

14 August 2017

Dear Investor

**Melville Douglas Income Fund Limited (the “Fund”)  
Collect Investment Funds (Jersey) Law, 1988 (the “Law”)**

As an investor in the above Fund we are writing to you regarding important changes.

We have been requested by Standard Bank International Investments Limited (“SBII”), in their capacity as the investment manager and distributor, to write to you and make you aware of some important changes that are being made.

SBII will be replaced by Melville Douglas Investment Management (Pty) Limited (“MDIM”) as the lead investment manager and distributor. The Standard Bank Group is restructuring its investment businesses and through this process MDIM is being appointed investment manager of the offshore Melville Douglas group of funds. MDIM have been directly involved in managing the assets of the Fund since inception and the proposed changes are aimed at simplifying the contractual arrangements.

In addition, as part of MDIM’s continuous goal to offer clients improved services and products at competitive prices, a new set of share classes are being introduced and are detailed below:

Share Class	USD Class A GBP Class A	USD Class B GBP Class B	USD Class X GBP Class X
<b>Preliminary Charge</b>	Up to 3% of subscription price for shares	Up to 3% of subscription price for shares	Nil
<b>Management Fee</b>	0.80% of Net Asset Value of USD and GBP Class A Shares	1.1% of Net Asset Value of USD and GBP Class A Shares	Nil
<b>Initial Subscription Amount</b>	USD 15,000 GBP 10,000	USD 2,500 GBP 1,500	USD 1,000,000 GBP 1,000,000
<b>Minimum Additional Subscription Amount</b>	USD 1,000 GBP 750	USD 1,000 GBP 750	USD 1,000 GBP 750
<b>Minimum Redemption Amount</b>	USD 750 GBP 500	USD 750 GBP 500	USD 750 GBP 500
<b>Minimum Conversion Amount</b>	USD 750 GBP 500	USD 750 GBP 500	USD 750 GBP 500
<b>Eligibility Restrictions</b>	No change	Retail investors who have received advice to invest in the Fund from their financial advisor	Melville Douglas Investment Management (PTY) Ltd and Standard Bank International Investments Limited only

This is purely the creation of different share classes to cater for specific classes of investors.

Additional changes are being made to the Fund that will enhance the investment offering to clients and should offer greater clarity and consistency across the fund range offering. The objective is to offer a simple and focused range of investments products that are consistent with client's needs and future investment opportunities.

A summary of the Fund additional changes is as follows:

- a) The Fund renames the existing US\$ Income Fund class fund to the US Dollar Income Class
- b) The Fund re-names the existing issued USD Shares within the US Dollar Income Class Fund and the existing issued GBP Shares within the Sterling Income Class as Class A Shares.
- c) To change the cut-off time for allotment, issue, redemption and conversion of shares for each class of the Fund to 2:30pm (Jersey time) at least one Business Day (as defined in the Articles) prior to the relevant Subscription Day (as defined in the Articles);
- d) The Fund changes the Dealing Day for each class of the Fund from every Friday on a weekly basis, to every Business Day and to change the Valuation Point (as defined in the Articles) for each class fund of the Fund to 11.59 pm (Jersey time) the previous Business Day;
- e) The Fund changes the investment objective of the US Dollar Income Class and the Sterling Income Class (the 'Class Funds) to:

The objective of the Class Funds is to provide a return in excess of its **benchmark** in "Base Currency", 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 schedules

- f) The Fund include the investment restriction as follows:

"the assets of the Class Fund shall not be invested in any collective investment fund that invests directly in physical commodities, or a collective investment fund that compels the acceptance of physical delivery of a commodity;"

- g) The Fund changes the benchmark for each Class Fund as follow:

- (i) **US Dollar Income Class:**

80% Bloomberg Barclays Series-E US Govt 1-10 Yr Bond Index

20% iBoxx USD Corporate Total Return Index

(ii) **Sterling Income Class:**

80% Bloomberg Barclays Series-E UK Govt 1-10 Yr Bond Index

20% iBoxx GBP Corporate Total Return Index

- h) The Fund increases the management fee of the Class Funds from 0.375% to 0.80% per annum of the net asset value, to reflect the additional effort and expertise required to manage a broad based fixed income fund compared to a cash fund;
- i) That the Fund publish its reports and accounts and any notices to be given to investors pursuant to the articles of association of the Company through the Melville Douglas web-site with the web-site address <http://www.melvilledouglas.co.za> or such other web-site address as may be notified to investors of the Company from time to time;
- j) The Fund shall remunerate executive directors up to USD 10,000 per annum and non-executive directors up to GBP 20,000 per annum, unless determined otherwise by ordinary resolution.

