

Annual Reports and Accounts 2017

■ *Allied Dunbar
International
Funds Limited*

International



Contents

■ Directors, Management and Administration	1	■ Managed Currency Fund	24-29
■ Report of the Directors	2	■ Gilt and Income Fund	30-35
■ Statement of Directors' Responsibilities	3	■ North American Growth Fund	36-43
■ Investment Report	4	■ Far East Fund	44-51
■ Report of the Manager	5	■ UK Capital Growth Fund	52-59
■ Independent Auditor's Report	6-7	■ Europe Fund	60-66
■ Fiduciary Custodian's Report and Responsibilities	8	■ Aggregated Financial Statements	67
■ Managed Fund	9-16	■ Notes to the Aggregated Financial Statements	68-72
■ Worldwide Equity Fund	17-23	■ Further Information	73

Directors, Management and Administration

Board of Directors:

Christopher James Tunley
Non Executive Director

Peter James Scott Hammonds
Non Executive Director

Jeffrey Boysie McPherson More
Director of Charles Taylor
International Fund Managers (IOM) Limited

Douglas Ian Handley Jones
Director of Charles Taylor
International Fund Managers (IOM) Limited

Darren Mark Kelly
Director of Charles Taylor
International Fund Managers (IOM) Limited

Manager and Registrar:

Charles Taylor International Fund Managers
(IOM) Limited

Registered Office:
St George's Court,
Upper Church Street,
Douglas
Isle of Man IM1 1EE

Registered in the Isle of Man No. 023846C
Telephone: +44 (0) 1624 661551

Company Secretary:

Jeffrey Boysie McPherson More

Investment Manager:

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

Fiduciary Custodian:

BNP Paribas Securities Services S.C.A., Jersey Branch
IFC1
The Esplanade
St Helier,
Jersey, JE1 4BP
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:

St George's Court,
Upper Church Street,
Douglas
Isle of Man IM1 1EE
Registered in the Isle of Man No. 024161C

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 2017 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 Charles Taylor International Fund Managers (IOM) Limited.

As can be seen from the following accounts, the Company, at 31st December 2017, had Funds under Management (FUM) of approximately US\$ 204 million (December 2016: US\$ 537 million). The significant reduction in FUM at 31st December 2017 is explained by the disinvestment of Zurich International Life Limited’s clients from the Company following the acquisition of the fund manager by Charles Taylor Plc on 28th April 2017 (see page 73).

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 2017 was as follows:

Participating Redeemable Preference Shares	100,397,272
Nominal Shares	824,341,645
Management Shares	10
	<hr/>
	924,738,927
	<hr/>

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 2017 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 2017 all Directors (with the exception of Mr. Christopher Tunley and Mr. Peter Hammonds) were also Directors of Charles Taylor International Fund Managers (IOM) Limited which is a party to the Management Agreement and the Investment Management Agreement as detailed in Note 10 on page 69.

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

22nd February 2018

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 capital 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 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

22nd February 2018

Investment Report

Market Review

2017 was a particularly good year for global equities, with all major markets posting double-digit returns in local currency terms. The MSCI All Country World index notched up consecutive monthly gains over the year before ending 2017 at a record high. It was the first time the index had recorded positive returns in every month of a calendar year. Evidence of broad based growth in the global economy helped to propel equities higher, as did the promise of tax reforms in the United States (US), which were finally delivered shortly before Christmas.

Alongside the upward revisions to global economic growth forecasts, investors were encouraged by stronger-than-expected company earnings, higher commodity prices and further takeover activity. The weaker US Dollar was particularly helpful for equities in Asia and global emerging markets, together with signs of economic stabilisation in China. Indeed, Chinese equities enjoyed a stellar year. The US stock market performed strongly, scaling new highs as investors anticipated the positive effect on corporate earnings from the Trump administration's tax reforms. A tax cutting bill was eventually passed on 20th December 2017, featuring a cut in corporation tax from 35% to 21% and smaller temporary reductions in income tax. In the United Kingdom (UK), both the FTSE 100 index and the mid-cap FTSE 250 index ended the year at all time highs.

There were some positive developments on the political front such as the victory of pro-European Union (EU) candidate Emmanuel Macron in May's French presidential election, and his party's triumph in June's parliamentary elections. Angela Merkel's success in September's German federal elections was also greeted favourably by the markets, although she has subsequently found it difficult to form a coalition government. In the UK, April's unexpected decision by Theresa May to call a snap general election on 8th June caused some temporary jitters. Following the election, the Conservative Party had to negotiate with Northern Ireland's Democratic Unionist Party to secure a working majority in parliament. In Japan, the market reacted positively to Prime Minister Abe's victory in October's general election, amid hopes that this would reinvigorate his stimulus and reform programme known as "Abenomics". Japanese stocks have also been supported by a weaker Yen, which makes exports more competitive, and an upward revision to third-quarter economic growth. Additionally, the government has unveiled a record budget for the next fiscal year.

Another key influence on financial markets was central bank monetary policy. The Federal Reserve (Fed) raised official US interest rates by 25 basis points on three occasions in 2017 so that by the end of the year they stood at 1.25-1.50%. The Fed pointed to the continued strengthening of the US economy and labour market. Within the UK, the Bank of England raised rates from the record low of 0.25% to 0.5% at the start of November. Inflationary pressures have increased, fuelled by Sterling's weakness since the Brexit vote, and the bank has concerns over the level of household debt. Amid the improved economic momentum in Europe, the European Central Bank announced that it would reduce its monthly bond-buying programme from €60bn to €30bn from January 2018, although the duration of the economic stimulus plan has been extended until at least September 2018. Interest-rate rises in the Eurozone appear some way off.

Core government bond markets maintained a sideways trend for much of 2017. Performance was subdued as key central banks began to rein in monetary support. Markets in Europe and Japan achieved small positive returns in local currency terms, the UK gilt market fared better, while the strongest performer was the US Treasury market. Credit markets outperformed, with UK investment grade corporate bonds, high yield bonds and emerging market bonds continuing to benefit from investors' risk appetite and the ongoing search for higher yields.

Outlook

Investors continue to be encouraged by the President Trump's administration's progress in enacting market-friendly reforms, and the acceleration in economic growth across much of the world. Global inflation generally remains subdued and expectations for corporate earnings are rising.

Within the US, the withdrawal of accommodative monetary policy has already commenced and the Fed expects to raise rates three times over the course of 2018. Donald Trump's choice of Jerome Powell as the next Chairman of the Federal Reserve should offer stability and continuity of policy.

We continue to monitor geopolitical risks, including developments in North Korea, the unfolding situation in Spain concerning Catalonia's bid for independence, Germany's continuing efforts to form a coalition government, and the ongoing investigation into possible Russian involvement in Donald Trump's election campaign. Additionally, 2018 will see mid-term elections in the US, a general election in Italy, and ongoing Brexit negotiations in the UK.

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, 17, 24, 30, 36, 44, 52 and 60.

The investment activities of the Company in the year to 31st December 2017 are described in the Fund Investment Report by the Investment Manager on pages 9, 17, 24, 30, 36, 44, 52 and 60.

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 2017. Where negative, the deficit has been transferred to the capital reserve.

Interim Amount Paid/(Deficit) US\$	Investment Class	XD Date	Amount Due/(Deficit) US\$	Payment Date
(65,991)	Managed	1.1.2018	(180,426)	–
–	Worldwide Equity*	1.1.2018	(187,117)	–
(1,047)	Managed Currency	1.1.2018	(957)	–
(8,327)	Gilt and Income	1.1.2018	(21,929)	–
–	North American Growth*	1.1.2018	(220,837)	–
–	Far East*	1.1.2018	(12,609)	–
–	UK Capital Growth*	1.1.2018	644,557	28.2.2018
–	Europe*	1.1.2018	2,125	28.2.2018

*Distribute annually

The total number and mid market value of Participating Redeemable Preference Shares as at 1st January 2017 and 31st December 2017 were as follows:

Investment Class	Shares in Issue		Mid Market Value Per Share (US\$)	
	1.1.2017	31.12.2017	1.1.2017	31.12.2017
Managed	40,743,348	14,826,260	2.0045	2.4175
Worldwide Equity	13,754,145	12,341,581	2.2685	2.9155
Managed Currency	1,704,392	1,681,820	0.3424	0.3413
Gilt and Income	32,470,163	29,922,299	0.5072	0.5585
North American Growth	53,975,620	3,215,184	6.2335	7.9480
Far East	2,318,044	2,172,267	2.8980	3.8715
UK Capital Growth	34,161,700	31,339,928	1.5192	1.8034
Europe	5,400,066	4,897,933	5.0246	6.2661

The bid value of the Funds, cancellation prices and shares in issue at the end of the last three accounting periods are shown in the Comparative Tables on pages 10, 18, 25, 31, 37, 45, 53 and 61.

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

Director
22nd February 2018

Director
22nd February 2018

Charles Taylor International Fund
Managers (IOM) Limited
St George's Court,
Upper Church Street
Douglas
Isle of Man IM1 1EE

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 31st December 2017 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, comprising FRS 102 "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 Association, the Authorised Collective Investment Schemes Regulations 2010, the Isle of Man Companies Acts 1931 to 2004 and the Fund's Principal Constitutional Documents.

What we have audited

Allied Dunbar International Funds Limited's financial statements comprise:

- the aggregated balance sheet as at 31st December 2017;
- the aggregated statement of total return for the year then ended;
- the aggregated statement of change in net assets attributable to preference shareholders for the year then ended; 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 31st December 2017;
- the statement of total return for the year then ended;
- the statement of change in net assets attributable to preference shareholders for the year then ended;
- the distribution tables for the year then ended; 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 Annual Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland";
- Statement of Recommended Practice for Authorised Funds issued by the Investment Association;
- The Authorised Collective Investment Schemes Regulations 2010;
- The Isle of Man Companies Acts 1931 to 2004;
- 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.

The directors are responsible for overseeing the Company's financial reporting 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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

Adequacy of accounting records and information and explanations received

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, or proper returns adequate for our audit have not been received from branches not visited by us;
- the 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.

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

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 Authorised Collective Investment Schemes Regulations 2010 we are required to report on other prescribed matters. In our opinion:

- we have obtained all the information and explanations, which to the best of our knowledge and belief, 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.

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:

8

- 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 2017 to 31st December 2017, we state that in our opinion, Charles Taylor International Fund Managers (IOM) Limited (formerly known as 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
22nd February 2018

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 2017, the Fund achieved a total gross return of +23.5% compared with a return of +18.2% 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

Risk assets performed well over the review period, with global and regional indices hitting new peaks. Bonds lagged, particularly core sovereigns, as investors braced themselves for a world with tighter monetary policy from key central banks. Throughout the reporting period, global equities were generally supported by strong company earnings and economic markers.

US equities performed strongly in the year ended 31st December 2017. The S&P 500 index gained 21.8% in US Dollar terms, repeatedly hitting record highs along the way. Buoyant corporate results (particularly in technology), solid domestic economic markers and a strengthening global economy were among the factors boosting sentiment over the year. US equities also benefited from anticipation that Congress would approve President Trump's flagship tax-cutting bill, which was eventually passed on 20th December 2017. Despite falling inflation in the US, the Federal Reserve (Fed) raised interest rates three times over the year, and maintains its projection for three further hikes in 2018.

European equities performed more modestly. Political uncertainty in the European Union (EU) and the burden of the strong Euro on exporters offset impressive economic indicators towards the end of the period. Angela Merkel's success in September's German federal elections was greeted favourably by the markets, although she has subsequently found it difficult to form a coalition government. Despite a weakened government and Brexit-related uncertainty in the United Kingdom (UK), both the FTSE 100 index and the mid-cap FTSE 250 index ended the year at all time highs.

Over the period, Asian equities rallied, with weakness in the US Dollar, global liquidity and the supportive macro outlook all underpinning the continuous inflows into the market. China significantly outperformed regional peers, successfully resisting concerns of an economic slowdown under the stewardship of President Xi Jinping. Japan also outperformed, with economic indicators surprising on the upside.

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.

Key activity during the period included initiating a new holding in Microsoft Corp. (United States of America), a company with a multitude of competitive advantages, including strong brand perception, network effects and switching costs. The company's Office 365 suite, for instance, exemplifies each of these, with file sharing becoming commonplace, increasing user familiarity, and a substantial perceived price of shifting towards alternative products.

Other new additions included Bank of America Corp. (United States of America), a high quality franchise that should benefit from an environment of rising rates and US tax reform, and PepsiCo, Inc. (United States of America). Supported by its strong capital allocation, PepsiCo's consistent mid-single digit sales growth is driving the company's operating leverage. Energy sector purchases included Halliburton Co. (United States of America), which was bought for its exposure to the recovery in US onshore oil production, and the benefits of improved pricing power as markets tighten; and Diamondback Energy, Inc. (United States of America), which is capable of strong future production, and presents a more attractive proposition relative to other companies in the integrated oil sector.

