



**Melville Douglas Income Fund Limited  
Annual Report and Audited Financial Statements**

**For the year ended 30 September 2020**

# Melville Douglas Income Fund Limited

## **Annual Report and Audited Financial Statements**

For the year ended 30 September 2020

<b>Contents</b>	<b>Pages</b>
Administration.....	2
Report of the Directors.....	3
Report of the Custodian.....	5
Investment Manager's Report.....	6
Independent Auditors' Report.....	13
Statements of Financial Position.....	16
Statements of Comprehensive Income.....	18
Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares.....	20
Notes to the Financial Statements.....	22
Portfolio Statements.....	40
Fund Statistics (Unaudited).....	48
Other Information (Unaudited).....	52

# Melville Douglas Income Fund Limited

## Administration

### Directors

Graham Baillie (South African/British)  
Michael Farrow\* (British) (Chairman) (Jersey  
Resident)  
Helen Holmes (British) (Resigned effective 24  
October 2019)  
Oliver Sonnbichler (South African/Austrian)  
Robert Stewart (South African) (Appointed effective  
9 April 2020) (Jersey Resident)

### 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.

# Melville Douglas Income Fund Limited

## Report of the Directors

The directors submit their annual audited report and financial statements for the year 30 September 2020.

### 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 2020 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 non-executive Chairman of Melville Douglas Investment Management (Proprietary) Limited. Oliver Sonnbichler is an executive of Melville Douglas Investment Management (Proprietary) Limited, Robert Stewart is an executive of Standard Bank Jersey 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 2020 and subsequently was STANLIB Fund Managers Jersey Limited.

#### **By Order of the Board**

**STANLIB Fund Managers Jersey Limited**

**Company Secretary**

**12 January 2021**

# **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 2020 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  
12 January 2021**

# Melville Douglas Income Fund Limited

## Investment Manager's Report

For the year ended 30 September 2020

### 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 Fund's performance for the period was +4.62% (A Class) and +5.38% (X Class) versus the Fund's benchmark return of +6.50%.

#### Market Overview

US government bond yields have moved sharply lower over the period with virtually all of the downside registering in the first quarter of 2020. The COVID-19 pandemic has completely reset the global interest rate outlook as central banks have been forced to ease monetary policy aggressively in order to support unprecedented collapses in growth. This has intensified the search for both yield and quality and developed market government bonds have been the primary benefactors, supported in addition by ongoing and in many cases robust quantitative easing measures. Almost 90% of the Bank of America Global Government Bond Index yields below 1% with a staggering circa 30% yielding less than 0%. Even with lower inflation, yields on US, UK and German government debt are deeply negative in 'real' terms and this scenario is likely to remain in place for an extended period whilst economies continue to battle with the pandemic. More recently, economic data releases have been generally upbeat and ahead of forecasts but we remain cognisant that activity in the rear view mirror does not guarantee a lasting theme – at least at the current pace, which remains flattered by recoveries from beaten down base levels. Nevertheless, we must not ignore the positives and evidence clearly demonstrates that the US economy has the will to recover despite the ongoing pandemic, albeit heavily assisted by ongoing and robust stimulus measures by the Federal Reserve (Fed). Key Purchasing Manager Indices (PMI's) for both services and manufacturing have rebounded sharply back into expansionary territory, the employment market is improving and the housing market appears almost nonchalant about the pandemic. The easing in lockdowns was always going to result in a decent rebound in economic indicators and the Fed will wish to keep this momentum going for as long as possible to ease concerns of a dreaded 'double-dip recession' when the dust finally settles.

# Melville Douglas Income Fund Limited

## Investment Manager's Report (continued)

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

#### Looking Ahead

The Fed recently tweaked their mandate with regards to inflation and will now seek that it 'averages 2% over time'. This has major implications for the interest rate outlook, effectively signalling that rates will remain unchanged even if faced with strong economic growth and inflation rising above target. On the face of it, an ongoing 'lower for longer' message should be a positive for government bonds but we are minded of two things. Firstly, the steep decline in yields in the first quarter did much to price-in this outlook and explains why the market has remained in a narrow range for the past six months. Secondly, rising inflation is not a positive for longer-dated bonds where yields are already close to historic lows and negative in 'real' inflation-adjusted terms. So for now, we are left with something of a stalemate in that near-zero interest rates and the ongoing pandemic should, in theory, add to the attractiveness of the government bond market but yields at current depressed levels allow little to no safety net in the event of higher inflation.

Taking a medium to long-term view, it remains difficult for us to find value in government bond yields at current levels. The Fed will keep their foot on the stimulus pedal for as long as it takes as its debt load can only be reduced by growth, inflation or both. The inordinate amount of money supply creation this year has every chance of resulting in higher inflation in 2021 and if vaccine hopes becomes reality, a 'risk on' mood should pervade. Blue sky thinking perhaps but if it comes to fruition and the economy successfully navigates this terrible episode then attention will quickly turn to an eventual easing in central bank stimulus measures. This could be particularly damaging to government bond yields which at current levels are certainly not priced for this scenario. For these reasons, the Fund remain defensively positioned with respect to duration as only marginally higher yields on longer-dated debt are not nearly enough compensation for the added risk.

Investment Grade (IG) and High Yield (HY) corporate bond spreads have endured a rollercoaster ride over the past twelve months. The recovery in these markets has been dramatic following sharp capital declines in March and spreads are edging closer to pre-COVID levels which certainly doesn't appear to make them look cheap. However, the environment for both taking risk and yield hunting remains supportive. Central bank initiatives have increased the allure of risk assets and those that can pay an income stream over and above comparable government debt are greatly benefitting as the world remains starved of yield – an environment that will be with us for some time yet.

Without doubt, there will be significant hurdles for economies in the coming quarters but for now, there remains little chance of policy mistakes (i.e. interest rates are most definitely not moving higher), central banks have and will continue to provide an abundance of liquidity and although bouncing off low bases, economic numbers continue to indicate that growth conditions are rebounding. This goldilocks environment could end very quickly if mass lockdowns are reintroduced but a better understanding of the pandemic puts the risk of this low and perhaps more importantly, central banks have clearly demonstrated that they will do 'whatever it takes'. One could argue that the global marketplace's reliance and in many respects complacency towards central bank support is possibly creating a bigger issue down the road, and this is entirely plausible. However, the past six months has clearly demonstrated the pitfalls of being too risk averse in an environment where the central bank 'has your back'. The Fund continues to hold an overweight allocation IG debt and the manager has been building on the exposure to HY debt which currently stands at approximately 5.5%.

The US Dollar has lost value over the twelve month period with the majority of the downside occurring in Q2 and Q3 2020. Ultimately, the currency was due a period of consolidation but where do we see direction from here? Firstly, it is important to appreciate that the currency, in general terms, is only down approximately 2.5% year-to-date (2020) and in fact, the relative outperformance of the US bond market versus the German bond market (as an example) has more than compensated for the currency's depreciation against the Euro. Without doubt, the outlook for the US Dollar is negative if other developed economies (Eurozone, UK etc.) enjoy periods of economic 'catch-up' but we are not currently seeing enough evidence of this. The US still enjoys a solid advantage in this arena and is backed up by a central bank that seems willing to pull out all the stops. The US Dollar has defied the 'demise of the dollar' story time

## **Melville Douglas Income Fund Limited**

and again, and whilst it may well be different this time, it will not be a one-way street and (as above) it is crucial to remember the performance and yield (often negative) of the asset class underlying each respective alternative currency. The Fund retains its maximum overweight allocation to US Dollars - for now.

# Melville Douglas Income Fund Limited

## Investment Manager's Report (continued)

For the year ended 30 September 2020

### 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 maximise total returns in Sterling.

The Fund's performance for the period was +0.49% (A Class) and +1.26% (X Class) versus the Fund's benchmark return of +2.21%.

