

Melville Douglas Income Fund Limited
Annual Report and Audited Financial Statements
Year ended 30 September 2019

Melville Douglas Income Fund Limited

Annual Report and Audited Financial Statements

For the year ended 30 September 2019

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Melville Douglas Income Fund Limited

Administration

Directors

Graham Baillie (South African/British) (Chairman)
Michael Farrow* (British)
Helen Holmes (British)
Oliver Sonnbichler (South African/Austrian)

Sub-Custodian and Banker

The Bank of New York Mellon SA/NV London Branch
The Bank of New York Mellon Centre
160 Queen Victoria Street
London EC4V 4LA
United Kingdom

Registered Office

Standard Bank House
47 - 49 La Motte Street
St. Helier
Jersey JE2 4SZ
Channel Islands

Administrator

BNY Mellon Fund Services (Ireland) Designated
Activity Company
One Dockland Central, Guild Street
International Financial Services Centre
Dublin 1
Ireland

Manager and Secretary

STANLIB Fund Managers Jersey Limited
Standard Bank House
47 - 49 La Motte Street
St. Helier
Jersey JE2 4SZ
Channel Islands

Independent Auditors

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

Investment Manager

Melville Douglas Investment
Management (Proprietary) Limited
30 Baker Street
Rosebank
Johannesburg, 2196
Republic of South Africa

Legal Adviser

Ogier
Ogier House
44 Esplanade
St. Helier
Jersey JE4 9WG
Channel Islands

Custodian

Apex Financial Services (Corporate) Limited**
12 Castle Street
St. Helier
Jersey JE2 3RT
Channel Islands

*Independent Non-Executive Director.

**Custodian changed its name from Link Corporate Services (Jersey) Limited to Apex Financial Services (Corporate) Limited effective from 28 June 2019.

Melville Douglas Income Fund Limited

Report of the Directors

The directors submit their annual audited report and financial statements for the year 30 September 2019.

Incorporation

Melville Douglas Income Fund Limited (the “Company”) is an open-ended investment company incorporated by way of a continuance in Jersey on 31 March 2003 with limited liability under the provisions of the Companies (Jersey) Law 1991 and holds a fund certificate issued pursuant to the Collective Investment Funds (Jersey) Law 1988 and is regulated by the Jersey Financial Services Commission (“JFSC”). It was initially incorporated in the British Virgin Islands under the Mutual Funds Act 1996. The Company is a public company within the meaning of Article 16 of the Companies (Jersey) Law 1991. Participating shares may be issued and redeemed at prices based upon each class’s underlying net asset value.

Structure

The Company offers investors a choice of classes (each such class being referred to as a “Class Fund”) and the opportunity to switch from one Class Fund to another. As at 30 September 2019 there are three Class Funds (the US Dollar Income Class, the Sterling Income Class and the US Dollar Enhanced Income Class). A separate Class Fund is established for each class of participating shares and each Class Fund is managed separately and independently.

The assets, liabilities, income and expenses attributable to each class of participating share are applied to the Class Fund established for that class. If they are not attributable to any particular class of participating shares, they are allocated between all the Class Funds in such manner as the directors deem to be equitable. The Company is a single legal entity. As a result, although the assets, income, earnings, liabilities and expenses attributable to each Class Fund will be segregated and kept separate from those attributable to other Class Funds, in the event of the Company not being able to meet its liabilities attributable to any particular Class Fund out of the assets of such Class Funds, the excess liabilities may have to be met out of the assets attributable to other Class Funds.

Objective and investment policy

The objective of the Class Funds is to provide a return in excess of its benchmark in US Dollars and Sterling respectively, 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 investment schemes, money market instruments and cash that will maximise total returns in Base Currency. For the avoidance of doubt the Class Fund may also invest in collective investment schemes investing in real estate (including buildings) or interests in real estate (including options or rights in respect of real estate) and make other investments which are not prohibited by the investment restrictions set out in the prospectus.

Results and dividends

The Company currently does not intend to distribute income and capital gains realised by the Company on its investments by way of dividend. Accordingly, income on investments and increases in the capital value of the investments of the Company will be reflected in the value of the participating shares. The results for the year are disclosed in the Statements of Comprehensive Income.

Directors

The directors of the Company during the year and subsequently are set out on page 2.

Graham Baillie is Chairman of Melville Douglas Investment Management (Proprietary) Limited. Oliver Sonnbichler is an executive of Melville Douglas Investment Management (Proprietary) Limited and Michael Farrow is an independent non-executive director.

No director has a service contract with the Company or holds any interest in the capital of the Company.

Melville Douglas Income Fund Limited

Report of the Directors (continued)

Registered Office

The registered office is as disclosed on page 2.

Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable Jersey law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice "UK GAAP"), including Financial Reporting Standard ("FRS") 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102").

The Companies (Jersey) Law 1991 requires the directors to prepare the financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that year. In preparing those financial statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

The directors confirm that they have complied with all the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Connected Persons

The directors are satisfied that there are arrangements in place to ensure that transactions with connected persons entered into during the year were carried out as if negotiated at arm's length and were in the best interests of shareholders.

Independent Auditors

PricewaterhouseCoopers Ireland have indicated their willingness to continue in office. A resolution to reappoint PricewaterhouseCoopers Ireland as independent auditors of the Company will be proposed at the annual general meeting. A copy of the Notice of the Annual Form of Proxy General Meeting is attached and forms part of these financial statements.

Secretary

The Secretary of the Company during the year ended 30 September 2019 and subsequently was STANLIB Fund Managers Jersey Limited.

By Order of the Board

STANLIB Fund Managers Jersey Limited

Company Secretary
13 January 2020

Melville Douglas Income Fund Limited

Report of the Custodian

To the members of Melville Douglas Income Fund Limited.

The Custodian is responsible for the safekeeping of all the property of the Company which is entrusted to it, as prescribed in the Custodian Agreement.

Under the principles of the Guide to open-ended unclassified collective investment funds offered to the general public (the "OCIF Guide"), issued by the Jersey Financial Services Commission, the Custodian has a duty to take reasonable care to ensure that the methods adopted by the Company's Manager in respect to the pricing of, and dealing in, shares in the Company are compliant with the Company's principal documents.

It is the opinion of Apex Financial Services (Corporate) Limited in respect of the year ended 30 September 2019 that to the best of our information, knowledge and belief, that in all material respects, the Manager managed the Class Funds in that year:

- a) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Articles of Association and Prospectus and;
- b) otherwise in accordance with the provisions of the Management and Custodian Agreements.

**Apex Financial Services (Corporate) Limited
Custodian
13 January 2020**

Melville Douglas Income Fund Limited

Investment Manager's Report

For the year ended 30 September 2019

US Dollar Income Class (the "Class Fund")

Fund Review

The objective of the Class Fund is to provide a return in excess of its benchmark in US Dollars, 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 US Dollars.

The Class Fund's performance for the period was 5.7% (A Class), 5.4% (B Class) and 6.5% (X Class) versus the Class Fund's benchmark return of 8.59%.

Market Overview

Over the past twelve months the decline in global government bond yields has been dramatic to the extent that approximately 25% of worldwide debt now offer investors a yield of less than zero, and that's before inflation. A consequence of low and negative yielding debt is a sharp rise in the embedded risk in global bond markets, put simply as yields decline, potential volatility increases, and this is most acute in longer-dated issues where significant capital is at risk if yields begin to retrace higher. With hindsight, it is not difficult to understand why bonds have remained in favour given global protectionism (trade wars and subsequent manufacturing slump), quantitative easing (printed money buying bonds) and of course, the ongoing search for yield in a low interest rate environment. However, the extent to which they have fallen, and the ever-increasing mountain of negative yielding debt is extreme, a situation that will either be dubbed crazy or the new norm in years to come – for now we are inclined towards the former. The level of pessimism priced into global bond markets is too high in our view given the fundamental economic backdrop. It is easy to use the US economy as an example given its ongoing strength but even applying some global statistics, something doesn't look right. As above, a decent chunk of the global bond market is charging 'you' to buy its debt however, the Organisation for Economic Co-operation and Development ("OECD") estimate that global growth will average 2.9% this year and 3% next, while global inflation is running at approximately 1.9%. A great time to be a borrower, not a long-term investor but how long can it last? Perhaps some time as it is clear that risk assets are becoming increasingly wedded to the prospect of low rates and ever more accommodative central banks. Nowhere is this more evident than in the US where the US Federal Reserve completely turned around their interest rate outlook from hawkish (igniting an equity sell off in late 2018) to dovish (subsequent equity market rally in early 2019). Clearly the pressure is on to keep global money cheap and this has had a profound effect on both the bond and equity markets. Therefore, any pick up in global activity is going to prove challenging for the central banks as turning off the monetary tap may potentially provoke a rapid repricing of global bond yields, triggering significant bond losses. On this note, it has become clear that more and more central banks are calling upon the governments to dial up fiscal easing given the diminishing positive effects of lower and lower (or more negative) risk free rates. This we believe will mark the next stage in this lengthy hangover from the credit crisis and one that may have more widespread benefits to global growth conditions, and in some areas, it may just be financed by a bit more of that 'free' printed money. In summary, global bond markets remain very expensive on most measures and whilst we cannot dismiss the probability that this continues for some time to come, as long-term investors focused on the preservation of capital, we are reluctant to chase longer-dated bond yields lower and lower.

Melville Douglas Income Fund Limited

Investment Manager's Report (continued)

US Dollar Income Class (the "Class Fund") (continued)

Looking Ahead

The US Federal Reserve sanctioned two interest rate cuts in Q3 2019 quarter in response to an ongoing slowdown in 'global' economic conditions. Importantly, we view these policy moves as pre-emptive in nature and a safeguard against a further deterioration in trade war talks and therefore, global growth. To put this into context, the domestic US economy remains buoyant with consumption holding up, supported by a strong employment market, muted inflationary pressures and now, easier monetary conditions. Understandably, manufacturing indicators have slowed but we are minded that this accounts for a relatively small portion of the economy's output and the mainstay of GDP growth, namely the services industry, remains firm although off its highs. Despite this positive economic backdrop, US government bond yields have frustratingly fallen during the period, but we view much the recent moves as sentiment driven (i.e. trade war uncertainty) rather than based on fundamentals. As such, the bond market is acutely at risk of a reversal if the US and China can agree on a mutually beneficial outcome which would do much to boost sentiment. Given events so far, this may appear to be a big ask but it is in neither nation's interests to escalate the situation given the contagion effect on an already slower global economy. We cannot predict the outcome, but only attempt to evaluate how much negativity is priced into the bond market and on many measures, it appears extreme and therefore continues to warrant the Class Fund's defensive strategy.

The Class Fund's high conviction and long held bias to the US Dollar continues to add value with the currency gaining, in general terms, over 3% in the period. Whilst much of this upside can be attributed to the relative strength of the US economy and subsequent favourable yield and interest rate differentials, more recently, it has also benefited from its reserve currency status given the ongoing disruptions from trade war uncertainty. Weaker growth conditions in the Eurozone and the continuous BREXIT saga have only added to the allure of the US Dollar as both are delaying any prospect of monetary tightening this side of the Atlantic. Despite weaker global growth, we see few signs of an impending US recession given the resilience of the economy which should be further supported by 'pre-emptive' monetary easing by the Federal Reserve. We remain cognisant that on many measures the currency remains overvalued but given the myriad of global economic and political issues currently at play, it can remain expensive for some time yet and as such, the Class Fund remains overweight with a 100% allocation.

During the period, the Class Fund has retained a benchmark weight to investment grade corporate bonds although these holdings are primarily at the shorter-end of the maturity spectrum given our cautious strategy. Based on historical averages, credit spreads appear expensive and are certainly at odds with the negative global outlook currently discounted by government bond yields. We are reluctant to increase the Class Fund's exposure to this sector, preferring to wait until corporate spreads widen to more attractive risk adjusted levels.

