

**Melville Douglas Balanced Fund Limited**  
**Annual Report and Audited Financial Statements**  
**Year ended 30 September 2019**

# Melville Douglas Balanced Fund Limited

## Annual Report and Audited Financial Statements

For the year ended 30 September 2019

<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	9
Statement of Financial Position	11
Statement of Comprehensive Income	12
Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares	13
Notes to the Financial Statements	14
Fund Statistics (Unaudited)	25
Other Information (Unaudited)	26
Portfolio Statement (Unaudited)	27

# Melville Douglas Balanced Fund Limited

## Administration

### Directors

Graham Baillie (South African/British) (Chairman)  
Michael Farrow\* (British)  
Helen Holmes (British)  
Oliver Sonnichler (South African/Austrian)

### Custodian

Apex Financial Services (Corporate) Limited\*\*  
12 Castle Street  
St. Helier  
Jersey JE2 3RT  
Channel Islands

### Registered Office

Standard Bank House  
47 - 49 La Motte Street  
St. Helier  
Jersey JE2 4SZ  
Channel Islands

### 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

### Manager and Secretary

STANLIB Fund Managers Jersey Limited  
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

### Investment Manager (until April 17, 2019)

Standard Bank International Investments 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 (from April 18, 2019)

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

### Sub-Investment Manager (until April 17, 2019)

Melville Douglas Investment  
Management (Proprietary) Limited  
30 Baker Street  
Rosebank  
Johannesburg, 2196  
Republic of South Africa

\* Independent Non-Executive Director.

\*\*Custodian changed its name from Link Corporate Services (Jersey) Limited to Apex Financial Services (Corporate) Limited effective from 28 June 2019.

# Melville Douglas Balanced Fund Limited

## Report of the Directors

The directors submit their annual report and audited financial statements for the year ended 30 September 2019.

### Incorporation

Melville Douglas Balanced Fund Limited (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”). It was initially incorporated in the British Virgin Islands under the Mutual Funds Act 1996 on 19 November 1998. 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 2019 there is only one Class Fund available – USD Balanced Class.

All shares not previously redeemed will be redeemed by the Company on the last subscription date in 2102 at their respective redemption price on such subscription date.

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 the liabilities attributable to any particular Class Fund out of the assets of such Class Fund, the excess liabilities may be met out of the assets attributable to other Class Funds. At 30 September 2019, the Company has only one Class Fund.

### Objective and investment policy

The objective of the Class Fund is to provide long-term capital growth by investing in a well-diversified portfolios comprising quoted global equities, global fixed income securities including government and corporate bonds and money market instruments which will maximise investment returns in USD. For the avoidance of doubt the Class Fund may also invest in collective investment schemes and make other investments which are not prohibited by the investment restrictions set out in the Prospectus.

### Results and dividends

The Company 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 Statement of Comprehensive Income.

### Directors

The directors of the Company during the year and subsequently are set out on page 2.

Graham Baillie is Chairman of Melville Douglas Investment Management (Proprietary) Limited. Oliver Sonnbichler is an executive of Melville Douglas Investment Management (Proprietary) 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 Balanced 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 form part of these financial statements.

### Secretary

The Secretary of the Company during the year ended 30 September 2019, and subsequently was STANLIB Fund Managers Jersey Limited.

**By Order of the Board**  
**STANLIB Fund Managers Jersey Limited**

**Company Secretary**  
**13 January 2020**

# Melville Douglas Balanced Fund Limited

## Report of the Custodian

To the members of Melville Douglas Balanced 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 2019 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**

**13 January 2020**

# Melville Douglas Balanced Fund Limited

## Investment Manager's Report

For the year ended 30 September 2019

### USD Balanced Class Fund (the "Class Fund")

#### Class Fund Review

Over the past twelve months period under review, the Class Fund returned 1.97% compared to a benchmark return of 2.65%. The global equity component continued to deliver positive relative performance and it was particularly pleasing to note that the outperformance in equity was primarily driven from good stock picking. The cash component performed very much in line with its benchmark, but that was not enough to offset the impact of fees in the Class Fund.

