2023 Annual Report

Fidelity Balanced Trust

FIDELITY SECURITIES


An investment that fits your growing needs
Fidelity Balanced Trust
Conquer those market mood swings by lowering risk while taking advantage of growth opportunities in the equity market.
Invest today
For more information, call 024 169 5296
or visit www.fidelitysecuritieslimited.com.gh
FIDELITY SECURITIES

Content

Corporate Information

Fund Manager	Fidelity Securities Limited 8th Floor, Ridge Tower 10 Ambassadorial Enclave West Ridge – Accra
Directors of the Fund Manager	Yaw Nsafoa Sarpong Edward Effah Akwasi Adu Boahene
Company Secretary of the Fund Manager	Maataa Opare
Trustees	Guaranty Trust Bank (Ghana) Limited 25A, Castle Road Ambassadorial Area, Ridge PMB CT 416 Accra
Solicitor	Bari & Co Suite #1, 5th Floor Trust Towers, Adabraka P. O. Box CT 1466 Cantonments, Accra
Bankers	Fidelity Bank Ghana LTD Ridge Tower 10 Ambassadorial Enclave West Ridge – Accra Guaranty Trust Bank (Ghana) Limited 25A, Castle Road Ambassadorial Area, Ridge PMB CT 416 Accra
Auditor	John Kay & Co. 7th Floor, Trust Towers Farrar Avenue, Adabraka P. O. Box KIA 16088 Airport, Accra.

Notice of Virtual Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 4th Annual General Meeting (AGM) of the Unitholders of **Fidelity Balanced Trust** will be held virtually via Microsoft® Teams on Thursday, the 4th of July, 2024 at 11:30am to transact the following business:

ORDINARY BUSINESS

1. To receive the Report of the Fund Manager for the Year ended 31st December, 2023.
2. To receive and adopt the Audited Financial Statements of Fidelity Balanced Trust for the year ended 31st December, 2023 together with the reports of the Trustees and Auditors.
3. To authorize the Fund Manager to determine the fees of the Auditors for the year ending 2024.

NOTE
In line with the provisions of the Securities and Exchange Commission Guideline number (SEC/GUI/003/05/2020), please note that 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 3rd day of June, 2024.

BY ORDER OF THE FUND MANAGER

Fidelity Balanced Trust

Report of the Directors of the Fund Manager

For the year ended 31 December 2023

The Board of Directors of Fidelity Securities Limited has the pleasure of presenting this annual report to the unitholders of Fidelity Balanced Trust for the year 31 December 2023.

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 a 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 unitholder's wealth to meet medium to long term financial goals while at the same time creating liquidity to meet immediate needs of the unitholders.

Final Report and Dividend

The results for the year are set out below:

	2023	2022
	GH¢	GH¢
Balance at 1 January	**237,313**	781,900
Net investment income (attributable to unitholders)	**415,600**	677,234
Net movement in other comprehensive income	**(161,856)**	(1,221,821)
Leaving a balance to be carried forward of	**491,057**	237,313

Dividend Distribution Policy

The Trust reinvests all income earned to meet the objective of preserving and enhancing unitholders' 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 April 2024 and signed on their behalf by:

Signed

Akwasi Adu Boahene
Executive Director

Signed

Yaw Nsafoa Sarpong
Board Chairman

Fidelity Balanced Trust

Portfolio Manager's Report

For the year ended 31 December 2023

Global Economy

In the year 2023, the global economy encountered a mix of challenges and opportunities that shaped its trajectory throughout the year. Despite facing elevated inflation and geopolitical tensions, the global GDP managed to maintain moderate growth rate of around 2.6%, as reported by the World Bank. The United States emerged as a stronghold of growth, driven by robust domestic demand, while other regions such as Japan, the Euro Area, and the United Kingdom faced economic contractions. Emerging markets, supported by China's rebound, exhibited growth, although manufacturing weaknesses and tight monetary policies tempered overall economic expansion.

Tightening financing conditions and renewed strength in the US dollar added further complexity to the global economic landscape, impacting emerging and developing economies. Geopolitical uncertainties, particularly surrounding trade tensions and conflicts such as the invasion of Ukraine by Russia, heightened risks and contributed to ongoing economic volatility. In response to these challenges, policymakers employed various measures aimed at stabilizing and promoting economic growth. Initiatives such as the US Inflation Reduction Act and the EU's Net-Zero Industry Act sought to address inflationary pressures and promote green investments. However, the potential escalation of the US-China trade war and disruptions to semiconductor supply chains posed significant risks to global trade and economic stability.

Throughout the year 2023, inflation undercurrents played a significant role in shaping economic outcomes worldwide. Labour markets remained tight even though global headline inflation trended downwards, as the disinflationary trend was driven largely by reversals in energy and food supply shocks. Looking ahead, coordinated policy responses and proactive risk management strategies will remain essential to navigate uncertainties and sustain growth in the global economy.

Selected Economies Real GDP Growth *(Percent change)*

		Estimate	Projections		Difference from October 2023 WEO Projections 1/	
	2022	2023	2024	2025	2024	2025
Argentina	5.0	–1.1	–2.8	5.0	–5.6	1.7
Australia	3.8	1.8	1.4	2.1	0.2	0.1
Brazil	3.0	3.1	1.7	1.9	0.2	0.0
Canada	3.8	1.1	1.4	2.3	–0.2	–0.1
China	3.0	5.2	4.6	4.1	0.4	0.0
Egypt 2/	6.7	3.8	3.0	4.7	–0.6	–0.3
France	2.5	0.8	1.0	1.7	–0.3	–0.1
Germany	1.8	–0.3	0.5	1.6	–0.4	–0.4
India 2/	7.2	6.7	6.5	6.5	0.2	0.2
Indonesia	5.3	5.0	5.0	5.0	0.0	0.0
Iran 2/	3.8	5.4	3.7	3.2	1.2	1.2
Italy	3.7	0.7	0.7	1.1	0.0	0.1
Japan	1.0	1.9	0.9	0.8	–0.1	0.2
Kazakhstan	3.3	4.8	3.1	5.7	–1.1	1.1
Korea	2.6	1.4	2.3	2.3	0.1	0.0
Malaysia	8.7	4.0	4.3	4.4	0.0	0.0
Mexico	3.9	3.4	2.7	1.5	0.6	0.0
Netherlands	4.3	0.2	0.7	1.3	–0.4	–0.2
Nigeria	3.3	2.8	3.0	3.1	–0.1	0.0
Pakistan 2/	6.2	–0.2	2.0	3.5	–0.5	–0.1
Philippines	7.6	5.3	6.0	6.1	0.1	0.0

