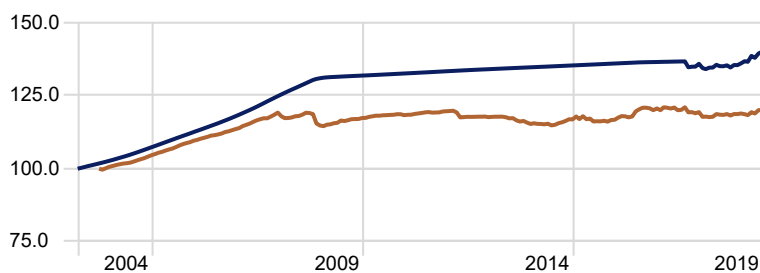


# Melville Douglas Income Fund Ltd

## Sterling Class (the "Fund")

Minimum Disclosure Document as at 30 June 2019

### Investment Growth\*\*\*



— Melville Douglas IFL GBP Income Acc A — 80% UK Gvt 1-10 yrs, 20% UK Corporate

### Trailing Returns\*\*\*

	1 Month	YTD	1 Year	3 Years	5 Years	10 Years
Melville Douglas IFL GBP Income Acc A	0.1	1.0	1.4	0.2	0.9	0.3
80% UK Gvt 1-10 yrs, 20% UK Corporate	0.4	2.9	3.6	0.9	0.7	0.6

### Risk Matrix \*

	Class A	Benchmark
Information Ratio (arith)	-0.6	
Std Dev	1.9	1.8
Sharpe Ratio **	-0.6	-0.6

### Highest and lowest 12 month rolling return since inception

Highest 12 month rolling return	5
Lowest 12 month rolling return	-3.7

### Monthly Returns\*\*\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	-0.2	-0.3	0.9	-0.4	0.9	0.1							
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 \*

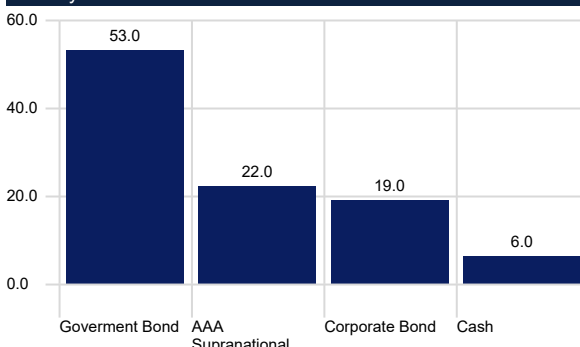


Not to be distributed outside of Jersey and South Africa

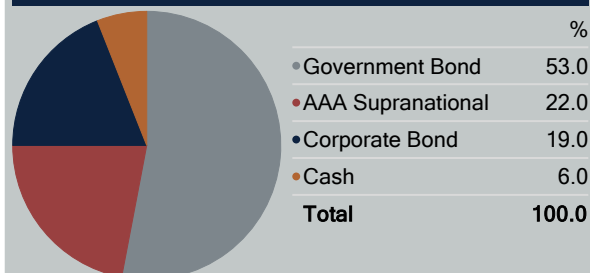
### Investment Objective

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 (m)	£ 119.8
Total fund value (m)	£ 8.1

### 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.

#### Bernard Drotschle

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

# Melville Douglas Income Fund Ltd

## Sterling Class

Minimum Disclosure Document as at 30 June 2019



### 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>	Link Corporate Services (Jersey) Limited
<b>Auditors</b>	PwC, Ireland
<b>Fund Directors</b>	H.Holmes, GS.Baillie, M.Farrow, and O.Sonnichler
<b>Registered Office</b>	47-49 La Motte Street, St Helier, Jersey
<b>Publication Date</b>	15 July 2019
<b>Compliance No.</b>	7ZB645

### Share Class ISIN

Class A	JE00B4ZCW915
Class B	JE00BF1CX551

### Minimum Investment

Class A	Closed to new investments
Class B	GBP 1 500

### Launch Date

Class A	25 September 2003
Class B	01 September 2017

### Fund Costs- 12 months

Fee Class	Management Fee	TER	TC	TIC
<b>Class A</b>	0.80%	1.12%	0.01%	1.13%

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).