#### Market Overview

UK government bond yields have moved sharply lower over the period with virtually all of the downside registering in the first quarter of 2020. The COVID-19 pandemic has completely reset the global interest rate outlook as central banks have been forced to ease monetary policy aggressively in order to support unprecedented collapses in growth. This has intensified the search for both yield and quality and developed market government bonds have been the primary benefactors, supported in addition by ongoing and in many cases robust quantitative easing measures. Almost 90% of the Bank of America Global Government Bond Index yields below 1% with a staggering circa 30% yielding less than 0%. Even with lower inflation, yields on US, UK and German government debt are deeply negative in 'real' terms and this scenario is likely to remain in place for an extended period whilst economies continue to battle with the pandemic. In the UK, the sugar-rush from both fiscal and monetary stimulus and the easing of lockdown restrictions seems to be running out of steam. Whilst key economic data releases point to a healthy expansion, albeit from a low base, more recent indicators for both the manufacturing and the services sector are off the highs experienced in July. Looking ahead to the remainder of the year, there is no doubt that the potential for the recovery to slow, or even stall, has risen following the Government's new restrictions as Covid-19 cases rise significantly, more recently posting the highest daily count of the pandemic. The new restriction measures are not as severe compared to the previous lockdowns in March/April, they are nonetheless more broad-based than recent localised restrictions, putting further pressure on the all-important services sector, as tighter restrictions are enforced on travel and hospitality in particular. This comes at a time when the current Furlough scheme to support workers comes to an end on the 31 October, and although UK Chancellor Rishi Sunak has released details of the next labour market scheme aimed at supporting nine million jobs, it is not as generous as the current Furlough scheme.

# Melville Douglas Income Fund Limited

## Investment Manager's Report (continued)

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

#### Looking Ahead

The Monetary Policy Committee (MPC), continue to hold interest rates near zero, however there is increased speculation that the MPC may implement negative rates as one of their tools to provide further monetary stimulus. Whilst quick to down-play that negative rate policy is imminent, they continue to investigate the effective implementation of this unconventional policy. The short-end of the UK sovereign yield curve has already started to discount sub-zero rates, and currently Gilts maturing out to seven years are trading on negative yields, with two year yields touching an all-time low of – 0.14% during Q3 2020. We are not yet convinced that the MPC will sanction negative interest rates, the lesson from Germany is that this highly unconventional policy can be very difficult to reverse and can quickly have diminishing positive effects as savers and retirees are penalised at the expense of borrowers. That said, a messy BREXIT outcome could be the final straw and as above, it appears the bond market has already made up its mind on this matter. Negative or not, we do know that zero interest rate policy (or as close as it gets) will be with us for quite some time and this is clearly reflected in the historically low levels of yield in the UK government bond market. For these reasons, the Fund remain defensively positioned with respect to duration as only marginally higher yields on longer-dated debt are not nearly enough compensation for the added risk.

Investment Grade (IG) and High Yield (HY) corporate bond spreads have endured a rollercoaster ride over the past twelve months. The recovery in these markets has been dramatic following sharp capital declines in March and spreads are edging closer to pre-COVID levels which certainly doesn't appear to make them look cheap. However, the environment for both taking risk and yield hunting remains supportive. Central bank initiatives have increased the allure of risk assets and those that can pay an income stream over and above comparable government debt are greatly benefitting as the world remains starved of yield – an environment that will be with us for some time yet.

Without doubt, there will be significant hurdles for economies in the coming quarters but for now, there remains little chance of policy mistakes (i.e. interest rates are most definitely not moving higher), central banks have and will continue to provide an abundance of liquidity and although bouncing off low bases, economic numbers continue to indicate that growth conditions are rebounding. This goldilocks environment could end very quickly if mass lockdowns are reintroduced but a better understanding of the pandemic puts the risk of this low and perhaps more importantly, central banks have clearly demonstrated that they will do 'whatever it takes'. One could argue that the global marketplace's reliance and in many respects complacency towards central bank support is possibly creating a bigger issue down the road, and this is entirely plausible. However, the past six months has clearly demonstrated the pitfalls of being too risk averse in an environment where the central bank 'has your back'. The Fund continues to hold an overweight allocation IG debt and the manager has been building on the exposure to HY debt which currently stands at approximately 5.7%.

We have commented for some time that Sterling is undervalued on a purchasing parity basis and over the long-haul, should regain some footing. However, current headwinds from the resurgence of BREXIT uncertainties, particularly with year-end deadline fast approaching and still no deal in sight, combined with heightened restrictions to control the increasing spread of COVID -19 is likely to keep volatility high elevated. The Fund remains overweight base currency and the manager believes it is still too early to exit the foreign currency exposure, held as a hedge against further Sterling weakness.

# Melville Douglas Income Fund Limited

## Investment Manager's Report (continued)

For the year ended 30 September 2020

### US Dollar Enhanced Income (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 fund may also invest in other collective investment schemes.

The Fund's performance for the period was + 1.33% versus the Fund's benchmark return of + 0.78%.

#### Market Overview

US government bond yields have moved sharply lower over the period with virtually all of the downside registering in the first quarter of 2020. The COVID-19 pandemic has completely reset the global interest rate outlook as central banks have been forced to ease monetary policy aggressively in order to support unprecedented collapses in growth. This has intensified the search for both yield and quality and developed market government bonds have been the primary benefactors, supported in addition by ongoing and in many cases robust quantitative easing measures. Almost 90% of the Bank of America Global Government Bond Index yields below 1% with a staggering circa 30% yielding less than 0%. Even with lower inflation, yields on US, UK and German government debt are deeply negative in 'real' terms and this scenario is likely to remain in place for an extended period whilst economies continue to battle with the pandemic. More recently, economic data releases have been generally upbeat and ahead of forecasts but we remain cognisant that activity in the rear view mirror does not guarantee a lasting theme – at least at the current pace, which remains flattered by recoveries from beaten down base levels. Nevertheless, we must not ignore the positives and evidence clearly demonstrates that the US economy has the will to recover despite the ongoing pandemic, albeit heavily assisted by ongoing and robust stimulus measures by the Federal Reserve (Fed). Key Purchasing Manager Indices (PMI's) for both services and manufacturing have rebounded sharply back into expansionary territory, the employment market is improving and the housing market appears almost nonchalant about the pandemic. The easing in lockdowns was always going to result in a decent rebound in economic indicators and the Fed will wish to keep this momentum going for as long as possible to ease concerns of a dreaded 'double-dip recession' when the dust finally settles.

# Melville Douglas Income Fund Limited

## Investment Manager's Report (continued)

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

#### Looking Ahead

The Fed recently tweaked their mandate with regards to inflation and will now seek that it 'averages 2% over time'. This has major implications for the interest rate outlook, effectively signalling that rates will remain unchanged even if faced with strong economic growth and inflation rising above target. On the face of it, an ongoing 'lower for longer' message should be a positive for government bonds but we are minded of two things. Firstly, the steep decline in yields in the first quarter did much to price-in this outlook and explains why the market has remained in a narrow range for the past six months. Secondly, rising inflation is not a positive for longer-dated bonds where yields are already close to historic lows and negative in 'real' inflation-adjusted terms. So for now, we are left with something of a stalemate in that near-zero interest rates and the ongoing pandemic should, in theory, add to the attractiveness of the government bond market but yields at current depressed levels allow little to no safety net in the event of higher inflation. The Funds exposure to US Treasuries has been reduced in favour of an increase in "AAA" rated Supranational bonds which offer a small but positive yield pick-up.

Taking a medium to long-term view, it remains difficult for us to find value in government bond yields at current levels. The Fed will keep their foot on the stimulus pedal for as long as it takes as its debt load can only be reduced by growth, inflation or both. The inordinate amount of money supply creation this year has every chance of resulting in higher inflation in 2021 and if vaccine hopes becomes reality, a 'risk on' mood should pervade. Blue sky thinking perhaps but if it comes to fruition and the economy successfully navigates this terrible episode then attention will quickly turn to an eventual easing in central bank stimulus measures. This could be particularly damaging to government bond yields which at current levels are certainly not priced for this scenario.

The flat money market curve provides no opportunity to materially (within the restrictions of the Fund) extend duration from current levels, therefore the Fund retains a defensive position with respect to duration. There is ample liquidity coming up over the coming months where the Manager will seek higher yielding opportunities where possible.

Investment Grade (IG) and High Yield (HY) corporate bond spreads have endured a rollercoaster ride over the past twelve months. The recovery in these markets has been dramatic following sharp capital declines in March and spreads are edging closer to pre-COVID levels which certainly doesn't appear to make them look cheap. However, the environment for both taking risk and yield hunting remains supportive. Central bank initiatives have increased the allure of risk assets and those that can pay an income stream over and above comparable government debt are greatly benefitting as the world remains starved of yield – an environment that will be with us for some time yet. The Fund's allocation to IG and HY credit has selectively been increased over the year as the search for yield continues.

