

Melville Douglas Income Fund Limited Enhanced Income (USD) Class

Fund information update at 31 August 2021

What is the fund's objective?

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

What does the fund invest in?

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

What possible risks are associated with this fund?

The risk rating seen below is designed to give an indication of the level of risk, measured by volatility, associated with this specific portfolio. In order to arrive at the specific risk rating of the portfolio in question, Melville Douglas measures the volatility of the fund, in the form of standard deviation, over a three year rolling period, and compares the result to internal risk parameters. Please note that these risk ratings are designed as a guide only.

Risk rating

Conservative	Moderately conservative	Moderate	Moderately aggressive	Aggressive
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What is the suggested investment period for this fund?

Minimum period

1 Month	6 Months	1 Year	3 Years	5 Years	7 Years
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Who should consider investing in this fund?

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

Income

Distribution Income available for distribution attributable to the Class Fund shall be accumulated and not distributed to Shareholders.

General fund information

Manager(s)	Karl Holden, Simon Bradbury and Bernard Drotschie
Size (NAV)	\$ 61.67 million
Peer group	EAA Fund USD Diversified Bond - Short Term
Benchmark	Barclays Overnight USD Cash Index
Section 65	Not Approved
	Class X
Launch	14 March 2019
ISIN number	JE00BFM13T58
SEDOL code	BFM13T5
Bloomberg	MDIEIXU JY
	Minimum investment requirements -
New business	Open
Initial	\$ 1 million
Subsequent	\$ 1,000

What are the costs to invest in this fund?

Maximum charges

	Class X
Initial fee (manager)	0.000%
Initial fee (adviser)	3.000%
Annual fee (manager)	0.150%
Annual fee (adviser)	0.000%
Performance fee	N/A

Annual fee (manager) - this is a service charge (% based) applicable to each class of a fund, that is levied on the value of your portfolio and includes the **Annual fee (adviser)** fee (where applicable). Annual fees are calculated and accrued daily and recovered monthly from the income awaiting distribution in the fund.

Cost ratios (annual) including VAT as at 30 June 2021

	Class X
Based on period from:	14/03/2019
Total Expense	0.25%
Transaction Costs	0.02%
Total Investment Charge	0.27%
1 Year Total Expense	0.25%

Total Expense (TER): This ratio shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated over the period shown and annualised to the most recently completed quarter. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER should not be regarded as an indication of future TERs.

Transaction Costs (TC): This ratio shows the percentage of the value of the fund incurred as costs relating to the buying and selling of the fund's underlying assets. TC are a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, investment decisions of the investment manager and the TER.

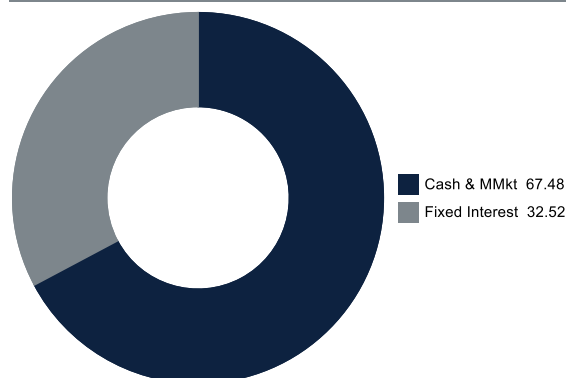
Total Investment Charges (TIC): This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct the TIC from performance figures, the performance is already net of the TIC.

