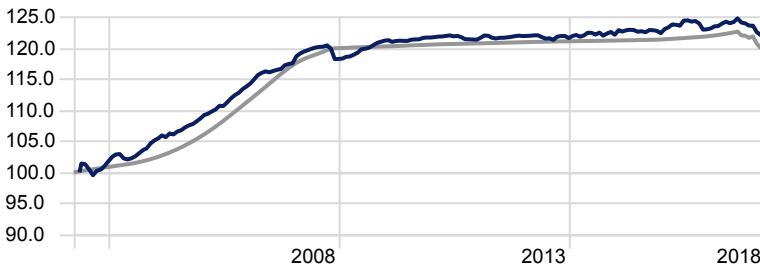


# Melville Douglas Income Fund Ltd US Dollar Class

Minimum Disclosure Document as at 31 March 2018

## Investment Growth\*\*\*



— Melville Douglas IFL USD Income Acc A — 80% US Gvt 1-10yrs, 20% US Corporate

## Trailing Returns\*\*\*

	1 Month	YTD	1 Year	3 Years	5 Years	10 Years
Melville Douglas IFL USD Income Acc A	0.3	-0.9	-0.9	-0.1	0.1	0.3
80% US Gvt 1-10yrs, 20% US Corporate	0.5	-1.0	-1.2	-0.2	-0.1	0.2

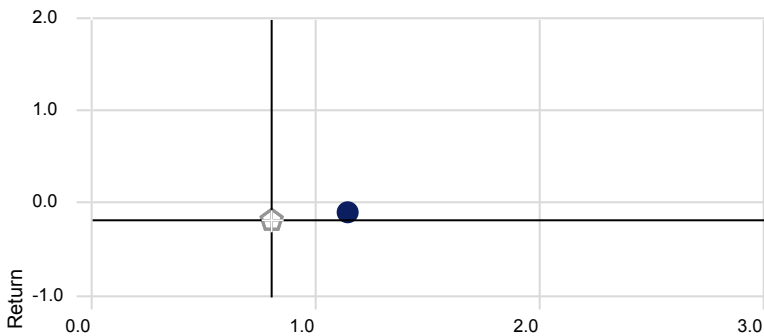
## Risk Matrix \*

	Class A	Benchmark
Information Ratio (arith)	0.1	
Std Dev	1.1	0.8
Sharpe Ratio **	-0.6	-0.5
Best Month (In Last 3 Years)	0.7	0.5
Worst Month (In Last 3 Years)	-0.8	-1.0

## Monthly Returns\*\*\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2018	-0.8	-0.3	0.3										
2017	0.1	0.3	0.1	0.3	0.3	-0.2	0.2	0.5	-0.5	-0.1	-0.3	0.0	0.5
2016	0.6	0.2	0.4	0.0	-0.1	0.7	0.0	-0.2	0.1	-0.3	-0.8	0.0	0.5
2015	0.6	-0.2	0.2	0.1	0.0	-0.2	0.1	-0.1	0.3	0.0	-0.1	-0.3	0.2
2014	0.3	0.1	-0.2	0.2	0.4	0.0	-0.2	0.3	-0.4	0.3	0.2	-0.4	0.4
2013	0.0	0.0	0.1	0.0	-0.2	-0.2	0.0	-0.2	0.4	0.1	0.0	-0.3	-0.3

## Risk-Reward \*



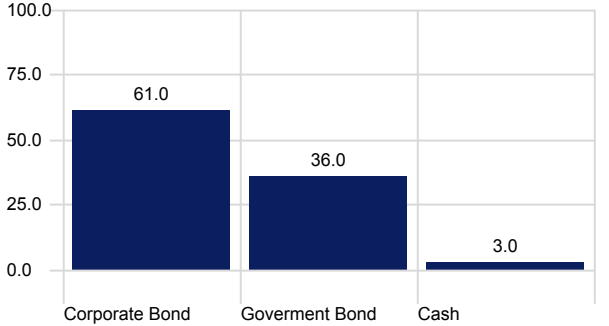
● Melville Douglas IFL USD Income Acc A ● 80% US Gvt 1-10yrs, 20% US Corporate

Not to be distributed within the European Union

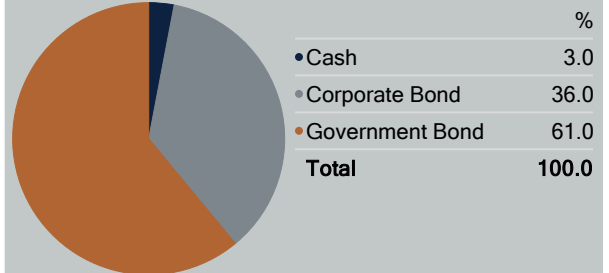
## Investment Objective

To provide a return in excess of the benchmark in US Dollars, whilst maintaining a high degree of capital preservation by investing in quality fixed interest securities, selected collective investment vehicles, money market instruments and cash in order to maximise investment returns in US Dollars.

