

Melville Douglas Income Fund Limited

Sterling Income Class

Fund information update at 30 September 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) £ 17.29 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

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)	0.000%
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 September 2021

	Class B
Based on period from:	13/05/2020
Total Expense	1.17%
Transaction Costs	0.00%
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.

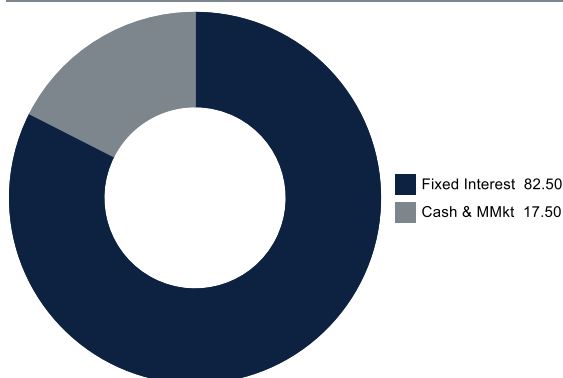
Melville Douglas Income Fund Limited

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Monthly update at 30 September 2021

Holdings

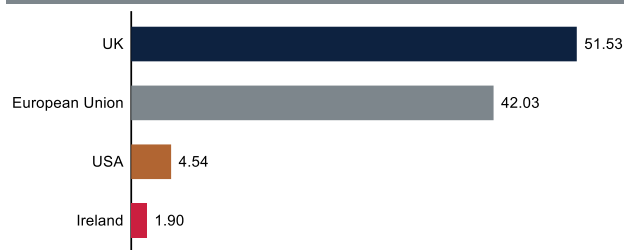
Asset class (%)



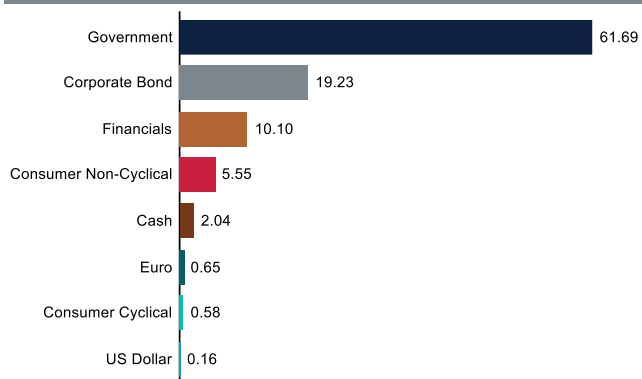
Top holdings (%)

iShares £ Corp Bond 0-5yr UCITS ETF GBP (Dist)	13.66
UK TSY Gilt 1.625% 22/10/2028	11.34
UK TSY Gilt 1.75% 07/09/2022	9.38
Inter-American Dev Bank 0.5% 15/09/2026	9.29
Intl Bank for Recon & Dev 1% 21/12/2029	9.13
UK TSY Gilt 1.5% 22/07/2026	7.22
European Investment Bank 0.75% 15/11/2024	6.72
UK TSY Gilt 0.875% 22/10/2029	4.22
iShares \$ High Yield Corp Bond UCITS ETF GBP Hdgd (Dist)	3.67
KfW 0.875% 15/09/2026	2.99

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 - Short Term

Returns (%)	3m	6m	9m	1yr	Launch
Class B					
Class	-0.76	-0.44	-2.53	-2.43	-1.73
Benchmark	-0.53	0.31	-3.26	-3.03	-1.55
Peer group	-0.06	0.07	-0.44	-0.34	0.31

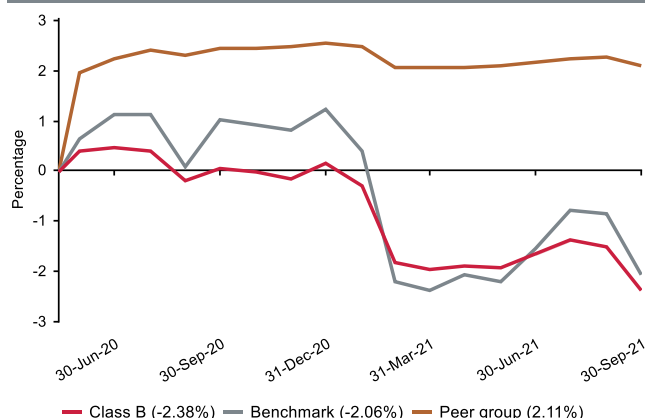
Returns (%) shown are cumulative for all periods shorter than or equal to 1 year and annualised for all periods greater than 1 year.

Statistics (%)	1yr	Launch
Class B		
Positive Months	4	6
Max Gain	0.31	0.61
Max Drawdown	-2.53	-2.97
Highest	-1.31	-1.31
Lowest	-2.43	-2.43

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 September 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 -0.74% (A Class) and -0.54% (X Class) versus the Fund's benchmark return of -0.53%. Year-to-date the Fund has delivered -2.45% (A Class) and -1.87% (X Class) ahead of the benchmark return of -3.26%.

