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Fidelity Balanced Trust

Annual Report 2020

FIDELITY SECURITIES


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FIDELITY SECURITIES

Contents

Corporate Information

Trustees:

Guaranty Trust Bank (Ghana) Limited
25A, Castle Road
Ambassadorial Area, Ridge
PMB CT 416
Accra

Legal Advisor:

Maataa Opare
Fidelity Bank Ghana Limited

Solicitor:

Bari & Co
Suite #1, 5th Floor
Trust Towers, Adabraka
P. O. Box CT 1466
Cantonments, Accra

Fund Manager:

Fidelity Securities Limited
1st Floor, Ridge Tower
10 Ambassadorial Enclave
West Ridge – Accra

Directors of Fund Manager:

Yaw Sarpong (Chairman)
Edward Effah
Edward Opare-Donkor
Sam Aidoo

Bankers:

Fidelity Bank Ghana Limited
Ridge Tower
10 Ambassadorial Enclave
West Ridge – Accra

Guaranty Trust Bank (Ghana) Limited
25A, Castle Road
Ambassadorial Area, Ridge
PMB CT 416
Accra

Auditor:

Deloitte & Touche
Chartered Accountants
The Deloitte Place
Plot No. 71
Off George W. Bush Highway
North Dzorwulu
P. O. Box GP 453
Accra – Ghana

Notice of Virtual Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 1st Annual General Meeting (AGM) of Unit Holders of Fidelity Balanced Trust will be held virtually via Microsoft® Teams on Thursday, August 26, 2021 at 11:30am to transact the following business:

ORDINARY BUSINESS

1. To receive the Report of the Manager for the Year 2020.

2. To receive and adopt the Annual Report and the Audited Statement of Income and Expenditure of Fidelity Balanced Trust for the financial year ended December 31, 2020, together with the Trustees Report and Auditors Report thereon.

3. To amend the Fidelity Balanced Trust Investment Policy.

4. To authorize the Fund Manager to ratify the appointment of Deloitte Ghana as the Auditors for the year 2021.

NOTE

Following guidelines from our regulator, Securities and Exchange Commission, Guideline number (SEC/GUI/003/05/2020), which directs capital market operators to hold virtual General Meetings, attendance and participation by all members and/or their proxies at this year's AGM shall be strictly virtual or by electronic means (online participation).

Dated this 2nd day of August, 2021.

COMPANY SECRETARY
BY ORDER OF THE MANAGER

ORDINARY RESOLUTIONS

1. That the Fund Manager's Report for the year ended December 31, 2020 be received.

2. That the Audited Financial Statement of Income and Expenditure of Fidelity Balanced Trust for the financial year ended December 31, 2020 together with the Trustee's Report and the Auditors' Report be received and adopted.

3. That the Fund Manager be and is hereby authorized to fix the remuneration of the Auditors for the Financial Year 2021.

Fidelity Balanced Trust

Report of the Directors of the Fund Manager

For the 15-month period ended 31 December 2020

The Board of Directors of Fidelity Securities Limited has the pleasure of presenting this annual report to the Unit Holders of Fidelity Balanced Trust for the 15 month period ended 31 December 2020.

Going concern

The Directors have made an assessment of the Unit Trust's ability to continue as a going concern and have no reason to believe the Trust will not be a going concern. Therefore, the financial statements have been prepared on the going concern basis.

Nature of business

The Fidelity Balanced Trust is an authorized Unit Trust as defined by the Unit Trust and Mutual Fund Regulations, 2001 (L.I 1695). Fidelity Balanced Trust is an open-ended Unit Trust that invests primarily in equity securities and fixed income securities. The Unit Trust has an objective of preserving and enhancing Unit Holder's wealth to meet medium to long term financial goals while at the same time creating liquidity to meet immediate needs of the Unit Holders.

Final report and dividend

The results for the year are set out below:

	2020
Net investment income (attributable to unit holders)	**250,941**
Leaving a balance to be carried forward of	**250,941**

Dividend distribution policy

The Trust reinvests all income earned to meet the objective of preserving and enhancing unit holders wealth.

Approval of financial statements

The financial statements of the Unit Trust were approved by the Board of Directors of Fidelity Securities Limited on 30th June 2021 and signed on their behalf by:

Signed

Yaw Nsafoa Sarpong
Board Chairman

30th June 2021

Signed

Edward Opare-Donkor
Director

30th June 2021

Fidelity Balanced Trust
Portfolio Manager's Report

For the 15-month period ended 31 December 2020

Global Economy
The anticipation of economic contraction in 2020 turned out better than expected as the global economy grew by 3.5 percent in 2020 against a projected global growth of -4.9% by the IMF. This partly due to China's economic recovery following its commendable handling of the COVID-19 pandemic. Surprisingly, the global growth in 2020 exceeded the growth of 2.9 percent in 2019 despite the economic effects of the COVID-19 pandemic.

In addition, global economic contraction was lower than projected on account of the massive policy support by governments worldwide, through a record increase in their stimulus programmes. These policy support measures resulted in, lower borrowing costs, bolstered equity valuations, enhanced investor risk appetite, and narrowed sovereign bond spreads across emerging market and developing economies.

In spite of the marginal global growth, rising debt levels and increasing interest burdens across several emerging markets and developing economies present significant financing & structural risks in the medium to long term, especially for the economies of emerging and frontier markets.

Globally inflation was subdued as a result of weak demand and significant slack in labour and product markets during 2020.

Commodity price trends in 2020 traded mixed in 2020 emanating from COVID-related global market conditions. Crude oil prices saw a significant decline of 22.9 percent on account of weak demand. Conversely, gold and cocoa prices witnessed a year-on-year increase of 25.4 percent and 2.5 percent respectively.

Ghanaian Economy
Ghana's robust economic growth of 6.5 percent in 2019 and a remarkable quarterly growth of 4.9 percent in the first quarter of 2020, reduced in the second quarter to 1.7 percent as a result of the partial lockdown imposed to contain the COVID-19 spread. By the 3rd quarter, data released by the Ghana Statistical Services showed that the rate of economic contraction improved substantially following the easing of restrictions by government.

Ghana, like many other countries, put several measures in place to minimize the effects of the virus on its populace and business including the following:

- Reduction of Monetary Policy Rate by 150 basis points from 16 percent in January 2019 to 14.50 percent in March 2020 by Bank of Ghana (BoG) resulting in a recommendation by the Ghana Association of Bankers that their members reduce their lending rates by 200 basis points;
- Government's removal and reduction in utility tarrifs, and
- The introduction of initiatives such as the CAP-BuSS programme of GH¢ 700m to support businesses after the lockdown.

