

Melville Douglas Income Fund Limited

Enhanced Income (USD) Class

Fund information update at 31 May 2024

What is the fund's objective?

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

What does the fund invest in?

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

What possible risks are associated with this fund?

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

Risk rating

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

Minimum period

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

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

Income

Dividends may be declared from time to time in accordance with the provisions of Companies (Jersey) Law, 1991 (as amended).

General information

Size (NAV)	\$ 86.61 million	
Peer group	EAA Fund USD Diversified Bond - Short Term	
Benchmark	Barclays Overnight USD Cash Index	
Section 65	Approved	
This Class Fund is approved for sale in South Africa under Section 65 of the Collective Investment Schemes Control Act, 2002 (CISCA).		
	Class B	Class C
Launch	04 August 2023	04 August 2023
ISIN number	JE00BFM12X20	JE00BFM13S42
SEDOL code	BFM12X2	BFM13S4
Bloomberg	MDIEIBU JY	MDIEICU JY
Minimum investment requirements -		
New business	Open	Open
Initial	\$ 15,000	\$ 2,500
Subsequent	\$ 1,000	\$ 1,000

What are the costs to invest in this fund?

Maximum charges

	Class B	Class C
Initial fee (manager)	0.000%	0.000%
Initial fee (adviser)	3.000%	3.000%
Annual fee (manager)	0.950%	0.750%
Annual fee (adviser)	0.000%	0.000%
Performance fee	N/A	N/A

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

Cost ratios (annual) including VAT as at 31 March 2024

	Class B	Class C
Based on period from:	04/08/2023	04/08/2023
Total Expense	1.03%	0.83%
Transaction Costs	0.00%	0.00%
Total Investment Charge	1.03%	0.83%
1 Year Total Expense	1.03%	0.83%

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

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

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

The TER, TC & TIC cannot be determined accurately for portfolios/portfolio classes that are not yet 1 year old because of the short life span of the portfolio/portfolio class. Calculations in this instance are based on actual data where possible and best estimates where actual data is not available.

Melville Douglas Income Fund Limited Enhanced Income (USD) Class

Who are the investment managers?

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



Karl Holden
FCSI, Chartered Wealth Manager
Head of International Fixed Interest and Currency Strategy

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



Simon Bradbury
FCSI, Chartered Wealth Manager
Fixed Income and Currency Strategy

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

Monthly update at 31 May 2024

Performance

Class B Launch: 04 August 2023

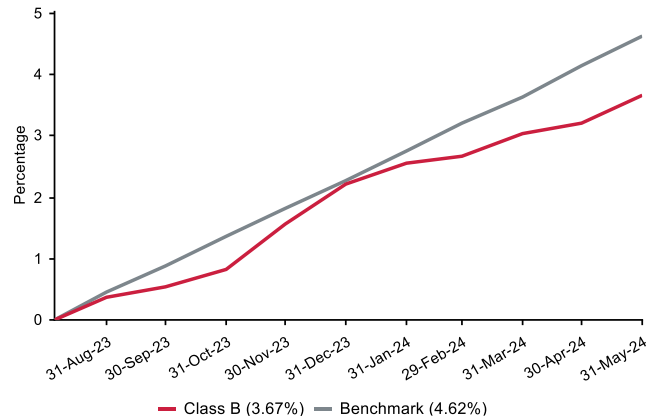
Class C Launch: 04 August 2023

Returns (%)	1m	3m	6m	9m	Launch
Class B					
Class	0.44	0.97	2.08	3.28	3.67
Benchmark	0.46	1.37	2.75	4.14	4.62
Class C					
Class	0.46	1.02	2.19	3.44	3.84

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

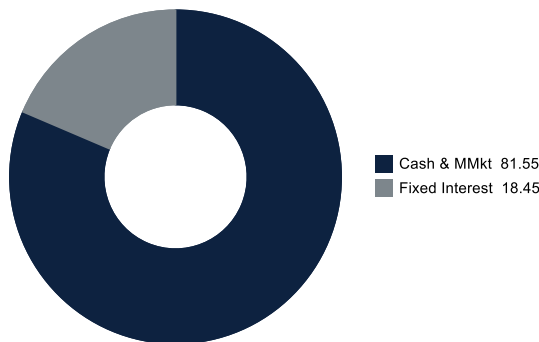
Benchmark: Barclays Overnight USD Cash Index

Cumulative performance (%) from Launch



Holdings

Asset class (%)



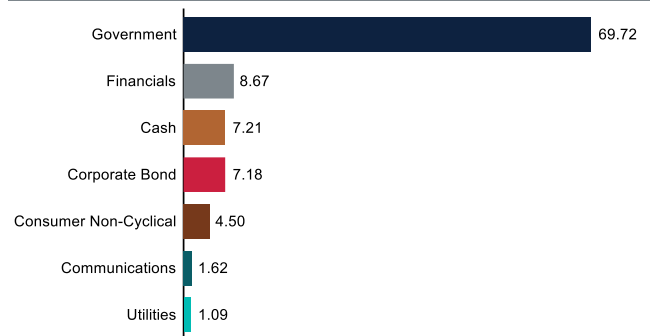
Top holdings (%)