#### Market Overview

##### **Slower growth and inflated valuations = lower expected returns.**

Investment returns from all major asset classes have held up exceptionally well this year considering the current uncertain geopolitical and macro backdrop. Last year's interest rate hikes in the United States in an attempt to "normalise" interest rates, combined with the fading benefits from lower taxes and a period of deleveraging in China has resulted in a cyclical slowdown globally. Furthermore, with President Trump on a mission to make "America great again", heightened trade tensions between the United States and the rest of the world have amplified the pace of slowdown as the private sector has pulled back investment spending plans resulting in the contraction of global trade-and-manufacturing activities. Global central banks are aware of these economic dangers and have been coming to the rescue (again) by injecting monetary stimulus through interest rate cuts. Pressure is mounting, especially within Europe, for governments to do more through fiscal measures such as committing more capital to infrastructure projects and/or reducing taxes in an effort to lift investment. Lower interest rates have played an important role in supporting asset prices this year, but without an improvement in the outlook for growth, investors should expect lower returns accompanied by higher levels of volatility going forward.

##### **Which has it right: Equities or Bonds?**

This year's rally in global bonds has reduced yields to historic lows, signaling little in the way of inflationary risks and very weak nominal economic growth which traditionally has been a headwind for equity investors. However, risk assets such as equity valuations have also rallied despite a sharp slowdown in economic growth and corporate earnings.

Clearly the "market" is aware that the slowdown in economic activity has been centered around global industrial production and manufacturing, not (consumer) services which is by far the largest contributor to the global economy and equity bourses, particularly in the United States where 74% of the United States gross value added is in services. As such, revenues in consumer sectors have thus far been resilient and it is not apparent that consumer spending has been overly influenced by the slowdown in global trade. Additionally, investors are expecting that a combination of lower interest rates and fiscal stimulus will support global economic growth in 2020 and in-turn provide for a pick-up in earnings growth for corporates in the year ahead. Earnings growth for listed equities is forecast to be in the region of 10% next year which although not impossible is certainly not a foregone conclusion. Unemployment levels and interest rates are already extremely low (compared to history), wage growth elevated and consumer spending robust. Equity markets would therefore appear to be already largely discounting better times ahead and therefore future returns are reliant on the delivery of more favorable economic data.

# Melville Douglas Balanced Fund Limited

## Investment Manager's Report (continued)

### USD Balanced Class Fund (the "Class Fund") (continued)

#### Market Overview (continued)

##### Which has it right: Equities or Bonds? (continued)

Bond valuations are very sensitive to the outlook for inflation and central banks response to changes in prices. Inflation in developed economies has consistently tracked below the levels targeted by central banks, hence the abnormally low level of policy interest rates. Additionally, the trade war has impacted goods sectors such as Materials, Industrials and Energy more than other sectors and has had a significant influence on inflation expectations, the future path of interest rates and ultimately bond yields. We appreciate why government bond yields are low but with large parts of the global economy still looking healthy and resilient we find current bond valuations unattractive and do not believe that it makes sense to allocate significant capital to an asset class with income yields well below inflation and in many cases negative in absolute terms.

##### Fiscal stimulus to the rescue?

During July, the White House and Democratic party leaders in Congress reached a deal on the US debt ceiling which allows for stronger federal spending. It also means that there will be no big budgetary stand-off until after next year's presidential election which is an important development in terms of supporting the growth momentum through 2020. The UK administration is also ready to provide fiscal support if needed. Boris Johnson has promised GBP30bn of tax cuts and government spending initiatives.

In Europe after an extended period of fiscal austerity, the French have lowered taxes and pressure is mounting for Germany, whose economy has probably already entered a technical recession, to follow suit. In Holland, the Dutch announced that they are looking to spend more on infrastructure projects and lower taxes, a tonic designed to lift the economy - encouraging news for the periphery. National debt levels have improved to such an extent that these governments are better able to deal with economic setbacks.

It has become clear that monetary policy alone will not be enough to provide the necessary impetus to economic growth for many economies against the backdrop of heightened trade uncertainty and a slump in global manufacturing.

Although pressure is mounting to do more, it is unlikely that a significant shift in fiscal policy from Western Europe's largest economies is on the cards, particularly while monetary policy remains so accommodative, but at the margin, there appears to be some traction and the markets may force them to do more in the coming months.



# Melville Douglas Balanced Fund Limited

## Investment Manager's Report (continued)

### USD Balanced Class Fund (the "Class Fund") (continued)

#### Looking Ahead

The global economy has entered a period of below trend growth. The slowdown in global economic activity and corporate profits makes the whole financial system more vulnerable to an unexpected and exogenous shock which would likely result in a global recession. This risk is well understood by many central banks who have sanctioned a wave of interest rate cuts. In addition, fiscal easing looks increasingly likely in many parts of the world in the year ahead which, if seen, could provide some much-needed support for investment spending.

