



Melville Douglas Balanced Fund Limited
Unaudited Interim Report and Financial Statements

For the period 1 October 2019 to 31 March 2020

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Administration

Directors

Graham Baillie (South African/British)
Michael Farrow* (British) (Chairman)
Helen Holmes (British) (Resigned effective 24 October 2019)
Oliver Sonnbichler (South African/Austrian)

Sub-Custodian and Banker

The Bank of New York Mellon SA/NV London Branch
The Bank of New York Mellon Centre
160 Queen Victoria Street
London EC4V 4LA
United Kingdom

Registered Office

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

Administrator

BNY Mellon Fund Services (Ireland) Designated Activity Company
One Dockland Central, Guild Street
International Financial Services Centre
Dublin 1
Ireland

Manager and Secretary

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

Independent Auditors

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

Investment Manager

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

Legal Adviser

Ogier
Ogier House
44 Esplanade
St. Helier
Jersey JE4 9WG
Channel Islands

Custodian

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

* Independent Non-Executive Director.

Report of the Directors

The directors submit their unaudited interim report and financial statements for the period 1 October 2019 to 31 March 2020.

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 31 March 2020 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 31 March 2020, 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 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 period are disclosed in the Statement of Comprehensive Income.

Directors

The directors of the Company during the period 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.

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") 104 "The Interim Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 104").

The Companies (Jersey) Law, 1991 requires the directors to prepare the financial statements for each financial period, 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 period. 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.

Connected Persons

The directors are satisfied that there are arrangements in place to ensure that transactions with connected persons entered into during the period were carried out as if negotiated at arm's length and were in the best interests of shareholders.

Secretary

The Secretary of the Company during the period ended 31 March 2020, and subsequently was STANLIB Fund Managers Jersey Limited.

By Order of the Board
STANLIB Fund Managers Jersey Limited

Company Secretary
11 August 2020

Statement of Financial Position

As at 31 March 2020
(Comparatives as at 30 September 2019)

	Notes	USD Balanced Class 31 March 2020	USD Balanced Class 30 September 2019
Assets			
Financial assets at fair value through profit or loss	2(b), 7.4	9,084,313	9,980,903
Cash and cash equivalents	2(c)	475,633	2,675,648
Income receivable	2(d)	13,679	15,682
Total assets		9,573,625	12,672,233
Liabilities			
Payable for investments purchased		301,289	2,396,747
Management fees payable	2(g)	7,797	10,053
Custodian fees payable	2(g)	439	425
Sub-Custodian fees payable	2(g)	256	155
Director fees payable	2(g)	6,643	9,400
Audit fees payable	2(g)	2,104	4,354
Other payables		410	232
Total liabilities		318,938	2,421,366
Net assets attributable to holders of redeemable shares		9,254,687	10,250,867
Net asset value per share		174.27	185.50

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

The financial statements were approved by the Board on 11 August 2020.

The notes on pages 8 to 18 form an integral part of these financial statements.

Statement of Comprehensive Income

For the period 1 October 2019 to 31 March 2020
 (Comparatives are for the period 1 October 2018 to 31 March 2019)

	Notes	USD Balanced Class 31 March 2020	USD Balanced Class 31 March 2019
Income			
Dividend income	2(d)	37,955	5,005
Interest income	2(d)	42,484	2,489
Deposit interest	2(d)	528	1,011
Net (loss)/gain on financial assets at fair value through profit or loss	2(h), 3	<u>(584,606)</u>	<u>52,551</u>
Total net (loss)/gain		(503,639)	61,056
Expenses			
Management fees	2(g)	48,676	26,925
Custodian fees	2(g)	2,507	2,494
Sub-Custodian fees	2(g)	1,269	717
Directors' fees	2(g)	13,980	18,200
Audit fees	2(g)	2,104	2,299
Sundry expenses		<u>2,300</u>	<u>5,091</u>
Total operating expenses		70,836	55,726
Net (expense)/income before finance costs		(574,475)	5,330
Finance Costs:			
Bank overdraft interest		<u>(8)</u>	<u>–</u>
Total Finance Costs		(8)	–
Taxation	2(i), 4	(7,805)	–
(Decrease)/Increase in net assets attributable to holders of redeemable shares from operations		<u>(582,288)</u>	<u>5,330</u>

All of the above results are from continuing operations. There are no recognised gains or losses for the period 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 8 to 18 form an integral part of these financial statements.

