

# Melville Douglas Income Fund Limited

## Enhanced Income (USD) Class

### Fund information update at 30 June 2024

#### What is the fund's objective?

The objective of the Class Fund is to provide a return in excess of Barclays Benchmark Overnight USD Cash Index, whilst maintaining a high degree of capital preservation.

#### What does the fund invest in?

The Class invests primarily in quality short-dated fixed, floating and inflation linked interest bearing securities, and, where in the opinion of the Investment Manager, direct investment in direct securities will not achieve sufficient diversification to achieve the Class Fund's objective, the Class Fund may also invest in other collective investment schemes.

#### 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
--------------	-------------------------	----------	-----------------------	------------

#### What is the suggested investment period for this fund?

#### Minimum period

1 Month	6 Months	1 Year	3 Years	5 Years	7 Years
---------	----------	--------	---------	---------	---------

#### Who should consider investing in this fund?

This fund is suitable for investors who are seeking an alternative to cash via a diversified portfolio of highly liquid money market and short dated fixed term investments.

#### Income

Dividends may be declared from time to time in accordance with the provisions of Companies (Jersey) Law, 1991 (as amended).

#### General information

<b>Size (NAV)</b>	\$ 87.52 million	
<b>Peer group</b>	EAA Fund USD Diversified Bond - Short Term	
<b>Benchmark</b>	Barclays Overnight USD Cash Index	
<b>Section 65</b>	Approved	
This Class Fund is approved for sale in South Africa under Section 65 of the Collective Investment Schemes Control Act, 2002 (CISCA).		
	<b>Class B</b>	<b>Class C</b>
<b>Launch</b>	04 August 2023	04 August 2023
<b>ISIN number</b>	JE00BFM12X20	JE00BFM13S42
<b>SEDOL code</b>	BFM12X2	BFM13S4
<b>Bloomberg</b>	MDIEIBU JY	MDIEICU JY
<b>Minimum investment requirements -</b>		
<b>New business</b>	Open	Open
<b>Initial</b>	\$ 15,000	\$ 2,500
<b>Subsequent</b>	\$ 1,000	\$ 1,000

#### What are the costs to invest in this fund?

#### Maximum charges

	Class B	Class C
<b>Initial fee (manager)</b>	0.000%	0.000%
<b>Initial fee (adviser)</b>	3.000%	3.000%
<b>Annual fee (manager)</b>	0.950%	0.750%
<b>Annual fee (adviser)</b>	0.000%	0.000%
<b>Performance fee</b>	N/A	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 2024

	Class B	Class C
<b>Based on period from:</b>	04/08/2023	04/08/2023
<b>Total Expense</b>	1.03%	0.83%
<b>Transaction Costs</b>	0.00%	0.00%
<b>Total Investment Charge</b>	1.03%	0.83%
<b>1 Year Total Expense</b>	1.03%	0.83%

**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.

The TER, TC & TIC cannot be determined accurately for portfolios/portfolio classes that are not yet 1 year old because of the short life span of the portfolio/portfolio class. Calculations in this instance are based on actual data where possible and best estimates where actual data is not available.

# Melville Douglas Income Fund Limited Enhanced Income (USD) Class

## Who are the investment managers?

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.



**Karl Holden**  
FCSI, Chartered Wealth Manager  
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 Bond 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**  
FCSI, Chartered Wealth Manager  
Fixed Income and Currency Strategy

Simon joined Standard Bank in 2002, with over 30 years' experience in the 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 Bond and Enhanced Income Funds, whilst he also manages the investments of a number of high-net-worth clients. Simon is a Chartered Wealth Manager and a Fellow of the Chartered Institute for Securities and Investment.

## Monthly update at 30 June 2024

### Performance

Class B Launch: 04 August 2023

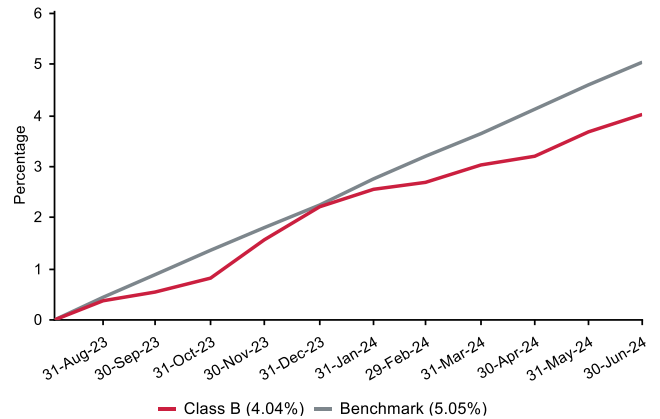
Class C Launch: 04 August 2023

Returns (%)	1m	3m	6m	9m	Launch
<b>Class B</b>					
Class	0.35	0.97	1.77	3.48	4.04
Benchmark	0.42	1.37	2.73	4.12	5.05
<b>Class C</b>					
Class	0.37	1.02	1.87	3.64	4.22

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

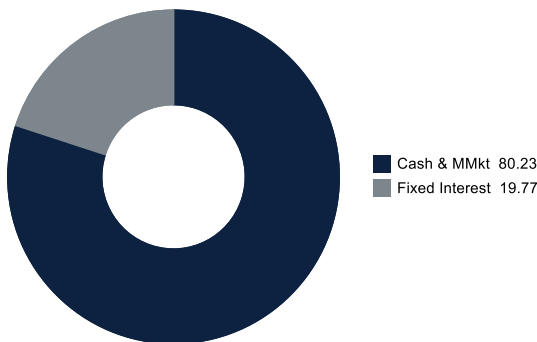
Benchmark: Barclays Overnight USD Cash Index