	2022	Estimate 2023	Projections 2024	2025	Difference from October 2023 WEO Projections 1/ 2024	2025
Poland	5.3	0.6	2.8	3.2	0.5	–0.2
Russia	–1.2	3.0	2.6	1.1	1.5	0.1
Saudi Arabia	8.7	–1.1	2.7	5.5	–1.3	1.3
South Africa	1.9	0.6	1.0	1.3	–0.8	–0.3
Spain	5.8	2.4	1.5	2.1	–0.2	0.0
Thailand	2.6	2.5	4.4	2.0	1.2	–1.1
Türkiye	5.5	4.0	3.1	3.2	0.1	0.0
United Kingdom	4.3	0.5	0.6	1.6	0.0	–0.4
United States	1.9	2.5	2.1	1.7	0.6	–0.1

Source: International Monetary Fund, World Economic Outlook, January 2024 *Update*.
Note: The selected economies account for approximately 83 percent of world output.
1/ Difference based on rounded figures for the current and October 2023 WEO forecasts.
2/ Data and forecasts are presented on a fiscal year basis.

Ghanaian Economy

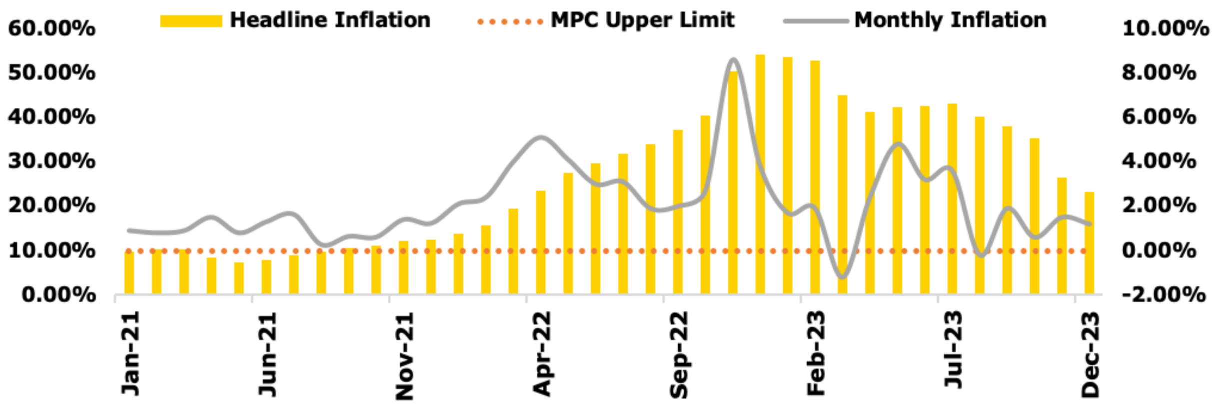
The Ghanaian economy showed robust recovery throughout 2023, highlighted by a remarkable rebound in economic activity. The updated Composite Index of Economic Activity (CIEA) recorded an annual growth rate of 9.6 percent in November 2023, marking the highest level observed in two years. This resurgence was supported by a variety of indicators, including increased domestic VAT collection, improved port activity, rising industrial consumption of electricity, augmented imports, and a surge in tourist arrivals. These positive trends emphasize a broad-based improvement in various sectors and a strengthening of the general economic landscape. As inflationary pressures subsided, consumers expressed greater optimism, while businesses displayed confidence in meeting short-term targets and exhibited positive sentiments towards company and industry prospects. Additionally, observed trends in Ghana's Purchasing Managers' Index (PMI) mirrored these favorable developments, further validating the upturn in economic activity. Overall, the confluence of these factors propelled the Ghanaian economy towards a path of recovery and expansion, signaling positive momentum for sustained growth in the foreseeable future.

Foreign Exchange

The Ghanaian cedi faced marginal pressures, notably in October, with a 2023 year end depreciation of 15.57% to the US dollar in the retail market. On the interbank market, the local currency lost about 27.81% in value to the dollar. However, this was a show of resilience following the sharp depreciation experienced in 2022, when the cedi lost about 50% of its value. This relative resilience was supported by the commencement of the 3-year IMF program which translated into favorable outcomes for Ghana's capital and financial accounts, including reduced portfolio outflows and a current account surplus of approximately $1.11 billion. This, according to the Bank of Ghana, positively impacted the balance of payments.

Inflation

Ghana's inflationary pressures eased from the onset of 2023, though there was a reversal in the disinflationary trend for the three months preceding August 2023. In general, food, non-food and core inflation softened throughout the year 2023. Year-on-year inflation for December 2023 stood at 23.2 percent, a considerable improvement from 54.10 percent recorded in December 2022.