US TSY Bill 0% 14/11/2024	12.55
US TSY Bill 0% 24/10/2024	9.60
US TSY Note/Bond 2.125% 31/07/2024	5.96
US TSY Note/Bond 2.875% 30/04/2025	5.87
European Investment Bank 0.375% 24/07/2024	4.65
Inter-American Dev Bank 0.625% 15/07/2025	4.58
Asian Development Bank 4.125% 27/09/2024	4.34
US TSY Note/Bond 2% 30/06/2024	3.69
KfW 5.125% 29/09/2025	3.54
European Bank for Recon & Dev 1.5% 13/02/2025	3.50

Currency (%)



Category (%)



Melville Douglas Income Fund Limited

Enhanced Income (USD) Class

Quarterly update at 31 March 2024

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 duration (interest rate sensitivity) has fallen over the quarter to close at 0.6 years. The negative yield differential between 3-month (5.38%) and 2-year (4.62%) maturing US sovereign bonds has contracted in recent weeks but remains elevated at 64 basis points. However, with the underlying strength of the US economy, evident in recent data releases, and the potential for interest rate cuts to be pushed further out could lead to a further contraction in the negative yield spread, which will offer an opportunity to extend the maturity profile of the Fund.

Market overview

Government bonds struggled in the first quarter as markets adjusted for less interest rate cuts this year than had been priced in by the sharp slide in yields in late 2023. Bond markets have been forced to re-appraise the interest rate outlook given ongoing resilience in many major economies (predominantly the US) and signs that the final downshift in inflation may prove to be more difficult or take longer than previously anticipated. Fearing a resurgence in inflationary pressures, central banks are understandably cautious about cutting rates too early but have indicated that the process will begin provided inflation appears to be on a sustainable path to target levels. We still expect rate cuts to commence in the second half of this year despite recent evidence in some economies that the disinflation trend may be stalling but currently do not believe this will mark the beginning of overly aggressive easing cycles. Clearly, lower interest rates should be viewed as a positive for global bonds, but we are cognisant that the dip in longer-dated yields from peak levels last year has done much to discount upcoming easier monetary policies. In addition, inflation has re-emerged as a real threat and investors should demand a 'real yield' over and above inflation to compensate for this which may put a floor on how low longer-dated yields can fall, at least over the medium term.

Looking ahead

We maintain our view that the US Federal Reserve will sanction three interest rate cuts in the second half of the year. Importantly, the justification for these forecast rate cuts is centred squarely on inflation continuing to trend closer to target levels rather than deteriorating growth conditions. With the US economy having posted two consecutive quarters growth in excess of 3% and expected to grow at 2.1% this year, the threat of an imminent recession continues to fade. Consumers continue to benefit from the considerable wealth effect derived from a solid employment market, higher 'real' wages, strong property prices and many still have the cushion of excess savings. There is no doubt that the considerable stimulus measures sanctioned during the pandemic have resulted in a very 'different' economic cycle and one that has allowed the economy to be, for now at least, much less interest rate sensitive. However, growth can only defy the gravity of higher borrowing costs for so long and it lends comfort that the US Federal Reserve (Fed) have a considerable growth support system in the form of adjustable interest rates currently sitting at the highest levels in over 20 years. This optimistic outlook for US growth tempers our outlook on how low longer-dated yields can fall even if accompanied by lower interest rates, particularly as investors should now demand a yield over and above inflation. Easier monetary policy and lower inflation are a decent recipe for bond markets, and we find it hard to justify yields moving higher in this environment. However, we also don't believe the Fed are about to embark on an aggressive easing cycle, as economic growth is too resilient. This probably equates to yields moving in a sideways fashion, within a range, which is no bad thing given how far they have risen from the lows of 2020.

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

Change in allocation of the fund over the quarter

Asset type	Q1 2024	Q4 2023	Change
Cash & MMkt	71.35	60.41	10.94
Fixed Interest	28.65	39.59	-10.94

The portfolio adhered to its portfolio objective over the quarter.

Fund classes

Class	Type	Price (\$)	Shares	NAV (\$)
B	Retail	10.30	13,849.27	142,697.02
C	Retail	10.32	13,898.93	143,395.49

All data as at 31 March 2024.

Shares - the amount of Participating Shares in issue in each relevant class.

Melville Douglas Income Fund Limited

Enhanced Income (USD) Class



Important information at 31 May 2024

Disclosures

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

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

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

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

Prices are calculated and published on each working day, these prices are available on the Manager's website (www.stanlib.com). This portfolio is valued at 23h59 (GMT). Forward pricing is used. Investments and repurchases will receive the price of the next day if received prior to 14h30 (GMT). Settlement must be made in the relevant class fund's base currency. This portfolio is permitted to invest in foreign securities. Should the portfolio include any foreign securities these could expose the portfolio to any of the following risks: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information.

All return figures quoted are in USD, as at 31 May 2024, based on data sourced from Morningstar.

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

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

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

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

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

Trail fees are paid inclusive of VAT meaning, where a South African adviser is registered for VAT, the VAT levied is included in the fee payable to the adviser out of the fund's annual management charge. Initial fees are also paid inclusive of VAT.

Contact details

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M.Farrow, M.Laws, O.Sonnbichler and R.Stewart.

Trustee/Custodian

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