

Melville Douglas Income Fund Limited

Sterling Bond Class

Fund information update at 31 August 2023

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 and Simon Bradbury

Size (NAV) £ 29.10 million

Peer group EAA Fund GBP Diversified Bond

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

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 2023

	Class B
Based on period from:	01/07/2020
Total Expense	1.17%
Transaction Costs	0.01%
Total Investment Charge	1.17%
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.

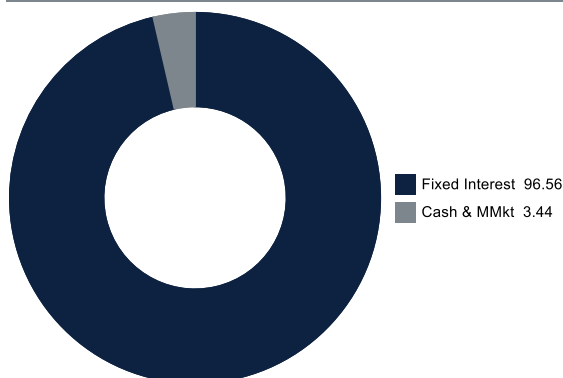
Melville Douglas Income Fund Limited

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Monthly update at 31 August 2023

Holdings

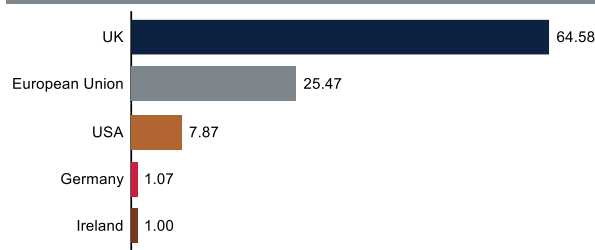
Asset class (%)



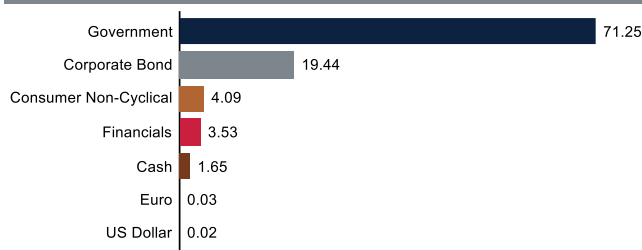
Top holdings (%)

UK TSY Gilt 1% 31/01/2032	23.17
UK TSY Gilt 1.625% 22/10/2028	11.82
UK TSY Gilt 0.875% 22/10/2029	9.50
iShares £ Corp Bond 0-5yr UCITS ETF GBP (Dist)	9.30
Intl Bank for Recon & Dev 1% 21/12/2029	8.83
iShares Core £ Corp Bond UCITS ETF GBP (Dist)	6.05
US TSY N/B 2.875% 30/04/25	5.65
Inter-American Dev Bank 0.5% 15/09/2026	5.24
European Investment Bank 0.75% 15/11/2024	3.75
iShares \$ High Yield Corp Bond UCITS ETF GBP Hdgd (Dist)	3.09

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 Gbl Gvt Bd GBP (from 01/05/20) 20%

Peer group: EAA Fund GBP Diversified Bond

Returns (%)	YTD	1yr	2yrs	3yrs	Launch
Class B					
Class	-1.27	-3.93	-6.56	-4.84	-4.47
Benchmark	-1.41	-4.03	-6.93	-4.97	-4.53
Peer group	-0.79	-4.48	-10.49	-6.74	-5.94

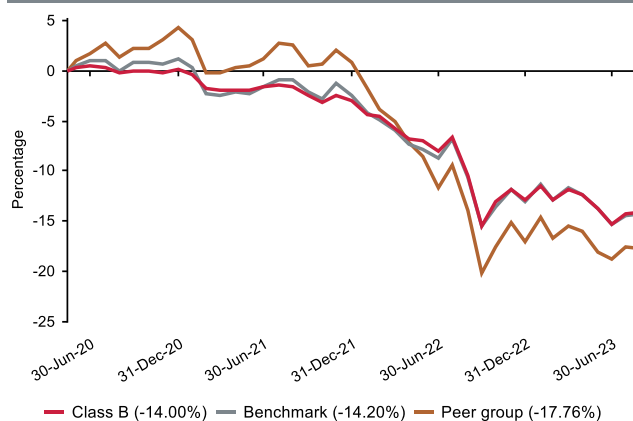
Returns (%) shown are cumulative for all periods shorter than or equal to 1 year and annualised for all periods greater than 1 year.