Without doubt, there will be significant hurdles for economies in the coming quarters but for now, there remains little chance of policy mistakes (i.e. interest rates are most definitely not moving higher), central banks have and will continue to provide an abundance of liquidity and although bouncing off low bases, economic numbers continue to indicate that growth conditions are rebounding. This goldilocks environment could end very quickly if mass lockdowns are reintroduced but a better understanding of the pandemic puts the risk of this low and perhaps more importantly, central banks have clearly demonstrated that they will do 'whatever it takes'. One could argue that the global marketplace's reliance and in many respects complacency towards central bank support is possibly creating a bigger issue down the road, and this is entirely plausible. However, the past six months has clearly demonstrated the pitfalls of being too risk averse in an environment where the central bank 'has your back'.

**Melville Douglas Investment Management (Proprietary) Limited**

**Investment Manager**

**11 November 2020**

# ***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:

- give a true and fair view of the state of the company's and class fund's affairs as at 30 September 2020 and of their results 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 properly 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, which comprise:

- the Statements of Financial Position as at 30 September 2020;
- the Statements of Comprehensive Income for the year then ended;
- the Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares for the year then ended; and
- the notes to the financial statements for the company and for each of its class funds, 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 where:

- 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 and class funds' 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 and Audited Financial Statements 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, except to the extent otherwise explicitly stated in this report, 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 and class funds' 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 IAASA website at:

[https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](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

12 January 2021

# Melville Douglas Income Fund Limited

## Statements of Financial Position

As at 30 September 2020

(Comparatives as at 30 September 2019)

	Notes	US Dollar Income Class 30 September 2020 USD	US Dollar Income Class 30 September 2019 USD	Sterling Income Class 30 September 2020 GBP	Sterling Income Class 30 September 2019 GBP
<b>Assets</b>					
Financial assets at fair value through profit or loss	2(b), 7.4	72,108,898	68,015,253	13,672,485	8,739,120
Cash and cash equivalents	2(c)	610,767	227,723	395,379	329,769
Receivable for shares sold	2(f)	227,742	98,644	143,000	—
Income receivable	2(d)	340,630	376,670	81,053	44,436
<b>Total assets</b>		<b>73,288,037</b>	<b>68,718,290</b>	<b>14,291,917</b>	<b>9,113,325</b>
<b>Liabilities</b>					
Payable for shares redeemed	2(f)	617,555	209,641	—	—
Management fees payable	2(g)	40,075	39,234	5,902	4,101
Custodian fees payable	2(g)	2,103	1,895	380	266
Sub-Custodian fees payable	2(g)	693	465	165	109
Director fees payable	2(g)	5,207	5,830	975	612
Audit fees payable	2(g)	6,233	8,202	953	828
Other payables		2,726	585	526	77
<b>Total liabilities</b>		<b>674,592</b>	<b>265,852</b>	<b>8,901</b>	<b>5,993</b>
<b>Net assets attributable to holders of redeemable shares</b>		<b>72,613,445</b>	<b>68,452,438</b>	<b>14,283,016</b>	<b>9,107,332</b>
<b>Net asset value per share</b>					
Class A Shares		180.10	172.14	122.13	121.53
Class B Shares*		11.00	10.54	10.00	—
Class C Shares**		10.03	—	9.97	—
Class X Shares		11.16	10.59	10.47	10.34

\* On 12 May 2020, Sterling Income Class Fund - Class B Shares launched.

\*\*On 2 June 2020, the US Dollar Income Class Fund - Class C Shares launched and on 14 September 2020, Sterling Income Class Fund - Class C Shares launched.

The notes on pages 22 to 40 form an integral part of these financial statements.

# Melville Douglas Income Fund Limited

## Statements of Financial Position (continued)

As at 30 September 2020

(Comparatives as at 30 September 2019)

	Notes	US Dollar	US Dollar	Total 30 September 2020	Total 30 September 2019
		Enhanced Income Class 30 September 2020	Enhanced Income Class 30 September 2019		
		USD	USD		
<b>Assets</b>					
Financial assets at fair value through profit or loss	2(b), 7.4	48,627,632	35,192,443	138,412,319	113,976,914
Cash and cash equivalents	2(c)	5,055,943	3,898,969	6,177,856	4,533,066
Receivable for shares sold	2(f)	193,500	10,000	606,112	108,644
Income receivable	2(d)	260,861	189,054	706,276	620,482
<b>Total assets</b>		<b>54,137,936</b>	<b>39,290,466</b>	<b>145,902,563</b>	<b>119,239,106</b>
<b>Liabilities</b>					
Payable for investments purchased		1,240,035	3,797,059	1,240,035	3,797,059
Payable for shares redeemed	2(f)	–	–	617,555	209,641
Management fees payable	2(g)	6,663	4,517	54,368	48,805
Custodian fees payable	2(g)	1,545	1,054	4,139	3,277
Sub-Custodian fees payable	2(g)	644	403	1,550	1,002
Director fees payable	2(g)	2,778	2,724	9,246	9,308
Audit fees payable	2(g)	3,269	2,096	10,734	11,318
Other payables		1,716	301	5,122	981
<b>Total liabilities</b>		<b>1,256,650</b>	<b>3,808,154</b>	<b>1,942,749</b>	<b>4,081,391</b>
<b>Net assets attributable to holders of redeemable shares</b>		<b>52,881,286</b>	<b>35,482,312</b>	<b>143,959,814</b>	<b>115,157,715</b>
<b>Net asset value per share</b>					
Class X Shares		10.26	10.13	–	–

The financial statements were approved by the Board on 12 January 2021 and signed on its behalf by.

Director

The notes on pages 22 to 40 form an integral part of these financial statements.

# Melville Douglas Income Fund Limited

## Statements of Comprehensive Income

For the year 1 October 2019 to 30 September 2020

(Comparatives are for the year 1 October 2018 to 30 September 2019)

	Notes	US Dollar Income Class 30 September 2020	US Dollar Income Class 30 September 2019	Sterling Income Class 30 September 2020	Sterling Income Class 30 September 2019
		USD	USD	GBP	GBP
<b>Income</b>					
Dividend income	2(d)	212,926	138,265	29,897	16,610
Interest income	2(d)	1,291,062	1,197,425	91,349	68,786
Deposit interest	2(d)	1,385	10,691	164	444
Net gain on financial assets at fair value through profit or loss	2(h), 3	2,527,736	3,117,967	72,380	221,538
<b>Total net gain</b>		<b>4,033,109</b>	<b>4,464,348</b>	<b>193,790</b>	<b>307,378</b>
<b>Expenses</b>					
Management fees	2(g)	454,003	480,423	56,381	46,217
Custodian fees	2(g)	23,056	21,615	3,487	3,145
Sub-Custodian fees	2(g)	7,511	5,978	1,921	1,539
Directors' fees	2(g)	18,581	27,065	2,926	2,658
Audit fees	2(g)	6,233	8,202	952	828
Sundry expenses		9,887	15,029	1,602	1,528
<b>Total operating expenses</b>		<b>519,271</b>	<b>558,312</b>	<b>67,269</b>	<b>55,915</b>
<b>Net income before finance costs</b>		<b>3,513,838</b>	<b>3,906,036</b>	<b>126,521</b>	<b>251,463</b>
<b>Finance Costs:</b>					
Bank interest		—	—	(2,032)	(1,194)
<b>Total Finance Costs</b>		<b>—</b>	<b>—</b>	<b>(2,032)</b>	<b>(1,194)</b>
Taxation	2(i), 4	(18,685)	—	(3,256)	—
<b>Increase in net assets attributable to holders of redeemable shares from operations</b>		<b>3,495,153</b>	<b>3,906,036</b>	<b>121,233</b>	<b>250,269</b>

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 22 to 40 form an integral part of these financial statements.