In respect of duration and given our thoughts above, the Class Fund remains underweight relative to benchmark although we have been closing the gap throughout 2019 given the slowdown in 'global' economic conditions. Whilst the Class Fund has delivered solid absolute returns over and above both cash and inflation over the past twelve months, this defensive strategy has resulted in some relative underperformance to benchmark. However, if our fundamental bearish outlook for bonds is correct and some of the negative geo-political influences currently disrupting sentiment can be at least partially resolved, then we believe the Class Fund is best positioned to re-coup any relative underperformance in the quarters ahead.

Melville Douglas Income Fund Limited

Investment Manager's Report (continued)

For the year ended 30 September 2019

Sterling Income Class (the "Class Fund")

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 maximize total returns in Sterling.

The Class Fund's performance for the period was 3.0% (A Class) and 3.8% (X Class) versus the Class Fund's benchmark return of 6.20%.

Market Overview

Over the past twelve months the decline in global government bond yields has been dramatic to the extent that approximately 25% of worldwide debt now offer investors a yield of less than zero, and that's before inflation. A consequence of low and negative yielding debt is a sharp rise in the embedded risk in global bond markets, put simply as yields decline, potential volatility increases, and this is most acute in longer-dated issues where significant capital is at risk if yields begin to retrace higher. With hindsight, it is not difficult to understand why bonds have remained in favour given global protectionism (trade wars and subsequent manufacturing slump), quantitative easing (printed money buying bonds) and of course, the ongoing search for yield in a low interest rate environment. However, the extent to which they have fallen, and the ever-increasing mountain of negative yielding debt is extreme, a situation that will either be dubbed crazy or the new norm in years to come – for now we are inclined towards the former. The level of pessimism priced into global bond markets is too high in our view given the fundamental economic backdrop. It is easy to use the US economy as an example given its ongoing strength but even applying some global statistics, something doesn't look right. As above, a decent chunk of the global bond market is charging 'you' to buy its debt however, the OECD estimate that global growth will average 2.9% this year and 3% next, while global inflation is running at approximately 1.9%. A great time to be a borrower, not a long-term investor but how long can it last? Perhaps some time as it is clear that risk assets are becoming increasingly wedded to the prospect of low rates and ever more accommodative central banks. Nowhere is this more evident than in the US where the US Federal Reserve completely turned around their interest rate outlook from hawkish (igniting an equity sell off in late 2018) to dovish (subsequent equity market rally in early 2019). Clearly the pressure is on to keep global money cheap and this has had a profound effect on both the bond and equity markets. Therefore, any pick up in global activity is going to prove challenging for the central banks as turning off the monetary tap may potentially provoke a rapid repricing of global bond yields, triggering significant bond losses. On this note, it has become clear that more and more central banks are calling upon the governments to dial up fiscal easing given the diminishing positive effects of lower and lower (or more negative) risk free rates. This we believe will mark the next stage in this lengthy hangover from the credit crisis and one that may have more widespread benefits to global growth conditions, and in some areas, it may just be financed by a bit more of that 'free' printed money. In summary, global bond markets remain very expensive on most measures and whilst we cannot dismiss the probability that this continues for some time to come, as long-term investors focused on the preservation of capital, we are reluctant to chase longer-dated bond yields lower and lower.

Melville Douglas Income Fund Limited

Investment Manager's Report (continued)

Sterling Income Class (the "Class Fund") (continued)

Looking Ahead

The Bank of England sorely want to lift interest rates, but the fate of upcoming monetary policy remains firmly in the hands of BREXIT. The market is forecasting a very dim view of the BREXIT outcome, evident in the meagre 0.30% yield on UK gilts maturing between three and five years. Of course, all options remain in play, but the last three years has been a lesson in the futility of attempting to second guess political outcomes. However, even in the event of a 'no deal' we struggle to find yields at current severely depressed levels a compelling medium to long term investment. We have moderately extended the overall maturity of the Class Fund in response to weaker 'global' economic conditions, but relative to benchmark the Class Fund remains defensively positioned.

Sterling still cannot break from the shackles of BREXIT and despite some brief periods of hope that a 'deal' will be forthcoming, the sheer level of uncertainty is keeping the currency under pressure. Whilst undoubtedly undervalued, it would be remis not to hold some foreign currency exposure as a hedge in the event of a 'no deal' at the end of October and the Class Fund has retained some exposure to both the US Dollar and Euro. Whilst economic fundamentals are being somewhat overlooked in the current environment, under the circumstances the economy is holding up better than many had forecast thanks to a buoyant employment market. However, despite some pockets of resilience in the economy, an interest rate hike appears a distant prospect. A positive resolution to this saga would certainly lift sentiment, potentially kick-start some hawkish rhetoric from the Bank of England and Sterling would certainly rally – we just need to get there first!

During the period, the Class Fund has retained a benchmark weight to investment grade corporate bonds although these holdings are primarily at the shorter-end of the maturity spectrum given our cautious strategy. Based on historical averages, credit spreads appear expensive and are certainly at odds with the negative global outlook currently discounted by government bond yields. We are reluctant to increase the Class Fund's exposure to this sector, preferring to wait until corporate spreads widen to more attractive risk adjusted levels.

In respect of duration and given our thoughts above, the Class Fund remains underweight relative to benchmark although we have been closing the gap throughout 2019 given the slowdown in 'global' economic conditions. Whilst the Class Fund has delivered solid absolute returns over and above both cash and inflation over the past twelve months, this defensive strategy has resulted in some relative underperformance to benchmark. However, if our fundamental bearish outlook for bonds is correct and some of the negative geo-political influences currently disrupting sentiment can be at least partially resolved, then we believe the Class Fund is best positioned to re-coup any relative underperformance accrued this year.

Melville Douglas Income Fund Limited

Investment Manager's Report (continued)

For the year ended 30 September 2019

US Dollar Enhanced Income Class* (the "Class Fund")

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 Class Fund may also invest in other collective investment schemes.

The Class Fund's performance from inception to 30 September was 1.27% versus the Class Fund's benchmark return of 1.24%.

Market Overview

Since the Class Fund was launched on 14 March 2019, the decline in global government bond yields has been dramatic with approximately 25% of the global bond market now offers investors a yield of less than zero, and that's before inflation. Multiple events have unfolded to get us to this bizarre state of play but in the main, a healthy mix of global protectionism (trade wars and subsequent manufacturing slump), quantitative easing (printed money buying bonds) and search for yield have driven bond market yields to what will either be dubbed crazy or the new norm in years to come – for now we are inclined towards the former. A consequence of this dramatic decline in yields is a sharp rise in the embedded risk of global bond markets. Given the current heightened levels of uncertainty thanks to issues such as trade wars, BREXIT, sustainability of the long US economic expansion etc. it is not that difficult to understand why bond markets have performed well. But, we think they have performed too well, in fact by some margin given the economic backdrop.

In US fixed income, short to medium dated bonds are currently offering investors a negative real return, while the latest Q2 GDP growth rate is running at 2% and headline inflation at 1.7%. A great time to be a borrower, not a long-term investor but how long can it last? To complicate matters, it is clear that risk assets are becoming increasingly wedded to the prospect of low rates and ever more accommodative central banks. The US Federal Reserve completely turned around their interest rate outlook from hawkish (igniting an equity sell off in late 2018) to dovish (subsequent equity market rally in early 2019), which has lead to an inversion at the short end of the yield curve in recent months as the market discounts further monetary easing. Clearly the pressure is on to keep global money cheap and this has had a profound effect on both the bond and equity markets. So, any pick up in global activity is going to prove challenging for the central banks as turning off the monetary tap may potentially provoke a rapid repricing of global bond yields, triggering significant bond losses in medium to longer dated bonds.

On this note, it has become clear that more and more central banks are calling upon the governments to dial up fiscal easing given the diminishing positive effects of lower and lower (or more negative) risk free rates. This we believe will mark the next stage in this lengthy hangover from the credit crisis and one that may have more widespread benefits to global growth conditions, and in some areas, it may just be financed by a bit more of that 'free' printed money. In summary, global bond markets remain very expensive on most measures and whilst we cannot dismiss the probability that this continues for some time to come, as long-term investors focused on the preservation of capital, we are reluctant to join the party when it may be approaching midnight.

Melville Douglas Income Fund Limited

Investment Manager's Report (continued)

US Dollar Enhanced Income Class* (the "Class Fund") (continued)

Looking Ahead

The US Federal Reserve sanctioned two interest rate cuts in Q3 in response to an ongoing slowdown in 'global' economic conditions. Importantly, we view these policy moves as pre-emptive in nature and a safeguard against a further deterioration in trade war talks and therefore, global growth. To put this into context, the domestic US economy remains buoyant with consumption holding up, supported by a strong employment market, muted inflationary pressures and now, easier monetary conditions. Understandably, manufacturing indicators have slowed but we are minded that this accounts for a relatively small portion of the economy's output and the mainstay of GDP growth, namely the services industry, remains firm. Despite this positive economic backdrop, US government bond yields have frustratingly fallen in the quarter, with the money market curve inverting further as the market prices in further interest rate cuts over the coming months/quarters.

Since launch we have maintained a relatively low duration, investing in a spread of short duration US Treasuries and AAA rated Supranational bonds together with a blend of investment grade corporate, South African Bank / Sovereign bonds to provide a yield enhancement to the Class Fund. As bonds have matured, re-investment has been into short dated issues, and at times ultra-short 1-month paper as this area of the money market curve has offered the most favourable returns in recent months. In the short term it is difficult to see the shape of the yield curve reverting to a more normal upward sloping curve which would present opportunities to moderately extend duration within the guidelines of the Class Fund. However, we have found some opportunities in Supranational bonds where we have managed to invest at more attractive yield levels. We will continue to explore opportunities in both credit and curve positioning as they present themselves, whilst maintaining a focus on capital preservation.

Melville Douglas Investment Management (Proprietary) Limited

Investment Manager

30 October 2019

*Class Fund launched on 14 March 2019.

Independent auditors' report to the members of Melville Douglas Income Fund Limited

Report on the audit of the financial statements

Opinion

In our opinion, Melville Douglas Income Fund Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Audited Financial Statements (the "Annual Report"), which comprise: the Statements of Financial Position as at 30 September 2019; the Statements of Comprehensive Income, and the Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Irish Auditing and Accounting Supervisory Authority website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies (Jersey) Law 1991 exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept; or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

for and on behalf of PricewaterhouseCoopers
Chartered Accountants
Dublin
13 January 2020

Melville Douglas Income Fund Limited

Statements of Financial Position

As at 30 September 2019

(Comparatives as at 30 September 2018)

| | Notes | US Dollar Income Class 30 September 2019 USD | US Dollar Income Class 30 September 2018 USD | Sterling Income Class 30 September 2019 GBP | Sterling Income Class 30 September 2018 GBP |
|----------------------------------------------------------------|-----------|----------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Assets | | | | | |
| Financial assets at fair value through profit or loss | 2(b), 7.4 | 68,015,253 | 50,052,025 | 8,739,120 | 4,285,984 |
| Cash and cash equivalents | 2(c) | 227,723 | 1,048,954 | 329,769 | 296,756 |
| Receivable for shares sold | 2(f) | 98,644 | — | — | 125,000 |
| Income receivable | 2(d) | 376,670 | 255,404 | 44,436 | 34,845 |
| Total assets | | <u>68,718,290</u> | <u>51,356,383</u> | <u>9,113,325</u> | <u>4,742,585</u> |
| Liabilities | | | | | |
| Payable for shares redeemed | 2(f) | 209,641 | 401,909 | — | — |
| Management fees payable | 2(g) | 39,234 | 29,853 | 4,101 | 2,438 |
| Administration fees payable | 2(g) | — | 5,875 | — | 533 |
| Custodian fees payable | 2(g) | 1,895 | 1,370 | 266 | 240 |
| Sub-Custodian fees payable | 2(g) | 465 | 482 | 109 | 70 |
| Director fees payable | 2(g) | 5,830 | 8,372 | 612 | 610 |
| Audit fees payable | 2(g) | 8,202 | 7,528 | 828 | 552 |
| Other payables | | <u>585</u> | <u>5,649</u> | <u>77</u> | <u>483</u> |
| Total liabilities | | <u>265,852</u> | <u>461,038</u> | <u>5,993</u> | <u>4,926</u> |
| Net assets attributable to holders of redeemable shares | | <u>68,452,438</u> | <u>50,895,345</u> | <u>9,107,332</u> | <u>4,737,659</u> |
| Net asset value per share | | | | | |
| Class A Shares | | <u>172.14</u> | <u>162.82</u> | <u>121.53</u> | <u>117.91</u> |
| Class B Shares | | <u>10.54</u> | <u>10.00</u> | <u>—</u> | <u>—</u> |
| Class X Shares | | <u>10.59</u> | <u>9.93</u> | <u>10.34</u> | <u>9.95</u> |

The notes on pages 19 to 32 form an integral part of these financial statements.