## **Background**

The changed in benchmark and investment objective of the Class Funds reflect an enhanced fixed income skill set in the investment team and in order to maximise the delivery of this expertise to our investors we propose to broaden out the investment remit of the Fund, to enhance the potential for returns.

In essence the Class Funds will move away from simply targeting cash returns to focusing on the full spectrum of the fixed income investment opportunities, within the existing constraints imposed by the South African Financial Services Board and the current investment restrictions.

The focus will shift towards outperforming the new benchmark, which by definition will have a higher volatility than the current cash benchmark. As a result, the projected risk profile of the Class Funds will increase, as measured by historical standard deviations as the funds' benchmark moves away from "risk free cash" to a composite benchmark that now contains duration risk and credit risk.

This letter further contains a notice (the **Notice**) of an Extraordinary General Meeting of the Company (the **EGM**) to be held on 29 August 2017 to approve and implement the Fund changes which are set out in detail in the Notice.

Investors are recommended to read the instructions in the Notice carefully and in particular, for any proxy vote to be valid, the Form of Proxy accompanying the Notice must be completed and returned in accordance with the instructions provided.

If the Fund changes set out in the Notice are approved, the effective date for implementation of all Fund changes, including those mentioned in this letter is expected to be on or shortly after 29 August 2017 following the relevant filings with the Jersey Financial Services Commission (the JFSC). The JFSC is protected by the CIF Law against liability from the discharge of its functions under the Law.

A revised Prospectus will be issued in due course and will be available to investors at [www.melvilledouglas.co.za/](http://www.melvilledouglas.co.za/). Copies of the Articles and the material contracts in respect of the

Company and its service providers are available for inspection during normal business hours on any weekday (Saturdays, bank holidays or public holidays excepted) at the registered office of the Company, and at the office of the Manager, being Standard Bank House, 47-49 La Motte Street, St Helier, Jersey, JE2 4SZ, Channel Islands.

Yours faithfully

A handwritten signature in black ink, appearing to read "Dellot", with a long horizontal stroke extending to the right.

**Director**  
STANLIB Fund Managers Jersey Limited

**MELVILLE DOUGLAS INCOME  
FUND LIMITED**  
(the "Company")

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

Notice is hereby given that an extraordinary general meeting of the Company will be held at Standard Bank House, 47-49 La Motte Street, St Helier, Jersey JE2 4SZ on 29 August 2017 at 11.00am to consider and, if thought fit, pass the following resolutions where resolution 1 to 3 will be proposed as special resolutions of the Company and resolutions 4 to 11 (inclusive) will be proposed as ordinary resolutions of the Company.

**Special Resolution**

- 1 "That the Company alter its articles of association by adopting the articles of association signed by a director of the Company for identification purposes and attached hereto in a comparison format showing the proposed changes to the existing articles of association as the articles of association of the Company in place of the present articles of association, such articles of association amended to allow for shares to be issued in separate share classes within the Class Funds, allow for executive directors to be remunerated up to USD 10,000 per annum and non-executive directors up to GBP 20,000 per annum, unless determined otherwise by ordinary resolution, and to allow for the redesignation of any Participating Share as part of another Class Fund and/or another share class."
- 2 "That the Company introduces or varies the preliminary charges, management fees, investment management fees, initial subscription amounts, minimal additional subscription amounts, minimum redemption amounts, minimum conversion amounts, performance fees and eligibility restrictions as shown in the amended Prospectus made available to the shareholders at <http://www.melvilledouglas.co.za> in respect of each of the Sterling Income Class Fund and US Dollar Income Class Fund."
- 3 "That the Company amend its Prospectus in the form provided to the shareholders as signed by a director of the Company for identification purposes and attached hereto in a comparison format showing the proposed changes to the existing Prospectus."