# Melville Douglas Income Fund Limited

## Statements of Comprehensive Income (continued)

For the year 1 October 2019 to 30 September 2020

(Comparatives are for the year 1 October 2018 to 30 September 2019)

	Notes	US Dollar Enhanced Income Class 30 September 2020 USD	US Dollar Enhanced Income Class 30 September 2019 USD	Total 30 September 2020 USD	Total 30 September 2019 USD
<b>Income</b>					
Dividend income	2(d)	12,231	—	263,259	159,459
Interest income	2(d)	580,476	443,581	1,987,958	1,728,775
Deposit interest	2(d)	1,526	2,995	3,120	14,253
Net (loss)/gain on financial assets at fair value through profit or loss	2(h), 3	(23,543)	69,585	2,596,437	3,470,230
<b>Total net gain</b>		<b>570,690</b>	<b>516,161</b>	<b>4,850,774</b>	<b>5,372,717</b>
<b>Expenses</b>					
Management fees	2(g)	59,431	26,957	585,289	566,352
Custodian fees	2(g)	13,857	6,290	41,357	31,918
Sub-Custodian fees	2(g)	7,243	4,539	17,202	12,481
Directors' fees	2(g)	9,847	5,699	32,157	36,155
Audit fees	2(g)	3,269	2,096	10,715	11,354
Sundry expenses		5,481	1,914	17,410	18,893
<b>Total operating expenses</b>		<b>99,128</b>	<b>47,495</b>	<b>704,130</b>	<b>677,153</b>
<b>Net income before finance costs</b>		<b>471,562</b>	<b>468,666</b>	<b>4,146,644</b>	<b>4,695,564</b>
<b>Finance Costs:</b>					
Bank interest		—	—	(2,590)	(1,524)
<b>Total Finance Costs</b>		<b>—</b>	<b>—</b>	<b>(2,590)</b>	<b>(1,524)</b>
Taxation	2(i), 4	23,320	(50,085)	486	(50,085)
<b>Increase in net assets attributable to holders of redeemable shares from operations</b>		<b>494,882</b>	<b>418,581</b>	<b>4,144,540</b>	<b>4,643,955</b>

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 22 to 40 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 2019 to 30 September 2020

(Comparatives are for the year 1 October 2018 to 30 September 2019)

	Notes	US Dollar Income Class 30 September 2020	US Dollar Income Class 30 September 2019	Sterling Income Class 30 September 2020	Sterling Income Class 30 September 2019
		USD	USD	GBP	GBP
Net assets attributable to holders of redeemable shares at the beginning of the year		68,452,438	50,895,345	9,107,332	4,737,659
Proceeds from the issue of shares	5	11,566,597	27,799,634	5,559,027	4,636,857
Payments on the redemption of shares	5	(10,900,743)	(14,148,577)	(504,576)	(517,453)
<b>Increase in net assets attributable to holders of redeemable shares from investment activities</b>		<b>3,495,153</b>	<b>3,906,036</b>	<b>121,233</b>	<b>250,269</b>
<b>Net assets attributable to holders of redeemable shares at the end of the year</b>		<b>72,613,445</b>	<b>68,452,438</b>	<b>14,283,016</b>	<b>9,107,332</b>
	Notes	US Dollar Enhanced Income Class 30 September 2020	US Dollar Enhanced Income Class 30 September 2019	Total 30 September 2020	Total 30 September 2019
		USD	USD	USD	USD
Net assets attributable to holders of redeemable shares at the beginning of the year		35,482,312	—	115,157,715	57,073,490
Proceeds from the issue of shares	5	20,232,182	35,883,221	38,883,465	69,599,381
Payments on the redemption of shares	5	(3,328,090)	(819,490)	(14,871,888)	(15,628,326)
Translation Adjustment*		—	—	645,982	(530,785)
<b>Increase in net assets attributable to holders of redeemable shares from investment activities</b>		<b>494,882</b>	<b>418,581</b>	<b>4,144,540</b>	<b>4,643,955</b>
<b>Net assets attributable to holders of redeemable shares at the end of the year</b>		<b>52,881,286</b>	<b>35,482,312</b>	<b>143,959,814</b>	<b>115,157,715</b>

\* The translation adjustment arises from the translation of opening net assets translated at financial year end 30 September 2019 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 2020.

# Melville Douglas Income Fund Limited

## **Notes to the Financial Statements (continued)**

The notes on pages 22 to 40 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 2020 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 "The Financial Reporting Standard" for its annual and FRS 104 "Interim Financial Reporting" for its unaudited interim financial statements effective 1 October 2014.

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 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 a Statement 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 and equities 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 Statement of Financial Position date.

#### g. *Expenses*

The Company is responsible for the payment of management, custodian, sub-custodian 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 2020 USD	US Dollar Income Class 30 September 2019 USD	Sterling Income Class 30 September 2020 GBP	Sterling Income Class 30 September 2019 GBP	US Dollar Enhanced Income Class 30 September 2020 USD	US Dollar Enhanced Income Class 30 September 2019 USD	Total 30 September 2020 USD	Total 30 September 2019 USD
<b>Non-derivative securities:</b>								
Net realised gain/(loss) on investments	295,100	(275,733)	(12,677)	(34,367)	7,173	13,110	286,116	(306,474)
Net movement in unrealised investment schemes	2,232,636	3,393,700	85,167	255,797	(30,716)	56,475	2,310,461	3,776,566
	<u>2,527,736</u>	<u>3,117,967</u>	<u>72,490</u>	<u>221,430</u>	<u>(23,543)</u>	<u>69,585</u>	<u>2,596,577</u>	<u>3,470,092</u>
<b>Derivative securities:</b>								
Net movement in unrealised foreign currency	—	—	(110)	108	—	—	(140)	138
	<u>—</u>	<u>—</u>	<u>(110)</u>	<u>108</u>	<u>—</u>	<u>—</u>	<u>(140)</u>	<u>138</u>
<b>Net gain/(loss) on financial assets at fair value through profit or loss</b>	<b>2,527,736</b>	<b>3,117,967</b>	<b>72,380</b>	<b>221,538</b>	<b>(23,543)</b>	<b>69,585</b>	<b>2,596,437</b>	<b>3,470,230</b>

# 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 2020	30 September 2019
	USD	USD
<b>US Dollar Income Class</b>		
Overseas tax - withholding tax on dividend income	18,685	—
<b>Sterling Income Class</b>		
Overseas tax - withholding tax on dividend income	3,256	—
<b>US Dollar Enhanced Income Class</b>		
Overseas tax - withholding tax on dividend income	(23,320)	50,085
<b>Total</b>		
Overseas tax - withholding tax on dividend income	(486)	50,085

### 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 2020	30 September 2019
	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 2020.

	Number of shares at 30 September 2019	Issued during the year	Redeemed during the year	Number of shares at 30 September 2020
US Dollar Income Class - Class A Shares	257,144	12,209	(48,953)	220,400
US Dollar Income Class - Class B Shares	9,505	136,558	(8,237)	137,826
US Dollar Income Class - Class C Shares**	–	14,905	–	14,905
US Dollar Income Class - Class X Shares	2,275,322	724,219	(200,054)	2,799,487
Sterling Income Class - Class A Shares	35,855	10,217	(1,764)	44,308
Sterling Income Class - Class B Shares*	–	10,935	–	10,935
Sterling Income Class - Class C Shares***	–	8,194	–	8,194
Sterling Income Class - Class X Shares	459,480	397,506	(28,024)	828,962
US Dollar Enhanced Income Class - Class X Shares	3,503,203	1,975,029	(325,639)	5,152,593

\* On 12 May 2020, the Class B Shares launched.

\*\* On 2 June 2020, the Class C Shares launched.

\*\*\* On 14 September 2020, Class C Shares launched.

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.

# Melville Douglas Income Fund Limited

## Notes to the Financial Statements (continued)

### 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.

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.

For the US Dollar Income Class and the Sterling Income Class, 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, 0.75% for Class C Shares (reduced from 0.95% on 1 October 2019) and 0.15% for Class X Shares. For the US Dollar Enhanced Income Class, the annual management fee payable to the Manager monthly in arrears is calculated as 0.15% of the net asset value of the 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. On the 24 October 2019, Helen Holmes resigned as a Director of the Company.

For the US Dollar Income Class directors fees incurred during the year ended 30 September 2020 amounted to USD18,581 (30 September 2019: USD27,065) with USD5,207 (30 September 2019: USD5,830) outstanding at the year end.

For the Sterling Income Class directors fees incurred during the year ended 30 September 2020 amounted to GBP2,926 (30 September 2019: GBP2,658) with GBP975 (30 September 2019: GBP612) outstanding at the year end.

For the US Dollar Enhanced Income Class directors fees incurred during the year ended 30 September 2020 amounted to USD9,847 (30 September 2019: USD5,699) with USD2,778 (30 September 2019: USD2,724) outstanding at the year end.

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

# Melville Douglas Income Fund Limited

## Notes to the Financial Statements (continued)

The fees incurred during the year ended 30 September 2020 and 30 September 2019 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 mainly equity shares, debt and fixed income securities and collective investment securities. 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.

#### 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 2020	30 September 2019
	USD	USD
US Dollar Income Class	3,605,445	3,400,763
Sterling Income Class	683,624	436,956
US Dollar Enhanced Income Class	2,431,382	1,759,622

##### 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 2020 and 30 September 2019 is detailed in Note 7.4 Fair Value Hierarchy.