Interest rates

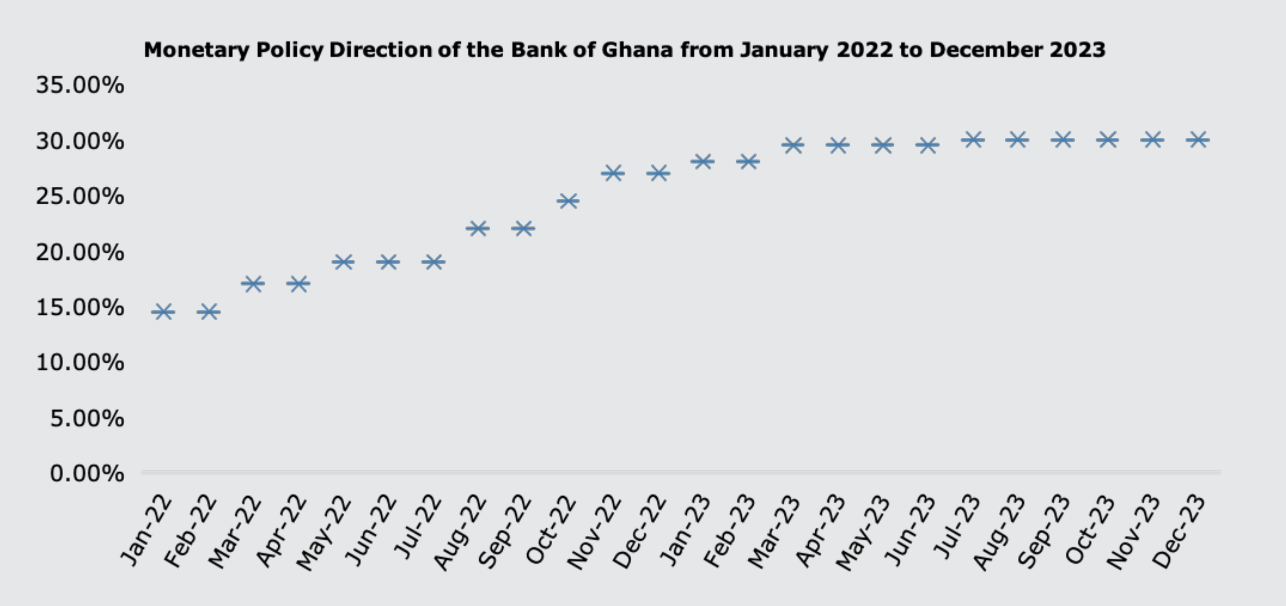
Interest rates displayed mixed trends, with short-term rates experiencing fluctuations while longer-dated rates remained stable. In October 2023, the 91-day and 182-day Treasury bill rates slightly decreased to 29.40 percent and 31.37 percent respectively, contrasting with slight increases in the 364-day instrument rate to 33.16 percent.

Additionally, retail rates adjusted upwards with average lending rates of banks rising to 32.69 percent in October 2023 compared to 31.40 percent, the corresponding period in 2022.

Monetary Policy Rate

Ghana's monetary policy remained tight, with the policy rate held at 30.0 percent, signalling the need to anchor inflation towards the medium-term target despite the marked improvement in headline inflation. As part of the monetary authority's policy tools, there was the introduction of a new unified Cash Reserve Ratio of 15 percent for total deposits in Ghana cedis aimed to address excess structural liquidity conditions and bolster the disinflation process.

Global economic challenges, including tighter financing conditions and slower growth also influenced the Bank of Ghana's monetary policy stance.



Ghana Stock Exchange Performance

Indices on the local bourse showed mixed performance in 2023. The main index (GSE-CI) ended December 2023 with a year-to-date return of 28.08% comparing favourably to the previous year's loss of -12.38%, as more capital flowed towards dividend paying stocks in search of income and capital gain. However, the Financial Stock Index (GSE-FSI) continued its decline of -4.49% in 2022 to -7.36% as at end of December 2023.

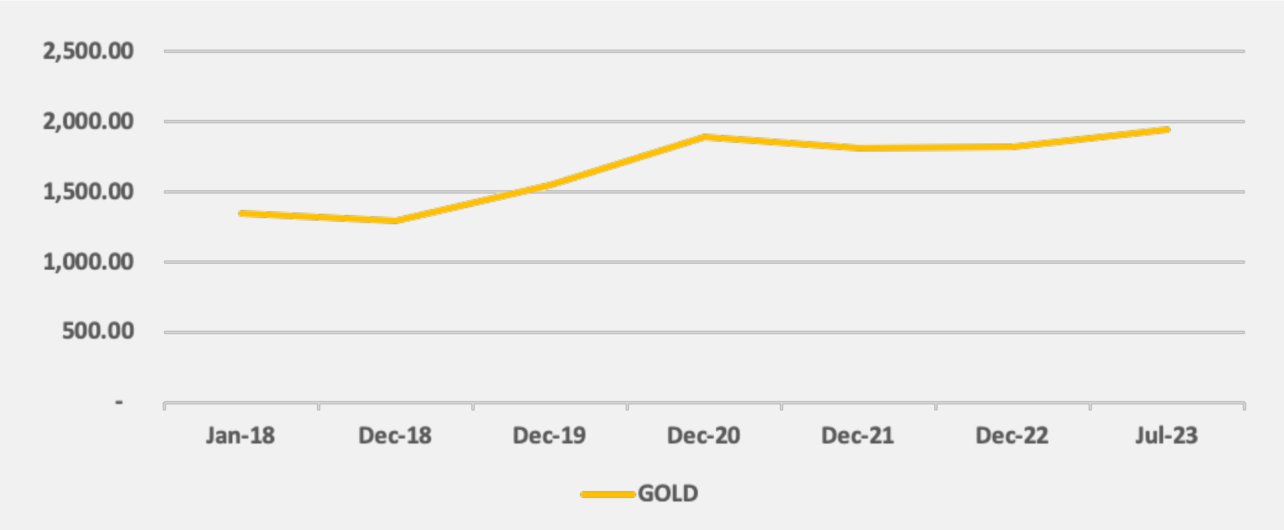
Overall market activity fell in terms of volumes and value of trades. The cumulative volume traded and its value declined by 56.59% and 50.11%, respectively, while market capitalization increased by 14.55% from GH¢64.5 billion at the end of December 2022 to GH¢73.89 billion by the close of December 2023 due to price gains.

Ghana Fixed Income Market Performance

The Ghana Fixed Income Market (GFIM) experienced a substantial decline in market activity, with the cumulative volume traded dropping by 57.26% to GH¢98.44 billion compared to the previous year. Total trades also decreased by 24.36%, as investors continued to heal from the wounds of the sovereign's voluntary default on medium and long term domestic debt. Consequently, long-term Government securities constituted 32.47% of market activity, while short-term government instruments accounted for 58.64%, and corporate trades comprised 8.89%.