Going forward, investment returns will very much depend on the path of global growth. The geopolitical backdrop has become increasingly uncertain and remains the single largest risk to the future pace of economic expansion, something that investors do not have much control over. The key to successful investing during these more challenging times is to focus on fundamentals and adequate diversification. We maintain our neutral exposure to equities and underweight position to long dated fixed income assets.

**Melville Douglas Investment Management (Proprietary) Limited**  
**Investment Manager**  
**30 October 2019**

# ***Independent auditors' report to the members of Melville Douglas Balanced Fund Limited***

## **Report on the audit of the financial statements**

---

### **Our opinion**

In our opinion, Melville Douglas Balanced Fund Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its profit 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 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 (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 September 2019; the Statement of Comprehensive Income, and the Statement of Changes in Net Assets Attributable to the Holder of Redeemable Shares; and the notes to the financial statements, 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 when:

- 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 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 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 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 3, 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 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 Irish Auditing and Accounting Supervisory Authority 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  
13 January 2020

# Melville Douglas Balanced Fund Limited

## Statement of Financial Position

As at 30 September 2019

(Comparatives as at 30 September 2018)

		<b>USD Balanced Class 30 September 2019 USD</b>	<b>USD Balanced Class 30 September 2018 USD</b>
<b>Assets</b>	<b>Notes</b>		
Financial assets at fair value through profit or loss	2(b), 7.4	9,980,903	10,442,830
Cash and cash equivalents	2(c)	2,675,648	387,390
Income receivable	2(d)	15,682	—
<b>Total assets</b>		<b>12,672,233</b>	<b>10,830,220</b>
<b>Liabilities</b>			
Payable for investments purchased		2,396,747	—
Management fees payable	2(g)	10,053	2,047
Administration fees payable	2(g)	—	1,302
Custodian fees payable	2(g)	425	397
Sub-Custodian fees payable	2(g)	155	132
Director fees payable	2(g)	9,400	9,200
Audit fees payable	2(g)	4,354	6,932
Other payables		232	3,689
<b>Total liabilities</b>		<b>2,421,366</b>	<b>23,699</b>
<b>Net assets attributable to holders of redeemable shares</b>		<b>10,250,867</b>	<b>10,806,521</b>
<b>Net asset value per share</b>		<b>185.50</b>	<b>181.64</b>

The Class Fund amounts disclosed above represent the total amounts for the Company.

The financial statements were approved by the Board on 13 January 2020 and signed on its behalf by:

**Director**

The notes on pages 14 to 24 form an integral part of these financial statements.

# Melville Douglas Balanced Fund Limited

## Statement of Comprehensive Income

For the year 1 October 2018 to 30 September 2019

(Comparatives are for the year 1 October 2017 to 30 September 2018)

		<b>USD Balanced Class 30 September 2019 USD</b>	<b>USD Balanced Class 30 September 2018 USD</b>
	<b>Notes</b>		
<b>Income</b>			
Dividend income	2(d)	53,898	2,107
Interest income	2(d)	61,138	–
Deposit interest	2(d)	2,998	815
Net gain on financial assets at fair value through profit or loss	2(h), 3	<u>263,960</u>	<u>932,267</u>
<b>Total net gain</b>		<b>381,994</b>	<b>935,189</b>
<b>Expenses</b>			
Management fees	2(g)	81,890	25,754
Custodian fees	2(g)	5,028	4,987
Sub-Custodian fees	2(g)	2,760	737
Administration fees	2(g)	6,504	16,874
Directors' fees	2(g)	36,700	36,400
Audit fees	2(g)	4,334	6,914
Sundry expenses		<u>7,764</u>	<u>14,673</u>
<b>Total operating expenses</b>		<b>144,980</b>	<b>106,339</b>
<b>Net income before finance costs</b>		<b>237,014</b>	<b>828,850</b>
<b>Finance Costs:</b>			
Bank overdraft interest		<u>(4)</u>	<u>–</u>
<b>Total Finance Costs</b>		<b>(4)</b>	<b>–</b>
Taxation	2(i), 4	(10,865)	(233)
<b>Increase in net assets attributable to holders of redeemable shares from operations</b>		<b><u>226,145</u></b>	<b><u>828,617</u></b>

All of the above results are from continuing operations. There are no recognised gains or losses for the year ended other than those set out in the Statement of Comprehensive Income. There are no differences between the results above and those under historical cost.

The Class Fund amounts disclosed above represent the total amounts for the Company.

The notes on pages 14 to 24 form an integral part of these financial statements.