Among sales, the Fund closed its holding in Align Technology, Inc. (United States of America), which displayed limited upside following a strong run, and in United Parcel Service, Inc. (United States of America), amid shifts in demand towards its cheaper services. The Fund also exited Sherwin-Williams Co. (United States of America); after we increased the position in the earlier stages of the year, Sherwin-Williams reached its valuation target following a strong run of performance.

Markets remain largely buoyant on the back of the Trump administration's progress in enacting market-friendly reforms and broader synchronised accelerations in economic growth, although ongoing uncertainties including Brexit, US mid-term elections in 2018 and a slowdown in Chinese growth momentum remain very much in the spotlight. Against this backdrop, we believe that our focus on quality and sustainability – manifested in different guises across strategies – will continue to be rewarded. Though sharp cyclical rallies may present short-term headwinds, ultimately we believe that companies with superior fundamentals will prosper.

Managed Fund Comparative Tables

for the accounting period 1st January 2017 to 31st December 2017

	2017 US\$	Preference Shares 2016 US\$	2015 US\$
Change in net assets per share			
Opening net asset value per share	1.9516	1.9330	1.9530
Return before operating charges ¹	0.4476	0.0763	0.0206
Operating charges	(0.0453)	(0.0577)	(0.0406)
Return after operating charges	0.4023	0.0186	(0.0200)
Distributions on preference shares	–	–	–
Closing net asset value per shares	2.3539	1.9516	1.9330
¹ after direct transaction costs of	(0.0019)	(0.0020)	(0.0012)
Performance			
Return after charges	20.61%	0.96%	(1.02)%
Other information			
Closing net asset value (US\$)	34,899,579	79,513,731	121,494,521
Closing number of shares	14,826,260	40,743,348	62,852,734
Operating charges	2.14%	2.06%	2.08%
Direct transaction costs (note 13)	0.09%	0.07%	0.06%
Prices			
Highest offer share price (US\$)	2.4840	2.1510	2.1360
Lowest bid share price (US\$)	1.9460	1.7700	1.8240

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\$
For the accounting period ended:			
31st December 2013	0.0009	2.0410	1.6890
31st December 2014	0.0005	2.1360	1.8550

Ongoing Charges Figure (“OCF”)

	OCF %
For the accounting period ended:	
31st December 2016	2.06%
31st December 2017	2.14%

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 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 15, 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 2017 to 31st December 2017

	Notes	2017 US\$	2016 US\$
Income			
Net capital gains	2	7,887,489	1,290,914
Revenue	3	624,337	2,309,742
Expenses	4	(802,775)	(2,426,120)
Net expense before taxation		(178,438)	(116,378)
Taxation	5	(108,024)	(308,797)
Net expense after taxation		(286,462)	(425,175)
Total return before distribution		<u>7,601,027</u>	<u>865,739</u>
Distributions	6	81,201	152,360
Change in Net Assets Attributable to Preference Shareholders from investment activities		<u>7,682,228</u>	<u>1,018,099</u>

Balance Sheet

as at 31st December 2017

	Notes	2017 US\$	2016 US\$
Assets:			
Fixed assets:			
Investments	7	33,286,771	75,735,209
Current assets:			
Debtors	8	604,033	598,978
Cash and bank balances		1,703,063	3,927,917
Total assets		<u>35,593,867</u>	<u>80,262,104</u>
Liabilities:			
Creditors:			
Other creditors	9	(153,369)	(272,247)
Total liabilities		<u>(153,369)</u>	<u>(272,247)</u>
Equity:			
Management shares		(10)	(10)
Nominal shares		(540,909)	(476,116)
Total equity		<u>(540,919)</u>	<u>(476,126)</u>
Net Assets Attributable to Preference Shareholders		<u>34,899,579</u>	<u>79,513,731</u>

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2017 to 31st December 2017

	2017 US\$	2016 US\$
Opening Net Assets Attributable to Preference Shareholders	79,513,731	121,494,521
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	68,817	1,497,349
Amounts payable on cancellation of shares	(52,365,197)	(44,496,238)
	(52,296,380)	(42,998,889)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	7,682,228	1,018,099
Closing Net Assets Attributable to Preference Shareholders	<u>34,899,579</u>	<u>79,513,731</u>

Distribution Tables

There was no distribution for the accounting period 1st January 2017 to 30th June 2017, as expenses exceed revenue (June 2016: US\$ Nil).

There is no distribution for the accounting period 1st July 2017 to 31st December 2017, as expenses exceed revenue (December 2016: US\$ Nil).

* Please refer to the Accounting policies "Basis of accounting" on page 68.

The notes on pages 14 to 16 form an integral part of the financial statements.

Managed Fund Portfolio Statement

as at 31st December 2017

12

Holding	Investment	Currency	Market Value US\$	% of Net Assets	Holding	Investment	Currency	Market Value US\$	% of Net Assets
Collective Investment Schemes 2.84% (3.90%)					Netherlands 0.68% (0.93%)				
56,047	Threadneedle Emerging Market Bond Fund Retail Gross Accumulation	GBP	200,705	0.57	2,359	Airbus SE	EUR	236,478	0.68
130,856	Threadneedle Emerging Market Local Fund Retail Gross Accumulation Shares (GBP)	GBP	265,199	0.76	South Korea 0.00% (0.66%)				
15,114	Threadneedle European Corporate Bond Fund Retail Gross Accumulation	GBP	24,974	0.07	3,475	Industria de Diseno Textil SA	EUR	121,174	0.35
75,808	Threadneedle High Yield Bond Fund Institutional Gross Accumulation	GBP	183,872	0.53	Spain 0.35% (1.31%)				
194,469	Threadneedle UK Corporate Bond Fund Institutional Gross Accumulation (GBP)	GBP	317,742	0.91	105,000	HKT Trust & HKT Ltd.	HKD	133,511	0.38
Collective Investment Schemes total				2.84	Supranational 0.38% (0.56%)				
Equities 66.55% (66.56%)					4,030	Atlas Copco AB 'A'	SEK	174,455	0.50
Belgium 0.99% (0.78%)					Sweden 0.50% (0.00%)				
3,075	Anheuser-Busch InBev SA/NV	EUR	343,817	0.99	2,579	Cie Financiere Richemont SA	CHF	234,108	0.67
343,817				0.99	3,272	TE Connectivity Ltd.	USD	311,495	0.89
Bermuda 0.84% (0.81%)					12,135	UBS Group AG	CHF	223,299	0.64
6,474	IHS Markit Ltd.	USD	292,884	0.84	Switzerland 2.20% (2.55%)				
292,884				0.84	2,579	Cie Financiere Richemont SA	CHF	234,108	0.67
Brazil 0.00% (0.43%)					3,272	TE Connectivity Ltd.	USD	311,495	0.89
Canada 1.44% (1.55%)					12,135	UBS Group AG	CHF	223,299	0.64
1,239	Agrium, Inc.	USD	143,315	0.41	Thailand 0.47% (0.00%)				
9,800	Suncor Energy, Inc.	CAD	359,403	1.03	35,600	Siam Commercial Bank PCL (The)	THB	163,308	0.47
502,718				1.44	163,308				0.47
Cayman Islands 1.10% (1.30%)					United Kingdom 6.92% (7.60%)				
2,232	Alibaba Group Holding Ltd., ADR	USD	384,239	1.10	1,836	Aon plc	USD	247,456	0.71
384,239				1.10	3,943	British American Tobacco plc	GBP	267,151	0.77
China 1.00% (0.87%)					28,688	BT Group plc	GBP	105,336	0.30
33,500	Ping An Insurance Group Co. of China Ltd. 'H'	HKD	348,614	1.00	7,928	Diageo plc	GBP	291,795	0.84
348,614				1.00	27,960	HSBC Holdings plc	GBP	289,793	0.83
Denmark 0.52% (0.47%)					2,465	Reckitt Benckiser Group plc	GBP	230,708	0.66
3,352	Novo Nordisk A/S 'B'	DKK	180,749	0.52	14,440	RELX plc	GBP	339,533	0.97
180,749				0.52	5,501	Rio Tinto plc	GBP	293,227	0.84
France 1.13% (0.45%)					6,286	Unilever plc	GBP	350,719	1.00
2,051	BNP Paribas SA	EUR	152,939	0.44	2,415,718				6.92
1,088	L'Oreal SA	EUR	242,189	0.69	United States of America 35.62% (33.31%)				
395,128				1.13	3,465	Activision Blizzard, Inc.	USD	219,681	0.63
Germany 1.45% (1.51%)					456	Alphabet, Inc. 'A'	USD	480,419	1.38
3,169	Brenntag AG	EUR	201,026	0.57	193	Alphabet, Inc. 'C'	USD	201,913	0.58
17,243	Deutsche Telekom AG	EUR	305,759	0.88	504	Amazon.com, Inc.	USD	594,241	1.70
506,785				1.45	1,469	Amphenol Corp. 'A'	USD	128,831	0.37
Hong Kong 1.03% (0.63%)					13,908	Bank of America Corp.	USD	412,650	1.18
42,000	AIA Group Ltd.	HKD	357,821	1.03	4,419	BB&T Corp.	USD	220,508	0.63
357,821				1.03	2,163	Celgene Corp.	USD	225,925	0.65
India 0.86% (0.58%)					3,344	Centene Corp.	USD	342,760	0.98
2,980	HDFC Bank Ltd., ADR	USD	301,755	0.86	7,417	Charles Schwab Corp. (The)	USD	384,572	1.10
301,755				0.86	1,452	CME Group, Inc.	USD	213,691	0.61
Indonesia 0.98% (0.95%)					7,872	Comcast Corp. 'A'	USD	315,903	0.91
1,278,000	Bank Rakyat Indonesia Persero Tbk. PT	IDR	342,233	0.98	580	Cooper Cos., Inc. (The)	USD	127,275	0.36
342,233				0.98	2,191	Crown Castle International Corp., REIT	USD	241,799	0.69
Ireland 1.98% (4.00%)					3,365	DENTSPLY SIRONA, Inc.	USD	223,100	0.64
1,964	Alkermes plc	USD	107,470	0.31	2,770	Diamondback Energy, Inc.	USD	347,164	1.00
8,921	CRH plc	EUR	321,951	0.92	3,162	EOG Resources, Inc.	USD	342,824	0.98
2,906	Ingersoll-Rand plc	USD	261,511	0.75	2,536	Estee Lauder Cos., Inc. (The) 'A'	USD	323,644	0.93
690,932				1.98	2,645	Facebook, Inc. 'A'	USD	469,038	1.34
Japan 4.88% (3.11%)					3,108	Gilead Sciences, Inc.	USD	223,745	0.64
5,100	Bridgestone Corp.	JPY	237,137	0.68	1,245	Goldman Sachs Group, Inc. (The)	USD	315,234	0.90
3,200	Koito Manufacturing Co. Ltd.	JPY	224,452	0.64	6,649	Halliburton Co.	USD	322,543	0.92
14,200	Kubota Corp.	JPY	278,503	0.80	1,159	Illumina, Inc.	USD	253,172	0.73
800	Nintendo Co. Ltd.	JPY	292,568	0.84	4,913	JPMorgan Chase & Co.	USD	528,639	1.52
15,700	Sekisui Chemical Co. Ltd.	JPY	315,171	0.90	2,476	L Brands, Inc.	USD	150,566	0.43
8,100	Yaskawa Electric Corp.	JPY	356,708	1.02	4,829	MACOM Technology Solutions Holdings, Inc.	USD	157,667	0.45
1,704,539				4.88	2,515	Mastercard, Inc. 'A'	USD	381,601	1.09
Jersey 0.76% (0.76%)					5,404	Microsoft Corp.	USD	463,231	1.33
3,657	Ferguson plc	GBP	263,705	0.76	5,578	NIKE, Inc. 'B'	USD	352,307	1.01
263,705				0.76	2,632	Occidental Petroleum Corp.	USD	194,163	0.56
Mexico 0.47% (1.44%)					2,322	PepsiCo, Inc.	USD	279,592	0.80
1,765	Fomento Economico Mexicano SAB de CV, ADR	USD	164,974	0.47	9,617	Pfizer, Inc.	USD	350,251	1.00
164,974				0.47	4,327	Service Corp. International	USD	161,700	0.46
Equities total					1,487	Stryker Corp.	USD	230,797	0.66
								23,225,099	66.55

