

# Annual Reports and Accounts 2016

■ *Allied Dunbar  
International  
Funds Limited*

*International*





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# Directors, Management and Administration

## **Board of Directors:**

Christopher James Tunley  
Non Executive Director

Peter James Scott Hammonds  
Non Executive Director

David Juan George Peach  
Director of Allied Dunbar  
International Fund Managers Limited

Clive Darren Baker  
Director of Allied Dunbar  
International Fund Managers Limited

Bruce Pearson  
Director of Allied Dunbar  
International Fund Managers Limited

## **Manager and Registrar:**

Allied Dunbar International Fund Managers Limited  
Registered Office:  
43-51 Athol Street  
Douglas  
Isle of Man IM99 1ET  
Registered in the Isle of Man No. 23846C  
Telephone: +44 (0) 1624 661551

## **Company Secretary:**

Edward Bradshaw Gillibrand

## **Investment Manager:**

Columbia Threadneedle Investments  
Cannon Place  
78 Cannon Street  
London EC4N 6AG

## **Fiduciary Custodian:**

BNP Paribas Securities Services S.C.A.,  
Jersey Branch  
Liberté House  
19-23 La Motte Street  
St Helier  
Jersey JE2 4SY  
Channel Islands

## **Auditor:**

PricewaterhouseCoopers LLC  
Sixty Circular Road  
Douglas  
Isle of Man IM1 1SA

## **Legal Advisers:**

Cains  
Fort Anne  
South Quay  
Douglas  
Isle of Man IM1 5PD

## **Registered Office:**

43-51 Athol Street  
Douglas  
Isle of Man IM99 1ET  
Registered in the Isle of Man No. 24161C

# Report of the Directors

## Activity and Results

This Annual Report and Accounts contains the Financial Statements of Allied Dunbar International Funds Limited (“the Company”) for the year ended 31st December 2016 and also an analysis of each Fund including a Portfolio Statement.

A review of the year, together with an assessment of the investment outlook, is set out in the Investment Report by the Investment Manager, Columbia Threadneedle Investments.

The Directors would like to take this opportunity to advise Shareholders that they reserve the right to treat the working days immediately before and after the statutory Christmas and New Year holidays as dealing days or otherwise. Please note that Christmas Eve is a non-dealing day.

For full information about the Company’s Funds and Reporting Fund Status investors are advised to consult the Company’s current Scheme Particulars which are available from Allied Dunbar International Fund Managers Limited.

As can be seen from the following accounts, the Company, at 31st December 2016, had funds under management of approximately US\$ 537 million (December 2015: US\$ 577 million).

The Company is an Open-Ended Investment Company with variable capital.

The Shareholders are only liable for the debts of the Company to the extent of their investment. Where the assets of a constituent part of the Scheme are insufficient to meet that constituent part’s liabilities, then any liabilities that remain undischarged will revert to the Company as a whole and be allocated amongst the other constituents of the Scheme. At the year end the Directors were not aware of any existing or contingent liability which could not be discharged out of the assets of that constituent part of the Scheme.

## Share Capital

The total number of shares in issue at 31st December 2016 was as follows:

Participating Redeemable Preference Shares	184,527,478
Nominal Shares	740,211,439
Management Shares	<u>10</u>
	<u>924,738,927</u>

## Directors

The Directors of the Company are set out on page 1. No Director nor any Director’s spouse or child under 18 years of age has any beneficial interest, directly or indirectly, in the Company. During the year ended 31st December 2016 and on that date there was no contract of significance subsisting in which a Director of the Company is or was materially interested, except that as at 31st December 2016 all Directors (with the exception of Mr. Christopher Tunley and Mr. Peter Hammonds) were also Directors of Allied Dunbar International Fund Managers Limited which is a party to the Management Agreement and the Investment Management Agreement as detailed in Note 10 on page 70.

## Auditor

PricewaterhouseCoopers LLC has indicated its willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

## By order of the Board

## Director

14th February 2017

# Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable Isle of Man law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the net revenue/(expense) and the net gains/(losses) of the scheme property of the Company for that period.

In preparing those Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's and each of the sub funds' transactions and disclose with reasonable accuracy at any time the financial position of the Company and each of the sub funds and to enable them to ensure that the Financial Statements comply with the Authorised Collective Investment Schemes Regulations 2010, the Statement of Recommended Practice for Authorised Funds issued by The Investment Management Association (now The Investment Association) in May 2014, the Isle of Man Companies Acts 1931 to 2004 and the Company's Principal Constitutional Documents. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. In order to do so, the Directors have appointed BNP Paribas Securities Services S.C.A., Jersey Branch as the Fiduciary Custodian of the Company's assets.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the Isle of Man governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

**By order of the Board**

**Director**

14th February 2017

# Investment Report

## Market Review

Global markets made solid gains in United States (US) Dollar terms during the year under review. After a choppy start, global equities rallied on the back of recovering oil prices and enhanced stimulus measures from the European Central Bank (ECB). However, markets turned volatile late in the second quarter following the United Kingdom's (UK) shock referendum vote to leave the European Union (EU). Global equities subsequently staged something of a "relief rally", partly due to extremely low core bond yields tempting investors to higher-yielding assets.

Later in the year, initial concern around the prospect of a Donald Trump presidency gave way to a market surge after the candidate's surprise victory. With a Trump administration considered likely to ease regulations, lower taxes and boost spending on infrastructure, financials, energy firms and construction companies were among the key stock-market beneficiaries. Meanwhile, an agreement by the Organisation of the Petroleum Exporting Countries (OPEC) to cut oil production provided a further boost to oil prices towards the end of the year.

US equities also rose strongly throughout the year. Alongside oil prices and political issues, investors retained a sharp focus on central bank intentions, with market sentiment often waxing and waning in line with the perceived likelihood of further interest rate rises. Earlier in the year, monetary hawks were largely kept at bay by mixed economic data and uncertainty around global politics. In the third and fourth quarters, robust US employment data heightened expectations for a hike. This was duly delivered in December, when the Federal Reserve (Fed) raised interest rates by 25 basis points. Following Trump's victory, key US markets hit record highs.

European bourses had a tougher time, but still finished the year in positive territory. Central bank activity was also to the fore in the Eurozone, with the ECB initially boosting stimulus, then opting to hold fire in the wake of the Brexit vote, before announcing an extension to its bond-buying scheme (albeit with reduced monthly purchases) until at least December 2017. Later in the year, news was dominated by a constitutional referendum in Italy. In the event, the reform proposals were soundly rejected, prompting the resignation of the country's prime minister. Having largely priced in a "No" vote, European markets were largely unaffected by the result.

In the UK, market sentiment increasingly shifted in line with forecasts for the outcome of the Brexit vote. Although the result initially prompted a large-scale sell-off, markets quickly bounced back as fears about the impact of Brexit eased. Post-Brexit economic indicators on the whole beat forecasts, but Sterling continued to weaken on fears of a possible "hard Brexit" (that is, without single-market access).

Japan battled to boost inflation and weaken the Yen throughout the year, with mixed results. Amid market turbulence earlier in the year, investors piled into the Yen, with negative implications for Japanese exports and overseas earnings. In the final quarter, the Yen depreciated as investors anticipated faster US rate hikes and the Bank of Japan kept its rates in negative territory. The weaker currency prompted a rise in the country's stock market, recovering losses made earlier in the year.

Emerging markets made strong gains over the year, despite the prospect, then reality, of rising interest rates in the US. Brazilian equities rallied following the impeachment of President Dilma Rousseff. Oil exporters, not least Russia, also saw their fortunes improve as oil prices climbed. In the wake of Trump's victory, sentiment towards China cooled on worries over the outlook for trade with the US.

## Outlook

Political uncertainty, rising populism and policy divergence dominated markets in 2016, and we expect a similar situation in the year ahead. Interest rates have already moved away from emergency settings in the US and are likely to rise further in 2017, but monetary policy in Europe and Japan will probably remain accommodative. Sharp changes in politics, including Brexit, and the potential for a rise in populism suggest that a loose monetary stance is likely to remain a common theme in Europe this year, while the US economy pulls away with President Trump at the helm.

The outlook for Asia and emerging markets will be challenging for those countries that are exposed to the threat of Trump's protectionist policies. A world where the US tightens policy but other central banks remain accommodative should mean a stronger US Dollar, all else being equal, which is likely to be a further headwind for emerging markets.

Against this backdrop, we continue our focus on quality growth, seeking competitively advantaged businesses exposed to a secular growth story or ones that can deliver company-led growth. While themes of technology and changing demographics continue through our investments, we have been adding to high-quality cyclical names with the potential to benefit from a Trump presidency.

# Report of the Manager

Allied Dunbar International Funds Limited is an Authorised Scheme under Schedule 1 of the Collective Investment Schemes Act 2008 (of the Isle of Man) and is an Umbrella Fund, as defined in the Authorised Collective Investment Schemes Regulations 2010. The Company has elected to be a Type A Scheme for the purpose of the Authorised Collective Investment Schemes Regulations 2010. Each constituent part, as listed in the tables below, is an Authorised Securities Fund as defined in the Authorised Collective Investment Schemes Regulations 2010 (except the Managed Currency Fund which is a Money Market Fund).

The aim of the Company is to provide an attractive, tax-efficient, investment medium for investors worldwide. Resident for tax purposes in the Isle of Man the Company does not pay UK Corporation Tax on its income or capital gains. The Manager's policy for achieving the investment objective is described for each constituent part of the Company on pages 9, 18, 26, 31, 37, 45, 53 and 61.

The investment activities of the Company in the year to 31st December 2016 are described in the Fund Investment Report by the Investment Manager on pages 9, 18, 26, 31, 37, 45, 53 and 61.

The following amounts have been paid and/or accumulated for distribution to holders of Participating Redeemable Preference Shares in respect of the 12 months ended 31st December 2016. Where negative, the deficit has been transferred to the capital reserve.

<b>Interim Amount Paid/(Deficit) US\$</b>	<b>Investment Class</b>	<b>XD Date</b>	<b>Amount Due/(Deficit) US\$</b>	<b>Payment Date</b>
(109,326)	Managed	1.1.2017	(272,815)	—
—	Worldwide Equity*	1.1.2017	(79,466)	—
(2,337)	Managed Currency	1.1.2017	(3,150)	—
38,139	Gilt and Income	1.1.2017	4,761	28.2.2017
—	North American Growth*	1.1.2017	(1,884,563)	—
—	Far East*	1.1.2017	(1,235)	—
—	UK Capital Growth*	1.1.2017	617,055	28.2.2017
—	Europe*	1.1.2017	40,636	28.2.2017

\*Distribute annually

The total number and mid market value of Participating Redeemable Preference Shares as at 1st January 2016 and 31st December 2016 were as follows:

<b>Investment Class</b>	<b>Shares in Issue</b>		<b>Mid Market Value Per Share (US\$)</b>	
	<b>1.1.2016</b>	<b>31.12.2016</b>	<b>1.1.2016</b>	<b>31.12.2016</b>
Managed	62,852,734	40,743,348	1.9855	2.0045
Worldwide Equity	15,838,668	13,754,145	2.2285	2.2685
Managed Currency	1,941,564	1,704,392	0.3449	0.3424
Gilt and Income	31,878,726	32,470,163	0.5569	0.5072
North American Growth	53,276,414	53,975,620	5.9385	6.2335
Far East	2,667,400	2,318,044	2.9185	2.8980
UK Capital Growth	35,476,811	34,161,700	1.6303	1.5192
Europe	5,917,171	5,400,066	5.6184	5.0246

The bid value of the Funds, cancellation prices and shares in issue at the end of the last 3 accounting periods are shown in the Comparative Tables on pages 10, 19, 27, 32, 38, 46, 54 and 62.

The names and addresses of the Registrar, the Investment Manager, the Fiduciary Custodian and the Auditor can be found on page 1.

**Director**  
14th February 2017

**Director**  
14th February 2017

Allied Dunbar International  
Fund Managers Limited  
43-51 Athol Street  
Douglas  
Isle of Man IM99 1ET



# Independent auditor's report to the members of Allied Dunbar International Funds Limited

## Report on the audit of the financial statements

### Our opinion

In our opinion, Allied Dunbar International Funds Limited's financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 31 December 2016, and of the net revenue/(expense) and the net capital gains/(losses) of the scheme property of the Company and each of the sub-funds for the year then ended in accordance with United Kingdom Accounting Standards including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association, the Authorised Collective Investment Schemes Regulations 2010, the Isle of Man Companies Acts 1931 to 2004 and the Company's Principal Constitutional Documents.

### What we have audited

Allied Dunbar International Funds Limited's financial statements comprise:

- the aggregated balance sheet as at 31 December 2016;
- the aggregated statement of total return;
- the aggregated statement of change in net assets attributable to preference shareholders; and
- the notes to the financial statements, which include a summary of significant accounting policies.

and for each sub-fund:

- the balance sheet as at 31 December 2016;
- the statement of total return;
- the statement of change in net assets attributable to preference shareholders;
- the distribution tables; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

### Other information

The directors are responsible for the other information. The other information comprises the Report of the Directors, the Report of the Manager, the Report of the Fiduciary Custodian, the Investment Reports, the Comparative Tables, the Portfolio Statements and Further Information (but it 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 identified above 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.

### Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with:

- United Kingdom Accounting Standards including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland",
- Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association,
- The Authorised Collective Investment Schemes Regulations 2010,
- The Isle of Man Companies Acts 1931 to 2004 and,
- The Company's Principal Constitutional Documents

and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

# Independent auditor's report to the members of Allied Dunbar International Funds Limited (continued)

The directors are responsible for overseeing the Company's and sub-fund's financial statement process.

## **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 Company'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 Company'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 Company 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 a true and fair presentation.

We communicate with the directors 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.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 15 of the Isle of Man Companies Act 1982 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Report on other legal and regulatory requirements**

### **Opinion on matters prescribed by the Authorised Collective Investment Schemes Regulations 2010**

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Report of the Directors and the Report of the Manager for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

Under the Authorised Collective Investment Schemes Regulations 2010 we are required to report to you by exception if, in our opinion:

- proper accounting records for the Company and sub-funds have not been kept, or whether the financial statements are not in agreement with those records.

We have no exceptions to report arising from this responsibility.

Under the Isle of Man Companies Acts 1931 to 2004 we are required to report to you by exception if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper books of account have not been kept by the Company or each of the sub-funds, or proper returns adequate for our audit have not been received from branches not visited by us;
- the Company and sub-funds' financial statements are not in agreement with the books of account and returns; and
- certain disclosures of directors' loans and remuneration specified by law have not been complied with.

We have no exceptions to report arising from this responsibility.

# Fiduciary Custodian's Report and Responsibilities

The duties of the Fiduciary Custodian under subparagraph 108 (4) of the Authorised Collective Investment Schemes Regulations 2010 ("the Regulations") in respect of the safekeeping of the scheme property are summarised as follows:

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- to ensure the scheme is managed by the Manager in accordance with the Regulations with regard to investment and borrowing powers, dealing, valuation and pricing, income, accounting, allocation and distribution and any provision of the documents constituting the scheme or offering document relating to any of the above;
- to take reasonable care to ensure that the Manager is adopting appropriate procedures to ensure that the price of a unit is calculated for each valuation point and has maintained sufficient records;
- to act solely in the interests of the participants; and
- to take reasonable care to ensure that the Manager considers whether or not to exercise its power in relation to dilution and, if applicable, any dilution levy or dilution adjustment that is imposed.

For the period from 1st January 2016 to 31st December 2016, we state that in our opinion, Allied Dunbar International Fund Managers Limited ("the Manager") has managed in all material respects, Allied Dunbar International Funds Limited in the above period:

- in relation to the issue, sale, redemption and cancellation, calculation of the price of the units and the application of the scheme's income in accordance with the provisions of the Company's Principal Constitutional Documents, the Scheme Particulars and the Regulations; and
- in relation to any limitations imposed upon the investment and borrowing powers and any restrictions placed upon the Manager and ourselves as Fiduciary Custodian in accordance with the Company's Principal Constitutional Documents, the Scheme Particulars and the Regulations.

**For and on behalf of BNP Paribas Securities Services S.C.A., Jersey Branch**

14th February 2017

# Managed Fund

## Fund Investment Report

### Investment Policy

To invest primarily for capital growth from a balanced and managed portfolio of asset types in various economies.

### Types of Investment

Investments are held primarily in equity and fixed interest stock markets of the major economies, but may also be held indirectly through other permitted investments such as unit trusts, investment trusts and convertible securities as circumstances warrant and as permitted by the Regulations.

Exposure to individual regions or economies will generally reflect relative levels of market capitalisation. Consequently, a relatively large proportion of the Fund may consist of investments in the North American market.

Limited sales and purchases of investments may be made through options and financial futures, whilst bearing in mind the investment policy of the Fund and Regulations.

It must be remembered that the price of shares and the income from them can go down as well as up.

### Fund Performance

Over the 12 months to 31st December 2016, the Fund achieved a total gross return of +3.6% compared with a return of +5.6% for the benchmark index, both in United States (US) Dollar terms. The benchmark comprises 65% MSCI AC World Index, 32% J.P. Morgan Global Government Traded Bond Index and 3% 7 Day LIBID.

### Review

Global markets made solid gains in US Dollar terms during the year under review. After a choppy start, global equities rallied on the back of recovering oil prices and enhanced stimulus measures from the European Central Bank (ECB). However, markets turned volatile late in the second quarter following the United Kingdom's (UK) shock referendum vote to leave the European Union (EU). Global equities subsequently staged something of a "relief rally", partly due to extremely low core bond yields tempting investors to higher-yielding assets.

Later in the year, initial concern around the prospect of a Donald Trump presidency gave way to a market surge after the candidate's surprise victory. Financials, energy firms and construction companies were among the key beneficiaries amid expectations for a more favourable regulatory environment, lower taxes and higher infrastructure spending. Meanwhile, an agreement by the Organisation of the Petroleum Exporting Countries (OPEC) to cut oil production provided a further boost to oil prices towards the end of the year.

The Fund's bond portfolio maintained its characteristic exposure to high-quality government bonds, along with an allocation to riskier segments of the fixed-income market, via holdings such as corporate and emerging-market bonds.

Among key activity over the year, we opened new positions in companies including Charles Schwab Corp. (United States), Ingersoll-Rand plc (Ireland), Activision Blizzard, Inc. (United States) and Medtronic plc (Ireland). Charles Schwab Corp. is a leading financial services business in the US with significant market share, and a reputation for both good customer service and rapidly adopting new technology. This secular growth story should be a beneficiary of changing demographics and rising interest rates in the US. Ingersoll-Rand plc is an industrial conglomerate that offers attractively valued exposure to non-residential construction within the US, a sector that is improving. Activision Blizzard, Inc., a gaming company with a strong catalogue, is well-placed to capitalise on the move towards mobile devices. Medtronic plc is a leading medical equipment company with sustainable revenue growth and growing market share. After exiting Imperial Brands plc (United Kingdom), we used the proceeds to open a holding in British American Tobacco plc (United Kingdom). The latter trades at an attractive valuation and is one of the most globally diversified tobacco businesses, with good growth potential.

On the sales side, we exited pharmaceutical company Bristol-Myers Squibb Co. (United States) as the failure of its first-line lung cancer treatment in clinical trials materially changed our investment case. We also sold out of McDonald's Corp. (United States), General Electric Co. (United States) and Bayer AG (Germany) in order to fund better ideas elsewhere.

Political uncertainty, rising populism and policy divergence dominated markets in 2016, and we expect a similar situation in the year ahead. Interest rates have already moved away from emergency settings in the US and are likely to rise further in 2017, but monetary policy in Europe and Japan will probably remain accommodative. This should mean a stronger US Dollar, all else being equal, which is likely to be a further headwind for emerging markets.

Against this backdrop, within the equity portfolio, we continue our focus on quality growth, seeking competitively advantaged businesses exposed to a secular growth story or ones that can deliver company-led growth. While themes of technology and changing demographics continue to drive our investments, we have added to high-quality, economically sensitive companies that could benefit from a Trump presidency.

## Managed Fund

### Comparative Tables

for the accounting period 1st January 2016 to 31st December 2016

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	Preference shares		
	2016	2015	2014
	US\$	US\$	US\$
<b>Change in net assets per share</b>			
Opening net asset value per share	1.9330	1.9530	1.9349
Return before operating charges <sup>1</sup>	0.0763	0.0206	0.0585
Operating charges	(0.0577)	(0.0406)	(0.0399)
Return after operating charges	0.0186	(0.0200)	0.0186
Distributions on preference shares	–	–	(0.0005)
Closing net asset value per shares	1.9516	1.9330	1.9530
<sup>1</sup> after direct transaction costs of	(0.0020)	(0.0012)	(0.0018)
<b>Performance</b>			
Return after charges	0.96%	(1.02)%	0.96%
<b>Other information</b>			
Closing net asset value (US\$)	79,513,731	121,494,521	123,733,721
Closing number of shares	40,743,348	62,852,734	63,352,994
Operating charges	2.06%	2.08%	2.04%
Direct transaction costs	0.07%	0.06%	0.09%
<b>Prices</b>			
Highest offer share price (US\$)	2.1510	2.1360	2.1360
Lowest bid share price (US\$)	1.7700	1.8240	1.8550

#### Additional comparative table disclosures to satisfy the requirements of the Authorised Collective Investment Schemes Regulations 2010:

	Net distribution per share US\$	Highest offer share price US\$	Lowest bid share price US\$
<b>For the accounting period ended:</b>			
31st December 2012	–	1.8040	1.5350
31st December 2013	0.0009	2.0410	1.6890
<b>Ongoing Charges Figure (“OCF”)</b>			<b>OCF</b>
<b>For the accounting period ended:</b>			<b>%</b>
31st December 2015			2.08%
31st December 2016			2.06%

Ongoing Charges Figure has replaced the Total Expense Ratio (“TER”). The OCF takes into account the annual management charge and any expenses incurred, expressed as a percentage of the average daily net asset values over the period. The main difference between the two calculations is the inclusion of custodian handling charges in the OCF. The comparative figures for the Operating charges and the OCF for 2014 have not been restated.

The Operating charges are calculated on an ex-post basis and as such may differ from the OCF where:

- Changes to fee rates were made during the year and the OCF has been amended to be future proofed for this change.
- The OCF has been annualised for a share class that has not yet been open for a full year.

Please refer to the Direct transaction costs note on page 16, for more detail regarding the nature of transaction costs and how they arise for different types of investments.

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## Managed Fund

### Statement of Total Return

for the accounting period 1st January 2016 to 31st December 2016

	Notes	2016 US\$	2015 US\$
Income			
Net capital gains/(losses)	2	1,290,914	(839,151)
Revenue	3	2,309,742	2,409,082
Expenses	4	(2,426,120)	(2,524,780)
Net expense before taxation		(116,378)	(115,698)
Taxation	5	(308,797)	(315,884)
Net expense after taxation		(425,175)	(431,582)
<b>Total return before distribution</b>		<b>865,739</b>	<b>(1,270,733)</b>
Distributions	6	152,360	1,852
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		<b>1,018,099</b>	<b>(1,268,881)</b>

### Balance Sheet

as at 31st December 2016

	Notes	2016 US\$	2015 US\$
<b>Assets:</b>			
Fixed assets:			
Investments	7	75,735,209	114,605,198
Current assets:			
Debtors	8	598,978	734,157
Cash and bank balances		3,927,917	6,865,139
<b>Total assets</b>		<b>80,262,104</b>	<b>122,204,494</b>
<b>Liabilities:</b>			
Creditors:			
Other creditors	9	(272,247)	(289,110)
<b>Total liabilities</b>		<b>(272,247)</b>	<b>(289,110)</b>
<b>Equity:</b>			
Management shares		(10)	(10)
Nominal shares		(476,116)	(420,853)
<b>Total equity</b>		<b>(476,126)</b>	<b>(420,863)</b>
<b>Net Assets Attributable to Preference Shareholders</b>		<b>79,513,731</b>	<b>121,494,521</b>

### Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2016 to 31st December 2016

	2016 US\$	2015 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	121,494,521	123,733,721
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	1,497,349	1,274,380
Amounts payable on cancellation of shares	(44,496,238)	(2,244,816)
	(42,998,889)	(970,436)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	1,018,099	(1,268,881)
Unclaimed distributions	–	117
<b>Closing Net Assets Attributable to Preference Shareholders</b>	<b>79,513,731</b>	<b>121,494,521</b>

### Distribution Tables

There was no distribution for the accounting period 1st January 2016 to 30th June 2016, as expenses exceed revenue (June 2015: US\$ Nil).

There is no distribution for the accounting period 1st July 2016 to 31st December 2016, as expenses exceed revenue (December 2015: US\$ Nil).

\*Please refer to the Accounting policies “Basis of accounting” on page 69.

The notes on pages 15 to 17 form an integral part of the financial statements.

**Managed Fund**  
**Portfolio Statement**  
as at 31st December 2016

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Holding	Investment	Currency	Market Value US\$	% of Net Assets	Holding	Investment	Currency	Market Value US\$	% of Net Assets
<b>Collective Investment Schemes 3.90% (2.63%)</b>					<b>France 2.93% (3.63%)</b>				
<b>United Kingdom 3.90% (2.63%)</b>					€1,050,000	France Government Bond 1.00% 25/11/2018	EUR	1,142,599	1.44
193,605	Threadneedle Emerging Market Bond Fund Retail Gross Accumulation	GBP	635,070	0.80	€200,000	France Government Bond 0.00% 25/05/2020	EUR	214,472	0.27
246,376	Threadneedle Emerging Market Local Fund Retail Gross Accumulation Shares (GBP)	GBP	436,809	0.55	€250,000	France Government Bond 3.25% 25/10/2021	EUR	308,556	0.39
46,140	Threadneedle European Corporate Bond Fund	GBP	66,194	0.08	€225,000	France Government Bond 3.00% 25/04/2022	EUR	277,533	0.35
479,750	Retail Gross Accumulation Threadneedle High Yield Bond Fund Institutional Gross Accumulation	GBP	998,703	1.26	€285,000	France Government Bond 1.50% 25/05/2031	EUR	318,489	0.40
679,499	Threadneedle UK Corporate Bond Fund Class 2 Gross Accumulation Shares (GBP)	GBP	962,139	1.21	€40,000	France Government Bond 4.50% 25/04/2041	EUR	68,305	0.08
			<b>3,098,915</b>	<b>3.90</b>				<b>2,329,954</b>	<b>2.93</b>
<b>Collective Investment Schemes total</b>					<b>Germany 1.97% (2.41%)</b>				
<b>Corporate Bonds 2.27% (1.56%)</b>					€1,435,000	Bundesrepublik Deutschland 15/08/2026	EUR	1,485,331	1.87
<b>Canada 0.31% (0.00%)</b>					€50,000	Bundesrepublik Deutschland 3.25% 04/07/2042	EUR	81,594	0.10
250,000	CPPIB Capital, Inc. 1.25% 20/09/2019	USD	246,323	0.31				<b>1,566,925</b>	<b>1.97</b>
			<b>246,323</b>	<b>0.31</b>	<b>Japan 3.59% (3.49%)</b>				
<b>Germany 0.48% (0.58%)</b>					45,000,000	Japan Government Five Year Bond 0.10%	JPY	387,526	0.49
25,000,000	Kreditanstalt fuer Wiederaufbau 2.05% 16/02/2026	JPY	257,243	0.32	29,750,000	Japan Government Ten Year Bond 0.10%	JPY	256,557	0.32
10,000,000	Kreditanstalt fuer Wiederaufbau 2.60% 20/06/2037	JPY	122,654	0.16	20,000,000	Japan Government Thirty Year Bond 2.20%	JPY	228,265	0.29
			<b>379,897</b>	<b>0.48</b>	30,000,000	Japan Government Thirty Year Bond 1.50%	JPY	309,829	0.39
<b>Luxembourg 0.21% (0.14%)</b>					20,000,000	Japan Government Thirty Year Bond 1.40%	JPY	202,775	0.25
€145,000	European Financial Stability Facility 1.75% 29/10/2020	EUR	165,091	0.21	14,000,000	Japan Government Twenty Year Bond 1.90%	JPY	138,843	0.17
			<b>165,091</b>	<b>0.21</b>	19,000,000	Japan Government Twenty Year Bond 2.10%	JPY	196,777	0.25
<b>Netherlands 0.33% (0.22%)</b>					23,000,000	Japan Government Twenty Year Bond 0.20%	JPY	184,059	0.23
€250,000	Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV 0.13% 20/04/2022	EUR	265,420	0.33	110,500,000	Japan Government Two Year Bond 0.10%	JPY	951,230	1.20
			<b>265,420</b>	<b>0.33</b>				<b>2,855,861</b>	<b>3.59</b>
<b>Norway 0.32% (0.21%)</b>					€150,000	Netherlands Government Bond 0.25% 15/07/2025	EUR	158,976	0.20
250,000	Eksportfinans ASA 5.50% 26/06/2017	USD	253,530	0.32				<b>158,976</b>	<b>0.20</b>
			<b>253,530</b>	<b>0.32</b>	<b>United Kingdom 1.61% (2.68%)</b>				
<b>Singapore 0.37% (0.24%)</b>					100,000	UK Treasury 2.00% 07/09/2025	GBP	132,810	0.17
275,000	ST Engineering Financial I Ltd. 4.80% 16/07/2019	USD	294,053	0.37	435,000	UK Treasury 1.50% 22/07/2026	GBP	550,220	0.69
			<b>294,053</b>	<b>0.37</b>	160,000	UK Treasury 4.50% 07/09/2034	GBP	281,605	0.35
<b>Sweden 0.25% (0.17%)</b>					153,000	UK Treasury 3.25% 22/01/2044	GBP	244,194	0.31
200,000	Kommuninvest I Sverige AB 2.88% 31/05/2018	USD	203,129	0.25	37,000	UK Treasury 3.50% 22/07/2068	GBP	74,240	0.09
			<b>203,129</b>	<b>0.25</b>				<b>1,283,069</b>	<b>1.61</b>
<b>Corporate Bonds total</b>					<b>United States of America 10.16% (7.99%)</b>				
<b>Government Bonds 21.60% (22.49%)</b>					1,185,000	US Treasury 1.00% 15/02/2018	USD	1,185,463	1.49
<b>Australia 0.48% (1.54%)</b>					1,425,000	US Treasury 0.75% 31/03/2018	USD	1,420,825	1.79
300,000	Australia Government Bond 3.25% 21/10/2018	AUD	222,707	0.28	825,000	US Treasury 0.75% 31/10/2018	USD	818,909	1.03
200,000	Australia Government Bond 4.25% 21/04/2026	AUD	163,095	0.20				<b>385,802</b>	<b>0.48</b>
			<b>385,802</b>	<b>0.48</b>	700,000	US Treasury 1.25% 31/10/2021	USD	678,125	0.85
<b>Austria 0.34% (0.23%)</b>					250,000	US Treasury 1.75% 30/09/2022	USD	244,883	0.31
€210,000	Austria Government Bond 3.40% 22/11/2022	EUR	268,563	0.34	840,000	US Treasury 2.13% 30/11/2023	USD	832,650	1.05
			<b>268,563</b>	<b>0.34</b>	600,000	US Treasury 1.63% 15/05/2026	USD	558,094	0.70
<b>Canada 0.32% (0.39%)</b>					875,000	US Treasury 2.00% 15/11/2026	USD	839,863	1.06
25,000	Canada Government Bond 1.50% 01/09/2017	CAD	18,753	0.03	80,000	US Treasury 4.50% 15/02/2036	USD	100,862	0.13
300,000	Canada Housing Trust No. 1 2.55% 15/03/2025	CAD	231,983	0.29				<b>250,736</b>	<b>0.32</b>
			<b>250,736</b>	<b>0.32</b>					