# Melville Douglas Balanced Fund Limited

## Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares

For the year 1 October 2018 to 30 September 2019

(Comparatives are for the year 1 October 2017 to 30 September 2018)

		<b>USD Balanced Class 30 September 2019 USD</b>	<b>USD Balanced Class 30 September 2018 USD</b>
	<b>Notes</b>		
Net assets attributable to holders of redeemable shares at the beginning of the year		10,806,521	11,407,710
Proceeds from the issue of shares	5	689,433	254,810
Payments on the redemption of shares	5	(1,471,232)	(1,684,616)
<b>Increase in net assets attributable to holders of redeemable shares from investment activities</b>		<b><u>226,145</u></b>	<b><u>828,617</u></b>
<b>Net assets attributable to holders of redeemable shares at the end of the year</b>		<b><u><u>10,250,867</u></u></b>	<b><u><u>10,806,521</u></u></b>

The Class Funds amounts disclosed above represent the total amounts for the Company.

The notes on pages 14 to 24 form an integral part of these financial statements.

# Melville Douglas Balanced 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 2019 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 for its annual and FRS 104 “Interim Financial Reporting” for its unaudited interim financial statements effective 1 October 2014. The Company has also applied “Amendments to FRS 102 - Fair value hierarchy disclosures” which were issued in March 2016 and are applicable for accounting periods beginning on or after 1 January 2018 with early application permitted. The Company took the option to early adopt the amendments and initially implemented these amendments in the interim period ended 31 March 2016.

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 Statement of Comprehensive Income and Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares on pages 11 and 12. In arriving at the results for the period, all amounts in the Statement of Comprehensive Income on page 11 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 Statement 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 prices. Exchange Traded Funds 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 Statement 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 Balanced 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 Fund instant access to its 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 Statement 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 Statement of Comprehensive Income.

e. *Foreign currencies*

Transactions in foreign currencies are translated into the reporting currency of the Class Fund at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the reporting currency of the Class Fund at the rates of exchange ruling at the Statement of Financial Position date. The reporting currency of the USD Balanced Class is US Dollars.

Differences arising on translation are included in the Statement 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, performance 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 Statement 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 Statement of Comprehensive Income.

j. *Distribution policy*

The Company's policy is to not distribute any income on its participating shares.



# Melville Douglas Balanced Fund Limited

## Notes to the financial statements (continued)

### 3. Gains and losses on financial assets at fair value through profit or loss

	USD Balanced Class 30 September 2019 USD	USD Balanced Class 30 September 2018 USD
Non-derivative securities:		
Net realised gain on investments	1,783,610	625,436
Net movement in unrealised investment schemes	(1,519,567)	306,831
	<u>264,043</u>	<u>932,267</u>
Derivative securities:		
Net realised loss on foreign currency contracts	(83)	—
	<u>(83)</u>	<u>—</u>
<b>Net gain on financial assets at fair value through profit or loss</b>	<u><u>263,960</u></u>	<u><u>932,267</u></u>

### 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 Statement of Comprehensive Income.

USD Balanced Class	30 September 2019 USD	30 September 2018 USD
Overseas tax - withholding tax on dividend income	10,865	233

### 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 Balanced 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 Statement of Financial Position date are as follows:

	30 September 2019	30 September 2018
	USD	USD
Current account	100	100
Management shares of USD1.00 each		
Authorised, issued and fully paid	100	100

The management fund is not reflected in the Statement of Financial Position.

#### *Movements of participating shares*

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
USD Balanced Class – Class C Shares	59,495	3,885	(8,120)	55,260

The following table shows the movement in participating shares during the year ended 30 September 2018.

	Number of shares at 30 September 2017	Issued during the year	Redeemed during the year	Number of shares at 30 September 2018
USD Balanced Class – Class C Shares	67,491	1,449	(9,445)	59,495

### 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”), Standard Bank International Investments Limited (the Investment Manager until 17 April 2019), Melville Douglas Investment Management (Proprietary) Limited (Investment Manager from 18 April 2019 and previously the Sub-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, the previous 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.

Until 28 February 2019, the Manager was entitled to an annual administration fee at a rate of 0.15% of the net asset value of the Class Fund out of which the Administrator will be paid. The above amounts accrue on each subscription day and are payable to the Manager by monthly payments in arrears.

# Melville Douglas Balanced Fund Limited

## Notes to the financial statements (continued)

### 6. Related Party Transactions and Other Expenses (continued)

Until 28 February 2019, the annual management fee payable to the Manager monthly in arrears was calculated as 0.5% of the net asset value of the Class Fund. The Manager remitted the above fee in full to the Investment Manager as an investment management fee. It was agreed that the management fees would only be payable as a percentage of the total of third party investments that the Class Fund held on each valuation day. The 0.5% fee was waived on investment into any of the Standard Bank Group products.