Commodities Prices

Gold prices experienced a notable 1.14% increase in December 2023, solidifying a year-on-year gain of 13.07%. This upward trend was fueled by global economic slowdown and financial instability, driven partly by geopolitical tensions and inflation. Throughout the year, gold served as a hedge against risk amid elevated interest rates and policy tightening measures. Cocoa prices surged by an impressive 68.21% year-on-year, starting at US$2,484.8 per tonne and reaching US$4,231.52 per tonne, primarily due to supply shortages resulting from adverse weather conditions in key producing countries. Despite significant the fluctuations, commodity prices in 2023 remained above pre-pandemic levels.



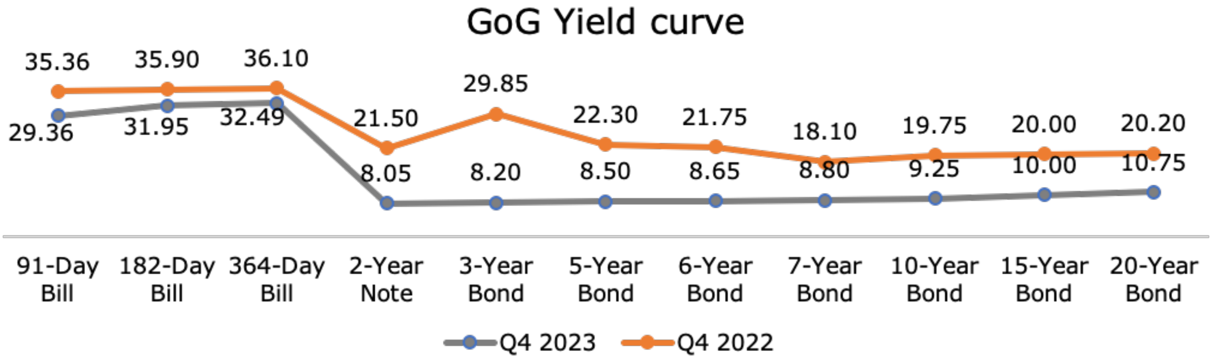
Overview of Investment Activities

Global economic activity was mixed in 2023, improving in the first half year but moderated in the second half. Global inflationary pressures eased substantially, largely supported by the decline in energy and food prices. Consequently, headline inflation was on a downward trajectory albeit above the targets in many advanced economies due to persistence in core inflation.

Ghana's economic growth continued to lag expectations, despite maintaining a relatively stable currency and experiencing a downward trend in inflation in the year under review. Several factors supported the disinflation; notably, stable crude oil prices which led to a favorable impact on transportation costs, stronger FX reserve accumulation due to the gold reserve program, favorable climatic conditions on the food supply chain and the monetary policy stance of the Central bank throughout 2023.

On the Fixed Income front, there was firm demand in money market securities in the second half of 2023, on the back of limited options for medium to long-dated fixed income assets on the market. The 91-Day witnessed a decrease from 35.36% to 29.36%. The 182-day and 364-day bills ended the fourth quarter 2023 at 31.95% and 32.49% from 35.90% and 36.10% respectively in 2022.

Due to the lack of access to the international capital market and risk-off sentiment in the bond market, the Treasury turned solely to the issuance of money market instruments to offset budgetary spending.



The GSE-CI returned 28.08% for year-end 2023, a marked improvement over the 2022 return of -12.38%, while the GSE-FSI return worsened from -4.61% year end 2022 to -7.36% year end 2023. Market capitalization stood at GH¢73.89 billion at the close of 2023.

	Q4 2023	Q3 2023	Q4 2022
Market Cap (GH¢' m)	73,893.17	74,189.35	64,507.32
YTD Return (GSE-CI) %	28.08	29.81	-12.38
YTD Return (GSE-FSI) %	-7.36	-7.92	-4.61

Portfolio Performance

In 2023, the Fidelity Balanced Trust rebounded with a YTD return of 7.40%, indicating a positive performance and a recovery from the previous year's decline.

With a total market value of GH¢ 3.4m, the Fund's return since inception stood at 32.00% as at the year 2023 compared to the return of the fund from inception to 2022 of 23.90%.

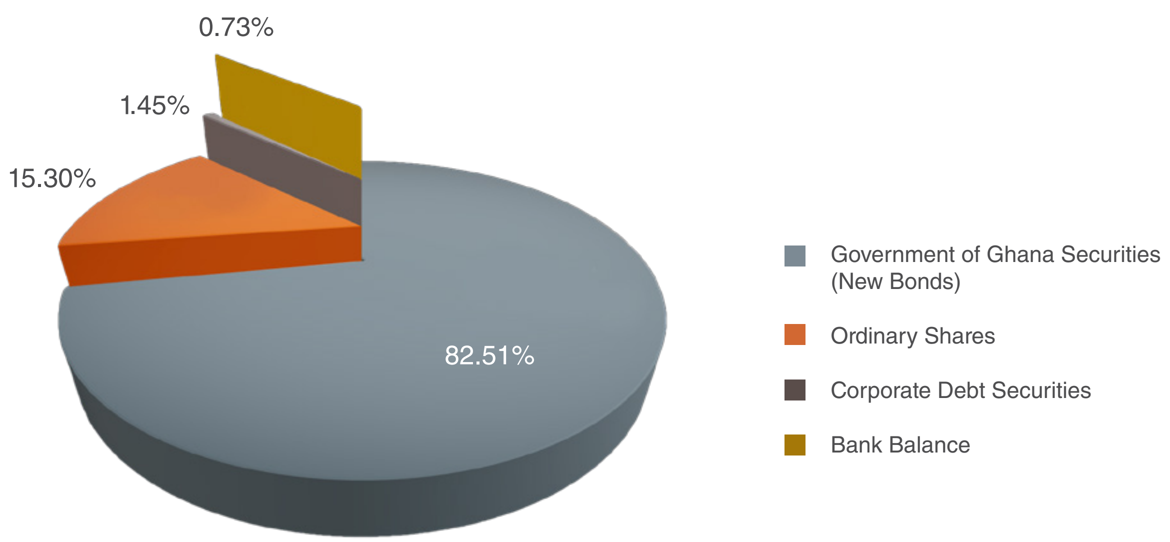
The Fidelity Balanced Trust posted a positive return of 7.40% against the benchmark of 30.53%. In comparison, the returns of the Fund for 2020, 2021 and 2022 were 11.68% (benchmark: 11.41%), 25.07% (benchmark: 30.07%) and -15.23% (benchmark: 6.56%) respectively.