Managed Fund
Portfolio Statement (continued)

as at 31st December 2017

Holding	Investment	Currency	Market Value US\$	% of Net Assets	Holding	Investment	Currency	Market Value US\$	% of Net Assets
	Government Bonds 24.59% (21.60%)					United States of America 11.45% (10.16%)			
AUD 42,000	Australia 0.45% (0.48%) Australia Government Bond 3.25% 21/10/2018	AUD	33,229	0.10	\$450,000	US Treasury 0.75% 15/02/2019	USD	444,551	1.27
AUD 80,000	Australia Government Bond 4.25% 21/04/2026	AUD	70,326	0.20	\$470,000	US Treasury 1.63% 31/03/2019	USD	468,641	1.34
AUD 73,000	Australia Government Bond 3.00% 21/03/2047	AUD	53,282	0.15	\$315,000	US Treasury 1.50% 31/10/2019	USD	312,847	0.90
			156,837	0.45	\$320,000	US Treasury 1.50% 15/08/2020	USD	316,425	0.91
	Austria 0.46% (0.34%)				\$300,000	US Treasury 1.25% 31/10/2021	USD	290,602	0.83
€115,000	Austria Government Bond 3.40% 22/11/2022	EUR	161,950	0.46	\$75,000	US Treasury 1.88% 31/01/2022	USD	74,197	0.21
			161,950	0.46	\$255,000	US Treasury 1.88% 28/02/2022	USD	252,151	0.72
	Canada 0.27% (0.32%)				\$100,000	US Treasury 1.75% 30/09/2022	USD	97,953	0.28
CAD 115,000	Canada Housing Trust No. 1 2.55% 15/03/2025	CAD	93,367	0.27	\$180,000	US Treasury 2.13% 30/11/2023	USD	178,411	0.51
			93,367	0.27	\$40,000	US Treasury 2.00% 31/05/2024	USD	39,234	0.11
	France 4.01% (2.93%)				\$125,000	US Treasury 2.25% 15/02/2027	USD	123,301	0.35
€525,000	France Government Bond OAT 1.00% 25/05/2019	EUR	644,500	1.85	\$280,000	US Treasury 2.38% 15/05/2027	USD	278,950	0.80
€160,000	France Government Bond OAT 0.00% 25/05/2020	EUR	194,293	0.56	\$305,000	US Treasury 2.25% 15/08/2027	USD	300,473	0.86
€100,000	France Government Bond OAT 3.25% 25/10/2021	EUR	136,352	0.39	\$35,000	US Treasury 4.50% 15/02/2036	USD	45,019	0.13
€90,000	France Government Bond OAT 3.00% 25/04/2022	EUR	123,081	0.35	\$25,000	US Treasury 4.63% 15/02/2040	USD	33,191	0.10
€120,000	France Government Bond OAT 1.50% 25/05/2031	EUR	152,149	0.44	\$90,000	US Treasury 3.88% 15/08/2040	USD	108,281	0.31
€46,000	France Government Bond OAT 3.25% 25/05/2045	EUR	74,464	0.21	\$50,000	US Treasury 2.50% 15/02/2045	USD	47,570	0.14
€58,000	France Government Bond OAT 2.00% 25/05/2048	EUR	73,270	0.21	\$50,000	US Treasury 2.50% 15/05/2046	USD	47,469	0.14
			1,398,109	4.01	\$320,000	US Treasury 2.88% 15/11/2046	USD	327,700	0.94
	Germany 1.76% (1.97%)				\$127,000	US Treasury 3.00% 15/02/2047	USD	133,310	0.38
€130,000	Bundesobligation 1.00% 12/10/2018	EUR	158,049	0.45	\$75,000	US Treasury 2.75% 15/08/2047	USD	74,930	0.22
€215,000	Bundesrepublik Deutschland 0.00% 15/08/2026	EUR	251,942	0.72				3,995,206	11.45
€66,000	Bundesrepublik Deutschland 4.00% 04/01/2037	EUR	121,189	0.35				8,583,137	24.59
€52,000	Bundesrepublik Deutschland 2.50% 15/08/2046	EUR	81,959	0.24					
			613,139	1.76					
	Japan 3.56% (3.59%)					Government Bonds total			
JPY 18,200,000	Japan Government Ten Year Bond 0.10% 20/09/2026	JPY	162,853	0.47					
JPY 7,850,000	Japan Government Thirty Year Bond 2.20% 20/09/2039	JPY	91,929	0.26		Corporate Bonds 1.19% (2.27%)			
JPY 7,900,000	Japan Government Thirty Year Bond 1.50% 20/12/2044	JPY	82,979	0.24		Canada 0.00% (0.31%)			
JPY 8,200,000	Japan Government Thirty Year Bond 1.40% 20/12/2045	JPY	84,266	0.24		JPY Kreditanstalt fuer Wiederaufbau 2.05% 16/02/2026	JPY	103,523	0.30
JPY 4,250,000	Japan Government Twenty Year Bond 1.90% 20/03/2025	JPY	43,011	0.12	JPY 4,000,000	Kreditanstalt fuer Wiederaufbau 2.60% 20/06/2037	JPY	49,998	0.14
JPY 7,800,000	Japan Government Twenty Year Bond 2.10% 20/03/2027	JPY	82,515	0.24				153,521	0.44
JPY 20,750,000	Japan Government Twenty Year Bond 0.20% 20/06/2036	JPY	174,622	0.50		Luxembourg 0.40% (0.21%)			
JPY 58,500,000	Japan Government Two Year Bond 0.10% 15/06/2019	JPY	521,223	1.49	€55,000	European Financial Stability Facility 1.75% 29/10/2020	EUR	69,919	0.20
			1,243,398	3.56	€55,000	European Financial Stability Facility 1.70% 13/02/2043	EUR	69,663	0.20
	Netherlands 0.92% (0.20%)							139,582	0.40
€147,000	Netherlands Government Bond 0.00% 15/01/2022	EUR	178,489	0.51	€100,000	Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV 0.13% 20/04/2022	EUR	120,911	0.35
€120,000	Netherlands Government Bond 0.25% 15/07/2025	EUR	144,112	0.41				120,911	0.35
			322,601	0.92		Norway 0.00% (0.32%)			
	United Kingdom 1.71% (1.61%)					Singapore 0.00% (0.37%)			
£49,000	UK Treasury 0.75% 22/07/2023	GBP	65,854	0.19		Sweden 0.00% (0.25%)			
£122,000	UK Treasury 1.25% 22/07/2027	GBP	165,452	0.47				414,014	1.19
£115,000	UK Treasury 1.75% 07/09/2037	GBP	155,928	0.45		Corporate Bonds total			
£53,000	UK Treasury 3.25% 22/01/2044	GBP	93,377	0.27		Supranationals 0.21% (0.92%)			
£36,000	UK Treasury 3.50% 22/01/2045	GBP	66,529	0.19	£55,000	European Investment Bank 1.00% 21/09/2026	GBP	72,029	0.21
£19,000	UK Treasury 1.50% 22/07/2047	GBP	24,182	0.07				72,029	0.21
£9,000	UK Treasury 2.50% 22/07/2065	GBP	15,915	0.04		Supranationals total		72,029	0.21
£5,000	UK Treasury 3.50% 22/07/2068	GBP	11,293	0.03					
			598,530	1.71					
						Total Value of Investments		33,286,771	95.38
						Net Other Assets (2016: 4.75%)		1,612,808	4.62
						Net Assets attributable to Preference Shareholders		34,899,579	100.00

The comparative percentage figures in brackets are as at 31st December 2016.

Managed Fund

Notes to the Financial Statements

for the accounting period 1st January 2017 to 31st December 2017

1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 68.

2 NET CAPITAL GAINS

The net capital gains during the period comprise:

	2017 US\$	2016 US\$
Non-derivative securities	7,894,280	1,267,460
Forward currency derivative contracts	–	(5,638)
Other currency gains	20,832	52,083
Transaction charges	(27,623)	(22,991)
Net capital gains	<u>7,887,489</u>	<u>1,290,914</u>

Gains from non-derivative securities include realised gains of US\$ 6,586,408 (2016: US\$ 1,970,357) and change in unrealised gains of US\$ 1,307,872 (2016: US\$ 702,897 – unrealised losses).

Forward currency derivative contracts include realised losses of US\$ Nil (2016: US\$ 5,691) and change in unrealised gains of US\$ Nil (2016: US\$ 53).

3 REVENUE

	2017 US\$	2016 US\$
Overseas dividends	435,608	1,745,451
Bank interest	8,371	–
Interest on debt securities	180,358	564,291
Total revenue	<u>624,337</u>	<u>2,309,742</u>

4 EXPENSES

	2017 US\$	2016 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(763,490)	(2,312,738)
Registration expenses	(5,308)	(6,785)
Directors' fees	(1,303)	(3,268)
	<u>(770,101)</u>	<u>(2,322,791)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(18,761)	(54,430)
Safe custody fees	(5,479)	(21,256)
Interest payable	(5,459)	(681)
	<u>(29,699)</u>	<u>(76,367)</u>
Other expenses:		
Audit fee	(2,696)	(5,537)
Regulatory and professional fees	(9,640)	(8,957)
Miscellaneous expenses	(677)	(679)
Publication charges	10,038	(11,789)
	<u>(2,975)</u>	<u>(26,962)</u>
Total expenses	<u>(802,775)</u>	<u>(2,426,120)</u>

5 TAXATION

	2017 US\$	2016 US\$
Analysis of charge in period:		
Overseas tax suffered	(108,024)	(308,797)
Total overseas taxation	<u>(108,024)</u>	<u>(308,797)</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:

	2017 US\$	2016 US\$
Revenue deducted on cancellation of shares	81,295	155,408
Revenue received on creation of shares	(94)	(3,048)
Distributions for the year	<u>81,201</u>	<u>152,360</u>

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

7 FAIR VALUE HIERARCHY

Valuation technique	2017 Assets US\$	2016* Assets US\$
Quoted prices for identical instruments in active markets	31,880,265	70,828,852
Valuation techniques using observable market data	1,406,506	4,906,357
Valuation techniques using non-observable data	–	–
Total value	<u>33,286,771</u>	<u>75,735,209</u>

Financial instruments have been measured at their fair value and have been classified using a hierarchy below that reflects the significance of the inputs used in measuring their fair value:

Level 1: Quoted prices for identical instruments in active markets

This includes instruments such as publicly traded equities; highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation techniques using observable market data

This includes publicly traded corporate bonds and instruments which have been valued using models with observable market data inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads. Over-the-counter instruments have also been included in the category.

Level 3: Valuation techniques using non-observable market data

This refers to instruments which have been valued using models with non-observable market data inputs. This includes private equity, unlisted closed-ended funds and investment analyst recommended prices where the market price is deemed to not be a true representation of fair value.

*Presentation of comparative figures has changed in line with FRS 102 amendments.

8 DEBTORS

	2017 US\$	2016 US\$
Accrued revenue	62,579	122,316
Receivable from Manager– Nominal and management shares	540,919	476,126
Overseas tax recoverable	535	536
Total debtors	<u>604,033</u>	<u>598,978</u>

9 OTHER CREDITORS

	2017 US\$	2016 US\$
Amounts payable for cancellation of shares	–	(28,447)
Accrued expenses	(86,049)	(93,272)
Amounts payable to the Manager	(67,320)	(150,528)
Total creditors	<u>(153,369)</u>	<u>(272,247)</u>

10 RELATED PARTY TRANSACTIONS

Charles Taylor International Fund Managers (IOM) 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 Charles Taylor Group (see page 73), of which the Fund is a related party, hold 638,366 (2016: Zurich Insurance Group: 25,579,693) 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 Charles Taylor International Fund Managers (IOM) Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts paid to Charles Taylor International Fund Managers (IOM) Limited in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 65,118 (December 2016: US\$ 147,852) in respect of the annual management charge, and US\$ 434 (December 2016: US\$ 823) 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	40,743,348	33,781	(25,950,869)	14,826,260
Management Shares	10	–	–	10

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2016: US\$ Nil).

Managed Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2017 to 31st December 2017

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 2017 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
Purchases (excluding in-specie and corporate action activity):						
Equity	9,344,065	6,684	4,093	9,354,842	0.07	0.04
Bonds	20,353,661	–	–	20,353,661	–	–
Funds	132,430	–	–	132,430	–	–
	<u>29,830,156</u>	<u>6,684</u>	<u>4,093</u>	<u>29,840,933</u>		
Sales:						
Sales (excluding in-specie and corporate action activity):						
Equity	46,359,015	(17,808)	(6,035)	46,335,172	(0.04)	(0.01)
Bonds	31,452,206	–	–	31,452,206	–	–
Funds	2,367,276	–	–	2,367,276	–	–
	<u>80,178,497</u>	<u>(17,808)</u>	<u>(6,035)</u>	<u>80,154,654</u>		
Total		<u>24,492</u>	<u>10,128</u>			
Percentage of Fund average net assets		<u>0.06%</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 2016 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
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>		
Sales:						
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>			

Managed Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2017 to 31st December 2017

13 DIRECT TRANSACTION COSTS (continued)

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.08% 2016: 0.08%). 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 69.

