



**Melville Douglas Select Fund Limited  
Annual Report and Audited Financial Statements**

**For the year ended 30 September 2020**

# Melville Douglas Select Fund Limited

## Annual Report and Audited Financial Statements

For the year ended 30 September 2020

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# Melville Douglas Select Fund Limited

## Administration

### Directors

Graham Baillie (South African/British)  
Michael Farrow\* (British) (Chairman) (Jersey Resident)  
Helen Holmes (British) (Resigned effective 24 October 2019)  
Oliver Sonnbichler (South African/Austrian)  
Robert Stewart (South African) (Appointed effective 9 April 2020) (Jersey Resident)

### 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.

# Melville Douglas Select Fund Limited

## **Report of the Directors**

The directors submit their annual report and audited financial statements for the year ended 30 September 2020.

### **Incorporation**

Melville Douglas Select 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. On 29 November 2013 the Company changed its name to Melville Douglas Select Fund Limited. 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 2020 there is only one Class Fund available - Global Equity Class.

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 2020, the Company has only one Class Fund which offers four Share Classes.

### **Objective and investment policy**

The objective of the Global Equity Class is to provide investors with long term capital growth by investing primarily in quoted global equities, which will maximise investment returns in US Dollars ("USD").

### **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 non-executive Chairman of Melville Douglas Investment Management (Proprietary) Limited. Oliver Sonnbichler is an executive of Melville Douglas Investment Management (Proprietary) Limited, Robert Stewart is an executive of Standard Bank Jersey 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.

### **Registered Office**

The registered office is as disclosed on page 2.

# Melville Douglas Select Fund Limited

## Report of the Directors (continued)

### 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 forms part of these financial statements.

### Secretary

The Secretary of the Company during the year ended 30 September 2020 and subsequently was STANLIB Fund Managers Jersey Limited.

### By Order of the Board

STANLIB Fund Managers Jersey Limited

Company Secretary

12 January 2021

# Melville Douglas Select Fund Limited

## **Report of the Custodian**

To the members of Melville Douglas Select 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 2020 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**

**12 January 2021**

# Melville Douglas Select Fund Limited

## Investment Manager's Report

For the year ended 30 September 2020

### Global Equity Class (the "Class Fund")

#### Class Fund Review

The year marked an exceptional period of market, economic and societal upheaval. The objectivity instilled by the Melville Douglas investment philosophy and process provided an invaluable guiding light through these choppy waters.

The Class Fund delivered strong absolute and index-relative performance. All the Class Fund's share classes (A-class up +16.62%, C-class up +17.79%, B-class up +16.97% and X-class up +18.74%) were comfortably ahead of the +10.44% return on the MSCI All Country World index.

Sector allocation and stock selection were both positive contributors to the Class Fund performance. Amidst all the uncertainty wrought by the coronavirus pandemic, investors ascribed premium valuations to companies that could reliably generate stable earnings growth. Such businesses are the cornerstones of the Class Fund, which seeks quality franchises with a competitive edge in growing markets.

From a sector perspective, the Class Fund benefited from avoiding or underweighting energy (down -39% over the year), real estate (-12%) and financials (-15%). The energy sector was hit hard by sharply lower oil prices as a result of weak demand (particularly from the transportation sector) and an ill-timed price-war by Saudi Arabia. Commercial real estate companies were impacted by lower retail footfall and office demand wrought by social distancing measures and higher unemployment. Banks were hit by the lower-for-longer interest rate outlook, the prospect of rising non-performing loans and weak commercial loan growth amidst a challenging macroeconomic backdrop.

Stock selection was boosted by strong returns from the holdings in Microsoft (up +53% over the year), Tencent (+57%), Keyence (+51%), Ørsted (+57%), Nike (+35%) and Amazon (+81%). A key theme was the bifurcation of winners and losers as the pandemic exacerbated long running secular trends. Cloud computing, ecommerce, automation and gaming were all helped by their customers' change in mindset as businesses and individuals adjusted to the so called "new normal".

The biggest contributor to performance was Microsoft, which is the largest single stock position in the Class Fund. The software company has many years of robust revenue growth ahead of it given only about a third of Windows server customers have started the transition to cloud computing. Once on the Microsoft's cloud platform there is further potential to migrate users to higher margin software services.