Melville Douglas Income Fund Limited

Statements of Financial Position (continued)

As at 30 September 2019

(Comparatives as at 30 September 2018)

| | Notes | US Dollar Enhanced Income Class* 30 September 2019 | Total | Total |
|--------------------------------------------------------------------|-----------|----------------------------------------------------------------|---------------------------|--------------------------|
| | | | 30 September 2019 | 30 September 2018 |
| | | | USD | USD |
| Assets | | | | |
| Financial assets at fair value through profit or loss | 2(b), 7.4 | 35,192,443 | 113,976,914 | 55,641,162 |
| Cash and cash equivalents | 2(c) | 3,898,969 | 4,533,066 | 1,435,939 |
| Receivable for shares sold | 2(f) | 10,000 | 108,644 | 163,006 |
| Income receivable | 2(d) | 189,054 | 620,482 | 300,844 |
| Total assets | | <u>39,290,466</u> | <u>119,239,106</u> | <u>57,540,951</u> |
| Liabilities | | | | |
| Payable for investments purchased | | 3,797,059 | 3,797,059 | – |
| Payable for shares redeemed | 2(f) | – | 209,641 | 401,909 |
| Management fees payable | 2(g) | 4,517 | 48,805 | 33,032 |
| Administration fees payable | 2(g) | – | – | 6,570 |
| Custodian fees payable | 2(g) | 1,054 | 3,277 | 1,683 |
| Sub-Custodian fees payable | 2(g) | 403 | 1,002 | 573 |
| Director fees payable | 2(g) | 2,724 | 9,308 | 9,167 |
| Audit fees payable | 2(g) | 2,096 | 11,318 | 8,248 |
| Other payables | | 301 | 981 | 6,279 |
| Total liabilities | | <u>3,808,154</u> | <u>4,081,391</u> | <u>467,461</u> |
| Net assets attributable to holders of redeemable shares | | <u><u>35,482,312</u></u> | <u><u>115,157,715</u></u> | <u><u>57,073,490</u></u> |
| Net asset value per share | | | | |
| Class X Shares | | <u><u>10.13</u></u> | | |

* Class Fund launched on 14 March 2019.

The financial statements were approved by the Board on 13 January 2020 and signed on its behalf by.

Director

The notes on pages 19 to 32 form an integral part of these financial statements.

Melville Douglas Income Fund Limited

Statements of Comprehensive Income

For the year 1 October 2018 to 30 September 2019

(Comparatives are for the year 1 October 2017 to 30 September 2018)

| | Notes | US Dollar Income Class 30 September 2019 USD | US Dollar Income Class 30 September 2018 USD | Sterling Income Class 30 September 2019 GBP | Sterling Income Class 30 September 2018 GBP |
|---------------------------------------------------------------------------------------------------------------|---------|-------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|
| Income | | | | | |
| Dividend income | 2(d) | 138,265 | 181,171 | 16,610 | 11,110 |
| Interest income | 2(d) | 1,197,425 | 764,614 | 68,786 | 44,155 |
| Deposit interest | 2(d) | 10,691 | 1,583 | 444 | 18 |
| Other income | | — | — | — | 1,359 |
| Net gain/(loss) on financial assets at fair value through profit or loss | 2(h), 3 | 3,117,967 | (1,149,682) | 221,538 | (51,074) |
| Total net gain/(loss) | | 4,464,348 | (202,314) | 307,378 | 5,568 |
| Expenses | | | | | |
| Management fees | 2(g) | 433,896 | 411,705 | 41,653 | 31,431 |
| Custodian fees | 2(g) | 21,615 | 18,283 | 3,145 | 3,119 |
| Sub-Custodian fees | 2(g) | 5,978 | 3,335 | 1,539 | 575 |
| Administration fees | 2(g) | 46,527 | 79,182 | 4,564 | 5,988 |
| Directors' fees | 2(g) | 27,065 | 33,367 | 2,658 | 2,432 |
| Audit fees | 2(g) | 8,202 | 7,528 | 828 | 552 |
| Sundry expenses | | 15,029 | 22,657 | 1,528 | 1,827 |
| Total operating expenses | | 558,312 | 576,057 | 55,915 | 45,924 |
| Net income/(expense) before finance costs | | 3,906,036 | (778,371) | 251,463 | (40,356) |
| Finance Costs: | | | | | |
| Bank overdraft interest | | — | — | (1,194) | (828) |
| Total Finance Costs | | — | — | (1,194) | (828) |
| Taxation | 2(i), 4 | — | — | — | — |
| Increase/(Decrease) in net assets attributable to holders of redeemable shares from operations | | | | | |
| | | 3,906,036 | (778,371) | 250,269 | (41,184) |

The notes on pages 19 to 32 form an integral part of these financial statements.

Melville Douglas Income Fund Limited

Statements of Comprehensive Income (continued)

For the year 1 October 2018 to 30 September 2019

(Comparatives are for the year 1 October 2017 to 30 September 2018)

| | Notes | US Dollar Enhanced Income Class* | Total 30 September 2019 USD | Total 30 September 2018 USD |
|---------------------------------------------------------------------------------------------------------------|---------|-------------------------------------------|--------------------------------------|--------------------------------------|
| Income | | | | |
| Dividend income | 2(d) | — | 159,459 | 196,107 |
| Interest income | 2(d) | 443,581 | 1,728,775 | 823,973 |
| Deposit interest | 2(d) | 2,995 | 14,253 | 1,607 |
| Other income | | — | — | 1,827 |
| Net gain/(loss) on financial assets at fair value through profit or loss | 2(h), 3 | 69,585 | 3,470,230 | (1,218,343) |
| Total net gain/(loss) | | 516,161 | 5,372,717 | (194,829) |
| Expenses | | | | |
| Management fees | 2(g) | 26,957 | 514,001 | 453,959 |
| Custodian fees | 2(g) | 6,290 | 31,918 | 22,476 |
| Sub-Custodian fees | 2(g) | 4,539 | 12,481 | 4,108 |
| Administration fees | 2(g) | — | 52,351 | 87,232 |
| Directors' fees | 2(g) | 5,699 | 36,155 | 36,636 |
| Audit fees | 2(g) | 2,096 | 11,354 | 8,270 |
| Sundry expenses | | 1,914 | 18,893 | 25,113 |
| Total operating expenses | | 47,495 | 677,153 | 637,794 |
| Net income/(expense) before finance costs | | 468,666 | 4,695,564 | (832,623) |
| Finance Costs: | | | | |
| Bank overdraft interest | | — | (1,524) | (1,113) |
| Total Finance Costs | | — | (1,524) | (1,113) |
| Taxation | 2(i), 4 | (50,085) | (50,085) | — |
| Increase/(Decrease) in net assets attributable to holders of redeemable shares from operations | | 418,581 | 4,643,955 | (833,736) |

* Class Fund launched on 14 March 2019.

All of the above results are from continuing operations. There are no recognised gains or losses for the year other than those set out in the Statements of Comprehensive Income. There are no differences between the results above and those under historical cost.

The notes on pages 19 to 32 form an integral part of these financial statements.

Melville Douglas Income Fund Limited

Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares

For the year 1 October 2018 to 30 September 2019

(Comparatives are for the year 1 October 2017 to 30 September 2018)

| | Notes | US Dollar Income Class 30 September 2019 USD | US Dollar Income Class 30 September 2018 USD | Sterling Income Class 30 September 2019 GBP | Sterling Income Class 30 September 2018 GBP |
|--------------------------------------------------------------------------------------------------------------------------|-------|--------------------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|
| Net assets attributable to holders of redeemable shares at the beginning of the year | | 50,895,345 | 56,088,297 | 4,737,659 | 3,981,347 |
| Proceeds from the issue of shares | 5 | 27,799,634 | 10,162,633 | 4,636,857 | 905,789 |
| Payments on the redemption of shares | 5 | (14,148,577) | (14,577,214) | (517,453) | (108,293) |
| Increase/(Decrease) in net assets attributable to holders of redeemable shares from investment activities | | <u>3,906,036</u> | <u>(778,371)</u> | <u>250,269</u> | <u>(41,184)</u> |
| Net assets attributable to holders of redeemable shares at the end of the year | | <u>68,452,438</u> | <u>50,895,345</u> | <u>9,107,332</u> | <u>4,737,659</u> |
| | Notes | US Dollar Enhanced Income Class* 30 September 2019 USD | Total 30 September 2019 USD | Total 30 September 2018 USD | |
| Net assets attributable to holders of redeemable shares at the beginning of the year | | – | 57,073,490 | 61,440,592 | |
| Proceeds from the issue of shares | 5 | 35,883,221 | 69,599,381 | 11,380,324 | |
| Payments on the redemption of shares | 5 | (819,490) | (15,628,326) | (14,722,797) | |
| Translation Adjustment** | | – | (530,785) | (190,893) | |
| Increase/(Decrease) in net assets attributable to holders of redeemable shares from investment activities | | <u>418,581</u> | <u>4,643,955</u> | <u>(833,736)</u> | |
| Net assets attributable to holders of redeemable shares at the end of the year | | <u>35,482,312</u> | <u>115,157,715</u> | <u>57,073,490</u> | |

* Class Fund launched on 14 March 2019.

** The translation adjustment arises from the translation of opening net assets translated at financial year end 30 September 2018 rates, from the Statement of Comprehensive Income being translated at average rates with the closing assets and liabilities translated at the rates of exchange ruling at 30 September 2019.

The notes on pages 19 to 32 form an integral part of these financial statements.

Melville Douglas Income Fund Limited

Notes to the Financial Statements

1. Incorporation

The Company was originally incorporated in the British Virgin Islands on 19 November 1998 and was incorporated in Jersey, Channel Islands by way of a continuance on 31 March 2003.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented unless otherwise stated. These financial statements have been prepared on a going concern basis under the historical cost convention as modified by the measurement at fair value of investments in accordance with applicable Jersey Law and United Kingdom Generally Accepted Accounting Practice (“UK GAAP”) including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (“FRS 102”). The Company is an open-ended investment company incorporated by way of a continuance in Jersey on 31 March 2003 under the provisions of the Companies (Jersey) Law 1991 as Melville Douglas European Fund Limited and holds a fund certificate issued pursuant to the Collective Investment Funds (Jersey) Law 1988 and is regulated by the Jersey Financial Services Commission (“JFSC”) as an unclassified fund. A summary of the more important accounting policies is set out below.

2. Accounting Policies

a. Basis of Accounting

These audited annual financial statements for the year ended 30 September 2019 have been prepared in accordance with FRS 102 as issued by the Financial Reporting Council (“FRC”).

The Directors of the Company have applied FRS 102 for its annual and FRS 104 “Interim Financial Reporting” for its unaudited interim financial statements effective 1 October 2014. The Company has also applied “Amendments to FRS 102 - Fair value hierarchy disclosures” which were issued in March 2016 and are applicable for accounting periods beginning on or after 1 January 2018 with early application permitted. The Company took the option to early adopt the amendments and initially implemented these amendments in the interim period ended 31 March 2016.