Asset Class	2020	2021	2022	2023
YTD	11.68%	25.07%	-15.23%	7.40%
BENCHMARK	11.41%	30.07%	6.56%	30.53%

Portfolio Structure

As at the end of December 2023, the Trust's distribution of assets weighed significantly in Fixed Income Securities issued by the Government of Ghana, at approximately 83%. 15.3%, held in ordinary shares on the Ghana Stock Exchange with Corporate debt and cash held at 1.45% and 0.73%.

Porfolio Composition



2024 Outlook and Portfolio Strategy

The global outlook remains uncertain with geopolitical tensions and its potential spillovers into the commodities market posing a major risk factor to most economies. According to the World Bank, global growth is expected to slow to 2.4% in 2024. Global inflation is anticipated to continue its slowdown in 2024 on favorable base effects and ease gradually towards central bank targets in most economies by 2025 as cost pressures moderate.

In Ghana, there have been early indications that the current macroeconomic framework being implemented with the support of the IMF program is yielding positive results. The Ghanaian economy is projected to expand gradually in 2024, driven by election year political spending which is expected to transmit into a boost in private consumption. Looking ahead to 2024, our expectation is for year-on-year inflation figures to ease further along the year, underpinned by an expected relative stability in the value of the local unit of account against the US dollar and the base effect in the rate of change of the CPI computation.

The disbursement of the second tranche of the IMF in the first quarter of 2024 would improve investor sentiment, boost capital inflows, and provide support to the Cedi which would also support economic growth. The cedi is expected to demonstrate relative stability for the year 2024. The early completion and settlement of favorable agreement terms with bilateral creditors and commercial bondholders will boost confidence and trigger additional resource flows to the economy. The anticipated conclusion of the external debt restructuring process by mid-2024 is likely to enhance investor sentiment, attract capital and financial account inflows, and provide support to the Cedi. However, we expect the cedi to continue to register some loss against the greenback in 2024 albeit at a lower rate compared to what we witnessed in 2023 and 2022.

Given the general disinflationary trend we witnessed throughout 2023, the Monetary Policy Committee is expected to commence a monetary easing cycle at its meetings in 2024. We anticipate some cuts and pauses in the Committee's policy rate decisions in the year as the downward trend of inflation is expected to persist in 2024.

Following the conclusion of the alternative Domestic Debt exchange offer for pension funds and the successful payments of subsequent coupons, we anticipate increased activity on the bond market due to recovering confidence and as short-term rates continue their declining path.

We expect the equity market to return positive for consecutive years in 2024 as additional growth will likely be propelled by a rally in the financial stock index. The forecast is also maintained by expectations that investors will seek to take advantage of the largely undervalued stocks and a recovery of interest in financial stocks. In the telco segment, market leader MTN is expected to maintain its strong performance in 2024. Its dominant market share, consistent financial performance and dividend payouts make it a magnet for investors. Also, with geopolitical tensions still palpable, the gold-backed exchange traded fund is tipped to show strong growth prospects in 2024.

In 2024, the fund will aim to ensure sufficient liquidity. The Fidelity Balanced Trust will focus on reducing the interest rate risk of the fixed income portion of the portfolio. While default expectations on the part of Government on its short-term obligations remain low in the interim, we will take limited positions in Treasury bills while seeking opportunities to exit positions in the New Bonds when it is favorable. We will also focus on providing exposure to highly liquid stocks with sound fundamentals, and a history of paying consistent dividends. The Fund's asset allocation decisions will center around reducing issuer concentration risk, reducing interest rate risk and active security selection decisions that will enable the fund to meet Unitholders' liquidity needs, provide better portfolio balance and improve the prospects for enhanced returns in the medium to long term.

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

Sincerely,

Signed

Joseph Nii Okai Afful
(Portfolio Manager)

Report of the Trustees

to the Unitholders of Fidelity Balanced Trust

For the year ended 31 December 2023

Guaranty Trust Bank (Ghana) Ltd
CS406022014
25A, Castle Road, Ambassadorial Area, Ridge
P.M.B CT 416, Cantonments, Accra, Ghana
Tel: (+233 302) 611 560, 680 662, 680 746, 676 474, 923 914, 966 755
Toll Free: 0800 124 000
www.gtbghana.com

GTBank
Guaranty Trust Bank (Ghana) Ltd
CS406022014

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 2023 to 31st December 2023, we have held the assets for the Fidelity Balance Trust, 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

For the year ended 31 December 2023

John Kay & Co.

7th Floor, Trust Towers
Farrar Avenue, Adabraka
P. O. Box K I A 16088
Airport, Accra

Tel: +233 302 235406
+233 302 238370
Fax: +233 302 238371
Email: info@johnkay.net

Opinion

We have audited the accompanying financial statements of Fidelity Balanced Trust, which comprise the statement of net assets as at 31 December 2023, the statement of asset and liabilities, statement of comprehensive income the statement of movement in net assets, and, statement of cash flows, and notes to the financial statements, as set out in pages 20-34.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Fidelity Balanced Trust as at 31 December 2023, and of its financial performance and its movement in net assets for the year ended in accordance with International Financial Reporting Standards (IFRS) with the IAS 29 directives issued by the Institute of Chartered Accountants Ghana (ICAG) and the manner required by the Securities Industry Act, 2016 (Act 929) and 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 Unit Trust in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

In accordance with ISAs, this part of our report is intended to describe the matters communicated with those charged with governance that we have determined, in our professional judgement, were most significant in the audit of the financial statements. We have determined that, the following matters should be reported under key audit matters.