Since 1 March 2019, the annual management fee payable to the Manager monthly in arrears is calculated as 1.35% of the net asset value of the B Shares, 1.15% of the net asset value of the C Shares and 0.15% of the net asset value of the X Shares of the Class Fund.

The fees of the Custodian shall be calculated as follows, 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 Fund 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 GBP20,000 per annum from the Company as director fees. Helen Holmes, Graham Baillie and Oliver Sonnbichler are entitled to USD10,000 from the Company per director per annum. Directors fees incurred during the year ended 30 September 2019 amounted to USD36,700 (30 September 2018: USD36,400) with USD9,400 (30 September 2018: USD9,200) outstanding at the year end.

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

The fees incurred during the year ended 30 September 2019 and 30 September 2018 are as disclosed in the Statement of Comprehensive Income with the amounts outstanding at the year end disclosed in the Statement of Financial Position.

### 7. Financial risk management

Consistent with the investment objectives, as noted in the Report of the Directors, the Company holds a number of financial instruments principally comprising of 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.

# Melville Douglas Balanced Fund Limited

## Notes to the financial statements (continued)

### 7. Financial risk management (continued)

#### 7.1. Market risk (continued)

##### Market price risk

Market price risk arises mainly from uncertainty about future prices of equity and equity-linked financial instruments. It represents the potential loss the Company may suffer due to movements in securities prices.

Market price risk is mainly reduced through diversification. The Class Funds investments are in collective investment funds which achieve the diversification. These are usually the relevant matching class funds of other Melville Douglas Funds. Investments restrictions are in place to ensure that the impact of market price risk is minimised. Full details regarding the investment restrictions can be obtained from 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 Fund 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 2019	30 September 2018
	USD	USD
USD Balanced Class	499,045	522,141

##### 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 from cash held on deposit. 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 cash flows from cash deposits. As cash deposits are available on demand, there is no fair value risk from interest rates.

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 2019 and 30 September 2018 is detailed in the Portfolio Statement (Unaudited).

##### USD Balanced Class

##### 30 September 2019

	Fixed rate financial assets	Floating rate financial assets	Net assets not carrying interest	Total
USD	4,721,116	—	5,529,751	10,250,867
	<u>4,721,116</u>	<u>—</u>	<u>5,529,751</u>	<u>10,250,867</u>

##### USD Balanced Class

##### 30 September 2018

	Fixed rate financial assets	Floating rate financial assets	Net assets not carrying interest	Total
USD	—	—	10,806,521	10,806,521
	<u>—</u>	<u>—</u>	<u>10,806,521</u>	<u>10,806,521</u>

# Melville Douglas Balanced Fund Limited

## Notes to the financial statements (continued)

### 7. Financial risk management (continued)

#### 7.1. Market risk (continued)

##### 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 Fund, subject to various maximum exposure limits.

The following tables show the currency exposure of the Class Fund as at 30 September 2019 and 30 September 2018.

#### USD Balanced Class

Exposure currency 30 September 2019	Investments USD	Cash USD	Other net liabilities USD	Total net assets USD	% of net assets
CHF	184,436	—	—	184,436	1.80
EUR	475,702	28	—	475,730	4.64
GBP	715,416	—	—	715,416	6.98
HKD	151,420	—	—	151,420	1.48
JPY	197,877	—	251	198,128	1.93
USD	8,256,052	2,675,620	(2,405,935)	8,525,737	83.17
	<u>9,980,903</u>	<u>2,675,648</u>	<u>(2,405,684)</u>	<u>10,250,867</u>	<u>100.00</u>

#### USD Balanced Class

Exposure currency 30 September 2018	Investments USD	Cash USD	Other net liabilities USD	Total net assets USD	% of net assets
EUR	—	30	—	30	0.00
USD	10,442,830	387,360	(23,699)	10,806,491	100.00
	<u>10,442,830</u>	<u>387,390</u>	<u>(23,699)</u>	<u>10,806,521</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.

# Melville Douglas Balanced Fund Limited

## Notes to the financial statements (continued)

### 7. Financial risk management (continued)

#### 7.1. Market risk (continued)

##### Currency risk (continued)

The following sensitivity analysis shows the change in the net assets of the 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).