On the fiscal front, the first eleven months of 2020 saw revenue amounting to GH¢ 46.7 bn, representing 12.1% of GDP. Out of this figure, domestic revenue comprised 98% and came in at GH¢45.5bn representing 11.8% of GDP as at November, 2020. On the other hand, in the midst of COVID-19 related interventions, total expenditure for the same period amounted to GH¢ 88.3 bn, representing 22.9% of GDP. With expected year end fiscal deficit targeted at 8.3 percent of GDP, Government is on the path to missing its deficit target for the year as the overall fiscal deficit for the end period under review was GH¢ 41.6 bn (10.8% of GDP). This result, however, would be due largely to the effects of the pandemic which continued to impact fiscal operations throughout the year. Primary balance also recorded a deficit of GH¢ 18.9 bn representing about 4.9% of GDP.

Highlight of Key Economic Indicators

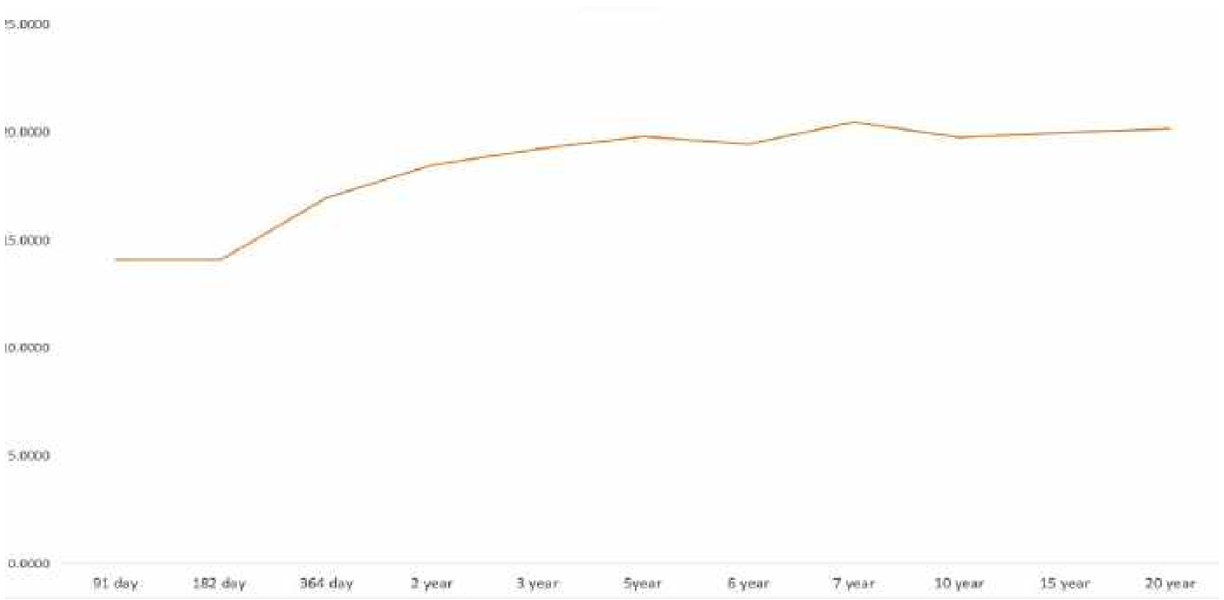
Exchange rate

The Ghana Cedi performed comparatively well in 2020 relative to 2019. Cumulatively, the Ghana Cedi depreciated by 3.9 percent against the US Dollar in 2020, as against a depreciation of 12.9 percent in 2019.

The Cedi's performance against the Pound and the Euro has also been notable. The Ghana Cedi cumulatively depreciated by 7.17 percent against the Pound and 12.1 percent against the Euro, relative to 15.7 percent and 11.2 percent over the same period last year.

Interest Rates

On the money market front, the yield curve maintained a normal shape with interest rates trending marginally downward across the curve with the 91-day treasury bill rate declining to 14.1 percent in December 2020 from 14.7 percent last year. The 182-day treasury bill rate also saw a decline to 14.1 percent from 15.2 percent over the same comparative period.



On the fixed income market however, bond yields recorded a mixed trend. On the secondary bond market, yields on 6-year, 7-year, 10-year, and 15-year bonds all declined. The rates on the 20-year bond, however, crept up slightly from 22.1 percent in December 2019 to 22.3 percent in December 2020.

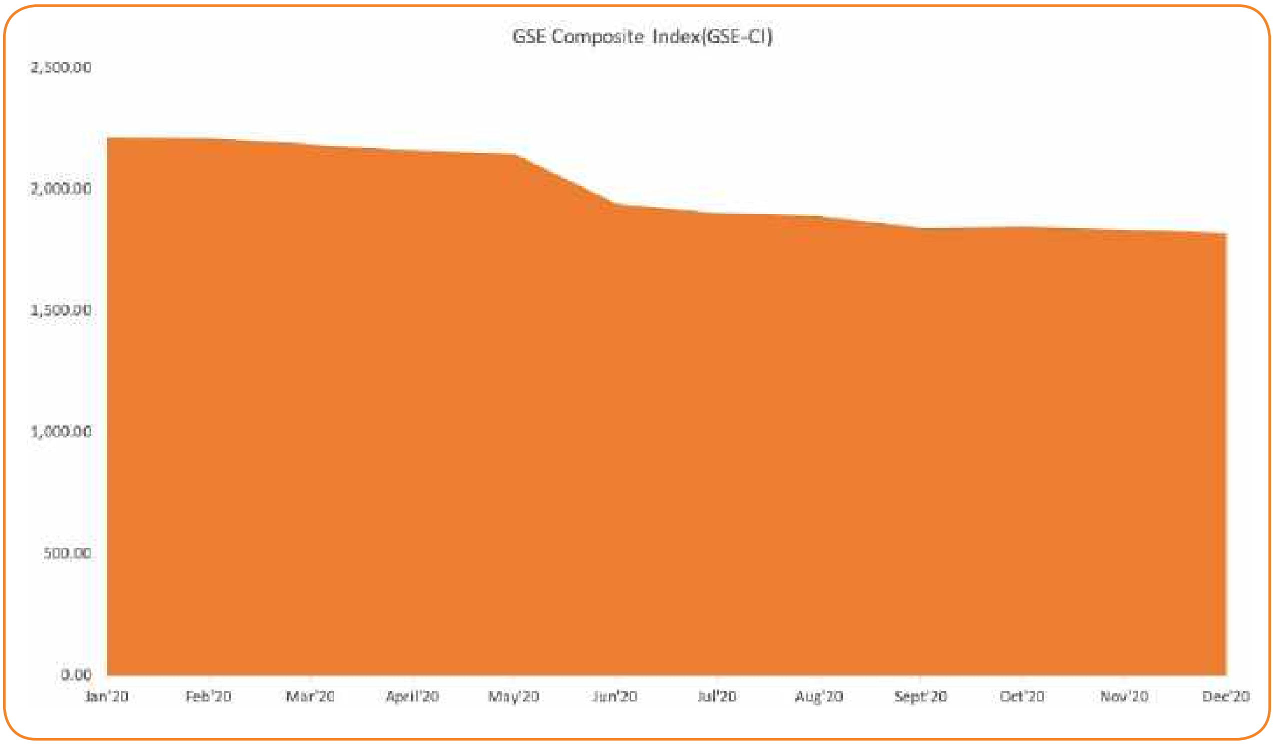
Inflation

From a position of 7.9 percent in December 2019, headline inflation witnessed mixed movement in the year under review. Inflation spiked in the second quarter of the year mainly driven by COVID-19 related factors and events preceding the partial lockdown.