The information required by FRS 102, to be included in a single statement for the reporting period displaying all items of income and expenses recognised during the period including those items recognised in determining profit or loss and items of other comprehensive income and a Reconciliation of Movements in Shareholders’ Funds is, in the opinion of the directors, contained in the Statements of Comprehensive Income and Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares on pages 16 to 18. In arriving at the results for the period, all amounts in the Statements of Comprehensive Income on page 16 and 17 relate to continuing activities.

The Company has availed of the exemption available to open-ended investment funds under Section 7 “Statement of Cash Flows” of FRS 102 (Section 7.1a (c)), not to prepare a cash flow statement on the basis that substantially all of the Company’s investments are highly liquid and carried at fair value, and the Company provides Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares.

b. Investments

Investments are recognised on the Statements of Financial Position at the date on which the Company becomes party to contractual provisions of the instruments. Investments are initially recognised at cost which is the fair value at date of recognition. Subsequent to initial recognition, bonds held are valued at closing mid-market price. Funds held are valued at Net Asset Value per unit apart from Exchange Traded Funds held which are valued at exchange price. Gains or losses arising from revaluation are recognised in the Statement of Comprehensive Income.

On disposal of investments, gains and losses on sale of investments are calculated on an average cost basis and are taken to the Statements of Comprehensive Income in the year in which they arise.

On initial application of FRS 102, in accounting for all of its financial instruments, an entity is required to apply either (a) the full requirements of Sections 11 “Basic Financial Instruments” and Section 12 “Other Financial Instruments Issues” of FRS 102, (b) the recognition and measurement provisions of International Accounting Standards (“IAS”) 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”) as adopted for use in the European Union and the disclosure requirements of Sections 11 and 12, or (c) the recognition and measurement provisions of International Financial Reporting Standards (“IFRS”) 9 “Financial Instruments” (“IFRS 9”) and the disclosure requirements of Sections 11 and 12. The Company has applied FRS 102 from the year ended 30 September 2015 and has elected to apply the full requirements of Sections 11 and Section 12 of FRS 102.

Melville Douglas Income Fund Limited

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

c. *Cash and cash equivalents*

Cash is valued at cost, which approximates fair value.

Cash is held in accounts at The Bank of New York Mellon SA/NV London Branch which allows the Class Funds instant access to their accounts.

d. *Income*

Interest income is accounted for on an accruals basis using the effective yield basis. Dividend income is accounted for on the ex-dividend date. Dividend income is reported gross of withholding tax deducted at source and the related withholding tax is disclosed separately as a tax charge in the Statements of Comprehensive Income. Interest on deposit accounts is included on an accruals basis. Deposit interest and overdraft interest for the year is reported in the Statements of Comprehensive Income.

e. *Foreign currencies*

Transactions in foreign currencies are translated into the reporting currency of the Class Funds at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the currency of the Class Funds at the rates of exchange ruling at the Statements of Financial Position date. The functional and reporting currencies of the Class Funds are US Dollars for the US Dollar Income Class and the US Dollar Enhanced Income Class and Sterling for the Sterling Income Class.

Differences arising on translation are included in the Statements of Comprehensive Income within income or expenses in the year in which they arise.

f. *Share issues and redemptions*

Shares in the Company may be issued at the issue price and redeemed at the redemption price on subscription days at the prices calculated in accordance with the Articles of Association and based on the value of the underlying investments held in the relevant Class Fund. The directors' present policy is that:

- i. On the issue of shares, the amount received is credited to the share capital account.
- ii. On redemption, the amount paid is debited to the share capital account. Should that account be fully utilised, the amount payable on redemption is debited to realised reserves.

Receivable for shares sold and payable for shares redeemed represent amounts that have been contracted for but not yet settled or delivered on the Statements of Financial Position date.

g. *Expenses*

The Company is responsible for the payment of management, custodian, sub-custodian, performance and administration fees, which are accrued for on each subscription day (see Note 6). The Company is also responsible for the payment of auditor's and directors' remuneration together with reporting expenses and operational costs in accordance with the prospectus. All expenses are accounted for on an accruals basis.

h. *Net gains/(losses) on financial assets at fair value through profit or loss*

This item includes changes in the fair value of financial assets held for trading and excludes interest and dividend income and expenses. Unrealised gains and losses comprise changes in the fair value of financial instruments for the year. Realised gains and losses on disposals are calculated using the average cost method and are reflected as net gains or losses on investments in the Statements of Comprehensive Income.

i. *Withholding taxes*

In some jurisdictions investment income is subject to withholding tax deducted at the source of the income. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income and is not significant for the Portfolio. Withholding tax is disclosed separately as a tax charge from the gross investment income in the Statements of Comprehensive Income.

j. *Distribution policy*

The Company's policy is to not distribute any income on its participating shares.

Melville Douglas Income Fund Limited

Notes to the Financial Statements (continued)

3. Gains and losses on financial assets at fair value through profit or loss

| | US Dollar Income Class 30 September 2019 USD | US Dollar Income Class 30 September 2018 USD | Sterling Income Class 30 September 2019 GBP | Sterling Income Class 30 September 2018 GBP | US Dollar Enhanced Income Class* 30 September 2019 USD | Total 30 September 2019 USD | Total 30 September 2018 USD |
|---------------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Non-derivative securities: | | | | | | | |
| Net realised (loss)/gain on investments | (275,733) | (31,699) | (34,367) | 146 | 13,110 | (306,474) | (31,503) |
| Net movement in unrealised investment schemes | 3,393,700 | (1,117,983) | 255,797 | (51,253) | 56,475 | 3,776,566 | (1,186,884) |
| | <u>3,117,967</u> | <u>(1,149,682)</u> | <u>221,430</u> | <u>(51,107)</u> | <u>69,585</u> | <u>3,470,092</u> | <u>(1,218,387)</u> |
| Derivative securities: | | | | | | | |
| Net realised gain on foreign currency contracts | — | — | — | — | — | — | — |
| Net movement in unrealised foreign currency | — | — | 108 | 33 | — | 138 | 44 |
| | <u>—</u> | <u>—</u> | <u>108</u> | <u>33</u> | <u>—</u> | <u>138</u> | <u>44</u> |
| Net gain/(loss) on financial assets at fair value through profit or loss | 3,117,967 | (1,149,682) | 221,538 | (51,074) | 69,585 | 3,470,230 | (1,218,343) |

* Class Fund launched on 14 March 2019.

Melville Douglas Income Fund Limited

Notes to the Financial Statements (continued)

4. Taxation

For the purposes of Jersey taxation, the Company will fall under Article 123C of the Income Tax (Jersey) Law 1961, as amended, as a Jersey resident Company which is neither a “utility company” nor a “financial services company” and as such will be charged to Jersey income tax at a rate of 0% on its income (other than on any rental income or property development profits arising in respect of Jersey situs real property or land). The Company will not be subject to tax in Jersey on any capital arising to it.

Under applicable foreign tax laws, withholding taxes may be deducted from interest, dividends and capital gains attributable to the Company, at various rates. The Company pays withholding tax on dividends, which is deducted at source. This is shown separately as a taxation charge in the Statements of Comprehensive Income.

| | 30 September 2019 USD | 30 September 2018 USD |
|---------------------------------------------------|-----------------------------|-----------------------------|
| US Dollar Income Class | | |
| Overseas tax - withholding tax on dividend income | — | — |
| Sterling Income Class | | |
| Overseas tax - withholding tax on dividend income | — | — |
| US Dollar Enhanced Income Class* | | |
| Overseas tax - withholding tax on dividend income | 50,085 | — |
| Total | | |
| Overseas tax - withholding tax on dividend income | 50,085 | — |

* Class Fund launched on 14 March 2019.

5. Share capital

The Company is authorised to issue 100 management shares of USD1.00 each and an unlimited number of participating shares of no par value.

The management shares exist solely to comply with Companies (Jersey) Law 1991 which requires that participating redeemable preference shares (“participating shares”) must have a preference over another class of capital. The holders of the management shares are entitled to receive notice of general meetings of the Company and to attend and vote thereat. On a poll a holder of management shares is entitled to one vote for each management share held by him/her. Management shares carry no right to a dividend and are not redeemable. In a winding up, they rank only for a return of paid up nominal capital out of the assets of the Company (before the return of nominal capital paid up on participating shares).

Participating shares carry the right to a proportionate share in the assets of the relevant Class Fund and to any dividends that may be declared. Holders of the shares are entitled to receive notice of all general meetings of the Company and to attend and vote thereat. The holder of each share is entitled to one vote for each share of which he is a holder. Shares are redeemable by shareholders at prices based on the value of the net assets of the relevant Class Fund as determined in accordance with its Articles of Association.

Melville Douglas Income Fund Limited

Notes to the Financial Statements (continued)

5. Share capital (continued)

Management shares

The management shares have been issued to the Manager at par and the proceeds of the issue are represented by a separate management fund. Details of the management fund at the Statements of Financial Position date are as follows:

| | 30 September 2019 | 30 September 2018 |
|-----------------------------------|-------------------|-------------------|
| | USD | USD |
| Current account | 100 | 100 |
| Management shares of USD1.00 each | 100 | 100 |
| Authorised, issued and fully paid | 100 | 100 |

The management fund is not reflected in the Statements of Financial Position.

Movements of participating shares

The following table shows the movement in participating shares during the year ended 30 September 2019.

| | Number of shares at 30 September 2018 | Issued during the year | Redeemed during the year | Number of shares at 30 September 2019 |
|---------------------------------------------------|---------------------------------------|------------------------|--------------------------|---------------------------------------|
| US Dollar Income Class - Class A Shares | 297,488 | 33,269 | (73,613) | 257,144 |
| US Dollar Income Class - Class B Shares | 3,329 | 8,827 | (2,651) | 9,505 |
| US Dollar Income Class - Class X Shares | 244,024 | 2,210,440 | (179,142) | 2,275,322 |
| Sterling Income Class - Class A Shares | 33,597 | 6,611 | (4,353) | 35,855 |
| Sterling Income Class - Class X Shares | 78,041 | 381,439 | – | 459,480 |
| US Dollar Enhanced Income Class - Class X Shares* | – | 3,584,533 | (81,330) | 3,503,203 |

*Class Fund launched on 14 March 2019.

The following table shows the movement in participating shares during the year ended 30 September 2018.

| | Number of shares at 30 September 2017 | Issued during the year | Redeemed during the year | Number of shares at 30 September 2018 |
|-------------------------------------------|---------------------------------------|------------------------|--------------------------|---------------------------------------|
| US Dollar Income Class - Class A Shares | 339,521 | 47,153 | (89,186) | 297,488 |
| US Dollar Income Class - Class B Shares** | – | 3,329 | – | 3,329 |
| US Dollar Income Class - Class X Shares* | – | 244,024 | – | 244,024 |
| Sterling Income Class - Class A Shares | 33,453 | 1,066 | (922) | 33,597 |
| Sterling Income Class - Class X Shares*** | – | 78,041 | – | 78,041 |

*On 17 October 2017, the Class X Shares launched.

**On 1 March 2018, the Class B Shares launched.

***On 28 August 2018, the Class X Shares launched.

6. Related Party Transactions and Other Expenses

The following disclosures are made in accordance with the requirements of Section 33 “Related Party Disclosures” of FRS 102.

STANLIB Fund Managers Jersey Limited (the “Manager”), Melville Douglas Investment Management (Proprietary) Limited (the “Investment Manager”) and all non-independent directors of the Company are related parties of the Company.

Melville Douglas Income Fund Limited

Notes to the Financial Statements (continued)

6. Related Party Transactions and Other Expenses (continued)

The Manager is considered a related party by virtue of its contractual arrangements. The Investment Manager and the directors are considered related parties to the Company as they make key operating decisions for the Company.

The Manager has the primary responsibility for the management and administration of the Company. The Manager has appointed the Investment Manager to provide it with investment management services in relation to the Company. The fees of the Investment Manager are paid by the Manager out of its fees.

The annual management fee payable to the Manager monthly in arrears is calculated as 0.95% of the net asset value of each Class A Shares, 1.25% for the Class B Shares, 0.95% for Class C Shares and 0.15% for Class X Shares.