## Managed Fund

### Portfolio Statement (continued)

as at 31st December 2016

Holding	Investment	Currency	Market Value US\$	% of Net Assets	Holding	Investment	Currency	Market Value US\$	% of Net Assets
100,000	US Treasury 3.50% 15/02/2039	USD	108,938	0.14		<b>Ireland 4.00% (1.30%)</b>			
225,000	US Treasury 3.88% 15/08/2040	USD	257,379	0.32	8,753	Alkermes plc	USD	485,704	0.61
255,000	US Treasury 2.88% 15/05/2043	USD	245,318	0.31	1,128,419	Bank of Ireland	EUR	278,496	0.35
75,000	US Treasury 2.50% 15/02/2046	USD	66,316	0.08	12,659	CRH plc	EUR	437,464	0.55
430,000	US Treasury 2.25% 15/08/2046	USD	359,789	0.45	8,646	Ingersoll-Rand plc	USD	653,897	0.82
375,000	US Treasury 2.88% 15/11/2046	USD	360,352	0.45	8,296	Johnson Controls International plc	USD	344,367	0.44
			<b>8,077,766</b>	<b>10.16</b>	6,435	Medtronic plc	USD	461,518	0.58
	<b>Government Bonds total</b>		<b>17,177,652</b>	<b>21.60</b>	4,260	Willis Towers Watson plc	USD	518,996	0.65
	<b>Supranationals 0.92% (0.95%)</b>							<b>3,180,442</b>	<b>4.00</b>
	<b>Luxembourg 0.92% (0.95%)</b>					<b>Italy 0.00% (0.47%)</b>			
65,000,000	European Investment Bank 1.40% 20/06/2017	JPY	561,585	0.71	18,800	Japan Exchange Group, Inc.	JPY	268,710	0.34
145,000	European Investment Bank 1.00% 21/09/2026	GBP	168,337	0.21	11,000	Mitsui Fudosan Co. Ltd.	JPY	254,793	0.32
			<b>729,922</b>	<b>0.92</b>	2,900	Nintendo Co. Ltd.	JPY	609,564	0.76
	<b>Supranationals total</b>		<b>729,922</b>	<b>0.92</b>	43,700	Sekisui Chemical Co. Ltd.	JPY	698,046	0.88
	<b>Equities 66.56% (66.70%)</b>				41,200	Yaskawa Electric Corp.	JPY	641,509	0.81
	<b>Australia 0.00% (1.09%)</b>							<b>2,472,622</b>	<b>3.11</b>
5,869	Anheuser-Busch InBev SA/NV	EUR	622,414	0.78		<b>Jersey 0.76% (0.68%)</b>			
			<b>622,414</b>	<b>0.78</b>	9,873	Wolseley plc	GBP	604,709	0.76
18,304	IHS Markit Ltd.	USD	645,399	0.81				<b>604,709</b>	<b>0.76</b>
			<b>645,399</b>	<b>0.81</b>		<b>Mexico 1.44% (1.63%)</b>			
83,700	Kroton Educacional SA	BRL	342,000	0.43	6,747	Fomento Economico Mexicano SAB de CV, ADR	USD	519,452	0.65
			<b>342,000</b>	<b>0.43</b>	126,100	Grupo Financiero Banorte SAB de CV 'O'	MXN	627,547	0.79
4,550	Agrium, Inc.	USD	460,141	0.58				<b>1,146,999</b>	<b>1.44</b>
23,400	Suncor Energy, Inc.	CAD	774,986	0.97	7,020	Airbus SE	EUR	464,161	0.58
			<b>1,235,127</b>	<b>1.55</b>	2,441	ASML Holding NV	EUR	273,417	0.35
4,612	Alibaba Group Holding Ltd., ADR	USD	403,135	0.51				<b>737,578</b>	<b>0.93</b>
25,700	Tencent Holdings Ltd.	HKD	628,814	0.79		<b>Netherlands 0.93% (0.75%)</b>			
			<b>1,031,949</b>	<b>1.30</b>	350	Samsung Electronics Co. Ltd.	KRW	522,987	0.66
81,500	Ping An Insurance Group Co. of China Ltd. 'H'	HKD	407,860	0.51				<b>522,987</b>	<b>0.66</b>
69,200	Sinopharm Group Co. Ltd. 'H'	HKD	284,720	0.36		<b>Spain 1.31% (1.17%)</b>			
			<b>692,580</b>	<b>0.87</b>	17,506	Cellnex Telecom SA	EUR	251,476	0.32
10,351	Novo Nordisk A/S 'B'	DKK	372,911	0.47	23,139	Industria de Diseno Textil SA	EUR	789,866	0.99
			<b>372,911</b>	<b>0.47</b>				<b>1,041,342</b>	<b>1.31</b>
8,726	Criteo SA, ADR Preference	USD	358,813	0.45	364,000	Supranational 0.56% (0.59%) HKT Trust & HKT Ltd.	HKD	446,012	0.56
			<b>358,813</b>	<b>0.45</b>				<b>446,012</b>	<b>0.56</b>
9,446	Brenntag AG	EUR	526,035	0.66		<b>Switzerland 2.55% (1.41%)</b>			
39,003	Deutsche Telekom AG	EUR	669,914	0.85	5,348	Cie Financiere Richemont SA	CHF	356,312	0.45
			<b>1,195,949</b>	<b>1.51</b>	7,275	Novartis AG	CHF	532,668	0.67
88,200	AIA Group Ltd.	HKD	497,701	0.63	8,623	TE Connectivity Ltd.	USD	599,385	0.75
			<b>497,701</b>	<b>0.63</b>	34,257	UBS Group AG	CHF	539,411	0.68
7,555	HDFC Bank Ltd., ADR	USD	462,819	0.58				<b>2,027,776</b>	<b>2.55</b>
			<b>462,819</b>	<b>0.58</b>	4,688	Aon plc	USD	522,196	0.66
600,000	Bank Rakyat Indonesia Persero Tbk. PT	IDR	519,929	0.65	47,332	BAE Systems plc	GBP	344,607	0.43
2,118,700	Kalbe Farma Tbk. PT	IDR	238,242	0.30	10,699	British American Tobacco plc	GBP	610,997	0.77
			<b>758,171</b>	<b>0.95</b>	103,687	BT Group plc	GBP	470,118	0.59
					17,933	Diageo plc	GBP	467,612	0.59
					65,601	HSBC Holdings plc	GBP	532,352	0.67
					7,001	Nielsen Holdings plc	USD	294,252	0.37
					4,568	Reckitt Benckiser Group plc	GBP	387,971	0.49
					29,261	RELX plc	GBP	522,650	0.66
					14,383	Rio Tinto plc	GBP	560,744	0.70
					21,659	Royal Dutch Shell plc 'A'	EUR	594,857	0.75
					18,014	Unilever plc	GBP	732,031	0.92
								<b>6,040,387</b>	<b>7.60</b>



## Managed Fund

### Portfolio Statement (continued)

as at 31st December 2016

Holding	Investment	Currency	Market Value US\$	% of Net Assets
	<b>United States of America</b>		<b>33.31% (33.32%)</b>	
15,496	Activision Blizzard, Inc.	USD	560,180	0.70
5,903	Align Technology, Inc.	USD	567,219	0.71
1,166	Alphabet, Inc. 'A'	USD	926,947	1.17
700	Alphabet, Inc. 'C'	USD	542,689	0.68
1,482	Amazon.com, Inc.	USD	1,122,126	1.41
4,969	Amphenol Corp. 'A'	USD	334,911	0.42
2,941	Apple, Inc.	USD	341,744	0.43
18,936	BB&T Corp.	USD	891,317	1.12
22,225	Charles Schwab Corp. (The)	USD	879,221	1.11
5,380	CME Group, Inc.	USD	619,615	0.78
13,714	Comcast Corp. 'A'	USD	948,872	1.19
2,295	Cooper Cos., Inc. (The)	USD	402,566	0.51
3,349	Costco Wholesale Corp.	USD	536,778	0.67
7,750	Crown Castle International Corp., REIT	USD	673,862	0.85
7,366	DENTSPLY SIRONA, Inc.	USD	428,922	0.54
5,936	Discover Financial Services	USD	429,766	0.54
18,186	Enterprise Products Partners LP	USD	487,385	0.61
4,203	EOG Resources, Inc.	USD	426,857	0.54
5,411	Estee Lauder Cos., Inc. (The) 'A'	USD	414,970	0.52
7,710	Facebook, Inc. 'A'	USD	888,577	1.12
8,462	Gilead Sciences, Inc.	USD	606,556	0.76
2,141	Goldman Sachs Group, Inc. (The)	USD	512,491	0.64
4,087	Graco, Inc.	USD	338,976	0.43
15,014	JPMorgan Chase & Co.	USD	1,294,357	1.63
7,348	Mastercard, Inc. 'A'	USD	757,799	0.95
25,251	Micron Technology, Inc.	USD	555,017	0.70
12,258	NIKE, Inc. 'B'	USD	624,545	0.79
7,833	Occidental Petroleum Corp.	USD	560,451	0.70
32,061	Pfizer, Inc.	USD	1,042,624	1.31
5,173	Philip Morris International, Inc.	USD	473,899	0.60
2,089	Praxair, Inc.	USD	244,058	0.31
275	Priceline Group, Inc. (The)	USD	404,497	0.51
13,491	Sabre Corp.	USD	336,061	0.42
1,372	Sherwin-Williams Co. (The)	USD	370,632	0.47
4,599	Six Flags Entertainment Corp.	USD	274,514	0.34
11,000	Spirit Airlines, Inc.	USD	630,740	0.79
4,352	Stryker Corp.	USD	524,155	0.66
2,597	Thermo Fisher Scientific, Inc.	USD	367,294	0.46
6,066	TJX Cos., Inc. (The)	USD	458,408	0.58
8,553	Union Pacific Corp.	USD	890,282	1.12
6,163	United Parcel Service, Inc. 'B'	USD	706,896	0.89
3,396	United Rentals, Inc.	USD	362,115	0.46
4,909	Vertex Pharmaceuticals, Inc.	USD	366,113	0.46
11,699	Visa, Inc. 'A'	USD	915,330	1.15
4,266	Zimmer Biomet Holdings, Inc.	USD	442,256	0.56
			<b>26,484,590</b>	<b>33.31</b>
<b>Equities total</b>			<b>52,921,277</b>	<b>66.56</b>
Total Value of Investments			75,735,209	95.25
Net Other Assets (2015: 5.67%)			3,778,522	4.75
<b>Net Assets attributable to Preference Shareholders</b>			<b>79,513,731</b>	<b>100.00</b>

The comparative percentage figures in brackets are as at 31st December 2015.

## Managed Fund

### Notes to the Financial Statements

for the accounting period 1st January 2016 to 31st December 2016

#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 69.

#### 2 NET CAPITAL GAINS / (LOSSES)

The net capital gains/(losses) during the period comprise:

	2016 US\$	2015 US\$
Non-derivative securities	1,267,460	(805,289)
Forward currency derivative contracts	(5,638)	–
Other currency gains/(losses)	52,083	(2,378)
Transaction charges	(22,991)	(31,484)
Net capital gains/(losses)	<u>1,290,914</u>	<u>(839,151)</u>

Gains/(losses) from non-derivatives securities include realised gains of US\$ 1,970,357 (2015: US\$ 5,875,012 - realised losses) and change in unrealised losses of US\$ 702,897 (2015: US\$ 5,069,723 - unrealised gains).

Forward currency derivative contracts include realised losses of US\$ 5,691 (2015: US\$ Nil) and change in unrealised gains of US\$ 53 (2015: US\$ Nil).

#### 3 REVENUE

	2016 US\$	2015 US\$
Overseas dividends	1,745,451	1,854,000
Interest on debt securities	564,291	555,082
Total revenue	<u>2,309,742</u>	<u>2,409,082</u>

#### 4 EXPENSES

	2016 US\$	2015 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(2,312,738)	(2,405,860)
Registration expenses	(6,785)	(7,855)
Directors' fees	(3,268)	(4,143)
	<u>(2,322,791)</u>	<u>(2,417,858)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(54,430)	(56,445)
Safe custody fees	(21,256)	(21,195)
Interest payable	(681)	(237)
	<u>(76,367)</u>	<u>(77,877)</u>
Other expenses:		
Audit fee	(5,537)	(13,058)
Legal fees	(8,957)	(8,260)
Miscellaneous expenses	(679)	(679)
Publication charges	(11,789)	(7,048)
	<u>(26,962)</u>	<u>(29,045)</u>
Total expenses	<u>(2,426,120)</u>	<u>(2,524,780)</u>

#### 5 TAXATION

	2016 US\$	2015 US\$
Analysis of charge in period:		
Overseas tax suffered	(308,797)	(315,884)
Total overseas taxation	<u>(308,797)</u>	<u>(315,884)</u>

#### 6 DISTRIBUTIONS

The distribution takes account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprises:

	2016 US\$	2015 US\$
Revenue deducted on cancellation of shares	155,408	4,609
Revenue received on creation of shares	(3,048)	(2,757)
Distributions for the year	<u>152,360</u>	<u>1,852</u>

Details of the distribution per share are set out on page 11.

#### 7 FAIR VALUE HIERARCHY

Valuation technique	2016 Assets US\$	2015 Assets US\$
Quoted prices for identical instruments in active markets	52,921,277	81,034,966
Prices of recent transactions for identical instruments	–	–
Valuation techniques using observable market data	22,813,932	33,570,232
Valuation techniques using non-observable market data	–	–
Total	<u>75,735,209</u>	<u>114,605,198</u>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

Quoted prices for identical instruments in active markets – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

Prices of recent transactions for identical instruments – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

Valuation techniques using observable market data – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

Valuation techniques using non-observable data – Non-observable entity specific data should be used only where relevant observable market data is not available.

#### 8 DEBTORS

	2016 US\$	2015 US\$
Amounts receivable for issue of shares	–	44,616
Accrued revenue	122,316	268,143
Receivable from Manager – Nominal and management shares	476,126	420,863
Overseas tax recoverable	536	535
Total debtors	<u>598,978</u>	<u>734,157</u>

#### 9 OTHER CREDITORS

	2016 US\$	2015 US\$
Amounts payable for cancellation of shares	(28,447)	(1,500)
Accrued expenses	(93,272)	(81,515)
Amounts payable to the Manager	(150,528)	(206,095)
Total creditors	<u>(272,247)</u>	<u>(289,110)</u>

#### 10 RELATED PARTY TRANSACTIONS

Allied Dunbar International Fund Managers Limited is a related party and acts as principal in respect of all transactions of shares in the Fund.

At the balance sheet date Preference Shareholders from within the Zurich Insurance Group, of which the Fund is a related party, hold 25,579,693 (2015: 46,342,248) Preference Shares in the Fund.

The aggregate monies received through creations and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Preference Shareholders. The amounts due from/to Allied Dunbar International Fund Managers Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts paid to Allied Dunbar International Fund Managers Limited in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 147,852 (December 2015: US\$ 203,879) in respect of the annual management charge, and US\$ 823 (December 2015: US\$ 1,313) in respect of registration expenses is due at the end of the accounting period and is included within amounts payable to the Manager.

## Managed Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2016 to 31st December 2016

#### 11 SHARES IN ISSUE RECONCILIATION

	Number of shares in issue at start of the year	Number of shares created	Number of shares cancelled	Number of shares in issue at end of the year
Participating Redeemable Preference Shares	62,852,734	760,162	(22,869,548)	40,743,348
Management Shares	10	–	–	10

#### 12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2015: US\$ Nil).

#### 13 DIRECT TRANSACTION COSTS

In the case of equity shares, broker commissions, transfer taxes and stamp duties are paid by the Fund on each transaction. Unlike equity shares, other types of investments (such as bonds, money market instruments, and derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread between buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment.

Comparing portfolio transaction costs for a range of funds may give a false impression of the relative costs of investing in them for the following reasons:

- Transaction costs do not necessarily reduce returns. The net impact of dealing is the combination of the effectiveness of the Manager's investment decisions in improving returns and the associated costs of the investment.
- Historic transaction costs are not an effective indicator of the future impact on performance.
- Transaction costs for buying and selling investments due to other investors joining or leaving the Fund may be recovered from those investors.
- Transaction costs vary from country to country.
- Transaction costs vary depending on the types of investment in which a Fund invests.
- As the Manager's investment decisions are not predictable, transaction costs are also not predictable.

The direct transaction costs incurred during the year were as follows:

	Principal US\$	Commission US\$	Taxes US\$	Total Cost US\$	Accounting period to 31st December 2016 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	31,801,332	23,078	23,324	31,847,734	0.07	0.07
Bonds	71,932,466	–	–	71,932,466	–	–
Funds	2,135,557	–	–	2,135,557	–	–
	<u>105,869,355</u>	<u>23,078</u>	<u>23,324</u>	<u>105,915,757</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	61,442,329	(30,030)	(7,711)	61,404,588	(0.05)	(0.01)
Bonds	82,609,966	–	–	82,609,966	–	–
Funds	1,899,162	–	–	1,899,162	–	–
	<u>145,951,457</u>	<u>(30,030)</u>	<u>(7,711)</u>	<u>145,913,716</u>		
Total		<u>53,108</u>	<u>31,035</u>			
Percentage of Fund average net assets		<u>0.04%</u>	<u>0.03%</u>			

The direct transaction costs incurred during the prior year were as follows:

	Principal US\$	Commission US\$	Taxes US\$	Total Cost US\$	Accounting period to 31st December 2015 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	35,330,576	27,445	16,515	35,374,536	0.08	0.05
Bonds	84,754,819	–	–	84,754,819	–	–
Funds	811,573	–	–	811,573	–	–
	<u>120,896,968</u>	<u>27,445</u>	<u>16,515</u>	<u>120,940,928</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	39,918,887	(27,886)	(4,566)	39,886,435	(0.07)	(0.01)
Bonds	83,891,575	–	–	83,891,575	–	–
Funds	1,605,885	–	–	1,605,885	–	–
	<u>125,416,347</u>	<u>(27,886)</u>	<u>(4,566)</u>	<u>125,383,895</u>		
Total		<u>55,331</u>	<u>21,081</u>			
Percentage of Fund average net assets		<u>0.04%</u>	<u>0.02%</u>			

## Managed Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2016 to 31st December 2016

#### 13 DIRECT TRANSACTION COSTS (continued)

##### Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.08% (2015: 0.09%). This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

#### 14 FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 70.

##### Currency exposures

A substantial proportion of the Net Assets of the Fund are denominated in currencies other than US Dollars, which is the base currency in which the Fund is managed. This has the effect that the Balance Sheet and Statement of Total Return can be significantly affected by currency movements.

Net foreign currency assets	Monetary exposure	Non-monetary exposure	Total
Currency 2016	US\$	US\$	US\$
Australian Dollar	2,672	385,802	388,474
Brazilian Real	7,517	342,000	349,517
Canadian Dollar	1,783	1,025,722	1,027,505
Danish Krone	18	372,911	372,929
Euro	16,492	9,663,029	9,679,521
Hong Kong Dollar	160	2,265,107	2,265,267
Indonesian Rupiah	–	758,171	758,171
Japanese Yen	6,633	6,269,965	6,276,598
Korean Won	6,232	522,987	529,219
Mexican Peso	20	627,547	627,567
New Zealand Dollar	595	–	595
Norwegian Krone	39	–	39
Polish Zloty	193	–	193
Singapore Dollar	62	–	62
South African Rand	55	–	55
Swedish Krona	67	–	67
Swiss Franc	162	1,428,391	1,428,553
Taiwanese Dollar	29,669	–	29,669
Turkish Lira	2	–	2
UK Sterling	18,694	9,784,112	9,802,806
US Dollar	3,687,457	42,289,465	45,976,922
Currency 2015	US\$	US\$	US\$
Australian Dollar	11,471	3,197,195	3,208,666
Canadian Dollar	6,259	1,746,224	1,752,483
Danish Krone	3	867,813	867,816
Euro	79,748	16,170,556	16,250,304
Hong Kong Dollar	32	2,604,540	2,604,572
Indonesian Rupiah	–	767,552	767,552
Japanese Yen	22,790	11,294,074	11,316,864
Korean Won	27,670	1,567,883	1,595,553
Mexican Peso	17	1,042,630	1,042,647
New Zealand Dollar	584	–	584
Norwegian Krone	34	413,853	413,887
Polish Zloty	204	–	204
Singapore Dollar	422	325,878	326,300
South African Rand	47	–	47
Swedish Krona	72	–	72
Swiss Franc	72	1,281,254	1,281,326
Taiwanese Dollar	29,140	–	29,140
Turkish Lira	3	–	3
UK Sterling	94,069	14,244,726	14,338,795
US Dollar	6,616,686	59,081,020	65,697,706

##### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and financial liabilities at 31st December 2016 and 31st December 2015 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
Currency 2016	US\$	US\$	US\$	US\$
Australian Dollar	137	385,802	2,535	388,474
Brazilian Real	7,517	–	342,000	349,517
Canadian Dollar	35	250,736	776,734	1,027,505
Danish Krone	18	–	372,911	372,929
Euro	2,531	4,754,929	4,922,061	9,679,521
Hong Kong Dollar	160	–	2,265,107	2,265,267
Indonesian Rupiah	–	–	758,171	758,171
Japanese Yen	1,304	3,797,343	2,477,951	6,276,598
Korean Won	–	–	529,219	529,219
Mexican Peso	20	–	627,547	627,567
New Zealand Dollar	595	–	–	595
Norwegian Krone	39	–	–	39
Polish Zloty	193	–	–	193
Singapore Dollar	62	–	–	62
South African Rand	55	–	–	55
Swedish Krona	67	–	–	67
Swiss Franc	162	–	1,428,391	1,428,553
Taiwanese Dollar	29,669	–	–	29,669
Turkish Lira	2	–	–	2
UK Sterling	1,460	1,451,406	8,349,940	9,802,806
US Dollar	3,883,891	9,074,801	33,290,477	46,249,169
Currency 2015	US\$	US\$	US\$	US\$
Australian Dollar	41	1,867,893	1,340,732	3,208,666
Canadian Dollar	4,460	471,975	1,276,048	1,752,483
Danish Krone	3	–	867,813	867,816
Euro	168	8,214,403	8,035,733	16,250,304
Hong Kong Dollar	31	–	2,604,541	2,604,572
Indonesian Rupiah	–	–	767,552	767,552
Japanese Yen	3,746	6,086,437	5,226,681	11,316,864
Korean Won	–	–	1,595,553	1,595,553
Mexican Peso	17	–	1,042,630	1,042,647
New Zealand Dollar	584	–	–	584
Norwegian Krone	34	–	413,853	413,887
Polish Zloty	204	–	–	204
Singapore Dollar	422	–	325,878	326,300
South African Rand	47	–	–	47
Swedish Krona	72	–	–	72
Swiss Franc	72	–	1,281,254	1,281,326
Taiwanese Dollar	29,140	–	–	29,140
Turkish Lira	3	–	–	3
UK Sterling	15,981	3,259,879	11,062,935	14,338,795
US Dollar	6,810,114	10,469,960	48,706,742	65,986,816

	Floating rate financial liabilities	Financial liabilities not carrying interest	Total
Currency 2016	US\$	US\$	US\$
US Dollar	–	(272,247)	(272,247)
Currency 2015	US\$	US\$	US\$
US Dollar	–	(289,110)	(289,110)

Cash balances are held in floating rate accounts where interest is calculated with reference to prevailing market rates.

The Fund's Preference Shares are financial liabilities that do not carry interest and there are no other material financial liabilities that carry interest.

##### Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value. The basis of valuation is disclosed in Note 1 (5) to the Aggregated Financial Statements.

# Worldwide Equity Fund

## Fund Investment Report

### Investment Policy

To invest primarily for capital growth in a portfolio of international equities.

### Types of Investment

Investments are made principally for prospects of capital growth in international stocks, generally in shares of leading companies, but also indirectly may be made through other types of permitted investment such as unit trusts, investment trusts, convertible securities, traded options, warrants, fixed interest securities and other media as circumstances warrant and as permitted by the Regulations.

Exposure to individual regions or economies will generally reflect relative levels of market capitalisation. Consequently, a relatively large proportion of the Fund may consist of investments in the North American market.

It must be remembered that the price of shares and the income from them can go down as well as up.

### Fund Performance

On a total return basis, over the 12 months to 31st December 2016 the MSCI AC World Index produced a return of +8.5% in United States (US) Dollar terms. By comparison, the Fund achieved a total gross return of +4.3% over the same period.

### Review

Global markets made solid gains in US Dollar terms during the year under review. After a choppy start, global equities rallied on the back of recovering oil prices and enhanced stimulus measures from the European Central Bank (ECB). However, markets turned volatile late in the second quarter following the United Kingdom's (UK) shock referendum vote to leave the European Union (EU). Global equities subsequently staged something of a "relief rally", partly due to extremely low core bond yields tempting investors to higher-yielding assets.

Later in the year, initial concern around the prospect of a Donald Trump presidency gave way to a market surge after the candidate's surprise victory. Financials, energy firms and construction companies were among the key beneficiaries amid expectations for a more favourable regulatory environment, lower taxes and higher infrastructure spending. Meanwhile, an agreement by the Organisation of the Petroleum Exporting Countries (OPEC) to cut oil production provided a further boost to oil prices towards the end of the year.

Among key activity over the year, we opened new positions in companies including Charles Schwab Corp. (United States), Activision Blizzard, Inc (United States), Medtronic plc (Ireland) and Costco Wholesale Corp. (United States). Charles Schwab Corp. is a leading US financial services business with significant market share, and a reputation for both good customer service and rapidly adopting new technology. This secular growth story should be a beneficiary of changing demographics and rising interest rates in the US. Activision Blizzard, Inc., a gaming company with a strong catalogue, is well-placed to capitalise on the move towards mobile devices. Costco Wholesale Corp. is the largest membership-only wholesale retailer in the US and second globally. The stock was sold off following a number of short-term headwinds, which we believe have now passed. Improving sales, margin expansion and continued international success should offer attractive upside. Medtronic plc is a leading medical equipment company with sustainable revenue growth and growing market share. After exiting Imperial Brands plc (United Kingdom), we used the proceeds to open a holding in British American Tobacco plc (United Kingdom). The latter trades at an attractive valuation and is one of the most globally diversified tobacco businesses, with good growth potential.

On the sales side, we exited American Express Co. (United States) and sold out of a small remaining position in insurer American International Group, Inc. (United States) in order to fund better ideas elsewhere.

Political uncertainty, rising populism and policy divergence dominated markets in 2016, and we expect a similar situation in the year ahead. Interest rates have already moved away from emergency settings in the US and are likely to rise further in 2017, but monetary policy in Europe and Japan will probably remain accommodative. This should mean a stronger US Dollar, all else being equal, which is likely to be a further headwind for emerging markets.

Against this backdrop, we continue our focus on quality growth, seeking competitively advantaged businesses exposed to a secular growth story or ones that can deliver company-led growth. While themes of technology and changing demographics continue to drive our investments, we have added to high-quality cyclical names that could benefit from a Trump presidency.

## Worldwide Equity Fund

### Comparative Tables

for the accounting period 1st January 2016 to 31st December 2016

	Preference shares		
	2016	2015	2014
	US\$	US\$	US\$
<b>Change in net assets per share</b>			
Opening net asset value per share	2.1696	2.1549	2.0981
Return before operating charges <sup>1</sup>	0.0841	0.0620	0.1009
Operating charges	(0.0457)	(0.0473)	(0.0435)
Return after operating charges	0.0384	0.0147	0.0574
Distributions on preference shares	–	–	(0.0006)
Closing net asset value per shares	2.2080	2.1696	2.1549
<sup>1</sup> after direct transaction costs of	(0.0021)	(0.0020)	(0.0028)
<b>Performance</b>			
Return after charges	1.77%	0.68%	2.74%
<b>Other information</b>			
Closing net asset value (US\$)	30,369,429	34,363,571	37,252,048
Closing number of shares	13,754,145	15,838,668	17,287,039
Operating charges	2.14%	2.17%	2.05%
Direct transaction costs	0.10%	0.10%	0.14%
<b>Prices</b>			
Highest offer share price (US\$)	2.3940	2.4260	2.3440
Lowest bid share price (US\$)	1.8790	1.9750	1.9670

#### Additional comparative table disclosures to satisfy the requirements of the Authorised Collective Investment Schemes Regulations 2010:

	Net distribution per share US\$	Highest offer share price US\$	Lowest bid share price US\$
<b>For the accounting period ended:</b>			
31st December 2012	–	1.7940	1.4500
31st December 2013	–	2.2150	1.6720

#### Ongoing Charges Figure (“OCF”)

##### For the accounting period ended:

	OCF %
31st December 2015	2.17%
31st December 2016	2.14%

Ongoing Charges Figure has replaced the Total Expense Ratio (“TER”). The OCF takes into account the annual management charge and any expenses incurred, expressed as a percentage of the average daily net asset values over the period. The main difference between the two calculations is the inclusion of custodian handling charges in the OCF. The comparative figures for the Operating charges and the OCF for 2014 have not been restated.

The Operating charges are calculated on an ex-post basis and as such may differ from the OCF where:

- Changes to fee rates were made during the year and the OCF has been amended to be future proofed for this change.
- The OCF has been annualised for a share class that has not yet been open for a full year.

Please refer to the Direct transaction costs note on page 24, for more detail regarding the nature of transaction costs and how they arise for different types of investments.

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## Worldwide Equity Fund

### Statement of Total Return

for the accounting period 1st January 2016 to 31st December 2016

	Notes	2016 US\$	2015 US\$
Income			
Net capital gains	2	531,131	339,367
Revenue	3	685,932	796,617
Expenses	4	(650,118)	(752,072)
Net revenue before taxation		35,814	44,545
Taxation	5	(121,088)	(133,648)
Net expense after taxation		(85,274)	(89,103)
<b>Total return before distribution</b>		<b>445,857</b>	<b>250,264</b>
Distributions	6	5,066	4,432
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		<b>450,923</b>	<b>254,696</b>

### Balance Sheet

as at 31st December 2016

	Notes	2016 US\$	2015 US\$
<b>Assets:</b>			
Fixed assets:			
Investments	7	30,096,603	33,722,301
Current assets:			
Debtors	8	235,243	243,483
Cash and bank balances		388,047	685,887
<b>Total assets</b>		<b>30,719,893</b>	<b>34,651,671</b>
<b>Liabilities:</b>			
Creditors:			
Other creditors	9	(142,855)	(85,702)
<b>Total liabilities</b>		<b>(142,855)</b>	<b>(85,702)</b>
<b>Equity:</b>			
Nominal shares		(207,609)	(202,398)
<b>Total equity</b>		<b>(207,609)</b>	<b>(202,398)</b>
<b>Net Assets Attributable to Preference Shareholders</b>		<b>30,369,429</b>	<b>34,363,571</b>

### Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2016 to 31st December 2016

	2016 US\$	2015 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	<b>34,363,571</b>	<b>37,252,048</b>
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	153,503	635,397
Amounts payable on cancellation of shares	(4,598,568)	(3,778,570)
	(4,445,065)	(3,143,173)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	450,923	254,696
<b>Closing Net Assets Attributable to Preference Shareholders</b>	<b>30,369,429</b>	<b>34,363,571</b>

### Distribution Table

There is no distribution for the accounting period 1st January 2016 to 31st December 2016, as expenses exceed revenue (December 2015: US\$ Nil).

\*Please refer to the Accounting policies "Basis of accounting" on page 69.

The notes on pages 23 to 25 form an integral part of the financial statements.