Inflationary pressures, however, eased in the third and last quarters of the year as COVID-19 related restrictions causing the spike were removed thereby closing at 10.4 percent in December 2020.

Stock Market Performance

The Ghana Stock Exchange (GSE) maintained a bearish trend from 2018, closing on a negative note for the third consecutive year.



The GSE Composite Index recorded a loss of 13.98% for the year 2020, continuing a downward trajectory of losses recorded on the bourse for the third consecutive year. It shed 0.29% in 2018 and 12.25% in 2019 compared to 13.98% in the year under review.

Market Highlight

GSE STOCK INDICES/CAPITALIZATION	DEC 2020	YTD CHANGE	DEC 2019	YTD CHANGE
GSE COMPOSITE INDEX (GSE-CI)	1,941.59	-13.98%	2,257.15	-12.25%
GSE FINANCIAL STOCK INDEX (GSE-FSI)	1,782.76	-11.73%	2,019.65	-6.23%
MARKET CAPITALIZATION (GH¢ M)	54,374.88	-4.25%	56,791.28	-7.11%
DOMESTIC CAPITALIZATION (GH¢ M)	20,388.88	-10.11%	22,681.98	-10.66%

2020 performance appears to be visibly worse than the two preceding years despite the fact that companies listed on the stock market appeared to be fundamentally sound and churned out compelling results quarter-on-quarter. The bearish performance of the stock market could be attributable to uncertainties and economic prospects around election 2020 and the attractive performance of the Ghana Fixed Income market, which on the average returned 15.48% to investors on the primary market.

The Ghana Stock Exchange (GSE), however, saw a record-setting year in terms of volumes traded on the Accra bourse during 2020. The equity market recorded its second highest annual volume traded in its 30-year history, despite a challenging year for markets across the globe.

The robust fixed income market, bearish market sentiment and risks from the pandemic in 2020 pushed most stocks in the GSE-CI significantly below their intrinsic values, trading at huge discounts to book value.

The current regime of low Price-to-Earnings multiples spurred investors' appetite, resulting in a record 695,396,188 shares changing hands.

Outlook for 2021

- The COVID-19 vaccine is expected to lead global economic recovery in 2021 causing stock prices to recover from record lows in 2020 following the general pickup in business activity.
- Investor appetite for the stock market appears to be rebounding following successful Presidential and Parliamentary elections in December, 2020. This should reinforce investor confidence about the country's political stability and reflect on the volume, value and prices of stocks traded on the market.
- The relatively low yield on the Fixed Income market means that investors will be paid less to own bonds; hence, some investors will be looking to invest in stocks and this increased interest will boost prices on the market. Furthermore, the fall in inflation to single digit (9.8%) in November 2020 is within the Bank of Ghana's target of 10% +/-2 and may compel the government to drive down interest rates soon.

Overview of Investment Activities

The trailing twelve-month period was characterized by several market-moving events; of which the coronavirus pandemic, the presidential elections in Ghana and the United States stood tall. The lockdown imposed in several countries slowed economic activity across the globe and brought global supply chains to a standstill. The government responded to the COVID-19 outbreak with a breadth of policy measures which sought to ease the impact on the economy.

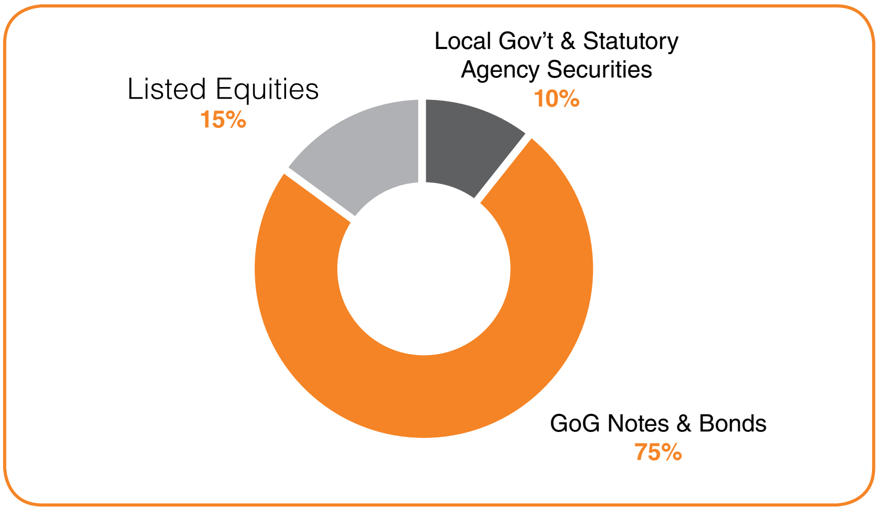
Treasury yields dropped in the primary market in 2020 despite increased government financing needs arising from the severe impact of the COVID-19 pandemic on revenue generation. On the secondary market, there were significant foreign investor selloffs on account of concerns over presidential elections and the potential impact of the pandemic on the economy.

The Trust, in the year under review, did not trade in equities. The Portfolio Manager, however closely monitored the market for opportunities on the market. On the fixed income front, there was active management to close some positions in fixed income and to take new positions. The fund also traded in bonds issued by local government and statutory agencies such as the ESLA to boost return on the fixed income component of the portfolio.

The Fidelity Balanced Trust returned 11.68% on a net asset value basis in 2020, outperforming its benchmark of 0.27%. Since inception in October 2019, the Fidelity Balanced Trust's rate of return - annualized was 15.70% against its benchmark of -4.79%. The Trust's stellar performance is attributable to our ardent approach to asset selection and our commitment to skillfully identifying opportunities in the market to build value for Unit Holders.

Portfolio Structure

Equities comprised 15% of the total assets under management in the Trust whiles Government of Ghana Bonds and local government and statutory agencies make up 75% and 10% respectively. Investments in treasury securities (notes and bonds) made up the bulk of the portfolio's assets. There were no breaches in asset allocation in the period under review.