The above amounts accrue on each subscription day and are payable to the Manager by monthly payments in arrears.

The Custodian has agreed with the Company that it will be paid a fee at the following rates, subject to an overall minimum fee in respect of each Class Fund of USD5,000 per annum.

On amounts less than USD50 million 0.035%

On amounts of more than USD50 million, but less than USD100 million 0.025%

On amounts of more than USD100 million, but less than USD500 million 0.010%

On amounts over USD500 million 0.005%

Such fees shall accrue daily and shall be payable to the Custodian by monthly payments in arrears becoming due on the first business day of each month in respect of the preceding month.

The Custodian is also entitled to be reimbursed out of the Class Funds for charges and transaction fees levied on it by the Sub-Custodian and other sub-custodians which shall be at rates which have been negotiated on an arm's length basis or are otherwise on commercial terms.

Michael Farrow is entitled to receive GBP5,000 per annum from the Company as director fees. Helen Holmes, Graham Baillie and Oliver Sonnbichler are entitled to USD10,000 per director per annum from the Company.

For the US Dollar Income Class directors fees incurred during the year ended 30 September 2019 amounted to USD27,065 (30 September 2018: USD33,367) with USD5,830 (30 September 2018: USD8,372) outstanding at the year end.

For the Sterling Income Class directors fees incurred during the year ended 30 September 2019 amounted to GBP2,658 (30 September 2018: GBP2,432) with GBP612 (30 September 2018: GBP610) outstanding at the year end.

For the US Dollar Enhanced Income Class directors fees incurred during the year ended 30 September 2019 amounted to USD5,699 with USD2,724 outstanding at the year end.

All transactions with the above related parties are at arm's length.

The fees incurred during the year ended 30 September 2019 and 30 September 2018 are as disclosed in the Statements of Comprehensive Income with the amounts outstanding at the year end disclosed in the Statements of Financial Position.

7. Financial risk management

Consistent with the investment objectives, as noted in the Report of the Directors, the Company's financial instruments comprise fixed interest securities and investment companies. In addition, the Company holds cash, liquid assets and various items such as debtors and creditors that arise directly from its operations.

The main risks arising from the Company's financial instruments are market risk (comprising market price risk, interest rate risk and currency risk), credit risk and liquidity risk. The Board reviews and agrees with the Manager and Investment Manager policies for managing each of these risks and they are summarised below.

Melville Douglas Income Fund Limited

Notes to the Financial Statements (continued)

7. Financial risk management (continued)

7.1. Market risk

Market risk is the risk that the fair value of, or future cash flows arising from, financial instruments will fluctuate because of the changes in market variables. Market risk comprises three types of risks: market price risk, interest rate risk and currency risk.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Class Funds' business. It represents the potential loss the Company may suffer due to price movements in securities prices.

Market price risk is mainly reduced through diversification. Investment restrictions are in place to ensure that the impact of market price risk is minimised. Full details of the investment restrictions are set out in the Prospectus.

Sensitivity analysis

The table below summarises the sensitivity of the Class Funds' net assets attributable to holders of redeemable shares to market price movements. It shows the increase/(decrease) in the net assets attributable to holders of redeemable shares for the Class Funds' given a 5% movement in the underlying investment prices at year end; all other variables remaining constant (5% is considered to be a reasonable possible change in price):

| | 30 September 2019 | 30 September 2018 |
|----------------------------------|-------------------|-------------------|
| | USD | USD |
| US Dollar Income Class | 3,400,763 | 2,502,601 |
| Sterling Income Class | 436,956 | 214,299 |
| US Dollar Enhanced Income Class* | 1,759,622 | - |

* Class Fund launched on 14 March 2019.

Interest rate risk

Interest rate risk is the risk that the fair value of, or future cash flows arising from, the financial instruments will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk, as the instruments held comprise short and long term fixed and floating rate interest investments. Market forces (in terms of a general increase or decrease in interest rates in a particular currency) may therefore have a detrimental or positive effect on the carrying value of its financial instruments and income generated thereon, depending upon the average maturity of the portfolio held.

In accordance with the Class Funds' policy, the Investment Manager and Board of directors monitor the Class Funds' overall interest sensitivity on a regular basis.

The breakdown of the Class Funds' assets as at 30 September 2019 is detailed in Note 7.4 Fair Value Hierarchy.

The below tables indicate the weighted average interest received on fixed rate financial assets and the weighted average period for which the rate is fixed:

| 30 September 2019 | | |
|------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| Programme | Fixed rate financial assets Weighted average interest rate | Fixed rate financial assets weighted average period for which rate is fixed |
| US Dollar Income Class | 2.12% | 3 years 10 months |

| 30 September 2018 | | |
|------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| Programme | Fixed rate financial assets Weighted average interest rate | Fixed rate financial assets weighted average period for which rate is fixed |
| US Dollar Income Class | 1.83% | 3 years 8 months |

Melville Douglas Income Fund Limited

Notes to the Financial Statements (continued)

7. Financial risk management (continued)

7.1. Market risk (continued)

Interest rate risk (continued)

| 30 September 2019 | | |
|-----------------------|------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| Programme | Fixed rate financial assets Weighted average interest rate | Fixed rate financial assets weighted average period for which rate is fixed |
| Sterling Income Class | 1.80% | 4 years 2 months |

| 30 September 2018 | | |
|-----------------------|------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| Programme | Fixed rate financial assets Weighted average interest rate | Fixed rate financial assets weighted average period for which rate is fixed |
| Sterling Income Class | 2.26% | 3 years 5 months |

| 30 September 2019 | | |
|----------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| Programme | Fixed rate financial assets Weighted average interest rate | Fixed rate financial assets weighted average period for which rate is fixed |
| US Dollar Enhanced Income Class* | 2.07% | 3 months |

* Class Fund launched on 14 March 2019.

The below tables show the split between fixed rate financial assets and floating rate financial assets.

US Dollar Income Class

30 September 2019

| | Fixed rate financial assets | Floating rate financial assets | Net assets not carrying interest | Total |
|-----|--------------------------------|-----------------------------------|----------------------------------------|-------------------|
| USD | 63,000,593 | — | 5,451,845 | 68,452,438 |
| | <u>63,000,593</u> | <u>—</u> | <u>5,451,845</u> | <u>68,452,438</u> |

US Dollar Income Class

30 September 2018

| | Fixed rate financial assets | Floating rate financial assets | Net assets not carrying interest | Total |
|-----|--------------------------------|-----------------------------------|----------------------------------------|-------------------|
| USD | 45,216,533 | — | 5,678,812 | 50,895,345 |
| | <u>45,216,533</u> | <u>—</u> | <u>5,678,812</u> | <u>50,895,345</u> |

Sterling Income Class

30 September 2019

| | Fixed rate financial assets | Floating rate financial assets | Net assets not carrying interest | Total |
|-----|-----------------------------------|--------------------------------------|----------------------------------------|------------------|
| GBP | 8,025,033 | — | 1,082,299 | 9,107,332 |
| | <u>8,025,033</u> | <u>—</u> | <u>1,082,299</u> | <u>9,107,332</u> |

Melville Douglas Income Fund Limited

Notes to the Financial Statements (continued)

7. Financial risk management (continued)

7.1. Market risk (continued)

Interest rate risk (continued)

Sterling Income Class

30 September 2018

| | Fixed rate financial assets | Floating rate financial assets | Net assets not carrying interest | Total |
|-----|-----------------------------|--------------------------------|----------------------------------|------------------|
| GBP | 3,806,298 | — | 931,361 | 4,737,659 |
| | <u>3,806,298</u> | <u>—</u> | <u>931,361</u> | <u>4,737,659</u> |

US Dollar Enhanced Income Class*

30 September 2019

| | Fixed rate financial assets | Floating rate financial assets | Net assets not carrying interest | Total |
|-----|-----------------------------|--------------------------------|----------------------------------|-------------------|
| USD | 35,192,443 | — | 289,869 | 35,482,312 |
| | <u>35,192,443</u> | <u>—</u> | <u>289,869</u> | <u>35,482,312</u> |

* Class Fund launched on 14 March 2019.

Total

30 September 2019

| | Fixed rate financial assets | Floating rate financial assets | Net assets not carrying interest | Total |
|-----|-----------------------------|--------------------------------|----------------------------------|--------------------|
| USD | 108,082,284 | — | 7,075,431 | 115,157,715 |
| | <u>108,082,284</u> | <u>—</u> | <u>7,075,431</u> | <u>115,157,715</u> |

Total

30 September 2018

| | Fixed rate financial assets | Floating rate financial assets | Net assets not carrying interest | Total |
|-----|-----------------------------|--------------------------------|----------------------------------|-------------------|
| USD | 50,180,136 | — | 6,893,354 | 57,073,490 |
| | <u>50,180,136</u> | <u>—</u> | <u>6,893,354</u> | <u>57,073,490</u> |

Currency risk

Currency risk is the risk that the fair value of, or future cash flows from, financial instruments will fluctuate because of changes in foreign exchange rates.

The Class Funds' assets and liabilities may be denominated in currencies other than the reporting currency of the Class Fund. Therefore the value of such assets and liabilities may be affected favourably or unfavourably by fluctuations in currency rates.

The Company may enter into derivative transactions for the purposes of hedging against currency risk on behalf of the Class Funds, subject to various maximum exposure limits.

The tables overleaf show the currency exposure of each Class Fund as at 30 September 2019 and 30 September 2018.

Melville Douglas Income Fund Limited

Notes to the Financial Statements (continued)

7. Financial risk management (continued)

7.1. Market risk (continued)

Currency risk (continued)

US Dollar Income Class

| Exposure currency 30 September 2019 | Investments USD | Cash USD | Other net assets USD | Total net assets USD | % of net assets |
|----------------------------------------|--------------------|----------------|----------------------------|-------------------------|--------------------|
| USD | 68,015,253 | 227,723 | 209,462 | 68,452,438 | 100.00 |
| | <u>68,015,253</u> | <u>227,723</u> | <u>209,462</u> | <u>68,452,438</u> | <u>100.00</u> |

US Dollar Income Class

| Exposure currency 30 September 2018 | Investments USD | Cash USD | Other net liabilities USD | Total net assets USD | % of net assets |
|----------------------------------------|--------------------|------------------|---------------------------------|-------------------------|--------------------|
| USD | 50,052,025 | 1,048,954 | (205,634) | 50,895,345 | 100.00 |
| | <u>50,052,025</u> | <u>1,048,954</u> | <u>(205,634)</u> | <u>50,895,345</u> | <u>100.00</u> |

Sterling Income Class

| Exposure currency 30 September 2019 | Investments GBP | Cash GBP | Other net assets GBP | Total net assets GBP | % of net assets |
|----------------------------------------|--------------------|----------------|----------------------------|-------------------------|--------------------|
| EUR | – | 187,847 | – | 187,847 | 2.06 |
| GBP | 8,251,477 | 133,838 | 37,096 | 8,422,411 | 92.48 |
| USD | 487,643 | 8,084 | 1,347 | 497,074 | 5.46 |
| | <u>8,739,120</u> | <u>329,769</u> | <u>38,443</u> | <u>9,107,332</u> | <u>100.00</u> |

Sterling Income Class

| Exposure currency 30 September 2018 | Investments GBP | Cash GBP | Other net assets GBP | Total net assets GBP | % of net assets |
|----------------------------------------|--------------------|----------------|----------------------------|-------------------------|--------------------|
| EUR | – | 170,429 | – | 170,429 | 3.60 |
| GBP | 3,910,288 | 104,812 | 153,878 | 4,168,978 | 88.00 |
| USD | 375,696 | 21,515 | 1,041 | 398,252 | 8.40 |
| | <u>4,285,984</u> | <u>296,756</u> | <u>154,919</u> | <u>4,737,659</u> | <u>100.00</u> |

US Dollar Enhanced Income Class*

| Exposure currency 30 September 2019 | Investments USD | Cash USD | Other net liabilities USD | Total net assets USD | % of net assets |
|----------------------------------------|--------------------|------------------|---------------------------------|-------------------------|--------------------|
| USD | 35,192,443 | 3,898,969 | (3,609,100) | 35,482,312 | 100.00 |
| | <u>35,192,443</u> | <u>3,898,969</u> | <u>(3,609,100)</u> | <u>35,482,312</u> | <u>100.00</u> |

* Class Fund launched on 14 March 2019.