## Worldwide Equity Fund

### Portfolio Statement

as at 31st December 2016

Holding	Investment	Currency	Market Value US\$	% of Net Assets	Holding	Investment	Currency	Market Value US\$	% of Net Assets
	<b>Equities 99.10% (98.13%)</b>								
	<b>Australia 0.00% (1.56%)</b>								
3,297	Anheuser-Busch InBev SA/NV	EUR	349,650	1.15	3,731	<b>Mexico 2.11% (2.40%)</b> Fomento Economico Mexicano SAB de CV, ADR	USD	287,250	0.95
			<b>349,650</b>	<b>1.15</b>	70,800	Grupo Financiero Banorte SAB de CV 'O'	MXN	352,342	1.16
	<b>Bermuda 1.21% (1.39%)</b>							<b>639,592</b>	<b>2.11</b>
10,382	IHS Markit Ltd.	USD	366,069	1.21	4,032	<b>Netherlands 1.38% (1.11%)</b> Airbus SE	EUR	266,595	0.88
			<b>366,069</b>	<b>1.21</b>	1,370	ASML Holding NV	EUR	153,454	0.50
	<b>Brazil 0.60% (0.00%)</b>							<b>420,049</b>	<b>1.38</b>
44,900	Kroton Educacional SA	BRL	183,462	0.60		<b>Norway 0.00% (0.50%)</b>			
			<b>183,462</b>	<b>0.60</b>		<b>Singapore 0.00% (0.40%)</b>			
	<b>Canada 2.32% (2.10%)</b>				189	<b>South Korea 0.93% (1.91%)</b> Samsung Electronics Co. Ltd.	KRW	282,413	0.93
2,548	Agrium, Inc.	USD	257,679	0.85				<b>282,413</b>	<b>0.93</b>
13,500	Suncor Energy, Inc.	CAD	447,107	1.47					
			<b>704,786</b>	<b>2.32</b>					
	<b>Cayman Islands 1.93% (3.01%)</b>								
2,595	Alibaba Group Holding Ltd., ADR	USD	226,829	0.75	10,067	<b>Spain 1.92% (1.77%)</b> Cellnex Telecom SA	EUR	144,614	0.47
14,700	Tencent Holdings Ltd.	HKD	359,672	1.18	12,876	Industria de Diseno Textil SA	EUR	439,531	1.45
			<b>586,501</b>	<b>1.93</b>				<b>584,145</b>	<b>1.92</b>
	<b>China 1.30% (0.59%)</b>				207,000	<b>Supranational 0.84% (0.88%)</b> HKT Trust & HKT Ltd.	HKD	253,639	0.84
46,500	Ping An Insurance Group Co. of China Ltd. 'H'	HKD	232,705	0.76				<b>253,639</b>	<b>0.84</b>
39,600	Sinopharm Group Co. Ltd. 'H'	HKD	162,933	0.54					
			<b>395,638</b>	<b>1.30</b>					
	<b>Denmark 0.69% (1.09%)</b>				3,086	<b>Switzerland 3.76% (2.07%)</b> Cie Financiere Richemont SA	CHF	205,606	0.68
5,823	Novo Nordisk A/S 'B'	DKK	209,782	0.69	4,128	Novartis AG	CHF	302,248	1.00
			<b>209,782</b>	<b>0.69</b>	4,774	TE Connectivity Ltd.	USD	331,841	1.09
					19,192	UBS Group AG	CHF	302,197	0.99
	<b>France 0.70% (1.67%)</b>							<b>1,141,892</b>	<b>3.76</b>
5,173	Criteo SA, ADR Preference	USD	212,714	0.70					
			<b>212,714</b>	<b>0.70</b>					
	<b>Germany 2.19% (3.18%)</b>				2,713	<b>United Kingdom 11.39% (10.88%)</b> Aon plc	USD	302,201	1.00
5,192	Brenntag AG	EUR	289,135	0.95	27,129	BAE Systems plc	GBP	197,516	0.65
21,942	Deutsche Telekom AG	EUR	376,875	1.24	6,136	British American Tobacco plc	GBP	350,414	1.15
			<b>666,010</b>	<b>2.19</b>	58,175	BT Group plc	GBP	263,766	0.87
					10,554	Diageo plc	GBP	275,201	0.91
	<b>Hong Kong 0.93% (0.61%)</b>				37,510	HSBC Holdings plc	GBP	304,393	1.00
50,200	AIA Group Ltd.	HKD	283,272	0.93	4,052	Nielsen Holdings plc	USD	170,306	0.56
			<b>283,272</b>	<b>0.93</b>	2,622	Reckitt Benckiser Group plc	GBP	222,693	0.73
					16,829	RELX plc	GBP	300,594	0.99
	<b>India 0.89% (0.41%)</b>				8,233	Rio Tinto plc	GBP	320,977	1.06
4,383	HDFC Bank Ltd., ADR	USD	268,503	0.89	12,434	Royal Dutch Shell plc 'A'	EUR	341,495	1.12
			<b>268,503</b>	<b>0.89</b>	10,056	Unilever plc	GBP	408,643	1.35
								<b>3,458,199</b>	<b>11.39</b>
	<b>Indonesia 1.44% (0.91%)</b>								
342,600	Bank Rakyat Indonesia	IDR	296,880	0.98	8,772	<b>United States of America 49.68% (48.90%)</b> Activision Blizzard, Inc.	USD	317,108	1.04
1,238,700	Kalbe Farma Tbk. PT	IDR	139,288	0.46	3,405	Align Technology, Inc.	USD	327,187	1.08
			<b>436,168</b>	<b>1.44</b>	635	Alphabet, Inc. 'A'	USD	504,812	1.66
					412	Alphabet, Inc. 'C'	USD	319,411	1.05
	<b>Ireland 5.95% (1.92%)</b>				851	Amazon.com, Inc.	USD	644,352	2.12
5,008	Alkermes plc	USD	277,894	0.92	2,769	Amphenol Corp. 'A'	USD	186,631	0.61
644,345	Bank of Ireland	EUR	159,026	0.52	1,668	Apple, Inc.	USD	193,822	0.64
7,297	CRH plc	EUR	252,167	0.83	10,955	BB&T Corp.	USD	515,652	1.70
4,910	Ingersoll-Rand plc	USD	371,343	1.22	12,877	Charles Schwab Corp. (The)	USD	509,414	1.68
4,747	Johnson Controls International plc	USD	197,048	0.65	3,068	CME Group, Inc.	USD	353,342	1.16
3,649	Medtronic plc	USD	261,706	0.86	7,945	Comcast Corp. 'A'	USD	549,715	1.81
2,366	Willis Towers Watson plc	USD	288,250	0.95	1,348	Cooper Cos., Inc. (The)	USD	236,453	0.78
			<b>1,807,434</b>	<b>5.95</b>	1,888	Costco Wholesale Corp.	USD	302,609	1.00
					4,403	Crown Castle International Corp., REIT	USD	382,841	1.26
	<b>Italy 0.00% (0.68%)</b>				4,293	DENTSPLY SIRONA, Inc.	USD	249,981	0.82
	<b>Japan 4.69% (6.32%)</b>				3,226	Discover Financial Services	USD	233,562	0.77
10,400	Japan Exchange Group, Inc.	JPY	148,648	0.49	10,056	Enterprise Products Partners LP	USD	269,501	0.89
7,000	Mitsui Fudosan Co. Ltd.	JPY	162,141	0.53	2,429	EOG Resources, Inc.	USD	246,689	0.81
1,700	Nintendo Co. Ltd.	JPY	357,331	1.18	3,132	Estee Lauder Cos., Inc. (The) 'A'	USD	240,193	0.79
24,300	Sekisui Chemical Co. Ltd.	JPY	388,158	1.28	4,436	Facebook, Inc. 'A'	USD	511,249	1.68
23,700	Yaskawa Electric Corp.	JPY	369,023	1.21	4,772	Gilead Sciences, Inc.	USD	342,057	1.13
			<b>1,425,301</b>	<b>4.69</b>	1,239	Goldman Sachs Group, Inc. (The)	USD	296,579	0.98
	<b>Jersey 1.10% (1.01%)</b>				2,396	Graco, Inc.	USD	198,724	0.65
5,471	Wolseley plc	GBP	335,092	1.10	8,686	JPMorgan Chase & Co.	USD	748,820	2.47
			<b>335,092</b>	<b>1.10</b>	4,095	Mastercard, Inc. 'A'	USD	422,317	1.39
					14,500	Micron Technology, Inc.	USD	318,710	1.05
					7,152	NIKE, Inc. 'B'	USD	364,394	1.20
					4,436	Occidental Petroleum Corp.	USD	317,396	1.04



## Worldwide Equity Fund

### Portfolio Statement (continued)

as at 31st December 2016

Holding	Investment	Currency	Market Value US\$	% of Net Assets
17,817	Pfizer, Inc.	USD	579,409	1.91
2,935	Philip Morris International, Inc.	USD	268,875	0.89
1,181	Praxair, Inc.	USD	137,976	0.45
157	Priceline Group, Inc. (The)	USD	230,931	0.76
7,680	Sabre Corp.	USD	191,309	0.63
813	Sherwin-Williams Co. (The)	USD	219,624	0.72
2,602	Six Flags Entertainment Corp.	USD	155,313	0.51
6,265	Spirit Airlines, Inc.	USD	359,235	1.18
2,517	Stryker Corp.	USD	303,148	1.00
1,517	Thermo Fisher Scientific, Inc.	USD	214,549	0.71
3,406	TJX Cos., Inc. (The)	USD	257,391	0.85
4,834	Union Pacific Corp.	USD	503,171	1.66
3,372	United Parcel Service, Inc. 'B'	USD	386,768	1.27
1,801	United Rentals, Inc.	USD	192,041	0.63
2,913	Vertex Pharmaceuticals, Inc.	USD	217,252	0.72
6,581	Visa, Inc. 'A'	USD	514,898	1.70
2,420	Zimmer Biomet Holdings, Inc.	USD	250,881	0.83
			<b>15,086,292</b>	<b>49.68</b>
	<b>Equities total</b>		<b>30,096,603</b>	<b>99.10</b>
	Total Value of Investments		30,096,603	99.10
	Net Other Assets (2015: 1.87%)		272,826	0.90
	<b>Net Assets attributable to Preference Shareholders</b>		<b>30,369,429</b>	<b>100.00</b>

The comparative percentage figures in brackets are as at 31st December 2015.

## Worldwide Equity Fund

### Notes to the Financial Statements

for the accounting period 1st January 2016 to 31st December 2016

#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 69.

#### 2 NET CAPITAL GAINS

The net capital gains during the period comprise:

	2016 US\$	2015 US\$
Non-derivative securities	560,603	376,547
Forward currency derivative contracts	430	–
Other currency losses	(6,584)	(285)
Transaction charges	(23,318)	(36,895)
Net capital gains	531,131	339,367

Gains/(losses) from non-derivatives securities include realised gains of US\$ 232,650 (2015: US\$ 2,971,933) and change in unrealised gains of US\$ 327,953 (2015: US\$ 2,595,386 - unrealised loss)

Forward currency derivative contracts include realised gains of US\$ 410 (2015: US\$ Nil) and change in unrealised gains of US\$ 20 (2015: US\$ Nil).

#### 3 REVENUE

	2016 US\$	2015 US\$
Overseas dividends	685,870	796,617
Bank interest	62	–
Total revenue	685,932	796,617

#### 4 EXPENSES

	2016 US\$	2015 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(614,225)	(712,104)
Registration expenses	(2,511)	(2,902)
Directors' fees	(1,191)	(1,258)
	(617,927)	(716,264)
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(15,083)	(17,533)
Safe custody fees	(6,011)	(6,634)
Interest payable	(1,165)	(844)
	(22,259)	(25,011)
Other expenses:		
Audit fee	(1,561)	(4,003)
Legal fees	(4,699)	(4,597)
Miscellaneous expenses	(204)	(204)
Publication charges	(3,468)	(1,993)
	(9,932)	(10,797)
Total expenses	(650,118)	(752,072)

#### 5 TAXATION

	2016 US\$	2015 US\$
Analysis of charge in period:		
Overseas tax suffered	(120,346)	(133,648)
Capital gains tax	(742)	–
Total overseas taxation	(121,088)	(133,648)

#### 6 DISTRIBUTIONS

The distribution takes account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprises:

	2016 US\$	2015 US\$
Revenue deducted on cancellation of shares	5,207	5,076
Revenue received on creation of shares	(141)	(644)
Distributions for the year	5,066	4,432

Details of the distribution per share are set out on page 20.

#### 7 FAIR VALUE HIERARCHY

Valuation technique	2016 Assets US\$	2015 Assets US\$
Quoted prices for identical instruments in active markets	30,096,603	33,719,682
Prices of recent transactions for identical instruments	–	–
Valuation techniques using observable market data	–	2,619
Valuation techniques using non-observable market data	–	–
Total	30,096,603	33,722,301

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

Quoted prices for identical instruments in active markets – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

Prices of recent transactions for identical instruments – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

Valuation techniques using observable market data – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

Valuation techniques using non-observable data – Non-observable entity specific data should be used only where relevant observable market data is not available.

#### 8 DEBTORS

	2016 US\$	2015 US\$
Accrued revenue	27,403	40,854
Receivable from Manager – Nominal shares	207,609	202,398
Overseas tax recoverable	231	231
Total debtors	235,243	243,483

#### 9 OTHER CREDITORS

	2016 US\$	2015 US\$
Amounts payable for cancellation of shares	(57,079)	–
Accrued expenses	(34,897)	(27,814)
Amounts payable to the Manager	(50,879)	(57,888)
Total creditors	(142,855)	(85,702)

#### 10 RELATED PARTY TRANSACTIONS

Allied Dunbar International Fund Managers Limited is a related party and acts as principal in respect of all transactions of shares in the Fund.

At the balance sheet date Preference Shareholders from within the Zurich Insurance Group, of which the Fund is a related party, hold 10,745,507 (2015: 12,283,018) Preference Shares in the Fund.

The aggregate monies received through creations and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Preference Shareholders. The amounts due from/to Allied Dunbar International Fund Managers Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts paid to Allied Dunbar International Fund Managers Limited in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 49,678 (December 2015: US\$ 56,713) in respect of the annual management charge, and US\$ 315 (December 2015: US\$ 482) in respect of registration expenses is due at the end of the accounting period and is included within amounts payable to the Manager.

#### 11 SHARES IN ISSUE RECONCILIATION

	Number of shares in issue at start of the year	Number of shares created	Number of shares cancelled	Number of shares in issue at end of the year
Participating Redeemable Preference Shares	15,838,668	73,705	(2,158,228)	13,754,145

## Worldwide Equity Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2016 to 31st December 2016

#### 12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2015: US\$ Nil).

#### 13 DIRECT TRANSACTION COSTS

In the case of equity shares, broker commissions, transfer taxes and stamp duties are paid by the Fund on each transaction. Unlike equity shares, other types of investments (such as bonds, money market instruments, and derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread between buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment.

Comparing portfolio transaction costs for a range of funds may give a false impression of the relative costs of investing in them for the following reasons:

- Transaction costs do not necessarily reduce returns. The net impact of dealing is the combination of the effectiveness of the Manager's investment decisions in improving returns and the associated costs of the investment.
- Historic transaction costs are not an effective indicator of the future impact on performance.
- Transaction costs for buying and selling investments due to other investors joining or leaving the Fund may be recovered from those investors.
- Transaction costs vary from country to country.
- Transaction costs vary depending on the types of investment in which a Fund invests.
- As the Manager's investment decisions are not predictable, transaction costs are also not predictable.

The direct transaction costs incurred during the year were as follows:

	Principal US\$	Commission US\$	Taxes US\$	Total Cost US\$	Accounting period to 31st December 2016	
					Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	12,224,659	8,804	8,913	12,242,376	0.07	0.07
	<u>12,224,659</u>	<u>8,804</u>	<u>8,913</u>	<u>12,242,376</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	16,436,247	(10,012)	(2,201)	16,424,034	(0.06)	(0.01)
	<u>16,436,247</u>	<u>(10,012)</u>	<u>(2,201)</u>	<u>16,424,034</u>		
Total		<u>18,816</u>	<u>11,114</u>			
Percentage of Fund average net assets		<u>0.06%</u>	<u>0.04%</u>			

The direct transaction costs incurred during the prior year were as follows:

	Principal US\$	Commission US\$	Taxes US\$	Total Cost US\$	Accounting period to 31st December 2015	
					Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	15,148,697	11,676	7,218	15,167,591	0.08	0.05
	<u>15,148,697</u>	<u>11,676</u>	<u>7,218</u>	<u>15,167,591</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	19,017,562	(12,395)	(2,157)	19,003,010	(0.07)	(0.01)
	<u>19,017,562</u>	<u>(12,395)</u>	<u>(2,157)</u>	<u>19,003,010</u>		
Total		<u>24,071</u>	<u>9,375</u>			
Percentage of Fund average net assets		<u>0.07%</u>	<u>0.03%</u>			

## Worldwide Equity Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2016 to 31st December 2016

#### 13 DIRECT TRANSACTION COSTS (continued)

##### Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.09% (2015: 0.09%). This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

#### 14 FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 70.

##### Currency exposures

A substantial proportion of the Net Assets of the Fund are denominated in currencies other than US Dollars, which is the base currency in which the Fund is managed. This has the effect that the Balance Sheet and Statement of Total Return can be significantly affected by currency movements.

Net foreign currency assets	Monetary exposure	Non-monetary exposure	Total
Currency 2016	US\$	US\$	US\$
Australian Dollar	248	–	248
Brazilian Real	–	183,462	183,462
Canadian Dollar	696	447,107	447,803
Danish Krone	13	209,782	209,795
Euro	1,027	2,772,542	2,773,570
Hong Kong Dollar	456	1,292,221	1,292,677
Indonesian Rupiah	–	436,168	436,168
Japanese Yen	2	1,425,301	1,425,303
Korean Won	3,365	282,413	285,778
Mexican Peso	16	352,342	352,358
New Zealand Dollar	694	–	694
Norwegian Krone	91	–	91
Polish Zloty	107	–	107
Singapore Dollar	419	–	419
South African Rand	242	–	242
Swedish Krona	7	–	7
Swiss Franc	346	810,051	810,397
Taiwanese Dollar	9,788	–	9,788
Turkish Lira	2	–	2
UK Sterling	4,514	2,979,289	2,983,803
US Dollar	250,792	18,905,925	19,156,717
Currency 2015	US\$	US\$	US\$
Australian Dollar	5,453	537,765	543,218
Canadian Dollar	1,733	535,284	537,017
Danish Krone	53	374,716	374,769
Euro	431	3,314,239	3,314,670
Hong Kong Dollar	4	1,084,170	1,084,174
Indonesian Rupiah	–	314,363	314,363
Japanese Yen	27,954	2,144,479	2,172,433
Korean Won	–	657,516	657,516
Mexican Peso	59	435,831	435,890
New Zealand Dollar	681	–	681
Norwegian Krone	52	173,317	173,369
Polish Zloty	114	–	114
Singapore Dollar	1,254	136,469	137,723
South African Rand	206	–	206
Swedish Krona	7	–	7
Taiwanese Dollar	9,613	–	9,613
Turkish Lira	2	–	2
Swiss Franc	73	532,594	532,667
UK Sterling	6,608	3,236,168	3,242,776
US Dollar	586,973	20,245,390	20,832,363

##### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and financial liabilities at 31st December 2016 and 31st December 2015 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
Currency 2016	US\$	US\$	US\$	US\$
Australian Dollar	248	–	–	248
Brazilian Real	–	–	183,462	183,462
Canadian Dollar	696	–	447,107	447,803
Danish Krone	13	–	209,782	209,795
Euro	1,027	–	2,772,543	2,773,570
Hong Kong Dollar	456	–	1,292,221	1,292,677
Indonesian Rupiah	–	–	436,168	436,168
Japanese Yen	2	–	1,425,301	1,425,303
Korean Won	–	–	285,778	285,778
Mexican Peso	16	–	352,342	352,358
New Zealand Dollar	694	–	–	694
Norwegian Krone	91	–	–	91
Polish Zloty	107	–	–	107
Singapore Dollar	419	–	–	419
South African Rand	242	–	–	242
Swedish Krona	7	–	–	7
Swiss Franc	346	–	810,051	810,397
Taiwanese Dollar	9,788	–	–	9,788
Turkish Lira	2	–	–	2
UK Sterling	1,026	–	2,982,777	2,983,803
US Dollar	372,867	–	18,926,705	19,299,572
Currency 2015	US\$	US\$	US\$	US\$
Australian Dollar	5,453	–	537,765	543,218
Canadian Dollar	1,733	–	535,284	537,017
Danish Krone	53	–	374,716	374,769
Euro	431	–	3,314,239	3,314,670
Hong Kong Dollar	4	–	1,084,170	1,084,174
Indonesian Rupiah	–	–	314,363	314,363
Japanese Yen	4	–	2,172,429	2,172,433
Korean Won	–	–	657,516	657,516
Mexican Peso	59	–	435,831	435,890
New Zealand Dollar	681	–	–	681
Norwegian Krone	52	–	173,317	173,369
Polish Zloty	114	–	–	114
Singapore Dollar	1,254	–	136,469	137,723
South African Rand	206	–	–	206
Swedish Krona	7	–	–	7
Swiss Franc	73	–	532,594	532,667
Taiwanese Dollar	9,613	–	–	9,613
Turkish Lira	2	–	–	2
UK Sterling	6,608	–	3,236,168	3,242,776
US Dollar	659,540	–	20,258,525	20,918,065
Currency 2016	Floating rate financial liabilities	Financial liabilities not carrying interest	Total	
Currency 2016	US\$	US\$	US\$	
US Dollar	–	(142,855)	(142,855)	
Currency 2015	US\$	US\$	US\$	
US Dollar	–	(85,702)	(85,702)	

There are no material amounts of non interest-bearing financial assets, other than equities, which do not have maturity dates.

Cash balances are held in floating rate accounts where interest is calculated with reference to prevailing market rates.

The Fund's Preference Shares are financial liabilities that do not carry interest and there are no other material financial liabilities that carry interest.

##### Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value. The basis of valuation is disclosed in Note 1 (5) to the Aggregated Financial Statements.

# Managed Currency Fund

## Fund Investment Report

### Investment Policy

To invest in a portfolio of short term fixed interest investments. The Managed Currency Fund invests principally in deposits.

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### Types of Investment

The majority of the Fund is invested in short dated bonds and interest bearing time deposits, and is earning the higher rates of interest not normally available to the individual investor. Investments may be made in all forms of money market instrument which are normally held to maturity, and in any currency where the projected return over the life of the investment is attractive. The Fund will normally have a bias towards United States (US) Dollar denominated assets.

Limited sales and purchases of currencies may be made through options and the forward and financial futures markets whilst bearing in mind the investment policy of the Fund, the Fund size and the Regulations.

It must be remembered that the price of shares and the income from them can go down as well as up.

### Fund Performance

On a total return basis, over the 12 months to 31st December 2016 the Fund posted a total gross return of +0.5% versus +0.4% for the US Certificate of Deposit One Month Index, in US Dollar terms.

### Review

Throughout the 12-month reporting period, the Fund was invested entirely in short-dated US Dollar deposits. It was a positive year for the US Dollar, which strengthened against a basket of its peers. Broadly speaking, it weakened over the first half of the year and staged a powerful recovery in the second. Over the year as a whole, the US Dollar gained over 19% against Sterling, was up around 3% against the Euro, and fell by around 3% against the Yen.

As ever, market participants spent much time and effort scrutinising commentary from central banks for clues on potential changes to policy. Indeed, the year saw further monetary easing across much of the developed world set against tightening in the US. Nevertheless, it is likely that investors will remember 2016 primarily for two political surprises: Britain's decision to leave the European Union (EU) – the so-called "Brexit" vote – and the election of Donald Trump as US president.

Just before the year began, the US Federal Reserve (Fed) had raised the target range for the federal funds rate by a quarter point to 0.25-0.50%. However, despite the Fed's initial expectations of four further hikes in 2016, it was not until mid-December that the central bank pulled the trigger again. In the interim, the Bank of Japan, European Central Bank, and Bank of England (BOE) had all cut their benchmark rates, while the last two had also ramped up their bond-buying programmes.

In January, a stock-market crash in China and plunging oil prices saw expectations for the next US rate rise pushed out to June. As the June meeting approached, though, some weak US job-creation figures and concerns about Britain's upcoming EU referendum saw rate-hike expectations recede. June's Brexit result sparked market turmoil globally and fears of a political vacuum in the United Kingdom (UK). Sterling slumped to a 31-year low against the US Dollar, the UK lost its last AAA credit rating, and the 10-year gilt yield fell below 1% for the first time. With China and then Brexit-related uncertainty stoking investors' appetite for safe havens, the first half of the year was a very strong period for the Japanese Yen.

In early August, the BOE responded to the Brexit vote by cutting the base rate to 0.25% and expanding the scale and scope of its quantitative easing programme. After some initial weakness, though, post-Brexit economic readings have largely confounded gloomy expectations. Nevertheless, Sterling has fallen further on worries that the UK could be headed for a "hard" Brexit (i.e. leaving the EU without retaining access to its single market).

The final quarter of the year was dominated by an increasingly bitter US presidential election. After Donald Trump's shock victory, the US Dollar surged in anticipation that his policies would drive up US growth and inflation, thereby prompting a sharper trajectory for interest rates in the coming years. With US economic data continuing to point to solid growth, the quarter-point rate rise announced at the Fed's December meeting was already priced in by the time it arrived. However, the central bank did surprise markets by predicting three more hikes in 2017 instead of the expected two.

## Managed Currency Fund

### Comparative Tables

for the accounting period 1st January 2016 to 31st December 2016

	Preference shares		
	2016	2015	2014
	US\$	US\$	US\$
<b>Change in net assets per share</b>			
Opening net asset value per share	0.3360	0.3397	0.3434
Return before operating charges <sup>1</sup>	0.0013	0.0001	0.0001
Operating charges	(0.0037)	(0.0038)	(0.0038)
Return after operating charges	(0.0024)	(0.0037)	(0.0037)
Distributions on preference shares	—	—	—
Closing net asset value per shares	0.3336	0.3360	0.3397
<sup>1</sup> after direct transaction costs of (note 11)	—	—	—
<b>Performance</b>			
Return after charges	(0.71)%	(1.09)%	(1.08)%
<b>Other information</b>			
Closing net asset value (US\$)	568,562	652,380	750,392
Closing number of shares	1,704,392	1,941,564	2,208,589
Operating charges	1.11%	1.12%	1.11%
Direct transaction costs (note 11)	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest offer share price (US\$)	0.3537	0.3576	0.3620
Lowest bid share price (US\$)	0.3336	0.3360	0.3398

#### Additional comparative table disclosures to satisfy the requirements of the Authorised Collective Investment Schemes Regulations 2010:

	Net distribution per share	Highest offer share price	Lowest bid share price
	US\$	US\$	US\$
<b>For the accounting period ended:</b>			
31st December 2012	—	0.3702	0.3477
31st December 2013	—	0.3660	0.3438

#### Ongoing Charges Figure ("OCF")

##### For the accounting period ended:

	OCF
	%
31st December 2015	1.12%
31st December 2016	1.11%

Ongoing Charges Figure has replaced the Total Expense Ratio ("TER"). The OCF takes into account the annual management charge and any expenses incurred, expressed as a percentage of the average daily net asset values over the period. The main difference between the two calculations is the inclusion of custodian handling charges in the OCF. The comparative figures for the Operating charges and the OCF for 2014 have not been restated.

The Operating charges are calculated on an ex-post basis and as such may differ from the OCF where:

- Changes to fee rates were made during the year and the OCF has been amended to be future proofed for this change.
- The OCF has been annualised for a share class that has not yet been open for a full year.

Please refer to the Direct transaction costs note on page 30, for more detail regarding the nature of transaction costs and how they arise for different types of investments.

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## Managed Currency Fund

### Statement of Total Return

for the accounting period 1st January 2016 to 31st December 2016

	Notes	2016 US\$	2015 US\$
Income			
Net capital losses	2	(1,041)	(1,228)
Revenue	3	3,378	1,368
Expenses	4	(6,777)	(7,839)
Net expense before taxation		(3,399)	(6,471)
Taxation		–	–
Net expense after taxation		(3,399)	(6,471)
<b>Total return before distribution</b>		<b>(4,440)</b>	<b>(7,699)</b>
Distributions	5	249	348
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		<b>(4,191)</b>	<b>(7,351)</b>

### Balance Sheet

as at 31st December 2016

	Notes	2016 US\$	2015 US\$
<b>Assets:</b>			
Fixed assets:			
Investments		212,259	–
Current assets:			
Debtors	6	60,177	59,068
Cash and bank balances		364,828	653,378
<b>Total assets</b>		<b>637,264</b>	<b>712,446</b>
<b>Liabilities:</b>			
Creditors:			
Other creditors	7	(9,160)	(1,117)
<b>Total liabilities</b>		<b>(9,160)</b>	<b>(1,117)</b>
<b>Equity:</b>			
Nominal shares		(59,542)	(58,949)
<b>Total equity</b>		<b>(59,542)</b>	<b>(58,949)</b>
<b>Net Assets Attributable to Preference Shareholders</b>		<b>568,562</b>	<b>652,380</b>

### Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2016 to 31st December 2016

	2016 US\$	2015 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	652,380	750,392
Movement due to sales and repurchases of shares:		
Amounts payable on cancellation of shares	(79,627)	(90,661)
	(79,627)	(90,661)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(4,191)	(7,351)
<b>Closing Net Assets Attributable to Preference Shareholders</b>	<b>568,562</b>	<b>652,380</b>

### Distribution Tables

There was no distribution for the accounting period 1st January 2016 to 30th June 2016, as expenses exceed revenue (June 2015: US\$ Nil).

There was no distribution for the accounting period 1st July 2016 to 31st December 2016, as expenses exceed revenue (December 2015: US\$ Nil).

\*Please refer to the Accounting policies “Basis of accounting” on page 69.

The notes on page 30 form an integral part of the financial statements.

## Managed Currency Fund

### Portfolio Statement

as at 31st December 2016

Holding	Investment	Currency	Market Value US\$	% of Net Assets
	<b>Time Deposits 37.33% (0.00%)</b>			
	<b>United States of America 37.33% (0.00%)</b>			
40,259	Credit Agricole 0.96% 24/04/2017	USD	40,259	7.08
55,000	Standard Chartered plc 0.80% 17/01/2017	USD	55,000	9.67
55,000	Sumitomo Mitsui Banking Corp. 1.03% 14/02/2017	USD	55,000	9.67
62,000	UBS AG 0.93% 10/01/2017	USD	62,000	10.91
			<b>212,259</b>	<b>37.33</b>
<b>Time Deposits total</b>			<b>212,259</b>	<b>37.33</b>
Total Value of Investments			212,259	37.33
Net Other Assets (2015: 0.45%)			356,303	62.67
<b>Net Assets attributable to Preference Shareholders</b>			<b>568,562</b>	<b>100.00</b>

The comparative percentage figures in brackets are as at 31st December 2015.



## Managed Currency Fund

### Notes to the Financial Statements

for the accounting period 1st January 2016 to 31st December 2016

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#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 69.

#### 2 NET CAPITAL LOSSES

The net capital losses during the period comprise:

	2016 US\$	2015 US\$
Other currency losses	(4)	(4)
Transaction charges	(1,037)	(1,224)
Net capital losses	<u>(1,041)</u>	<u>(1,228)</u>

#### 3 REVENUE

	2016 US\$	2015 US\$
Interest on debt securities	3,378	1,368
Total revenue	<u>3,378</u>	<u>1,368</u>

#### 4 EXPENSES

	2016 US\$	2015 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(6,084)	(6,938)
Registration expenses	(230)	(325)
Directors' fees	(21)	(25)
	<u>(6,335)</u>	<u>(7,288)</u>

Payable to the Fiduciary Custodian, associates of the Fiduciary

Custodian and agents of either of them:		
Fiduciary Custodian's fees	(293)	(333)
Interest payable	(19)	(59)
	<u>(312)</u>	<u>(392)</u>

Other expenses:

Audit fee	(26)	(80)
Legal fees	(32)	(32)
Miscellaneous expenses	(4)	-
Publication charges	(68)	(47)
	<u>(130)</u>	<u>(159)</u>

Total expenses	<u>(6,777)</u>	<u>(7,839)</u>
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#### 5 DISTRIBUTIONS

The distribution takes account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprises:

	2016 US\$	2015 US\$
Revenue deducted on cancellation of shares	249	348
Distributions for the year	<u>249</u>	<u>348</u>

Details of the distribution per share are set out on page 28.

#### 6 DEBTORS

	2016 US\$	2015 US\$
Accrued revenue	635	119
Receivable from Manager – Nominal shares	59,542	58,949
Total debtors	<u>60,177</u>	<u>59,068</u>

#### 7 OTHER CREDITORS

	2016 US\$	2015 US\$
Amounts payable for cancellation of shares	(8,078)	-
Accrued expenses	(552)	(477)
Amounts payable to the Manager	(530)	(640)
Total creditors	<u>(9,160)</u>	<u>(1,117)</u>

#### 8 RELATED PARTY TRANSACTIONS

Allied Dunbar International Fund Managers Limited is a related party and acts as principal in respect of all transactions of shares in the Fund.

At the balance sheet date Preference Shareholders from within the Zurich Insurance Group, of which the Fund is a related party, hold 536,151 (2015: 549,415) Preference Shares in the Fund.

The aggregate monies received through creations and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Preference Shareholders. The amounts due from/to Allied Dunbar International Fund Managers Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 6 and 7.

Amounts paid to Allied Dunbar International Fund Managers Limited in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 483 (December 2015: US\$ 551) in respect of the annual management charge, and US\$ 31 (December 2015: US\$ 75) in respect of registration expenses is due at the end of the accounting period and is included within amounts payable to the Manager.

#### 9 SHARES IN ISSUE RECONCILIATION

	Number of shares in issue at start of the year	Number of shares created	Number of shares cancelled	Number of shares in issue at end of the year
Participating Redeemable Preference Shares	1,941,564	-	(237,172)	1,704,392

#### 10 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2015: US\$ Nil).

#### 11 DIRECT TRANSACTION COSTS

No transaction costs on the purchase or sale of investments were incurred by the Fund during the year or prior year. The total purchases for the year amounted to US\$ Nil (2015: US\$ Nil) and the total sales amounted to US\$ Nil (2015: US\$ Nil).