Amazon, the "everything store", benefited from the pandemic pulling forward growth in all three of its key revenue pools: ecommerce, digital advertising and cloud computing. The ecommerce business continues to gain market share from bricks-and-mortar retailers. Digital advertising growth remains at the expense of less targeted, measurable and cost-effective traditional advertising. The rapid growth in cloud computing spending will be further bolstered once business activity normalises and big corporate deals can be more readily signed.

Nike saw a swoosh in its share price on the accelerated shift to selling its products online. Over the past few years Nike has been transforming itself from being primarily a wholesaler to a more profitable direct seller via its own bricks-and-mortar stores, its website and its apps.

In Asia, Tencent, the Chinese social media and gaming operator, reported strong earnings growth as spending through its mobile payment app returned after China's lockdown ended and users continued to flock to its hit video games. Keyence, the Japanese manufacturer of vision sensors for factories, is a beneficiary of long-term demand for its products to enable automation, quality improvement, downstream R&D investment and technological innovations. An

# Melville Douglas Select Fund Limited

## Investment Manager's Report (continued)

example of an area that will see post-COVID demand for Keyence's products is the food industry, where further automation will help prevent workers from spreading the virus between each other and to customers.

Finally, the pandemic also concentrated minds on the next possible crisis, namely climate change. One of the solution providers is Ørsted, the world's largest offshore wind farm developer and operator. An expanding offshore wind market is expected to grow at a compound annual growth rate of approximately +20% over the decade.

### Global Equity Class (the "Class Fund") (continued)

#### Class Fund Review (continued)

There were only a few meaningful detractors to the Class Fund performance. Some holdings (e.g. Yum Brands and Banco Santander) were sold near the March lows to Class Fund opportunistic switches into more compelling ideas. The worst performer over the year was HDFC Bank (-12%) on concerns the Indian bank would see a material credit downcycle. Our analysis of its balance sheet, health of the franchise and underwriting discipline point to a business that should weather this cycle well. The valuation is off its lows but remains at the lower end of the historic trading range on several measures. The structural growth within India remains intact in our view making the current share price level an attractive point to be invested.

#### Market Overview

The twin health and economic crises resulting from the coronavirus pandemic was the dominant theme of the year. One of the sharpest stock market crashes in history in February and March, as economic activity was halted by draconian government lockdowns, was followed by a remarkably swift rebound. The rally from the March lows recouped all the earlier lost ground as central bankers and governments across the globe acted to "do what it takes" at an unprecedented peacetime speed and scale to save jobs and restore business confidence.

As mentioned earlier in the report, there was significant divergence in performance at a stock, sector and regional level. Some commentators described the post-March recovery as "K" shaped because there were sharply positive and negative returns for the winners and losers. A case in point are the information technology, consumer discretionary (includes Amazon and Tesla) and communication services (includes Tencent and Alphabet) sectors which were up +45%, +30% and +17% respectively over the 12 months to September 2020. By contrast, the energy, financials and real estate sectors were down -39%, -15% and -12% respectively over the same period.

#### Looking Ahead

Over the short-term, global stock markets have rallied ahead of the fundamentals by latching on to the improving rate of change from a deep trough rather than the absolutes of a dreadful operating environment for most businesses. However, so long as an investor can ride out the volatility, equities remain one of the few investment options for savers with a multi-year perspective to comfortably achieve returns ahead of inflation.

With the global economy unlikely to be firing on all cylinders for quite some time, a valuation premium will continue to be assigned to those companies that can sustainably grow their earnings. This is particularly the case in a world where almost every industry is being disrupted by a reshaped competitive landscape. Our investment philosophy focuses on identifying the winners.

We are mindful about the high valuations attached to quality growth stocks. Trees don't growth to the sky, and neither do share prices. This risk of overpaying or being blindsided by the unexpected is mitigated in client portfolios through:

- A conservative bias when making long-term earnings projections
- Healthy scepticism about assigning higher "it's different this time" valuations relative to history
- Purposeful diversification by sector, theme and geography.

# Melville Douglas Select Fund Limited

## **Investment Manager's Report (continued)**

In other words, we guard against falling in love with successful investments by constantly challenging its place in the portfolio and by incorporating a margin of safety in our analysis.