Melville Douglas Income Fund Limited

Notes to the Financial Statements (continued)

7. Financial risk management (continued)

7.1. Market risk (continued)

Currency risk (continued)

Currency risk is not managed in its separate form. Significant currency risk arises from the portfolio of investments denominated in foreign currencies and this affects the carrying value of the securities, hence is considered as part of price risk.

The following sensitivity analysis shows the change in the net assets of a Class Fund given a 5% increase or decrease in the value of a foreign currency relative to the Class Funds' reporting currency for all significant foreign currency positions of the Class Fund (5% is considered to be a reasonable possible change in foreign currency rates). US Dollar Income Class and US Dollar Enhanced Income Class have no foreign currency exposure for the year ended 30 September 2019 and year ended 30 September 2018.

| Sterling Income Class | Change in net assets | | Change in net assets | |
|-----------------------|----------------------|-------------------|----------------------|-------------------|
| | 30 September 2019 | 30 September 2018 | 30 September 2019 | 30 September 2018 |
| | GBP | GBP | | GBP |
| EUR | +/-5% | 9,392 | | 8,521 |
| USD | +/-5% | 24,854 | | 19,913 |

7.2. Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its liabilities as they fall due. This also relates to the risk that the Company may not be able to realise its investments at current market values in time to meet its obligations.

Shareholders have the right to redeem their shares in each Class Fund in accordance with the procedures detailed in its prospectus. Shareholders may redeem all or part of their holding on any subscription day and the redemption proceeds are payable within seven business days of the relevant subscription day. Full details regarding the investment restrictions can be obtained from the prospectus.

7.3. Credit risk

Credit risk is the risk that counterparties will be unable or unwilling to meet commitments they have entered into with the Class Funds under the contractual or agreed terms. The Class Funds' main credit risk derives from its investments in bonds, term deposits and cash and cash equivalents. The risk mainly arises from the possibility of default from the institutions in paying interest and capital when due and also the inability by the custodians of cash and cash equivalents to make available the cash to the Class Funds on demand. Full details of the investment restrictions are set out in the Prospectus and individual Class Fund rules.

The risk arising from debtors is considered minimal and therefore not actively managed. Significant debtors arise from outstanding sales receipts. This is controlled by ensuring that securities are not transferred before settlement. Debtors arising from dividends and interest received are not considered material for the purpose of credit risk exposure.

The credit ratings of the investments are disclosed in Portfolio Statements (Unaudited).

The Custodian, Apex Financial Services (Corporate) Limited is not rated with Standard & Poor's, Moody's or Fitch.

For the year ended 30 September 2019 the Sub-Custodian and Banker, The Bank of New York Mellon SA/NV London Branch has a credit rating of AA- (2018 : AA-) with Standard & Poor's, Aa2 (2018 : Aa2) with Moody's and AA- (2018 : AA-) with Fitch.

Melville Douglas Income Fund Limited

Notes to the Financial Statements (continued)

7. Financial risk management (continued)

7.4. Fair value hierarchy

The FRC issued "Amendments to FRS 102 - Fair value hierarchy disclosures", effective for accounting periods beginning on or after 1 January 2017, with early adoption permitted. FRED 62 proposed to amend paragraphs 34.22 and 34.42 of FRS 102 to require disclosure of financial instruments held at fair value on the basis of a fair value hierarchy consistent with EU-adopted IFRS based on Level 1, 2 and 3 classifications. The Company has availed of early adoption thus the financial statements and comparatives have been prepared in accordance with these amendments and fair value measurement is categorised based on Levels 1, 2 and 3. These amendments did not have any impact on the Funds' financial position or performance.

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted mid-market prices on the year end date or in the case of fund of funds are based on the net asset value per unit.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

FRS 102 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The fair value hierarchy has the following levels:

- Listed prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The following tables analyse within the fair value hierarchy the Companies financial assets measured at fair value at 30 September 2019 and 30 September 2018 in accordance with FRS 102.

30 September 2019

| US Dollar Income Class | Level 1 USD | Level 2 USD | Level 3 USD | Total USD |
|------------------------|-------------------|-------------------|----------------|-------------------|
| Investment Companies | 5,014,660 | — | — | 5,014,660 |
| Corporate Bonds | — | 25,469,414 | — | 25,469,414 |
| Government Bonds | 32,122,889 | 5,408,290 | — | 37,531,179 |
| Total Assets | 37,137,549 | 30,877,704 | — | 68,015,253 |

Melville Douglas Income Fund Limited

Notes to the Financial Statements (continued)

7. Financial risk management (continued)

7.4. Fair value hierarchy (continued)

30 September 2018

| | Level 1 USD | Level 2 USD | Level 3 USD | Total USD |
|-------------------------------|------------------|-------------------|----------------|-------------------|
| US Dollar Income Class | | | | |
| Investment Companies | 4,835,492 | — | — | 4,835,492 |
| Corporate Bonds | — | 24,045,767 | — | 24,045,767 |
| Government Bonds | — | 21,170,766 | — | 21,170,766 |
| Total Assets | 4,835,492 | 45,216,533 | — | 50,052,025 |

30 September 2019

| | Level 1 GBP | Level 2 GBP | Level 3 GBP | Total GBP |
|------------------------------|----------------|------------------|----------------|------------------|
| Sterling Income Class | | | | |
| Investment Companies | 714,087 | — | — | 714,087 |
| Corporate Bonds | — | 2,815,166 | — | 2,815,166 |
| Government Bonds | — | 5,209,867 | — | 5,209,867 |
| Total Assets | 714,087 | 8,025,033 | — | 8,739,120 |

30 September 2018

| | Level 1 GBP | Level 2 GBP | Level 3 GBP | Total GBP |
|------------------------------|----------------|------------------|----------------|------------------|
| Sterling Income Class | | | | |
| Investment Companies | 479,686 | — | — | 479,686 |
| Corporate Bonds | — | 2,390,290 | — | 2,390,290 |
| Government Bonds | — | 1,416,008 | — | 1,416,008 |
| Total Assets | 479,686 | 3,806,298 | — | 4,285,984 |

30 September 2019

| | Level 1 USD | Level 2 USD | Level 3 USD | Total USD |
|-----------------------------------------|-------------------|-------------------|----------------|-------------------|
| US Dollar Enhanced Income Class* | | | | |
| Corporate Bonds | — | 21,796,058 | — | 21,796,058 |
| Government Bonds | 12,386,280 | 1,010,105 | — | 13,396,385 |
| Total Assets | 12,386,280 | 22,806,163 | — | 35,192,443 |

* Class Fund launched on 14 March 2019.

For US Dollar Income Class, two government bonds with a market value of USD22,618,579 were transferred from Level 2 to Level 1 during the year ended 30 September 2019. For all other Class Funds, there were no other transfers between Level 1 and Level 2 during the year ended 30 September 2019 and 30 September 2018.

8. Exchange rates

The following exchange rates at 30 September 2019 and 30 September 2018 were used to translate foreign currency assets and liabilities.

US Dollar Income Class and US Dollar Enhanced Income Class*

| | Year End Exchange Rates | | Annual Average Exchange Rates | |
|---------|-------------------------|-------------------|-------------------------------|-------------------|
| | 30 September 2019 | 30 September 2018 | 30 September 2019 | 30 September 2018 |
| USD/EUR | 0.91727 | 0.86093 | 0.88657 | 0.84067 |
| USD/GBP | 0.81149 | 0.76684 | 0.78371 | 0.74386 |

* US Dollar Enhanced Income Class launched on 14 March 2019.

Melville Douglas Income Fund Limited

Notes to the Financial Statements (continued)

8. Exchange rates (continued)

Sterling Income Class

| | Year End Exchange Rates | | Annual Average Exchange Rates | |
|---------|-------------------------|-------------------|-------------------------------|-------------------|
| | 30 September 2019 | 30 September 2018 | 30 September 2019 | 30 September 2018 |
| GBP/EUR | 1.13035 | 1.12270 | 1.13172 | 1.13035 |
| GBP/USD | 1.23230 | 1.30405 | 1.27677 | 1.34553 |

9. Significant events during the year

An updated Prospectus was issued on 29 November 2018.

The US Dollar Enhanced Income Class launched on 14 March 2019.

Further to an Australian Market (ASX) trading update issued 31 January 2019, Link Group announced its intention to sell its CPC business (which includes Link Corporate Services (Jersey) Limited (the Custodian)) to Apex Group Ltd by the end of September 2019, subject to regulatory approvals in the relevant jurisdictions. The deal completed on the 28 June 2019, with the Custodian changing its name to Apex Financial Services (Corporate) Limited.

There were no other significant events during the year that require disclosure in the financial statements.

10. Post statement of financial position events

On the 24 October 2019, Helen Holmes resigned as a Director of the Company.

There were no other significant post statement of financial position events that require disclosure in these financial statements.

11. Contingent Liabilities

There were no contingent liabilities as at 30 September 2019 or as at 30 September 2018.

12. Approval of financial statements

The financial statements were approved by the Directors on 13 January 2020.

Melville Douglas Income Fund Limited

Fund Statistics (Unaudited)

| | Net asset value per share | Net asset value per share | % change in year** | Number of shares in issue | Highest* price USD | Lowest* price USD |
|-------------------------------|---------------------------|---------------------------|--------------------|---------------------------|--------------------|-------------------|
| US Dollar Income Class | | | | | | |
| Class A Shares | | | | | | |
| 30 September 2005 | 65,743,734 | 143.16 | 3.87 | 459,218 | 151.04 | 137.66 |
| 29 September 2006 | 71,766,123 | 149.62 | 4.51 | 479,646 | 157.87 | 143.22 |
| 28 September 2007 | 81,571,623 | 155.20 | 3.73 | 525,574 | 163.81 | 149.85 |
| 26 September 2008 | 98,564,907 | 160.24 | 3.25 | 615,089 | 168.62 | 155.52 |
| 30 September 2009 | 71,358,146 | 160.03 | (0.13) | 445,918 | 160.43 | 157.19 |
| 30 September 2010 | 64,947,357 | 161.71 | 1.05 | 401,620 | 161.74 | 160.28 |
| 30 September 2011 | 54,499,755 | 161.29 | (0.26) | 337,889 | 162.50 | 161.63 |
| 30 September 2012 | 47,144,365 | 162.10 | 0.50 | 290,828 | 162.59 | 161.42 |
| 30 September 2013 | 53,445,275 | 162.17 | 0.04 | 329,555 | 162.46 | 161.25 |
| 30 September 2014 | 45,496,949 | 162.32 | 0.09 | 280,287 | 163.05 | 161.83 |
| 30 September 2015 | 42,502,879 | 163.53 | 0.75 | 259,915 | 163.83 | 162.30 |
| 30 September 2016 | 60,525,172 | 165.53 | 1.22 | 365,634 | 165.79 | 162.95 |
| 30 September 2017 | 56,088,297 | 165.20 | (0.20) | 339,521 | 166.54 | 163.13 |
| 30 September 2018 | 48,438,116 | 162.82 | (1.44) | 297,488 | 165.41 | 161.64 |
| 30 September 2019 | 44,264,784 | 172.14 | 5.72 | 257,144 | 173.30 | 162.23 |
| US Dollar Income Class | | | | | | |
| Class B Shares | | | | | | |
| At launch (1 March 2018) | 16,698 | 10.00 | - | 1,667 | - | - |
| 30 September 2018 | 33,287 | 10.00 | - | 3,329 | 10.05 | 9.94 |
| 30 September 2019 | 100,177 | 10.54 | 5.40 | 9,505 | 10.61 | 9.96 |
| US Dollar Income Class | | | | | | |
| Class X Shares | | | | | | |
| At launch (17 October 2017) | 19,991 | 10.02 | - | 2,000 | - | - |
| 30 September 2018 | 2,423,942 | 9.93 | (0.67) | 244,024 | 10.01 | 9.83 |
| 30 September 2019 | 24,087,477 | 10.59 | 6.65 | 2,275,322 | 10.65 | 9.90 |
| Sterling Income Class | | | | | | |
| Class A Shares | | | | | | |
| 30 September 2005 | 21,472,212 | 108.15 | 5.00 | 198,532 | 114.11 | 103.08 |
| 29 September 2006 | 28,874,318 | 112.27 | 3.81 | 257,188 | 118.46 | 108.25 |
| 28 September 2007 | 36,573,190 | 116.19 | 3.49 | 314,773 | 123.71 | 112.31 |
| 26 September 2008 | 24,579,655 | 118.35 | 1.86 | 207,686 | 125.82 | 116.90 |
| 30 September 2009 | 16,287,966 | 116.19 | (1.83) | 140,179 | 118.73 | 114.22 |
| 30 September 2010 | 10,997,350 | 118.20 | 1.73 | 93,037 | 118.23 | 116.42 |
| 30 September 2011 | 8,605,906 | 118.94 | 0.63 | 72,356 | 119.15 | 118.02 |
| 30 September 2012 | 5,906,035 | 117.51 | (1.20) | 50,259 | 119.65 | 117.25 |
| 30 September 2013 | 5,590,371 | 115.88 | (1.39) | 48,241 | 117.60 | 115.86 |
| 30 September 2014 | 4,379,848 | 115.56 | (0.28) | 37,901 | 116.09 | 114.48 |
| 30 September 2015 | 3,380,232 | 116.09 | 0.46 | 29,118 | 117.86 | 115.78 |
| 30 September 2016 | 4,423,035 | 120.59 | 3.88 | 36,678 | 120.87 | 115.83 |
| 30 September 2017 | 3,981,347 | 119.01 | (1.31) | 33,453 | 121.01 | 118.94 |
| 30 September 2018 | 3,961,270 | 117.91 | (0.92) | 33,597 | 119.55 | 116.70 |
| 30 September 2019 | 4,357,568 | 121.53 | 3.07 | 35,855 | 121.98 | 117.35 |