# 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)

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

30 September 2020		
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	2.22%	3 years 7 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 Income Class	2.12%	3 years 10 months

30 September 2020		
Programme	Fixed rate financial assets Weighted average interest rate	Fixed rate financial assets weighted average period for which rate is fixed
Sterling Income Class	1.78%	4 years 4 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
Sterling Income Class	1.80%	4 years 2 months

30 September 2020		
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	2.03%	7 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

# 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)

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

##### US Dollar Income Class

30 September 2020

	Fixed rate financial assets	Floating rate financial assets	Net assets not carrying interest	Total
USD	60,759,210	779,122	11,075,113	72,613,445
	<u>60,759,210</u>	<u>779,122</u>	<u>11,075,113</u>	<u>72,613,445</u>

##### 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>

##### Sterling Income Class

30 September 2020

	Fixed rate financial assets	Floating rate financial assets	Net assets not carrying interest	Total
GBP	11,700,285	–	2,582,731	14,283,016
	<u>11,700,285</u>	<u>–</u>	<u>2,582,731</u>	<u>14,283,016</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>

##### US Dollar Enhanced Income Class

30 September 2020

	Fixed rate financial assets	Floating rate financial assets	Net assets not carrying interest	Total
USD	46,115,178	–	6,766,108	52,881,286
	<u>46,115,178</u>	<u>–</u>	<u>6,766,108</u>	<u>52,881,286</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)

###### US Dollar Enhanced Income Class

30 September 2019

	Fixed rate financial assets	Floating rate financial assets	Net assets not carrying interest	Total
<b>US Dollar Enhanced Income Class</b>				
<b>30 September 2019</b>				
	Fixed rate financial assets	Floating rate financial assets	Net assets not carrying interest	Total
<b>USD</b>	<u>35,192,443</u>	<u>—</u>	<u>289,869</u>	<u>35,482,312</u>
	<u>35,192,443</u>	<u>—</u>	<u>289,869</u>	<u>35,482,312</u>

**Total**

30 September 2020

	Fixed rate financial assets	Floating rate financial assets	Net assets not carrying interest	Total
<b>USD</b>	<u>121,792,751</u>	<u>986,888</u>	<u>21,180,175</u>	<u>143,959,814</u>
	<u>121,792,751</u>	<u>986,888</u>	<u>21,180,175</u>	<u>143,959,814</u>

**Total**

30 September 2019

	Fixed rate financial assets	Floating rate financial assets	Net assets not carrying interest	Total
<b>USD</b>	<u>108,082,284</u>	<u>—</u>	<u>7,075,431</u>	<u>115,157,715</u>
	<u>108,082,284</u>	<u>—</u>	<u>7,075,431</u>	<u>115,157,715</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 2020 and 30 September 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)

###### US Dollar Income Class

Exposure currency 30 September 2020	Investments USD	Cash USD	Other net liabilities USD	Total net assets USD	% of net assets
USD	72,108,898	610,767	(106,220)	72,613,445	100.00
	<u>72,108,898</u>	<u>610,767</u>	<u>(106,220)</u>	<u>72,613,445</u>	<u>100.00</u>

###### 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>

###### Sterling Income Class

Exposure currency 30 September 2020	Investments GBP	Cash GBP	Other net assets GBP	Total net assets GBP	% of net assets
EUR	235,879	164,590	—	400,469	2.80
GBP	12,556,077	217,793	210,290	12,984,160	90.91
USD	880,529	12,996	4,862	898,387	6.29
	<u>13,672,485</u>	<u>395,379</u>	<u>215,152</u>	<u>14,283,016</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>

###### US Dollar Enhanced Income Class

Exposure currency 30 September 2020	Investments USD	Cash USD	Other net liabilities USD	Total net assets USD	% of net assets
USD	48,627,632	5,055,943	(802,289)	52,881,286	100.00
	<u>48,627,632</u>	<u>5,055,943</u>	<u>(802,289)</u>	<u>52,881,286</u>	<u>100.00</u>

# 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 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>

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 2020 and year ended 30 September 2019.

Sterling Income Class	Change in net assets		Change in net assets	
	30 September 2020	30 September 2019	GBP	GBP
EUR	+/-5%	20,023		9,392
USD	+/-5%	44,919		24,854

#### 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.

The minimum redemption amount which shall be accepted in respect of the Fund is USD750 (Sterling Income Class GBP500). The Manager will not accept a redemption request if as a result the value of the shareholding of participating shares in the Class Fund would fall below the initial subscription amount of USD2,500 (Sterling Income Class GBP1,500). Full details regarding redemption and 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.

# Melville Douglas Income Fund Limited

## Notes to the Financial Statements (continued)

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.

### 7. Financial risk management (continued)

#### 7.3. Credit risk (continued)

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 2020 the Sub-Custodian and Banker, The Bank of New York Mellon SA/NV London Branch has a credit rating of AA- (2019 : AA-) with Standard & Poor's, Aa2 (2019 : Aa2) with Moody's and AA- (2019 : AA-) with Fitch.

#### 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)

# Melville Douglas Income Fund Limited

## Notes to the Financial Statements (continued)

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.

### 7. Financial risk management (continued)

#### 7.4. Fair value hierarchy (continued)

The following tables analyse within the fair value hierarchy the Companies financial assets measured at fair value at 30 September 2020 and 30 September 2019 in accordance with FRS 102.

#### 30 September 2020

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>US Dollar Income Class</b>				
Investment Companies	10,570,566	—	—	10,570,566
Corporate Bonds	—	25,434,495	—	25,434,495
Government Bonds	29,108,271	6,995,566	—	36,103,837
<b>Total Assets</b>	<b>39,678,837</b>	<b>32,430,061</b>	—	<b>72,108,898</b>

#### 30 September 2019

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>US Dollar Income Class</b>				
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
<b>Total Assets</b>	<b>37,137,549</b>	<b>30,877,704</b>	—	<b>68,015,253</b>

#### 30 September 2020

	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
<b>Sterling Income Class</b>				
Investment Companies	1,972,200	—	—	1,972,200
Corporate Bonds	—	5,656,810	—	5,656,810
Government Bonds	—	6,043,475	—	6,043,475
<b>Total Assets</b>	<b>1,972,200</b>	<b>11,700,285</b>	—	<b>13,672,485</b>

#### 30 September 2019

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

# Melville Douglas Income Fund Limited

## Notes to the Financial Statements (continued)

### 30 September 2020

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>US Dollar Enhanced Income Class</b>				
Investment Companies	2,512,454	—	—	2,512,454
Corporate Bonds	—	37,380,543	—	37,380,543
Government Bonds	4,198,699	4,535,936	—	8,734,635
<b>Total Assets</b>	<b>6,711,153</b>	<b>41,916,479</b>	—	<b>48,627,632</b>

### 30 September 2019

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

### 7. Financial risk management (continued)

#### 7.4. Fair value hierarchy (continued)

For all Class Funds other than US Dollar Income Class, there were no other transfers between Level 1 and Level 2 during the year ended 30 September 2020 and 30 September 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.

### 8. Exchange rates

The following exchange rates at 30 September 2020 and 30 September 2019 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 2020	30 September 2019	30 September 2020	30 September 2019
USD/EUR	0.85276	0.91727	0.89361	0.88657
USD/GBP	0.77351	0.81149	0.78465	0.78371

#### Sterling Income Class

	Year End Exchange Rates		Annual Average Exchange Rates	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
GBP/EUR	1.10245	1.13035	1.13837	1.13172
GBP/USD	1.29280	1.23230	1.27445	1.27677

### 9. Significant events during the year

From 1 October 2019, the management and administration fees on the Class C Shares were reduced to 0.75%.

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

On the 9 April 2020, Robert Stewart was appointed Director of the Company.

On the 12 May 2020, the B shares of the Income Sterling Class were launched.

On the 2 June 2020, the C shares of the US Dollar Income Class were launched.

# Melville Douglas Income Fund Limited

## **Notes to the Financial Statements (continued)**

On 14 September 2020, the C shares of the Income Sterling Class were launched.