Investment Strategy for 2021

Due to current conditions in the market, we believe the best strategy in 2021 is to invest in companies trading below a book value of 1 with high dividend yields, positive cash flows and strong historical earnings growth rate. This is because:

1. Stocks with high dividend yields serve as a cushion against possible losses in capital.
2. Companies with positive cash flows and a strong historical earning growth rate are likely to rebound strongly when the market and economy rebounds.

Stocks to Watch in 2021

The key sectors that will perform better than the market include banking, oil and gas and telecommunications. Consequently, our top picks for 2021 are Ecobank Ghana Limited, GCB Bank Limited, Standard Chartered Bank Ghana Limited, MTN Ghana, Ghana Oil Company Limited and Total Petroleum Ghana Limited.

We thank you for investing with Fidelity Balanced Trust, and look forward to continuing to serve your investment needs in the years ahead.

Signed

Joseph Nii Okai Afful
(Portfolio Manager)

Fidelity Balanced Trust

Report of the Trustees to the

to the Unitholders of Fidelity Balanced Trust

For the 15-month period ended 31 December 2020

In our opinion, according to the information made available to us and the explanations provided, we confirm that, in all material respects, the manager has managed the scheme during the year covered by these financial statements in accordance with the Trust Deed and all regulations for the time being in force under the Unit Trust and Mutual Funds Regulations, 2001 (L.I 1695).

Dated this 30th June 2021

Guaranty Trust Bank (Ghana) Ltd.
CS400022014

25A, Castle Road,
Ambassadorial Area, Ridge,
PMB CT 416, Cantonments,
Accra, Ghana.
Tel: (+233 302) 611 560, 680 662, 680 746, 676 474
(+233 302) 923 914, 966 755, 411 580

Fax: (+233 302) 662 727/664 533
Toll Free: 080001 24000

GTBank

REPORT OF THE TRUSTEES
TO THE INVESTORS OF FIDELITY BALANCED TRUST

In our independent opinion as Trustee, the Manager has, in all material respects, managed the Fund during the period, in accordance with the Unit Trust and Mutual Funds Regulations, 2001, (L.I 1695) and the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For the year 1st January 2020 to 31st December 2020, we have held the assets for the Fidelity Fixed Income Fund, including securities and income that accrue thereof, to the order of the Fund and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund manager.

Yours faithfully,
For: Guaranty Trust Bank (Ghana) Limited

Authorized Signatory | **Authorized Signatory**

Independent Auditor's Report

to the Unitholders of Fidelity Balanced Trust

Deloitte.

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Fidelity Balanced Trust, set out on pages 14 to 38, which comprise the statement of net assets as at 31 December 2020, statement of assets and liabilities as at 31 December 2020, the income and distribution account, statement of movement in net assets and statement of cash flows for the year then ended, the notes to the financial statements, including a summary of significant accounting policies and other explanatory disclosures.

In our opinion, the financial statements give a true and fair view of the financial position of Fidelity Balanced Trust as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Companies Act, 2019 (Act 992) and the Unit Trust and Mutual Funds Regulations, 2001 (L.I. 1695).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Trust in accordance with the requirements of the International Ethics Standards Board for Accountants' (IESBA), International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) and other independence requirements applicable to performing audits of financial statements in Ghana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of financial statements in Ghana.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other Information

The Fund Managers are responsible for the other information. The other information comprises the Report of the directors of Fund Manager, Portfolio Manager's report and Report of Trustees, which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion 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, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Fund Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, the requirements of the Companies Act, 2019 (Act 992) and the Unit Trust and Mutual Funds Regulations, 2001 (L.I. 1695) and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Trust'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 Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 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 this financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Fund Manager and the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Fund Manager and the Trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Report on Other Legal and Regulatory Requirements

In accordance with the Seventh Schedule of the Companies Act, 2019 (Act 992) we expressly state that:

1. We have obtained the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of the audit.

2. In our opinion:
   - proper books of accounts have been kept by the Trust, so far as appears from our examination of those books.
   - the information and explanations given to us, were in the manner required by the Companies Act, 2019 (Act 992) and give a true and fair view of the:

     a. statements of assets and liabilities of the Trust at the end of the financial year, and
     b. statements of income and distribution account for the financial year.

3. The Trust's statements of assets and liabilities and statement of income and distribution account are in agreement with the accounting records and returns.

4. We are independent of the Trust, pursuant to Section 143 of the Companies Act, 2019 (Act 992).

The engagement partner on the audit resulting in this independent auditor's report is **Emmanuel Martey (ICAG/P/1476).**

Deloitte & Touche

For and on behalf of Deloitte & Touche (ICAG/F/2021/129)
Chartered Accountants
The Deloitte Place, Plot No.71
Off George Walker Bush Highway
North Dzorwulu
Accra, Ghana

30th June 2021

Fidelity Balanced Trust

Statement of Net Assets

For the 15-month period ended 31 December 2020

(All amounts are in Ghana Cedis)

		2020	
	Note	**Market Value**	**% of Net assets**
Bank and cash balances	10	**126,574**	**7.46**
Receivables		**40,001**	**2.36**
Financial assets at FVTPL	11a	**1,733,933**	**102.25**
Government bonds and notes		766,895	45.23
LGSA bonds and notes		478,818	28.24
Treasury and cocoa bills		226,055	13.33
Equity securities		262,165	15.46
Liabilities	12	**(204,784)**	**(12.08)**
Net assets		**1,694,864**	**100.00**

The accompanying notes on pages 22 to 43 form an integral part of the financial statements.

Fidelity Balanced Trust

Income and Distribution Account

For the 15-month period ended 31 December 2020

(All amounts are in Ghana Cedis)

	Note	2020
Income	7	**306,758**
Other income	8	**15,389**
Fund expenses	9	**(71,206)**
Net investment income		**250,941**
Accumulated net investment income		
Net investment income for the period		**250,941**
At 31 December 2020		**250,941**

The accompanying notes on pages 22 to 43 form an integral part of the financial statements.

Fidelity Balanced Trust

Statement of Assets and Liabilities

For the 15-month period ended 31 December 2020

(All amounts are in Ghana Cedis)

	Note	2020
Assets		
Bank and cash balances	10	**126,574**
Receivables		**40,001**
Financial assets at FVTPL	11a	**1,733,933**
Total assets		**1,900,508**
Liabilities		
Accounts payable	12	**204,784**
Total liabilities		**204,784**
Equity		
Unitholders capital	13	**1,444,783**
Accumulated investment Income	14	**250,941**
Total equity		**1,695,724**
Total liabilities and equity		**1,900,508**

Signed

Edward Opare-Donkor
Director

Signed

Yaw Nsafoa Sarpong
Director

The accompanying notes on pages 22 to 43 form an integral part of the financial statements.