Domestic Debt Exchange Program

During the year, the Government of Ghana invited Collective Investment Schemes that were holding Domestic Notes and Bonds of the Central Government, E.S.L.A Plc and Daakye Trust Plc bonds to exchange their existing bonds for a package of new bonds under the Domestic Debt Exchange Program.

The Unit Trust heeded the invitation and consequently exchanged GH¢ 3,865,781 of old bonds for new bonds.

The impact of the Debt exchange program is significant to the Fund as it affects the valuation, classification, and financial performance of the Fund's financial assets. We have therefore determined the debt exchange program as a key audit matter.

How the matter was addressed in our audit

Our audit procedures included the following;

Valuation of Debt Instruments: We assessed the appropriateness of the valuation methodologies used by management, considering factors such as market conditions, credit risk, and the terms of the exchange agreement.

Recognition and Measurement: We evaluated, whether the criteria for recognition of gains or losses from the exchange as per the applicable accounting standards, International Financial Reporting Standards (IFRS) have been appropriately applied. This involved assessing whether the conditions for derecognition of the old debt instruments and recognition of the new ones have been duly met, and whether any modification of terms has occurred.

Disclosure Requirements: We assessed whether disclosures related to the debt exchange transactions are comprehensive and in compliance with relevant accounting standards and regulatory requirements. This includes evaluating the adequacy of disclosures regarding the nature and extent of the exchanges, the impact on the financial position and performance of the unit trust, and any associated risks.

Internal Controls and Documentation: We evaluated the effectiveness of internal controls established by management to identify, evaluate, and account for such transactions. This includes assessing the adequacy of controls over the valuation process, authorization and approval procedures, and the documentation of key decisions and assumptions.

We also perform substantive testing to validate the accuracy and completeness of the information provided by management.

Responsibilities of the Fund Manager for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) with the IAS 29 directives issued by the Institute of Chartered Accountants Ghana (ICAG) and the requirements of the Securities Industry Act, 2016 (Act 929) and the Unit Trust and Mutual Funds Regulations, 2001 (L.I 1695) and for such internal control as the fund manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The fund manager is also responsible for overseeing the trust's financial reporting process.

In preparing the financial statements, the Fund managers are responsible for assessing the Unit 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 management either intends to liquidate the Unit Trust or to cease operations or has 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 these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 management.
- Conclude on the appropriateness of management's 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 Fund'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 Unit 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 those charged with governance 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.

Report on Other Information

The Fund Manager is responsible for the other information. The other information comprises the information included in the annual report but 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 express 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, 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.

Report on Other Legal and Regulatory Requirements

In compliance with the requirements of part 9 of Schedule 8 of the Unit Trusts and Mutual Funds Regulations, 2001 (L. I. 1695).

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

In our opinion, proper books of accounts have been kept by the trust so far as it appears from our examination of those books.

The engagement partner on the audit resulting in this Independent Auditor's Report is **Gilbert Adjetey Lomofio (P/No-ICAG/P/1417)**

John Kay & Co

For and on behalf of John Kay & Co.
(ICAG/F/2024/128)
Chartered Accountants
Accra

30th April, 2024

John Kay & Co.
30 APR 2024
P.O. Box 16088 KIA, Accra

Fidelity Balanced Trust

Statement of Net Assets

For the year ended 31 December 2023 (All amounts are in Ghana cedis)

	2023		2022	
	Market Value GH¢	**% of Net Assets**	Market Value GH¢	% of Net Assets
Assets				
Government Notes And Bonds				
3 Yr. Note	-	-	249,484	7.67
4.5 Yr. Bond	**1,547,803**	**47.51**	-	-
5 Yr. Bond	-	-	297,686	9.15
5.5 Yr. Bond	**1,264,347**	**38.80**	-	-
6 Yr. Bond	-	-	1,338,525	41.14
7 Yr. Bond	-	-	89,433	2.75
10 Yr. Bond	-	-	321,557	9.88
	2,812,150	**86.31**	2,296,685	70.59
Local Government and Statutory Agencies Securities				
Daakye	-	-	41,705	1.28
Esla	-	-	520,211	15.99
	-	-	561,916	17.27
Corporate Bonds	**49,471**	**1.52**	198,454	6.10
Equity	**521,589**	**16.01**	481,666	14.80
Cash Balance	**24,962**	**0.77**	157,074	4.83
Total Assets	**3,408,172**	**104.61**	3,695,795	113.59
Liabilities				
Management Fee	**89,853**	**2.76**	86,824	2.67
Trustee Fee	**31,326**	**0.96**	17,365	0.53
Audit Fee	**24,380**	**0.75**	55,000	1.69
Sundry Creditors	**4,475**	**0.14**	283,002	8.70
Total Liabilities	**150,034**	**4.61**	442,191	13.59
Net Assets	**3,258,138**	**100**	3,253,604	100

The accompanying notes on pages 20 to 34 form an integral part of the financial statements.

Fidelity Balanced Trust

Statement of Comprehensive Income

For the year ended 31 December 2023 (All amounts are in Ghana cedis)

	Note	2023	2022
income	7	**500,436**	798,637
Other income	8	**23,515**	42,382
Fund expenses	9	**(108,351)**	(163,785)
Net investment income for the period		**415,600**	677,234
Other comprehensive income			
Gain/(Loss) on fair value changes	10	**(1,180,300)**	(1,221,821)
Total comprehensive income at 31 December		**(764,700)**	(544,587)

Accumulated Net Investment Income

	2023	2022
At 1 January	**1,255,756**	578,522
Net investment income for year	**415,600**	677,234
At 31 December	**1,671,356**	1,255,756

The accompanying notes on pages 20 to 34 form an integral part of the financial statements.

