a mantra consistently driven home for its 'feel good factor' and one that has certainly lived up to the hype. Some monetary policy lessons were learnt by mistakes made in the aftermath of the GFC – most notably, signalling tighter policy in both interest rates and QE programmes perhaps a little too early for the markets liking. Fast forward to today and these hiccups remain firmly on the minds of many top decision makers and for now all appear (albeit at different speeds) to remain firmly on the accelerator despite an increasingly positive growth outlook. Interest rates remain low (often negative) and central banks are very keen to remind markets that lift off should not be a concern for this year or indeed next. However, despite the 'lower for longer' theme, government bond markets have spent the first quarter challenging a more optimistic view and yields on longer-dated issues (which are not anchored by short term interest rates) have risen quite sharply. In fact, the US bond market has recently brought forward its expected timing for the first rise in interest rates to H1 2023, some 6 months before even the most bullish Federal Reserve official. Already quite a shift from original forecasts back in the first half of 2020 where it was expected that rates may potentially stay near the zero bound for 5 years (at least!). Some opposing views are building clearly and time will tell if central banks will have to re-appraise their timing but from a growth perspective, many economies do now seem to be creeping towards a goldilocks scenario of strong growth and cheap (often abundant) money.

#### Looking Ahead

UK government bond yields have risen sharply, again predominantly at the longer end of the curve with the benchmark ten-year Gilt yield rising some 64 basis points to 0.84% over the quarter. Short-dated yields have also edged higher given reduced odds of the Bank of England having to implement negative interest rates – a threat that had been a strong influence on the market for some time. The combination of an 11<sup>th</sup> hour BREXIT deal (removing EU divorce uncertainty) and the successful roll-out of the COVID vaccination programme leading to the easing of restrictions have supported the view that growth should rebound strongly in the quarters ahead. The UK economy is forecast to grow 4% in 2021 after a 9.9% contraction in 2020. The UK Budget released in early March was more generous than expected with a focus on safeguarding jobs in the short-term with a welcomed extension to the current Furlough scheme which has been extended through to September. Whilst economic growth conditions should improve markedly in the year ahead, we do not expect the Bank of England to even contemplate tightening monetary policy until 2023 at the earliest. The Fund remains defensively positioned from a duration perspective and this has resulted in strong relative performance to benchmark over the quarter.

With government yields widely expected to rise further from current levels, corporates have been scrambling to issue bonds leading to record new issuance from investment grade (IG) companies in the first quarter. However, it has been a challenging start to the year for the IG market in general as the lack of any spread compression has left market direction at the mercy of the sovereign bonds, which have sold off aggressively. In contrast, high yield (HY) spreads have narrowed further with the US 10-year benchmark spread contracting by approximately 80 basis points over the quarter. This has been driven by record new issuance which has received very strong investor demand together with a yield "buffer" providing an element of compensation for higher government bond yields and investors ongoing search for yield. The Fund retains a slight overweight to IG credit, and is overweight high yield.

Sterling has been rewarded in the quarter for a generally upbeat vaccine roll-out which has bolstered expectations for a decent economic recovery in the quarters ahead. The threat of negative interest rates has subsided and government bond yields, particularly in longer-dated issues, have risen to levels akin to the start of last year, lending some 'carry' support. The Fund remains overweight Sterling which has contributed to the strong relative performance. However, we have retained some foreign currency exposure as a hedge against any short-term weakness particularly against the US Dollar. A great deal of optimism is already priced into the market, however Brexit related issues remain, and if there is any slowdown in the governments lockdown easing in the coming months, this could impact on growth with Sterling retracing from current levels.

**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.**