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\$
Currency 2017			
Australian Dollar	2,283	156,837	159,120
Brazilian Real	15	–	15
Canadian Dollar	2,678	452,770	455,448
Danish Krone	592	180,749	181,341
Euro	15,936	4,681,625	4,697,561
Hong Kong Dollar	2,910	839,946	842,856
Indonesian Rupiah	–	342,233	342,233
Japanese Yen	6,432	3,101,458	3,107,890
Mexican Peso	45	–	45
New Zealand Dollar	607	–	607
Norwegian Krone	41	–	41
Polish Zloty	232	–	232
Singapore Dollar	67	–	67
South African Rand	63	–	63
Swedish Krona	107	174,455	174,562
Swiss Franc	1,631	457,407	459,038
Taiwanese Dollar	32,382	–	32,382
Thai Bhat	–	163,308	163,308
Turkish Lira	2	–	2
UK Sterling	9,275	4,095,018	4,104,293
US Dollar	1,537,510	18,640,965	20,178,475
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

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 2017 and 31st December 2016 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
	US\$	US\$	US\$	US\$
Currency 2017				
Australian Dollar	1,114	156,837	1,169	159,120
Brazilian Real	15	–	–	15
Canadian Dollar	2,005	93,367	360,076	455,448
Danish Krone	592	–	180,749	181,341
Euro	124	2,756,292	1,941,145	4,697,561
Hong Kong Dollar	2,909	–	839,947	842,856
Indonesian Rupiah	–	–	342,233	342,233
Japanese Yen	98	1,396,919	1,710,873	3,107,890
Mexican Peso	45	–	–	45
New Zealand Dollar	607	–	–	607
Norwegian Krone	41	–	–	41
Polish Zloty	232	–	–	232
Singapore Dollar	67	–	–	67
South African Rand	63	–	–	63
Swedish Krona	107	–	174,455	174,562
Swiss Franc	1,631	–	457,407	459,038
Taiwanese Dollar	32,382	–	–	32,382
Thai Bhat	–	–	163,308	163,308
Turkish Lira	2	–	–	2
UK Sterling	721	670,559	3,433,013	4,104,293
US Dollar	1,660,308	3,995,206	14,676,330	20,331,844
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
			Financial liabilities not carrying interest	Total
Currency 2017			US\$	US\$
US Dollar	–	–	(153,369)	(153,369)
Currency 2016			US\$	US\$
US Dollar	–	–	(272,247)	(272,247)

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 2017 the MSCI AC World Index produced a return of +24.6% in United States (US) Dollar terms. By comparison, the Fund achieved a total gross return of +31.6% over the same period.

Review

2017 was a particularly good year for global equities, which were supported by global economic data and strong corporate results. All major markets posted double-digit returns in local currency terms and the MSCI All Country World index notched up consecutive monthly gains over the year before ending 2017 at a record high.

US equities performed strongly in the year ending 31st December 2017. The S&P 500 index gained 21.8% in US Dollar terms, repeatedly hitting record highs along the way. Buoyant corporate results (particularly in technology), solid domestic economic markers and a strengthening global economy were among the factors boosting sentiment over the year. US equities also benefited from anticipation that Congress would approve President Trump's flagship tax cutting bill, which was eventually passed on 20th December 2017. Despite falling inflation in the US, the Federal Reserve (Fed) raised interest rates three times over the year, and maintains its projection for three further hikes in 2018.

European equities performed more modestly. Political uncertainty in the European Union (EU) and the burden of the strong Euro on exporters offset impressive economic indicators towards the end of the period. Angela Merkel's success in September's German federal elections was greeted favourably by the markets, although she has subsequently found it difficult to form a coalition government. Despite a weakened government and Brexit related uncertainty in the United Kingdom (UK), both the FTSE 100 index and the mid-cap FTSE 250 index ended the year at all time highs.

Over the period, Asian equities rallied, with weakness in the US Dollar, global liquidity and the supportive macro outlook all underpinning the continuous inflows into the market. China significantly outperformed regional peers, successfully resisting concerns of an economic slowdown under the stewardship of President Xi Jinping. Japan also outperformed, with economic indicators surprising on the upside.

Key activity during the period included initiating a new holding in Microsoft Corp. (United States of America), a company with a multitude of competitive advantages, including strong brand perception, network effects and switching costs. The company's Office 365 suite, for instance, exemplifies each of these, with file sharing becoming commonplace, increasing user familiarity, consumption and the perceived price of shifting towards alternative products.

Other new additions included Bank of America Corp. (United States of America), a high quality franchise that should benefit from an environment of rising rates and US tax reform, and PepsiCo, Inc. (United States of America). Supported by its strong capital allocation, PepsiCo's consistent mid-single digit sales growth is driving the company's operating leverage. Energy sector purchases included Halliburton Co. (United States of America), which was bought for its exposure to the recovery in US onshore oil production, and the benefits of improved pricing power as markets tighten; and Diamondback Energy, Inc. (United States of America), which is capable of strong future production, and presents a more attractive proposition relative to other companies in the integrated oil sector.

Among sales, the Fund closed its holding in Align Technology, Inc. (United States of America), which displayed limited upside following a strong run, and in United Parcel Service, Inc. (United States of America), amid shifts in demand towards its cheaper services. The Fund also exited Sherwin-Williams Co. (United States of America); after we increased the position in the earlier stages of the year, Sherwin-Williams reached its valuation target following a strong run of performance.

Markets remain largely buoyant on the back of the Trump administration's progress in enacting market-friendly reforms and broader synchronised accelerations in economic growth, although ongoing uncertainties including Brexit, US mid-term elections in 2018 and a slowdown in Chinese growth momentum remain very much in the spotlight. Improving economic data from Europe continues to provide grounds for optimism. While any tightening of monetary policy in the Eurozone and UK may indicate a welcome move back towards "normality", it could generate headwinds for the global economy in the near term. Against this backdrop, we believe that our focus on quality and sustainability – manifested in different guises across strategies – will continue to be rewarded. Though sharp cyclical rallies may present short-term headwinds, ultimately we believe that companies with superior fundamentals will prosper.

Worldwide Equity Fund Comparative Tables

for the accounting period 1st January 2017 to 31st December 2017

	Preference Shares		
	2017 US\$	2016 US\$	2015 US\$
Change in net assets per share			
Opening net asset value per share	2.2080	2.1696	2.1549
Return before operating charges ¹	0.6839	0.0841	0.0620
Operating charges	(0.0535)	(0.0457)	(0.0473)
Return after operating charges	0.6304	0.0384	0.0147
Distributions on preference shares	–	–	–
Closing net asset value per shares	2.8384	2.2080	2.1696
¹ after direct transaction costs	(0.0020)	(0.0021)	(0.0020)
Performance			
Return after charges	28.55%	1.77%	0.68%
Other information			
Closing net asset value (US\$)	35,030,454	30,369,429	34,363,571
Closing number of shares	12,341,581	13,754,145	15,838,668
Operating charges	2.13%	2.14%	2.17%
Direct transaction costs (note 13)	0.08%	0.10%	0.10%
Prices			
Highest offer share price (US\$)	2.9970	2.3940	2.4260
Lowest bid share price (US\$)	2.2070	1.8790	1.9750

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\$
For the accounting period ended:			
31st December 2013	–	2.2150	1.6720
31st December 2014	0.0006	2.3440	1.9670

Ongoing Charges Figure (“OCF”)

For the accounting period ended:	OCF %
31st December 2016	2.14%
31st December 2017	2.13%

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 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 22, 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 2017 to 31st December 2017

	Notes	2017 US\$	2016 US\$
Income			
Net capital gains	2	8,215,646	531,131
Revenue	3	580,751	685,932
Expenses	4	(664,306)	(650,118)
Net (expense)/revenue before taxation		(83,555)	35,814
Taxation	5	(120,494)	(121,088)
Net expense after taxation		(204,049)	(85,274)
Total return before distribution		8,011,597	445,857
Distributions	6	5,859	5,066
Change in Net Assets Attributable to Preference Shareholders from investment activities		8,017,456	450,923

Balance Sheet

as at 31st December 2017

	Notes	2017 US\$	2016 US\$
Assets:			
Fixed assets:			
Investments	7	33,909,648	30,096,603
Current assets:			
Debtors	8	239,318	235,243
Cash and bank balances		1,206,774	388,047
Total assets		35,355,740	30,719,893
Liabilities:			
Creditors:			
Other creditors	9	(114,145)	(142,855)
Total liabilities		(114,145)	(142,855)
Equity:			
Nominal shares		(211,141)	(207,609)
Total equity		(211,141)	(207,609)
Net Assets Attributable to Preference Shareholders		35,030,454	30,369,429

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2017 to 31st December 2017

	2017 US\$	2016 US\$
Opening Net Assets Attributable to Preference Shareholders	30,369,429	34,363,571
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	1,533,430	153,503
Amounts payable on cancellation of shares	(4,889,861)	(4,598,568)
	(3,356,431)	(4,445,065)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	8,017,456	450,923
Closing Net Assets Attributable to Preference Shareholders	35,030,454	30,369,429

Distribution Tables

There is no distribution for the accounting period 1st January 2017 to 31st December 2017, as expenses exceed revenue (December 2016: US\$ Nil).

* Please refer to the Accounting policies "Basis of accounting" on page 68.

The notes on pages 21 to 23 form an integral part of the financial statements.