Statement of Assets and Liabilities

For the year ended 31 December 2023 (All amounts are in Ghana cedis)

	Note	2023	2022
Assets			
Bank balances and cash	11	**24,962**	157,074
Financial assets at FVOCI	12a	**3,383,210**	3,538,721
Total assets		**3,408,172**	3,695,795
Liabilities			
Accounts payable	13	**150,034**	442,191
Total liabilities		**150,034**	442,191
Equity			
Unitholders capital	14	**2,767,082**	3,016,291
Accumulated investment income	15	**1,671,356**	1,255,756
Other reserves		**(1,180,300)**	(1,018,443)
Total equity		**3,258,138**	3,253,604
Total liabilities and equity		**3,408,172**	3,695,795

The accompanying notes on pages 20 to 34 form an integral part of the financial statements.

The financial statements on pages 15 to 34 were approved by the Board of Directors on 30th April, 2024 and signed on its behalf by:

Signed

Akwasi Adu Boahene
Executive Director

Signed

Yaw Nsafoa Sarpong
Board Chairman

Fidelity Balanced Trust

Statement of Movement in Net Assets

For the year ended 31 December 2023 (All amounts are in Ghana cedis)

31 December 2023	**Note**	**Unitholders capital**	**Net investment income**	**Other Comprehensive income**	**Net Assets**
Balance at 1 January		**3,016,291**	**1,255,756**	**(1,018,443)**	**3,253,604**
Net income for the year		**-**	**415,600**	**-**	**415,600**
Reversal of Fair value loss		**-**	**-**	**1,018,443**	**1,018,443**
Gain/(Loss) on Fair value		**-**	**-**	**(1,180,300)**	**(1,180,300)**
Units issued		**116,470**	**-**	**-**	**116,470**
Units redeemed		**(365,679)**	**-**	**-**	**(365,679)**
Balance at 31 December		**2,767,082**	**1,671,356**	**(1,180,300)**	**3,258,138**

31 December 2022	Unitholders capital	Net investment income	Other Comprehensive Income	Net Assets
Balance at 1 January	3,268,283	578,522	203,378	4,050,183
Net income for the year	-	677,234	-	677,234
Gain/(Loss) on Fair value	-	-	(1,221,821)	(1,221,821)
Units issued	2,541,166	-	-	2,541,166
Units redeemed	(2,793,158)	-	-	(2,793,158)
Balance at 31 December	3,016,291	1,255,756	(1,018,443)	3,253,604

Statement of Movement in Issued Units

	2023	2022
Number of units in issue at 1 January	**26,418,261**	27,125,351
Number of units issued during the year	**890,917**	17,224,554
	27,309,178	44,349,905
Number of units redeemed during the year	**(2,720,905)**	(17,931,644)
Number of units in issue at 31 December	**24,588,273**	26,418,261

The accompanying notes on pages 20 to 34 form an integral part of the financial statements.

Fidelity Balanced Trust

Statement of Cash Flows

For the year ended 31 December 2023 (All amounts are in Ghana cedis)

	Note	2023	2022
Total comprehensive Income		**(764,700)**	(544,587)
Adjustment for non-cash items:			
Loss on financial assets at FVOCI	10	**1,180,300**	1,221,821
Operating cash flow before movement in working capital		**415,600**	677,234
Changes in accounts receivable		**-**	31,159
Changes in accounts payable	13	**(292,157)**	249,804
Changes in financial assets at FVOCI		**(6,346)**	(838,768)
Net cash used in operating activities		**117,097**	119,429
Cash flow from financing activities			
Proceeds from sale of units		**116,470**	2,541,166
Redemption of client investments		**(365,679)**	(2,793,158)
Net cash from financing activities		**(249,209)**	(251,992)
Change in cash and cash equivalents		**(132,112)**	(132,562)
Cash and cash equivalents at 1 January		**157,074**	289,636
Cash and cash equivalents at 31 December	11	**24,962**	157,074

The accompanying notes on pages 20 to 34 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 year ended 31 December 2023 were authorised for issue on 30th April 2024.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 comprises the statement of net assets, statement of comprehensive income, the statement of assets and liabilities, the statement of movement in net assets, the statement of cash flows and the related notes.

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. 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. 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 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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL 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.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL 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 FVPL 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 trust applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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 Unitholders 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 2023	**Within 12 Months**	**After 12 Months**	**Total**
Assets			
Cash and bank balances	**24,962**	**-**	**24,962**
Receivables	**-**	**-**	**-**
Financial assets at FVOCI	**49,471**	**3,333,739**	**3,383,210**
Total assets	**74,433**	**3,333,739**	**3,408,172**
Payables	**150,034**	**-**	**150,034**
Net	**(75,601)**	**3,333,739**	**3,258,138**

As at 31 December 2022	Within 12 Months	After 12 Months	Total
Assets			
Cash and bank balances	157,074	-	157,074
Receivables	-	-	-
Financial assets at FVOCI	-	3,538,721	3,538,721
Total assets	157,074	3,538,721	3,695,795
Payables	442,191	-	442,191
Net	(285,117)	3,538,721	3,253,604

3. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

The Unit Trust's business involves receiving funds from unitholders 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 summarise 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.

2023	**Up to 6 months**	**6-12 months**	**Over 1 year**	**Non interest bearing**	**Total**
Assets					
Cash and bank balances	**-**	**-**	**-**	**24,962**	**24,962**
Financial assets	**49,471**	**-**	**2,812,150**	**521,589**	**3,383,210**
Accounts receivable	**-**	**-**	**-**	**-**	**-**
Financial assets	**49,471**	**-**	**2,812,150**	**546,551**	**3,408,172**
Liabilities					
Accounts payable	**-**	**-**	**-**	**150,034**	**150,034**
Financial liabilities	**-**	**-**	**-**	**150,034**	**150,034**
Total interest re-pricing gap	**49,471**		**2,812,150**		

2022	Up to 6 months	6-12 months	Over 1 year	Non interest bearing	Total
Assets					
Cash and bank balances	-	-	-	157,074	157,074
Financial assets	-	-	3,057,055	481,666	3,538,721
Accounts receivable	-	-	-	-	-
Financial assets	-	-	3,057,055	638,740	3,695,795
Liabilities					
Accounts payable	-	-	-	442,191	442,191
Financial liabilities	-	-	-	442,191	442,191
Total interest re-pricing gap	-	-	3,057,055		

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.