#### 12 FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 70.

##### Currency exposures

The net assets of the Fund are predominantly denominated in US\$ which is the base currency of the Fund. There is therefore minimal currency exposure.

##### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and financial liabilities at 31st December 2016 and 31st December 2015 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
<b>Currency 2016</b>	US\$	US\$	US\$	US\$
Euro	22	-	-	22
UK Sterling	19	-	-	19
US Dollar	577,088	-	634	577,681
<b>Currency 2015</b>	US\$	US\$	US\$	US\$
Euro	23	-	-	23
UK Sterling	21	-	-	21
US Dollar	653,334	-	119	653,453

	Floating rate financial liabilities	Financial liabilities not carrying interest	Total
<b>Currency 2016</b>	US\$	US\$	US\$
US Dollar	-	(9,160)	(9,160)
<b>Currency 2015</b>	US\$	US\$	US\$
US Dollar	-	(1,117)	(1,117)

There are no material amounts of non interest-bearing financial assets.

Cash balances are held in floating rate accounts where interest is calculated with reference to prevailing market rates.

The Fund's Preference Shares are financial liabilities that do not carry interest and there are no other material financial liabilities that carry interest.

##### Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value. The basis of valuation is disclosed in Note 1 (5) to the Aggregated Financial Statements.

# Gilt and Income Fund

## Fund Investment Report

### Investment Policy

To achieve a high total gross return with limited capital risk from a portfolio of Sterling-denominated fixed interest investments and money market assets.

### Types of Investment

All assets are Sterling denominated. Investments are primarily in Eurosterling Bonds and those United Kingdom (UK) Government Securities (gilt edged stock) which can pay income free of UK withholding tax to the Fund, and in bank deposits. As market conditions justify, investments may be made in other appropriate assets as permitted by the Regulations.

Limited sales and purchases of fixed interest securities may be made through options and financial futures, whilst bearing in mind the investment policy of the Fund and the Regulations.

It must be remembered that the price of shares and the income from them can go down as well as up.

### Fund Performance

Over the 12 months to 31st December 2016, the Fund produced a total gross return of +10.6% in Sterling terms, compared with a return of +10.1% for the FTSE Actuaries All Stocks Index.

### Review

Gilts started 2016 strongly as investors sought safe havens amid the correction in global equities and the slump in oil prices. The bond rally gained fresh momentum after the unexpected outcome of the United Kingdom's (UK's) shock 'Brexit' vote to leave the European Union (EU) in June as investors again embarked on a flight to safety. The benchmark 10-year bond yield fell to a record low as investors hoped for accommodative central bank actions. These hopes materialised in August, when the Bank of England (BoE) delivered a rate cut, an expansion in bond purchases and a cheaper bank funding scheme. However, as the third quarter drew to a close, there was a sell-off in gilts while the UK's yield curve steepened. Sterling's slump due to 'hard' Brexit concerns pushed up inflation expectations and, in turn, gilt yields. The BoE's hawkish stance in November also weighed on gilts – the press release of its meeting stated that “monetary policy [could] respond, in either direction, to changes to the economic outlook”. Gilts participated in the widespread sell-off following Donald Trump's victory in the United States (US) election, as expectations of US interest rates were revised upwards.

Later, gilts were also hurt by the prospect of extra gilt issuance after the Autumn Statement. An agreement by the Organization of the Petroleum Exporting Countries (OPEC) to cut oil production also weighed on gilts. However, gilts recovered in December to finish the year on a buoyant note. In early 2016, we added some off-benchmark exposure to high-quality Sovereign, Supranational and Agency (SSA) issues. The Fund entered the second quarter long versus the index. We had always planned to have a neutral duration moving into the Brexit vote and so after a sharp rally early in June as polls tilted towards Brexit and US jobs growth disappointed, the Fund's long-held overweight in gilt duration was taken down to a neutral position.

At the end of June, the Fund was short at the front end of the yield curve, favouring 30-year gilts over ultra-longs, and maintained exposure to index-linked gilts. The Fund was long versus the index. We maintained a longer duration, relative to the index, over most of the third quarter as we thought Brexit would lead to an economic slowdown. However, towards the end of the quarter we booked profits and slightly lowered duration (although the Fund remained long relative to the index).

In the middle of October, we reduced the Fund's duration so that we were short relative to the benchmark by closing our curve flattening bias. In November, we moved to a flat duration position running into the election. We maintained this position until the middle of November when we adopted a short duration position. After the Autumn Statement, we moved duration so that the Fund was long, relative to the index. However, we had an overweight position in ultra-long bonds. We retained this positioning in December and the Fund finished 2016 with overweights in 10-year and 20-year bonds. The main determinant of the UK's economic outlook is the type of deal that is struck with the EU. We see the risks tilted towards a hard Brexit and the decline in Sterling reflects the possibility that the UK may face significantly reduced market access to the EU.

In our view, the larger-than-expected increase in inflation is not solely due to the depreciation in the currency. We expect inflation in the UK to temporarily rise but eventually fall. Our basic prognosis is one of sluggish global growth and low long-term real rates in developed markets; largely because of demographic trends, weak productivity growth and low levels of investment relative to savings. In 2016, central banks have taken steps to add to already unprecedented levels of liquidity, which has led to lower core bond yields and caused investors to scour riskier markets for yield.

Against that backdrop, markets have recently started to question the large 'quantitative easing premium' embedded into core bond markets, chiefly because of the Bank of Japan's transition to yield-curve control (and, thus, an implicit reduction of asset purchases) and speculation that the European Central Bank (ECB) may taper its stimulus programme. Simultaneously, the prospect of fiscal stimulus is gaining some credibility, especially since Trump's election. While our long-term view of low real rates remains intact, there is an increasing risk of near-term corrections to somewhat higher yield levels as markets adjust to changes in the desired policy mix.

## Gilt and Income Fund

### Comparative Tables

for the accounting period 1st January 2016 to 31st December 2016

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	Preference shares		
	2016	2015	2014
	£	£	£
<b>Change in net assets per share</b>			
Opening net asset value per share	0.3669	0.3719	0.3345
Return before operating charges <sup>1</sup>	0.0389	0.0024	0.0449
Operating charges	(0.0055)	(0.0051)	(0.0047)
Return after operating charges	0.0334	(0.0027)	0.0402
Distributions on preference shares	(0.0010)	(0.0023)	(0.0028)
Closing net asset value per shares	0.3993	0.3669	0.3719
<sup>1</sup> after direct transaction costs of (note 12)	—	—	—
<b>Performance</b>			
Return after charges	9.10%	(0.73)%	12.02%
<b>Other information</b>			
Closing net asset value (£)	12,966,627	11,696,579	12,953,044
Closing number of shares	32,470,163	31,878,726	34,820,066
Operating charges	1.38%	1.38%	1.34%
Direct transaction costs (note 12)	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest offer share price (£)	0.4508	0.4087	0.3934
Lowest bid share price (£)	0.3680	0.3598	0.3342

#### Additional comparative table disclosures to satisfy the requirements of the Authorised Collective Investment Schemes Regulations 2010:

	Net distribution per share	Highest offer share price	Lowest bid share price
	£	£	£
<b>For the accounting period ended:</b>			
31st December 2012	0.0018	0.3809	0.3382
31st December 2013	0.0020	0.3811	0.3333
<b>Ongoing Charges Figure ("OCF")</b>			<b>OCF</b>
<b>For the accounting period ended:</b>			<b>%</b>
31st December 2015			1.38%
31st December 2016			1.38%

Ongoing Charges Figure has replaced the Total Expense Ratio ("TER"). The OCF takes into account the annual management charge and any expenses incurred, expressed as a percentage of the average daily net asset values over the period. The main difference between the two calculations is the inclusion of custodian handling charges in the OCF. The comparative figures for the Operating charges and the OCF for 2014 have not been restated.

The Operating charges are calculated on an ex-post basis and as such may differ from the OCF where:

- Changes to fee rates were made during the year and the OCF has been amended to be future proofed for this change.
- The OCF has been annualised for a share class that has not yet been open for a full year.

Please refer to the Direct transaction costs note on page 35, for more detail regarding the nature of transaction costs and how they arise for different types of investments.

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## Gilt and Income Fund

### Statement of Total Return

for the accounting period 1st January 2016 to 31st December 2016

	Notes	2016 US\$	2015 US\$
Income			
Net capital gains/(losses)	2	1,224,631	(249,990)
Revenue	3	248,842	360,743
Expenses	4	(208,890)	(247,913)
Net revenue before taxation		39,952	112,830
Taxation		–	–
Net revenue after taxation		39,952	112,830
<b>Total return before distribution</b>		1,264,583	(137,160)
Distributions	5	(42,978)	(116,781)
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		1,221,605	(253,941)

### Balance Sheet

as at 31st December 2016

	Notes	2016 US\$	2015 US\$
<b>Assets:</b>			
Fixed assets:			
Investments	6	15,849,970	17,097,543
Current assets:			
Debtors	7	645,861	669,304
Cash and bank balances		104,588	191,977
<b>Total assets</b>		16,600,419	17,958,824
<b>Liabilities:</b>			
Creditors:			
Bank overdrafts		–	(93,703)
Distribution payable	5	(4,761)	(50,996)
Other creditors	8	(29,730)	(33,426)
<b>Total liabilities</b>		(34,491)	(178,125)
<b>Equity:</b>			
Nominal shares		(537,879)	(539,357)
<b>Total equity</b>		(537,879)	(539,357)
<b>Net Assets Attributable to Preference Shareholders</b>		16,028,049	17,241,342

### Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2016 to 31st December 2016

	2016 US\$	2015 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	17,241,342	20,217,751
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	1,491,561	181,202
Amounts payable on cancellation of shares	(1,146,919)	(1,784,745)
	344,642	(1,603,543)
Difference on currency conversion	(2,780,173)	(1,120,371)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	1,221,605	(253,941)
Unclaimed distributions	633	1,446
<b>Closing Net Assets Attributable to Preference Shareholders</b>	16,028,049	17,241,342

### Distribution Tables

for the accounting period 1st January 2016 to 30th June 2016

	Income £	Equalisation £	Distribution Paid 2016 £	Distribution Paid 2015 £
Group 1	0.0009	–	0.0009	0.0012
Group 2	0.0002	0.0007	0.0009	0.0012

Group 2 units are those purchased after 16:00 (UK time) on 31st December 2015.

for the accounting period 1st July 2016 to 31st December 2016

	Income £	Equalisation £	Distribution Payable 2016 £	Distribution Paid 2015 £
Group 1	0.0001	–	0.0001	0.0011
Group 2	0.0000	0.0001	0.0001	0.0011

Group 2 units are those purchased after 16:00 (UK time) on 30th June 2016

\*Please refer to the Accounting policies “Basis of accounting” on page 69.

The notes on pages 35 to 36 form an integral part of the financial statements.

## Gilt and Income Fund

### Portfolio Statement

as at 31st December 2016

Holding	Investment	Currency	Market Value US\$	% of Net Assets
<b>Corporate Bonds 4.10% (0.00%)</b>				
<b>Canada 1.43% (0.00%)</b>				
180,000	Export Development Canada 1.38% 16/12/2019	GBP	228,570	1.43
			<b>228,570</b>	<b>1.43</b>
<b>Germany 1.57% (0.00%)</b>				
200,000	FMS Wertmanagement AoeR 1.25% 08/03/2019	GBP	251,577	1.57
			<b>251,577</b>	<b>1.57</b>
<b>United Kingdom 1.10% (0.00%)</b>				
125,000	Network Rail Infrastructure Finance plc 4.63% 21/07/2020	GBP	176,501	1.10
			<b>176,501</b>	<b>1.10</b>
<b>Corporate Bonds total</b>				
			<b>656,648</b>	<b>4.10</b>
<b>Government Bonds 93.24% (99.17%)</b>				
<b>Finland 1.41% (0.00%)</b>				
180,000	Municipality Finance plc 1.25% 07/03/2019	GBP	225,252	1.41
			<b>225,252</b>	<b>1.41</b>
<b>United Kingdom 91.83% (99.17%)</b>				
902,500	UK Treasury 1.00% 07/09/2017	GBP	1,116,839	7.00
369,000	UK Treasury 1.25% 22/07/2018	GBP	462,274	2.90
160,000	UK Treasury 1.75% 22/07/2019	GBP	205,035	1.29
1,293,000	UK Treasury 1.50% 22/01/2021	GBP	1,658,877	10.40
50,000	UK Treasury 3.75% 07/09/2021	GBP	70,778	0.44
241,000	UK Treasury 0.50% 22/07/2022	GBP	292,863	1.84
776,000	UK Treasury 1.75% 07/09/2022	GBP	1,011,144	6.34
207,000	UK Treasury 2.25% 07/09/2023	GBP	278,569	1.75
823,000	UK Treasury 2.00% 07/09/2025	GBP	1,087,808	6.82
356,000	UK Treasury 1.50% 22/07/2026	GBP	448,146	2.81
330,000	UK Treasury 4.25% 07/12/2027	GBP	525,988	3.30
497,500	UK Treasury 4.75% 07/12/2030	GBP	858,900	5.38
550,500	UK Treasury 4.50% 07/09/2034	GBP	964,271	6.04
442,000	UK Treasury 4.25% 07/03/2036	GBP	762,397	4.78
39,000	UK Treasury 1.75% 07/09/2037	GBP	47,148	0.30
160,000	UK Treasury 4.75% 07/12/2038	GBP	301,448	1.89
220,000	UK Treasury 4.25% 07/09/2039	GBP	391,276	2.45
234,000	UK Treasury 4.25% 07/12/2040	GBP	421,411	2.64
549,000	UK Treasury 3.25% 22/01/2044	GBP	872,045	5.47
650,000	UK Treasury 3.50% 22/01/2045	GBP	1,081,901	6.78
144,000	UK Treasury 1.50% 22/07/2047	GBP	164,265	1.03
238,000	UK Treasury 3.75% 22/07/2052	GBP	446,620	2.80
10,000	UK Treasury 4.00% 22/01/2060	GBP	21,040	0.13
294,000	UK Treasury 2.50% 22/07/2065	GBP	459,130	2.88
349,500	UK Treasury 3.50% 22/07/2068	GBP	697,923	4.37
			<b>14,648,096</b>	<b>91.83</b>
<b>Government Bonds total</b>				
			<b>14,873,348</b>	<b>93.24</b>

Holding	Investment	Currency	Market Value US\$	% of Net Assets
<b>Supranationals 1.55% (0.00%)</b>				
125,000	African Development Bank 0.88% 13/12/2018	GBP	155,767	0.97
80,000	European Investment Bank 1.00% 21/09/2026	GBP	92,875	0.58
			<b>248,642</b>	<b>1.55</b>
<b>Supranationals total</b>				
			<b>248,642</b>	<b>1.55</b>
<b>Total Value of Investments</b>			15,849,970	98.89
Net other assets (2015: 0.83%)			178,078	1.11
<b>Net Assets attributable to Preference Shareholders</b>			<b>16,028,049</b>	<b>100.00</b>

The comparative percentage figures in brackets are as at 31st December 2015.

## Gilt and Income Fund

### Notes to the Financial Statements

for the accounting period 1st January 2016 to 31st December 2016

#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 69.

#### 2 NET CAPITAL GAINS / (LOSSES)

The net capital gains/(losses) during the period comprise:

	2016 US\$	2015 US\$
Non-derivative securities	1,230,231	(243,620)
Transaction charges	(5,600)	(6,370)
Net capital gains/(losses)	1,224,631	(249,990)

Gains/(losses) from non-derivatives securities include realised gains of US\$ 935,596 (2015: US\$ 684,877) and change in unrealised gains of US\$ 294,635 (2015: US\$ 928,497 – unrealised loss).

#### 3 REVENUE

	2016 US\$	2015 US\$
Interest on debt securities	248,842	360,743
Total revenue	248,842	360,743

#### 4 EXPENSES

	2016 US\$	2015 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(194,469)	(226,705)
Registration expenses	(1,161)	(1,466)
Directors' fees	(574)	(668)
	(196,204)	(228,839)
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(7,465)	(8,703)
Safe custody fees	(1,288)	(1,411)
Interest payable	(631)	(4,729)
	(9,384)	(14,843)
Other expenses:		
Audit fee	(955)	(2,162)
Legal fees	(718)	(579)
Miscellaneous expenses	(90)	(108)
Publication charges	(1,539)	(1,382)
	(3,302)	(4,231)
Total expenses	(208,890)	(247,913)

#### 5 DISTRIBUTIONS

The distribution takes account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprises:

	2016 US\$	2015 US\$
Interim	(38,139)	(62,953)
Final	(4,761)	(50,995)
	(42,900)	(113,948)
Revenue deducted on cancellation of shares	(653)	(3,085)
Revenue received on creation of shares	575	252
Distributions for the year	(42,978)	(116,781)

Details of the distribution per share are set out on page 33.

In the Fund's base currency, net revenue after taxation is £32,320 (2015: £76,547) and the Distribution is £32,320 (2015: £76,547).

#### 6 FAIR VALUE HIERARCHY

Valuation technique	2016 Assets US\$	2015 Assets US\$
Quoted prices for identical instruments in active markets	–	–
Prices of recent transactions for identical instruments	–	–
Valuation techniques using observable market data	15,849,970	17,097,543
Valuation techniques using non-observable market data	–	–
Total	15,849,970	17,097,543

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

Quoted prices for identical instruments in active markets – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

Prices of recent transactions for identical instruments – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

Valuation techniques using observable market data – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

Valuation techniques using non-observable data – Non-observable entity specific data should be used only where relevant observable market data is not available.

#### 7 DEBTORS

	2016 US\$	2015 US\$
Accrued revenue	107,982	129,947
Receivable from Manager – Nominal shares	537,879	539,357
Total debtors	645,861	669,304

#### 8 OTHER CREDITORS

	2016 US\$	2015 US\$
Amounts payable for cancellation of shares	–	(1,475)
Accrued expenses	(12,936)	(12,769)
Amounts payable to the Manager	(16,794)	(19,182)
Total creditors	(29,730)	(33,426)

#### 9 RELATED PARTY TRANSACTIONS

Allied Dunbar International Fund Managers Limited is a related party and acts as principal in respect of all transactions of shares in the Fund.

At the balance sheet date Preference Shareholders from within the Zurich Insurance Group, of which the Fund is a related party, hold 20,863,680 (2015: 19,697,419) Preference Shares in the Fund.

The aggregate monies received through creations and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Preference Shareholders. The amounts due from/to Allied Dunbar International Fund Managers Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 7 and 8.

Amounts paid to Allied Dunbar International Fund Managers Limited in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 16,155 (December 2015: US\$ 18,538) in respect of the annual management charge, and US\$ 97 (December 2015: US\$ 245) in respect of registration expenses is due at the end of the accounting period and is included within amounts payable to the Manager.

#### 10 SHARES IN ISSUE RECONCILIATION

	Number of shares in issue at start of the year	Number of shares created	Number of shares cancelled	Number of shares in issue at end of the year
Participating Redeemable Preference Shares	31,878,726	2,904,267	(2,312,830)	32,470,163

#### 11 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2015: US\$ Nil).

#### 12 DIRECT TRANSACTION COSTS

No transaction costs on the purchase or sale of investments were incurred by the Fund during the year or prior year. The total purchases for the year amounted to £20,106,009 (2015: £19,810,976) and the total sales amounted to £19,721,507 (2015: £20,572,800).

#### Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.16% (2015: 0.07%). This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

## Gilt and Income Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2016 to 31st December 2016

#### 13 FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 70.

##### Currency exposures

The net assets of the Fund are predominantly denominated in UK Sterling which is the base currency of the Fund. There is therefore minimal currency exposure.

##### Interest rate risk profile of financial assets and financial liabilities

Fixed rate financial assets consist of Sterling denominated bonds of US\$ 15,849,970 (2015: US\$ 17,097,543). The Fund has assets not carrying interest of US\$ 107,982 (2015: US\$ 143,799).

Cash balances are held in floating rate accounts where interest is calculated with reference to prevailing market rates.

The Fund's Preference Shares are financial liabilities that do not carry interest and there are no other material financial liabilities that carry interest.

##### Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value. The basis of valuation is disclosed in Note 1 (5) to the Aggregated Financial Statements.

#### 14 DEBT SECURITY CREDIT ANALYSIS

At the balance sheet date, the credit analysis of the Fund's debt securities was as follows:

	2016 US\$	2015 US\$
Investment grade securities*	<u>15,849,970</u>	<u>17,097,543</u>
	<u>15,849,970</u>	<u>17,097,543</u>

\* Investment grade securities are securities rated BBB- and above by Standard & Poors or Fitch, or Baa3 and above by Moody's.

# North American Growth Fund

## Fund Investment Report

### Investment Policy

To invest primarily for capital growth in a portfolio of equities based in North America.

### Types of Investment

Investments are made for capital growth, primarily in shares of leading companies, but may also be held indirectly through other types of permitted investment such as unit trusts, investment trusts, convertible securities, traded options, warrants, fixed interest securities and other media as circumstances warrant and as permitted by the Regulations.

It must be remembered that the price of shares and the income from them can go down as well as up.

### Fund Performance

Over the 12 months under review, the Fund produced a total gross return of +7.9%, while the S&P 500 Composite Index returned +12.0% in United States (US) Dollar terms.

### Review

Over the year the S&P 500 rose 12% in US Dollar terms, moving higher in the second half of the year despite the surprising outcomes of the United Kingdom's (UK's) European Union (EU) referendum vote and the United States (US) presidential election. The general upward trend of equity markets notwithstanding, the year was characterised by bouts of elevated volatility. At the start of the year this was associated with a growth scare centred on the Chinese economy and fears about the impact of weak oil prices, which dropped as low as US Dollar 27 per barrel, and on the US high yield market. Midway through the review period, fears about the UK's Brexit vote saw US bond yields plunge below 1.4%, contrary to market expectations at the start of the year for rising interest rates. Donald Trump's surprise election victory brought a significant change to market leadership, as investors began to price in the implications of policies. These include likely fiscal stimulus (especially on infrastructure), scope for corporation and personal tax cuts and the potential for overseas cash repatriation, but also the risks posed by greater protectionism, faster inflation and a stronger US Dollar.

Economic data continued to point to general expansion. Hiring trends were volatile, but in aggregate showed that the US economy continues to add jobs. Data from the Institute for Supply Management showed that services continued to expand, while the manufacturing sector recovered from weakness at the start of the year driven by US Dollar strength and low oil prices. The same factors accounted for negative earnings growth in the first half of the year, and as the US Dollar weakened and oil prices rose, stabilisation and a return to growth were evident in the second half of the year. The consumer, the backbone of the US economy, still appears to be spending, albeit at a modest rate.

Against this volatile macro backdrop we applied a strategic change following the UK's Brexit vote. Our focus was on recalibrating the Fund's style, factor and macro exposures to a more balanced position, in order to provide a more stable platform for continued alpha generation through stock selection. To that effect we began:

- Introducing a more domestic bias in the portfolio, which involved exiting positions in a number of companies, including PVH Corp. (textiles, apparel & luxury goods), a clothing company geared towards an international presence;
- Moderating energy and health betas, which led to selling biopharmaceutical firm Incyte Corp. (health care) and buying Johnson & Johnson (pharmaceuticals), whose business is diversified into consumer goods.
- Tempering our interest-rate sensitivity, with additions such as Berkshire Hathaway, Inc. 'B' (diversified financial services), an insurance and investment business, into the portfolio.
- Adding quality growth, particularly within the technology sector. New names to the portfolio include Facebook, Inc. 'A' (internet software and services), which continues to demonstrate strong growth and success in monetising its user base.

Although equity markets have generally rallied since the US election, at an industry level there have been sharp divergences in performance. The more cyclical industries have rallied in anticipation of fiscal spending, while some higher-growth areas have seen investors reassess the valuation multiples they are willing to attach to such companies. We believe that stronger distinctions between winners and losers offer a rich environment for active managers in 2017. In navigating the post-election environment we will look for companies that can be winners over the next couple of years, but will continue do so through the lens of seeking the best risk-reward opportunities.



## North American Growth Fund

### Comparative Tables

for the accounting period 1st January 2016 to 31st December 2016

	Preference shares		
	2016	2015	2014
	US\$	US\$	US\$
<b>Change in net assets per share</b>			
Opening net asset value per share	5.7835	5.7555	5.2330
Return before operating charges <sup>1</sup>	0.4041	0.1456	0.6309
Operating charges	(0.1162)	(0.1176)	(0.1084)
Return after operating charges	0.2879	0.0280	0.5225
Distributions on preference shares	–	–	–
Closing net asset value per shares	6.0714	5.7835	5.7555
<sup>1</sup> after direct transaction costs of	(0.0108)	(0.0167)	(0.0119)
<b>Performance</b>			
Return after charges	4.98%	0.49%	9.98%
<b>Other information</b>			
Closing net asset value (US\$)	327,706,556	308,124,965	286,696,410
Closing number of shares	53,975,620	53,276,414	49,812,215
Operating charges	2.04%	2.04%	2.01%
Direct transaction costs	0.19%	0.29%	0.22%
<b>Prices</b>			
Highest offer share price (US\$)	6.4860	6.3300	6.0840
Lowest bid share price (US\$)	5.0120	5.2940	4.9240

#### Additional comparative table disclosures to satisfy the requirements of the Authorised Collective Investment Schemes Regulations 2010:

	Net distribution per share	Highest offer share price	Lowest bid share price
	US\$	US\$	US\$
<b>For the accounting period ended:</b>			
31st December 2012	–	4.2370	3.4780
31st December 2013	–	5.5180	3.8750

#### Ongoing Charges Figure (“OCF”)

##### For the accounting period ended:

	OCF
	%
31st December 2015	2.04%
31st December 2016	2.04%

Ongoing Charges Figure has replaced the Total Expense Ratio (“TER”). The OCF takes into account the annual management charge and any expenses incurred, expressed as a percentage of the average daily net asset values over the period. The main difference between the two calculations is the inclusion of custodian handling charges in the OCF. The comparative figures for the Operating charges and the OCF for 2014 have not been restated.

The Operating charges are calculated on an ex-post basis and as such may differ from the OCF where:

- Changes to fee rates were made during the year and the OCF has been amended to be future proofed for this change.
- The OCF has been annualised for a share class that has not yet been open for a full year.

Please refer to the Direct transaction costs note on page 43, for more detail regarding the nature of transaction costs and how they arise for different types of investments.

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## North American Growth Fund

### Statement of Total Return

for the accounting period 1st January 2016 to 31st December 2016

	Notes	2016 US\$	2015 US\$
Income			
Net capital gains	2	18,777,995	4,133,541
Revenue	3	6,348,840	4,838,407
Expenses	4	(6,326,350)	(5,890,213)
Net revenue/(expense) before taxation		22,490	(1,051,806)
Taxation	5	(1,936,508)	(1,386,673)
Net expense after taxation		(1,914,018)	(2,438,479)
<b>Total return before distribution</b>		16,863,977	1,695,062
Distributions	6	29,455	(150,904)
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		16,893,432	1,544,158

### Balance Sheet

As at 31st December 2016

	Notes	2016 US\$	2015 US\$
<b>Assets:</b>			
Fixed assets:			
Investments	7	323,043,513	303,591,686
Current assets:			
Debtors	8	2,775,392	379,239
Cash and bank balances		7,662,643	4,946,730
<b>Total assets</b>		333,481,548	308,917,655
<b>Liabilities:</b>			
Creditors:			
Other creditors	9	(5,754,571)	(770,521)
<b>Total liabilities</b>		(5,754,571)	(770,521)
<b>Equity:</b>			
Nominal shares		(20,421)	(22,169)
<b>Total equity</b>		(20,421)	(22,169)
<b>Net Assets Attributable to Preference Shareholders</b>		327,706,556	308,124,965

### Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2016 to 31st December 2016

	2016 US\$	2015 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	308,124,965	286,696,410
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	89,165,414	84,439,338
Amounts payable on cancellation of shares	(86,477,255)	(64,554,941)
	2,688,159	19,884,397
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	16,893,432	1,544,158
<b>Closing Net Assets Attributable to Preference Shareholders</b>	327,706,556	308,124,965

### Distribution Tables

There was no distribution for the accounting period 1st January 2016 to 31st December 2016, as expenses exceed revenue (December 2015: US\$ Nil).

\*Please refer to the Accounting policies "Basis of accounting" on page 69.

The notes on pages 42 to 44 form an integral part of the financial statements.