Worldwide Equity Fund

Portfolio Statement

as at 31st December 2017

Holding	Investment	Currency	Market Value US\$	% of Net Assets	Holding	Investment	Currency	Market Value US\$	% of Net Assets
Equities 96.80% (99.10%)					Switzerland 3.26% (3.76%)				
Belgium 1.37% (1.15%)					Thailand 0.72% (0.00%)				
4,293	Anheuser-Busch InBev SA/NV	EUR	480,002	1.37	3,877	Cie Financiere Richemont SA	CHF	351,934	1.00
					4,855	TE Connectivity Ltd.	USD	462,196	1.32
			480,002	1.37	17,799	UBS Group AG	CHF	327,524	0.94
								1,141,654	3.26
Bermuda 1.22% (1.21%)					United Kingdom 10.07% (11.39%)				
9,415	IHS Markit Ltd.	USD	425,935	1.22	2,796	Aon plc	USD	376,845	1.07
			425,935	1.22	5,727	British American Tobacco plc	GBP	388,022	1.11
					43,701	BT Group plc	GBP	160,460	0.46
Brazil 0.00% (0.60%)					11,669	Diageo plc	GBP	429,485	1.23
Canada 2.07% (2.32%)					41,092	HSBC Holdings plc	GBP	425,901	1.22
1,757	Agrium, Inc.	USD	203,232	0.58	3,593	Reckitt Benckiser Group plc	GBP	336,282	0.96
14,200	Suncor Energy, Inc.	CAD	520,767	1.49	20,472	RELX plc	GBP	481,366	1.37
			723,999	2.07	7,884	Rio Tinto plc	GBP	420,251	1.20
					9,114	Unilever plc	GBP	508,503	1.45
								3,527,115	10.07
Cayman Islands 1.62% (1.93%)					United States of America 51.90% (49.68%)				
3,297	Alibaba Group Holding Ltd., ADR	USD	567,579	1.62	5,282	Activision Blizzard, Inc.	USD	334,879	0.96
			567,579	1.62	609	Alphabet, Inc. 'A'	USD	641,612	1.83
					333	Alphabet, Inc. 'C'	USD	348,378	0.99
China 1.45% (1.30%)					718	Amazon.com, Inc.	USD	846,558	2.42
49,000	Ping An Insurance Group Co. of China Ltd. 'H'	HKD	509,913	1.45	2,179	Amphenol Corp. 'A'	USD	191,098	0.54
			509,913	1.45	20,513	Bank of America Corp.	USD	608,621	1.74
					6,737	BB&T Corp.	USD	336,176	0.96
Denmark 0.77% (0.69%)					3,243	Celgene Corp.	USD	338,731	0.97
5,002	Novo Nordisk A/S 'B'	DKK	269,722	0.77	4,876	Centene Corp.	USD	499,790	1.43
			269,722	0.77	10,651	Charles Schwab Corp. (The)	USD	552,254	1.58
					2,107	CME Group, Inc.	USD	310,087	0.88
France 1.62% (0.70%)					11,654	Comcast Corp. 'A'	USD	467,675	1.33
2,957	BNP Paribas SA	EUR	220,498	0.63	853	Cooper Cos., Inc. (The)	USD	187,182	0.53
1,562	L'Oreal SA	EUR	347,701	0.99	3,195	Crown Castle International Corp., REIT	USD	352,600	1.01
			568,199	1.62	5,012	DENTSPLY SIRONA, Inc.	USD	332,296	0.95
					3,929	Diamondback Energy, Inc.	USD	492,422	1.41
Germany 2.08% (2.19%)					4,586	EOG Resources, Inc.	USD	497,214	1.42
4,452	Brenntag AG	EUR	282,413	0.81	3,779	Estee Lauder Cos., Inc. (The) 'A'	USD	482,276	1.38
25,143	Deutsche Telekom AG	EUR	445,844	1.27	3,798	Facebook, Inc. 'A'	USD	673,499	1.92
			728,257	2.08	4,454	Gilead Sciences, Inc.	USD	320,644	0.91
					1,767	Goldman Sachs Group, Inc. (The)	USD	447,405	1.28
Hong Kong 1.52% (0.93%)					9,789	Halliburton Co.	USD	474,865	1.36
62,400	AIA Group Ltd.	HKD	531,620	1.52	1,728	Illumina, Inc.	USD	377,464	1.08
			531,620	1.52	6,941	JPMorgan Chase & Co.	USD	746,852	2.13
					3,577	L Brands, Inc.	USD	217,517	0.62
India 1.26% (0.89%)					7,260	MACOM Technology Solutions Holdings, Inc.	USD	237,039	0.68
4,352	HDFC Bank Ltd., ADR	USD	440,683	1.26	3,657	Mastercard, Inc. 'A'	USD	554,877	1.58
			440,683	1.26	8,124	Microsoft Corp.	USD	696,389	1.99
					8,057	NIKE, Inc. 'B'	USD	508,880	1.45
Indonesia 1.47% (1.44%)					4,105	Occidental Petroleum Corp.	USD	302,826	0.86
1,921,500	Bank Rakyat Indonesia Persero Tbk. PT	IDR	514,555	1.47	3,421	PepsiCo, Inc.	USD	411,923	1.18
			514,555	1.47	14,039	Pfizer, Inc.	USD	511,300	1.46
					6,506	Service Corp. International	USD	243,129	0.69
Ireland 2.86% (5.95%)					2,297	Stryker Corp.	USD	356,517	1.02
2,806	Alkermes plc	USD	153,544	0.44	1,312	TESARO, Inc.	USD	109,670	0.31
13,078	CRH plc	EUR	471,974	1.34	2,056	Thermo Fisher Scientific, Inc.	USD	391,154	1.12
4,198	Ingersoll-Rand plc	USD	377,778	1.08	5,478	TJX Cos., Inc. (The)	USD	420,820	1.20
			1,003,296	2.86	1,154	Tyler Technologies, Inc.	USD	203,750	0.58
					4,089	Union Pacific Corp.	USD	553,651	1.58
Japan 6.97% (4.69%)					2,691	United Rentals, Inc.	USD	464,386	1.33
7,600	Bridgestone Corp.	JPY	353,380	1.01	2,073	Vertex Pharmaceuticals, Inc.	USD	311,385	0.89
4,500	Koito Manufacturing Co. Ltd.	JPY	315,635	0.90	5,403	Visa, Inc. 'A'	USD	617,455	1.76
21,000	Kubota Corp.	JPY	411,871	1.17	1,706	Zimmer Biomet Holdings, Inc.	USD	207,279	0.59
1,100	Nintendo Co. Ltd.	JPY	402,282	1.15				18,180,525	51.90
22,800	Sekisui Chemical Co. Ltd.	JPY	457,700	1.31				33,909,648	96.80
11,400	Yaskawa Electric Corp.	JPY	502,033	1.43					
			2,442,901	6.97					
Jersey 1.08% (1.10%)									
5,239	Ferguson plc	GBP	377,782	1.08					
			377,782	1.08					
Mexico 0.74% (2.11%)									
2,764	Fomento Economico Mexicano SAB de CV, ADR	USD	258,351	0.74					
			258,351	0.74					
Netherlands 0.96% (1.38%)									
3,364	Airbus SE	EUR	337,224	0.96					
			337,224	0.96					
South Korea 0.00% (0.93%)									
Spain 0.49% (1.92%)									
4,924	Industria de Diseno Textil SA	EUR	171,701	0.49					
			171,701	0.49					
Supranational 0.55% (0.84%)									
152,000	HKT Trust & HKT Ltd.	HKD	193,274	0.55					
			193,274	0.55					
Sweden 0.75% (0.00%)									
6,098	Atlas Copco AB 'A'	SEK	263,977	0.75					
			263,977	0.75					
								Equities total	
								33,909,648	96.80
								Net Other Assets (2016: 0.90%)	1,120,806
								1,120,806	3.20
								Net Assets attributable to Preference Shareholders	35,030,454
								35,030,454	100.00

The comparative percentage figures in brackets are as at 31st December 2016.

Worldwide Equity Fund

Notes to the Financial Statements

for the accounting period 1st January 2017 to 31st December 2017

1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 68.

2 NET CAPITAL GAINS

The net capital gains during the period comprise:

	2017 US\$	2016 US\$
Non-derivative securities	8,237,249	560,603
Forward currency derivative contracts	–	430
Other currency losses	(4,502)	(6,584)
Transaction charges	(17,101)	(23,318)
Net capital gains	<u>8,215,646</u>	<u>531,131</u>

Gains from non-derivatives securities include realised gains of US\$ 2,860,130 (2016: US\$ 232,650) and change in unrealised gains of US\$ 5,377,119 (2016: US\$ 327,953).

Forward currency derivative contracts include realised gains of US\$ Nil (2016: US\$ 410) and change in unrealised gains of US\$ Nil (2016: US\$ 20).

3 REVENUE

	2017 US\$	2016 US\$
Overseas dividends	579,373	685,870
Bank interest	1,378	62
Total revenue	<u>580,751</u>	<u>685,932</u>

4 EXPENSES

	2017 US\$	2016 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(624,719)	(614,225)
Registration expenses	(1,893)	(2,511)
Directors' fees	(2,060)	(1,191)
	<u>(628,672)</u>	<u>(617,927)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(15,341)	(15,083)
Safe custody fees	(5,190)	(6,011)
Interest payable	(678)	(1,165)
	<u>(21,209)</u>	<u>(22,259)</u>
Other expenses:		
Audit fee	(7,001)	(1,561)
Regulatory and professional fees	(7,264)	(4,699)
Miscellaneous expenses	(204)	(204)
Publication charges	44	(3,468)
	<u>(14,425)</u>	<u>(9,932)</u>
Total expenses	<u>(664,306)</u>	<u>(650,118)</u>

5 TAXATION

	2017 US\$	2016 US\$
Analysis of charge in period:		
Overseas tax suffered	(109,421)	(120,346)
Capital gains tax	(11,073)	(742)
Total overseas taxation	<u>(120,494)</u>	<u>(121,088)</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:

	2017 US\$	2016 US\$
Revenue deducted on cancellation of shares	10,349	5,207
Revenue received on creation of shares	(4,490)	(141)
Distributions for the year	<u>5,859</u>	<u>5,066</u>

Details of the distribution per share are set out on page 19.

7 FAIR VALUE HIERARCHY

Valuation technique	2017 Assets US\$	2016* Assets US\$
Quoted prices for identical instruments in active markets	33,909,648	30,096,603
Valuation techniques using observable market data	–	–
Valuation techniques using non-observable market data	–	–
Total	<u>33,909,648</u>	<u>30,096,603</u>

Financial instruments have been measured at their fair value and have been classified using a hierarchy below that reflects the significance of the inputs used in measuring their fair value:

Level 1: Quoted prices for identical instruments in active markets

This includes instruments such as publicly traded equities; highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation techniques using observable market data

This includes publicly traded corporate bonds and instruments which have been valued using models with observable market data inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads. Over-the-counter instruments have also been included in the category.

Level 3: Valuation techniques using non-observable market data

This refers to instruments which have been valued using models with non-observable market data inputs. This includes private equity, unlisted closed-ended funds and investment analyst recommended prices where the market price is deemed to not be a true representation of fair value.

*Presentation of comparative figures has changed in line with FRS 102 amendments.

8 DEBTORS

	2017 US\$	2016 US\$
Accrued revenue	27,946	27,403
Receivable from Manager – Nominal shares	211,141	207,609
Overseas tax recoverable	231	231
Total debtors	<u>239,318</u>	<u>235,243</u>

9 OTHER CREDITORS

	2017 US\$	2016 US\$
Amounts payable for cancellation of shares	(8,679)	(57,079)
Accrued expenses	(45,505)	(34,897)
Amounts payable to the Manager	(59,961)	(50,879)
Total creditors	<u>(114,145)</u>	<u>(142,855)</u>

10 RELATED PARTY TRANSACTIONS

Charles Taylor International Fund Managers (IOM) 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 Charles Taylor Group (see page 73), of which the Fund is a related party, hold 9,498,820 (2016: Zurich Insurance Group 10,745,507) 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 Charles Taylor International Fund Managers (IOM) Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts paid to Charles Taylor International Fund Managers (IOM) Limited in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 57,377 (December 2016: US\$ 49,678) in respect of the annual management charge, and US\$ 155 (December 2016: US\$ 315) 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	13,754,145	589,585	(2,002,149)	12,341,581

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2016: US\$ Nil).

Worldwide Equity Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2017 to 31st December 2017

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 2017 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
Purchases (excluding in-specie and corporate action activity):						
Equity	<u>11,004,541</u>	<u>7,150</u>	<u>6,434</u>	<u>11,018,125</u>	0.06	0.06
	<u>11,004,541</u>	<u>7,150</u>	<u>6,434</u>	<u>11,018,125</u>		
Sales:						
Sales (excluding in-specie and corporate action activity):						
Equity	<u>15,453,680</u>	<u>(10,164)</u>	<u>(2,944)</u>	<u>15,440,572</u>	(0.07)	(0.02)
	<u>15,453,680</u>	<u>(10,164)</u>	<u>(2,944)</u>	<u>15,440,572</u>		
Total		<u>17,314</u>	<u>9,378</u>			
Percentage of Fund average net assets		<u>0.05%</u>	<u>0.03%</u>			

The direct transaction costs incurred during prior 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 %
Purchases:						
Purchases (excluding in-specie and corporate action activity):						
Equity	<u>12,224,659</u>	<u>8,804</u>	<u>8,913</u>	<u>12,242,376</u>	0.07	0.07
	<u>12,224,659</u>	<u>8,804</u>	<u>8,913</u>	<u>12,242,376</u>		
Sales:						
Sales (excluding in-specie and corporate action activity):						
Equity	<u>16,436,247</u>	<u>(10,012)</u>	<u>(2,201)</u>	<u>16,424,034</u>	(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>			

Worldwide Equity Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2017 to 31st December 2017

13 DIRECT TRANSACTION COSTS (continued)

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.08% (2016: 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 69.

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 2017	US\$	US\$	US\$
Australian Dollar	268	–	268
Canadian Dollar	2,794	520,767	523,561
Danish Krone	448	269,722	270,170
Euro	238	2,757,357	2,757,595
Hong Kong Dollar	638	1,234,807	1,235,445
Indonesian Rupiah	–	514,555	514,555
Japanese Yen	6,710	2,442,901	2,449,611
Mexican Peso	38	–	38
New Zealand Dollar	708	–	708
Norwegian Krone	96	–	96
Polish Zloty	129	–	129
Singapore Dollar	453	–	453
South African Rand	278	–	278
Swedish Krona	12	263,977	263,989
Swiss Franc	1,847	679,458	681,305
Taiwanese Dollar	10,682	–	10,682
Thailand Baht	–	251,384	251,384
Turkish Lira	1	–	1
UK Sterling	7,748	3,528,052	3,535,800
US Dollar	1,087,718	21,446,668	22,534,386
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	1,028	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

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 2017 and 31st December 2016 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
Currency 2017	US\$	US\$	US\$	US\$
Australian Dollar	268	–	–	268
Canadian Dollar	2,794	–	520,767	523,561
Danish Krone	448	–	269,722	270,170
Euro	238	–	2,757,357	2,757,595
Hong Kong Dollar	638	–	1,234,807	1,235,445
Indonesian Rupiah	–	–	514,555	514,555
Japanese Yen	26	–	2,449,585	2,449,611
Mexican Peso	38	–	–	38
New Zealand Dollar	708	–	–	708
Norwegian Krone	96	–	–	96
Polish Zloty	129	–	–	129
Singapore Dollar	453	–	–	453
South African Rand	278	–	–	278
Swedish Krona	12	–	263,977	263,989
Swiss Franc	1,847	–	679,458	681,305
Taiwanese Dollar	10,682	–	–	10,682
Thailand Baht	–	–	251,384	251,384
Turkish Lira	1	–	–	1
UK Sterling	1,502	–	3,534,298	3,535,800
US Dollar	1,186,616	–	21,461,915	22,648,531
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 2017	Floating rate financial liabilities	Financial liabilities not carrying interest	Total	
	US\$	US\$	US\$	
US Dollar	–	(114,145)	(114,145)	
Currency 2016	US\$	US\$	US\$	
US Dollar	–	(142,855)	(142,855)	

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.