Market overview

After an initial fall in yields in July, U.K. government bond yields have drifted higher in the later part of the quarter. However, following the recent central bank meeting bond yields rose quite significantly across the maturity spectrum as the market further discounts tighter monetary policy in the months ahead. The two-year benchmark Gilt yield rose to 0.41%, which is a marked change from where the yield started the year at a record low of a negative 16 basis points, with the ten-year benchmark yield breaching 1%, a level not seen since the pandemic induced turmoil in March 2020.

Looking ahead

The outcome from the Bank of England's (BoE) meeting in September was more hawkish than expected, and whilst there was no change to current policy there is the prospect of an interest rate hike as early as November led by a surge in inflation and also stronger-than-expected jobs data with unemployment peaking well below worst-case scenarios predicted at the onset of the pandemic. The MPC also agreed that any future tightening should start with an interest rate rise, even if that "became appropriate" before its bond buying (QE) program ends in December.

Headline inflation (CPI) rose to 3.2% in August. Elevated inflationary pressures are set to persist and may temporarily exceed 4% in the final quarter of 2021 driven by rising consumer goods prices as supply chain issues persist and the recent spike in energy prices. The northern hemisphere is about to enter the cooler winter months, further increasing demand on energy at a time when it is already running ahead of supply. Specific to the UK, a lack of qualified tanker drivers has caused "panic" buying of petrol/diesel in recent weeks as consumers try to stockpile on fears of supply shortages at the pumps.

Following strong economic growth in the second quarter of 5.5%, the pace of growth is set to fall in the third quarter as the economic recovery has shown signs of losing momentum and may undershoot the MPC's target of 2.1%. Staff shortages from the rise in COVID cases and the 'Pingdemic' have left many sectors unable to meet demand. However, one must put this into context, yes, the economy has slowed, but the most recent services and manufacturing data releases confirm that the economy is still in expansive territory. In addition, with the final payments of the governments Furlough scheme now paid, this should aid the recovery in the labour market.

There is no doubt that the recent rise in government bond yields appears dramatic, but given the high inflation and strong growth backdrop, an upward adjustment to yields was inevitable. The Fund has remained defensively positioned to interest rate sensitivity (duration) which has led to solid relative outperformance this year.

Investment grade (IG) corporate bond spreads ended the quarter almost unchanged. New issuance and subsequent investor buying both remain strong as the rush for cheap borrowing costs continues to be met by demand for every additional basis point in the ongoing low yield environment. We continue to believe that longer-dated IG bonds remain exposed given (near) historically tight spread levels and our view that UK Gilt yields will continue to climb – in effect we do not expect spreads to tighten more than government bond yields will rise. Whilst we retain an overweight allocation in this space, exposure is predominantly targeted at the shorter end of the maturity.

High yield (HY) spreads widened slightly in the quarter with the broader market posting near flat returns. The lack of further significant spread compression indicates to us that the early July historical low for spreads may have been set as a firm resistance level. The yield pick-up in HY markets remains a draw in the current environment but perhaps the exceptionally strong performance from these markets in recent quarters has factored in a lot of the good news and some attention may now be paid to the upcoming removal of ultra-easy monetary conditions. Unless an unknown 'risk off' event disturbs markets, we remain constructive and subsequently overweight HY for yield enhancement but we are mindful that most of the capital gains in the current cycle may be in the rear view mirror.

After trading higher against the US Dollar for most of the year Sterling succumbed to selling pressure towards the end of September. The currency has also traded lower against the Euro, but is still holding on to a year-to-date gain of circa +4%. The catalyst for the recent weakness has been down to rising concerns of 'stagflation'. The UK economy is battling with higher inflation predominantly from the spike in fuel prices and structural transportation issues highlighted by the recent fuel crisis sweeping across the country which could lead to a sharp slowdown in growth. The MPC have signalled that an early rate hike is in the offing, and this too could have implications for the UK's growth prospects. We have retained an overweight to the currency in the Fund, as we view these structural transportation issues as a transitory issue as the government have put measures in place to hopefully relieve the short-term pressure.

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	Q3 2021	Q2 2021	Change
Cash & MMkt	17.50	8.62	8.88
Fixed Interest	82.50	91.38	-8.88

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (£)	Units	NAV (£)
B	Retail	9.76	31,076.48	303,355.99

All data as at 30 September 2021.

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

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Important information at 30 September 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 30 September 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.

Contact details

Manager and Registrar

STANLIB Fund Managers Jersey Limited
Reg. No. 30487
Standard Bank House, 47-49 La Motte Street, JE2 4SZ
Telephone: +44 (0)1534 881400
Email: SFMJ@stanlib.com
Website: www.stanlib.com

Fund Directors

GS.Baillie, M.Farrow, O.Sonnichler and R Stewart

Trustee/Custodian

Apex Financial Services (Corporate) Limited
Reg. No. 702
12 Castle Street, JE2 3RT
Telephone: +44 (0)1534 847000

Investment Manager and Distributor

Melville Douglas Investment Management (Pty) Ltd
An authorised financial services provider, FSP No. 595
Reg. No. 1987/005041/07
8th Floor West Wing, 30 Baker Street, Rosebank, 2196
Telephone: +27 (0)11 721 7964
Website: www.melvilledouglas.co.za

RSA Representative

STANLIB Collective Investments (RF) (Pty) Limited
Reg. No. 1969/003468/07
17 Melrose Boulevard, Melrose Arch, 2196
Telephone: 0860 123 003