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	49,471	495	989	1,484
6-12 months	-	-	-	-
Over 1 year	2,812,150	28,122	56,243	84,365
Total		**28,617**	**57,232**	**85,849**
Impact on interest income				
(2023)		**6.13%**	**12.26%**	**18.39%**
Impact on interest income				
(2022)		3.93%	7.85%	11.78%

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: :

	2023	2022
Cash and balances with bank	**24,962**	157,074
Receivables	**-**	-
Financial assets at FVOCI	**3,383,210**	3,538,721
	3,408,172	3,695,795

The above table represents a worst case scenario of credit risk exposure to the Unit Trust at 31 December 2023, 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, 99% (2022: 96%) of the total maximum exposure is derived from investments and exposure from cash and balances with bank represents 1% (2022: 4%).

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 2023, 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.

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 2023	Up to 6 months	6-12 months	Over 1 year	Total
Financial liabilities				
Accounts payable	150,034	-	-	150,034
Total liabilities (Contractual maturing dates)	150,034	-	-	150,034
Financial assets				
Cash and bank balances	24,962	-	-	24,962
Receivables	-	-	-	-
Financial assets	-	49,471	3,333,739	3,383,210
Total assets held for managing liquidity risk (contractual maturity date)	24,962	49,471	3,333,739	3,408,172

At 31 December 2022	Up to 6 months	6-12 months	Over 1 year	Total
Financial liabilities				
Accounts payable	442,191	-	-	442,191
Total liabilities (Contractual maturing dates)	442,191	-	-	442,191
Financial assets				
Cash and bank balances	157,074	-	-	157,074
Receivables	-	-	-	-
Financial assets	-	-	3,538,721	3,538,721
Total assets held for managing liquidity risk (contractual maturity date)	157,074	-	3,538,721	3,695,795

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
2023			
Financial assets at FVOCI	**521,589**	**2,861,621**	**-**
2022			
Financial assets at FVOCI	481,666	3,057,055	-

(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		Fair value	
	2023	2022	**2023**	2022
Financial assets				
Bank balances	**24,962**	157,074	**24,962**	157,074
Financial liabilities				
Accounts payable	**150,034**	442,191	**150,034**	442,191

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 unitholders.

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 unitholders 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.

(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.

	2023	2022

7. INCOME

	2023	2022
Interest on Corporate bonds at FVOCI	**16,209**	52,913
Interest on Government bonds at FVOCI	**427,225**	558,626
Interest on LGSA bonds at FVOCI	**23,511**	164,503
Interest on Treasury bills at FVOCI	**-**	2,705
Profit from sale of Financial assets at FVOCI	**33,491**	19,890
	500,436	798,637

8. OTHER INCOME

	2023	2022
Dividend income	**23,515**	40,920
Other income	**-**	1,462
	23,515	42,382

9. FUND EXPENSES

	2023	2022
Management fees	**69,805**	86,824
Trustee fees	**13,961**	17,365
Audit fees	**24,380**	55,000
Other expenses	**205**	4,596
	108,351	163,785

Other expenses include CSD and other bank transactional related charges.

10. NET GAIN/(LOSS) ON FAIR VALUE

	2023	2022
Unrealised gain/(loss) on Corporate bonds	**(726)**	(88,155)
Unrealised gain/(loss) on Equity	**62,771**	(101,609)
Unrealised gain/loss on Government notes and bonds	**(1,242,345)**	(713,705)
Unrealised gain/(loss) on LGSA	**-**	(318,352)
	(1,180,300))	(1,221,821)

11. BANK BALANCES AND CASH

	2023	2022
Bank balances	**24,962**	157,074

	2023	2022
12. FINANCIAL ASSETS		
Financial assets at FVOCI	**3,383,210**	3,538,721
Financial assets at amortised cost	**-**	-
At 31 December	**3,383,210**	3,538,721

(a) Financial assets at Fair Value through OCI

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

	2023	2022
Government bonds and notes	**2,812,150**	2,296,685
LGSA bonds and notes	**-**	561,916
Treasury and cocoa bills	**-**	-
Corporate bonds	**49,471**	198,454
Equity securities	**521,589**	481,666
	3,383,210	3,538,721
At 1 January	**3,538,721**	3,921,775
Additions	**6,427,365**	2,785,116
Redemptions	**(5,402,576)**	(1,946,349)
Fair value (loss)/gains	**(1,180,300)**	(1,221,821)
At 31 December	**3,383,210**	3,538,721

13. ACCOUNTS PAYABLE

	2023	2022
Management fees payable	**89,853**	86,824
Trustee fees payable	**31,326**	17,365
Audit fees payable	**24,380**	55,000
Other payables	**4,475**	283,002
	150,034	442,191

14. UNITHOLDERS

The number of unit holders as of 31 December 2023 was 265 (2022: 293)

15. ACCUMULATED INVESTMENT INCOME ACCOUNT

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

16. 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 fund manager are shown below:

	2023	2022
Management fees	**69,805**	86,824

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

	2023	2022
Fidelity Securities Limited investment balance	**394,500**	369,900
Fees payable to Fidelity Securities Limited	**89,853**	86,824

17. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2023 (2022: Nil).

18 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2023 (2022: Nil).

19. EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date.

Proxy Form

Annual General Meeting of Fidelity Balanced Trust is to be held virtually via Microsoft ® Teams on Thursday 4th July, 2024 at 11:30 am.

I/We____ being 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 on Thursday 4th July, 2024 and at any adjournment thereof.

RESOLUTION	FOR	AGAINST
To receive the Report of the Fund Manager for the Year ended 31st December, 2023.		
To receive and adopt the Audited Financial Statements of Fidelity Balanced Trust for the year ended 31st December, 2023, together with the reports of the Trustees and Auditors.		
To authorize the Fund Manager to determine the fees of the Auditors for the year ending 2024.		

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 ___________________________, 2024

Unit holder(s) signature/seal ____

Notes

Notes

Notes

Notes

FIDELITY SECURITIES

www.fidelitysecuritieslimited.com.gh