Since the start of January 2020, global financial markets have been monitoring and reacting to the novel coronavirus (Covid-19). The virus has spread across the world with major outbreaks across Europe, America and the Middle East, resulting in widespread restrictions on the ability of people to travel, socialise and leave their homes. Global financial markets have reacted sharply to this news, with concerns regarding the economic impact this may have on a global scale. The eventual impact on the global economy and markets will largely depend upon the scale and the duration of the outbreak. All of which may negatively impact the performance of Melville Douglas Income Fund Limited, however the board of directors, the investment manager and all other service providers have enacted their respective business continuity plans and the board of directors will continue to monitor this situation closely.

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

### **10. Post statement of financial position events**

There were no 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 2020 or as at 30 September 2019.

### **12. Approval of financial statements**

The financial statements were approved by the Directors on 12 January 2021.

# Melville Douglas Income Fund Limited

## Portfolio Statement

### US Dollar Income Class

As at 30 September 2020

	Nominal Holding	Cost USD	Fair Value USD	% of Net Assets	Credit Rating
<b>Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market</b>					
<b>Investment Companies</b>					
<b>Ireland</b>					
iShares USD Corp Bond UCITS ETF	4,050	501,912	520,627	0.72	NR
iShares USD Short Duration Corp Bond UCITS ETF	65,100	6,659,566	<u>6,794,813</u> 7,315,440	<u>9.36</u> 10.08	NR
<b>United States</b>					
iShares iBoxx High Yield Corporate Bond ETF	38,800	3,241,196	3,255,126	4.48	NR
<b>Total Investment Companies</b>			<b>10,570,566</b>	<b>14.56</b>	
<b>Corporate Bonds</b>					
<b>Cayman Islands</b>					
Alibaba Group Holding Ltd 3.125% 28/11/2021	950,000	967,735	974,804	1.34	A1
Tencent Holdings Ltd 'REGS' 2.985% 19/01/2023	708,000	730,921	<u>737,591</u> 1,712,395	<u>1.02</u> 2.36	A1
<b>Germany</b>					
Kreditanstalt fuer Wiederaufbau 'EMTN' 2.125% 07/08/2023	2,375,000	2,390,037	2,501,920	3.44	Aaa
Kreditanstalt fuer Wiederaufbau 1.500% 15/06/2021	1,875,000	1,869,518	<u>1,892,269</u> 4,394,189	<u>2.61</u> 6.05	Aaa
<b>International</b>					
European Investment Bank 2.500% 15/10/2024	4,950,000	5,004,543	5,377,532	7.41	Aaa
International Bank for Reconstruction & Development 1.375% 20/09/2021	4,950,000	4,913,409	5,004,900	6.89	Aaa
International Bank for Reconstruction & Development 1.500% 28/08/2024	750,000	743,343	<u>783,625</u> 11,166,057	<u>1.08</u> 15.38	Aaa
<b>South Africa</b>					
Standard Bank Group Ltd FRN 5.950% 31/05/2029	750,000	777,773	779,122	1.07	Ba3
<b>United Kingdom</b>					
BAT International Finance Plc 'REGS' 3.250% 07/06/2022	862,000	863,754	898,226	1.24	Baa2
<b>United States</b>					
Apple Inc 2.850% 06/05/2021	1,000,000	1,000,539	1,015,706	1.40	Aa1
Coca-Cola Co/The 3.200% 01/11/2023	1,000,000	997,445	1,085,183	1.49	A1
Microsoft Corp 3.000% 01/10/2020	1,111,000	1,111,000	1,111,089	1.53	Aaa

# Melville Douglas Income Fund Limited

## Portfolio Statement (continued)

Nestle Holdings Inc 'EMTN' 3.125% 22/03/2023 1,500,000 1,502,995 1,596,510 2.20 **Aa3**  
**US Dollar Income Class (continued)**

As at 30 September 2020 (continued)

	Nominal Holding	Cost USD	Fair Value USD	% of Net Assets	Credit Rating
<b>Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market (continued)</b>					
<b>Corporate Bonds (continued)</b>					
<b>United States (continued)</b>					
Reynolds American Inc 4.850% 15/09/2023	500,000	559,093	558,154	0.77	<b>Baa2</b>
Visa Inc 3.150% 14/12/2025	1,000,000	1,035,862	<u>1,117,864</u>	<u>1.54</u>	<b>Aa3</b>
			6,484,506	8.93	
<b>Total Corporate Bonds</b>			<b>25,434,495</b>	<b>35.03</b>	
<b>Government Bonds</b>					
<b>United States</b>					
United States Treasury Inflation Indexed Bonds 0.125% 15/04/2021	4,224,600	3,806,973	4,243,146	5.84	<b>Aaa</b>
United States Treasury Note/Bond 2.125% 30/06/2022	9,900,000	9,810,642	10,244,289	14.11	<b>Aaa</b>
United States Treasury Note/Bond 2.250% 15/02/2027	8,060,000	8,005,607	8,996,342	12.39	<b>Aaa</b>
United States Treasury Note/Bond 2.875% 31/10/2023	3,340,000	3,356,766	3,618,176	4.98	<b>Aaa</b>
United States Treasury Note/Bond 2.625% 15/02/2029	5,350,000	5,562,216	6,249,464	8.61	<b>Aaa</b>
United States Treasury Note/Bond 1.750% 15/11/2029	2,500,000	2,517,059	<u>2,752,420</u>	<u>3.79</u>	<b>Aaa</b>
			36,103,837	49.72	
<b>Total Government Bonds</b>			<b>36,103,837</b>	<b>49.72</b>	
<b>Total Investments</b>		<b>67,929,904</b>	<b>72,108,898</b>	<b>99.31</b>	
<b>Total Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market</b>					
			<b>72,108,898</b>	<b>99.31</b>	
Total Investments			72,108,898	99.31	
Net current assets		<u>504,547</u>		<u>0.69</u>	
<b>Total net assets</b>		<b><u>72,613,445</u></b>		<b><u>100.00</u></b>	

# Melville Douglas Income Fund Limited

## Portfolio Statement (continued)

### Sterling Income Class

As at 30 September 2020

	Nominal Holding	Cost GBP	Fair Value GBP	% of Net Assets	Credit Rating
<b>Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market</b>					
<b>Investment Companies</b>					
<b>Ireland</b>					
iShares EUR High Yield Corp Bond UCITS ETF	2,670	239,485	235,879	1.65	NR
iShares GBP Corp Bond 0-5yr UCITS ETF	12,430	1,315,434	1,323,484	9.27	NR
iShares USD High Yield Corp Bond UCITS ETF	87,950	405,200	412,837	2.89	NR
			1,972,200	13.81	
<b>Total Investment Companies</b>			<b>1,972,200</b>	<b>13.81</b>	
<b>Corporate Bonds</b>					
<b>Germany</b>					
Kreditanstalt fuer Wiederaufbau 'EMTN' 1.000% 15/12/2022	630,000	640,715	641,466	4.49	Aaa
Kreditanstalt fuer Wiederaufbau 'EMTN' 0.875% 15/09/2026	190,000	196,424	196,974	1.38	Aaa
Kreditanstalt fuer Wiederaufbau 'EMTN' 1.250% 29/12/2023	400,000	407,962	414,168	2.90	Aaa
			1,252,608	8.77	
<b>International</b>					
European Bank for Reconstruction & Development 'GMTN' 1.875% 23/02/2022	240,000	195,206	189,955	1.33	NR
European Investment Bank 2.250% 15/08/2022	660,000	535,918	529,864	3.71	Aaa
European Investment Bank 'EMTN' 0.750% 15/11/2024	500,000	504,414	512,043	3.59	Aaa
European Investment Bank 'EMTN' 0.875% 15/03/2021	150,000	150,153	150,536	1.05	Aaa
International Bank for Reconstruction & Development 0.625% 15/12/2023	757,000	745,337	768,321	5.38	Aaa
International Bank for Reconstruction & Development 1.000% 21/12/2029	500,000	520,639	522,440	3.66	Aaa
			2,673,159	18.72	
<b>Luxembourg</b>					
Nestle Finance International Ltd 'EMTN' 2.250% 30/11/2023	200,000	205,174	212,291	1.49	Aa3
<b>Netherlands</b>					
Roche Finance Europe BV 'EMTN' 5.375% 29/08/2023	155,000	172,544	176,120	1.23	Aa3
<b>South Africa</b>					
Standard Bank Group Ltd FRN 5.950% 31/05/2029	200,000	162,437	160,710	1.12	Ba3

# Melville Douglas Income Fund Limited

## Portfolio Statement (continued)

### Sterling Income Class (continued)

As at 30 September 2020 (continued)

