

Melville Douglas Income Fund Ltd

Sterling Class

Minimum Disclosure Document as at 30 June 2020

Investment Growth***



Trailing Returns***

	1 Month	YTD	1 Year	3 Years	5 Years	10 Years
Melville Douglas IFL GBP Income Acc A	0.1	2.4	2.3	0.8	1.1	0.4
60% UK Gvt 1-10 yrs, 20% UK Corp, 20% JPM Global Gov Bond	0.5	3.5	4.5	2.3	1.5	1.0

Risk Matrix *

	Class A	Benchmark
Information Ratio (arith)	-1.2	
Std Dev	2.0	2.4
Sharpe Ratio **	0.1	0.1

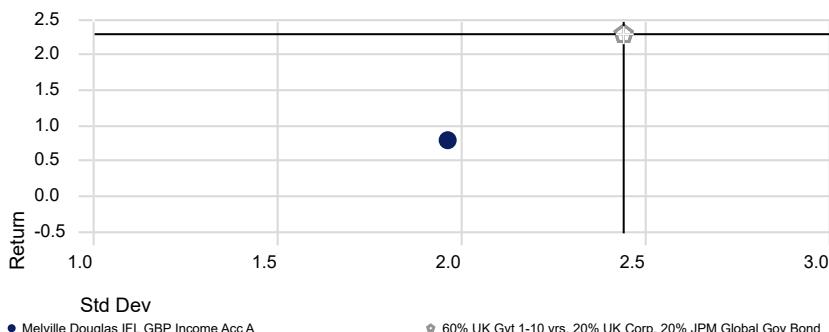
Highest & Lowest 12 Month Rolling Return

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
2020	0.8	0.4	-0.1	0.5	0.6	0.1							
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
2015	0.9	-0.8	0.8	-0.9	0.2	-0.8	0.1	0.0	0.2	-0.3	0.5	0.1	-0.1

Risk-Reward *

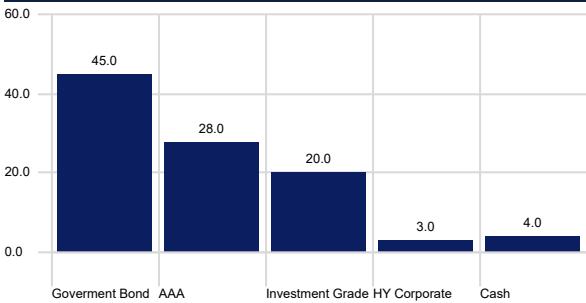


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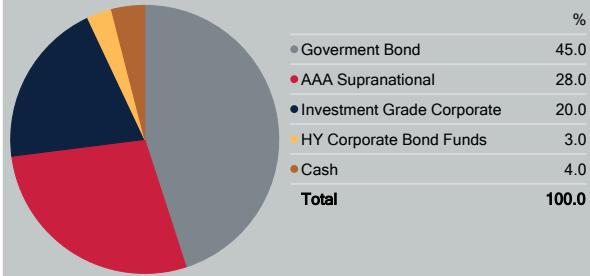
Investment Objective

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 122.60
Total Fund Value	GBP 13.44 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

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		Fund Costs- 12 months									
		Fee Class	Management Fee*	TER	TC	TIC					
Manager	STANLIB Fund Managers Jersey Limited	Class A	0.95%	1.05%	0.02%	1.09%					
Investment Manager	Melville Douglas Investment Management (Pty) Ltd	Class B	1.25%	1.35%	0.02%	1.39%					
Custodian Apex Financial Services (Corporate) Limited											
Auditors PwC, Ireland											
Fund Directors	GS.Baillie, M.Farrow, O.Sonnichler & R Stewart	TER = (Total Expense Ratio), TC = (Transaction Costs), TIC = (Total Investment Cost ; TER + TC = TIC)									
Registered Office	47-49 La Motte Street, St Helier, Jersey	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).									
Publication Date	16 July 2020	* Management Fee includes fee payable to Manco.									
Compliance No.	4616LN										
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	TER = (Total Expense Ratio), TC = (Transaction Costs), TIC = (Total Investment Cost ; TER + TC = TIC)									
Class B	01 September 2017	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.											
Fund Costs- 36 months											
		Fee Class	Management Fee*	TER	TC	TIC					
		Class A	0.95%	1.09%	0.02%	1.13%					
		Class B	1.25%	1.35%	0.02%	1.39%					
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.											
Contact Details											
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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

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 +1.21% versus the Fund's benchmark return of +2.89%.

Market Overview

Despite a strong rally in risk assets during the quarter, UK government bonds have traded in an exceptionally narrow range. The natural inclination should have been for 'safe-haven' yields to rise in this environment but the bond market remains heavily supported by ongoing robust quantitative easing (QE) measures and UK interest rates within range of the zero bound. In contrast to the stability exhibited in developed government bonds, Investment Grade (IG) and High Yield (HY) bond spreads have tightened considerably in line with the sharp recovery in global equity markets.

Looking Ahead

In the UK, investing in high quality government or supranational issues has become extremely challenging. In the quarter we have seen an increase in fiscal stimulus to the tune of an extra £100 billion in QE taking the total value to £745bn, whilst interest rates have remained at a record low of 0.10%. The reaction in the Gilt market has sent short-dated yields into negative territory, joining their European counterparts, effectively becoming un-investable. The Bank of England's Monetary Policy Committee (MPC) has had to fully utilise its war chest to provide much needed support from the Covid-19 induced economic coma. Inflation has fallen sharply as the economy, predominately driven by the consumer, has effectively been closed. However, over the longer term, the combination of massive stimulus efforts and an economy starting to now re-open should lead to higher inflation. It is possible that the MPC could keep rates too low for too long, potentially resulting in an inflationary issue which would certainly result in government yields rising. Yields at, or close to all-time lows are offering very little protection in the event of this outcome and as such, the Fund remains defensively positioned in respect of duration.

IG and HY corporate spreads tightened considerably in the quarter in line with the resurgence in risk appetite. At their peak in March, spreads for both investment and non-investment grade corporate debt only rose to half the levels experienced in the height of the credit crisis as a number of factors lent support to these markets, predominantly, central bank support via quantitative easing and the ongoing search for yield in a world of low and often negative interest rates. The short-term direction of risk assets, to which these markets are highly correlated to, is clearly uncertain given the recent rally and for this reason, we have only tentatively begun allocating to HY debt in the Fund. Over the past twenty years, quarterly falls of over 4% in HY markets have always generated a positive return in the subsequent two years – in many cases those returns have been in excess of 20%. History doesn't always repeat itself but in the absence of yield in developed market government bonds, we view an allocation to HY as a viable long-term investment opportunity and will continue to time monies into the market on period of weakness.

UK PLC's finances are deteriorating with the budget deficit at record highs and debt to GDP breaching the psychological 100% level. COVID-19 has triggered a cocktail of lost tax revenue and increased government spending to save jobs, but also to keep business afloat during lockdown. Sterling is finding it difficult to make headway given this backdrop and the ongoing BREXIT overhang which has failed to make any material progress. There is no doubt Sterling is undervalued on a 'purchasing power' basis, however in the short term it is possible that the currency comes under further pressure. For now, and taking a medium to long-term view, the Fund remains moderately overweight Sterling but we are retaining an element of foreign currency exposure as a hedge against any further weakness.

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.