**Melville Douglas Investment Management (Proprietary) Limited**

**Investment Manager**

**11 November 2020**

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

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

### **Opinion**

In our opinion, Melville Douglas Select 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 2020 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 2020;
- the Statement of Comprehensive Income,
- the Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares for the year ended; 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

12 January 2021

# Melville Douglas Select Fund Limited

## Statement of Financial Position

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

	Notes	Global Equity 30 September 2020 USD	Global Equity 30 September 2019 USD
<b>Assets</b>			
Financial assets at fair value through profit or loss	2(b), 7.4	551,221,370	390,406,588
Cash and cash equivalents	2(c)	16,654,400	8,595,625
Receivable for shares sold	2(f)	11,571,443	395,140
Income receivable	2(d)	104,409	17,936
<b>Total assets</b>		<b>579,551,622</b>	<b>399,415,289</b>
<b>Liabilities</b>			
Payable for shares redeemed	2(f)	481,866	709,117
Management fees payable	2(g)	382,328	293,518
Custodian fees payable	2(g)	6,884	5,098
Sub-Custodian fees payable	2(g)	4,026	2,759
Performance fees payable	2(g)	787,047	198,276
Director fees payable	2(g)	9,200	9,400
Audit fees payable	2(g)	7,045	7,006
Other payables		20,532	3,391
<b>Total liabilities</b>		<b>1,698,928</b>	<b>1,228,565</b>
<b>Net assets attributable to holders of redeemable shares</b>		<b>577,852,694</b>	<b>398,186,724</b>
<b>Net asset value per share</b>			
Class A Shares		20.53	17.60
Class B Shares		16.36	13.99
Class C Shares		17.07	14.49
Class X Shares		17.30	14.57

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

The financial statements were approved by the Board on 12 January 2021 and signed on its behalf by:

### Director

The notes on pages 15 to 25 form an integral part of these financial statements.

# Melville Douglas Select Fund Limited

## Statement of Comprehensive Income

For the year 1 October 2019 to 30 September 2020

(Comparatives are for the year 1 October 2018 to 30 September 2019)

		Global Equity Class 30 September 2020	Global Equity Class 30 September 2019
	Notes	USD	USD
<b>Income</b>			
Dividend income	2(d)	6,259,783	5,936,225
Deposit interest	2(d)	17,933	51,516
Net gain on financial assets at fair value through profit or loss	2(h), 3	<u>79,943,777</u>	<u>13,260,966</u>
<b>Total net gain</b>		<b>86,221,493</b>	<b>19,248,707</b>
<b>Expenses</b>			
Management fees	2(g)	3,778,864	3,313,296
Custodian fees	2(g)	67,357	56,815
Sub-Custodian fees	2(g)	41,672	31,077
Performance fees	2(g)	1,893,962	721,240
Directors' fees	2(g)	32,056	36,700
Audit fees	2(g)	7,045	7,006
Sundry expenses		<u>63,174</u>	<u>36,023</u>
<b>Total operating expenses</b>		<b>5,884,130</b>	<b>4,202,157</b>
<b>Net income before finance costs</b>		<b>80,337,363</b>	<b>15,046,550</b>
<b>Finance Costs:</b>			
Bank interest		<u>(80)</u>	<u>(45)</u>
<b>Total Finance Costs</b>		<b>(80)</b>	<b>(45)</b>
Taxation	2(i), 4	(1,378,889)	(1,250,345)
<b>Increase in net assets attributable to holders of redeemable shares from operations</b>		<b><u>78,958,394</u></b>	<b><u>13,796,160</u></b>

All of the above results are from continuing operations. There are no recognised gains or losses for the year 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 15 to 25 form an integral part of these financial statements.

# Melville Douglas Select Fund Limited

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

For the year 1 October 2019 to 30 September 2020

(Comparatives are for the year 1 October 2018 to 30 September 2019)

	Notes	Global Equity Class 30 September 2020 USD	Global Equity Class 30 September 2019 USD
Net assets attributable to holders of redeemable shares at the beginning of the year		398,186,724	369,594,892
Proceeds from the issue of shares	5	146,421,586	72,431,640
Payments on the redemption of shares	5	(45,714,010)	(57,635,968)
<b>Increase in net assets attributable to holders of redeemable shares from investment activities</b>		<b>78,958,394</b>	<b>13,796,160</b>
<b>Net assets attributable to holders of redeemable shares at the end of the year</b>		<b>577,852,694</b>	<b>398,186,724</b>

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

The notes on pages 15 to 25 form an integral part of these financial statements

# Melville Douglas Select 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 2020 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 "The Financial Reporting Standard" for its annual and FRS 104 for its unaudited interim financial statements effective 1 October 2014.