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 2017 the Fund posted a total gross return of +1.1% versus +1.0% 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. This was a poor period for the Dollar, which had risen strongly in the final months of 2016. Investors had anticipated that the policies of the newly elected President Trump would boost economic growth and drive up inflation in the process. This would in turn prompt a sharper trajectory for US interest-rate rises, and with that, a stronger US currency. However, as doubts about the president's ability to deliver his planned reforms crept in, and as US inflation and wage growth remained sluggish, the Dollar weakened considerably.

Meanwhile, an accelerating economic recovery in the Eurozone increased conviction among investors that the European Central Bank (ECB) would soon begin to wind down its programme of monetary stimulus. For its part, the ECB announced in October that it would halve its monthly bond purchases starting in January 2018, but staved off any potential market panic by also promising that the programme would be extended until September 2018 at least. The Bank of England went further, raising interest rates for the first time in a decade to help keep a lid on inflation. In 2017 as a whole, the US Dollar fell just under 10% against a basket of its peers as measured by the ICE US Dollar Index. The Euro was the major winner, up almost 14% against its US counterpart over the year; Sterling was up around 9.5%, and the Yen up 3.5%.

The new US president was never far from the limelight. On top of the deepening investigation into alleged links between his election campaign and Russia, his administration was beset by a series of high-profile departures and numerous other controversies. An escalating exchange of threats with North Korean leader Kim Jong-un also unsettled investors. Taken together, this all had a negative effect on the US Dollar, but perhaps more significant in this regard was President Trump's failure to replace the Affordable Care Act, which cast doubt on the likelihood of his other proposed reforms being enacted. Nevertheless, President Trump ended the year with a notable victory – the approval by Congress of his flagship Tax Cuts and Jobs Act. Among other measures, this entails a permanent cut in US corporation tax from 35% to 21%.

The poor performance of the US currency came despite a solidly improving domestic economy and a consequent tightening of monetary policy by the Federal Reserve ("the Fed"). On the economic front, GDP growth was strong, particularly in the second and third quarters, which both saw annualised expansion of over 3%. Labour-market data has also been impressive, with new jobs added in each month of 2017 despite a hugely destructive hurricane season. Unemployment ended the year at 4.1%, a 17-year low, but wage growth remained elusive.

Faced with this broadly healthy picture, the Fed raised interest rates by 25 basis points three times during the year, once in March, once in June and again in December. Each hike was well flagged and provided little support for the Dollar as the Fed's continued emphasis on a gradual pace for future hikes was seen as surprisingly cautious. In another move towards policy normalisation, the central bank also began to sell down the huge stockpile of bonds it had accumulated during its "quantitative easing" stimulus programme.

Late in 2017 President Trump named Jerome Powell to succeed Janet Yellen as chair of the Fed when she leaves the post in February 2018. The appointment is widely viewed as providing continuity in terms of policy. At its December meeting, the Federal Open Market Committee's median forecast remained for three interest-rate hikes in 2018. However, with its three most senior members leaving by July, the committee's forecasts carry less weight than usual. Consequently, at the start of the year, the market was pricing in just two rate hikes for 2018; however, it subsequently moved to price in three.

Managed Currency Fund Comparative Tables

for the accounting period 1st January 2017 to 31st December 2017

	2017 US\$	Preference shares 2016 US\$	2015 US\$
Change in net assets per share			
Opening net asset value per share	0.3336	0.3360	0.3397
Return before operating charges ¹	0.0026	0.0013	0.0001
Operating charges	(0.0037)	(0.0037)	(0.0038)
Return after operating charges	(0.0011)	(0.0024)	(0.0037)
Distributions on preference shares	–	–	–
Closing net asset value per shares	0.3325	0.3336	0.3360
¹ after direct transaction costs	–	–	–
Performance			
Return after charges	(0.33)%	(0.71)%	(1.09)%
Other information			
Closing net asset value (US\$)	559,208	568,562	652,380
Closing number of shares	1,681,820	1,704,392	1,941,564
Operating charges	1.13%	1.11%	1.12%
Direct transaction costs (note 12)	0.00%	0.00%	0.00%
Prices			
Highest offer share price (US\$)	0.3511	0.3537	0.3576
Lowest bid share price (US\$)	0.3323	0.3336	0.3360

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\$
For the accounting period ended:			
31st December 2013	–	0.3660	0.3438
31st December 2014	–	0.3620	0.3398

Ongoing Charges Figure (“OCF”)

	OCF %
For the accounting period ended:	
31st December 2016	1.11%
31st December 2017	1.13%

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 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 28, 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 2017 to 31st December 2017

	Notes	2017 US\$	2016 US\$
Income			
Net capital losses	2	(902)	(1,041)
Revenue	3	5,313	3,378
Expenses	4	(6,276)	(6,777)
Net expense before taxation		(963)	(3,399)
Taxation		–	–
Net expense after taxation		(963)	(3,399)
Total return before distribution		(1,865)	(4,440)
Distributions	5	5	249
Change in Net Assets Attributable to Preference Shareholders from investment activities		(1,860)	(4,191)

Balance Sheet

as at 31st December 2017

	Notes	2017 US\$	2016 US\$
Assets:			
Fixed assets:			
Investments*	6	260,844	212,259
Current assets:			
Debtors	7	59,599	60,177
Cash and bank balances		299,677	364,828
Total assets		620,120	637,264
Liabilities:			
Creditors:			
Other creditors	8	(1,313)	(9,160)
Total liabilities		(1,313)	(9,160)
Equity:			
Nominal shares		(59,599)	(59,542)
Total equity		(59,599)	(59,542)
Net Assets Attributable to Preference Shareholders		559,208	568,562

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2017 to 31st December 2017

	2017 US\$	2016 US\$
Opening Net Assets Attributable to Preference Shareholders	568,562	652,380
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	5,487	–
Amounts payable on cancellation of shares	(13,015)	(79,627)
	(7,528)	(79,627)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(1,860)	(4,191)
Unclaimed distributions	34	–
Closing Net Assets Attributable to Preference Shareholders	559,208	568,562

Distribution Tables

There was no distribution for the accounting period 1st January 2017 to 30th June 2017, as expenses exceed revenue (June 2016: US\$ Nil).

There was no distribution for the accounting period 1st July 2017 to 31st December 2017, as expenses exceed revenue (December 2016: US\$ Nil).

* United States Dollar (US\$) time deposits greater than 3 months at 31st December 2017 was US\$ 260,844 (December 2016: US\$ 212,259)

** Please refer to the Accounting policies "Basis of accounting" on page 68.

The notes on pages 28 to 29 form an integral part of the financial statements.

Managed Currency Fund
Portfolio Statement

as at 31st December 2017

Holding	Investment	Currency	Market Value US\$	% of Net Assets
	Time Deposits 46.65% (37.33%)			
	United States of America 46.65% (37.33%)			
40,655	Credit Agricole CIB 1.20% 24/01/2018	USD	40,655	7.27
55,189	Mitsubishi UFJ Trust & Banking 1.55% 12/03/2018	USD	55,189	9.86
55,000	National Bank Abu Dhabi PJSC 1.42% 16/02/2018	USD	55,000	9.84
55,000	Standard Chartered Bank 1.42% 20/04/2018	USD	55,000	9.84
55,000	Sumitomo Mitsui Banking Corp. 1.46% 14/03/2018	USD	55,000	9.84
			260,844	46.65
	Time Deposits total		260,844	46.65
	Total Value of Investments		260,844	46.65
	Net other assets (2016: 62.67%)		298,364	53.35
	Net Assets attributable to Preference Shareholders		559,208	100.00

The comparative percentage figures in brackets are as at 31st December 2016.

Managed Currency Fund

Notes to the Financial Statements

for the accounting period 1st January 2017 to 31st December 2017

1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 68.

2 NET CAPITAL LOSSES

The net capital losses during the period comprise:

	2017	2016
	US\$	US\$
Other currency gains/(losses)	5	(4)
Transaction charges	(907)	(1,037)
Net capital losses	<u>(902)</u>	<u>(1,041)</u>

3 REVENUE

	2017	2016
	US\$	US\$
Interest on debt securities	5,313	3,378
Total revenue	<u>5,313</u>	<u>3,378</u>

4 EXPENSES

	2017	2016
	US\$	US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(5,580)	(6,084)
Registration expenses	(207)	(230)
Directors' fees	(34)	(21)
	<u>(5,821)</u>	<u>(6,335)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(268)	(293)
Interest payable	(1)	(19)
	<u>(269)</u>	<u>(312)</u>
Other expenses:		
Audit fee	(119)	(26)
Regulatory and professional fees	(78)	(32)
Miscellaneous expenses	(4)	(4)
Publication charges	15	(68)
	<u>(186)</u>	<u>(130)</u>
Total expenses	<u>(6,276)</u>	<u>(6,777)</u>

5 DISTRIBUTIONS

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

	2017	2016*
	US\$	US\$
Revenue deducted on cancellation of shares	13	249
Revenue received on creation of shares	(8)	–
Distributions for the year	<u>5</u>	<u>249</u>

Details of the distribution per share are set out on page 26.

6 FAIR VALUE HIERARCHY

Valuation technique	2017	2016
	Assets	Assets
	US\$	US\$
Quoted prices for identical instruments in active markets	–	–
Valuation techniques using observable market data	260,844	212,259
Valuation techniques using non-observable market data	–	–
Total value	<u>260,844</u>	<u>212,259</u>

Financial instruments have been measured at their value and have been classified using a hierarchy below that reflects the significance of the inputs used in measuring their value:

Level 1: Quoted prices for identical instruments in active markets

This includes instruments such as publicly traded equities; highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation techniques using observable market data

This includes publicly traded corporate bonds and instruments which have been valued using models with observable market data inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads. Over-the-counter instruments have also been included in the category.

Level 3: Valuation techniques using non-observable market data

This refers to instruments which have been valued using models with non-observable market data inputs. This includes private equity, unlisted closed-ended funds and investment analyst recommended prices where the market price is deemed to not to be true representation of fair value.

7 DEBTORS

	2017	2016
	US\$	US\$
Accrued revenue	–	635
Receivable from Manager – Nominal shares	59,599	59,542
Total debtors	<u>59,599</u>	<u>60,177</u>

8 OTHER CREDITORS

	2017	2016
	US\$	US\$
Amounts payable for cancellation of shares	–	(8,078)
Accrued expenses	(775)	(552)
Amounts payable to the Manager	(538)	(530)
Total creditors	<u>(1,313)</u>	<u>(9,160)</u>

9 RELATED PARTY TRANSACTIONS

Charles Taylor International Fund Managers (IOM) 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 Charles Taylor Group (see page 73), of which the Fund is a related party, hold 483,909 (2016: Zurich Insurance Group 536,151) 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 Charles Taylor International Fund Managers (IOM) Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 7 and 8.

Amounts paid to Charles Taylor International Fund Managers (IOM) Limited in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 480 (December 2016: US\$ 483) in respect of the annual management charge, and US\$ 17 (December 2016: US\$ 31) 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	1,704,392	16,463	(39,035)	1,681,820

11 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2016: 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 US\$ Nil (2016: US\$ Nil) and the total sales amounted to US\$ Nil (2016: US\$ Nil).

Managed Currency Fund
Notes to the Financial Statements (continued)

for the accounting period 1st January 2017 to 31st December 2017

13 FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 69.

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 2017 and 31st December 2016 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
	US\$	US\$	US\$	US\$
Currency 2017				
Euro	25	–	–	25
UK Sterling	20	–	–	20
US Dollar	560,476	–	–	560,476
Currency 2016	US\$	US\$	US\$	US\$
Euro	22	–	–	22
UK Sterling	18	–	–	18
US Dollar	577,047	–	635	577,682

	Floating rate financial liabilities	Financial liabilities not carrying interest	Total
	US\$	US\$	US\$
Currency 2017			
US Dollar	–	(1,313)	(1,313)
Currency 2016	US\$	US\$	US\$
US Dollar	–	(9,160)	(9,160)

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 2017, the Fund produced a total gross return of +2.1% in Sterling terms, compared with a return of +1.8% for the FTSE Actuaries All Stocks Index.

Review

2017 was a difficult year for bonds as investors favoured risk amid optimism over global growth and President Trump's tax reform plans, which were finally enacted on 20th December 2017. The 10-year gilt yield ended 2017 at 1.19%, which was 5 basis points (bps) below the level at the start of the review period.

Changing expectations about Brexit, politics and central bank policy influenced bonds.

In the United Kingdom (UK), Prime Minister Theresa May unexpectedly called a snap election in April; this fuelled hopes that an increased Conservative Party majority could strengthen the government's hand in the Brexit negotiations. In the event, June's election saw the Conservative Party lose its absolute majority. By contrast, the European political scene appeared more favourable in this period, as populists were defeated in the Dutch and French elections. Investors also cheered Angela Merkel's success in September's German federal elections but were less impressed by her struggles in forming a coalition. Late November and early December saw "hard Brexit" fears ease, due to the prospect, then reality that UK and European officials would conclude the first stage of negotiations with agreement on some key sticking points.