## North American Growth Fund

### Portfolio Statement

as at 31st December 2016

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Holding	Investment	Currency	Market Value US\$	% of Net Assets	Holding	Investment	Currency	Market Value US\$	% of Net Assets
	<b>Equities 98.58% (98.53%)</b>					<b>Financials 17.17% (15.97%)</b>			
	<b>Consumer Discretionary</b>					<b>Banks 7.12% (5.87%)</b>			
	<b>12.01% (12.71%)</b>					121,710 Citigroup, Inc.	USD	7,267,304	2.21
	<b>Auto Components 0.65% (0.64%)</b>					275,599 Huntington Bancshares, Inc.	USD	3,632,395	1.11
48,659	Magna International, Inc.	USD	2,131,751	0.65	144,377	JPMorgan Chase & Co.	USD	12,446,741	3.80
			<b>2,131,751</b>	<b>0.65</b>				<b>23,346,440</b>	<b>7.12</b>
	<b>Hotels, Restaurants &amp; Leisure</b>					<b>Capital Markets 3.16% (1.84%)</b>			
	<b>1.63% (0.00%)</b>					47,620 CME Group, Inc.	USD	5,484,395	1.68
43,710	McDonald's Corp.	USD	5,349,230	1.63	139,972	E*TRADE Financial Corp.	USD	4,857,029	1.48
			<b>5,349,230</b>	<b>1.63</b>				<b>10,341,424</b>	<b>3.16</b>
	<b>Household Durables 0.00% (0.56%)</b>					<b>Consumer Finance 0.84% (2.47%)</b>			
	<b>Internet &amp; Direct Marketing</b>					75,962 Synchrony Financial	USD	2,758,940	0.84
	<b>Retail 2.97% (2.55%)</b>							<b>2,758,940</b>	<b>0.84</b>
12,850	Amazon.com, Inc.	USD	9,729,635	2.97		<b>Diversified Financial Services</b>			
			<b>9,729,635</b>	<b>2.97</b>		<b>1.90% (3.02%)</b>			
	<b>Media 2.45% (2.41%)</b>					38,106 Berkshire Hathaway, Inc. 'B'	USD	6,218,137	1.90
116,217	Comcast Corp. 'A'	USD	8,041,054	2.45				<b>6,218,137</b>	<b>1.90</b>
			<b>8,041,054</b>	<b>2.45</b>		<b>Insurance 2.35% (2.32%)</b>			
	<b>Multiline Retail 1.07% (0.00%)</b>					28,100 Athene Holding Ltd. 'A'	USD	1,344,023	0.41
47,326	Dollar General Corp.	USD	3,504,490	1.07	60,479	Marsh & McLennan Cos., Inc.	USD	4,088,985	1.25
			<b>3,504,490</b>	<b>1.07</b>	42,025	MetLife, Inc.	USD	2,268,930	0.69
	<b>Specialty Retail 2.23% (4.43%)</b>							<b>7,701,938</b>	<b>2.35</b>
54,439	Home Depot, Inc. (The)	USD	7,317,690	2.23		<b>Real Estate Investment Trusts (REITs) 1.80% (0.99%)</b>			
			<b>7,317,690</b>	<b>2.23</b>		33,296 Digital Realty Trust, Inc.	USD	3,265,339	1.00
	<b>Textiles, Apparel &amp; Luxury Goods 1.01% (2.12%)</b>					11,892 Public Storage	USD	2,641,689	0.80
93,489	Coach, Inc.	USD	3,293,617	1.01				<b>5,907,028</b>	<b>1.80</b>
			<b>3,293,617</b>	<b>1.01</b>		<b>Thriffs &amp; Mortgage Finance 0.00% (0.45%)</b>			
	<b>Consumer Discretionary total</b>		<b>39,367,467</b>	<b>12.01</b>		<b>Financials total</b>		<b>56,273,907</b>	<b>17.17</b>
	<b>Consumer Staples 5.56% (7.97%)</b>					<b>Health Care 13.73% (16.61%)</b>			
	<b>Beverages 1.48% (3.01%)</b>					<b>Biotechnology 3.24% (3.86%)</b>			
46,234	PepsiCo, Inc.	USD	4,835,614	1.48	11,642	Biogen, Inc.	USD	3,316,689	1.01
			<b>4,835,614</b>	<b>1.48</b>	48,336	Celgene Corp.	USD	5,606,493	1.71
	<b>Food &amp; Staples Retailing 1.04% (1.75%)</b>				22,602	Vertex Pharmaceuticals, Inc.	USD	1,685,657	0.52
61,787	Sysco Corp.	USD	3,425,471	1.04				<b>10,608,839</b>	<b>3.24</b>
			<b>3,425,471</b>	<b>1.04</b>		<b>Health Care Equipment &amp; Supplies 2.84% (2.83%)</b>			
	<b>Food Products 0.52% (0.00%)</b>					21,403 Align Technology, Inc.	USD	2,056,614	0.63
38,512	Mondelez International, Inc. 'A'	USD	1,713,399	0.52	23,750	Edwards Lifesciences Corp.	USD	2,244,613	0.68
			<b>1,713,399</b>	<b>0.52</b>	70,018	Medtronic plc	USD	5,021,691	1.53
	<b>Personal Products 0.00% (1.33%)</b>							<b>9,322,918</b>	<b>2.84</b>
	<b>Tobacco 2.52% (1.88%)</b>					<b>Health Care Providers &amp; Services 1.24% (3.07%)</b>			
92,074	Altria Group, Inc.	USD	6,236,172	1.90	30,315	Cigna Corp.	USD	4,076,458	1.24
35,884	Reynolds American, Inc.	USD	2,013,451	0.62				<b>4,076,458</b>	<b>1.24</b>
			<b>8,249,623</b>	<b>2.52</b>		<b>Life Sciences Tools &amp; Services 1.76% (1.85%)</b>			
	<b>Consumer Staples total</b>		<b>18,224,107</b>	<b>5.56</b>	40,740	Thermo Fisher Scientific, Inc.	USD	5,761,858	1.76
	<b>Energy 7.79% (4.55%)</b>							<b>5,761,858</b>	<b>1.76</b>
	<b>Energy Equipment &amp; Services 1.75% (0.99%)</b>					<b>Pharmaceuticals 4.65% (5.00%)</b>			
106,427	Halliburton Co.	USD	5,735,351	1.75	70,080	Johnson & Johnson	USD	8,099,846	2.47
			<b>5,735,351</b>	<b>1.75</b>	219,170	Pfizer, Inc.	USD	7,127,409	2.18
	<b>Oil, Gas &amp; Consumable Fuels 6.04% (3.56%)</b>							<b>15,227,255</b>	<b>4.65</b>
97,815	Devon Energy Corp.	USD	4,509,272	1.38		<b>Health Care total</b>		<b>44,997,328</b>	<b>13.73</b>
52,647	EOG Resources, Inc.	USD	5,346,829	1.63		<b>Industrials 6.64% (10.24%)</b>			
70,383	Exxon Mobil Corp.	USD	6,362,623	1.94		<b>Aerospace &amp; Defense 2.86% (4.19%)</b>			
49,673	Occidental Petroleum Corp.	USD	3,554,103	1.09	34,946	General Dynamics Corp.	USD	6,051,948	1.85
			<b>19,772,827</b>	<b>6.04</b>	13,174	Lockheed Martin Corp.	USD	3,302,063	1.01
	<b>Energy total</b>		<b>25,508,178</b>	<b>7.79</b>				<b>9,354,011</b>	<b>2.86</b>

**North American Growth Fund**  
**Portfolio Statement (continued)**

as at 31st December 2016

Holding	Investment	Currency	Market Value US\$	% of Net Assets
	<b>Air Freight &amp; Logistics 0.00%</b> <b>(0.93%)</b>			
	<b>Airlines 1.46% (0.69%)</b>			
96,025	Southwest Airlines Co.	USD	4,788,767	1.46
			<b>4,788,767</b>	<b>1.46</b>
	<b>Building Products 0.70% (0.64%)</b>			
55,401	Johnson Controls International plc	USD	2,299,696	0.70
			<b>2,299,696</b>	<b>0.70</b>
	<b>Construction &amp; Engineering 0.46% (0.00%)</b>			
27,217	Granite Construction, Inc.	USD	1,492,308	0.46
			<b>1,492,308</b>	<b>0.46</b>
	<b>Industrial Conglomerates 0.00%</b> <b>(2.38%)</b>			
	<b>Machinery 1.16% (0.57%)</b>			
50,300	Ingersoll-Rand plc	USD	3,804,189	1.16
			<b>3,804,189</b>	<b>1.16</b>
	<b>Professional Services 0.00%</b> <b>(0.84%)</b>			
	<b>Industrials total</b>		<b>21,738,971</b>	<b>6.64</b>
	<b>Information Technology 27.47%</b> <b>(25.13%)</b>			
	<b>Communications Equipment 1.52% (0.00%)</b>			
164,717	Cisco Systems, Inc.	USD	4,982,689	1.52
			<b>4,982,689</b>	<b>1.52</b>
	<b>Internet Software &amp; Services 6.92% (8.22%)</b>			
17,598	Alphabet, Inc. 'A'	USD	13,990,058	4.27
75,375	Facebook, Inc. 'A'	USD	8,686,969	2.65
			<b>22,677,027</b>	<b>6.92</b>
	<b>IT Services 3.60% (3.79%)</b>			
103,460	Leidos Holdings, Inc.	USD	5,280,599	1.61
83,417	Visa, Inc. 'A'	USD	6,526,546	1.99
			<b>11,807,145</b>	<b>3.60</b>
	<b>Semiconductors &amp; Semiconductor Equipment 4.46% (3.28%)</b>			
26,481	Analog Devices, Inc.	USD	1,936,026	0.59
28,323	Broadcom Ltd.	USD	5,046,592	1.54
54,843	Lam Research Corp.	USD	5,837,489	1.78
137,234	ON Semiconductor Corp.	USD	1,775,808	0.55
			<b>14,595,915</b>	<b>4.46</b>
	<b>Software 6.51% (7.01%)</b>			
19,868	Adobe Systems, Inc.	USD	2,050,973	0.63
66,559	Electronic Arts, Inc.	USD	5,274,801	1.61
224,917	Microsoft Corp.	USD	14,010,080	4.27
			<b>21,335,854</b>	<b>6.51</b>
	<b>Technology Hardware, Storage &amp; Peripherals 4.46% (2.83%)</b>			
125,744	Apple, Inc.	USD	14,611,453	4.46
			<b>14,611,453</b>	<b>4.46</b>
	<b>Information Technology total</b>		<b>90,010,083</b>	<b>27.47</b>
	<b>Materials 3.12% (1.59%)</b>			
	<b>Chemicals 2.39% (1.59%)</b>			
28,854	Albemarle Corp.	USD	2,495,294	0.76
93,820	Dow Chemical Co. (The)	USD	5,358,060	1.63
			<b>7,853,354</b>	<b>2.39</b>

Holding	Investment	Currency	Market Value US\$	% of Net Assets
	<b>Metals &amp; Mining 0.73% (0.00%)</b>			
39,617	Nucor Corp.	USD	2,382,963	0.73
			<b>2,382,963</b>	<b>0.73</b>
	<b>Materials total</b>		<b>10,236,317</b>	<b>3.12</b>
	<b>Telecommunication Services 2.64%</b> <b>(2.02%)</b>			
	<b>Diversified Telecommunication Services 2.64% (2.02%)</b>			
202,789	AT&T, Inc.	USD	8,648,951	2.64
			<b>8,648,951</b>	<b>2.64</b>
	<b>Telecommunication Services total</b>		<b>8,648,951</b>	<b>2.64</b>
	<b>Utilities 2.45% (0.75%)</b>			
	<b>Electric Utilities 2.45% (0.75%)</b>			
46,635	Edison International	USD	3,368,912	1.03
76,596	PG&E Corp.	USD	4,669,292	1.42
			<b>8,038,204</b>	<b>2.45</b>
	<b>Utilities total</b>		<b>8,038,204</b>	<b>2.45</b>
	<b>Equities total</b>		<b>323,043,513</b>	<b>98.58</b>
	Total Value of Investments		323,043,513	98.58
	Net Other Assets (2015: 1.47%)		4,663,043	1.42
	<b>Net Assets attributable to Preference Shareholders</b>		<b>327,706,556</b>	<b>100.00</b>

The comparative percentage figures in brackets are as at 31 December 2015.

## North American Growth Fund

### Notes to the Financial Statements

for the accounting period 1st January 2016 to 31st December 2016

#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 69.

#### 2 NET CAPITAL GAINS

The net capital gains during the period comprise:

	2016 US\$	2015 US\$
Non-derivative securities	18,806,006	4,177,243
Other currency losses	(1,612)	(872)
Transaction charges	(26,399)	(42,830)
Net capital gains	<u>18,777,995</u>	<u>4,133,541</u>

Gains/(losses) from non-derivatives securities include realised gains of US\$ 1,567,224 (2015: US\$ 27,386,712) and change in unrealised gains of US\$ 17,238,782 (2015: US\$ 23,209,469 - unrealised loss).

#### 3 REVENUE

	2016 US\$	2015 US\$
Overseas dividends	6,348,825	4,838,193
Bank interest	15	141
Underwriting commission	-	73
Total revenue	<u>6,348,840</u>	<u>4,838,407</u>

#### 4 EXPENSES

	2016 US\$	2015 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(6,084,480)	(5,680,429)
Registration expenses	(1,956)	(2,303)
Directors' fees	(13,325)	(9,420)
	<u>(6,099,761)</u>	<u>(5,692,152)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(116,627)	(111,785)
Safe custody fees	(23,045)	(21,357)
Interest payable	(9,892)	(5,119)
	<u>(149,564)</u>	<u>(138,261)</u>
Other expenses:		
Audit fee	(31,483)	(29,651)
Legal fees	(13,829)	(11,971)
Miscellaneous expenses	(1,540)	(1,540)
Publication charges	(30,173)	(16,638)
	<u>(77,025)</u>	<u>(59,800)</u>
Total expenses	<u>(6,326,350)</u>	<u>(5,890,213)</u>

#### 5 TAXATION

	2016 US\$	2015 US\$
Analysis of charge in period:		
Overseas tax suffered	(1,936,508)	(1,386,673)
Total overseas taxation	<u>(1,936,508)</u>	<u>(1,386,673)</u>

#### 6 DISTRIBUTIONS

The distribution takes account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprises:

	2016 US\$	2015 US\$
Revenue deducted on cancellation of shares	238,209	262,832
Revenue received on creation of shares	(208,754)	(413,736)
Distributions for the year	<u>29,455</u>	<u>(150,904)</u>

Details of the distribution per share are set out on page 39.

#### 7 FAIR VALUE HIERARCHY

Valuation technique	2016 Assets US\$	2015 Assets US\$
Quoted prices for identical instruments in active markets	323,043,513	303,591,686
Prices of recent transactions for identical instruments	-	-
Valuation techniques using observable market data	-	-
Valuation techniques using non-observable market data	-	-
Total	<u>323,043,513</u>	<u>303,591,686</u>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

Quoted prices for identical instruments in active markets – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

Prices of recent transactions for identical instruments – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

Valuation techniques using observable market data – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

Valuation techniques using non-observable data – Non-observable entity specific data should be used only where relevant observable market data is not available.

#### 8 DEBTORS

	2016 US\$	2015 US\$
Amounts receivable for issue of shares	2,298,221	-
Accrued revenue	456,750	357,070
Receivable from Manager – Nominal shares	20,421	22,169
Total debtors	<u>2,775,392</u>	<u>379,239</u>

#### 9 OTHER CREDITORS

	2016 US\$	2015 US\$
Amounts payable for cancellation of shares	(155,515)	(127,058)
Purchases awaiting settlement	(4,899,793)	-
Accrued expenses	(160,896)	(138,104)
Amounts payable to the Manager	(538,367)	(505,359)
Total creditors	<u>(5,754,571)</u>	<u>(770,521)</u>

#### 10 RELATED PARTY TRANSACTIONS

Allied Dunbar International Fund Managers Limited is a related party and acts as principal in respect of all transactions of shares in the Fund.

At the balance sheet date Preference Shareholders from within the Zurich Insurance Group, of which the Fund is a related party, hold 52,030,162 (2015: 51,033,889) Preference Shares in the Fund.

The aggregate monies received through creations and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Preference Shareholders. The amounts due from/to Allied Dunbar International Fund Managers Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts paid to Allied Dunbar International Fund Managers Limited in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 528,500 (December 2015: US\$ 499,864) in respect of the annual management charge, and US\$ 241 (December 2015: US\$ 383) in respect of registration expenses is due at the end of the accounting period and is included within amounts payable to the Manager.

## North American Growth Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2016 to 31st December 2016

#### 11 SHARES IN ISSUE RECONCILIATION

	Number of shares in issue at start of the year	Number of shares created	Number of shares cancelled	Number of shares in issue at end of the year
Participating Redeemable Preference Shares	53,276,414	15,966,707	(15,267,501)	53,975,620

#### 12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2015: US\$ Nil).

#### 13 DIRECT TRANSACTION COSTS

In the case of equity shares, broker commissions, transfer taxes and stamp duties are paid by the Fund on each transaction. Unlike equity shares, other types of investments (such as bonds, money market instruments, and derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread between buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment.

Comparing portfolio transaction costs for a range of Funds may give a false impression of the relative costs of investing in them for the following reasons:

- Transaction costs do not necessarily reduce returns. The net impact of dealing is the combination of the effectiveness of the Manager's investment decisions in improving returns and the associated costs of the investment.
- Historic transaction costs are not an effective indicator of the future impact on performance.
- Transaction costs for buying and selling investments due to other investors joining or leaving the Fund may be recovered from those investors.
- Transaction costs vary from country to country.
- Transaction costs vary depending on the types of investment in which a Fund invests.
- As the Manager's investment decisions are not predictable, transaction costs are also not predictable.

The direct transaction costs incurred during the year were as follows:

	Principal US\$	Commission US\$	Taxes US\$	Total Cost US\$	Accounting period to 31st December 2016 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	323,171,245	286,830	–	323,458,075	0.09	0.00
	<u>323,171,245</u>	<u>286,830</u>	<u>–</u>	<u>323,458,075</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	323,083,722	(302,178)	(6,915)	322,774,629	(0.09)	(0.00)
	<u>323,083,722</u>	<u>(302,178)</u>	<u>(6,915)</u>	<u>322,774,629</u>		
Total		<u>589,008</u>	<u>6,915</u>			
Percentage of Fund average net assets		<u>0.19%</u>	<u>0.00%</u>			

The direct transaction costs incurred during the prior year were as follows:

	Principal US\$	Commission US\$	Taxes US\$	Total Cost US\$	Accounting period to 31st December 2015 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	426,854,687	399,733	3	427,254,423	0.09	0.00
	<u>426,854,687</u>	<u>399,733</u>	<u>3</u>	<u>427,254,423</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	413,952,468	(437,250)	(7,857)	413,507,361	(0.11)	(0.00)
	<u>413,952,468</u>	<u>(437,250)</u>	<u>(7,857)</u>	<u>413,507,361</u>		
Total		<u>836,983</u>	<u>7,860</u>			
Percentage of Fund average net assets		<u>0.29%</u>	<u>0.00%</u>			

## North American Growth Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2016 to 31st December 2016

#### 13 DIRECT TRANSACTION COSTS (continued)

##### Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.04% (2015: 0.04%). This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

#### 14 FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 70.

##### Currency exposures

A small proportion of the Net Assets of the Fund are denominated in currencies other than US Dollars, which is the base currency in which the Fund is managed. This has the effect that the Balance Sheet and Statement of Total Return can be affected by currency movements.

Net foreign currency assets	Monetary exposure	Non-monetary exposure	Total
	US\$	US\$	US\$
<b>Currency 2016</b>			
Canadian Dollar	41	–	41
UK Sterling	57,587	–	57,587
US Dollar	4,605,415	323,043,513	327,648,928
<b>Currency 2015</b>			
Canadian Dollar	759	–	759
UK Sterling	16,883	–	16,883
US Dollar	4,515,637	303,591,686	308,107,323

##### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and financial liabilities at 31st December 2016 and 31st December 2015 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
	US\$	US\$	US\$	US\$
<b>Currency 2016</b>				
Canadian Dollar	41	–	–	41
UK Sterling	57,587	–	–	57,587
US Dollar	7,605,015	–	325,798,484	333,403,499
<b>Currency 2015</b>				
Canadian Dollar	759	–	–	759
UK Sterling	16,883	–	–	16,883
US Dollar	4,929,088	–	303,948,756	308,877,844

	Floating rate financial liabilities	Financial liabilities not carrying interest	Total
	US\$	US\$	US\$
<b>Currency 2016</b>			
US Dollar	–	(5,754,571)	(5,754,571)
<b>Currency 2015</b>			
US Dollar	–	(770,521)	(770,521)

There are no material amounts of non interest-bearing financial assets, other than equities, which do not have maturity dates.

Cash balances are held in floating rate accounts where interest is calculated with reference to prevailing market rates.

The Fund's Preference Shares are financial liabilities that do not carry interest and there are no other material financial liabilities that carry interest.

##### Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value. The basis of valuation is disclosed in Note 1 (5) to the Aggregated Financial Statements.

# Far East Fund

## Fund Investment Report

### Investment Policy

To invest primarily for capital growth from a portfolio of equities in the principal Far Eastern and Asian markets.

### Types of Investment

Investments are made for capital growth, primarily in shares of leading companies, but also may be held indirectly through other types of permitted investment such as unit trusts, investment trusts, convertible securities, traded options, warrants, fixed interest securities and other media as circumstances warrant and as permitted by the Regulations. Investments may be held in any approved Far Eastern market.

Exposure to individual economies will generally reflect relative level of market capitalisation. Consequently, a relatively large proportion of the Fund may consist of investments in the Japanese market.

It must be remembered that the price of shares and the income from them can go down as well as up.

### Fund Performance

Over the 12 months to 31st December 2016, the Fund produced a total gross return of +2.2% in United States (US) Dollar terms, compared with a total gross return of +5.2% for the MSCI AC Asia Pacific Free Index.

### Review

Overall, 2016 proved a lacklustre year for the Japanese equity market, with the TOPIX Index virtually unchanged in Yen terms. However, it was a year of two halves, with the market falling sharply in the first half of 2016 before staging a strong rally in the second half. Outside of Japan, it was generally a good year for Asian markets after a weak start to 2016.

The Japanese market continued to be strongly influenced by movements in the Yen, as the currency is viewed as a safe haven during uncertain conditions in global financial markets. At one stage, the currency strengthened to around 100 Yen to the US Dollar, which placed significant pressure on Japanese exporters. However, the Japanese currency has since weakened, helping to fuel a market rally.

Within the Japanese portion of the portfolio, we established a new position in watchmaker Casio Computer Co. Ltd. (Japan). We felt that the company had strong long-term fundamentals but the share price had fallen as earnings deteriorated when the Yen strengthened earlier in the year, leaving the stock attractively valued. We also bought Hoya Corp. (Japan), a manufacturer of semiconductor-related products and eyeglass lenses. The company generates high returns on its products and we are optimistic on its growth prospects going forward, which should be enhanced by the development of new technologies. Another new purchase was Japan Post Holdings Co. Ltd. (Japan). Japanese sales during the period were used to fund ideas that we felt were more attractive.

Elsewhere in Asia, equity markets fared better with the MSCI Asia Pacific ex Japan Index posting a return of 7.7% over the year in local currency terms. Asian markets recovered well from the short-term weakness at the start of the year, triggered by renewed concerns over China's economic slowdown and the weakness of the Yuan. From mid-February, Chinese equities, along with other Asian markets, benefited from an improvement in global risk appetite and a rally in commodity prices. As the year progressed, investors were encouraged by signs of improved economic stability in China, although markets dipped towards the end of the year in the wake of Donald Trump's election victory and fears of greater US protectionism.

In Taiwan, the technology sector performed well and the central bank lent support to the equity market by maintaining an accommodative monetary stance and cutting interest rates. South Korea also benefited from further monetary easing, with rates falling to record lows, while fiscal stimulus measures from the government provided additional support. However, the market's gains were trimmed later in the year by the problems with Samsung Electronics Co. Ltd.'s new mobile phones and the political scandal surrounding the president. Thailand performed particularly well over the year, helped by stronger economic growth and a successful outcome for the national constitutional referendum. Indonesia benefited from a tax amnesty programme and a total of six interest rate cuts from the central bank.

Within the Asia segment of the portfolio, new purchases included Reliance Industries Ltd. GDR (India), which soft-launched its telecommunications business in January. The company is well placed to become a strong player in this industry, having invested heavily in this area over the past few years. We sold out of Infosys Ltd. (India) on concerns that an already deteriorating revenue outlook would be negatively impacted by the United Kingdom's (UK) vote to leave the European Union. Within the telecoms sector, we exited the position in Far EastTone Telecommunications Co. Ltd. (Taiwan), given its relatively unexciting earnings prospects.

The US election result has introduced uncertainty with regard to trade protectionism for Asian markets, with China at the forefront of potential policy implications. However, the Chinese economy has already re-balanced significantly away from exports and if the US becomes more protectionist, China is likely to accelerate its push to diversify its export markets more towards emerging markets, and to increase its focus on regional infrastructure projects. We will continue to monitor the Federal Reserve's stance on interest rates following the US rate hike in December, and the strength of the US Dollar, due to the potential impact on capital flows and broader financial conditions.

With valuations more attractive, currencies more competitive and earning revisions trending upwards, we continue to identify opportunities within Asian equities.



## Far East Fund

### Comparative Tables

for the accounting period 1st January 2016 to 31st December 2016

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	Preference shares		
	2016	2015	2014
	US\$	US\$	US\$
<b>Change in net assets per share</b>			
Opening net asset value per share	2.8402	2.8965	2.9447
Return before operating charges <sup>1</sup>	0.0567	0.0204	0.0175
Operating charges	(0.0755)	(0.0767)	(0.0648)
Return after operating charges	(0.0188)	(0.0563)	(0.0473)
Distributions on preference shares	–	–	(0.0009)
Closing net asset value per shares	2.8214	2.8402	2.8965
<sup>1</sup> after direct transaction costs of	(0.0055)	(0.0063)	(0.0096)
<b>Performance</b>			
Return after charges	(0.66)%	(1.94)%	(1.61)%
<b>Other information</b>			
Closing net asset value (US\$)	6,540,181	7,575,989	8,287,068
Closing number of shares	2,318,044	2,667,400	2,860,982
Operating charges	2.73%	2.56%	2.23%
Direct transaction costs	0.20%	0.21%	0.33%
<b>Prices</b>			
Highest offer share price (US\$)	3.1700	3.4510	3.2890
Lowest bid share price (US\$)	2.3760	2.6120	2.6900

#### Additional comparative table disclosures to satisfy the requirements of the Authorised Collective Investment Schemes Regulations 2010:

	Net distribution per share US\$	Highest offer share price US\$	Lowest bid share price US\$
<b>For the accounting period ended:</b>			
31st December 2012	0.0106	2.7840	2.2750
31st December 2013	0.0017	3.1550	2.6090
<b>Ongoing Charges Figure (“OCF”)</b>			
<b>For the accounting period ended:</b>			OCF %
31st December 2015			2.56%
31st December 2016			2.73%

Ongoing Charges Figure has replaced the Total Expense Ratio (“TER”). The OCF takes into account the annual management charge and any expenses incurred, expressed as a percentage of the average daily net asset values over the period. The main difference between the two calculations is the inclusion of custodian handling charges in the OCF. The comparative figures for the Operating charges and the OCF for 2014 have not been restated.

The Operating charges are calculated on an ex-post basis and as such may differ from the OCF where:

- Changes to fee rates were made during the year and the OCF has been amended to be future proofed for this change.
- The OCF has been annualised for a share class that has not yet been open for a full year.

Please refer to the Direct transaction costs note on page 51, for more detail regarding the nature of transaction costs and how they arise for different types of investments.

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## Far East Fund

### Statement of Total Return

for the accounting period 1st January 2016 to 31st December 2016

	Notes	2016 US\$	2015 US\$
Income			
Net capital losses	2	(56,500)	(126,783)
Revenue	3	170,831	196,502
Expenses	4	(151,995)	(178,677)
Net revenue before taxation		18,836	17,825
Taxation	5	(19,613)	(21,452)
Net expense after taxation		(777)	(3,627)
<b>Total return before distribution</b>		<b>(57,277)</b>	<b>(130,410)</b>
Distributions	6	(458)	348
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		<b>(57,735)</b>	<b>(130,062)</b>

### Balance Sheet

as at 31st December 2016

	Notes	2016 US\$	2015 US\$
<b>Assets:</b>			
Fixed assets:			
Investments	7	6,518,555	7,551,968
Current assets:			
Debtors	8	87,946	101,792
Cash and bank balances		56,127	55,853
<b>Total assets</b>		<b>6,662,628</b>	<b>7,709,613</b>
<b>Liabilities:</b>			
Creditors:			
Bank overdrafts	9	(50,584)	(35,696)
Other creditors			(26,938)
<b>Total liabilities</b>		<b>(50,584)</b>	<b>(62,634)</b>
<b>Equity:</b>			
Nominal shares		(71,863)	(70,990)
<b>Total equity</b>		<b>(71,863)</b>	<b>(70,990)</b>
<b>Net Assets Attributable to Preference Shareholders</b>		<b>6,540,181</b>	<b>7,575,989</b>

### Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2016 to 31st December 2016

	2016 US\$	2015 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	7,575,989	8,287,068
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	142,537	19,990
Amounts payable on cancellation of shares	(1,120,610)	(601,007)
	(978,073)	(581,017)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(57,735)	(130,062)
<b>Closing Net Assets Attributable to Preference Shareholders</b>	<b>6,540,181</b>	<b>7,575,989</b>

### Distribution Table

There was no distribution for the accounting period 1st January 2016 to 31st December 2016, as expenses exceed revenue (December 2015: US\$ Nil).

\*Please refer to the Accounting policies "Basis of accounting" on page 69.

The notes on pages 50 to 52 form an integral part of the financial statements.

## Far East Fund

### Portfolio Statement

as at 31st December 2016

Holding	Investment	Currency	Market Value US\$	% of Net Assets	Holding	Investment	Currency	Market Value US\$	% of Net Assets
<b>Collective Investment Schemes 1.53% (1.10%)</b>					<b>Ireland 0.64% (0.48%)</b>				
<b>Mauritius 1.53% (1.10%)</b>					2,640	James Hardie Industries plc, CDI	AUD	42,011	0.64
1,626	Threadneedle India Fund Ltd.	USD	100,088	1.53	<hr/>				
<b>Collective Investment Schemes total 100,088 1.53</b>					<b>42,011 0.64</b>				
<b>Equities 98.14% (98.58%)</b>					<b>Japan 47.60% (46.15%)</b>				
<b>Australia 10.56% (11.63%)</b>					3,900	Alps Electric Co. Ltd.	JPY	94,399	1.44
2,568	Ancor Ltd.	AUD	27,808	0.43	3,800	Astellas Pharma, Inc.	JPY	52,766	0.81
4,410	Australia & New Zealand Banking Group Ltd.	AUD	97,169	1.49	2,800	Capcom Co. Ltd.	JPY	65,925	1.01
5,100	BHP Billiton Ltd.	AUD	92,572	1.42	4,400	Casio Computer Co. Ltd.	JPY	62,361	0.95
4,579	Brambles Ltd.	AUD	41,093	0.63	10,000	Chiba Bank Ltd. (The)	JPY	61,305	0.94
1,130	Commonwealth Bank of Australia	AUD	67,443	1.03	3,700	Dai-ichi Life Holdings, Inc.	JPY	61,688	0.94
844	CSL Ltd.	AUD	61,383	0.94	9,000	Daiwa Securities Group, Inc.	JPY	55,537	0.85
1,324	Lend Lease Group	AUD	14,021	0.22	800	Dentsu, Inc.	JPY	37,726	0.58
6,110	Link Administration Holdings Ltd.	AUD	33,458	0.51	1,400	Don Quijote Holdings Co. Ltd.	JPY	51,856	0.79
905	Macquarie Group Ltd.	AUD	57,101	0.87	2,200	Ebara Corp.	JPY	62,625	0.96
1,377	Rio Tinto Ltd.	AUD	59,744	0.91	2,200	Electric Power Development Co. Ltd.	JPY	50,704	0.78
1,078	Suncorp Group Ltd.	AUD	10,549	0.16	300	FANUC Corp.	JPY	50,956	0.78
4,209	Transurban Group	AUD	31,462	0.48	9,000	Fukuoka Financial Group, Inc.	JPY	39,973	0.61
7,379	Vicinity Centres, REIT	AUD	15,981	0.24	12,000	Hanwa Co. Ltd.	JPY	78,608	1.20
2,797	Westpac Banking Corp.	AUD	66,045	1.01	1,400	Hitachi High-Technologies Corp.	JPY	56,598	0.87
641	Woodside Petroleum Ltd.	AUD	14,467	0.22	800	Hoya Corp.	JPY	33,659	0.51
<b>690,296 10.56</b>					3,200	Itochu Techno-Solutions Corp.	JPY	83,409	1.28
<hr/>					800	Izumi Co. Ltd.	JPY	34,571	0.53
<b>Cayman Islands 7.00% (5.54%)</b>					2,700	J Front Retailing Co. Ltd.	JPY	36,415	0.56
1,341	Alibaba Group Holding Ltd., ADR	USD	117,217	1.79	4,100	Japan Exchange Group, Inc.	JPY	58,602	0.90
15,000	ANTA Sports Products Ltd.	HKD	44,692	0.68	3,000	Japan Post Holdings Co. Ltd.	JPY	37,529	0.57
5,420	Cheung Kong Property Holdings Ltd.	HKD	33,241	0.51	1,500	KDDI Corp.	JPY	38,056	0.58
4,420	CK Hutchison Holdings Ltd.	HKD	50,111	0.77	1,200	Koito Manufacturing Co. Ltd.	JPY	63,586	0.97
6,000	Mint Group Ltd.	HKD	18,650	0.28	800	Kose Corp.	JPY	66,535	1.02
5,200	Sands China Ltd.	HKD	22,602	0.35	3,900	Kubota Corp.	JPY	55,726	0.85
7,000	Tencent Holdings Ltd.	HKD	171,272	2.62	3,200	Kyowa Hakko Kirin Co. Ltd.	JPY	44,339	0.68
<b>457,785 7.00</b>					7,000	Maeda Corp.	JPY	61,159	0.93
<hr/>					3,500	Mazda Motor Corp.	JPY	57,258	0.88
<b>China 5.23% (5.51%)</b>					600	MEIJI Holdings Co. Ltd.	JPY	47,123	0.72
15,000	Anhui Conch Cement Co. Ltd. 'H'	HKD	40,725	0.62	3,000	Mitsubishi Estate Co. Ltd.	JPY	59,792	0.91
107,000	China Construction Bank Corp. 'H'	HKD	82,253	1.26	23,300	Mitsubishi UFJ Financial Group, Inc.	JPY	143,600	2.20
76,000	China Petroleum & Chemical Corp. 'H'	HKD	53,816	0.82	400	Nidec Corp.	JPY	34,519	0.53
39,000	Industrial & Commercial Bank of China Ltd. 'H'	HKD	23,340	0.36	200	Nintendo Co. Ltd.	JPY	42,039	0.64
16,000	PetroChina Co. Ltd. 'H'	HKD	11,907	0.18	4,900	Nissan Motor Co. Ltd.	JPY	49,302	0.75
16,000	Ping An Insurance Group Co. of China Ltd. 'H'	HKD	80,071	1.22	1,200	Nitto Denko Corp.	JPY	92,158	1.41
44,000	Sinopec Shanghai Petrochemical Co. Ltd. 'H'	HKD	23,835	0.37	2,500	Nomura Real Estate Holdings, Inc.	JPY	42,506	0.65
6,400	Sinopharm Group Co. Ltd. 'H'	HKD	26,333	0.40	1,700	OSG Corp.	JPY	33,481	0.51
<b>342,280 5.23</b>					12,200	Penta-Ocean Construction Co. Ltd.	JPY	58,997	0.90
<hr/>					2,800	Rakuten, Inc.	JPY	27,477	0.42
<b>Hong Kong 5.39% (6.21%)</b>					200	Relo Group, Inc.	JPY	28,518	0.44
20,400	AIA Group Ltd.	HKD	115,115	1.76	1,200	Resorttrust, Inc.	JPY	22,152	0.34
15,000	BOC Hong Kong Holdings Ltd.	HKD	53,591	0.82	1,100	SCSK Corp.	JPY	38,481	0.59
6,500	China Mobile Ltd.	HKD	68,872	1.05	1,800	Seiko Epson Corp.	JPY	38,136	0.58
8,000	China Overseas Land & Investment Ltd.	HKD	21,153	0.33	4,200	Sekisui Chemical Co. Ltd.	JPY	67,089	1.03
44,000	CNOOC Ltd.	HKD	55,049	0.84	400	Shionogi & Co. Ltd.	JPY	19,189	0.29
20,000	Guangdong Investment Ltd.	HKD	26,363	0.40	4,300	Skylark Co. Ltd.	JPY	56,925	0.87
3,500	Teichon Industries Co. Ltd.	HKD	12,527	0.19	1,100	SoftBank Group Corp.	JPY	73,179	1.12
<b>352,670 5.39</b>					2,900	Sony Corp.	JPY	81,308	1.24
<hr/>					100	Sosei Group Corp.	JPY	11,532	0.18
<b>India 1.52% (1.91%)</b>					1,600	Suntory Beverage & Food Ltd.	JPY	66,535	1.02
1,058	HDFC Bank Ltd., ADR	USD	64,813	0.99	900	Suzuki Motor Corp.	JPY	31,700	0.48
594	Reliance Industries Ltd., GDR	USD	18,741	0.29	5,000	Tadano Ltd.	JPY	63,020	0.96
449	Tata Motors Ltd., ADR	USD	15,454	0.24	6,200	Taiyo Nippon Sanso Corp.	JPY	71,872	1.10
<b>99,008 1.52</b>					13,000	Tokyu Corp.	JPY	95,636	1.46
<hr/>					2,500	Toyota Motor Corp.	JPY	147,175	2.25
<b>Indonesia 2.53% (1.96%)</b>					1,100	Tsubaki Nakashima Co. Ltd.	JPY	16,005	0.24
56,200	Astra International Tbk. PT	IDR	34,413	0.53	<b>3,113,317 47.60</b>				
52,200	Bank Rakyat Indonesia	IDR	45,234	0.69	<hr/>				
146,300	Mitra Keluarga Karyasehat Tbk. PT	IDR	27,364	0.42	<b>Malaysia 0.60% (0.57%)</b>				
197,300	Telekomunikasi Indonesia Persero Tbk. PT	IDR	58,137	0.89	27,900	IHH Healthcare Bhd.	MYR	39,429	0.60
<b>165,148 2.53</b>					<b>39,429 0.60</b>				
<hr/>					<b>Philippines 0.83% (1.53%)</b>				
<b>Philippines 0.83% (1.53%)</b>					102,800	Century Pacific Food, Inc.	PHP	33,493	0.51
445	GT Capital Holdings, Inc.	PHP	11,394	0.18	6,340	Metropolitan Bank & Trust Co.	PHP	9,267	0.14
<b>99,008 1.52</b>					<b>54,154 0.83</b>				
<hr/>					<b>Singapore 1.43% (1.63%)</b>				
<b>Singapore 1.43% (1.63%)</b>					1,500	DBS Group Holdings Ltd.	SGD	18,006	0.28
92,428	Keppel DC REIT	SGD	75,501	1.15	<b>93,507 1.43</b>				
<b>165,148 2.53</b>					<hr/>				