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 pages 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, equities held are valued at closing mid-market price. Exchange Traded Funds held 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

# Melville Douglas Select Fund Limited

## Notes to the Financial Statements (continued)

### 2. Accounting Policies (continued)

#### b. Investments (continued)

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.

#### 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 Global Equity 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

# Melville Douglas Select Fund Limited

## Notes to the Financial Statements (continued)

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.

### 2. Accounting Policies (continued)

#### j. *Distribution policy*

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

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

	Global Equity Class 30 September 2020 USD	Global Equity Class 30 September 2019 USD
Non-derivative securities:		
Net realised (loss)/gain on investments	(9,803,659)	9,114,462
Net movement in unrealised investment schemes	89,789,386	4,145,177
	<u>79,985,727</u>	<u>13,259,639</u>
Derivative securities:		
Net realised (loss)/gain on foreign currency contracts	(41,950)	1,327
	<u>(41,950)</u>	<u>1,327</u>
<b>Net gain on financial assets at fair value through profit or loss</b>	<b><u>79,943,777</u></b>	<b><u>13,260,966</u></b>

### 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.

	30 September 2020 USD	30 September 2019 USD
<b>Global Equity Class</b>		
Overseas tax - withholding tax on dividend income	1,378,889	1,250,345

### 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.

# Melville Douglas Select Fund Limited

## Notes to the Financial Statements (continued)

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).

### 5. Share capital (continued)

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.

#### *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 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 year ended 30 September 2020.

	Number of shares at 30 September 2019	Issued during the year	Redeemed during the year	Number of shares at 30 September 2020
Global Equity Class - Class A Shares	12,248,249	967,990	(1,503,339)	11,712,900
Global Equity Class - Class B Shares	1,920,453	823,584	(194,213)	2,549,824
Global Equity Class - Class C Shares	499,694	359,567	(59,131)	800,130
Global Equity Class - Class X Shares	10,192,974	7,150,681	(1,039,715)	16,303,940

The following tables show 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
Global Equity Class - Class A Shares	14,539,760	398,740	(2,690,251)	12,248,249
Global Equity Class - Class B Shares	1,264,355	830,987	(174,889)	1,920,453
Global Equity Class - Class C Shares	246,548	262,569	(9,423)	499,694
Global Equity Class - Class X Shares	7,359,790	3,617,014	(783,830)	10,192,974

# Melville Douglas Select Fund Limited

## Notes to the Financial Statements (continued)

### 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.

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

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.

The annual management fee payable to the Manager is calculated as 1.2% of the net asset value of the Class Fund for Class A Shares, 1.7% for Class B Shares and 1% (reduced from 1.4% on 1 October 2019) for Class C Shares and 0.2% for Class X Shares.

The above amounts accrue on each subscription day and are payable to the Manager by monthly payments in arrears.

For the Class A Shares the Manager is also entitled to a performance fee of 5% of the increase in the net asset value per share payable quarterly, calculated and accrued on each subscription day if the net asset value per share on that day exceeds the highest net asset value per share as at any previous subscription day. The Manager remits the above fee in full to the Investment Manager as an investment management performance fee when they occur. There are no performance fees charged in respect of the Class B Shares, Class C Shares or Class X 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 (such minimum fee to be waived in respect of cash funds) (the "Minimum Fee"):

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. On 9 April 2020, Robert Stewart was appointed as a Director of the Company. Robert Stewart is entitled to receive USD10,000 per annum from the Company as director fees. Directors fees incurred during the year ended 30 September 2020 amounted to USD32,056 (30 September 2019: USD36,700) with USD9,200 (30 September 2019: USD9,400) 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 2020 and 30 September 2019 are as disclosed in the Statement of Comprehensive Income with the amounts outstanding at the year end disclosed in the Statement of Financial Position.

# Melville Douglas Select Fund Limited

## Notes to the Financial Statements (continued)

### 7. Financial risk management

Consistent with the investment objectives, as noted in the Report of the Directors, the Company's financial instruments comprise quoted securities. In addition, the Company holds cash and 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.