On the monetary policy front, the Federal Reserve raised rates by 25 bps three times in 2017. High inflation prompted a quarter-point hike from the Bank of England (BoE) in early November, but investors remained sceptical about more such hikes in the near term. Investors also perceived the European Central Bank's (ECB's) taper of its stimulus programme to be dovish.

The Fund's relative duration was 0.1 years long at the start of the review period. We maintained this over the first quarter. Relative duration peaked at +0.4 years when 10-year gilt yields hit 1.30% but dropped to +0.20 years in the first week of March.

In early April, we began to build index-linked positions in the 30- and 50-year segments. The breakeven trade was promptly unwound when the snap election was announced on 18 April. In early May, trades involved the sale of 6-year gilts into 20-year gilts. Ahead of the syndication of 2057 gilts mid-month, we sold these bonds, switching the proceeds into 2052s and 2065s and into the 20-year area; this temporarily moved the portfolio to a neutral position in the ultra-long segment. Immediately before the UK's election, we moved to a neutral-duration position overall. On election day, we sold 27s into 32s to pick up around 30 bps of yield. Later, we took advantage of the spike in yields following Prime Minister May's above consensus inflation print to move to a long duration position of 0.2 years.

We retained duration at around +0.5 years throughout the third quarter, making minor positioning changes in August. Throughout October, we maintained relative duration between +0.6 years and +0.7 years. In the final week of October, we moved outright duration to +0.7 years. Following the BoE's "dovish hike" in early November, we reduced duration in 32s by 0.1 years, and switched 60s into 44s. The following day we reduced our ultra-weighting to flat, via a further sale of 60s, this time into 37s. In mid-November, we sold more 60s along with 65s and purchased 55s, which were trading at extremely attractive levels relative to history. At the end of November, we reduced overall duration to +0.4 years. The Fund ended 2017 with a duration of +0.2 years long.

Developed economies are currently experiencing reasonable cyclical recoveries, characterised by robust consumption and, in some cases, improvements in investment. Global trade has been expanding, albeit at below pre-crisis rates; this is resulting in a largely-synchronised global recovery. Although leverage, unemployment and capacity utilisation indicators suggest that the business cycle is well-advanced, sustainable price growth is absent.

The drivers of recent growth should be sustainable beyond the next few quarters. A key uncertainty is whether President Trump's tax cuts can meaningfully boost investment and productivity. Nevertheless, central banks are in the process of moderating their monetary stimulus. The Fed's balance sheet normalisation is underway and we expect two further interest rate hikes in 2018. The ECB has reduced its monthly bond purchases, while the BoE has delivered its first hike in ten years.

We expect the structural factors underpinning low sovereign yields to remain in place. Central banks withdrawing accommodation despite feeble inflation ought to further limit the extent of any sell-off in fixed income and steepening of yield curves.

Gilt and Income Fund Comparative Tables

for the accounting period 1st January 2017 to 31st December 2017

	2017	Preference shares 2016	2015
	£	£	£
Change in net assets per share			
Opening net asset value per share	0.3993	0.3669	0.3719
Return before operating charges ¹	0.0083	0.0389	0.0024
Operating charges	(0.0056)	(0.0055)	(0.0051)
Return after operating charges	0.0027	0.0334	(0.0027)
Distributions on preference shares	–	(0.0010)	(0.0023)
Closing net asset value per shares	0.4020	0.3993	0.3669
¹ after direct transaction costs	–	–	–
Performance			
Return after charges	0.68%	9.10%	(0.73)%
Other information			
Closing net asset value (£)	12,027,560	12,966,627	11,696,579
Closing number of shares	29,922,299	32,470,163	31,878,726
Operating charges	1.42%	1.38%	1.38%
Direct transaction costs (note 12)	0.00%	0.00%	0.00%
Prices			
Highest offer share price (£)	0.4313	0.4508	0.4087
Lowest bid share price (£)	0.3887	0.3680	0.3598

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
	£	£	£
For the accounting period ended:			
31st December 2013	0.0020	0.3811	0.3333
31st December 2014	0.0028	0.3934	0.3342

Ongoing Charges Figure (“OCF”)

For the accounting period ended:	OCF %
31st December 2016	1.38%
31st December 2017	1.42%

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 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 34, 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 2017 to 31st December 2017

	Notes	2017 US\$	2016 US\$
Income			
Net capital gains	2	125,241	1,224,631
Revenue	3	209,384	248,842
Expenses	4	(232,105)	(208,890)
Net (expense)/revenue before taxation		(22,721)	39,952
Taxation		–	–
Net (expense)/revenue after taxation		(22,721)	39,952
Total return before distribution		102,520	1,264,583
Distributions	5	792	(42,978)
Change in Net Assets Attributable to Preference Shareholders from investment activities		103,312	1,221,605

Balance Sheet

as at 31st December 2017

	Notes	2017 US\$	2016 US\$
Assets:			
Fixed assets:			
Investments	6	15,663,351	15,849,970
Current assets:			
Debtors	7	627,243	645,861
Cash and bank balances		566,795	104,588
Total assets		16,857,389	16,600,419
Liabilities:			
Creditors:			
Distribution payable	5	–	(4,761)
Other creditors	8	(41,055)	(29,730)
Total liabilities		(41,055)	(34,491)
Equity:			
Nominal shares		(544,248)	(537,879)
Total equity		(544,248)	(537,879)
Net Assets Attributable to Preference Shareholders		16,272,086	16,028,049

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2017 to 31st December 2017

	2017 US\$	2016 US\$
Opening Net Assets Attributable to Preference Shareholders	16,028,049	17,241,342
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	69,412	1,491,561
Amounts payable on cancellation of shares	(1,443,885)	(1,146,919)
	(1,374,473)	344,642
Difference on currency conversion	1,514,499	(2,780,173)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	103,312	1,221,605
Unclaimed distributions	699	633
Closing Net Assets Attributable to Preference Shareholders	16,272,086	16,028,049

Distribution Tables

for the accounting period 1st January 2017 to 30th June 2017

	Income £	Equalisation £	Distribution Paid 2017 £	Distribution Paid 2016 £
Group 1	0.0000	–	0.0000	0.0009
Group 2	0.0000	0.0000	0.0000	0.0009

Group 2 units are those purchased after 16:00 (UK time) on 31st December 2016.

for the accounting period 1st July 2017 to 31st December 2017

	Income £	Equalisation £	Distribution Payable 2017 £	Distribution Paid 2016 £
Group 1	0.0000	–	0.0000	0.0001
Group 2	0.0000	0.0000	0.0000	0.0001

Group 2 units are those purchased after 16:00 (UK time) on 30th June 2017

* Please refer to the Accounting policies “Basis of accounting” on page 68.

The notes on pages 34 to 35 form an integral part of the financial statements.

Gilt and Income Fund Portfolio Statement

as at 31st December 2017

Holding	Investment	Currency	Market Value US\$	% of Net Assets	Holding	Investment	Currency	Market Value US\$	% of Net Assets
	Government Bonds 89.19% (93.24%)								
£180,000	Finland 1.51% (1.41%) Municipality Finance plc 1.25% 07/03/2019	GBP	244,975	1.51	£125,000	Network Rail Infrastructure Finance plc 4.63% 21/07/2020	GBP	185,841	1.14
			244,975	1.51				273,042	1.68
	United Kingdom 87.68% (91.83%)					Corporate Bonds total		788,608	4.85
£1,304,000	UK Treasury 1.75% 22/07/2019	GBP	1,799,633	11.06		Supranationals 2.22% (1.55%)			
£328,000	UK Treasury 2.00% 22/07/2020	GBP	460,715	2.83	£125,000	African Development Bank 0.88% 13/12/2018	GBP	169,618	1.04
£546,000	UK Treasury 3.75% 07/09/2021	GBP	823,661	5.06	£65,000	European Investment Bank 0.63% 17/01/2020	GBP	87,839	0.54
£327,000	UK Treasury 0.50% 22/07/2022	GBP	438,008	2.69	£80,000	European Investment Bank 1.00% 21/09/2026	GBP	104,770	0.64
£593,000	UK Treasury 0.75% 22/07/2023	GBP	796,967	4.90				362,227	2.22
£330,000	UK Treasury 2.75% 07/09/2024	GBP	499,189	3.07		Supranationals total		362,227	2.22
£135,000	UK Treasury 2.00% 07/09/2025	GBP	196,035	1.21		Total Value of Investments		15,663,351	96.26
£337,000	UK Treasury 1.25% 22/07/2027	GBP	457,028	2.81		Net Other Assets (2016: 1.11%)		608,735	3.74
£223,000	UK Treasury 4.25% 07/12/2027	GBP	387,836	2.38		Net Assets attributable to Preference Shareholders		16,272,086	100.00
£780,500	UK Treasury 4.75% 07/12/2030	GBP	1,471,622	9.04					
£222,000	UK Treasury 4.25% 07/06/2032	GBP	406,875	2.50					
£63,000	UK Treasury 4.50% 07/09/2034	GBP	121,176	0.74					
£64,000	UK Treasury 4.25% 07/03/2036	GBP	121,703	0.75					
£869,000	UK Treasury 1.75% 07/09/2037	GBP	1,178,271	7.24					
£160,000	UK Treasury 4.75% 07/12/2038	GBP	331,879	2.04					
£121,000	UK Treasury 4.25% 07/12/2040	GBP	240,806	1.48					
£153,000	UK Treasury 4.50% 07/12/2042	GBP	320,636	1.97					
£241,000	UK Treasury 3.25% 22/01/2044	GBP	424,600	2.61					
£272,000	UK Treasury 4.25% 07/12/2046	GBP	573,101	3.52					
£670,000	UK Treasury 1.50% 22/07/2047	GBP	852,732	5.24					
£143,000	UK Treasury 4.25% 07/12/2049	GBP	312,892	1.92					
£110,000	UK Treasury 3.75% 22/07/2052	GBP	229,107	1.41					
£529,000	UK Treasury 4.25% 07/12/2055	GBP	1,241,277	7.63					
£329,000	UK Treasury 2.50% 22/07/2065	GBP	581,792	3.58					
			14,267,541	87.68					
	Government Bonds total		14,512,516	89.19					
	Corporate Bonds 4.85% (4.10%)								
£180,000	Canada 1.49% (1.43%) Export Development Canada 0.88% 07/12/2021	GBP	242,993	1.49					
			242,993	1.49					
£200,000	Germany 1.68% (1.57%) FMS Wertmanagement AoeR 1.25% 08/03/2019	GBP	272,573	1.68					
			272,573	1.68					
£50,000	United Kingdom 1.68% (1.10%) LCR Finance plc 4.50% 07/12/2028	GBP	87,201	0.54					

The comparative percentage figures in brackets are as at 31st December 2016.

Gilt and Income Fund

Notes to the Financial Statements

for the accounting period 1st January 2017 to 31st December 2017

1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 68.

2 NET CAPITAL GAINS

The net capital gains during the period comprise:

	2017 US\$	2016 US\$
Non-derivative securities	132,677	1,230,231
Transaction charges	(7,436)	(5,600)
Net capital gains	125,241	1,224,631

Gains from non-derivative securities include realised gains of US\$ 648,815 (2016: US\$ 935,596) and change in unrealised losses of US\$ 516,138 (2016: US\$ 294,635 – unrealised gains).

3 REVENUE

	2017 US\$	2016 US\$
Interest on debt securities	209,384	248,842
Total revenue	209,384	248,842

4 EXPENSES

	2017 US\$	2016 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(211,927)	(194,469)
Registration expenses	(1,149)	(1,161)
Directors' fees	(1,360)	(574)
	(214,436)	(196,204)
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(8,135)	(7,465)
Safe custody fees	(1,519)	(1,288)
Interest payable	(33)	(631)
	(9,687)	(9,384)
Other expenses:		
Audit fee	(4,634)	(955)
Regulatory and professional fees	(2,366)	(718)
Miscellaneous expenses	(98)	(90)
Publication charges	(884)	(1,539)
	(7,982)	(3,302)
Total expenses	(232,105)	(208,890)

5 DISTRIBUTIONS

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

	2017 US\$	2016 US\$
Interim	–	(38,139)
Final	–	(4,761)
	–	(42,900)
Revenue deducted on cancellation of shares	820	(653)
Revenue received on creation of shares	(28)	575
Distributions for the year	792	(42,978)

Details of the distribution per share are set out on page 32.

In the Funds base currency, net expenses after taxation is £585 (2016: £32,320 – net revenue) and the Distribution is £nil (2016: £32,320).