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

For the period 1 October 2019 to 31 March 2020

(Comparatives are for the period 1 October 2018 to 31 March 2019)

	Notes	USD Balanced Class 31 March 2020 USD	USD Balanced Class 31 March 2019 USD
Net assets attributable to holders of redeemable shares at the beginning of the period		10,250,867	10,806,521
Proceeds from the issue of shares	5	35,318	498,148
Payments on the redemption of shares	5	(449,210)	(640,719)
(Decrease)/Increase in net assets attributable to holders of redeemable shares from investment activities		(582,288)	5,330
Net assets attributable to holders of redeemable shares at the end of the period		<u>9,254,687</u>	<u>10,669,280</u>

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

The notes on pages 8 to 18 form an integral part of these financial statements.

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 periods 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 104 "The Interim Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 104"). 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 unaudited interim financial statements for the period ended 31 March 2020 have been prepared in accordance with FRS 104 as issued by the Financial Reporting Council ("FRC").

The Directors of the Company have applied FRS 102 "The Financial Reporting Standard" for its annual and FRS 104 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 6 and 7. In arriving at the results for the period, all amounts in the Statement of Comprehensive Income on pages 6 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)), also referenced in Section 10(g) of FRS 104, 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 price. 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 period in which they arise.

On initial application of FRS 104, 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.

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 period 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 period 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 period. 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.

Notes to the financial statements (continued)

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

	USD Balanced Class 31 March 2020 USD	USD Balanced Class 31 March 2019 USD
Non-derivative securities:		
Net realised gain on investments	80,231	1,738,254
Net movement in unrealised investment schemes	<u>(664,862)</u>	<u>(1,685,703)</u>
	<u>(584,631)</u>	<u>52,551</u>
Derivative securities:		
Net realised gain on foreign currency contracts	25	–
	<u>25</u>	<u>–</u>
Net (loss)/gain on financial assets at fair value through profit or loss	<u>(584,606)</u>	<u>52,551</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.

	31 March 2020 USD	31 March 2019 USD
USD Balanced Class		
Overseas tax - withholding tax on dividend income	7,805	–

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.

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:

	31 March 2020	30 September 2019
	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 period ended 31 March 2020.

	Number of shares at 30 September 2019	Issued during the period	Redeemed during the period	Number of shares at 31 March 2020
USD Balanced Class – Class C Shares	55,260	194	(2,348)	53,106

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

6. Related Party Transactions and Other Expenses

The following disclosures are made in accordance with the requirements of Section 33 "Related Party Disclosures" of FRS 102.

STANLIB Fund Managers Jersey Limited (the "Manager"), Melville Douglas Investment Management (Proprietary) Limited (the "Investment Manager") and all non-independent directors of the Company are related parties of the Company.

The Manager is considered a related party by virtue of its contractual arrangements. The Investment Manager and the directors are considered related parties to the Company as they make key operating decisions for the Company.

The Manager has the primary responsibility for the management and administration of the Company. The Manager has appointed the Investment Manager to provide it with investment management services in relation to the Company. The fees of the Investment Manager are paid by the Manager out of its fees.

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 was paid. These amounts accrued on each subscription day and were payable to the Manager by monthly payments in arrears.

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.

From 1 March 2019 to 30 September 2019, the annual management fee payable to the Manager monthly in arrears was calculated as 1.15% of the net asset value of the Class C Shares.

From 1 October 2019 is calculated as 0.95% of the net asset value of the Class C Shares.

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 GBP5,000 per annum from the Company as director fees. Helen Holmes, Graham Baillie and Oliver Sonnbichler are entitled to USD10,000 per director per annum from the Company. On the 24 October 2019, Helen Holmes resigned as a Director of the Company. Directors fees incurred during the period ended 31 March 2020 amounted to USD13,980 (31 March 2019: USD18,200) with USD6,643 (30 September 2019: USD9,400) outstanding at the period end.

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

The fees incurred during the period ended 31 March 2020 and 31 March 2019 are as disclosed in the Statement of Comprehensive Income with the amounts outstanding at the period 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's financial instruments comprise mainly equity shares, debt and fixed income securities and collective investment securities. In addition, the Company holds cash, liquid assets and various items such as debtors and creditors that arise directly from its operations.

The main risks arising from the Company's financial instruments are market risk (comprising market price risk, interest rate risk and currency risk), credit risk and liquidity risk. The Board reviews and agrees with the Manager and Investment Manager policies for managing each of these risks and they are summarised below.

7.1. Market risk

Market risk is the risk that the fair value of, or future cash flows arising from, financial instruments will fluctuate because of the changes in market variables. Market risk comprises three types of risks: market price risk, interest rate risk and currency risk.