### 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.

The Class Fund's exposure to market price arises from its equity investments with a maximum exposure at the year end of USD551,221,370 (30 September 2019: USD390,406,588). The exposure levels are in line with the Class Fund's investment objectives and market price risk is managed through prescribed investment restrictions. 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 2020 USD	30 September 2019 USD
Global Equity Class	27,561,069	19,520,329

##### 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.

The Company does not actively manage interest rate risk as it is considered insignificant.

##### 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.

# Melville Douglas Select Fund Limited

## Notes to the Financial Statements (continued)

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.

A proportion of the net assets of the Global Equity Class is denominated in currencies other than US Dollars, the functional currency of the Class Fund. As a result, the performance of the Class Fund can be affected by currency movements relative to the US Dollar.

The tables overleaf show the currency exposure of the Class Fund as at 30 September 2020 and 30 September 2019.

### 7. Financial risk management (continued)

#### 7.1. Market risk (continued)

##### Currency risk (continued)

###### Global Equity Class

Exposure currency 30 September 2020	Investments USD	Cash USD	Other net assets USD	Total net assets USD	% of net assets
CHF	17,743,776	—	—	17,743,776	3.07
DKK	15,881,700	—	—	15,881,700	2.75
EUR	19,935,792	—	—	19,935,792	3.45
GBP	54,700,555	1	—	54,700,556	9.46
HKD	25,868,071	—	—	25,868,071	4.48
JPY	21,267,547	—	36,737	21,304,284	3.69
USD	395,823,929	16,654,399	9,940,187	422,418,515	73.10
	<u>551,221,370</u>	<u>16,654,400</u>	<u>9,976,924</u>	<u>577,852,694</u>	<u>100.00</u>

###### Global Equity Class

Exposure currency 30 September 2019	Investments USD	Cash USD	Other net assets/ (liabilities) USD	Total net assets USD	% of net assets
CHF	13,156,423	—	—	13,156,423	3.30
EUR	35,806,946	—	—	35,806,946	8.99
GBP	52,457,920	—	—	52,457,920	13.18
HKD	11,084,832	—	—	11,084,832	2.78
JPY	14,154,420	—	17,936	14,172,356	3.56
USD	263,746,047	8,595,625	(833,425)	271,508,247	68.19
	<u>390,406,588</u>	<u>8,595,625</u>	<u>(815,489)</u>	<u>398,186,724</u>	<u>100.00</u>

Currency risk is not managed actively 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.

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).

# Melville Douglas Select Fund Limited

## Notes to the Financial Statements (continued)

Global Equity Class		Change in net assets	Change in net assets
		30 September 2020	30 September 2019
		USD	USD
CHF	+/-5%	887,189	657,821
DKK	+/-5%	794,085	–
EUR	+/-5%	996,790	1,790,347
GBP	+/-5%	2,735,028	2,622,896
HKD	+/-5%	1,293,404	554,242
JPY	+/-5%	1,065,214	708,618

### 7. Financial risk management (continued)

#### 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.

The minimum redemption amount which shall be accepted in respect of participating shares in the Class Fund is USD 750 or GBP 700 in respect of each share class. The Manager will not accept a redemption request if as a result the value of a shareholding of participating shares in the Class Fund would fall below USD 15,000 or GBP 10,000. Full details regarding the 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 deposits and 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 Company seeks to engage with counterparties that are of an investment grade (at least BBB long term or A-2 short term) rating by S&P or an equivalent rating by Moody's or Fitch.

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

For the year ended 30 September 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.

# Melville Douglas Select Fund Limited

## Notes to the Financial Statements (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 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.

### 7. Financial risk management (continued)

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

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 Company's financial assets measured at fair value as at 30 September 2020 and 30 September 2019 are all classified as Level 1 within the fair value hierarchy. There were no transfers between the levels during the reporting periods. There were no financial liabilities at 30 September 2020 or 30 September 2019.

# Melville Douglas Select Fund Limited

## Notes to the Financial Statements (continued)

### 8. Exchange rates

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

	30 September 2020	30 September 2019
USD/CHF	0.91870	0.99716
USD/DKK	6.34773	-
USD/EUR	0.85276	0.91727
USD/GBP	0.77351	0.81149
USD/HKD	7.75000	7.83941
USD/JPY	105.53001	108.07498

### 9. Significant events during the year

From 1 October 2019, the management and administration fees on the Class C Shares were reduced to 1.00%. On the 24 October 2019, Helen Holmes resigned as a Director of the Company.