	Nominal Holding	Cost GBP	Fair Value GBP	% of Net Assets	Credit Rating
<b>Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market (continued)</b>					
<b>Corporate Bonds (continued)</b>					
<b>United Kingdom</b>					
BAT International Finance Plc 'EMTN' 6.000% 29/06/2022	50,000	54,482	54,535	0.38	<b>Baa2</b>
BAT International Finance Plc 'EMTN' 1.750% 05/07/2021	100,000	100,152	100,739	0.71	<b>Baa2</b>
BAT International Finance Plc 'EMTN' 2.250% 26/06/2028	100,000	100,897	100,534	0.70	<b>Baa2</b>
Experian Finance Plc 'EMTN' 3.500% 15/10/2021	150,000	153,319	153,308	1.07	<b>Baa1</b>
GlaxoSmithKline Capital Plc 'EMTN' 3.375% 20/12/2027	200,000	221,697	236,271	1.66	<b>A2</b>
Next Group Plc 5.375% 26/10/2021	100,000	103,189	103,964	0.73	<b>Baa2</b>
Prudential Plc 6.875% 20/01/2023	200,000	225,855	227,207	1.59	<b>A2</b>
			976,558	6.84	
<b>United States</b>					
International Business Machines Corp 'EMTN' 2.750% 21/12/2020	100,000	100,212	100,659	0.71	<b>A2</b>
PepsiCo Inc 'EMTN' 2.500% 01/11/2022	100,000	98,768	104,705	0.73	<b>A1</b>
			205,364	1.44	
<b>Total Corporate Bonds</b>			<b>5,656,810</b>	<b>39.61</b>	
<b>Government Bonds</b>					
<b>United Kingdom</b>					
United Kingdom Gilt 0.875% 22/10/2029	500,000	531,945	531,415	3.72	<b>Aa2</b>
United Kingdom Gilt 1.500% 22/01/2021	450,000	451,051	452,092	3.17	<b>Aa2</b>
United Kingdom Gilt 1.500% 22/07/2026	857,200	893,618	934,297	6.54	<b>Aa2</b>
United Kingdom Gilt 1.625% 22/10/2028	1,840,000	1,956,047	2,067,369	14.47	<b>Aa2</b>
United Kingdom Gilt 1.000% 22/04/2024	400,000	407,636	415,524	2.91	<b>Aa2</b>

# Melville Douglas Income Fund Limited

## Portfolio Statement (continued)

United Kingdom Gilt 1.750% 07/09/2022	1,587,900	1,616,505	<u>1,642,778</u> 6,043,475	<u>11.50</u> 42.31	<b>Aa2</b>
<b>Total Government Bonds</b>			<b>6,043,475</b>	<b>42.31</b>	
<b>Total Investments</b>		<b>13,412,415</b>	<b>13,672,485</b>	<b>95.73</b>	
<b>Total Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market</b>			<b>13,672,485</b>	<b>95.73</b>	
Total Investments		13,672,485		95.73	
Net current assets			<u>610,531</u>	<u>4.27</u>	
<b>Total net assets</b>			<b><u>14,283,016</u></b>	<b><u>100.00</u></b>	

# Melville Douglas Income Fund Limited

## Portfolio Statement (continued)

### US Dollar Enhanced Income Class

As at 30 September 2020

	Nominal Holding	Cost USD	Fair Value USD	% of Net Assets	Credit Rating
<b>Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market</b>					
<b>Investment Companies</b>					
<b>Ireland</b>					
iShares USD Short Duration Corp Bond UCITS ETF	14,000	1,465,141	1,461,250	2.76	NR
<b>United States</b>					
iShares iBoxx High Yield Corporate Bond ETF	12,530	1,042,169	1,051,204	1.99	NR
<b>Total Investment Companies</b>			<b>2,512,454</b>	<b>4.75</b>	
<b>Corporate Bonds</b>					
<b>Cayman Islands</b>					
Alibaba Group Holding Ltd 3.125% 28/11/2021	200,000	205,677	205,222	0.39	A1
Alibaba Group Holding Ltd 3.125% 28/11/2021	1,700,000	1,734,765	1,744,386	3.30	A1
Tencent Holdings Ltd 'REGS' 2.985% 19/01/2023	400,000	415,431	416,718	0.79	A1
			2,366,326	4.48	
<b>Germany</b>					
Kreditanstalt fuer Wiederaufbau 1.500% 15/06/2021	2,500,000	2,522,895	2,523,025	4.77	Aaa
Kreditanstalt fuer Wiederaufbau 'EMTN' 1.750% 31/03/2021	1,700,000	1,712,959	1,712,878	3.24	Aaa
Kreditanstalt fuer Wiederaufbau 1.625% 15/03/2021	300,000	301,965	301,897	0.57	Aaa
			4,537,800	8.58	
<b>International</b>					
Asian Development Bank 'GMTN' 1.750% 08/06/2021	1,900,000	1,920,253	1,919,879	3.63	Aaa
Asian Development Bank 'GMTN' 2.250% 20/01/2021	1,450,000	1,459,080	1,457,979	2.76	Aaa
European Bank for Reconstruction & Development 'GMTN' 2.000% 01/02/2021	1,000,000	1,005,967	1,005,904	1.90	NR
European Bank for Reconstruction & Development 'EMTN' 1.875% 15/07/2021	2,500,000	2,531,203	2,531,938	4.79	NR
European Investment Bank 2.500% 15/04/2021	2,050,000	2,074,884	2,075,064	3.92	Aaa
Inter-American Development Bank 1.875% 15/03/2021	2,500,000	2,518,787	2,518,409	4.76	Aaa
Inter-American Development Bank FRN 0.280% 15/03/2022	1,100,000	1,100,440	1,099,632	2.08	Aaa
Inter-American Development Bank 'GMTN' FRN 0.345% 15/07/2022	500,000	500,535	499,997	0.95	Aaa

# Melville Douglas Income Fund Limited

## Portfolio Statement (continued)

Inter-American Development Bank 'GMTN'  
2.625% 19/04/2021 300,000 304,048 303,882 0.57 **Aaa**

### US Dollar Enhanced Income Class (continued)

As at 30 September 2020 (continued)

	Nominal Holding	Cost USD	Fair Value USD	% of Net Assets	Credit Rating
<b>Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market (continued)</b>					
<b>Corporate Bonds (continued)</b>					
<b>International (continued)</b>					
International Bank for Reconstruction & Development 1.375% 24/05/2021	700,000	705,359	705,177	1.33	<b>Aaa</b>
International Bank for Reconstruction & Development 2.125% 01/11/2020	2,620,000	2,623,344	2,623,065	4.96	<b>Aaa</b>
International Bank for Reconstruction & Development 2.750% 23/07/2021	500,000	510,325	510,182	0.97	<b>Aaa</b>
International Bank for Reconstruction & Development 1.625% 09/03/2021	140,000	140,899	140,853	0.27	<b>Aaa</b>
International Bank for Reconstruction & Development 1.625% 10/02/2022	500,000	509,713	<u>509,456</u>	<u>0.96</u>	<b>Aaa</b>
			<u>17,901,417</u>	<u>33.85</u>	
<b>United Kingdom</b>					
BAT International Finance Plc 'REGS' 3.250% 07/06/2022	2,000,000	2,079,835	2,084,052	3.94	<b>Baa2</b>
GlaxoSmithKline Capital Plc 2.875% 01/06/2022	1,000,000	1,039,960	<u>1,039,328</u>	<u>1.97</u>	<b>A2</b>
			<u>3,123,380</u>	<u>5.91</u>	
<b>United States</b>					
JPMorgan Chase & Co 4.625% 10/05/2021	560,000	574,710	574,657	1.09	<b>A2</b>
McDonald's Corp 'MTN' 2.750% 09/12/2020	1,500,000	1,501,525	1,503,866	2.84	<b>Baa1</b>
Nestle Holdings Inc 'EMTN' 1.875% 09/03/2021	1,300,000	1,301,946	1,308,255	2.47	<b>Aa3</b>
Nestle Holdings Inc 'EMTN' 2.375% 18/01/2022	200,000	205,140	205,075	0.39	<b>Aa3</b>
Prudential Financial Inc 'MTN' 4.500% 16/11/2021	129,000	134,926	135,055	0.25	<b>A3</b>
Starbucks Corp 2.100% 04/02/2021	631,000	634,309	634,399	1.20	<b>Baa1</b>
Starbucks Corp 2.700% 15/06/2022	483,000	500,516	499,347	0.94	<b>Baa1</b>
TWDC Enterprises 18 Corp 2.750% 16/08/2021	406,000	414,754	414,944	0.78	<b>A2</b>
TWDC Enterprises 18 Corp 2.300% 12/02/2021	450,000	453,298	453,192	0.86	<b>A2</b>
UnitedHealth Group Inc 3.150% 15/06/2021	625,000	637,707	637,809	1.21	<b>A3</b>
Visa Inc 2.200% 14/12/2020	1,153,000	1,154,816	1,155,851	2.19	<b>Aa3</b>
Walt Disney Co/The 4.500% 15/02/2021	391,000	394,988	397,083	0.75	<b>A2</b>
Wells Fargo & Co 'MTN' 2.550% 07/12/2020	1,275,000	1,277,082	1,279,863	2.42	<b>A2</b>
Wells Fargo & Co 2.500% 04/03/2021	250,000	252,393	<u>252,224</u>	<u>0.48</u>	<b>A2</b>
			<u>9,451,620</u>	<u>17.87</u>	
<b>Total Corporate Bonds</b>			<b>37,380,543</b>	<b>70.69</b>	