Market price risk

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

Notes to the financial statements (continued)

7. Financial risk management (continued)

Market price risk (continued)

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 period end; all other variables remaining constant (5% is considered to be a reasonable possible change in price):

	31 March 2020 USD	30 September 2019 USD
USD Balanced Class	454,216	499,045

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 31 March 2020 and 30 September 2019 is detailed in the Portfolio Statement.

USD Balanced Class

31 March 2020

	Fixed rate financial assets	Floating rate financial assets	Net assets not carrying interest	Total
USD	4,453,823	—	4,800,864	9,254,687
	<u>4,453,823</u>	<u>—</u>	<u>4,800,864</u>	<u>9,254,687</u>

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>

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 31 March 2020 and 30 September 2019.

USD Balanced Class

Exposure currency 31 March 2020	Investments USD	Cash USD	Other net assets/(liabilities) USD	Total net assets USD	% of net assets
CHF	149,419	—	—	149,419	1.62
EUR	391,342	28	—	391,370	4.23
GBP	564,131	—	3,538	567,669	6.13
HKD	220,482	—	—	220,482	2.38
JPY	186,456	—	453	186,909	2.02
USD	7,572,483	475,605	(309,250)	7,738,838	83.62
	<u>9,084,313</u>	<u>475,633</u>	<u>(305,259)</u>	<u>9,254,687</u>	<u>100.00</u>

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>

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.

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).

USD Balanced Class		Change in net assets	Change in net assets
		31 March 2020	30 September 2019
		USD	USD
CHF	+/-5%	7,471	9,222
EUR	+/-5%	19,569	23,787
GBP	+/-5%	28,383	35,771
HKD	+/-5%	11,024	7,571
JPY	+/-5%	9,345	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 period ended 31 March 2020 the Sub-Custodian and Banker, The Bank of New York Mellon SA/NV London Branch has a credit rating of AA- (2019 : AA-) with Standard & Poor's, Aa2 (2019 : Aa2) with Moody's and AA- (2019 : AA-) with Fitch.

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 Class 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 period 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.

The tables overleaf analyse within the fair value hierarchy the Company's financial assets measured at fair value at 31 March 2019 and 30 September 2019 in accordance with FRS 102.

Notes to the financial statements (continued)

7. Financial risk management (continued)

7.4. Fair value hierarchy (continued)

31 March 2020

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
USD Balanced Class				
Investment Companies	131,555	—	—	131,555
Common Stock	4,498,935	—	—	4,498,935
Corporate Bonds	—	1,726,897	—	1,726,897
Government Bonds	2,726,926	—	—	2,726,926
Total Assets	7,357,416	1,726,897	—	9,084,313

30 September 2019

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
USD Balanced Class				
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
Total Assets	8,394,513	1,586,390	—	9,980,903

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

8. Exchange rates

The following exchange rates at 31 March 2020 and 30 September 2019 were used to translate foreign currency assets and liabilities:

	31 March 2020	30 September 2019
USD/CHF	0.96754	0.99716
USD/EUR	0.91137	0.91727
USD/GBP	0.80648	0.81149
USD/HKD	7.75088	7.83941
USD/JPY	107.95500	108.07498

9. Significant events during the period

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

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

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

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

10. Post statement of financial position events

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

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

Notes to the financial statements (continued)

11. Approval of financial statements

The financial statements were approved by the Board of Directors on 11 August 2020.

Fund Statistics

USD Balanced Class – Class C	Net asset value USD	Net asset value per share USD	% change in period	Number of shares in issue	Highest Price* USD	Lowest Price* USD
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
31 March 2020	9,254,687	174.27	(6.05)	53,106	200.61	161.17

* 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.

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

Other Information

Total Expense Ratio

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

	31 March	31 March
	2020	2019
	USD	USD
Total Expense Ratio – Class C Shares	1.53%	1.03%

Investment Purchases, Investment Sales and Commissions

USD Balanced Class

	31 March	31 March
	2020	2019
	USD	USD
Gross purchases in period including transaction costs	10,415,747	10,357,915
Commissions	(1,107)	(750)
Net purchases total	<u>10,414,640</u>	<u>10,357,165</u>
Gross sales in period including transaction costs	10,737,005	10,461,561
Commissions	(150)	–
Net sales total	<u>10,736,855</u>	<u>10,461,561</u>