## Far East Fund

### Portfolio Statement (continued)

as at 31st December 2016

Holding	Investment	Currency	Market Value US\$	% of Net Assets
<b>South Korea 6.81% (7.51%)</b>				
150	Daelim Industrial Co. Ltd.	KRW	10,846	0.17
135	LG Chem Ltd.	KRW	29,194	0.45
79	Lotte Chemical Corp.	KRW	24,166	0.37
26	NAVER Corp.	KRW	16,705	0.25
87	NCSOFT Corp.	KRW	17,839	0.27
108	POSCO	KRW	23,041	0.35
25	Samsung Biologics Co. Ltd.	KRW	3,134	0.05
120	Samsung C&T Corp.	KRW	12,502	0.19
150	Samsung Electronics Co. Ltd.	KRW	224,137	3.43
340	Samsung Life Insurance Co. Ltd.	KRW	31,753	0.48
1,392	Shinhan Financial Group Co. Ltd.	KRW	52,231	0.80
			<b>445,548</b>	<b>6.81</b>
<b>Taiwan 6.65% (5.88%)</b>				
22,000	Advanced Semiconductor Engineering, Inc.	TWD	22,416	0.34
3,000	Catcher Technology Co. Ltd.	TWD	20,749	0.32
10,000	Chroma ATE, Inc.	TWD	23,250	0.36
59,514	E.Sun Financial Holding Co. Ltd.	TWD	33,628	0.51
22,000	Fubon Financial Holding Co. Ltd.	TWD	34,576	0.53
12,000	Hon Hai Precision Industry Co. Ltd.	TWD	31,161	0.48
39,000	King Yuan Electronics Co. Ltd.	TWD	30,285	0.46
250	Largan Precision Co. Ltd.	TWD	29,217	0.45
4,000	President Chain Store Corp.	TWD	28,468	0.44
30,000	Taiwan Semiconductor Manufacturing Co. Ltd.	TWD	167,660	2.56
5,000	Wistron NeWeb Corp.	TWD	13,323	0.20
			<b>434,733</b>	<b>6.65</b>
<b>Thailand 1.07% (2.07%)</b>				
5,700	Kasikornbank PCL, NVDR	THB	28,197	0.43
900	PTT PCL	THB	9,357	0.14
55,200	Thai Beverage PCL	THB	32,481	0.50
			<b>70,035</b>	<b>1.07</b>
<b>United States of America 0.28% (0.00%)</b>				
173	China Biologic Products, Inc.	USD	18,546	0.28
			<b>18,546</b>	<b>0.28</b>
<b>Equities total</b>			<b>6,418,467</b>	<b>98.14</b>
Total Value of Investments			6,518,555	99.67
Net Other Assets (2015: 0.32%)			21,626	0.33
<b>Net Assets attributable to Preference Shareholders</b>			<b>6,540,181</b>	<b>100.00</b>

The comparative percentage figures in brackets are as at 31st December 2015.

## Far East Fund

### Notes to the Financial Statements

for the accounting period 1st January 2016 to 31st December 2016

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#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 69.

#### 2 NET CAPITAL LOSSES

The net capital losses during the period comprise:

	2016 US\$	2015 US\$
Non-derivative securities	(12,610)	(89,240)
Forward currency derivative contracts	869	–
Other currency losses	(5,402)	(3,273)
Transaction charges	(39,357)	(34,270)
Net capital losses	<u>(56,500)</u>	<u>(126,783)</u>

Gains/(losses) from non-derivatives securities include realised losses of US\$ 207,203 (2015: US\$ 236,882 - realised gains) and change in unrealised gains of US\$ 194,593 (2015: US\$ 326,122 - unrealised loss).

Forward currency derivative contracts include realised gains of US\$ 869 (2015: US\$ Nil) and change in unrealised gains/(losses) of US\$ Nil (2015: US\$ Nil).

#### 3 REVENUE

	2016 US\$	2015 US\$
Overseas dividends	167,303	193,247
Bank interest	309	36
Management fee rebates	3,219	3,219
Total revenue	<u>170,831</u>	<u>196,502</u>

#### 4 EXPENSES

	2016 US\$	2015 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(136,052)	(160,864)
Registration expenses	(2,846)	(3,321)
Directors' fees	(251)	(287)
	<u>(139,149)</u>	<u>(164,472)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(3,339)	(3,994)
Safe custody fees	(3,648)	(4,294)
Interest payable	(1,307)	(1,246)
	<u>(8,294)</u>	<u>(9,534)</u>
Other expenses:		
Audit fee	(356)	(958)
Legal fees	(3,367)	(3,365)
Miscellaneous expenses	(47)	(47)
Publication charges	(782)	(301)
	<u>(4,552)</u>	<u>(4,671)</u>
Total expenses	<u>(151,995)</u>	<u>(178,677)</u>

#### 5 TAXATION

	2016 US\$	2015 US\$
Analysis of charge in period:		
Overseas tax suffered	(19,613)	(21,452)
Total overseas taxation	<u>(19,613)</u>	<u>(21,452)</u>

#### 6 DISTRIBUTIONS

The distribution takes account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprises:

	2016 US\$	2015 US\$
Final	–	–
Revenue deducted on cancellation of shares	(473)	371
Revenue received on creation of shares	15	(23)
Distributions for the year	<u>(458)</u>	<u>348</u>

Details of the distribution per share are set out on page 47.

#### 7 FAIR VALUE HIERARCHY

Valuation technique	2016 Assets US\$	2015 Assets US\$
Quoted prices for identical instruments in active markets	6,418,467	7,468,722
Prices of recent transactions for identical instruments	–	–
Valuation techniques using observable market data	100,088	83,246
Valuation techniques using non-observable market data	–	–
Total	<u>6,518,555</u>	<u>7,551,968</u>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

Quoted prices for identical instruments in active markets – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

Prices of recent transactions for identical instruments – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

Valuation techniques using observable market data – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

Valuation techniques using non-observable data – Non-observable entity specific data should be used only where relevant observable market data is not available.

#### 8 DEBTORS

	2016 US\$	2015 US\$
Sales awaiting settlement	–	14,140
Accrued rebates	6,466	3,246
Accrued revenue	9,258	13,063
Receivable from Manager – Nominal shares	71,863	70,990
Overseas tax recoverable	359	353
Total debtors	<u>87,946</u>	<u>101,792</u>

#### 9 OTHER CREDITORS

	2016 US\$	2015 US\$
Amounts payable for cancellation of shares	(26,382)	–
Purchases awaiting settlement	–	(4,932)
Accrued expenses	(12,723)	(8,834)
Amounts payable to the Manager	(11,479)	(13,172)
Total creditors	<u>(50,584)</u>	<u>(26,938)</u>

#### 10 RELATED PARTY TRANSACTIONS

Allied Dunbar International Fund Managers Limited is a related party and acts as principal in respect of all transactions of shares in the Fund.

At the balance sheet date Preference Shareholders from within the Zurich Insurance Group, of which the Fund is a related party, hold 648,813 (2015: 713,263) Preference Shares in the Fund.

The aggregate monies received through creations and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Preference Shareholders. The amounts due from/to Allied Dunbar International Fund Managers Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts paid to Allied Dunbar International Fund Managers Limited in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 10,946 (December 2015: US\$ 12,459) in respect of the annual management charge, and US\$ 346 (December 2015: US\$ 555) in respect of registration expenses is due at the end of the accounting period and is included within amounts payable to the Manager.

## Far East Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2016 to 31st December 2016

#### 11 SHARES IN ISSUE RECONCILIATION

	Number of shares in issue at start of the year	Number of shares created	Number of shares cancelled	Number of shares in issue at end of the year
Participating Redeemable Preference Shares	2,667,400	51,374	(400,730)	2,318,044

#### 12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2015: US\$ Nil).

#### 13 DIRECT TRANSACTION COSTS

In the case of equity shares, broker commissions, transfer taxes and stamp duties are paid by the Fund on each transaction. Unlike equity shares, other types of investments (such as bonds, money market instruments, and derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread between buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment.

Comparing portfolio transaction costs for a range of funds may give a false impression of the relative costs of investing in them for the following reasons:

- Transaction costs do not necessarily reduce returns. The net impact of dealing is the combination of the effectiveness of the Manager's investment decisions in improving returns and the associated costs of the investment.
- Historic transaction costs are not an effective indicator of the future impact on performance.
- Transaction costs for buying and selling investments due to other investors joining or leaving the Fund may be recovered from those investors.
- Transaction costs vary from country to country.
- Transaction costs vary depending on the types of investment in which a Fund invests.
- As the Manager's investment decisions are not predictable, transaction costs are also not predictable.

The direct transaction costs incurred during the year were as follows:

	Principal US\$	Commission US\$	Taxes US\$	Total Cost US\$	Accounting period to 31st December 2016 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	3,780,804	4,200	791	3,785,795	0.11	0.02
Funds	75,000	–	–	75,000	–	–
	<u>3,855,804</u>	<u>4,200</u>	<u>791</u>	<u>3,860,795</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	4,833,566	(5,556)	(3,513)	4,824,497	(0.11)	(0.07)
Funds	55,000	–	–	55,000	–	–
	<u>4,888,566</u>	<u>(5,556)</u>	<u>(3,513)</u>	<u>4,879,497</u>		
Total		<u>9,756</u>	<u>4,304</u>			
Percentage of Fund average net assets		<u>0.14%</u>	<u>0.06%</u>			

The direct transaction costs incurred during the prior year were as follows:

	Principal US\$	Commission US\$	Taxes US\$	Total Cost US\$	Accounting period to 31st December 2015 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	4,614,658	6,199	608	4,621,465	0.13	0.01
Funds	40,000	–	–	40,000	–	–
	<u>4,654,658</u>	<u>6,199</u>	<u>608</u>	<u>4,661,465</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	5,231,003	(6,979)	(3,572)	5,220,452	(0.13)	(0.07)
	<u>5,231,003</u>	<u>(6,979)</u>	<u>(3,572)</u>	<u>5,220,452</u>		
Total		<u>13,178</u>	<u>4,180</u>			
Percentage of Fund average net assets		<u>0.16%</u>	<u>0.05%</u>			

## Far East Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2016 to 31st December 2016

#### 13 DIRECT TRANSACTION COSTS (continued)

##### Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.20% (2015: 0.25%). This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

#### 14 FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 70.

##### Currency exposures

A substantial proportion of the Net Assets of the Fund are denominated in currencies other than US Dollars, which is the base currency in which the Fund is managed. This has the effect that the Balance Sheet and Statement of Total Return can be significantly affected by currency movements.

Net foreign currency assets	Monetary exposure	Non-monetary exposure	Total
	US\$	US\$	US\$
<b>Currency 2016</b>			
Australian Dollar	935	732,307	733,242
Euro	17	–	17
Hong Kong Dollar	–	1,035,518	1,035,518
Indonesian Rupiah	(227)	165,148	164,921
Japanese Yen	2,878	3,113,316	3,116,194
Korean Won	5,317	445,548	450,865
Malaysian Ringitt	5	39,429	39,434
New Zealand Dollar	121	–	121
Philippine Peso	–	54,154	54,154
Singapore Dollar	119	125,988	126,107
Thai Bhat	103	37,555	37,658
Taiwanese Dollar	359	434,733	435,092
UK Sterling	60	–	60
US Dollar	11,940	334,858	346,798
<b>Currency 2015</b>			
Australian Dollar	51	917,965	918,016
Euro	18	–	18
Hong Kong Dollar	118	1,225,379	1,225,497
Indonesian Rupiah	–	148,362	148,362
Japanese Yen	3,993	3,496,674	3,500,667
Korean Won	8,564	568,834	577,398
Malaysian Ringitt	–	43,431	43,431
New Zealand Dollar	119	–	119
Philippine Peso	88	116,048	116,136
Singapore Dollar	70	123,323	123,393
Taiwanese Dollar	24,104	445,453	469,557
Thai Bhat	377	156,920	157,297
UK Sterling	72	–	72
US Dollar	(13,553)	309,579	296,026

##### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and financial liabilities at 31st December 2016 and 31st December 2015 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
	US\$	US\$	US\$	US\$
<b>Currency 2016</b>				
Australian Dollar	44	–	733,198	733,242
Euro	17	–	–	17
Hong Kong Dollar	–	–	1,035,518	1,035,518
Indonesian Rupiah	(227)	–	165,148	164,921
Japanese Yen	37	–	3,116,157	3,116,194
Korean Won	–	–	450,865	450,865
Malaysian Ringitt	5	–	39,429	39,434
New Zealand Dollar	121	–	–	121
Philippine Peso	–	–	54,154	54,154
Singapore Dollar	119	–	125,988	126,107
Taiwanese Dollar	–	–	435,092	435,092
Thai Bhat	104	–	37,554	37,658
Turkish Lira	–	–	–	–
UK Sterling	60	–	–	60
US Dollar	55,847	–	341,535	397,382
<b>Currency 2015</b>				
Australian Dollar	51	–	917,965	918,016
Euro	18	–	–	18
Hong Kong Dollar	118	–	1,225,379	1,225,497
Indonesian Rupiah	–	–	148,362	148,362
Japanese Yen	(9,144)	–	3,514,743	3,505,599
Korean Won	–	–	577,398	577,398
Malaysian Ringitt	–	–	43,431	43,431
New Zealand Dollar	119	–	–	119
Philippine Peso	–	–	116,136	116,136
Singapore Dollar	70	–	123,323	123,393
Taiwanese Dollar	23,751	–	445,806	469,557
Thai Bhat	103	–	157,194	157,297
UK Sterling	72	–	–	72
US Dollar	40,695	–	313,033	353,728
<b>Currency 2016</b>				
US Dollar		(50,584)	–	(50,584)
<b>Currency 2015</b>				
Japanese Yen		–	(4,932)	(4,932)
US Dollar		(35,696)	(22,006)	(57,702)

There are no material amounts of non interest-bearing financial assets, other than equities, which do not have maturity dates.

Cash balances are held in floating rate accounts where interest is calculated with reference to prevailing market rates.

The Fund's Preference Shares are financial liabilities that do not carry interest and there are no other material financial liabilities that carry interest.

##### Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value. The basis of valuation is disclosed in Note 1 (5) to the Aggregated Financial Statements.

# UK Capital Growth Fund

## Fund Investment Report

### Investment Policy

To invest primarily for capital growth from a portfolio of equities based in the United Kingdom.

### Types of Investment

Investments are made for capital growth, primarily in shares of leading companies, but also may be made indirectly through other types of permitted investment such as unit trusts, investment trusts, convertible securities, traded options, warrants and also through fixed interest securities and other media as circumstances warrant and as permitted by the Regulations.

It must be remembered that the price of shares and the income from them can go down as well as up.

### Fund Performance

On a total return basis, over the 12 months to 31st December 2016 the FTSE All-Share Index produced a return of +16.8% in Sterling terms. By comparison, the Fund achieved a total gross return of +14.8% over the same period.

### Review

United Kingdom (UK) equities, measured by the FTSE All Share Index (total return), rose 16.8% in 2016. Large-caps and overseas earners led the rally; the FTSE 100 outperformed the broader index in total-return terms and closed the year at new highs. In early 2016, domestic and overseas equities were rattled by low and volatile oil prices, disappointing Chinese economic data and central banks' actions. Later, market participants focused on the 'Brexit' referendum, which occurred on 23 June 2016. The UK's unexpected decision to leave the European Union (EU) rocked markets but UK equities subsequently recovered, led by overseas earners as Sterling weakened. Markets also cheered Theresa May's swift appointment as the new prime minister, and some positive post-Brexit indicators. The Bank of England (BoE) announced stimulus measures in August (rate cuts, cheaper bank funding and more quantitative easing) but later suggested another rate cut in 2016 was unlikely. In November, the High Court ruled that parliamentary approval was necessary to invoke Article 50; the government subsequently appealed to the Supreme Court. Towards year end, investors turned their attention to politics elsewhere – notably Donald Trump's unexpected election victory and Italian voters' rejection of constitutional reforms. Oil recouped earlier losses as the Organisation of the Petroleum Exporting Countries (OPEC) announced plans to cut output. The new UK chancellor announced an increase in infrastructure spending in the Autumn Statement but also stated that fiscal deficits and government debt were likely to exceed March's estimates.

Notable additions in 2016 included CRH plc (construction materials) and ITV plc (media). Building materials company CRH plc provides good exposure to infrastructure construction, and we believe it should be able to produce increasing returns and benefit from Trump's policies. We took advantage of share price weakness to add, and later build up, a position in ITV plc. Brexit jitters had an adverse short-term impact but we were encouraged by management's upbeat outlook. We also opened a new position in Land Securities Group plc (real estate), which has a high-quality portfolio of long, well-diversified inflation-protected leases. Moreover, we participated in the rights issue of industrial turnaround specialist Melrose Industries plc (machinery), which funded its successful acquisition of Nortek. In our view, there should be significant upside from the original valuation if Melrose Industries plc executes its plan. We also topped up holdings in Prudential plc (insurance) and Legal & General Group plc (insurance).

On the sales side, we closed some of our positions, notably those in RPC Group plc (containers & packaging) and HSBC Holdings plc (bank). The former now has a greater focus on acquisitions and we are uncertain about the quality of earnings these may generate while we felt the latter faced relative diseconomies of scale, and we favoured other companies in the sector. In the second half of the year, we booked some profits in AstraZeneca plc (pharmaceuticals) and oil and gas firm Royal Dutch Shell plc 'B' (oil, gas & consumable fuels), which rallied after June's Brexit vote. However, over the whole year, we increased our exposure to Royal Dutch Shell plc 'B'.

We agree with the widespread belief that there will be an increase in nominal Gross Domestic Product (GDP) and government deficits across the globe. These trends have rewarded equity markets in general, but hurt stocks considered bond proxies. We still believe that diversified portfolios can benefit from exposure to companies that offer defensive, reliable growth and can deliver steadily growing dividends, funded by underlying cash flows and appropriate levels of debt. However, we are less optimistic about other "pure" bond proxies trading at high multiples. These companies are characterised by elevated levels of debt, no free cash flows and no real prospects for genuine organic growth.

We are relatively more constructive on financials than on commodities. We believe the incremental demand for commodities is likely to trend lower next year as China's economy slows down. We also feel that the current elevated level of commodity prices will prompt higher supply. In our view, the Trump stimulus is unlikely to be significant enough to buoy global commodity demand.

We expect Brexit-related uncertainty to weigh on investment once Article 50 is triggered. The large decline in Sterling could push up inflation and hence pressure households' real incomes. Furthermore, the UK's economy is therefore dependent on capital inflows from abroad and needs to rebalance although Sterling's slump has not yet boosted exports.

Against this backdrop, we expect the Bank of England (BoE) to look through next year's higher inflation and continue to retain rates at 0.25%. We believe the next spur to growth could come from fiscal stimulus rather than monetary stimulus.

In conclusion, we expect markets to remain volatile. However, equities, in our opinion, have always been useful as hedges against inflation and have the potential to benefit from reflation and any acceleration in nominal growth. As patient, conviction investors, we will continue to utilise market volatility to add to favoured names at attractive valuations, while making sure that our portfolio construction remains focused on risk adjusted returns.



## UK Capital Growth Fund

### Comparative Tables

for the accounting period 1st January 2016 to 31st December 2016

	Preference shares		
	2016	2015	2014
	£	£	£
<b>Change in net assets per share</b>			
Opening net asset value per share	1.0615	1.0233	1.0076
Return before operating charges <sup>1</sup>	0.1540	0.0729	0.0461
Operating charges	(0.0227)	(0.0223)	(0.0209)
Return after operating charges	0.1313	0.0506	0.0252
Distributions on preference shares	(0.0146)	(0.0124)	(0.0095)
Closing net asset value per shares	1.1782	1.0615	1.0233
<sup>1</sup> after direct transaction costs of	(0.0013)	(0.0009)	(0.0019)
<b>Performance</b>			
Return after charges	12.37%	4.94%	2.50%
<b>Other information</b>			
Closing net asset value (£)	40,250,597	37,658,730	39,812,017
Closing number of shares	34,161,700	35,476,811	38,903,428
Operating charges	2.06%	2.06%	2.05%
Direct transaction costs	0.12%	0.09%	0.19%
<b>Prices</b>			
Highest offer share price (£)	1.2750	1.2020	1.1140
Lowest bid share price (£)	0.9444	0.9980	0.9423

#### Additional comparative table disclosures to satisfy the requirements of the Authorised Collective Investment Schemes Regulations 2010:

	Net distribution per share	Highest offer share price	Lowest bid share price
	£	£	£
<b>For the accounting period ended:</b>			
31st December 2012	0.0113	0.8830	0.7079
31st December 2013	0.0122	1.0830	0.8234

#### Ongoing Charges Figure ("OCF")

##### For the accounting period ended:

31st December 2015	2.06%
31st December 2016	2.06%

Ongoing Charges Figure has replaced the Total Expense Ratio ("TER"). The OCF takes into account the annual management charge and any expenses incurred, expressed as a percentage of the average daily net asset values over the period. The main difference between the two calculations is the inclusion of custodian handling charges in the OCF. The comparative figures for the Operating charges and the OCF for 2014 have not been restated.

The Operating charges are calculated on an ex-post basis and as such may differ from the OCF where:

- Changes to fee rates were made during the year and the OCF has been amended to be future proofed for this change.
- The OCF has been annualised for a share class that has not yet been open for a full year.

Please refer to the Direct transaction costs note on page 59, for more detail regarding the nature of transaction costs and how they arise for different types of investments.

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## UK Capital Growth Fund

### Statement of Total Return

for the accounting period 1st January 2016 to 31st December 2016

	Notes	2016 US\$	2015 US\$
Income			
Net capital gains	2	5,038,836	2,267,478
Revenue	3	1,624,365	1,891,812
Expenses	4	(979,657)	(1,205,540)
Net revenue before taxation		644,708	686,272
Taxation	5	(5,061)	(1,473)
Net revenue after taxation		639,647	684,799
<b>Total return before distribution</b>		5,678,483	2,952,277
Distributions	6	(639,647)	(684,799)
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		5,038,836	2,267,478

### Balance Sheet

as at 31st December 2016

	Notes	2016 US\$	2015 US\$
<b>Assets:</b>			
Fixed assets:			
Investments	7	50,317,631	55,785,990
Current assets:			
Debtors		492,066	485,617
Cash and bank balances	8	126,751	404,385
Total assets		50,936,448	56,675,992
<b>Liabilities:</b>			
Creditors:			
Distribution payable	6	(617,055)	(649,105)
Other creditors	9	(179,752)	(133,447)
Total liabilities		(796,807)	(782,552)
<b>Equity:</b>			
Nominal shares		(385,877)	(382,589)
Total equity		(385,877)	(382,589)
<b>Net Assets Attributable to Preference Shareholders</b>		49,753,764	55,510,851

### Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2016 to 31st December 2016

	2016 US\$	2015 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	55,510,851	62,076,873
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	2,694,840	248,342
Amounts payable on cancellation of shares	(4,529,964)	(5,689,944)
	(1,835,124)	(5,441,602)
Difference on currency conversion	(8,960,893)	(3,391,986)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	5,038,836	2,267,478
Unclaimed distributions	94	88
<b>Closing Net Assets Attributable to Preference Shareholders</b>	49,753,764	55,510,851

### Distribution Table

for the accounting period 1st January 2016 to 31st December 2016

	Income £	Equalisation £	Distribution Payable 2016 £	Distribution Paid 2015 £
Group 1	0.0146	–	0.0146	0.0124
Group 2	0.0095	0.0051	0.0146	0.0124

Group 2 units are those purchased after 16:00 (UK time) on 31st December 2015.

\*Please refer to the Accounting policies “Basis of accounting” on page 69.

The notes on pages 58 to 60 form an integral part of the financial statements.

## UK Capital Growth Fund

### Portfolio Statement

as at 31 December 2016

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Holding	Investment	Currency	Market Value US\$	% of Net Assets	Holding	Investment	Currency	Market Value US\$	% of Net Assets
<b>Equities 101.13% (100.50%)</b>					<b>Oil, Gas &amp; Consumable Fuels 4.48% (5.17%)</b>				
<b>Consumer Discretionary 19.49% (19.56%)</b>					<b>Auto Components 2.05% (2.23%)</b>				
250,037	GKN plc	GBP	1,020,243	2.05	76,618	Royal Dutch Shell plc 'B'	GBP	2,228,468	4.48
			<b>1,020,243</b>	<b>2.05</b>				<b>2,228,468</b>	<b>4.48</b>
<b>Distributors 0.84% (0.00%)</b>					<b>Energy total 3,723,923 7.48</b>				
48,483	Inchcape plc	GBP	420,408	0.84	<b>Financials 20.28% (17.32%)</b>				
			<b>420,408</b>	<b>0.84</b>	<b>Banks 2.18% (4.08%)</b>				
<b>Hotels, Restaurants &amp; Leisure 8.17% (8.01%)</b>					158,198	Barclays plc	GBP	434,900	0.87
16,199	Carnival plc	GBP	825,172	1.66	79,186	Standard Chartered plc	GBP	648,858	1.31
51,548	Compass Group plc	GBP	954,503	1.92				<b>1,083,758</b>	<b>2.18</b>
41,247	Greene King plc	GBP	355,113	0.71	<b>Capital Markets 2.19% (1.53%)</b>				
21,404	InterContinental Hotels Group plc	GBP	959,084	1.93	64,349	Intermediate Capital Group plc	GBP	555,202	1.12
25,934	J D Wetherspoon plc	GBP	284,666	0.57	19,416	Schroders plc, (Non-Voting)	GBP	534,722	1.07
123,707	Merlin Entertainments plc	GBP	685,973	1.38				<b>1,089,924</b>	<b>2.19</b>
			<b>4,064,511</b>	<b>8.17</b>	<b>Diversified Financial Services 2.59% (2.69%)</b>				
<b>Household Durables 2.88% (3.09%)</b>					36,343	London Stock Exchange Group plc	GBP	1,290,655	2.59
15,136	Bellway plc	GBP	462,315	0.93				<b>1,290,655</b>	<b>2.59</b>
173,710	Crest Nicholson Holdings plc	GBP	972,480	1.95	<b>Insurance 10.32% (9.02%)</b>				
			<b>1,434,795</b>	<b>2.88</b>	508,190	Legal & General Group plc	GBP	1,553,474	3.12
<b>Media 4.41% (5.38%)</b>					93,166	Prudential plc	GBP	1,869,087	3.76
63,767	Daily Mail & General Trust plc 'A'	GBP	612,450	1.23	107,049	RSA Insurance Group plc	GBP	770,121	1.55
426,703	ITV plc	GBP	1,084,432	2.18	75,007	St James's Place plc	GBP	939,215	1.89
49,093	Pearson plc	GBP	496,394	1.00				<b>5,131,897</b>	<b>10.32</b>
			<b>2,193,276</b>	<b>4.41</b>	<b>Equity Real Estate Investment Trusts (REITs) 2.07% (1.35%)</b>				
<b>Textiles, Apparel &amp; Luxury Goods 1.14% (0.85%)</b>					13,803	Derwent London plc	GBP	472,444	0.95
30,645	Burberry Group plc	GBP	565,931	1.14	42,357	Land Securities Group plc	GBP	557,084	1.12
			<b>565,931</b>	<b>1.14</b>				<b>1,029,528</b>	<b>2.07</b>
<b>Consumer Discretionary total 9,699,164 19.49</b>					<b>Real Estate Management &amp; Development 0.93% (0.97%)</b>				
<b>Consumer Staples 15.93% (16.36%)</b>					157,128	Grainger plc	GBP	461,869	0.93
<b>Beverages 2.79% (2.50%)</b>								<b>461,869</b>	<b>0.93</b>
53,177	Diageo plc	GBP	1,386,618	2.79	<b>Financials total 10,087,631 20.28</b>				
			<b>1,386,618</b>	<b>2.79</b>	<b>Health Care 8.42% (9.17%)</b>				
<b>Food &amp; Staples Retailing 0.79% (1.49%)</b>					<b>Health Care Equipment &amp; Supplies 2.37% (2.20%)</b>				
181,185	Booker Group plc	GBP	393,055	0.79	78,448	Smith & Nephew plc	GBP	1,180,120	2.37
			<b>393,055</b>	<b>0.79</b>				<b>1,180,120</b>	<b>2.37</b>
<b>Household Products 3.19% (3.14%)</b>					<b>Pharmaceuticals 6.05% (6.97%)</b>				
74,714	PZ Cussons plc	GBP	308,739	0.62	25,338	AstraZeneca plc	GBP	1,386,863	2.79
15,079	Reckitt Benckiser Group plc	GBP	1,280,696	2.57	84,165	GlaxoSmithKline plc	GBP	1,623,487	3.26
			<b>1,589,435</b>	<b>3.19</b>				<b>3,010,350</b>	<b>6.05</b>
<b>Personal Products 2.73% (2.64%)</b>					<b>Health Care total 4,190,470 8.42</b>				
33,394	Unilever plc	GBP	1,357,025	2.73	<b>Industrials 14.72% (13.33%)</b>				
			<b>1,357,025</b>	<b>2.73</b>	<b>Aerospace &amp; Defense 2.08% (2.56%)</b>				
<b>Tobacco 6.43% (6.59%)</b>					81,358	BAE Systems plc	GBP	592,338	1.19
25,605	British American Tobacco plc	GBP	1,462,246	2.94	53,627	Rolls-Royce Holdings plc	GBP	442,806	0.89
39,695	Imperial Brands plc	GBP	1,735,499	3.49				<b>1,035,144</b>	<b>2.08</b>
			<b>3,197,745</b>	<b>6.43</b>	<b>Air Freight &amp; Logistics 1.12% (1.01%)</b>				
<b>Consumer Staples total 7,923,878 15.93</b>					97,240	Royal Mail plc	GBP	554,836	1.12
<b>Energy 7.48% (7.04%)</b>								<b>554,836</b>	<b>1.12</b>
<b>Energy Equipment &amp; Services 3.00% (1.87%)</b>					<b>Commercial Services &amp; Supplies 2.99% (3.63%)</b>				
31,159	Hunting plc	GBP	241,686	0.48	21,740	Aggreko plc	GBP	245,618	0.49
116,052	John Wood Group plc	GBP	1,253,769	2.52	45,934	Berendsen plc	GBP	494,261	0.99
			<b>1,495,455</b>	<b>3.00</b>	273,172	Rentokil Initial plc	GBP	750,298	1.51
								<b>1,490,177</b>	<b>2.99</b>

## UK Capital Growth Fund

### Portfolio Statement (continued)

as at 31 December 2016

Holding	Investment	Currency	Market Value US\$	% of Net Assets
<b>Industrial Conglomerates 1.20% (1.00%)</b>				
34,285	Smiths Group plc	GBP	597,977	1.20
			<b>597,977</b>	<b>1.20</b>
<b>Machinery 1.40% (1.98%)</b>				
284,245	Melrose Industries plc	GBP	694,805	1.40
			<b>694,805</b>	<b>1.40</b>
<b>Professional Services 2.57% (0.00%)</b>				
71,582	RELX plc	GBP	1,278,572	2.57
			<b>1,278,572</b>	<b>2.57</b>
<b>Road &amp; Rail 0.72% (0.98%)</b>				
134,051	Stagecoach Group plc	GBP	358,244	0.72
			<b>358,244</b>	<b>0.72</b>
<b>Trading Companies &amp; Distributors 2.64% (2.17%)</b>				
75,166	Howden Joinery Group plc	GBP	356,320	0.71
15,654	Wolseley plc	GBP	958,788	1.93
			<b>1,315,108</b>	<b>2.64</b>
<b>Industrials total</b>				
			<b>7,324,863</b>	<b>14.72</b>
<b>Information Technology 3.03% (3.84%)</b>				
<b>IT Services 1.21% (1.18%)</b>				
85,993	FDM Group Holdings plc	GBP	600,572	1.21
			<b>600,572</b>	<b>1.21</b>
<b>Semiconductors &amp; Semiconductor Equipment 0.00% (0.47%)</b>				
<b>Software 1.82% (2.19%)</b>				
111,887	Sage Group plc (The)	GBP	905,197	1.82
			<b>905,197</b>	<b>1.82</b>
<b>Information Technology total</b>				
			<b>1,505,769</b>	<b>3.03</b>
<b>Materials 8.49% (7.26%)</b>				
<b>Chemicals 1.83% (1.95%)</b>				
23,190	Johnson Matthey plc	GBP	911,839	1.83
			<b>911,839</b>	<b>1.83</b>
<b>Construction Materials 3.02% (0.98%)</b>				
572,632	Breedon Aggregates Ltd.#	GBP	504,329	1.02
28,625	CRH plc	GBP	996,396	2.00
			<b>1,500,725</b>	<b>3.02</b>
<b>Containers &amp; Packaging 1.14% (2.13%)</b>				
112,645	DS Smith plc	GBP	567,683	1.14
			<b>567,683</b>	<b>1.14</b>
<b>Metals &amp; Mining 2.50% (2.20%)</b>				
31,914	Rio Tinto plc	GBP	1,244,218	2.50
			<b>1,244,218</b>	<b>2.50</b>
<b>Materials total</b>				
			<b>4,224,465</b>	<b>8.49</b>
<b>Telecommunication Services 3.29% (4.30%)</b>				
<b>Diversified Telecommunication Services 3.29% (4.30%)</b>				
361,152	BT Group plc	GBP	1,637,468	3.29
			<b>1,637,468</b>	<b>3.29</b>
<b>Telecommunication Services total</b>				
			<b>1,637,468</b>	<b>3.29</b>
<b>Equities total</b>				
			<b>50,317,631</b>	<b>101.13</b>
Total Value of Investments				
			50,317,631	101.13
Net Other Liabilities (2015: 0.50%)				
			(563,867)	(1.13)
<b>Net Assets attributable to Preference Shareholders</b>				
			<b>49,753,764</b>	<b>100.00</b>

The comparative percentage figures in brackets are as at 31 December 2015.