**Ordinary Resolutions**

- 4 "That the Company change the frequency of subscription days from weekly to daily in respect of each of the Income Class Sterling and US Dollar Class Funds."
- 5 "That the Company amend the Valuation Point for each class fund of the Company to 11.59 pm (Jersey time) the previous Business Day."
- 6 "That the Company change the preliminary charge to be paid per participating share from 5.5% to 3% of the subscription price."
- 7 "That the Company rename the issued US\$ Income Class Shares as the US Dollar Income Class A Shares."

**MELVILLE DOUGLAS INCOME  
FUND LIMITED**  
(the "Company")

- 8 "That the Company rename the issued Sterling Income Class Shares as the Sterling Income Class A Shares."
- 9 "That the Company creates the following share classes in respect of each of the Sterling Income Class Fund and US Dollar Income Class Fund:
- Class B Shares; and
  - Class X Shares."
- 10 "That the Company amends the investment restrictions for the each of the Sterling Income Class Fund and US Dollar Income Class Fund as shown in the amended Prospectus provided to the shareholders."
- 11 "That the Company change its investment manager and distributor from Standard Bank International Investments Limited to Melville Douglas Investment Management (Pty) Limited as shown in the amended Prospectus provided to the shareholders."

Unless otherwise defined herein, terms and expressions defined in the articles of association of the Company shall, where the context permits, bear the same meaning in this Notice.

If the above resolutions are passed, all of the issued shares within each of the Sterling Income Class Fund and US Dollar Income Class Fund will be redesignated as Class A Shares of the Sterling Income Class Fund and US Dollar Income Class Fund respectively, the amended prospectus of the Company will be updated accordingly and will be available for inspection at <http://www.melvilledouglas.co.za> or from STANLIB Fund Managers Jersey Limited on request by emailing [sfmj@stanlib.com](mailto:sfmj@stanlib.com) or by telephone on +44 1534 881400.

Dated 14 August 2017

By order of the board



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STANLIB Fund Managers Jersey Limited  
(Secretary)

## **Proxies**

A member entitled to attend and vote at the meeting may appoint a proxy **or** proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights.

A blank proxy form is attached. Please consider carefully the conditions attaching to the appointment of a proxy.

Proxy forms in hard copy must be delivered to STANLIB Fund Managers Jersey Limited (the **Manager**) at Standard Bank House, 47-49 La Motte Street, St Helier, Jersey, JE2 4SZ not later than 48 hours before the time appointed for holding the extraordinary general meeting of the Company, namely 25 August 2017 at 11.00am. Please see the conditions attaching to the appointment of a proxy for the time of such delivery.

I/We<sup>1</sup> .....

of .....

being a member/members of the Company and the holder/holders of

..... (number and class of shares)<sup>2</sup>

appoint as my/our proxy (amend the box below as appropriate)<sup>3</sup>

(a) The chairperson

OR

(b) Name and address of proxy:

.....

.....

or in his/her absence<sup>4</sup>

Name and address of alternate proxy:

.....

.....

at the extraordinary general meeting of the Company to be held at Standard Bank House, 47-49 La Motte Street, St Helier, Jersey, JE2 4SZ on 29 August 2017 at 11.00am and at any adjournment of that meeting.

If the chairperson is appointed as proxy, the following is a statement of the chairperson's voting intentions in relation to undirected proxies:

**"To vote in favour of the proposed Resolutions."**

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<sup>1</sup> Full name(s) and address(es) (as appearing in the Company's register of members) to be inserted in BLOCK LETTERS. In the case of joint holdings, the names of all holders (as appearing in the Company's register of members) must be inserted.

<sup>2</sup> If multiple proxies are to be appointed, insert the number of your shares in respect of which a proxy is to be appointed and complete multiple forms as necessary duplicates of which can be obtained from the Company.

<sup>3</sup> Insert name and address of the desired proxy in the spaces provided. If you wish to appoint the chairperson, leave "**The chairperson**" without inserting additional proxy details.

<sup>4</sup> If desired, insert the name and address of an alternate proxy, should the initial appointee be unable to attend the meeting.