Fidelity Balanced Trust

Statement of Movement in Net Assets

For the 15-month period ended 31 December 2020

(All amounts are in Ghana Cedis)

Period ended 31 December 2020	Note	Unitholders capital	Net investment income	Net Assets
Net income for the period		-	250,941	250,941
Units issued		1,656,363	-	1,656,363
Units redeemed		(211,580)	-	(211,580)
Balance at 31 December 2020		**1,444,783**	**250,941**	**1,695,724**

Statement of movement in issued units	2020
Number of units issued during the year	**16,350,218**
	16,350,218
Number of units redeemed during the year	**(1,952,562)**
Number of units in issue at 31 December 2020	**14,397,656**

The accompanying notes on pages 22 to 43 form an integral part of the financial statements.

Fidelity Balanced Trust

Statement of Cash Flows

For the 15-month period ended 31 December 2020

(All amounts are in Ghana Cedis)

	Note	2020
Net investment income		**250,941**
Adjustment for non-cash items:		
Gain on financial assets at FVTPL	11a	**(41,708)**
Operating cash flow before movement in working capital		**209,233**
Changes in accounts receivable		(40,001)
Changes in accounts payable	12	204,784
Changes in financial assets at FVTPL	11a	(1,692,225)
Net cash used in operations		**(1,318,209)**
Cash flow from financing activities		
Proceeds from units issued		**1,656,363**
Redemption of client investments		**(211,580)**
Net cash from investing activities		**1,444,783**
Change in cash and cash equivalents		**126,574**
Cash and cash equivalents at 31 December	10	**126,574**

The accompanying notes on pages 22 to 43 form an integral part of the financial statements.

Notes to the Financial Statements

1. General information

Fidelity Balanced Trust is authorised to operate as a Unit Trust under the Securities Industry Act, 2016 (Act 929), and is duly licensed by the Securities and Exchange Commission. The registered office is located at Ridge Tower, 10 Ambassadorial Enclave, West Ridge, Accra. The Unit Trust is an open-ended collective investment scheme that receives contributions from investors and invests same on their behalf. The unit trust was launched and began operations on 1 October 2019. The financial statements of the Trust for the 15 month period ended 31 December 2020 were authorised for issue on 30th June 2021.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The Trust's financial statements have been prepared in accordance with the Unit Trust and Mutual Fund Regulations, 2001 (L.I. 1695) and comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements of the Trust are presented in Ghana cedis (GH¢) rounded to the nearest cedi.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Unit Trust's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 6.

Going concern

IAS 1 Presentation of Financial Statements requires management, when preparing financial statements, to make an assessment of an entity's ability to continue as a going concern, and whether the going concern assumption is appropriate, up to the date on which the financial statements are issued.

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Trust can continue in operational existence for the foreseeable future. Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the Financial Statements, that there is a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of these Financial Statements.

The COVID-19 pandemic and the measures undertaken to contain it have dramatically changed the global economic outlook, causing large-scale economic disruption and pronounced volatility in financial markets. The market disruption is expected to lead to a slowdown in economic activity, rising levels of unemployment, elevated levels of credit losses from business insolvencies and higher defaults.

In an attempt to mitigate the economic effect of the COVID-19 pandemic, the Government of Ghana and the Bank of Ghana (the prudential regulator and central bank) have offered significant fiscal, regulatory and monetary support to allow businesses to remain liquid and solvent, and to support retail customers. The extent to which these efforts will reduce the adverse financial effects of the pandemic remains uncertain. Thus, the outlook remains unclear as the recent surge in COVID-19 infections in Ghana and across the globe could affect the pace of the expected economic recovery and ultimately the short-term sensitivity of the Trust's business to the macro economic factors and the volatility of the financial markets.

The Trust's financial forecasts reflect the outcomes that the Directors of the fund manager consider most likely, based on the information available at the date of signing of these Financial Statements. This includes the implementation of COVID-19 safe working practices and impact mitigation measures adopted by management. To assess the Trust's resilience to more adverse outcomes, its forecast performance was sensitised to reflect a series of scenarios based on the Trust's principal risks and the downside prospects for the Ghanaian economy and the banking sector. This exercise included a reasonable worst-case scenario in which the Trust's principal risks manifest in aggregate to a severe but plausible level. In all scenarios, including the reasonable worst case, the Trust is able to comply with its financial covenants and meet its liabilities as they fall due.

Furthermore, a reverse stress test was performed to determine the market conditions in which the Trust, without mitigating action, would cease to be able to operate. Based on past experience and current economic forecasts, the Directors consider the possibility of this outcome to be remote and have identified mitigation that would be adopted in such circumstances.

Accordingly, the Directors consider there to be no material uncertainties that may cast significant doubt on the Trust's ability to continue to operate as a going concern. They have formed a judgement that there is a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing of these Financial Statements. For this reason, they continue to adopt the going concern basis in the preparation of these Financial Statements.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the unit trust are measured using the currency of the primary economic environment in which the entity operates (`the functional currency'). The financial statements are presented in 'Ghana cedi' (GH¢), which is the Unit Trust's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss.

2.3 Income

The Unit Trust recognises revenue when the amount of the revenue can be measured reliably and it is probable that future economic benefits will flow to the entity.
The Unit Trust's income mainly comprise interest income on investments held and gains realized from holding collective investments and equity instruments.

(a) Interest income

Interest is recognised on a time-proportionate basis using the effective interest method. Interest income is made up of interest earned from holding investments in financial assets.

(b) Capital appreciation

Gains from increases in the prices of collective investments and equity instruments are recorded as income.

2.4 Financial assets and liabilities

2.4.1 Financial assets

(i) Classification

The Trust classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the trust's business model for managing the financial assets and the contractual terms of the cash flows. The Trust has determined that it has two business models;

- Hold to collect business model: This includes fixed deposits, commercial papers and other cash and cash equivalents which are held to collect contractual cash flows.
- Other business model: This include equity, debt securities and derivatives which are traded frequently. These securities are measured at fair value.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Trust has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Trust reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the trust commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the trust has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Trust measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments
Subsequent measurement of debt instruments depends on the trust's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the trust classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in revenue using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in revenue using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Trust subsequently measures all equity investments at fair value. Where the trust's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Trust's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Trust assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivables only, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Trust uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the trust's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

2.4.2 Financial liabilities

The Trust's holding in financial liabilities represent mainly owings to service providers. Such financial liabilities are initially recognized at fair value and subsequently measured at amortised cost.

2.4.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial instruments is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges.

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. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, forex rates, volatilities and counterparty spreads) existing at the reporting dates.

The Trust uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Trust holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk.

Based on the established fair value model governance policies, related controls and procedures applied, the directors believe that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value.

Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments. In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

2.4.4 Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Trust has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Trust has transferred substantially all the risks and rewards of the asset, or (b) the Trust has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Trust has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Trust's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Trust could be required to repay.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.4.5 Repurchase and reverse repurchase agreements

Securities may be lent subject to a commitment to repurchase it at a specified date ('a repo'). Such securities are not derecognised but retained on the statement of financial position when substantially all the risks and rewards of ownership remain with the Trust. Any cash received, including accrued interest, is recognised on the balance sheet reflecting its economic substance as a loan to the Trust.