Melville Douglas Income Fund Limited

Fund Statistics (Unaudited) (continued)

| | Net asset value GBP | Net asset value per share GBP | % change in year** | Number of shares in issue | Highest* price GBP | Lowest* price GBP |
|-------------------------------------------|------------------------|----------------------------------|--------------------|---------------------------|-----------------------|----------------------|
| Sterling Income Class | | | | | | |
| Class X Shares | | | | | | |
| At launch (28 August 2018) | 654,322 | 10.00 | - | 65,460 | - | - |
| 30 September 2018 | 776,389 | 9.95 | (0.50) | 78,041 | 10.00 | 9.92 |
| 30 September 2019 | 4,749,764 | 10.34 | 3.92 | 459,480 | 10.37 | 9.90 |
| | | | | | | |
| US Dollar Enhanced Income Class*** | | | | | | |
| Class X Shares | | | | | | |
| At launch (14 March 2019) | 30,286,472 | 10.00 | - | 3,028,647 | - | - |
| 30 September 2019 | 35,482,312 | 10.13 | 1.30 | 3,503,203 | 10.13 | 9.99 |

*Prior to 30 September 2016 the highest price/lowest price was based on the reported net asset value for shareholder dealing which may be different from the financial statements.

** Performance figures are based on the net asset value for financial reporting. This differs from the performance figures disclosed in the Investment Manager's Report, which are based on the net asset value for shareholders dealing.

*** Class Fund launched on 14 March 2019.

The performance data in this table covers the year from incorporation by way of a continuance in Jersey, to date. Performance data for previous periods can be found in the fact sheets issued by the Investment Manager.

Melville Douglas Income Fund Limited

Other Information (Unaudited)

Total Expense Ratios (Unaudited)

The Total Expense Ratio (“TER”) is calculated and disclosed as per the guidelines issued by the Investment Management Association. The ratio expresses the sum of all costs charged on an ongoing basis to the Class Funds taken retrospectively as a percentage of the Class Fund’s average net assets. For clarity, when the Class Fund is investing in other funds, the ongoing cost of these funds is not incorporated in the calculation of the TER.

| | 30 September 2019 | 30 September 2018 |
|---------------------------------------------------|-------------------|-------------------|
| US Dollar Income Class - Class A Shares | 1.07 % | 1.11% |
| US Dollar Income Class - Class B Shares | 1.37 % | 1.42% |
| US Dollar Income Class - Class X Shares | 0.26 % | 0.32% |
| Sterling Income Class - Class A Shares | 1.09 % | 1.16% |
| Sterling Income Class - Class X Shares | 0.27 % | 0.34% |
| US Dollar Enhanced Income Class - Class X Shares* | 0.26 % | - |

* Class Fund launched on 14 March 2019.

TER percentages are annualised.

Investment Purchases, Investment Sales and Commissions (Unaudited)

| US Dollar Income Class | 30 September | 30 September |
|-----------------------------------------------------|-------------------|-------------------|
| | 2019 | 2018 |
| | USD | USD |
| Gross purchases in year including transaction costs | 32,210,112 | 8,443,577 |
| Commissions | (1,250) | (450) |
| Net purchases total | <u>32,208,862</u> | <u>8,443,127</u> |
| | | |
| Gross sales in year including transaction costs | 17,383,369 | 13,792,935 |
| Commissions | (4,154) | (600) |
| Net sales total | <u>17,379,215</u> | <u>13,792,335</u> |
| | | |
| Sterling Income Class | 30 September | 30 September |
| | 2019 | 2018 |
| | GBP | GBP |
| Gross purchases in year including transaction costs | 5,366,853 | 1,091,988 |
| Commissions | (1,251) | (422) |
| Net purchases total | <u>5,365,602</u> | <u>1,091,566</u> |
| | | |
| Gross sales in year including transaction costs | 1,091,464 | 464,999 |
| Commissions | (370) | - |
| Net sales total | <u>1,091,094</u> | <u>464,999</u> |

Melville Douglas Income Fund Limited

Other Information (Unaudited) (continued)

Investment Purchases, Investment Sales and Commissions (Unaudited) (continued)

| | 30 September 2019 USD | 30 September 2018 USD |
|-----------------------------------------------------|-----------------------------|-----------------------------|
| US Dollar Enhanced Income Class* | | |
| Gross purchases in year including transaction costs | 49,684,104 | — |
| Commissions | (2,700) | — |
| Net purchases total | <u>49,681,404</u> | <u>—</u> |
| | | |
| Gross sales in year including transaction costs | 14,622,488 | — |
| Commissions | (250) | — |
| Net sales total | <u>14,622,238</u> | <u>—</u> |

* Class Fund launched on 14 March 2019.

Melville Douglas Income Fund Limited

Portfolio Statement (Unaudited)

US Dollar Income Class

As at 30 September 2019

| | Nominal Holding | Cost USD | Fair Value USD | % of Net Assets | Credit Rating |
|-----------------------------------------------------------------------------------------------------------------------|-----------------|-----------|--------------------------------|----------------------|---------------|
| Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market | | | | | |
| Investment Companies | | | | | |
| Ireland | | | | | |
| iShares USD Short Duration Corp Bond UCITS ETF | 49,000 | 5,000,239 | 5,014,660 | 7.33 | NR |
| Total Investment Companies | | | 5,014,660 | 7.33 | |
| Corporate Bonds | | | | | |
| Germany | | | | | |
| Kreditanstalt fuer Wiederaufbau 'EMTN' 2.125% 07/08/2023 | 2,375,000 | 2,395,129 | 2,420,612 | 3.53 | Aaa |
| Kreditanstalt fuer Wiederaufbau 1.500% 15/06/2021 | 2,375,000 | 2,358,403 | <u>2,366,045</u> 4,786,657 | <u>3.46</u> 6.99 | Aaa |
| International | | | | | |
| European Investment Bank 2.500% 15/10/2024 | 5,500,000 | 5,569,933 | 5,739,756 | 8.38 | Aaa |
| International Bank for Reconstruction & Development 1.375% 20/09/2021 | 2,950,000 | 2,881,009 | 2,933,554 | 4.29 | Aaa |
| International Bank for Reconstruction & Development 1.875% 07/10/2019 | 2,350,000 | 2,350,172 | <u>2,349,974</u> 11,023,284 | <u>3.43</u> 16.10 | Aaa |
| United Kingdom | | | | | |
| BAT International Finance Plc 'REGS' 3.250% 07/06/2022 | 862,000 | 864,799 | 879,924 | 1.28 | Baa2 |
| United States | | | | | |
| Apple Inc 2.850% 06/05/2021 | 1,500,000 | 1,500,912 | 1,525,025 | 2.23 | Aa1 |
| Coca-Cola Co/The 3.200% 01/11/2023 | 1,000,000 | 996,676 | 1,050,321 | 1.53 | A1 |
| Microsoft Corp 3.000% 01/10/2020 | 1,111,000 | 1,126,333 | 1,123,693 | 1.64 | Aaa |
| Nestle Holdings Inc 'EMTN' 3.125% 22/03/2023 | 1,500,000 | 1,504,171 | 1,557,630 | 2.28 | Aa2 |
| Roche Holdings Inc 'EMTN' 2.000% 13/03/2020 | 1,240,000 | 1,241,769 | 1,239,807 | 1.81 | Aa3 |
| Unilever Capital Corp 2.100% 30/07/2020 | 1,215,000 | 1,220,633 | 1,216,050 | 1.78 | A1 |
| Visa Inc 3.150% 14/12/2025 | 1,000,000 | 1,042,261 | <u>1,067,023</u> 8,779,549 | <u>1.56</u> 12.83 | Aa3 |
| Total Corporate Bonds | | | 25,469,414 | 37.20 | |
| Government Bonds | | | | | |
| United States | | | | | |
| United States Treasury Inflation Indexed Bonds 0.125% 15/04/2021 | 5,466,575 | 5,158,359 | 5,408,290 | 7.90 | Aaa |

Melville Douglas Income Fund Limited

Portfolio Statement (Unaudited) (continued)

US Dollar Income Class (continued)

As at 30 September 2019 (continued)

| | Nominal Holding | Cost USD | Fair Value USD | % of Net Assets | Credit Rating |
|-----------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------------|-------------------------|-----------------|---------------|
| Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market (continued) | | | | | |
| Government Bonds (continued) | | | | | |
| United States (continued) | | | | | |
| United States Treasury Note/Bond 2.125% 30/06/2022 | 14,000,000 | 13,865,097 | 14,207,044 | 20.75 | Aaa |
| United States Treasury Note/Bond 2.250% 15/02/2027 | 8,060,000 | 7,997,962 | 8,411,535 | 12.29 | Aaa |
| United States Treasury Note/Bond 2.875% 31/10/2023 | 4,250,000 | 4,275,646 | 4,468,907 | 6.53 | Aaa |
| United States Treasury Note/Bond 2.625% 15/02/2029 | 4,650,000 | 4,719,392 | 5,035,403 37,531,179 | 7.36 54.83 | Aaa |
| Total Government Bonds | | | 37,531,179 | 54.83 | |
| Total Investments | | 66,068,895 | 68,015,253 | 99.36 | |
| Total Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market | | | 68,015,253 | 99.36 | |
| Total Investments | | 68,015,253 | 99.36 | | |
| Net current assets | | 437,185 | 0.64 | | |
| Total net assets | | 68,452,438 | 100.00 | | |

Melville Douglas Income Fund Limited

Portfolio Statement (Unaudited) (continued)