Melville Douglas Income Fund Limited Enhanced Income (USD) Class

Monthly update at 31 August 2021

Holdings

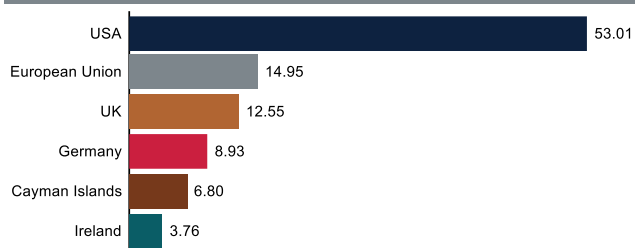
Asset class (%)



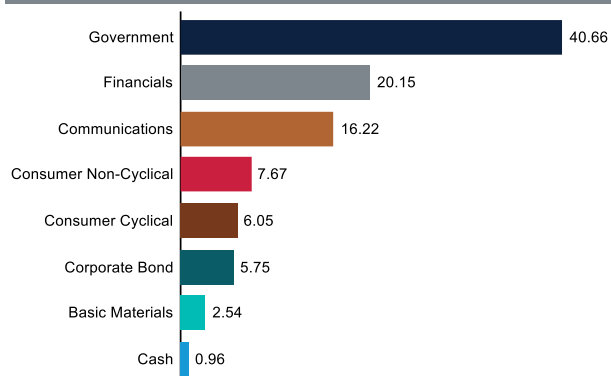
Top holdings (%)

BNG Bank N.V. 1.5% 06/09/2022	6.63
Asian Development Bank 1.875% 18/02/2022	4.94
European Investment Bank 2.125% 15/10/2021	4.92
KfW 2.625% 25/01/2022	4.53
KfW 2.625% 28/02/2024	4.40
Inter-American Dev Bank 1.75% 14/04/2022	4.13
European Bank for Recon & Dev 1.5% 02/11/2021	3.93
Vodafone Group plc 2.5% 26/09/2022	3.84
Inter-American Dev Bank FRN 15/03/2022	3.76
iShares \$ Short Dur Corp Bond UCITS ETF USD (Dist)	3.76

Country (%)



Category (%)



Performance and Income

Class X Launch: 14 March 2019

Benchmark: Barclays Overnight USD Cash Index

Peer group: EAA Fund USD Diversified Bond - Short Term

Returns (%)	6m	9m	1yr	2yrs	Launch
Class X					
Class	0.23	0.24	0.33	0.90	1.20
Benchmark	0.04	0.06	0.08	0.52	0.91
Peer group	0.31	0.41	0.78	1.55	1.48

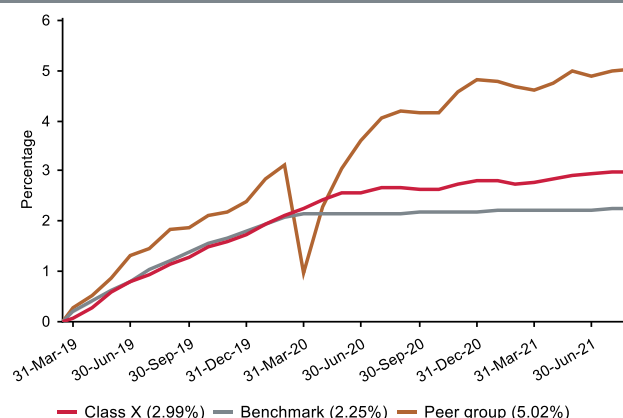
Returns (%) shown are cumulative for all periods shorter than or equal to 1 year and annualised for all periods greater than 1 year.

Statistics (%)	1yr	2yrs	Launch
Class X			
Positive Months	9	19	24
Max Gain	0.36	1.82	3.08
Max Drawdown	-0.06	-0.06	-0.24
Highest	1.33	2.16	2.16
Lowest	0.30	0.30	0.30

Highest - this reflects the highest 12 month return during the period.

Lowest - this reflects the lowest 12 month return during the period.

Cumulative performance (%) from Launch



Melville Douglas Income Fund Limited Enhanced Income (USD) Class

Quarterly update at 30 June 2021

Who are the investment managers?



Karl Holden

Head of International Fixed Interest and Currency Strategy

Karl joined Standard Bank in 1991 and specialises in global fixed income and currency markets. He is lead manager of the Melville Douglas Income funds and also manages the investments of a number of high-net-worth clients. Karl is a Chartered Wealth Manager, Fellow of the Chartered Institute for Securities and Investment and holds the Private Client Investment Advice and Management Certificate. Karl is based in Jersey.