Please indicate with a tick mark in the spaces opposite the resolutions how you wish the proxy to vote on your behalf. In the absence of any such indication, the proxy may vote for or against the resolutions or may abstain at his/her discretion.

**Special Resolutions**

**For                  Against          Abstain**

1 (as set out on the Notice of General Meeting)

                                  

2 (as set out on the Notice of General Meeting)

                                  

3 (as set out on the Notice of General Meeting)

                                  

**Ordinary Resolutions**

**For                  Against          Abstain**

4 (as set out on the Notice of General Meeting)

                                  

5 (as set out on the Notice of General Meeting)

                                  

6 (as set out on the Notice of General Meeting)

                                  

7 (as set out on the Notice of General Meeting)

                                  

8 (as set out on the Notice of General Meeting)

                                  

9 (as set out on the Notice of General Meeting)

                                  

10 (as set out on the Notice of General Meeting)

                                  

11 (as set out on the Notice of General Meeting)

                                  

Signed on \_\_\_\_\_ 2017

**For execution by shareholders who are natural persons:**

\_\_\_\_\_  
Name of shareholder

\_\_\_\_\_  
Signature of shareholder

**For execution on behalf of a company acting by single authorised signatory. If you use this alternative, you should seek or have evidence of the signatory's authority.**

Signed for and on behalf of

\_\_\_\_\_  
Name of shareholder

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print name

\_\_\_\_\_  
Title

**For execution on behalf of a company acting by two signatories. If you use this alternative, you should seek or have evidence of the signatory's authority.**

Executed for and on behalf of:

\_\_\_\_\_  
Name of shareholder

acting through two authorised signatories:

\_\_\_\_\_  
Signature of authorised signatory

\_\_\_\_\_  
Signature of authorised signatory

\_\_\_\_\_  
Print name

\_\_\_\_\_  
Print name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

## **Proxy instructions**

### **What happens if you do not follow these instructions?**

- 1 If you do not follow these instructions, any instrument you make appointing a proxy may be invalid.

### **Eligible members**

- 2 If you are a member entitled to attend and vote at this meeting of the Company, you may appoint a proxy or proxies to vote on your behalf.
- 3 A proxy need not be a member of the Company.

### **If you complete a proxy form, can you still attend and vote at the meeting?**

- 4 Completion of a proxy form does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.

### **Multiple proxies**

- 5 If you are a member entitled to cast two or more votes at the meeting, you may appoint two or more proxies and may specify the proportion of votes each proxy is appointed to exercise. If no proportion or number is specified, only the first form received by the Company will be accepted or, if all forms are received at the same time, the chairperson of the meeting may decide at his sole discretion which form to accept.

### **Joint shareholders**

- 6 In the case of jointly held shares, if more than one joint holder purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. For this purpose, seniority will be determined by the order in which the names of the joint holders appear in the register of members (the first-named being the most senior).

### **How to appoint a proxy**

- 7 If you are an eligible member and a natural person, the appointment of your proxy must be in writing and signed by you or your authorised attorney.
- 8 If you are an eligible member and a corporation, the appointment of your proxy must be in writing and executed in any of the following ways: (i) under the corporation's common seal; (ii) not under the corporation's common seal but otherwise under the hand of the corporation's authorised officer or attorney.

### **Delivery of proxy form**

- 9 For an appointment of a proxy to be effective, the following documents must be received by the Manager at least 48 hours before the time for the holding of the meeting or adjourned meeting at which the proxy proposes to vote:
  - (a) the proxy form;

- (b) if the proxy form is executed by a corporation otherwise than under its common seal - an extract of its board minutes (or other corporate approvals), articles of association or constitution that evidences that it may be duly executed in that way; and
  - (c) if the proxy form is signed by your attorney - the authority under which it was signed or a notarially certified copy of the authority.
- 10 These documents must be left at or sent by post to the Manager, STANLIB Fund Managers Jersey Limited at Standard Bank House, 47-49 La Motte Street, St Helier, Jersey, JE2 4SZ.
- 11 If a poll is to take place within 48 hours after it has been demanded then, in addition to the ways specified in the preceding paragraph, the documents may be delivered to the Manager, the chairperson or to the Company secretary or to any director at the meeting at which the poll was demanded.