## Security Sector



## Asset Allocation



## Operations

Price Date	2018/04/30
Month end price (USD)	\$ 163.1
ISIN - Class A	JE00B54RMC79
Fund AUM (m)	\$ 55.0

## Fund Managers

### Karl Holden

Karl specialises in global fixed income and currency markets. He is also a co-manager of the Melville Douglas Balanced Fund. Karl is a Chartered Wealth Manager, Fellow of the Chartered Institute for Securities and Investment and holds the Private Client Investment Advice and Management Certificate.

### Bernard Drotschie

Bernard is the Deputy Chief Investment Officer and is head of the SA fixed income strategy. He holds a B.Com (Hons) degree in Econometrics, is a CFA® Charterholder, and is a Certified Financial Planner™ professional.

## Portfolio Risk

### Risk Profile



\* Data is displayed over a 3 year rolling period

\*\* Risk free rate = US Treasury T-Bill 3 Months

\*\*\* Class A since inception. Information compiled using Morningstar based on the most recent published information available to Morningstar at the end of the relevant period. This information is for illustrative purposes only. The benchmark of the fund at launch was 100% USD Libor Overnight. This was changed on 31 August 2017 to 80% US Govt 1-10 years/ 20% US Corporate Bond

# Melville Douglas Income Fund Ltd US Dollar Class



Minimum Disclosure Document as at 31 March 2018

## Additional Risk Information

Where foreign securities are included in the portfolio there may be additional risks, such as potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political risks, tax risks, settlement risks, interest rate and potential limitations on the availability of market information.

The risk rating seen on page 1 is designed to give an indication of the level of risk, measured by volatility, associated with this specific portfolio. In order to arrive at the specific risk rating of the portfolio in question, Melville Douglas measures the volatility of the fund, in the form of standard deviation, over a three year rolling period, and compares the result to internal risk parameters. Please note that these risk ratings are designed as a guide only

## Other Fund Facts

<b>Manager</b>	STANLIB Fund Managers Jersey Limited
<b>Investment Manager</b>	Melville Douglas Investment Management (Pty) Ltd
<b>Custodian</b>	Link Corporate Services (Jersey) Limited
<b>Auditors</b>	PwC, Ireland
<b>Fund Directors</b>	H.Holmes, G.S.Baillie, M.Farrow, and O.Sonnbichler
<b>Registered Office</b>	47-49 La Motte Street, St Helier, Jersey
<b>Publication Date</b>	2 May 2018
<b>Compliance No.</b>	HX4307

### Share Class ISIN

Class A	JE00B54RMC79
Class B	JE00BF1CWN63

### Minimum Investment

Class A	USD 15 000
Class B	USD 2 500

### Launch Date

Class A	March 2003
Class B	01 September 2017

## Fund Costs- 12 months

Fee Class	Management Fee	TER	TC	TIC
Class A	0.80%	0.91%	0.01%	0.92%

TER = (Total Expense Ratio), TC = (Transaction Costs), TIC = (Total Investment Cost ; TER + TC = TIC)

Where a transaction cost is not readily available, a reasonable best estimate has been used. Estimated transaction costs may include Bond, Money Market and FX Costs (where applicable). Where a Share Class has been in existence for less than 12 months, no TER is reflected.

## Fund Costs- 36 months

Fee Class	Management Fee	TER	TC	TIC
Class A	0.80%	0.73%	0.01%	0.74%

TER = (Total Expense Ratio), TC = (Transaction Costs), TIC = (Total Investment Cost ; TER + TC = TIC)

Where a transaction cost is not readily available, a reasonable best estimate has been used. Estimated transaction costs may include Bond, Money Market and FX Costs (where applicable). Where a Share Class has been in issue for less than 36 months, not TER is reflected.