Simon Bradbury

Fixed Income and Currency Strategy

Simon joined Standard Bank in 2002, with over 30 years' experience in the finance industry. He has built up extensive knowledge of global wealth management solutions, specialising in international fixed income and currency markets. He is co-manager of the Melville Douglas Income and Enhanced Income Funds, whilst he also manages the investments of a number of high-net-worth clients. Simon is a Chartered Fellow of the Chartered Institute For Securities and Investment and has been awarded Chartered Wealth Manager status.



Bernard Drotschie

BCom (Hons), CFA, CFP
Chief Investment Officer

Bernard joined Melville Douglas in 2002 as a portfolio manager and analyst, prior to which he worked for Absa Asset Management. He is the lead manager on the Melville Douglas Global Growth Fund (USD) and co-manages the Melville Douglas Balanced Fund (USD) and the Melville Douglas Income Funds. He holds a BCom (Hons) degree in Econometrics, is a CFA® Charterholder and a Certified Financial Planner™ professional.

Melville Douglas Investment Management (Pty) Ltd, FSP 595, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act 2002, manage the investments of the fund. Since 1983 Melville Douglas has been delivering superior investment returns across a number of asset classes. As a global boutique investment management company within the Standard Bank Group, we are uniquely positioned to offer domestic and offshore investment solutions. What truly sets Melville Douglas apart is our experienced investment team and our approach to investing – driven by balance, a long-term view and a commitment to fundamental research – which informs our investment decisions across the board.

Fund review

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

The Fund's performance for the period was + 0.15% versus the Fund's benchmark return of + 0.02%.

Market overview

The sharp rise in medium to long-dated yields that characterised the first quarter, came to an abrupt end as yields drifted slightly lower over the quarter, unwinding some of the previous rise. Developed market sovereign yield curves bear flattened in June as the spectra of the end of ultra-loose monetary policy came into focus following the above consensus inflation data in both the UK and US. Short-dated yields however, rose in the month after an uneventful April and May, particularly in the US following June's Federal Reserve Open Market (FOMC) meeting where they indicated that interest rates could start to rise in 2023, with the committee starting to "talk about talking about" tapering in 2022. But it was not only short yields that moved, longer-dated yields drifted lower on the prospect that central banks will tighten monetary policy to ensure their economies don't overheat. The economic recovery momentum is firmly in place with growth forecasts revised higher for 2021. However, it's possible that growth has peaked for this cycle, and although economic data releases remain solid, they do appear to be rolling over as the base effects are falling away. The "known unknown" is of course the pandemic, and whilst the recovery has been very strong, any further extended lockdown measures would put downside risk to this year's global growth projections. In the first half of 2021, bond yields have generally risen across the maturity spectrum, more pronounced in longer-dated bonds which have lost significant value.

Looking ahead

Following a marked jump in the US benchmark 10-year yield in Q1, the rise in yields ran out of steam ending the quarter lower at 1.45%. Initially in the quarter, the market went into a "holding pattern" with the 10-year yield trading in a fairly narrow 20 basis point range, however, volatility returned in June following a significant increase in inflationary pressures, driven by not only base effects from the low levels at the start of the pandemic in 2020, but also from the re-opening of the US economy. Headline inflation came in at 5% annualised, the largest gain since 2008 as price pressures started to build across the economy as businesses tried to balance the rush for demand against shortages in materials. In addition, labour shortages continue to be a headwind for employers, particularly in the services sector which is now experiencing higher wage costs in some areas. COVID-19 relief packages are in the process of being withdrawn and we anticipate a firm employment market in the coming quarters but it will take some time for unemployment levels to fall to pre-pandemic lows.