# Melville Douglas Income Fund Limited

## Portfolio Statement (continued)

### Government Bonds

#### Netherlands

BNG Bank NV 'REGS' 2.500% 16/02/2021	2,496,000	2,517,590	2,517,004	4.76	<b>Aaa</b>
BNG Bank NV 'REGS' 2.625% 28/04/2021	1,000,000	1,013,767	1,012,612	1.92	<b>Aaa</b>

#### US Dollar Enhanced Income Class (continued)

As at 30 September 2020 (continued)

	Nominal Holding	Cost USD	Fair Value USD	% of Net Assets	Credit Rating
<b>Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market (continued)</b>					
<b>Government Bonds (continued)</b>					
<b>Netherlands (continued)</b>					
BNG Bank NV 'REGS' 1.625% 19/04/2021	1,000,000	1,007,754	<u>1,006,320</u> 4,535,936	<u>1.90</u> 8.58	<b>Aaa</b>
<b>United States</b>					
United States Treasury Bill (Zero Coupon) 0.000% 31/12/2020	900,000	899,714	899,795	1.70	<b>NR</b>
United States Treasury Bill (Zero Coupon) 0.000% 25/02/2021	1,300,000	1,299,786	1,299,495	2.46	<b>NR</b>
United States Treasury Bill (Zero Coupon) 0.000% 21/01/2021	2,000,000	1,999,518	<u>1,999,409</u> 4,198,699	<u>3.78</u> 7.94	<b>NR</b>
<b>Total Government Bonds</b>			<b>8,734,635</b>	<b>16.52</b>	
<b>Total Investments</b>		<b>48,601,873</b>	<b>48,627,632</b>	<b>91.96</b>	
<b>Total Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market</b>			<b>48,627,632</b>	<b>91.96</b>	
Total Investments		48,627,632	91.96		
Net current assets		<u>4,253,654</u>	<u>8.04</u>		
<b>Total net assets</b>		<b><u>52,881,286</u></b>	<b><u>100.00</u></b>		

# Melville Douglas Income Fund Limited

## Fund Statistics (Unaudited)

	Net asset value	Net asset value per share	% change in year**	Number of shares in issue	Highest* price	Lowest* price
	USD	USD			USD	USD
<b>US Dollar Income Class</b>						
<b>Class A Shares</b>						
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
30 September 2020	39,693,089	180.10	4.62	220,400	180.79	171.27
<b>US Dollar Income Class</b>						
<b>Class B Shares</b>						
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
30 September 2020	1,515,654	11.00	4.36	137,826	11.04	10.48
<b>US Dollar Income Class</b>						
<b>Class C Shares</b>						
At launch (2 June 2020)****	2,809	10.00	-	281	-	-
30 September 2020	149,428	10.03	0.40	14,905	10.06	9.96
<b>US Dollar Income Class</b>						
<b>Class X Shares</b>						
At launch (17 October 2017)	19,991	10.00	-	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
30 September 2020	31,255,274	11.16	5.38	2,799,487	11.19	10.54

# Melville Douglas Income Fund Limited

## Fund Statistics (Unaudited) (continued)

	Net asset value	Net asset value per share	% change in year**	Number of shares in issue	Highest* price	Lowest* price
	value GBP	share GBP			price GBP	price GBP
<b>Sterling Income Class</b>						
<b>Class A Shares</b>						
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
30 September 2020	5,411,332	122.13	0.49	44,308	122.79	119.42
<b>Sterling Income Class</b>						
<b>Class B Shares***</b>						
At launch (12 May 2020)	42,955	10.0	-	4,292	-	-
30 September 2020	109,404	10.00	-	10,935	10.06	9.97
<b>Sterling Income Class</b>						
<b>Class C Shares****</b>						
At launch (14 September 2020)	81,887	10.00	-	8,194	-	-
30 September 2020	81,682	9.97	(0.20)	8,194	10.00	9.97
<b>Sterling Income Class</b>						
<b>Class X Shares</b>						
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
30 September 2020	8,680,598	10.47	1.26	828,962	10.51	10.18

# Melville Douglas Income Fund Limited

## Fund Statistics (Unaudited) (continued)

US Dollar Enhanced Income Class	Net asset value	Net asset value per share	% change in year**	Number of shares in issue	Highest* price USD	Lowest* Price USD
Class X Shares	USD	USD				
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
30 September 2020	52,881,286	10.26	1.28	5,152,593	10.27	10.13

\*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 12 May 2020.

\*\*\*\* Class Fund launched on 2 June 2020.

\*\*\*\*\* Class Fund launched on 14 September 2020.

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 2020	30 September 2019
US Dollar Income Class - Class A Shares	1.04%	1.07 %
US Dollar Income Class - Class B Shares	1.26%	1.37 %
US Dollar Income Class - Class C Shares***	0.85%	-
US Dollar Income Class - Class X Shares	0.24%	0.26 %
Sterling Income Class - Class A Shares	1.05%	1.09 %
Sterling Income Class - Class B Shares**	1.24%	-
Sterling Income Class - Class C Shares****	0.85%	-
Sterling Income Class - Class X Shares	0.25%	0.27 %
US Dollar Enhanced Income Class - Class X Shares*	0.25%	0.26 %

\* Class Fund launched on 14 March 2019.

\*\* Class Fund launched on 12 May 2020.

\*\*\* Class Fund launched on 2 June 2020.

\*\*\*\* Class Fund launched on 14 September 2020.

TER percentages are annualised.

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

US Dollar Income Class	30 September	30 September
	2020	2019
	USD	USD
Gross purchases in year including transaction costs	18,922,357	32,210,112
Commissions	(1,000)	(1,250)
Net purchases total	<u>18,921,357</u>	<u>32,208,862</u>
Gross sales in year including transaction costs	17,369,680	17,383,369
Commissions	(950)	(4,154)
Net sales total	<u>17,368,730</u>	<u>17,379,215</u>
Sterling Income Class	30 September	30 September
	2020	2019
	GBP	GBP
Gross purchases in year including transaction costs	6,180,729	5,366,853
Commissions	(1,347)	(1,251)
Net purchases total	<u>6,179,382</u>	<u>5,365,602</u>
Gross sales in year including transaction costs	1,255,292	1,091,464
Commissions	(117)	(370)
Net sales total	<u>1,255,175</u>	<u>1,091,094</u>

# Melville Douglas Income Fund Limited

## Other Information (Unaudited) (continued)

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

	30 September 2020	30 September 2019*
	USD	USD
<b>US Dollar Enhanced Income Class</b>		
Gross purchases in year including transaction costs	116,772,044	49,684,104
Commissions	(8,400)	(2,700)
Net purchases total	<u>116,763,644</u>	<u>49,681,404</u>
Gross sales in year including transaction costs	103,148,453	14,622,488
Commissions	(450)	(250)
Net sales total	<u>103,148,003</u>	<u>14,622,238</u>

# 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 2 February 2021 at Standard Bank House, 47-49 La Motte Street, St. Helier, Jersey, Channel Islands at 10.00 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 2020 be approved and adopted.
2. That directors fees in the sum of USD30,000 and GBP5,000 for the year ended 30 September 2020 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**

**12 January 2021**

### **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 block capitals I/We .....

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:

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 2 February 2021 at 10.00 a.m. and at any adjournments thereof, in the following manner:

Resolutions	Ordinary Resolution	No 1	For/Against*
*Strike out whatever is not desired		No 2	For/Against*
		No 3	For/Against*

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2021

### 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