# Security traded on another regulated market.

## UK Capital Growth Fund

### Notes to the Financial Statements

for the accounting period 1st January 2016 to 31st December 2016

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#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 69.

#### 2 NET CAPITAL GAINS

The net capital gains during the period comprise:

	2016 US\$	2015 US\$
Non-derivative securities	5,048,380	2,283,676
Other currency gains/(losses)	376	(537)
Transaction charges	(9,920)	(15,661)
Net capital gains	<u>5,038,836</u>	<u>2,267,478</u>

Gains/(losses) from non-derivatives securities include realised gains of US\$ 471,709 (2015: US\$ 2,557,482) and change in unrealised gains of US\$ 4,576,671 (2015: US\$ 273,806 - unrealised loss).

#### 3 REVENUE

	2016 US\$	2015 US\$
Overseas dividends	1,563,138	1,842,223
Bank interest	114	-
Underwriting commission	-	1,337
Scrip dividends	49,383	41,136
Miscellaneous revenue	11,730	7,116
Total revenue	<u>1,624,365</u>	<u>1,891,812</u>

#### 4 EXPENSES

	2016 US\$	2015 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(934,703)	(1,149,072)
Registration expenses	(2,173)	(2,709)
Directors' fees	(1,953)	(1,987)
	<u>(938,829)</u>	<u>(1,153,768)</u>

Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:

Fiduciary Custodian's fees	(22,906)	(28,160)
Safe custody fees	(3,697)	(4,654)
Interest payable	(3,239)	(6,381)
	<u>(29,842)</u>	<u>(39,195)</u>

Other expenses:

Audit fee	(3,716)	(6,291)
Legal fees	(2,321)	(1,713)
Miscellaneous expenses	(271)	(323)
Publication charges	(4,678)	(4,250)
	<u>(10,986)</u>	<u>(12,577)</u>

Total expenses	<u>(979,657)</u>	<u>(1,205,540)</u>
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#### 5 TAXATION

	2016 US\$	2015 US\$
Analysis of charge in period:		
Overseas tax suffered	(5,061)	(1,473)
Total overseas taxation	<u>(5,061)</u>	<u>(1,473)</u>

#### 6 DISTRIBUTIONS

The distribution takes account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprises:

	2016 US\$	2015 US\$
Final	<u>(617,055)</u>	<u>(649,105)</u>
Revenue deducted on cancellation of shares	(617,055)	(649,105)
Revenue received on creation of shares	(36,264)	(37,736)
	<u>13,672</u>	<u>2,041</u>
Distributions for the year	<u>(639,647)</u>	<u>(684,799)</u>

Details of the distribution per share are set out on page 55.

#### 7 FAIR VALUE HIERARCHY

Valuation technique	2016 Assets US\$	2015 Assets US\$
Quoted prices for identical instruments in active markets	50,317,631	55,777,376
Prices of recent transactions for identical instruments	-	-
Valuation techniques using observable market data	-	8,614
Valuation techniques using non-observable market data	-	-
Total	<u>50,317,631</u>	<u>55,785,990</u>

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

Quoted prices for identical instruments in active markets – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

Prices of recent transactions for identical instruments – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

Valuation techniques using observable market data – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

Valuation techniques using non-observable data – Non-observable entity specific data should be used only where relevant observable market data is not available.

#### 8 DEBTORS

	2016 US\$	2015 US\$
Sales awaiting settlement	-	417
Accrued revenue	105,319	101,574
Receivable from Manager – Nominal shares	385,877	382,589
Overseas tax recoverable	870	1,037
Total debtors	<u>492,066</u>	<u>485,617</u>

#### 9 OTHER CREDITORS

	2016 US\$	2015 US\$
Amounts payable for cancellation of shares	(58,855)	-
Accrued expenses	(40,122)	(39,185)
Amounts payable to the Manager	(80,775)	(94,262)
Total creditors	<u>(179,752)</u>	<u>(133,447)</u>

#### 10 RELATED PARTY TRANSACTIONS

Allied Dunbar International Fund Managers Limited is a related party and acts as principal in respect of all transactions of shares in the Fund.

At the balance sheet date Preference Shareholders from within the Zurich Insurance Group, of which the Fund is a related party, hold 27,618,221 (2015: 28,361,814) Preference Shares in the Fund.

The aggregate monies received through creations and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Preference Shareholders. The amounts due from/to Allied Dunbar International Fund Managers Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts paid to Allied Dunbar International Fund Managers Limited in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 79,132 (December 2015: US\$ 92,704) in respect of the annual management charge, and US\$ 195 (December 2015: US\$ 452) in respect of registration expenses is due at the end of the accounting period and is included within amounts payable to the Manager.

## UK Capital Growth Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2016 to 31st December 2016

#### 11 SHARES IN ISSUE RECONCILIATION

	Number of shares in issue at start of the year	Number of shares created	Number of shares cancelled	Number of shares in issue at end of the year
Participating Redeemable Preference Shares	35,476,811	2,049,666	(3,364,777)	34,161,700

#### 12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date. (2015: US\$ Nil)

#### 13 DIRECT TRANSACTION COSTS

In the case of equity shares, broker commissions, transfer taxes and stamp duties are paid by the Fund on each transaction. Unlike equity shares, other types of investments (such as bonds, money market instruments, and derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread between buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment.

Comparing portfolio transaction costs for a range of funds may give a false impression of the relative costs of investing in them for the following reasons:

- Transaction costs do not necessarily reduce returns. The net impact of dealing is the combination of the effectiveness of the Manager's investment decisions in improving returns and the associated costs of the investment.
- Historic transaction costs are not an effective indicator of the future impact on performance.
- Transaction costs for buying and selling investments due to other investors joining or leaving the Fund may be recovered from those investors.
- Transaction costs vary from country to country.
- Transaction costs vary depending on the types of investment in which a Fund invests.
- As the Manager's investment decisions are not predictable, transaction costs are also not predictable.

The direct transaction costs incurred during the year were as follows:

	Principal US\$	Commission US\$	Taxes US\$	Total Cost US\$	Accounting period to 31st December 2016 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	7,664,052	7,716	42,854	7,714,622	0.10	0.56
Corporate action purchase activity:						
Equity	362,476	–	–	362,476	–	–
	<u>8,026,528</u>	<u>7,716</u>	<u>42,854</u>	<u>8,077,098</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	9,563,173	(7,797)	(159)	9,555,217	(0.08)	(0.00)
	<u>9,563,173</u>	<u>(7,797)</u>	<u>(159)</u>	<u>9,555,217</u>		
Total		<u>15,513</u>	<u>43,013</u>			
Percentage of Fund average net assets		<u>0.03%</u>	<u>0.09%</u>			

The direct transaction costs incurred during the prior year were as follows:

	Principal US\$	Commission US\$	Taxes US\$	Total Cost US\$	Accounting period to 31st December 2015 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	6,900,657	7,554	34,026	6,942,237	0.11	0.49
Corporate action purchase activity:						
Equity	176,379	–	–	176,379	–	–
	<u>7,077,036</u>	<u>7,554</u>	<u>34,026</u>	<u>7,118,616</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	12,856,223	(9,405)	(285)	12,846,533	(0.07)	(0.00)
	<u>12,856,223</u>	<u>(9,405)</u>	<u>(285)</u>	<u>12,846,533</u>		
Total		<u>16,959</u>	<u>34,311</u>			
Percentage of Fund average net assets		<u>0.03%</u>	<u>0.06%</u>			

## UK Capital Growth Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2016 to 31st December 2016

#### 13 DIRECT TRANSACTION COSTS (continued)

##### Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.22% (2015: 0.20%). This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

#### 14 FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 70.

##### Currency exposures

A small proportion of the Net Assets of the Fund are denominated in currencies other than Sterling, which is the base currency in which the Fund is managed. This has the effect that the Balance Sheet and Statement of Total Return can be affected by currency movements.

Net foreign currency assets	Monetary exposure	Non-monetary exposure	Total
	US\$	US\$	US\$
<b>Currency 2016</b>			
Euro	13,867	–	13,867
UK Sterling	(577,784)	50,317,632	49,739,848
US Dollar	49	–	49
<b>Currency 2015</b>	US\$	US\$	US\$
Euro	2,874	–	2,874
UK Sterling	(278,062)	55,785,990	55,507,928
US Dollar	50	–	50

##### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and financial liabilities at 31st December 2016 and 31st December 2015 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
	US\$	US\$	US\$	US\$
<b>Currency 2016</b>				
Euro	13,867	–	–	13,867
UK Sterling	112,835	–	50,423,820	50,536,655
US Dollar	49	–	–	49
<b>Currency 2015</b>	US\$	US\$	US\$	US\$
Euro	2,874	–	–	2,874
UK Sterling	401,461	–	55,889,019	56,290,480
US Dollar	50	–	–	50

	Floating rate financial liabilities	Financial liabilities not carrying interest	Total
	US\$	US\$	US\$
<b>Currency 2016</b>			
UK Sterling	–	(796,807)	(796,807)
<b>Currency 2015</b>	US\$	US\$	US\$
UK Sterling	–	(782,552)	(782,552)

There are no material amounts of non interest-bearing financial assets, other than equities, which do not have maturity dates.

Cash balances are held in floating rate accounts where interest is calculated with reference to prevailing market rates.

The Fund's Preference Shares are financial liabilities that do not carry interest and there are no other material financial liabilities that carry interest.

##### Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value. The basis of valuation is disclosed in Note 1 (5) to the Aggregated Financial Statements.

# Europe Fund

## Fund Investment Report

### Investment Policy

To invest primarily for capital growth from a portfolio of European equities.

### Types of Investment

Investments are made principally for prospects of capital growth in Continental European stocks, generally in shares of leading European companies, but also may be made indirectly through other types of permitted investment such as unit trusts, investment trusts, convertible securities, traded options, warrants, fixed interest securities and other media as circumstances warrant and as permitted by the Regulations.

It must be remembered that the price of shares and the income from them can go down as well as up.

### Fund Performance

Over the 12 months under review, the Fund produced a total gross return of -5.1%, which was behind the FTSE World Europe ex UK Index, which returned +3.3% in Euro terms.

### Review

European markets endured volatile trading conditions during the year. Concerns regarding China's economy intensified before abating somewhat. The oil price was another source of concern, reaching multi-year lows before firming again. Geopolitical tensions escalated, and Islamic State/Daesh extremists launched attacks in Belgium, France and Germany. The prospect of a prolonged period of low interest rates, dull economic growth and a punitive regulatory environment also prompted speculation regarding the stability of some of Europe's financial institutions.

However, investors were heartened by news that the European Central Bank (ECB) had unleashed further measures to stimulate the economy and drive inflation upwards. The asset-purchase scheme was subsequently extended to December 2017. Economic data in the Eurozone was broadly encouraging; the region's composite purchasing managers' index remained in expansionary territory throughout the review period. Bond yields rebounded a little after reaching new lows, although this was much more apparent in the United States (US) than Europe; rising US interest rates are diverging from Europe, and there are no apparent parallels to Donald Trump's reflationary plans.

European markets were given a shock in June, when the United Kingdom (UK) voted to leave the European Union (EU), ushering in a period of economic uncertainty and boosting support for anti-EU and anti-Euro factions elsewhere. European equities reacted negatively, notably financial stocks and others exposed to 'Brexit' risks. However, central banks stood ready to provide support, encouraging a relief rally.

The US election campaign also caused market jitters though Trump's eventual victory sparked an equity-market rally, particularly in cyclicals; the new US president plans to stimulate the US economy, a key export market for European companies although they may nevertheless suffer from his protectionism. Nevertheless, Trump has no track record, so the US has entered less predictable political and economic territory.

In Italy, Prime Minister Renzi resigned after his reform proposals were rejected in a constitutional referendum, and the government prepared to bail out one of the country's largest financial institutions, Banca Monte dei Paschi di Siena. The post-Brexit wave of political upheavals did not extend to Austria's re-run presidential election, however, as a moderate candidate prevailed. Spain and Ireland struggled to form new governments following inconclusive elections, but both eventually resolved the impasse.

During December, the US increased interest rates, bolstering financial stocks – the prospect of looser regulation under Trump's presidency also supported the sector. The energy sector saw strong gains; OPEC (Organisation of the Petroleum Exporting Countries) has agreed to cut production, which should support oil prices.

New holdings included Deutsche Telekom AG (Germany), Royal Dutch Shell plc 'A' (United Kingdom) and DNB ASA (Norway). Deutsche Telekom AG has exciting expansion opportunities in the US, and the stock was trading at an attractive valuation. We initiated a position in Anglo-Dutch oil major Royal Dutch Shell plc 'A' as the outlook for energy stocks improved – the UK-quoted stock is also likely to benefit from Sterling weakness. DNB ASA is one of the better-quality banks in Europe, and will benefit if long-bond yields have bottomed and if the oil price remains stable.

We sold Italian bank Intesa Sanpaolo SpA (Italy) as the Italian banking system came under increasing strain. Other sales included Bayer AG (Germany); we do not believe the proposed acquisition of Monsanto Company would represent good value for shareholders.

Market volatility continues in the wake of the Brexit vote, Trump's election victory and Italy's referendum – it will take time before the full political, financial and economic repercussions become clear. There is also the risk of anti-EU political contagion; elections will be held in France, Germany, the Netherlands and possibly in Italy too during 2017. Of particular importance has been the rise in long-term bond yields, especially in the US (Trump's policies could lead to a reflationary trend); this has hampered the performance of bond proxies and boosted many financial stocks. The oil price and China's economic outlook will also continue to affect equity markets.

However, volatile markets provide us with investment opportunities. Mergers and acquisitions may increase, particularly as interest rates are likely to remain low in the UK and Europe. Quantitative easing, relatively low energy prices and loose credit conditions continue to support the trading environment for European companies. In the UK, exporters and global businesses will benefit from Sterling's weakness. We continue to favour companies with robust earnings prospects and pricing power.



## Europe Fund

### Comparative Tables

for the accounting period 1st January 2016 to 31st December 2016

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	Preference shares		
	2016	2015	2014
	EUR	EUR	EUR
<b>Change in net assets per share</b>			
Opening net asset value per share	5.0316	4.2771	4.0636
Return before operating charges <sup>1</sup>	(0.2944)	0.8628	0.2978
Operating charges	(0.0984)	(0.1083)	(0.0843)
Return after operating charges	(0.3928)	0.7545	0.2135
Distributions on preference shares	(0.0071)	–	–
Closing net asset value per shares	4.6317	5.0316	4.2771
<sup>1</sup> after direct transaction costs of	(0.0077)	(0.0120)	(0.0069)
<b>Performance</b>			
Return after charges	(7.81%)	17.64%	5.25%
<b>Other information</b>			
Closing net asset value (EUR)	25,011,374	29,773,058	27,796,255
Closing number of shares	5,400,066	5,917,171	6,498,822
Operating charges	2.16%	2.16%	2.06%
Direct transaction costs	0.17%	0.27%	0.17%
<b>Prices</b>			
Highest offer share price (EUR)	5.3170	5.7000	4.6250
Lowest bid share price (EUR)	4.1560	4.1920	3.7360

#### Additional comparative table disclosures to satisfy the requirements of the Authorised Collective Investment Schemes Regulations 2010:

	Net distribution per share EUR	Highest offer share price EUR	Lowest bid share price EUR
<b>For the accounting period ended:</b>			
31st December 2012	0.0007	3.6480	2.7140
31st December 2013	0.0000	4.2900	3.4160
<b>Ongoing Charges Figure (“OCF”)</b>			<b>OCF %</b>
<b>For the accounting period ended:</b>			
31st December 2015			2.16%
31st December 2016			2.16%

Ongoing Charges Figure has replaced the Total Expense Ratio (“TER”). The OCF takes into account the annual management charge and any expenses incurred, expressed as a percentage of the average daily net asset values over the period. The main difference between the two calculations is the inclusion of custodian handling charges in the OCF. The comparative figures for the Operating charges and the OCF for 2014 have not been restated.

The Operating charges are calculated on an ex-post basis and as such may differ from the OCF where:

- Changes to fee rates were made during the year and the OCF has been amended to be future proofed for this change.
- The OCF has been annualised for a share class that has not yet been open for a full year.

Please refer to the Direct transaction costs note on page 66, for more detail regarding the nature of transaction costs and how they arise for different types of investments.

Please remember that past performance is not a guide to future performance and it might not be repeated. The value of investments and the revenue from them may go down as well as up and investors may not get back the amount originally invested. Because of this, you are not certain to make a profit on your investments and you may lose money.

## Europe Fund

### Statement of Total Return

for the accounting period 1st January 2016 to 31st December 2016

	Notes	2016 US\$	2015 US\$
Income			
Net capital (losses)/gains	2	(2,536,199)	5,402,202
Revenue	3	793,312	807,891
Expenses	4	(559,151)	(695,776)
Net revenue before taxation		234,161	112,115
Taxation	5	(188,028)	(202,531)
Net revenue/(expense) after taxation		46,133	(90,416)
<b>Total return before distribution</b>		<b>(2,490,066)</b>	<b>5,311,786</b>
Distributions	6	(46,133)	(6,901)
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		<b>(2,536,199)</b>	<b>5,304,885</b>

### Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2016 to 31st December 2016

	2016 US\$	2015 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	32,351,999	33,635,691
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	190,715	101,643
Amounts payable on cancellation of shares	(2,676,712)	(3,258,495)
	(2,485,997)	(3,156,852)
Difference on currency conversion	(950,057)	(3,431,725)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(2,536,199)	5,304,885
<b>Closing Net Assets Attributable to Preference Shareholders</b>	<b>26,379,746</b>	<b>32,351,999</b>

### Balance Sheet

as at 31st December 2016

	Notes	2016 US\$	2015 US\$
<b>Assets:</b>			
Fixed assets:			
Investments	7	26,336,082	32,277,358
Current assets:			
Debtors	8	139,904	98,161
Cash and bank balances		108,459	161,738
<b>Total assets</b>		<b>26,584,445</b>	<b>32,537,257</b>
<b>Liabilities:</b>			
Creditors:			
Bank overdrafts		(7,048)	(25,823)
Distribution payable	6	(40,636)	–
Other creditors	9	(65,793)	(69,506)
<b>Total liabilities</b>		<b>(113,477)</b>	<b>(95,329)</b>
<b>Equity:</b>			
Nominal shares		(91,222)	(89,929)
<b>Total equity</b>		<b>(91,222)</b>	<b>(89,929)</b>
<b>Net Assets Attributable to Preference Shareholders</b>		<b>26,379,746</b>	<b>32,351,999</b>

### Distribution Table

for the accounting period 1st January 2016 to 31st December 2016

	Income	Equalisation	Distribution Payable 2016	Distribution Paid 2015
	€	€	€	€
Group 1	0.0071	–	0.0071	–
Group 2	0.0006	0.0065	0.0071	–

Group 2 units are those purchased after 16:00 (UK time) on 31st December 2015.

\*Please refer to the Accounting policies “Basis of accounting” on page 69.

The notes on pages 65 to 67 form an integral part of the financial statements.

## Europe Fund

### Portfolio Statement

as at 31 December 2016

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Holding	Investment	Currency	Market Value US\$	% of Net Assets	Holding	Investment	Currency	Market Value US\$	% of Net Assets
<b>Equities 99.83% (99.77%)</b>					<b>Netherlands 11.12% (12.13%)</b>				
<b>Belgium 3.27% (3.79%)</b>					<b>Denmark 5.32% (6.11%)</b>				
2,515	Anheuser-Busch InBev SA/NV	EUR	266,718	1.01	3,648	Chr Hansen Holding A/S	DKK	202,053	0.77
9,601	KBC Groep NV	EUR	597,146	2.26	6,819	DSV A/S	DKK	303,793	1.15
			<b>863,864</b>	<b>3.27</b>	9,645	Novo Nordisk A/S 'B'	DKK	347,476	1.32
					4,193	Pandora A/S	DKK	548,333	2.08
								<b>1,401,655</b>	<b>5.32</b>
<b>Finland 3.03% (2.23%)</b>					<b>Norway 1.96% (0.00%)</b>				
4,354	Kone OYJ 'B'	EUR	194,710	0.74	34,712	DNB ASA	NOK	516,271	1.96
13,435	Sampo OYJ 'A'	EUR	603,927	2.29				<b>516,271</b>	<b>1.96</b>
			<b>798,637</b>	<b>3.03</b>	<b>Spain 6.46% (8.65%)</b>				
<b>France 22.04% (19.05%)</b>					<b>Sweden 8.26% (6.25%)</b>				
10,591	Amundi SA	EUR	556,455	2.11	8,580	Amadeus IT Group SA	EUR	391,613	1.48
30,712	AXA SA	EUR	778,710	2.95	18,121	Cellnex Telecom SA "A"	EUR	260,311	0.99
3,413	Dassault Systemes SE	EUR	260,980	0.99	14,360	Ferrovial SA	EUR	258,687	0.98
3,223	Essilor International SA	EUR	363,048	1.38	10,557	Grifols SA	EUR	210,109	0.80
34,812	Havas SA	EUR	294,247	1.12	9,760	Industria de Diseno Textil SA	EUR	333,164	1.26
9,390	Legrand SA	EUR	534,207	2.02	46,152	International Consolidated Airlines Group SA	EUR	250,248	0.95
2,574	L'Oreal SA	EUR	469,800	1.78				<b>1,704,132</b>	<b>6.46</b>
2,447	Pernod Ricard SA	EUR	266,475	1.01	<b>Switzerland 11.73% (14.21%)</b>				
7,225	Publicis Groupe SA	EUR	499,967	1.90	2,349	Cie Financiere Richemont SA	CHF	156,503	0.59
9,727	Schneider Electric SE	EUR	677,720	2.57	140	Givaudan SA	CHF	257,920	0.98
10,726	TOTAL SA	EUR	549,633	2.08	12,953	Novartis AG	CHF	948,405	3.60
8,232	Vinci SA	EUR	561,489	2.13	3,446	Roche Holding AG	CHF	791,529	3.00
			<b>5,812,731</b>	<b>22.04</b>	131	Sika AG	CHF	634,160	2.40
<b>Germany 16.28% (16.09%)</b>					19,442	UBS Group AG	CHF	306,134	1.16
4,654	Allianz SE	EUR	768,444	2.91				<b>3,094,651</b>	<b>11.73</b>
5,859	BASF SE	EUR	543,553	2.06	<b>United Kingdom 2.09% (0.00%)</b>				
8,141	Brenntag AG	EUR	453,362	1.72	20,107	Royal Dutch Shell plc 'A'	EUR	552,232	2.09
3,190	Continental AG	EUR	619,073	2.35				<b>552,232</b>	<b>2.09</b>
40,063	Deutsche Telekom AG	EUR	688,120	2.61	<b>United States of America 1.19% (1.01%)</b>				
8,138	Fresenius Medical Care AG & Co. KGaA	EUR	692,838	2.63	2,753	Autoliv, Inc., SDR	SEK	315,095	1.19
1,546	Linde AG	EUR	255,349	0.97				<b>315,095</b>	<b>1.19</b>
3,127	SAP SE	EUR	272,289	1.03	<b>Equities total</b>				
			<b>4,293,028</b>	<b>16.28</b>				<b>26,336,082</b>	<b>99.83</b>
<b>Ireland 5.14% (5.88%)</b>					<b>Italy 1.94% (4.37%)</b>				
21,848	CRH plc	EUR	755,014	2.86	48,861	Infrastrutture Wireless Italiane SpA	EUR	226,441	0.86
12,203	Kingspan Group plc	EUR	332,191	1.26	11,057	Prysmian SpA	EUR	286,184	1.08
2,512	Paddy Power Betfair plc	EUR	269,182	1.02				<b>512,625</b>	<b>1.94</b>
			<b>1,356,387</b>	<b>5.14</b>	<b>Net Assets attributable to Preference Shareholders</b>				
<b>United States of America 1.19% (1.01%)</b>					<b>Total Value of Investments</b>				
2,753	Autoliv, Inc., SDR	SEK	315,095	1.19	<b>Net Other Assets (2015: 0.23%)</b>				
			<b>315,095</b>	<b>1.19</b>	<b>26,336,082</b>				
<b>Equities total</b>					<b>43,664</b>				
<b>26,336,082</b>					<b>99.83</b>				
<b>99.83</b>					<b>0.17</b>				
<b>26,379,746</b>					<b>100.00</b>				

The comparative percentage figures in brackets are as at 31 December 2015.

## Europe Fund

### Notes to the Financial Statements

for the accounting period 1st January 2016 to 31st December 2016

#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 69.

#### 2 NET CAPITAL (LOSSES) / GAINS

The net capital (losses) /gains during the period comprise:

	2016 US\$	2015 US\$
Non-derivative securities	(2,541,525)	5,398,752
Other currency gains	32,866	40,321
Transaction charges	(27,540)	(36,871)
Net capital (losses)/gains	(2,536,199)	5,402,202

Gains/(losses) from non-derivatives securities include realised gains of US\$ 50,847 (2015: US\$ 5,012,029) and change in unrealised losses of US\$ 2,592,372 (2015: US\$ 386,723 – unrealised gains).

#### 3 REVENUE

	2016 US\$	2015 US\$
Overseas dividends	793,260	807,891
Bank interest	52	–
Total revenue	793,312	807,891

#### 4 EXPENSES

	2016 US\$	2015 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(526,624)	(657,367)
Registration expenses	(2,216)	(2,762)
Directors' fees	(1,177)	(1,018)
	(530,017)	(661,147)
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(12,937)	(16,148)
Safe custody fees	(7,025)	(8,693)
Interest payable	(2,380)	(3,189)
	(22,342)	(28,030)
Other expenses:		
Audit fee	(2,268)	(3,230)
Legal fees	(1,530)	(1,183)
Miscellaneous expenses	(162)	(167)
Publication charges	(2,832)	(2,019)
	(6,792)	(6,599)
Total expenses	(559,151)	(695,776)

#### 5 TAXATION

	2016 US\$	2015 US\$
Analysis of charge in period:		
Overseas tax suffered	(188,028)	(202,531)
Total overseas taxation	(188,028)	(202,531)

#### 6 DISTRIBUTIONS

The distribution takes account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprises:

	2016 US\$	2015 US\$
Final	(40,636)	–
	(40,636)	–
Revenue deducted on cancellation of shares	(5,720)	(7,033)
Revenue received on creation of shares	223	132
Distributions for the year	(46,133)	(6,901)

Details of the distribution per share are set out on page 63.

#### 7 FAIR VALUE HIERARCHY

Valuation technique	2016 Assets US\$	2015 Assets US\$
Quoted prices for identical instruments in active markets	26,336,082	32,277,358
Prices of recent transactions for identical instruments	–	–
Valuation techniques using observable market data	–	–
Valuation techniques using non-observable market data	–	–
Total	26,336,082	32,277,358

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective.

The disclosure is split into the following categories:

Quoted prices for identical instruments in active markets – Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

Prices of recent transactions for identical instruments – When quoted prices are unavailable, the price of a recent transaction for an identical instrument provides evidence of fair value as long as the transaction is orderly and there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

Valuation techniques using observable market data – Valuation techniques should maximise the use of observable market data, such as publicly available information about actual events or transactions, and minimise the use of non-observable data. Observable data should be observable for substantially the full term of the instrument.

Valuation techniques using non-observable data – Non-observable entity specific data should be used only where relevant observable market data is not available.

#### 8 DEBTORS

	2016 US\$	2015 US\$
Sales awaiting settlement	43,819	–
Accrued revenue	4,863	8,232
Receivable from Manager – Nominal shares	91,222	89,929
Total debtors	139,904	98,161

#### 9 OTHER CREDITORS

	2016 US\$	2015 US\$
Amounts payable for cancellation of shares	(889)	–
Accrued expenses	(24,151)	(20,825)
Amounts payable to the Manager	(40,753)	(48,681)
Total creditors	(65,793)	(69,506)

#### 10 RELATED PARTY TRANSACTIONS

Allied Dunbar International Fund Managers Limited is a related party and acts as principal in respect of all transactions of shares in the Fund.

At the balance sheet date Preference Shareholders from within the Zurich Insurance Group, of which the Fund is a related party, hold 3,067,525 (2015: 3,456,036) Preference Shares in the Fund.