		Change in net assets	Change in net assets
Global Equity Class		30 September 2019	30 September 2018
		USD	USD
CHF	+/-5%	9,222	-
EUR	+/-5%	23,787	2
GBP	+/-5%	35,771	-
HKD	+/-5%	7,571	-
JPY	+/-5%	9,906	-

#### 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 the Company at every subscription day. The Company therefore needs to have adequate liquid resources to meet these redemptions and the maturity profile of the Company's investments may affect the Company's liability to meet the redemptions if the weighted average days to maturity is longer than the weighted average days to redemption.

Full details regarding redemption and investment restrictions can be obtained from the prospectus.

#### 7.3. Credit risk

Credit risk is the risk that the counterparties to the Company may be unable or unwilling to meet their obligations to the Company under the contractual or agreed terms. The Company's maximum exposure to credit risk is represented by the carrying value of cash and debtors.

The risk arising from debtors is considered minimal and therefore not actively managed. Significant debtors may 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.

Credit risks arising from cash at bank are mitigated by the investment restrictions as detailed in the prospectus.

The Custodian, Apex Financial Services (Corporate) Limited is not rated with Standard & Poor's, Moody's or Fitch.

For the year ended 30 September 2019 the Sub-Custodian and Banker, The Bank of New York Mellon SA/NV London Branch has a credit rating of AA- (2018 : AA-) with Standard & Poor's, Aa2 (2018 : Aa2) with Moody's and AA- (2018 : AA-) with Fitch.

# Melville Douglas Balanced Fund Limited

## Notes to the financial statements (continued)

### 7. Financial risk management (continued)

#### 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).

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.

# Melville Douglas Balanced Fund Limited

## Notes to the financial statements (continued)

### 7. Financial risk management (continued)

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

The following tables analyse within the fair value hierarchy the Company's financial assets measured at fair value at 30 September 2019 and 30 September 2018 in accordance with FRS 102.

#### 30 September 2019

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>USD Balanced Class</b>				
Investment Companies	371,609	–	–	371,609
Common Stock	4,888,178	–	–	4,888,178
Corporate Bonds	–	1,465,177	–	1,465,177
Government Bonds	3,134,726	121,213	–	3,255,939
<b>Total Assets</b>	<b>8,394,513</b>	<b>1,586,390</b>	<b>–</b>	<b>9,980,903</b>

#### 30 September 2018

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>USD Balanced Class</b>				
Investment Companies	10,442,830	–	–	10,442,830
<b>Total Assets</b>	<b>10,442,830</b>	<b>–</b>	<b>–</b>	<b>10,442,830</b>

There were no transfers between the levels during the reporting periods.

### 8. Exchange rates

The following exchange rates at 30 September 2019 and 30 September 2018 were used to translate foreign currency assets and liabilities:

	30 September 2019	30 September 2018
USD/CHF	0.99716	0.97680
USD/EUR	0.91727	0.86093
USD/GBP	0.81149	0.76684
USD/HKD	7.83941	7.82489
USD/JPY	108.07498	113.58502

### 9. Significant events during the year

A new Prospectus was approved on 25 February 2019 Extraordinary General Meeting, including significant changes as disclosed in the Extraordinary General Meeting notice and implemented from 1 March 2019.

In April 2019, the sub-investment manager Melville Douglas Investment Management (Proprietary) Limited became the Investment Manager and Standard Bank International Investment Limited ceased being the Investment Manager for the Class Fund.

Further to an Australian Market (ASX) trading update issued 31 January 2019, Link Group announced its intention to sell its CPC business (which includes Link Corporate Services (Jersey) Limited (the Custodian)) to Apex Group Ltd by the end of September 2019, subject to regulatory approvals in the relevant jurisdictions. The deal completed on the 28 June 2019, with the Custodian changing its name to Apex Financial Services (Corporate) Limited.

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



# Melville Douglas Balanced Fund Limited

## Notes to the financial statements (continued)

### 10. Post statement of financial position events

From 1 October 2019, the management and administration fees on the Class C Shares were reduced to 0.95%.

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

There were no other significant post statement of financial position events that require disclosure in these financial statements.

### 11. Approval of financial statements

The financial statements were approved by the Board of Directors on 13 January 2020.