# Melville Douglas Select Fund Limited

## **Notes to the Financial Statements (continued)**

### **9. Significant events during the year (continued)**

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 Select 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.

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

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

### **10. Post statement of financial position events**

There were no 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 12 January 2021.

# Melville Douglas Select Fund Limited

## Portfolio Statement

### Global Equity Class

As at 30 September 2020

	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>				
Alibaba Group Holding Ltd ADR	86,170	16,378,635	25,321,485	4.38
Tencent Holdings Ltd	391,749	15,013,365	<u>25,868,071</u>	<u>4.48</u>
			<u>51,189,556</u>	<u>8.86</u>
<b>Denmark</b>				
Orsted A/S '144A'	114,560	10,183,899	15,881,700	2.75
<b>Germany</b>				
Brenntag AG	311,250	17,736,036	19,935,792	3.45
<b>India</b>				
HDFC Bank Ltd ADR	347,260	18,836,093	17,350,846	3.00
<b>Ireland</b>				
ICON Plc	84,400	13,895,978	16,134,326	2.79
Linde Plc	94,150	15,006,348	<u>22,414,761</u>	<u>3.88</u>
			<u>38,549,087</u>	<u>6.67</u>
<b>Japan</b>				
Keyence Corp	45,780	12,579,237	21,267,547	3.68
<b>Jersey</b>				
Experian Plc	543,370	11,639,245	20,515,600	3.55
<b>Switzerland</b>				
Partners Group Holding AG	19,230	11,920,341	17,743,776	3.07
<b>United Kingdom</b>				
Prudential Plc	1,102,340	20,940,186	15,807,979	2.74
Unilever Plc	297,600	16,904,461	<u>18,376,976</u>	<u>3.18</u>
			<u>34,184,955</u>	<u>5.92</u>
<b>United States</b>				
Alphabet Inc - Class A	18,400	20,122,077	26,958,116	4.67
Amazon.com Inc	8,060	11,731,669	25,368,971	4.39
Amphenol Corp - Class A	128,720	13,670,420	13,930,722	2.41
Anthem Inc	85,830	21,944,784	23,030,335	3.99
Boston Scientific Corp	497,400	19,851,751	18,998,193	3.29
Ecolab Inc	53,660	9,083,997	10,715,634	1.85
Estee Lauder Cos Inc/The - Class A	51,650	8,009,170	11,268,480	1.95
Johnson & Johnson	142,330	17,500,421	21,169,453	3.66

# Melville Douglas Select Fund Limited

## Portfolio Statement (continued)

Mastercard Inc	65,560	8,937,709	22,153,380	3.83
Microsoft Corp	172,190	13,094,080	36,196,921	6.26
NIKE Inc	160,300	12,849,003	20,123,260	3.48

### Global Equity Class (continued)

As at 30 September 2020 (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>				
PepsiCo Inc	137,120	15,357,669	18,956,154	3.28
Starbucks Corp	129,450	8,442,659	11,117,813	1.92
UnitedHealth Group Inc	75,300	14,067,097	23,453,314	4.06
Verisk Analytics Inc - Class A	61,100	9,236,665	11,313,582	1.96
Visa Inc - Class A	99,390	8,877,392	<u>19,848,183</u>	<u>3.44</u>
			314,602,511	54.44
<b>Total Common Stock</b>			<b>551,221,370</b>	<b>95.39</b>
<b>Total Investments</b>		<b>393,810,387</b>	<b>551,221,370</b>	<b>95.39</b>
<b>Total Transferable Securities Admitted to An Official Stock Exchange Listing or Dealt in on Another Regulated Market</b>				
Net current assets			<b>26,631,324</b>	<b>4.61</b>
<b>Total net assets</b>			<b><u>577,852,694</u></b>	<b><u>100.00</u></b>