The aggregate monies received through creations and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Preference Shareholders. The amounts due from/to Allied Dunbar International Fund Managers Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts paid to Allied Dunbar International Fund Managers Limited in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 39,744 (December 2015: US\$ 47,739) in respect of the annual management charge, and US\$ 249 (December 2015: US\$ 452) in respect of registration expenses is due at the end of the accounting period and is included within amounts payable to the Manager.

## Europe Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2016 to 31st December 2016

#### 11 SHARES IN ISSUE RECONCILIATION

	Number of shares in issue at start of the year	Number of shares created	Number of shares cancelled	Number of shares in issue at end of the year
Participating Redeemable Preference Shares	5,917,171	39,922	(557,027)	5,400,066

#### 12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2015: US\$ Nil).

#### 13 DIRECT TRANSACTION COSTS

In the case of equity shares, broker commissions, transfer taxes and stamp duties are paid by the Fund on each transaction. Unlike equity shares, other types of investments (such as bonds, money market instruments, and derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread between buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment.

Comparing portfolio transaction costs for a range of funds may give a false impression of the relative costs of investing in them for the following reasons:

- Transaction costs do not necessarily reduce returns. The net impact of dealing is the combination of the effectiveness of the Manager's investment decisions in improving returns and the associated costs of the investment.
- Historic transaction costs are not an effective indicator of the future impact on performance.
- Transaction costs for buying and selling investments due to other investors joining or leaving the Fund may be recovered from those investors.
- Transaction costs vary from country to country.
- Transaction costs vary depending on the types of investment in which a Fund invests.
- As the Manager's investment decisions are not predictable, transaction costs are also not predictable.

The direct transaction costs incurred during the year were as follows:

	Principal US\$	Commission US\$	Taxes US\$	Total Cost US\$	Accounting period to 31st December 2016 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	17,499,596	15,597	11,364	17,526,557	0.09	0.06
	<u>17,499,596</u>	<u>15,597</u>	<u>11,364</u>	<u>17,526,557</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	19,996,680	(18,231)	(22)	19,978,427	(0.09)	0.00
	<u>19,996,680</u>	<u>(18,231)</u>	<u>(22)</u>	<u>19,978,427</u>		
Total		33,828	11,386			
Percentage of Fund average net assets		0.13%	0.04%			

The direct transaction costs incurred during the prior year were as follows:

	Principal US\$	Commission US\$	Taxes US\$	Total Cost US\$	Accounting period to 31st December 2015 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	24,020,407	22,685	31,577	24,074,669	0.09	0.13
	<u>24,020,407</u>	<u>22,685</u>	<u>31,577</u>	<u>24,074,669</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	27,481,550	(22,798)	(146)	27,458,606	(0.08)	0.00
	<u>27,481,550</u>	<u>(22,798)</u>	<u>(146)</u>	<u>27,458,606</u>		
Total		45,483	31,723			
Percentage of Fund average net assets		0.16%	0.11%			

## Europe Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2016 to 31st December 2016

#### 13 DIRECT TRANSACTION COSTS (continued)

##### Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.06% (2015: 0.18%). This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

#### 14 FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 70.

##### Currency exposures

A proportion of the Net Assets of the Fund are denominated in currencies other than Euro, which is the base currency in which the Fund is managed. This has the effect that the Balance Sheet and Statement of Total Return can be affected by currency movements.

Net foreign currency assets	Monetary exposure	Non-monetary exposure	Total
	US\$	US\$	US\$
<b>Currency 2016</b>			
Czech Koruna	21	–	21
Danish Krone	153	1,401,654	1,401,807
Euro	(95,600)	18,829,100	18,733,500
Hungarian Forint	13	–	13
Norwegian Krone	6	516,271	516,277
Swedish Krona	440	2,494,406	2,494,846
Swiss Franc	870	3,094,651	3,095,521
UK Sterling	137,755	–	137,755
US Dollar	6	–	6
<b>Currency 2015</b>	US\$	US\$	US\$
Czech Koruna	22	–	22
Danish Krone	171	1,977,925	1,978,096
Euro	74,264	23,354,042	23,428,306
Hungarian Forint	13	–	13
Norwegian Krone	25	–	25
Swedish Krona	55	2,347,503	2,347,558
Swiss Franc	(8)	4,597,888	4,597,880
UK Sterling	92	–	92
US Dollar	7	–	7

##### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and financial liabilities at 31st December 2016 and 31st December 2015 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
	US\$	US\$	US\$	US\$
<b>Currency 2016</b>				
Czech Koruna	21	–	–	21
Danish Krone	153	–	1,401,654	1,401,807
Euro	(30,805)	–	18,877,781	18,846,977
Hungarian Forint	13	–	–	13
Norwegian Krone	6	–	516,271	516,277
Swedish Krona	440	–	2,494,406	2,494,846
Swiss Franc	870	–	3,094,651	3,095,521
UK Sterling	137,755	–	–	137,755
US Dollar	6	–	–	6
<b>Currency 2015</b>	US\$	US\$	US\$	US\$
Czech Koruna	22	–	–	22
Danish Krone	171	–	1,977,925	1,978,096
Euro	161,361	–	23,362,274	23,523,635
Hungarian Forint	13	–	–	13
Norwegian Krone	25	–	–	25
Swedish Krona	55	–	2,347,503	2,347,558
Swiss Franc	(8)	–	4,597,888	4,597,880
UK Sterling	92	–	–	92
US Dollar	7	–	–	7

	Floating rate financial liabilities	Financial liabilities not carrying interest	Total
	US\$	US\$	US\$
<b>Currency 2016</b>			
Euro	(7,048)	(106,429)	(113,477)
<b>Currency 2015</b>	US\$	US\$	US\$
Euro	(25,823)	(69,506)	(95,329)

There are no material amounts of non interest-bearing financial assets, other than equities, which do not have maturity dates.

Cash balances are held in floating rate accounts where interest is calculated with reference to prevailing market rates.

The Fund's Preference Shares are financial liabilities that do not carry interest and there are no other material financial liabilities that carry interest.

##### Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value. The basis of valuation is disclosed in Note 1 (5) to the Aggregated Financial Statements.

# Aggregated Financial Statements

## for Allied Dunbar

### International Funds Limited

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#### Statement of Total Return

for the accounting period 1st January 2016 to 31st December 2016

	Notes	2016 US\$	2015 US\$
Income			
Net capital gains	2	24,269,767	10,925,436
Revenue	3	12,185,242	11,302,422
Expenses	4	(11,309,058)	(11,502,810)
Net revenue /(expense) before taxation		876,184	(200,388)
Taxation	5	(2,579,095)	(2,061,661)
Net expense after taxation		(1,702,911)	(2,262,049)
<b>Total return before distribution</b>		<b>22,566,856</b>	<b>8,663,387</b>
Distributions	6	(542,086)	(952,405)
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		<b>22,024,770</b>	<b>7,710,982</b>

#### Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2016 to 31st December 2016

	2016 US\$	2015 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	<b>577,315,618</b>	<b>572,649,954</b>
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	95,335,919	86,900,292
Amounts payable on cancellation of shares	(145,125,893)	(82,003,179)
	(49,789,974)	4,897,113
Difference on currency conversion	(12,691,123)	(7,944,082)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	22,024,770	7,710,982
Unclaimed distributions	727	1,651
<b>Closing Net Assets Attributable to Preference Shareholders</b>	<b>536,860,018</b>	<b>577,315,618</b>

#### Balance Sheet

As at 31st December 2016

	Notes	2016 US\$	2015 US\$
<b>Assets:</b>			
Fixed assets:			
Investments	7	528,109,822	564,632,044
Current assets:			
Debtors	8	5,035,567	2,770,821
Cash and bank balances		12,739,360	13,965,087
<b>Total assets</b>		<b>545,884,749</b>	<b>581,367,952</b>
<b>Liabilities:</b>			
Creditors:			
Bank overdrafts		(7,048)	(155,222)
Distribution payable		(662,452)	(700,101)
Other Creditors	9	(6,504,692)	(1,409,767)
<b>Total liabilities</b>		<b>(7,174,192)</b>	<b>(2,265,090)</b>
<b>Equity:</b>			
Management Shares		(10)	(10)
Nominal shares		(1,850,529)	(1,787,234)
<b>Total equity</b>		<b>(1,850,539)</b>	<b>(1,787,244)</b>
<b>Net Assets Attributable to Preference Shareholders</b>		<b>536,860,018</b>	<b>577,315,618</b>

The Aggregated Financial Statements represent the sum of the individual sub-funds within the Umbrella Company. Further analysis of the Distribution and the Net Asset position can be found within the Financial Statements of the individual sub-funds.

The notes on pages 69 to 73 form an integral part of the financial statements.

The Annual Report and Accounts were approved and authorised for issue by the Board of Directors of Allied Dunbar International Funds Limited and signed on its behalf by:

**Director**  
14th February 2017

**Director**  
14th February 2017

\* Please refer to the Accounting policy 'Basis of accounting' on page 69.

# Notes to the Aggregated Financial Statements for Allied Dunbar International Funds Limited

## Notes to the Financial Statements

for the accounting period 1st January 2016 to 31st December 2016

### 1 ACCOUNTING POLICIES

#### (1) Basis of accounting

The Aggregated Financial Statements have been prepared on a going concern basis, under the historical cost basis, except for investments that have been measured at fair value, and in accordance with the Statement of Recommended Practice for UK Authorised Funds ("SORP") issued by The Investment Management Association ("the IMA" (now the The Investment Association)), and in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"). The financial statements have also been prepared in accordance with the Authorised Collective Schemes Regulations 2010 ("Regulations") and the Isle of Man Companies Acts 1931 to 2004. The Company has taken advantage of the exemption under FRS102 paragraph 7.1(a) from preparing a statement of cash flows, on the basis that it is an open-ended investment fund that meets the following criteria:

- substantially all of the Company's investments are highly liquid;
- substantially all of the Company's investments are carried at market value; and
- the Company provides a Statement of Change in Net Assets Attributable to Preference Shareholders.

#### (2) Aggregation

The Aggregated Financial Statements represent the sum of the Company's individual sub-funds. Further analysis of the Distribution and the Net Asset position can be found within the Financial Statements of the individual sub-funds.

#### (3) Recognition of revenue

Dividends on quoted equities and preference shares are recognised when the security is traded ex-dividend and together with interest and other revenue receivable are stated gross of withholding taxes.

Special dividends are treated as a repayment of capital, unless there is sufficient evidence that they should be treated as revenue.

Stock dividends are recognised as revenue on the basis of the market value of the shares at the date they are first quoted ex-dividend.

Interest on debt securities and bank and short-term deposits is recognised on the effective interest rate basis.

Interest included in the value of purchases and sales of fixed and floating rate securities is treated as revenue. In the case of debt securities purchased at a significant premium or discount to the maturity value, the discount is amortised over the life of the security and accounted for as interest on debt securities.

Net capital gains and losses are not included in the amount of net revenue/(expenses) available for distribution in each sub-fund.

#### (4) Expenses (including management expenses)

All expenses other than those relating to the purchase and sale of investments, which are charged against capital, are recognised on an accruals basis and are charged against revenue. The allocation of other expenses to each sub-fund is based on the proportion of the Company's net assets attributable to each sub-fund on the day the expense is charged.

#### (5) Valuation of Investments

The investments of the Company are valued at fair value (usually bid value) at 16:00 (UK time), being the valuation point on the last working day of the accounting period.

#### (6) Exchange Rates

The functional currency is the currency of the primary economic environment in which the sub funds operate. The Gilt and Income Fund, UK Capital Growth Fund and Europe Fund sub funds have functional currencies of GBP and Euro respectively and a presentation currency of US\$. These three sub funds are different as they predominantly invest in assets and issue shares in Sterling and Euro respectively.

The assets and liabilities in each sub-fund expressed in foreign currencies at the end of the accounting period are translated into each sub-fund's functional currency at the exchange rates ruling at 16:00 (UK time), on that date. Revenue items denominated in foreign currency are translated into each sub-fund's functional currency at the exchange rates ruling at the date of transaction.

The presentation currency of the Company is US Dollars. The assets, liabilities and revenue items including the distributions of each sub-fund are translated into US Dollars at the exchange rate ruling at 16:00 (UK time), at the end of each accounting period.

Foreign exchange translation adjustments arising from the translation of the sub-funds into the Company's presentation currency are included within the Statement of Change in Net Assets Attributable to Preference Shareholders.

#### (7) Taxation

The taxation charge represents withholding taxes and capital gains tax deducted at source. The Company is taxed at 0% on its profits in the Isle of Man. Any capital gains realised may be subject to tax in the countries of origin. All liabilities in respect of taxes payable on realised gains are provided for as soon as there is a reasonable certainty that a liability will crystallise.

#### (8) Equalisation

Equalisation is that proportion of the total distribution payment which represents a return of capital.

The payment represents the average amount of revenue accrued in the price of shares at the dates of purchase, and reflects the fact that the purchase price included an element of net revenue accrued awaiting distribution.

Equalisation can only occur on the first distribution following a purchase of shares. The amount is not liable to UK Income Tax and should be deducted from the cost of the shares for Capital Gains Tax purposes.

#### (9) Distributions

The net revenue available for distribution for each sub-fund at the end of each distribution period will be paid as a dividend distribution. Should the expenses of a sub-fund (including taxation) exceed its revenue, there will be no distribution and the shortfall will be met by the capital account of the sub-fund.

#### (10) Financial instruments

Where appropriate, certain permitted financial instruments such as derivative contracts or forward foreign exchange contracts may be used for the purpose of efficient portfolio management. Where such financial instruments are used to protect or enhance revenue, the revenue and expenses derived therefrom are included in "Revenue" or "Expenses" in the Statement of Total Return. Where such financial instruments are used to protect or enhance capital, the gains and losses derived therefrom are included in "Net capital gains" in the Statement of Total Return.

Any positions in respect of such instruments open at the period end are reflected in the portfolio statement at their market value. The amounts held at brokers clearing houses in respect of these financial instruments are included in the cash and bank balances in the Financial Statements of the individual sub-funds.

### 2 NET CAPITAL GAINS

The net capital gains during the period comprise:

	2016 US\$	2015 US\$
Non-derivative securities	24,358,545	11,098,069
Forward currency derivative contracts	(4,339)	-
Other currency gains	71,723	32,972
Transaction charges	(156,162)	(205,605)
Net capital gains	<u>24,269,767</u>	<u>10,925,436</u>

### 3 REVENUE

	2016 US\$	2015 US\$
Overseas dividends	11,303,847	10,332,171
Bank interest	552	177
Interest on debt securities	816,511	917,193
Underwriting commission	-	1,410
Scrip dividends	49,383	41,136
Management fee rebates	3,219	3,219
Miscellaneous income	11,730	7,116
Total revenue	<u>12,185,242</u>	<u>11,302,422</u>

### 4 EXPENSES

	2016 US\$	2015 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(10,809,375)	(10,999,339)
Registration expenses	(19,878)	(23,643)
Directors' fees	(21,760)	(18,806)
	<u>(10,851,013)</u>	<u>(11,041,788)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(233,080)	(243,101)
Safe custody fees	(65,970)	(68,238)
Interest payable	(19,314)	(21,804)
	<u>(318,364)</u>	<u>(333,143)</u>
Other expenses:		
Audit fee	(45,902)	(59,433)
Legal fee	(35,453)	(31,700)
Publication charges	(55,329)	(33,678)
Miscellaneous expenses	(2,997)	(3,068)
	<u>(139,681)</u>	<u>(127,879)</u>
Total expenses	<u>(11,309,058)</u>	<u>(11,502,810)</u>

### 5 TAXATION

	2016 US\$	2015 US\$
Analysis of charge in period:		
Overseas tax suffered	(2,578,353)	(2,061,661)
Capital gains tax	(742)	-
Total overseas taxation	<u>(2,579,095)</u>	<u>(2,061,661)</u>



## Allied Dunbar International Funds Limited

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

for the accounting period 1st January 2016 to 31st December 2016

#### 6 DISTRIBUTIONS

The distribution takes account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprises:

	2016 US\$	2015 US\$
Interim	(38,139)	(62,953)
Final	(662,452)	(700,099)
	(700,591)	(763,052)
Revenue deducted on cancellation of shares	355,963	225,382
Revenue received on creation of shares	(197,458)	(414,735)
Distributions for the year	(542,086)	(952,405)

Details of the distribution per share are detailed in each sub-fund.

#### 7 FAIR VALUE HIERARCHY

Please refer to the individual Funds notes to the financial statements.

#### 8 DEBTORS

	2016 US\$	2015 US\$
Amounts receivable for issue of shares	2,298,221	44,616
Sales awaiting settlement	43,819	14,557
Accrued rebates	6,466	3,246
Receivable from Manager – Nominal and management shares	1,850,539	1,787,244
Overseas tax recoverable	1,996	2,156
Accrued revenue	834,526	919,002
Total debtors	5,035,567	2,770,821

#### 9 OTHER CREDITORS

	2016 US\$	2015 US\$
Amounts payable for cancellation of shares	(335,245)	(130,033)
Purchases awaiting settlement	(4,899,793)	(4,932)
Accrued expenses	(379,549)	(329,523)
Amounts payable to the Manager	(890,105)	(945,279)
Total creditors	(6,504,692)	(1,409,767)

#### 10 MATERIAL CONTRACTS AND RELATED PARTY CONTRACTS

##### Management and Investment Manager Agreements

The following contracts which are or may be significant have been entered by the Company:

- Management Agreement dated 29th December 1989 (as amended) between the Company and the Manager whereby the latter has been appointed to act as the Manager in accordance with the Authorised Collective Investment Schemes Regulations 2010. The activities of the Manager include managing the Company's business, investments and administrative affairs and distributing and promoting the distribution of its Participating Redeemable Preference Shares including by way of offer for sale, subject to the overall supervision of the Directors. The Regulations allow for the delegation of the Manager's functions.

The Manager's remuneration comes from two principal sources:

- The Manager is entitled to retain the amount which is the difference between the proceeds for the Preference Shares sold to the applicant and the cost of the Manager of those shares.
  - A management charge payable monthly at an annual rate of 1.95% of the underlying property of each sub-fund (calculated on an offer basis) for all sub-funds except the Gilt and Income Fund which has a rate of 1.25% and the Managed Currency Fund which has a rate of 1%.
- The principal activities of the Investment Manager are the giving of investment advice and the provision of discretionary and non-discretionary Investment Management Services to Companies in the Zurich Insurance Group. This is under an agreement dated 1st October 2011 between the Manager and the Investment Manager to advise the Manager in relation to the investment of the property of the sub-funds. The Investment Manager's remuneration is borne by the Manager.

##### Related Party Transactions

Allied Dunbar International Fund Managers Limited (the Manager) is a related party and acts as principal in respect of all transactions of shares in each sub-fund. Details of transactions and balances are disclosed in the notes to the financial statements of each sub-fund.

#### 11 FINANCIAL INSTRUMENTS

In pursuing their investment objectives, each of the sub-funds may hold a number of financial instruments. These financial instruments comprise securities, derivatives and other investments, cash balances, debtors and creditors that arise directly from the sub-funds' operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue.

The main risks arising from financial instruments and the Manager's policies for managing these risks are stated below. These policies have been applied throughout the period under review.

These policies have been consistent for both the current and prior period to which these Financial Statements relate.

##### Market price risk

Market price risk is the risk that the value of the sub-funds' investments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the sub-funds might hold. It represents the potential loss the sub-funds might suffer through holding market positions in the face of price movements. The sub-funds' investment portfolios are exposed to market price fluctuations, which are monitored by the Manager in pursuance of their investment objectives and policies as set out in the Scheme Particulars.

Market price risk is fundamental to the purpose of the sub-funds. Adherence to investment guidelines and to investment and borrowing powers set out in the Scheme Particulars and in the Authorised Collective Investment Schemes Regulations 2010 mitigates the risk of excessive exposure to any particular type of security issuer.

##### Foreign currency risk

Foreign currency risk is the risk that the value of the sub-funds' investments will fluctuate as a result of changes in foreign currency exchange rates.

For those sub-funds where a portion of the investment portfolio is invested in securities priced in currencies other than the functional currency of the sub-fund, the Balance Sheet can be affected by movements in exchange rates. The Manager may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the value of investments that are priced in other currencies, other than the functional currency of the sub-fund. The foreign currency risk profile for each sub-fund is shown in the Notes to the Financial Statements of each sub-fund.

##### Interest rate risk

Interest rate risk is the risk that the value of the sub-funds' investments will fluctuate as a result of changes in interest rates.

Some of the sub-funds invest in fixed and floating rate securities. The income of these sub-funds may be affected by changes to interest rates relevant to particular securities or as a result of the Manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The interest rate profile for each sub-fund is shown in the Notes to the Financial Statements of each sub-fund.

##### Liquidity risk

The assets of the sub-funds comprise mainly readily realisable securities. The main liability of the sub-funds is the redemption of any preference shares that investors wish to sell. Securities from a sub-fund may need to be sold if insufficient cash is available to finance such redemptions.

Each sub-fund's shares settle on a basis longer than most of the underlying securities that settle in a shorter period, which enables the Investment Manager to manage liquidity on a daily basis.

##### Credit risk

Certain transactions in securities that the sub-funds enter into expose them to risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the sub-fund has fulfilled its responsibilities. The sub-funds only buy and sell investments through brokers which have been approved by the Manager as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in broker's financial ratings are reviewed by the Manager.

The value of sub-funds' investments will be adversely impacted in the event of the default or perceived increased credit risk of an issuer. For other financial assets, such as bank deposits and trade receivables, the Company adopts the policy of dealing only with high credit quality counterparties, approved by the Manager, thereby minimising the risk of default.

##### Derivatives

The sub-funds may enter into derivative transactions in the form of forward currency contracts. Forward currency contracts are used to manage currency risk arising from holdings of securities priced in currencies other than the functional currency of the sub-fund.

The Company does not hold any derivatives as at the period end (2015: US\$ Nil).

#### 12 DIRECT TRANSACTION COSTS

Please refer to the individual sub-fund notes to the financial statements.

#### 13 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2015: US\$ Nil).

## Allied Dunbar International Funds Limited

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

for the accounting period 1st January 2016 to 31st December 2016

#### 14 CAPITAL AND RESERVES

<b>Authorised Share Capital</b>	<b>2016</b>	<b>2015</b>
	US\$	US\$
Management Shares: 10 of US\$ 1 each	10	10
Unclassified Shares: 1,000,000,000 of US\$ 0.0025 each	2,500,000	2,500,000
	<u>2,500,010</u>	<u>2,500,010</u>

The Management Shares have been issued to and are held by Allied Dunbar International Fund Managers Limited.

The Unclassified Shares are termed as such, pending issue. They may be issued as Participating Redeemable Preference Shares ('Participating Shares') or as Nominal Shares.

Preference Shares may be issued and redeemed at prices based on the value of the Net Assets of the Company attributable to the appropriate sub-fund as determined in accordance with its Articles of Association and the Regulations. On redemption of a Participating Share, a Nominal Share may be issued to the Manager for cash at par on the basis of one Nominal Share for each share redeemed. Nominal Shares may subsequently be converted and reissued as Preference Shares.

There are no pre-emption rights on the issue or transfer of Preference Shares in the Company.

The holders of a Preference Share of any class or a Management Share are entitled to one vote. The Management Shares and Nominal Shares do not carry any right to dividends and in the event of a winding-up, rank only for the return of paid up capital.

Preference Shares are classed as financial liabilities as the holders of the Preference Shares are entitled to redeem the Preference Shares at their discretion and the rights of other shareholders are restricted.

#### Share Premium

The Share Premium Account is made up of the difference between proceeds of shares in issue and the nominal value of the total Shares in issue, less the premium payable on the cancellation of preference shares.

#### Capital Reserve

The Capital Reserve consists of the Realised Reserve and Unrealised Reserve for each sub-fund. The Realised Reserve is made up of realised net capital gains, which are transferred to the Realised Reserve each year. The Unrealised Reserve contains the unrealised net capital gains/(losses) and any deficit for the year, which are transferred to the Unrealised Reserve each year.

**Allied Dunbar International Funds Limited**  
**Notes to the Aggregated Financial Statements (continued)**

for the accounting period 1st January 2016 to 31st December 2016

**14 CAPITAL AND RESERVES (continued)**

	No. of Shares	Aggregated Total US\$	Managed US\$	Worldwide Equity US\$	Managed Currency US\$
<b>Management shares</b>					
Balance as at 01.01.16	10	10	10		
Issued during the year	–	–	–		
Redeemed during the year	–	–	–		
<b>Balance as at 31.12.16</b>	<b>10</b>	<b>10</b>	<b>10</b>		
<b>Nominal shares \$0.0025 each</b>					
Balance as at 01.01.16		1,787,234	420,853	202,398	58,949
Issued during the year		117,909	57,163	5,395	593
Redeemed during the year		(54,614)	(1,900)	(184)	–
<b>Balance as at 31.12.16</b>		<b>1,850,529</b>	<b>476,116</b>	<b>207,609</b>	<b>59,542</b>
<b>Nominal shares – number of shares</b>					
Balance as at 01.01.16		714,889,429	168,337,181	80,959,001	23,579,666
Issued during the year		47,167,813	22,869,548	2,158,228	237,172
Redeemed during the year		(21,845,803)	(760,162)	(73,705)	–
<b>Balance as at 31.12.16</b>		<b>740,211,439</b>	<b>190,446,567</b>	<b>83,043,524</b>	<b>23,816,838</b>
<b>Preference Shares \$0.0025 each</b>					
Balance as at 01.01.16		524,616	157,122	39,597	4,855
Issued during the year		54,614	1,900	184	–
Redeemed during the year		(117,909)	(57,163)	(5,395)	(593)
<b>Balance as at 31.12.16</b>		<b>461,321</b>	<b>101,859</b>	<b>34,386</b>	<b>4,262</b>
<b>Preference Shares – number of shares</b>					
Balance as at 01.01.16		209,849,488	62,852,734	15,838,668	1,941,564
Issued during the year		21,845,803	760,162	73,705	–
Redeemed during the year		(47,167,813)	(22,869,548)	(2,158,228)	(237,172)
<b>Balance as at 31.12.16</b>		<b>184,527,478</b>	<b>40,743,348</b>	<b>13,754,145</b>	<b>1,704,392</b>
<b>Share premium</b>					
Balances as at 01.01.16		435,082,287	84,377,321	23,527,215	699,160
Premium relating to shares Issued/(Redeemed) during the year		22,018,199	(23,904,071)	(2,405,278)	(87,279)
<b>Balances as at 31.12.16</b>		<b>457,100,486</b>	<b>60,473,250</b>	<b>21,121,937</b>	<b>611,881</b>
<b>Capital reserve</b>					
Balance as at 01.01.16		141,708,715	36,960,078	10,796,759	(51,635)
Decrease/(increase) in the year		(62,410,504)	(18,021,456)	(1,583,653)	4,054
<b>Balance as at 31.12.16</b>		<b>79,298,211</b>	<b>18,938,622</b>	<b>9,213,106</b>	<b>(47,581)</b>
<b>Net assets attributable to Preference Shareholders comprises:</b>					
Share capital		461,321	101,859	34,386	4,262
Share premium		457,100,486	60,473,250	21,121,937	611,881
Capital reserve		79,298,211	18,938,622	9,213,106	(47,581)
<b>Total</b>		<b>536,860,018</b>	<b>79,513,731</b>	<b>30,369,429</b>	<b>568,562</b>

**Allied Dunbar International Funds Limited**  
**Notes to the Aggregated Financial Statements (continued)**

for the accounting period 1st January 2016 to 31st December 2016

**14 CAPITAL AND RESERVES (continued)**

	Gilt and Income US\$	North American Growth US\$	Far East US\$	UK Capital Growth US\$	Europe US\$
<b>Management shares</b>					
Balance as at 01.01.16					
Issued during the year					
Redeemed during the year					
<b>Balance as at 31.12.16</b>					
<b>Nominal shares \$0.0025 each</b>					
Balance as at 01.01.16	539,357	22,169	70,990	382,589	89,929
Issued during the year	5,783	38,169	1,001	8,412	1,393
Redeemed during the year	(7,261)	(39,917)	(128)	(5,124)	(100)
<b>Balance as at 31.12.16</b>	<b>537,879</b>	<b>20,421</b>	<b>71,863</b>	<b>385,877</b>	<b>91,222</b>
<b>Nominal shares – number of shares</b>					
Balance as at 01.01.16	215,742,852	8,867,474	28,395,868	153,035,639	35,971,748
Issued during the year	2,312,830	15,267,501	400,730	3,364,777	557,027
Redeemed during the year	(2,904,267)	(15,966,707)	(51,374)	(2,049,666)	(39,922)
<b>Balance as at 31.12.16</b>	<b>215,151,415</b>	<b>8,168,268</b>	<b>28,745,224</b>	<b>154,350,750</b>	<b>36,488,853</b>
<b>Preference Shares \$0.0025 each</b>					
Balance as at 01.01.16	79,697	133,191	6,668	88,693	14,793
Issued during the year	7,261	39,917	128	5,124	100
Redeemed during the year	(5,783)	(38,169)	(1,001)	(8,412)	(1,393)
<b>Balance as at 31.12.16</b>	<b>81,175</b>	<b>134,939</b>	<b>5,795</b>	<b>85,405</b>	<b>13,500</b>
<b>Preference Shares – number of shares</b>					
Balance as at 01.01.16	31,878,726	53,276,414	2,667,400	35,476,811	5,917,171
Issued during the year	2,904,267	15,966,707	51,374	2,049,666	39,922
Redeemed during the year	(2,312,830)	(15,267,501)	(400,730)	(3,364,777)	(557,027)
<b>Balance as at 31.12.16</b>	<b>32,470,163</b>	<b>53,975,620</b>	<b>2,318,044</b>	<b>34,161,700</b>	<b>5,400,066</b>
<b>Share premium</b>					
Balances as at 01.01.16	16,967,028	249,900,074	5,685,268	36,496,343	17,429,878
Premium relating to shares Issued/(Redeemed) during the year	253,739	49,273,121	(422,049)	715,592	(1,405,576)
<b>Balances as at 31.12.16</b>	<b>17,220,767</b>	<b>299,173,195</b>	<b>5,263,219</b>	<b>37,211,935</b>	<b>16,024,302</b>
<b>Capital reserve</b>					
Balance as at 01.01.16	194,617	58,091,700	1,884,053	18,925,815	14,907,328
Increase/(decrease) in the year	(1,468,510)	(29,693,278)	(612,886)	(6,469,391)	(4,565,384)
<b>Balance as at 31.12.16</b>	<b>(1,273,893)</b>	<b>28,398,422</b>	<b>1,271,167</b>	<b>12,456,424</b>	<b>10,341,944</b>
<b>Net assets attributable to Preference Shareholders comprises:</b>					
Share capital	81,175	134,939	5,795	85,405	13,500
Share premium	17,220,767	299,173,195	5,263,219	37,211,935	16,024,302
Capital reserve	(1,273,893)	28,398,422	1,271,167	12,456,424	10,341,944
<b>Total</b>	<b>16,028,049</b>	<b>327,706,556</b>	<b>6,540,181</b>	<b>49,753,764</b>	<b>26,379,746</b>

# Further Information

## **Taxation**

The Company is resident in the Isle of Man and, as such, is liable to Isle of Man Income Tax on profits. Under current Isle of Man taxation rules, a rate of 0% (2015: 0%) will apply and so no provision for Isle of Man taxation has been deemed necessary in these Financial Statements.

Dividend payments to Preference Shareholders can be made without the deduction of Isle of Man taxation at source.

## **Price Publication**

Allied Dunbar International Fund Managers Limited publishes prices for each of the sub-funds which are available on the Allied Dunbar International website ([www.alliedunbarint.com](http://www.alliedunbarint.com)).

## **Directors' fees**

Each Director is entitled to an equivalent payment in Sterling for Directors' fees of US\$ 8,500 per annum. All Directors, except the non-executive Directors, waive their rights to any Directors' fees.

## **Proposed Acquisition of Fund Manager and Change of Name of Fund Manager**

Subject to the non-objection of the Isle of Man Financial Services Authority, the fund manager of the Fund, Allied Dunbar International Fund Managers Limited, will become a wholly owned subsidiary of Charles Taylor plc and will be renamed Charles Taylor International Fund Managers Limited.

## **Approval of Financial Statements**

The Financial Statements were approved by the Board of Directors on 14th February 2017.

A copy of these audited Financial Statements is available on request from the Manager.



**Issued by**

**Allied Dunbar International  
Fund Managers Limited**

Licensed by the Isle of Man  
Financial Services Authority

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