Treasury Secretary Janet Yellen's comments in May sparked a reaction in bond markets with yields rising as she commented "it may be that interest rates will have to rise somewhat to make sure our economy doesn't overheat" which the market digested as the FOMC already talking about monetary tightening. This was quickly retracted later in the day, but was the initial catalyst of what was to come from June's FOMC meeting. In Jerome Powell's testimony following the Fed's June meeting, there was a slight change to the rhetoric where he signalled that whilst they will continue to provide substantial ongoing support to the economy, with no change to either interest rates or monthly bond purchases, there is a risk that "transitory" inflation could be higher and remain above their average target level of 2%, than they had envisaged at previous meetings. Inflationary pressures are now clearly a concern to the committee with the majority of FOMC members worried about upside risks and this was evident from the change in the Fed's 'Dot Plot's' where two rate hikes in 2023 are now priced in from zero at their previous meeting. However, the Fed will want to see evidence that the recent spike in prices is either "transitory" or more "sticky" before raising rates, with Powell commenting that the change in Dot Plot's does not signify definitive interest rate hikes. Tapering of the monthly bond purchases is now being discussed by the committee, although they "are not close to making a decision", but these are the initial warning shots that we are getting closer to the end of ultra-low monetary policy. The initial reaction in the bond market was fairly benign with short yields drifting higher leading to a flattening of the yield curve as the market starts to discount higher interest rates in 2023 with the 2 year yield rising to 0.25%, breaking out from what has been an almost a flat rate of 0.15% since December 2020. The Fund has retained a very defensive duration positioning (sub 1-year) which has added value in the short term.

There is no doubt that the positive momentum behind the strong economic recovery from the roll-out of the vaccination programs, re-opening of the US economy and demand for goods disrupted by supply chain issues from global lockdowns will lead to higher levels of growth in 2021 and keep inflationary pressures elevated. This should translate into higher yields in the months ahead where we expect ultra-short yields to slowly grind higher which will provide an opportunity to extend duration, locking into higher yields.

Investment grade (IG) spreads have continued to trade within a tight range, with the 10 year US 'BBB' spread ending the quarter at a mere 104 basis points pick up over the comparable US Treasury, setting a new record low. The IG market has been supported by a fall in longer-dated sovereign bonds yields, but also positive momentum from investor's 'demand for yield' even at these lofty valuation levels. Similarly in the High Yield (HY) market where yield spreads remain at historically tight levels, investor demand for new issues remains strong and with central bank policy likely to remain accommodative, yield spread differentials should remain supported. Indeed data from Moody's the rating agency recently confirmed that the ratio of credit upgrades to downgrades is moving higher particularly in the US, where in April and May 2021, there were 3.8 upgrades for every downgrade. The Fund has retained an overweight to short-dated IG corporate credit and overweight to HY credit taking advantage of the positive carry in the current environment. However, we are reluctant to increase exposure as valuations remain expensive with limited further spread compression unlikely to compensate for rising government bond yields.

The commentary gives the views of the portfolio manager at the time of writing. Any forecasts or commentary included in this document are not guaranteed to occur.

Melville Douglas Income Fund Limited Enhanced Income (USD) Class



Change in allocation of the fund over the quarter

Asset type	Q2 2021	Q1 2021	Change
Cash & MMkt	69.85	61.64	8.21
Fixed Interest	30.15	38.36	-8.21

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (\$)	Units	NAV (\$)
X	Institutional	10.29	6,136,363.00	63,165,891.82

All data as at 30 June 2021.

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

Important information at 31 August 2021

Disclosures

Collective Investment Funds (CIF) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to future performance. CIF are traded at ruling prices and can engage in borrowing and scrip lending.