### Cumulative performance (%) from Launch



### Holdings

#### Asset class (%)



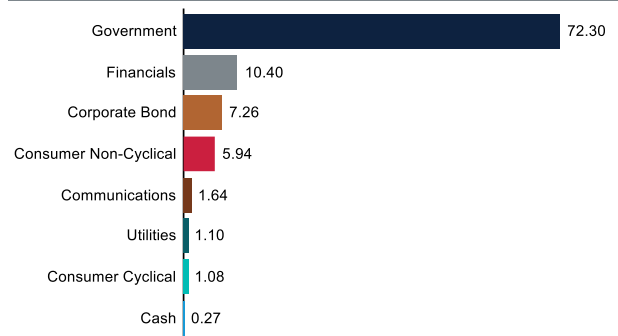
#### Top holdings (%)

US TSY Bill 0% 14/11/2024	12.74
US TSY Bill 0% 24/10/2024	12.72
US TSY Note/Bond 2.125% 31/07/2024	6.04
US TSY Note/Bond 2.875% 30/04/2025	5.94
European Investment Bank 0.375% 24/07/2024	4.72
Inter-American Dev Bank 0.625% 15/07/2025	4.65
Asian Development Bank 4.125% 27/09/2024	4.39
US TSY Note/Bond 2% 30/06/2024	3.74
KfW 5.125% 29/09/2025	3.59
European Bank for Recon & Dev 1.5% 13/02/2025	3.55

#### Currency (%)



#### Category (%)



# Melville Douglas Income Fund Limited

## Enhanced Income (USD) Class

Quarterly update at 30 June 2024

### Fund review

The objective of the Class Fund is to provide a return in excess of the Barclays Benchmark Overnight USD Cash Index, whilst seeking to maintain a high degree of capital preservation. Investment will primarily be in quality fixed, floating and inflation linked interest bearing securities, and, where in the opinion of the Investment Manager, direct investment in direct securities will not achieve sufficient diversification to achieve the Class Fund's objective, the fund may also invest in other collective investment schemes.

The Fund delivered positive returns in the quarter although were slightly shy of the Funds benchmark. Cash/money market yields (sub six months) remain anchored to overnight cash rates, however we expect these yields to fall once the Federal Reserve Open Market Committee (FOMC) commence interest rate cuts later in the year. The maturity profile remains defensive and has been maintained at 0.6 years taking advantage of the higher yields on offer in this part of the yield curve.

### Market overview

We maintain the view that developed market government bond yields peaked last year, however, also expect them to remain 'higher for longer' as more evidence of disinflation is required, particularly in the services sector. At the start of this year, we had our reservations about optimistic rate cut expectations priced into the market and forecast yields to trend higher given ongoing resilience in both economic growth conditions and inflation. We do expect the next move in developed market interest rates to be down (the European Central Bank have already cut once), but it appears premature to expect that 'aggressive' monetary easing will be sanctioned in the coming quarters. Markets remain focussed on the US Federal Reserve (Fed) who have already dialled back their monetary policy expectations for this year to just one 25 basis point cut and there remain 'data dependant' risks that any easing is delayed until next year. For now, we expect longer-dated bond yields to trade in a range and direction will continue to be dominated by inflation with a keen eye on whether sustained high interest rates are beginning to meaningfully impact economic growth conditions. Given the extent of the rise in yields since mid-2020 our outlook for the bond markets is not negative on a risk/reward basis and taking a medium to long-term view, lower yields are a reasonable assumption.

### Looking ahead

Interest rates remain on hold in the US and expectations for easier monetary policy continue to be pushed back. The Federal Reserve Open Market Committee (FOMC) have dialled back forecast interest rate cuts for the remainder of the year from three to one which given the economic backdrop of sticky inflation and resilient growth is understandable - easing too early would materially increase the odds of reigniting inflationary pressures. The US economy continues to defy the weight of higher interest rates, remaining significantly less interest rate sensitive than in previous cycles. Consumer spending remains healthy, supported by a post-pandemic surge in household net worth thanks to resilient property prices and higher global equity markets, both of which continue to act as a shield against higher inflation and borrowing costs. In addition, the employment market remains firm, lifting 'real' inflation adjusted wages that will only increase as price pressures continue to slowly moderate. This environment of solid growth coupled with inflation still above the Fed's target level is not one that suggests government bond yields should be falling sharply. The bond market rally in late 2023, driven by the Fed's 'verbal' pivot, drove yields lower and whilst yields have risen this year, at current levels they appear fairly priced based on the assumption that 10-year bond yields should offer a premium over and above headline inflation – long-term averages suggest approximately 200 basis points. We believe this fundamental pricing of 'real yields', that has been absent for an extended period of time will return given that investors have recently been abruptly reminded that inflation is not necessarily consigned to the history books.

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 2024	Q1 2024	Change
Cash & MMkt	80.23	71.35	8.88
Fixed Interest	19.77	28.65	-8.88

The portfolio adhered to its portfolio objective over the quarter.

### Fund classes

Class	Type	Price (\$)	Shares	NAV (\$)
B	Retail	10.40	13,849.27	144,081.55
C	Retail	10.42	18,674.74	194,635.13

All data as at 30 June 2024.

Shares - the amount of Participating Shares in issue in each relevant class.

# Melville Douglas Income Fund Limited

## Enhanced Income (USD) Class



### Important information at 30 June 2024

#### 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 Enhanced Income (USD) 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](http://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 USD, as at 30 June 2024, 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](http://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

##### 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](http://www.stanlib.com)

##### Fund Directors

M.Farrow, M.Laws, O.Sonnbichler 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](http://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