Where the Share Class has been in existence for less than 12 months, no TER is reflected.

### Fund Costs- 36 months

Fee Class	Management Fee	TER	TC	TIC
<b>Class A</b>	0.80%	1.08%	0.01%	1.09%

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).

Where the Share Class has been in existence for less than 36 months, no TER is reflected.

### Contact Details

#### Melville Douglas Investment Management (Pty) Ltd

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Telephone: +27 (11) 721 7964 Fax: +27(0)86202 7235

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 unit price. This is an accumulation portfolio and does not distribute income. Telephone calls may be recorded. Link Corporate Services (Jersey) 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 exists 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.

# Melville Douglas Income Fund Ltd

## Sterling Class

Minimum Disclosure Document as at 30 June 2019



### Quarterly Commentary

#### 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 0.66% versus the Fund's benchmark return of 1.01%.

#### Market Overview

BREXIT remains all-encompassing and continues to keep yields at artificially low levels. Frustratingly, the Bank of England have been given scant opportunity to lift interest rates and whilst a 'relief hike' may be sanctioned in the fourth quarter, it is unlikely to represent the start of an aggressive tightening cycle. Consumers, buoyed by a healthy employment market, have done the heavy lifting and managed to keep the economy out of the red but business spending has all but dried up given the uncertainty created by the seemingly never-ending BREXIT saga.

#### Looking Ahead

Any deal (other than no deal) on the 31st October will hopefully provide some much-needed clarity for the UK economy and may provide a boost to sentiment and in turn, lift medium and longer dated UK government bond yields out of the doldrums. Aside from the BREXIT 'elephant in the room', multiple other hurdles exist for the UK economy as we enter the second half of the year. The economy will not be immune to the slowdown in global growth conditions and politics will remain front and centre stage with a new prime minister and hence, renewed haggling with the European Union (EU). Even with these headwinds, we expect growth to be positive yet somewhat underwhelming for the next few quarters.

Three years of negotiations with the EU and it seems little ground has been made with the only certainty being more uncertainty. This has left Sterling understandably struggling to make any gains that have lasted. Despite sporadic hawkish comments from the Bank of England (who sorely want to lift interest rates) the market has had little faith in its ability to tighten monetary policy. Under the circumstances, the economy has held up relatively well with immediate post-BREXIT chatter of an imminent recession so far unfounded. However, whilst the consumer has kept things afloat thanks to a healthy employment market, business spending has all but evaporated and even a positive BREXIT outcome, which would undoubtedly lift sentiment, will not provide an immediate golden panacea for the economy. Amidst this backdrop and although undervalued on a purchasing parity basis, Sterling has remained out of favour and remains towards the lower end of its post-BREXIT trading range. The Fund has held some foreign currency exposure (Euros and US Dollars) for some time now as insurance against political uncertainties and until we get some clarity we don't see this changing. The 31st of October is the latest date touted as the finish line and this has dragged on for so long that we get the feeling that the UK may breathe a sigh of relief whether the outcome is good, bad or indifferent – at least it will put an end to the uncertainty.

Whilst certainly not at extreme levels (aka Germany), UK yields at current levels offer very little value for long term investors and after inflation, they remain decidedly negative. From a duration strategy perspective, whilst the Fund remains underweight relative to benchmark which has weighed on relative returns in the period, we have been cognisant of the market's will to push yields lower and have been moderately extending overall maturities. This in turn, has resulted in solid returns over and above comparable cash yields during the quarter but we are not confident that yields will continue to move materially lower from current levels.

The overriding objective of the Fund remains one of limiting downside and we continue to see enough embedded risk in the bond markets to justify a continuation of our defensive duration strategy.