Conversely, securities borrowed or purchased securities subject to a commitment to resell at a specified date (a 'reverse repo') is not recognised on the statement of financial position as the transactions are treated as collateralised loans. However, where the securities borrowed is sold to third parties, the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss included in net trading income.

2.4.6 Offsetting financial instruments

Netting, where financial assets and liabilities are set off and the net amount reported in the statement of financial position, occurs if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the statement of financial position.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. For the purpose of the cash flow statement cash and cash equivalents comprise balances with 91 days or less from the date of acquisition including cash and balances with Banks, treasury bills and other eligible bills and amounts due from other banks and dealing securities.

2.6 Provisions

A provision is recognised if, as a result of a past event, the Trust has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Trust from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Trust recognises any impairment loss on the assets associated with that contract.

2.7 Unit holders capital

Members contributions are classified as 'unitholders capital' in equity. There are no barriers to entry and exit in the unit trust.

2.8 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be settled or recovered. Trading assets and liabilities have been classisfied to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products.

As at 31 December 2020

	Within 12 months	After 12 months	Total
Assets			
Cash and bank balances	126,574	-	126,574
Receivables	40,001	-	40,001
Financial assets at FVTPL	343,628	1,390,305	1,733,933
Total assets	**510,203**	**1,390,305**	**1,900,508**
Payables	204,784	-	204,784
Net	**305,419**	**1,390,305**	**1,695,724**

3. Financial Risk Management

(a) Introduction and overview

The Unit Trust's business involves receiving funds from unit holders and investing in various income generating investment vehicles. This requires taking on risks in a targeted manner and managing them professionally. The core functions of the Trust's risk management are to identify all key risks, measure these risks, manage the risk positions and determine capital allocations. The fund manager regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Trust's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the fund's financial performance. The unit trust defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

(b) Risk management structure

The Board of Directors of Fidelity Securities Limited has overall responsibility for the establishment and oversight of the Unit Trust's risk management framework and they are assisted by the Investment Committee of the Board and Risk Management and Compliance Departments of the Fidelity Group. The Risk Management and Compliance Department of the parent company, Fidelity Bank Ghana Limited, regularly reviews the Trust's risk management policies and systems to reflect changes in markets, products and emerging best practices.

The risk management policies are established to identify and analyse the risks faced by the Unit Trust, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The fund manager, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Unit Trust's primary defense against risks of losses is its Trust deed, SEC approved manuals, policies, procedures, systems and internal controls. In addition, internal control mechanisms ensure that appropriate action is taken when identified risk pass acceptable levels, as approved by the Board of Directors of the fund manager and regulators. Internal control, from time to time, reviews and assesses the adequacy of procedures and controls.

The risks arising from financial instruments to which the Unit Trust is exposed are financial risks, which include market risk, credit risk and liquidity risk.

3.1 Market risk

The Unit Trust takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

(a) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Unit Trust had no foreign currency denominated assets and liabilities at year end. All assets and liabilities held are denominated in Ghana cedis.

(b) Interest rate risk

Interest rate risk is the exposure of current and future earnings and capital to adverse changes in the level of interest rates. Exposure to interest rate risk can result from a variety of factors, including:

- differences between the timing of market interest rate changes and the timing of cash flows (repricing risk)
- changes in the market interest rates producing different effects on yields on similar instruments with different maturities (yield curve risk); and
- changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar re-pricing characteristics (basis risk).

The Unit Trust's interest rate risk arises mainly from investments held.

The tables below summarises the Trust's exposure to interest rate risks. It includes the Trust's financial instruments at carrying amounts categorised by the earlier of contractual re-pricing or maturity dates.

Assets	**Up to 3 months**	**3-6 months**	**6-12 months**	**Over 1 year**	**Non-interest bearing**	**Total**
Cash and bank balances	-	-	-	-	126,574	**126,574**
Financial assets	-	161,966	64,089	1,245,713	262,165	**1,733,933**
Accounts receivable	-	-	-	-	40,001	**40,001**
Financial assets	**-**	**161,966**	**64,089**	**1,245,713**	**1,829,519**	**1,900,508**
Liabilities						
Accounts payable	-	-	-	-	204,784	**204,784**
Financial liabilities	**-**	**-**	**-**	**-**	**204,784**	**204,784**
Total interest re-pricing gap	**-**	**161,966**	**64,089**	**1,245,713**		

Interest rate sensitivity analysis

The interest re-pricing gap analysis is supplemented by monitoring the sensitivity of the Trust's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis points (bps) parallel shift in all yield curves. An analysis of the Trust's sensitivity to an increase or decrease in market interest rates (assuming no symmetrical movement in yield curves and a constant balance sheet position) and its impact on the net interest margin is as follows:

		Possible interest rate movements		
	Total interest re-pricing gap	**+100bps**	**+200bps**	**+300bps**
Up to 3 months	-	-	-	-
3-6 months	161,966	1,620	3,239	4,859
6-12 months	64,089	641	1,282	1,923
Over 1 year	1,245,713	12,457	24,914	37,371
Total		**14,718**	**29,435**	**44,153**
Impact on interest income		**5.63%**	**11.26%**	**16.89%**

3.2 Credit risk

The Trust is exposed to credit risk, which is the risk that the counterparty may be unable to pay amounts in full when they fall due. The Trust is exposed to counterparty risk on bank balances, investments in debt securities and other exposures arising from its trading activities.

The Trust considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the trust compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

The maximum exposure to credit risk before any credit enhancements at 31 December is the carrying amount of the financial assets as set out below:

	2020
Cash and balances with bank	**126,574**
Receivables	**40,001**
Financial assets at FVTPL	**1,733,933**
	1,900,508

The above table represents a worst case scenario of credit risk exposure to the Unit Trust at 31 December 2020, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above, 91% of the total maximum exposure is derived from investments and exposure from cash and balances with bank represents 7%.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the trust. Where financial assets and receivables have been written off, the unit trust continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

At 31 December 2020, the unit trust's credit exposure were categorised as follows:

- Exposures that are neither past due nor impaired;
- Exposures that are past due but not impaired; and
- Individually impaired facilities

None of these assets are impaired nor past due. No credit limits were exceeded.