## Contact Details

### Melville Douglas Investment Management (Pty) Ltd

8th Floor West Wing, 30 Baker Street, Rosebank, 2196. PO Box 411184, Craighall 2024, South Africa

Telephone:+27 (11) 721 7964 Fax: +27(0)86202 7235

www.melvilledouglas.co.za

## Statutory Disclosure and General terms and Conditions

This document does not constitute an offer to buy or a solicitation of an offer to buy or sell shares of the Fund in any jurisdiction in which an offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer of solicitation and is for information purposes only. Subscriptions will only be received and shares issued on the basis of the current prospectus and prospective investors should carefully consider the risk warnings and disclosures for the Fund set out therein. The value of shares may go down as well as up and investors may get back less cash than originally invested. Performance is calculated for the portfolio, as well as that the individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Past performance is not necessarily a guide to future performance. An investment in the shares of the Fund is not the same as a deposit with a banking institution. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Please refer to the prospectus for more details on the charges and expenses that may be recovered from the Fund. Shares are valued on a daily basis using 23:59 (UK Time) prices. Transaction requests received before 14h30 (UK Time) will receive the following day unit price. This is an accumulation portfolio and does not distribute income. Transaction requests received before 14h30 (UK Time) will receive the following valuation point unit price. This is an accumulation portfolio and does not distribute income. Telephone calls may be recorded. Link Corporate Services (Jersey) Limited, STANLIB Fund Managers Jersey Limited, Standard Bank International Investments Limited are regulated by the Jersey Financial Services Commission. The fund is also regulated by the Jersey Financial Services Commission

Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending.

Representative Agreement exists between Standard Bank International Investments Limited and Melville Douglas Investment Management (Pty) Ltd appointing Melville Douglas Investment Management (Pty) Ltd as the sole representative for the investment management functions performed in South Africa. Melville Douglas Investment Management (Pty) Ltd is a company registered in South Africa with company number 1987/05041/07, and a subsidiary of Standard Bank Group Limited. Melville Douglas Investment Management (Pty) Ltd is licensed as a financial services provider in terms of Section 8 of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002). The representative for the fund in South Africa is STANLIB Collective Investments (RF) Pty Ltd.

The manager does not provide any guarantee either with respect to the capital or the return of the portfolio.

### Quarterly Commentary

The economic backdrop of heightened inflationary concerns, ongoing synchronised growth in the global economy and less accommodative central bank policies continues to weigh on sentiment in the fixed income markets and unsurprisingly, most government bond yields have risen materially in the quarter. The US Federal Reserve remain committed to their withdrawal from ultra-easy monetary policies, sanctioning another 25 basis point rise in rates in March and expectations are for another two to three hikes before year-end. US inflation has yet to reach target but numerous underlying factors, most importantly the ongoing strength in the employment market, continue to point to higher prices in the coming months. Indeed, the US index-linked market, where the Fund retains its overweight allocation, has outperformed on a relative basis in the quarter.

Even allowing for the recent spike in yields, many technical indicators continue to suggest that US yields remain too low by historical metrics. Most notably, the current 'real return' on the ten-year US government bond remains far removed from historical averages and implies more upward pressure on yields over the medium term. With the Federal Reserve set to accelerate the pace of its balance sheet wind down to \$50 billion per month by the fourth quarter at the same time as deficits, and therefore government borrowing, are increasing thanks to fiscal stimulus and tax breaks, we believe the Fund's ongoing defensive duration strategy is justified in the current environment.

Despite many supportive factors, the US Dollar has failed to make any gains in the quarter although following declines in January, it has remained in a relatively narrow trading range. Favourable, and rising, interest rate differentials have lent little support as the market continues to put more weight on the negative long term ramifications of rising deficits and the US administration's attitude towards protectionist policies. However, it would be remiss to rule out another short-lived bounce in the US Dollar just yet – the interest rate and yield pick up against peers is still considerable and the possibility remains that the Federal Reserve may tighten policy more than expected in the coming quarters. In addition, net short US Dollar positions in the market have risen to a near seven-year high which can often suggest a contrarian rebound in the currency. For now, the US Dollar remains range bound and until it breaks that cycle we are content to remain with the Fund's 100% allocation.

Overall, the Fund's strategy remains one of limiting potential downside risk in an environment where we expect yields to continue to rise in the coming quarters. Ongoing synchronised global growth, less accommodative central bank policies and increased inflationary pressures should ensure that global government bond yields continue to normalise. We aim to continue to gradually increase the duration of the Fund at more attractive yield levels as this process unfolds.

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