# Melville Douglas Select Fund Limited

## Fund Statistics (Unaudited)

	Net asset value	Net asset value per share	% change in year**	Number of shares in issue	Highest Price*	Lowest Price*
	USD	USD			USD	USD
<b>Global Equity Class – Class A Shares</b>						
30 September 2012	40,962,494	10.13	1.30	4,045,144	10.28	9.45
30 September 2013	121,541,315	11.23	10.86	10,825,899	11.43	9.84
30 September 2014	153,916,966	12.12	7.93	12,694,370	12.73	10.94
30 September 2015	156,129,444	11.53	(4.87)	13,544,699	13.06	11.34
30 September 2016	171,840,280	12.52	8.59	13,730,332	12.60	11.10
30 September 2017	227,737,640	14.86	18.69	15,323,737	14.93	11.95
30 September 2018	246,939,029	16.98	14.27	14,539,760	17.18	14.90
30 September 2019	215,568,776	17.60	3.65	12,248,249	18.32	14.49
30 September 2020	240,418,047	20.53	16.65	11,712,900	21.47	13.27
<b>Global Equity Class – Class B Shares</b>						
At launch (9 September 2016)	128,601	9.82	-	13,094	-	-
30 September 2016	986,556	9.93	1.12	99,322	9.98	9.82
30 September 2017	6,905,958	11.81	18.93	584,745	11.86	9.48
30 September 2018	17,099,072	13.52	14.48	1,264,355	13.72	11.84
30 September 2019	26,865,557	13.99	3.48	1,920,453	14.58	11.52
30 September 2020	41,722,549	16.36	16.94	2,549,824	17.12	10.57
<b>Global Equity Class – Class C Shares</b>						
At launch (10 November 2016)	73,357	9.99	-	7,346	-	-
30 September 2017	1,282,174	12.16	21.72	105,416	12.22	9.90
30 September 2018	3,444,267	13.97	14.88	246,548	14.15	12.20
30 September 2019	7,242,664	14.49	3.72	499,694	15.09	11.91
30 September 2020	13,660,375	17.07	17.81	800,130	17.85	10.99
<b>Global Equity Class – Class X Shares</b>						
At launch (9 September 2016)	2,274,514	9.77	-	232,764	-	-
30 September 2016	2,154,526	9.89	1.23	217,870	9.93	9.77
30 September 2017	22,118,920	11.94	20.73	1,853,092	11.99	9.45
30 September 2018	102,112,524	13.87	16.16	7,359,790	14.02	11.97
30 September 2019	148,509,727	14.57	5.05	10,192,974	15.14	11.86
30 September 2020	282,051,723	17.30	18.74	16,303,940	18.08	11.09

\* 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.

# Melville Douglas Select Fund Limited

## **Portfolio Statement (continued)**

\*\* 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 Select Fund Limited

## Other Information (Unaudited)

### 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 Funds 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.

	30 September 2020	30 September 2019
Global Equity Class – Class A Shares (including performance fees)	2.09%	1.57%
Global Equity Class – Class A Shares (excluding performance fees)	1.24%	1.24%
Global Equity Class – Class B Shares	1.75%	1.75%
Global Equity Class – Class C Shares	1.05%	1.45%
Global Equity Class – Class X Shares	0.24%	0.25%

Please refer to the Statement of Comprehensive Income for performance fees incurred during the year.

### Investment Purchases, Investment Sales and Commissions (Unaudited)

Global Equity Class	30 September 2020	30 September 2019
	USD	USD
Gross purchases in year including transaction costs	168,780,131	74,990,763
Commissions	(13,370)	(172,306)
Net purchases total	<u>168,766,761</u>	<u>74,818,457</u>
Gross sales in year including transaction costs	87,974,089	59,085,219
Commissions	–	(101,772)
Net sales total	<u>87,974,089</u>	<u>58,983,447</u>

# Melville Douglas Select Fund Limited

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN pursuant to the Articles of Association of Melville Douglas Select Fund Limited (the "Company") that the Annual General Meeting of the Company will take place on 2 February 2021 at Standard Bank House, 47-49 La Motte Street, St. Helier, Jersey, Channel Islands at 10.45 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 2020 be approved and adopted.
2. That directors fees in the sum of USD30,000 and GBP5,000 for the year ended 30 September 2020 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**

**12 January 2021**

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

**Melville Douglas Select 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:

---

*Resolutions*      Ordinary Resolution      No 1      For/Against\*  
*\*Strike out whatever is*      No 2      For/Against\*  
*not desired*      No 3      For/Against\*

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2021

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