Sterling Income Class

As at 30 September 2019

| | Nominal Holding | Cost GBP | Fair Value GBP | % of Net Assets | Credit Rating |
|-----------------------------------------------------------------------------------------------------------------------|------------------------|-----------------|-----------------------|------------------------|----------------------|
| Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market | | | | | |
| Investment Companies | | | | | |
| Ireland | | | | | |
| iShares GBP Corp Bond 0-5yr UCITS ETF | 6,730 | 714,446 | 714,087 | 7.84 | NR |
| Total Investment Companies | | | 714,087 | 7.84 | |
| Corporate Bonds | | | | | |
| Germany | | | | | |
| Kreditanstalt fuer Wiederaufbau 'EMTN' 1.625% 05/06/2020 | 634,000 | 636,916 | 637,756 | 7.00 | Aaa |
| International | | | | | |
| European Investment Bank 2.250% 15/08/2022 International Bank for Reconstruction & Development 0.625% 15/12/2023 | 590,000 | 473,949 | 487,643 | 5.36 | Aaa |
| | 707,000 | 692,099 | 707,976 | 7.77 | Aaa |
| | | | 1,195,619 | 13.13 | |
| Luxembourg | | | | | |
| Nestle Finance International Ltd 'EMTN' 2.250% 30/11/2023 | 155,000 | 158,772 | 165,046 | 1.81 | Aa2 |
| Netherlands | | | | | |
| Roche Finance Europe BV 'EMTN' 5.375% 29/08/2023 | 155,000 | 178,418 | 182,136 | 2.00 | Aa3 |
| United Kingdom | | | | | |
| BAT International Finance Plc 'EMTN' 1.750% 05/07/2021 | 100,000 | 100,359 | 100,850 | 1.11 | Baa2 |
| GlaxoSmithKline Capital Plc 'EMTN' 3.375% 20/12/2027 | 100,000 | 103,328 | 116,293 | 1.27 | A2 |
| Next Group Plc 5.375% 26/10/2021 | 100,000 | 106,106 | 108,291 | 1.19 | Baa2 |
| | | | 325,434 | 3.57 | |
| United States | | | | | |
| International Business Machines Corp 'EMTN' 2.750% 21/12/2020 | 100,000 | 101,168 | 102,303 | 1.12 | A2 |
| McDonald's Corp 'EMTN' 6.375% 03/02/2020 | 100,000 | 101,512 | 101,746 | 1.12 | Baa1 |
| PepsiCo Inc 'EMTN' 2.500% 01/11/2022 | 100,000 | 98,205 | 105,126 | 1.16 | A1 |
| | | | 309,175 | 3.40 | |
| Total Corporate Bonds | | | 2,815,166 | 30.91 | |
| Government Bonds | | | | | |
| United Kingdom | | | | | |
| United Kingdom Gilt 1.500% 22/01/2021 | 800,000 | 809,375 | 810,800 | 8.90 | Aa2 |
| United Kingdom Gilt 1.500% 22/07/2026 | 857,200 | 899,765 | 928,665 | 10.20 | Aa2 |
| United Kingdom Gilt 1.625% 22/10/2028 | 1,265,000 | 1,344,302 | 1,402,151 | 15.40 | Aa2 |

Melville Douglas Income Fund Limited

Portfolio Statement (Unaudited) (continued)

Sterling Income Class (continued)

As at 30 September 2019 (continued)

| | Nominal Holding | Cost GBP | Fair Value GBP | % of Net Assets | Credit Rating |
|-----------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------------------|-------------------------------|-----------------------|---------------------|
| Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market (continued) | | | | | |
| Government Bonds (continued) | | | | | |
| United Kingdom (continued) | | | | | |
| United Kingdom Gilt 1.000% 22/04/2024 | 400,000 | 409,760 | 413,008 | 4.54 | Aa2 |
| United Kingdom Gilt 1.750% 07/09/2022 | 1,587,900 | 1,631,136 | <u>1,655,243</u> 5,209,867 | <u>18.17</u> 57.21 | <u>Aa2</u> 57.21 |
| Total Government Bonds | | | 5,209,867 | 57.21 | |
| Total Investments | | 8,559,616 | 8,739,120 | 95.96 | |
| Total Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market | | | 8,739,120 | 95.96 | |
| Total Investments | | 8,739,120 | 95.96 | | |
| Net current assets | | <u>368,212</u> | <u>4.04</u> | | |
| Total net assets | | <u>9,107,332</u> | <u>100.00</u> | | |

Melville Douglas Income Fund Limited

Portfolio Statement (Unaudited) (continued)

US Dollar Enhanced Income Class*

As at 30 September 2019

| | | | Nominal Holding | Cost USD | Fair Value USD | % of Net Assets | Credit Rating |
|-----------------------------------------------------------------------------------------------------------------------|--|---------|-----------------|-----------------------------|-------------------------------|----------------------|---------------|
| Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market | | | | | | | |
| Corporate Bonds | | | | | | | |
| Germany | | | | | | | |
| Kreditanstalt fuer Wiederaufbau 15/07/2020 | | 2.750% | 1,650,000 | 1,652,548 | 1,660,947 | 4.68 | Aaa |
| Kreditanstalt fuer Wiederaufbau 05/11/2019 | | 2.250% | 1,500,000 | 1,500,174 | <u>1,500,452</u> 3,161,399 | <u>4.23</u> 8.91 | Aaa |
| International | | | | | | | |
| European Investment Bank 1.250% 16/12/2019 | | 1.750% | 3,225,000 | 3,217,961 | 3,220,919 | 9.08 | Aaa |
| Inter-American Development Bank 15/10/2019 | | 1.750% | 3,100,000 | 3,099,129 | 3,099,809 | 8.74 | NR |
| International Bank for Reconstruction & Development 1.125% 27/11/2019 | | 1.125% | 1,950,000 | 1,946,004 | 1,947,742 | 5.49 | Aaa |
| International Bank for Reconstruction & Development 1.375% 30/03/2020 | | 1.375% | 1,400,000 | 1,392,202 | <u>1,396,523</u> 9,664,993 | <u>3.93</u> 27.24 | Aaa |
| South Africa | | | | | | | |
| FirstRand Bank Ltd 'EMTN' 30/04/2020 | | 4.250% | 900,000 | 903,564 | 906,444 | 2.56 | Baa3 |
| United Kingdom | | | | | | | |
| BAT International Finance Plc 'REGS' 15/06/2020 | | 2.750% | 1,000,000 | 999,353 | 1,002,720 | 2.82 | Baa2 |
| ICBC Standard Bank Plc 'EMTN' 02/12/2019 | | 8.125% | 1,200,000 | 1,209,404 | <u>1,210,152</u> 2,212,872 | <u>3.41</u> 6.23 | Baa3 |
| United States | | | | | | | |
| Amazon.com Inc 1.900% 21/08/2020 | | 950,000 | 944,994 | 950,067 | 2.68 | A3 | |
| JPMorgan Chase & Co 2.250% 23/01/2020 | | 950,000 | 948,511 | 950,308 | 2.68 | A2 | |
| McDonald's Corp 'MTN' 2.750% 09/12/2020 | | 970,000 | 970,559 | 977,890 | 2.76 | Baa1 | |
| Prudential Financial Inc 'MTN' 21/06/2020 | | 900,000 | 917,062 | 920,974 | 2.59 | A3 | |
| Roche Holdings Inc 'EMTN' 13/03/2020 | | 650,000 | 648,796 | 649,899 | 1.83 | Aa3 | |
| Unilever Capital Corp 2.100% 30/07/2020 | | 500,000 | 497,822 | 500,432 | 1.41 | A1 | |
| Wells Fargo Bank NA 'BKNT' 15/01/2020 | | 900,000 | 899,277 | <u>900,780</u> 5,850,350 | <u>2.54</u> 16.49 | Aa2 | |
| Total Corporate Bonds | | | | | 21,796,058 | 61.43 | |

Melville Douglas Income Fund Limited

Portfolio Statement (Unaudited) (continued)

US Dollar Enhanced Income Class* (continued)

As at 30 September 2019 (continued)

| | Nominal Holding | Cost USD | Fair Value USD | % of Net Assets | Credit Rating |
|-----------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------|--------------------------------|----------------------|---------------|
| Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market (continued) | | | | | |
| Government Bonds | | | | | |
| South Africa | | | | | |
| Republic of South Africa Government International Bond 5.500% 09/03/2020 | 1,000,000 | 1,008,712 | 1,010,105 | 2.84 | Baa3 |
| United States | | | | | |
| United States Treasury Bill (Zero Coupon) 0.000% 01/10/2019 | 2,750,000 | 2,750,000 | 2,749,867 | 7.75 | NR |
| United States Treasury Bill (Zero Coupon) 0.000% 29/10/2019 | 2,300,000 | 2,296,884 | 2,296,690 | 6.47 | NR |
| United States Treasury Note/Bond 1.500% 31/10/2019 | 1,850,000 | 1,848,672 | 1,849,140 | 5.21 | Aaa |
| United States Treasury Note/Bond 1.750% 30/11/2019 | 3,100,000 | 3,097,627 | 3,098,572 | 8.73 | Aaa |
| United States Treasury Note/Bond 2.000% 31/01/2020 | 1,090,000 | 1,088,095 | 1,090,359 | 3.08 | Aaa |
| United States Treasury Note/Bond 2.250% 29/02/2020 | 1,300,000 | 1,298,617 | <u>1,301,652</u> 12,386,280 | <u>3.67</u> 34.91 | Aaa |
| Total Government Bonds | | | 13,396,385 | 37.75 | |
| Total Investments | | 35,135,967 | 35,192,443 | 99.18 | |
| Total Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market | | | | | |
| Total Investments | | | 35,192,443 | 99.18 | |
| Net current assets | | <u>289,869</u> | <u>0.82</u> | | |
| Total net assets | | <u>35,482,312</u> | <u>100.00</u> | | |

* Class Fund launched on 14 March 2019.

Melville Douglas Income Fund Limited

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN pursuant to the Articles of Association of Melville Douglas Income Fund Limited (the “Company”) that the Annual General Meeting of the Company will take place on 3 February 2020 at Standard Bank House, 47-49 La Motte Street, St. Helier, Jersey, Channel Islands at 10.45 a.m. for the purpose of considering and, if thought fit, passing the following Resolutions:

Ordinary resolution

1. That the financial statements for the year ended 30 September 2019 be approved and adopted.
2. That directors fees in the sum of USD30,000 and GBP5,000 for the year ended 30 September 2019 be approved.
3. That PricewaterhouseCoopers Ireland, be reappointed auditors of the Company to hold office until the conclusion of the next general meeting at which the accounts are laid before the Company and that their remuneration be fixed by the directors.

By order of the board

STANLIB Fund Managers Jersey Limited

Secretary

13 January 2020

Notes

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be valid this proxy form must be completed and deposited at the registered office of the Company not less than 48 hours before the time fixed for the meeting.
3. If the shareholder is a corporation the form must be executed either under its common seal or under the hand of an officer or attorney so authorised.
4. In the case of joint holders, the signature of any one joint holder will be sufficient, but the names of all joint holders should be stated.

The Secretary
Melville Douglas Income Fund Limited
Standard Bank House
47-49 La Motte Street
St. Helier
Jersey
JE2 4SZ

Melville Douglas Income Fund Limited (the “Company”)

Form of Proxy

Please complete in I/We
block capitals

Complete only if
Special proxy desired.
(See Note a. below)

being a holder(s) of.....Participating shares in the capital of the Company hereby
appoint the Chairman of the Meeting or failing him:

Resolutions
*Strike out whatever is
not desired

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the
Company to be held on 3 February 2020 at 10.45 a.m. and at any adjournments thereof, in
the following manner:

Ordinary Resolution

No 1 For/Against*
No 2 For/Against*
No 3 For/Against*

Signed this _____ day of _____ 2020

Signature _____

- a. If you desire to appoint a proxy other than indicated above, please delete the appropriate words and insert the name and address of your proxy
- b. Unless otherwise instructed, the proxy will vote or abstain from voting as he thinks fit in relation to the resolutions referred to above
- c. To be valid, the proxy must be lodged with the secretary of the Company 48 hours prior to the time of the meeting
- d. A corporation should complete this form under its common seal or under the hand of a duly authorised officer or attorney