Statistics (%)	1yr	2yrs	3yrs	Launch
Class B				
Positive Months	6	8	13	14
Max Gain	4.80	4.80	4.80	2.73
Max Drawdown	-5.57	-14.17	-15.59	-16.76
Highest	-3.93	-2.23	-1.31	-1.31
Lowest	-13.40	-13.40	-13.40	-13.40

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 2023

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.

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 -3.82 (X Class), outperforming the return of -4.12%.

Year-to-date, the Fund's performance is -2.33% (X Class), outperforming the benchmark return of -2.75%.

Market overview

Global bond markets continued to struggle in the quarter as higher interest rates are taking longer than forecast to dampen demand and achieve the main goal of reducing inflation quickly towards central banks' target levels. Headline inflation has fallen as food and energy price pressures have abated but ongoing strong employment markets have driven wages higher, supporting services-driven economies and therefore, core inflation. Financial stress in March raised misplaced hopes of easier monetary policy in the second half of the year, but that has been replaced with the reality that more hikes are needed to bring inflation under control.

There was divergence in central bank policy in June with the Federal Reserve (Fed) pausing, whilst indicating that further tightening was to come, giving the committee maximum flexibility to keep their options open and digest another round of economic data before their next meeting in July. In Europe the ECB pushed rates up another 25 basis points with a hawkish message that more hikes were to follow and the Bank of England (BOE) implemented a 50 basis points hike, against market consensus of a quarter point move.

Looking ahead

The latest UK inflation report came in higher than expected for a fourth month in a row, increasing pressure on the Bank of England (BOE) to extend the tightening cycle. Headline inflation remained at 8.7%, the core (ex food & energy) rate unexpectedly rose to a 31-year high of 7.1%. Whilst the BOE expects inflation to ease sharply in the months ahead, the strong employment market and subsequent wage pressures continue to cast doubt over this forecast. Highlighting these concerns, the BOE unexpectedly raised the base rate by a higher than expected 50 basis points in June to a pre-GFC high of 5%, with central bank Governor Andrew Bailey reaffirming that higher rates may still be warranted to fulfil their commitment of returning inflation to the 2% target.

The cumulative effect of 485 basis points of tightening to date should begin to eat into core inflationary pressures in the coming months but the BOE cannot afford a 'wait and see' approach so we expect a minimum of two further hikes to 5.5%. If core inflation does not start to slow soon then the prospect of interest rates at 6% cannot be discounted, although the BOE are acutely aware that every hike subsequently increases the risk of recession. For now though, the prospect of persistently high inflation is a greater threat and one that needs to be dealt with despite the obvious economic costs.

The Gilt market has responded by discounting further interest rate hikes with two-year Gilt yields, which are sensitive to short-term interest rate expectations, recently breaching 5%, whilst longer-dated yields have also adjusted markedly higher. Whilst longer-dated yields are trading below cash rates due to the inverted yield curve, we see increasing medium to long term value ahead of the next stage of the cycle which should be dominated by both falling inflation and interest rates. As such, we have taken the opportunity in the quarter to further extend the duration of the Fund closer to benchmark.

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 2023	Q1 2023	Change
Cash & MMkt	8.52	14.09	-5.57
Fixed Interest	91.48	85.91	5.57

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (£)	Units	NAV (£)
B	Retail	8.47	26,729.33	226,392.33

All data as at 30 June 2023.

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

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Important information at 31 August 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 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 August 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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GS.Baillie, M.Farrow, O.Sonnichler and R Stewart

Trustee/Custodian

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