# Melville Douglas Balanced Fund Limited

## Fund Statistics (Unaudited)

<b>USD Balanced Class - Class C</b>	<b>Net asset value</b>	<b>Net asset value per share</b>	<b>% change in year**</b>	<b>Number of shares in issue</b>	<b>Highest Price*</b>	<b>Lowest Price*</b>
	<b>USD</b>	<b>USD</b>			<b>USD</b>	<b>USD</b>
24 September 2004	8,241,828	104.40	9.06	78,944	113.23	96.46
30 September 2005	8,985,059	115.43	10.57	77,838	121.67	104.65
29 September 2006	7,031,187	126.83	9.88	55,437	137.78	111.97
28 September 2007	9,429,307	143.61	13.23	65,657	154.02	127.16
26 September 2008	11,261,493	123.08	(14.30)	91,494	155.32	122.06
30 September 2009	13,022,850	120.29	(2.27)	108,264	123.65	97.49
30 September 2010	16,527,109	126.73	5.35	130,408	128.98	118.55
30 September 2011	18,803,340	120.89	(4.61)	155,540	141.40	120.03
30 September 2012	17,239,049	139.27	15.20	123,782	139.39	121.49
30 September 2013	16,919,878	147.24	5.72	114,911	148.38	136.25
30 September 2014	16,772,290	154.50	4.93	108,556	157.97	144.97
30 September 2015	16,990,947	148.83	(3.67)	114,167	161.93	148.84
30 September 2016	13,392,780	153.82	3.35	87,068	156.26	143.81
30 September 2017	11,407,710	169.03	9.89	67,491	169.48	150.15
30 September 2018	10,806,521	181.64	7.46	59,495	183.55	169.30
30 September 2019	10,250,867	185.50	2.13	55,260	189.83	167.96

\* 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.

The performance data in this table covers the year from incorporation by way of a continuance in Jersey to date. Performance data for previous years can be found in the fact sheets issued by the Investment Manager.

# Melville Douglas Balanced Fund Limited

## Other Information

### Total Expense Ratio (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 Fund 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.

### USD Balanced Class

	30 September 2019	30 September 2018
Total Expense Ratio – Class C Shares	1.38%	0.95%

TER percentages are annualised.

### Investment Purchases, Investment Sales and Commissions

USD Balanced Class	30 September 2019 USD	30 September 2018 USD
Gross purchases in year including transaction costs	16,157,895	1,450,000
Commissions	(1,882)	–
Net purchases total	<u>16,156,013</u>	<u>1,450,000</u>
Gross sales in year including transaction costs	16,898,451	2,942,371
Commissions	(1,674)	–
Net sales total	<u>16,896,777</u>	<u>2,942,371</u>

# Melville Douglas Balanced Fund Limited

## Portfolio Statement (Unaudited)

### USD Balanced Class

As at 30 September 2019

	Nominal Holding	Cost USD	Fair Value USD	% of Net Assets
<b>Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market</b>				
<b>Common Stock</b>				
<b>Cayman Islands</b>				
Tencent Holdings Ltd	3,596	160,949	151,420	1.48
<b>France</b>				
LVMH Moet Hennessy Louis Vuitton SE	463	168,609	183,997	1.79
<b>Germany</b>				
Brenntag AG	2,508	127,766	121,494	1.19
<b>Ireland</b>				
Linde Plc	1,029	175,949	199,297	1.94
<b>Japan</b>				
Keyence Corp	320	202,855	197,877	1.93
<b>Jersey</b>				
Experian Plc	7,558	203,173	242,017	2.36
<b>Spain</b>				
Banco Santander SA	41,782	191,513	170,211	1.66
<b>Switzerland</b>				
Partners Group Holding AG	240	170,647	184,436	1.80
<b>United Kingdom</b>				
Prudential Plc	12,256	248,438	222,732	2.17
Unilever Plc	4,160	239,729	250,667	2.45
			473,399	4.62
<b>United States</b>				
Alphabet Inc - Class A	157	186,839	191,689	1.87
Amazon.com Inc	53	94,557	91,988	0.90
Anthem Inc	659	189,953	158,285	1.54
Boston Scientific Corp	5,085	213,590	206,934	2.02
Johnson & Johnson	1,475	204,420	190,872	1.86
JPMorgan Chase & Co	1,366	139,807	160,751	1.57
Mastercard Inc	791	184,528	214,587	2.09
Microsoft Corp	2,313	272,760	321,553	3.14
NIKE Inc	2,222	184,799	208,668	2.03
PepsiCo Inc	1,689	207,679	231,621	2.26
Snap-on Inc	967	147,516	151,437	1.48
Starbucks Corp	2,270	165,653	200,736	1.96
UnitedHealth Group Inc	983	239,818	213,636	2.08
Visa Inc - Class A	1,208	187,633	208,743	2.04