Portfolio Statement

USD Balanced Class

As at 31 March 2020

	Nominal Holding	Cost USD	Fair Value USD	% of Net Assets
Transferable Securities Admitted to an Official Stock Exchange Listing or Dealt in on another Regulated Market				
Common Stock				
Cayman Islands				
Tencent Holdings Ltd	4,496	207,404	220,482	2.38
France				
LVMH Moet Hennessy Louis Vuitton SE	423	154,043	157,215	1.70
Germany				
Brenntag AG	3,561	186,257	132,419	1.43
India				
HDFC Bank Ltd ADR	2,715	160,384	104,405	1.13
Ireland				
ICON Plc	840	142,131	114,169	1.23
Linde Plc	938	160,388	162,363	1.76
			276,532	2.99
Japan				
Keyence Corp	578	183,203	186,456	2.02
Jersey				
Experian Plc	6,868	184,624	191,737	2.07
Spain				
Banco Santander SA	41,782	191,513	101,708	1.10
Switzerland				
Partners Group Holding AG	216	153,582	149,419	1.62
United Kingdom				
M&G Plc	12,256	35,411	17,119	0.18
Prudential Plc	12,863	224,745	164,878	1.78
Unilever Plc	3,770	217,307	190,397	2.06
			372,394	4.02
United States				
Alphabet Inc - Class A	188	231,219	218,452	2.36
Amazon.com Inc	61	109,828	118,820	1.28
Anthem Inc	696	201,364	157,877	1.71
Boston Scientific Corp	5,085	213,590	165,949	1.79
Johnson & Johnson	1,475	204,420	193,321	2.09
JPMorgan Chase & Co	1,248	128,015	112,476	1.22
Mastercard Inc	723	168,665	174,926	1.89
Microsoft Corp	2,215	261,204	349,239	3.77
NIKE Inc	2,019	167,876	167,244	1.81

Portfolio Statement (continued)

USD Balanced Class (continued)

As at 31 March 2020 (continued)

	Nominal Holding	Cost USD	Fair Value USD	% of Net Assets
Transferable Securities Admitted to an Official Stock Exchange Listing or Dealt in on another Regulated Market (continued)				
Common Stock (continued)				
United States (continued)				
PepsiCo Inc	1,538	189,254	184,660	2.00
Snap-on Inc	1,004	153,692	109,180	1.18
Starbucks Corp	2,071	151,131	136,127	1.47
UnitedHealth Group Inc	894	218,165	222,879	2.41
Visa Inc - Class A	1,105	171,634	178,021	1.92
Yum! Brands Inc	1,706	168,476	116,997	1.26
			2,606,168	28.16
Total Common Stock			4,498,935	48.62
Investment Companies				
Ireland				
iShares Core MSCI EM IMI UCITS ETF	5,726	160,185	131,555	1.42
Total Investment Companies			131,555	1.42
Corporate Bonds				
Germany				
Kreditanstalt fuer Wiederaufbau 2.750% 15/07/2020	300,000	300,184	301,555	3.26
International				
European Investment Bank 2.875% 15/09/2020	195,000	196,898	196,806	2.13
European Investment Bank 'REGS' FRN 0.474% 10/06/2022	200,000	200,365	198,765	2.15
Inter-American Development Bank 2.125% 09/11/2020	300,000	302,741	302,754	3.27
International Bank for Reconstruction & Development 1.625% 04/09/2020	300,000	301,289	300,939	3.25
			999,264	10.80
United States				
Amazon.com Inc 1.900% 21/08/2020	85,000	84,813	84,917	0.92
McDonald's Corp 'MTN' 2.750% 09/12/2020	85,000	85,020	85,107	0.92
Nestle Holdings Inc 'EMTN' 1.875% 09/03/2021	170,000	170,284	170,453	1.84
Prudential Financial Inc 'MTN' 5.375% 21/06/2020	85,000	85,513	85,601	0.92
			426,078	4.60
Total Corporate Bonds			1,726,897	18.66
Government Bonds				
United States				
United States Treasury Bill (Zero Coupon) 0.000% 16/07/2020	2,200,000	2,200,567	2,199,190	23.76

Melville Douglas Balanced Fund Limited

Portfolio Statement (continued)

USD Balanced Class (continued)

As at 31 March 2020 (continued)

	Nominal Holding	Cost USD	Fair Value USD	% of Net Assets
Transferable Securities Admitted to an Official Stock Exchange Listing or Dealt in on another Regulated Market (continued)				
Government Bonds (continued)				
United States (continued)				
United States Treasury Note/Bond 2.750% 30/11/2020	270,000	270,474	274,565	2.97
United States Treasury Note/Bond 2.750% 30/09/2020	250,000	251,438	253,171	2.73
			2,726,926	29.46
Total Government Bonds			2,726,926	29.46
Total Investments		9,549,296	9,084,313	98.16
Total Transferable Securities Admitted to an Official Stock Exchange Listing or Dealt in on another Regulated Market				
			9,084,313	98.16
Total Investments			9,084,313	98.16
Net current assets			170,374	1.84
Total net assets		9,254,687	100.00	