The Enhanced Income (USD) Class is a class fund of the Melville Douglas Income Fund Limited (the Fund). The Fund is an 'umbrella fund' and an open-ended investment fund company registered by way of continuation in Jersey under a certificate of continuance dated 31 March 2003 with limited liability under the Law as a no par value company. The Fund is regulated as a Collective Investment Fund by the Jersey Financial Services Commission. The manager of the Fund is STANLIB Fund Managers Jersey Limited (the Manager). The Manager is 100% owned by STANLIB Asset Management (Pty) Limited, which is wholly owned by STANLIB Limited, which is wholly owned by Liberty Holdings Limited. Liberty is a full member of the Association for Savings and Investments of South Africa (ASISA). The manager has a right to close a portfolio to new investors in order to manage the portfolio more efficiently in accordance with its mandate. The Manager does not provide any guarantee either with respect to the capital or the return of the class fund. A schedule of fees and charges and maximum commissions is available on request from the Manager. The custodian/trustee of the Fund is Apex Financial Services (Corporate) Limited (the Custodian). The Fund, the Manager and the Custodian are regulated by the Jersey Financial Services Commission.

The investments of this class fund are managed, on behalf of the Manager, by Melville Douglas Investment Management (Pty) Ltd (the Investment Manager), an authorised financial services provider (FSP), FSP No. 595, under the Financial Advisory and Intermediary Services Act (FAIS), Act No. 37 of 2002. The Investment Manager, pursuant to a distribution agreement made between it and the Manager, acts as distributor to the class fund in South Africa.

STANLIB Collective Investments (RF) (Pty) Limited is the appointed Fund's representative in the RSA, by the Manager, in respect of the Fund. The RSA Representative is responsible for assisting the Fund with compliance with RSA regulatory requirements in respect of certain Classes to be marketed to investors in the RSA.

Prices are calculated and published on each working day, these prices are available on the Manager's website (www.stanlib.com). This portfolio is valued at 23h59 (GMT). Forward pricing is used. Investments and repurchases will receive the price of the next day if received prior to 14h30 (GMT). Settlement must be made in the relevant class fund's base currency.

This portfolio is permitted to invest in foreign securities. Should the portfolio include any foreign securities these could expose the portfolio to any of the following risks: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information.

All return figures quoted are in USD, as at 31 August 2021, based on data sourced from Morningstar.

Annualised return figures are the compound annualised growth rate (CAGR) calculated from the cumulative return for the period being measured. These annualised returns provide an indication of the annual return achieved over the period had an investment been held for the entire period. Actual annual figures are available on request from the Manager.

Fund performance figures are calculated for the relevant class of the Fund, for a lump sum investment, on a NAV-NAV basis, with income reinvested on the ex-dividend date. Individual investor performance may differ due to initial fees, actual investment date, date of reinvestment of income and dividend withholding tax. Fund performance figures account for all costs that contribute to the calculation of the cost ratios quoted, all fund returns quoted are therefore after these costs have been accounted for.

Statistics - Positive Months: the number of individual 1 month periods during the specified time period where the return was not negative; Max Gain: the maximum gain in a trough-to-peak incline before a new trough is attained, quoted as the percentage between the trough and the peak. It is an indicator of upside risk over a specified time period (quoted for all periods of 1 year or longer); Max Drawdown: the maximum loss in a peak-to-trough decline before a new peak is attained, quoted as the percentage between the peak and the trough. It is an indicator of downside risk over a specified time period (quoted for all periods of 1 year or longer, where blank no loss was experienced); Highest and Lowest: the highest and the lowest 1 year return (%) that occurred during the specified time period (quoted for all relevant classes launched 1 year or more prior to current month end date).

Additional information about this product including, but not limited to, brochures, application forms and annual or quarterly reports, can be obtained free of charge, from the Investment Manager and from the Investment Manager's website (www.melvilledouglas.co.za).

This document does not constitute an offer of sale. Investors are requested to view the latest Prospectus and Minimum Disclosure Document for information pertaining to this product, as well as seeking professional advice, should they be considering an investment in this product. The Manager provides no guarantee or warranty as to the accuracy of the content of this document. Every effort has been made to ensure that the content is accurate at time of issue. This document is not advice, as defined under FAIS. Please be advised that there may be a representative acting under supervision.

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