# Melville Douglas Balanced Fund Limited

## Portfolio Statement (Unaudited) (continued)

### USD Balanced Class (continued)

As at 30 September 2019 (continued)

	Nominal Holding	Cost USD	Fair Value USD	% of Net Assets
<b>Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market (continued)</b>				
<b>Common Stock (continued)</b>				
<b>United States (continued)</b>				
Yum! Brands Inc	1,874	185,067	212,530	2.07
			2,964,030	28.91
<b>Total Common Stock</b>			<b>4,888,178</b>	<b>47.68</b>
<b>Investment Companies</b>				
<b>Ireland</b>				
iShares Core MSCI EM IMI UCITS ETF	7,196	201,308	194,292	1.90
iShares Core MSCI Japan IMI UCITS ETF	4,240	170,914	177,317	1.73
			371,609	3.63
<b>Total Investment Companies</b>			<b>371,609</b>	<b>3.63</b>
<b>Corporate Bonds</b>				
<b>Germany</b>				
Kreditanstalt fuer Wiederaufbau 2.750% 15/07/2020	300,000	300,500	301,990	2.95
<b>International</b>				
European Investment Bank 1.250% 16/12/2019	300,000	299,404	299,620	2.92
Inter-American Development Bank 1.750% 15/10/2019	50,000	49,984	49,997	0.49
International Bank for Reconstruction & Development 1.125% 27/11/2019	300,000	299,356	299,653	2.92
			649,270	6.33
<b>United Kingdom</b>				
BAT International Finance Plc 'REGS' 2.750% 15/06/2020	85,000	84,877	85,231	0.83
ICBC Standard Bank Plc 'EMTN' 8.125% 02/12/2019	120,000	120,931	121,015	1.18
			206,246	2.01
<b>United States</b>				
Amazon.com Inc 1.900% 21/08/2020	85,000	84,578	85,006	0.83
McDonald's Corp 'MTN' 2.750% 09/12/2020	85,000	85,035	85,692	0.83
Prudential Financial Inc 'MTN' 5.375% 21/06/2020	85,000	86,669	86,981	0.85
Roche Holdings Inc 'EMTN' 2.000% 13/03/2020	50,000	49,891	49,992	0.49
			307,671	3.00
<b>Total Corporate Bonds</b>			<b>1,465,177</b>	<b>14.29</b>
<b>Government Bonds</b>				
<b>South Africa</b>				
Republic of South Africa Government International Bond 5.500% 09/03/2020	120,000	121,029	121,213	1.19

# Melville Douglas Balanced Fund Limited

## Portfolio Statement (Unaudited) (continued)

### USD Balanced Class (continued)

As at 30 September 2019 (continued)

	Nominal Holding	Cost USD	Fair Value USD	% of Net Assets
<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>United States</b>				
United States Treasury Bill (Zero Coupon) 0.000% 29/10/2019	2,400,000	2,396,747	2,396,546	23.38
United States Treasury Note/Bond 1.750% 30/11/2019	195,000	194,919	194,910	1.90
United States Treasury Note/Bond 2.250% 29/02/2020	270,000	269,727	270,343	2.64
United States Treasury Note/Bond 2.750% 30/11/2020	270,000	270,829	272,927	2.66
			3,134,726	30.58
<b>Total Government Bonds</b>			<b>3,255,939</b>	<b>31.77</b>
<b>Total Investments</b>		<b>9,780,945</b>	<b>9,980,903</b>	<b>97.37</b>
<b>Total Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market</b>			<b>9,980,903</b>	<b>97.37</b>
Total Investments			9,980,903	97.37
Net current assets			269,964	2.63
<b>Total net assets</b>			<b>10,250,867</b>	<b>100.00</b>

# Melville Douglas Balanced Fund Limited

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN pursuant to the Articles of Association of Melville Douglas Balanced Fund Limited (the “Company”) that the Annual General Meeting of the Company will take place on 3 February 2020 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 2019 be approved and adopted.
2. That directors fees in the sum of USD30,000 and GBP5,000 for the year ended 30 September 2019 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**  
**13 January 2020**

### 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 Balanced Fund Limited  
Standard Bank House  
47-49 La Motte Street  
St. Helier  
JERSEY  
JE2 4SZ**

**Melville Douglas Balanced 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 3 February 2020 at 10.00 a.m. and at any adjournments thereof, in  
the following manner:

*Resolutions  
\*Strike out whatever is  
not desired*

Ordinary Resolution	No 1	For/Against*
	No 2	For/Against*
	No 3	For/Against*

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2020

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                  |