Expected Credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Trust.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

The Trust recognises a loss allowance for expected credit losses on all advances measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective advances. The trust measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on an advance has not increased significantly since initial recognition, then the loss allowance for that advance is measured at 12 month expected credit losses (12 month ECL). Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of an advance. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on an advance that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the trust considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of an advance being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on an advance has increased significantly since initial recognition, the trust compares the risk of a default occurring on the advance as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The trust considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on an advance is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the trust has reasonable and supportable information that demonstrates otherwise. By contrast, if an advance is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the advance has not increased significantly since initial recognition. The trust regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the trust consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account). Irrespective of the above analysis, the trust considers that default has occurred when an advance instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

The trust writes off an advance when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Advances written off may still be subject to enforcement activities under the trust recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3.3 Liquidity risk

Liquidity risk is the risk that the Unit Trust may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Unit Trust manages this risk by ensuring that it has access to a variety of funding sources. Particular attention is paid to marketability of assets, whose availability for sale or as collateral for refinance is evaluated under different market scenarios. Consequently, the Trust monitors any factors that may impact negatively on its ability to remain liquid. It is the policy of the Unit Trust to invest the majority of its assets in investments that are traded in an active market and can be readily disposed. The Trust is not allowed to invest in equity securities.

The Trust monitors its liquidity position on regular basis and the investment committee of the Board of the fund manager reviews it at its meetings.

3.3.1 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below analyses the Unit Trust's financial assets and liabilities into relevant maturing groupings based on the remaining period at the reporting date to the contractual maturity date.

The amounts presented below are the contractual undiscounted cash flows.

At 31 December 2020

	Up to 3 months	3-6 months	6-12 months	Over 1 year	Total
Financial liabilities					
Accounts payable	204,784	-	-	-	204,784
Total liabilities (Contractual maturing dates)	**204,784**	**-**	**-**	**-**	**204,784**
Financial assets					
Cash and bank balances	126,574	-	-	-	126,574
Receivables	40,001	-	-	-	40,001
Financial assets	238,729	-	104,899	1,390,305	1,733,933
Total assets held for managing liquidity risk (contractual maturity date)	**405,304**	**-**	**104,899**	**1,390,305**	**1,900,508**

3.3.2 Assets held for managing liquidity risk

The Trust holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Trust's assets held for managing liquidity risk comprise:

- Cash and balances with the Trust's bankers
- Certificates of deposit;
- Secondary sources of liquidity in the form of highly liquid instruments in the Trust's investment portfolios.

4. Fair Value of Financial Instruments

(a) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Trust's market assumptions. These two types of inputs have created the following fair value hierarchy:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Ghana Stock Exchange).
- **Level 2** – Inputs are quoted prices for the asset or liability, (other than those included in Level 1) that are observable either directly (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3** – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Unit Trust considers relevant and observable market prices in its valuations where possible.

	Level 1	Level 2	Level 3
2020			
Financial assets at FVTPL	**262,165**	**1,471,768**	**-**

(b) Financial instruments not measured at fair value

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Unit Trust's statement of financial position at their fair value:

	Carrying value 2020	Fair value 2020
Financial assets		
Bank balances	**126,574**	**126,574**
Receivables	**40,001**	**40,001**
Financial liabilities		
Accounts payable	**204,784**	**204,784**

The fair value of financial assets and liabilities traded in active markets are based on quoted market price at the reporting date. The quoted market price used for financial assets held by the Trust is the current bid price; the appropriate quoted market price for the financial liabilities is the market asking price.

The fair value of financial assets and financial liabilities that are not traded in an active market is determined by using valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation

techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

5. Capital Risk Management

The Unit Trust's objectives when managing capital are to safeguard the Trust's ability to continue as a going concern in order to provide returns for unit holders.

The Trust's key objectives in managing capital are to:

- comply fully with the capital requirements set up by Securities and Exchange Commission;
- safeguard the Trust's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders; and
- maintain a strong capital base to support the development and growth of its business.

6. Critical Accounting Judgements, Estimates And Assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Trust's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Actual results may differ from these estimates.

(a) Measurement of the expected credit losses allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios and the associated ECL.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the advance at the reporting date. Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Advances are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the advance, external credit ratings (if available), industry of counterparty etc. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics. If the trust has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the trust measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa. An impairment gain or loss is recognised for all advances in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance.

Credit risk

Credit risk is the risk of financial loss to the trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The trust is exposed to credit risk on net advances, trade and other receivables, cash restricted for use and cash and cash equivalents.

The trust only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party. Management, for loans issued to customers, uses independent credit bureau reports and its internally developed scorecards when assessing the credit quality of the loan applicant. The internally generated scorecards are developed on the back of the trust's risk tolerance, past history with the client and the client's financial position amongst other factors which are included the trust's credit policy. The loans and advances to customers have been reduced by the amount the trust expects will not be collected in the future to take into account the trust's credit exposure.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year. Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition.

In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account.

Net advances which do not contain a significant financing component are the exceptions and are discussed below. Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics. For trade and other receivables which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other financial assets, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade and other receivables.

(b) Fair value of financial instruments

The fair value of financial instruments is determined by reference to the quoted bid price or asking price (as appropriate) in an active market. Where the fair value of financial assets and financial liabilities recorded on the statement of assets and liabilities cannot be derived from an active market, it is determined using a variety of valuation techniques including the use of prices obtained in recent arms' length transactions, comparison to similar instruments for which market observable prices exist, net present value techniques and mathematical models. Input to these mathematical models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

(c) Hold to collect financial assets

The Trust classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as hold to collect. This classification requires significant judgement. In making this judgement, the Trust uses the Business model and Solely for Payment of Principal and Interest (SPPI) model to assess that the purpose for holding these assets was to collect the contractual cash flows associated with the assets. If the Trust were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Trust is required to reclassify the entire category as hold to collect and sell. Accordingly, the investments would be measured at fair value instead of amortised cost.

7. Investment Income	**2020**
Interest on financial assets at FVTPL	**189,218**
Interest on financial assets at amortised cost	**72,259**
Profit from sale of Financial assets at FVTPL	**3,573**
Fair value gain on Financial assets at FVTPL	**41,708**
	306,758

Interest income from Financial assets at amortised cost is calculated using the effective interest method

8. Other income	**2020**
Dividend income	**14,809**
Other income	**580**
	15,389

9. Fund expenses	**2020**
Management fees	**34,272**
Trustee fees	**5,995**
Audit fees	**23,850**
Other expenses	**7,089**
	71,206

Other expenses include brokerage, CSD and other bank transactional related charges.

10. Bank and cash balances

	2020
Bank balances	**126,574**

11. Financial assets

		2020
Financial assets at FVTPL	(11a)	**1,733,933**
Financial assets at amortised cost	(11b)	**-**
At 31 December		**1,733,933**

(11a) Financial assets at Fair Value through profit and loss

Financial assets classified as FVTPL were measured at fair value as shown below:

	2020
Government bonds and notes	**766,895**
LGSA bonds and notes	**478,818**
Treasury and cocoa bills	**226,055**
Equity securities	**262,165**
	1,733,933
At 1 October 2019	**-**
Additions	**2,511,178**
Redemptions	**(818,953)**
Fair value gains	**41,708**
At 31 December 2020	**1,733,933**

(11b) Financial assets at amortised cost

Financial assets classified as FVTPL were measured at fair value as shown below:

	2020
At 1 October 2019	**-**
Additions	**934,388**
Redemptions	**(934,388)**
At 31 December 2020	**-**

12. Accounts payable	2020
Management fees payable	8,031
Trustee fees payable	5,995
Audit fees payable	23,850
Other	166,908
	204,784

13. Unit holders

The number of unit holders as of 31 December 2020 was 145.

14. Accumulated investment income account

This represents the accumulated profits over the years after appropriations. The balance is available for distribution to unit holders.

15. Related party disclosures

Fidelity Balanced Trust is managed by Fidelity Securities Limited, a company incorporated in Ghana and wholly owned by Fidelity Bank Ghana Limited.

A number of transactions are entered into with related parties in the normal course of business. These include transactions with the fund manager and other associated entities.

(i) Transactions with fund manager

Transactions between the Unit Trust and its fund manager meet the definition of related party transactions.

Transactions with the fund manager are shown below:

	2020
Management fees	34,272

(ii) Year end balances arising from investments and services rendered;

	2020
Fidelity Securities Limited investment balance	347,100
Fees payable to Fidelity Securities Limited	8,031

16. Contingent liabilities

There were no contingent liabilities at 31 December 2020.

17. Capital commitments

There were no capital commitments at 31 December 2020.

18. Events after the reporting date

There are no events after the reporting date that require disclosure in these financial statements.

Proxy Form

Annual General Meeting of Fidelity Balanced Trust is to be held virtually via Microsoft® Teams on Thursday, August 26, 2021 at 11:30am

I/We...being a Unit holder(s) hereby appoint .... as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Fund to be held onThursday, August 26, 2021 and at any adjournment thereof.

RESOLUTION	FOR	AGAINST
To receive the Report of the Manager for the Year 2020		
To receive and adopt the Annual Report and the Audited Statement of Income and Expenditure of Fidelity Balanced Trust for the financial year ended December 31, 2020, together with the Trustees Report and Auditors Report thereon.		
Amend investment policy for Scheme		
To ratify the appointment of Deloitte Ghana as Auditors		

Please indicate with an “X” in the appropriate square how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote for, against or abstain from voting at his/her discretion. (Do not complete this form if you will attend the meeting.

Dated this .... day of ...., 2021.

....

Unit Holder(s) Signature

Let's work together to build your future

Follow these steps to deposit money into your Fidelity Securities Investment Account.

- **Download** and **login** to the Fidelity Mobile App
- Select **View All**
- Under **Investment**, select **Fidelity Securities**
- Complete the **form** and enter your **11-digit** Fidelity Securities **Investor ID** in the **Investor Number** field
- Click **Next**
- Enter Mobile App **PIN** to complete

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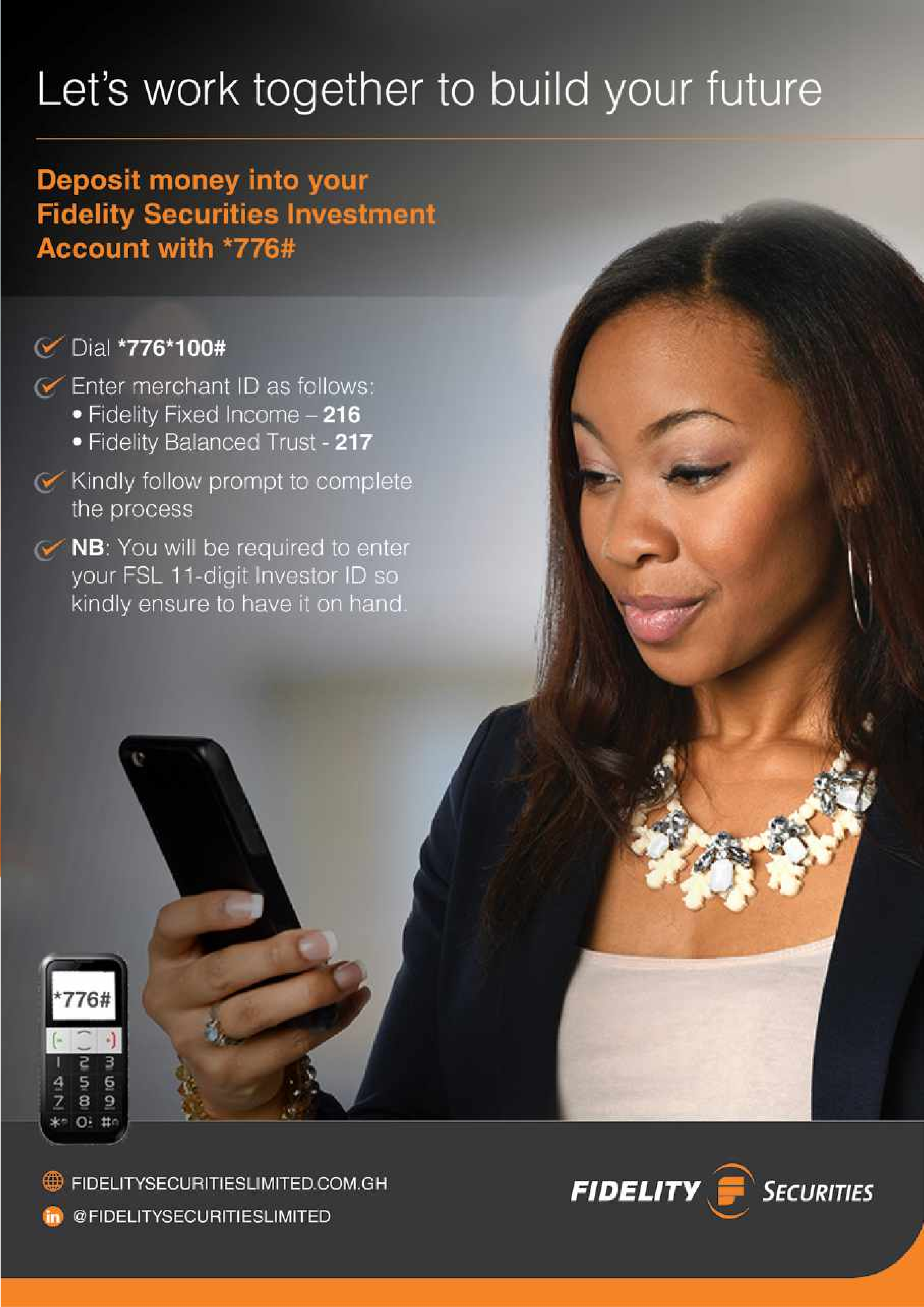
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