6 FAIR VALUE HIERARCHY

Valuation technique	2017 Assets US\$	2016* Assets US\$
Quoted prices for identical instruments in active markets	14,874,743	15,193,322
Valuation techniques using observable market data	788,608	656,648
Valuation techniques using non-observable market data	–	–
Total	15,663,351	15,849,970

Financial instruments have been measured at their fair value and have been classified using a hierarchy below that reflects the significance of the inputs used in measuring their fair value:

Level 1: Quoted prices for identical instruments in active markets

This includes instruments such as publicly traded equities; highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation techniques using observable market data

This includes publicly traded corporate bonds and instruments which have been valued using models with observable market data inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads. Over-the-counter instruments have also been included in the category.

Level 3: Valuation techniques using non-observable market data

This refers to instruments which have been valued using models with non-observable market data inputs. This includes private equity, unlisted closed-ended funds and investment analyst recommended prices where the market price is deemed to not be a true representation of fair value.

*Presentation of comparative figures has changed in line with FRS 102 amendments.

7 DEBTORS

	2017 US\$	2016 US\$
Accrued revenue	82,995	107,982
Receivable from Manager – Nominal shares	544,248	537,879
Total debtors	627,243	645,861

8 OTHER CREDITORS

	2017 US\$	2016 US\$
Accrued expenses	(23,296)	(12,936)
Amounts payable to the Manager	(17,759)	(16,794)
Total creditors	(41,055)	(29,730)

9 RELATED PARTY TRANSACTIONS

Charles Taylor International Fund Managers (IOM) 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 Charles Taylor Group (see page 73), of which the Fund is a related party, hold 19,582,744 (2016: Zurich Insurance Group 20,863,680) 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 Charles Taylor International Fund Managers (IOM) Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 7 and 8.

Amounts paid to Charles Taylor International Fund Managers (IOM) Limited in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 16,108 (December 2016: US\$ 16,155) in respect of the annual management charge, and US\$ 85 (December 2016: US\$ 97) 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	32,470,163	128,111	(2,675,975)	29,922,299

11 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2016: 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 US\$ 34,407,805 (2016: US\$ 20,106,009) and the total sales amounted to US\$ 36,099,344 (2016: US\$ 19,721,507).

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.13% (2016: 0.16%). 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.

13 FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 69.

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\$ 15,663,351 (2016: US\$ 15,849,970). The Fund has assets not carrying interest of US\$ 82,995 (2016: US\$ 107,982).

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.

Gilt and Income Fund
Notes to the Financial Statements (continued)

for the accounting period 1st January 2017 to 31st December 2017

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:

	2017	2016
	US\$	US\$
Investment grade securities*	<u>15,663,351</u>	<u>15,849,970</u>
	<u>15,663,351</u>	<u>15,849,970</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 +26.5%, while the S&P 500 Composite Index returned 21.8% in United States (US) Dollar terms.

Review

US equities performed strongly in the year ending 31 December 2017: the S&P 500 gained 21.8% in US Dollar terms, repeatedly hitting record highs along the way. Buoyant corporate results (particularly in technology), solid domestic economic markers and a strengthening global economy were among the factors boosting sentiment over the year.

Over the first half of the period, growth stocks outperformed value stocks due to some softer domestic economic data points and scepticism that President Donald Trump's administration would be able to deliver on its growth agenda. Despite falling inflation in the US, the Federal Reserve (Fed) raised interest rates twice in the first half of the year.

The Republican legislative programme continued to falter over much of the third quarter. Though severe hurricanes and North Korean sabre-rattling temporarily dampened risk appetite, the upward trajectory soon resumed, lasting into the year end. On the economic front, third quarter gross domestic product (GDP) came in well ahead of forecasts, consumer confidence was buoyant, and jobs data remained strong. This paved the way for a quarter-point rate rise in December 2017, with the Fed maintaining its projection for three further hikes in 2018. US equities also benefited from anticipation that Congress would approve President Trump's flagship tax cutting bill. The bill, which was eventually passed on 20 December, features a permanent cut in corporation tax from 35% to 21% and smaller temporary reductions in income taxes.

Our key activity over the period included:

- Switching our position in Exxon Mobil Corp. (energy) into Chevron Corp. (energy), as we see better growth prospects and business momentum in the latter.
- Initiating new positions in banks Goldman Sachs Group, Inc. (financials) and Bank of America Corp. (financials). Both companies are set to benefit from better economic growth, tax reform and loosening of the regulatory environment.
- Opening a holding in UnitedHealth Group, Inc. (health care). UnitedHealth Group is a market-leading diversified healthcare benefits and information services company, whose diverse mix of services and benefits is furthest along among peers in the move to value-based care. The company's operations should enable double-digit earnings-per-share-growth over at least the next three years.
- Opening a position in L3 Technologies, Inc. (industrials). Changes to L3 Technologies' management are beginning to pay off, with signs of improved execution and stronger guidance for 2018. The company should also be a key beneficiary of mid-single-digit growth in federal outlays as US defense spending picks up. In our view, though it continues to trade at a solid discount to its peers, L3 Technologies, Inc. is the only prime defense stock with a legitimate case for multi-year margin improvement.
- Exiting stocks including AT&T Inc. (telecommunication services), Cisco Systems, Inc. (information technology) and Dollar General Corp. (consumer discretionary), which we feel no longer offer compelling risk/reward profiles.

Looking ahead, the backdrop remains very supportive for US equities. Leading domestic indicators continue to suggest a strong pace of economic momentum and a strengthening global business cycle. The tax reform bill has now been signed into law, albeit with some revisions to initial proposals, providing domestic businesses with the first sign of optimism following lacklustre progress since the reform was announced. Internationally, the synchronised global recovery should also prove supportive.

North American Growth Fund Comparative Tables

for the accounting period 1st January 2017 to 31st December 2017

	2017 US\$	Preference shares 2016 US\$	2015 US\$
Change in net assets per share			
Opening net asset value per share	6.0714	5.7835	5.7555
Return before operating charges ¹	1.8024	0.4041	0.1456
Operating charges	(0.1328)	(0.1162)	(0.1176)
Return after operating charges	1.6696	0.2879	0.0280
Distributions on preference shares	–	–	–
Closing net asset value per shares	7.7410	6.0714	5.7835
¹ after direct transaction costs	(0.9026)	(0.0108)	(0.0167)
Performance			
Return after charges	27.50%	4.98%	0.49%
Other information			
Closing net asset value (US\$)	24,888,638	327,706,556	308,124,965
Closing number of shares	3,215,184	53,975,620	53,276,414
Operating charges	2.05%	2.04%	2.04%
Direct transaction costs (note 13)	0.14%	0.19%	0.29%
Prices			
Highest offer share price (US\$)	8.1790	6.4860	6.3300
Lowest bid share price (US\$)	6.0800	5.0120	5.2940

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\$
For the accounting period ended:			
31st December 2013	–	5.5180	3.8750
31st December 2014	–	6.0840	4.9240

Ongoing Charges Figure (“OCF”)

	OCF %
For the accounting period ended:	
31st December 2016	2.04%
31st December 2017	2.05%

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 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 42, 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 2017 to 31st December 2017

	Notes	2017 US\$	2016 US\$
Income			
Net capital gains	2	29,447,423	18,777,995
Revenue	3	1,844,598	6,348,840
Expenses	4	(2,487,949)	(6,326,350)
Net (expense)/revenue before taxation		(643,351)	22,490
Taxation	5	(533,812)	(1,936,508)
Net expense after taxation		(1,177,163)	(1,914,018)
Total return before distribution		28,270,260	16,863,977
Distributions	6	956,326	29,455
Change in Net Assets Attributable to Preference Shareholders from investment activities		29,226,586	16,893,432

Balance Sheet

As at 31st December 2017

	Notes	2017 US\$	2016 US\$
Assets:			
Fixed assets:			
Investments	7	24,765,878	323,043,513
Current assets:			
Debtors	8	172,450	2,775,392
Cash and bank balances		319,955	7,662,643
Total assets		25,258,283	333,481,548
Liabilities:			
Creditors:			
Other creditors	9	(222,323)	(5,754,571)
Total liabilities		(222,323)	(5,754,571)
Equity:			
Nominal shares		(147,322)	(20,421)
Total equity		(147,322)	(20,421)
Net Assets Attributable to Preference Shareholders		24,888,638	327,706,556

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2017 to 31st December 2017

	2017 US\$	2016 US\$
Opening Net Assets Attributable to Preference Shareholders	327,706,556	308,124,965
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	10,420,305	89,165,414
Amounts payable on cancellation of shares	(342,464,809)	(86,477,255)
	(332,044,504)	2,688,159
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	29,226,586	16,893,432
Closing Net Assets Attributable to Preference Shareholders	24,888,638	327,706,556

Distribution Tables

There was no distribution for the accounting period 1st January 2017 to 31st December 2017, as expenses exceed revenue (December 2016: US\$ Nil).

* Please refer to the Accounting policies "Basis of accounting" on page 68.

The notes on pages 41 to 43 form an integral part of the financial statements.

North American Growth Fund Portfolio Statement

as at 31st December 2017

Holding	Investment	Currency	Market Value US\$	% of Net Assets	Holding	Investment	Currency	Market Value US\$	% of Net Assets
	Equities 99.51% (98.58%)								
	Consumer Discretionary 13.55% (12.01%)								
	Auto Components 0.00% (0.65%)								
	Hotels, Restaurants & Leisure 1.88% (1.63%)								
8,604	Extended Stay America, Inc.	USD	162,874	0.65					
2,535	Royal Caribbean Cruises Ltd.	USD	305,214	1.23					
			468,088	1.88					
	Household Durables 1.07% (0.00%)								
963	Mohawk Industries, Inc.	USD	267,175	1.07					
			267,175	1.07					
	Internet & Direct Marketing Retail 3.26% (2.97%)								
689	Amazon.com, Inc.	USD	812,365	3.26					
			812,365	3.26					
	Media 3.20% (2.45%)								
514	Charter Communications, Inc. 'A'	USD	172,663	0.69					
15,563	Comcast Corp. 'A'	USD	624,543	2.51					
			797,206	3.20					
	Multiline Retail 0.00% (1.07%)								
	Specialty Retail 2.44% (2.23%)								
3,185	Home Depot, Inc. (The)	USD	606,201	2.44					
			606,201	2.44					
	Textiles, Apparel & Luxury Goods 1.70% (1.01%)								
9,441	Tapestry, Inc.	USD	421,824	1.70					
			421,824	1.70					
	Consumer Discretionary total		3,372,859	13.55					
	Consumer Staples 5.80% (5.56%)								
	Beverages 1.74% (1.48%)								
3,605	PepsiCo, Inc.	USD	434,078	1.74					
			434,078	1.74					
	Food & Staples Retailing 2.08% (1.04%)								
4,137	Sysco Corp.	USD	252,109	1.02					
2,666	Wal-Mart Stores, Inc.	USD	264,360	1.06					
			516,469	2.08					
	Food Products 0.00% (0.52%)								
	Tobacco 1.98% (2.52%)								
4,646	Philip Morris International, Inc.	USD	492,894	1.98					
			492,894	1.98					
	Consumer Staples total		1,443,441	5.80					
	Energy 6.33% (7.79%)								
	Energy Equipment & Services 1.34% (1.75%)								
6,864	Halliburton Co.	USD	332,973	1.34					
			332,973	1.34					
	Oil, Gas & Consumable Fuels 4.99% (6.04%)								
4,640	Chevron Corp.	USD	582,691	2.34					
6,693	Devon Energy Corp.	USD	278,295	1.12					
3,526	EOG Resources, Inc.	USD	382,289	1.53					
			1,243,275	4.99					
	Energy total		1,576,248	6.33					
	Financials 18.11% (17.17%)								
	Banks 10.94% (7.12%)								
29,539	Bank of America Corp.	USD	876,422	3.52					
7,491	Citigroup, Inc.	USD	559,877	2.25					
7,935	Citizens Financial Group, Inc.	USD	334,937	1.34					
8,850	JPMorgan Chase & Co.	USD	952,260	3.83					
			2,723,496	10.94					
	Capital Markets 1.45% (3.16%)								
1,421	Goldman Sachs Group, Inc. (The)	USD	359,797	1.45					
			359,797	1.45					
	Consumer Finance 0.00% (0.84%)								
	Diversified Financial Services 2.94% (1.90%)								
3,664	Berkshire Hathaway, Inc. 'B'	USD	731,078	2.94					
			731,078	2.94					
	Insurance 2.78% (2.35%)								
4,311	Aflac, Inc.	USD	381,136	1.53					
3,797	Marsh & McLennan Cos., Inc.	USD	310,822	1.25					
			691,958	2.78					
	Financials total		4,506,329	18.11					
	Health Care 13.48% (13.73%)								
	Biotechnology 4.92% (3.24%)								
2,070	Alexion Pharmaceuticals, Inc.	USD	247,075	0.99					
967	Biogen, Inc.	USD	310,175	1.25					
517	Bluebird Bio, Inc.	USD	93,060	0.38					
2,010	Celgene Corp.	USD	209,945	0.84					
669	TESARO, Inc.	USD	55,922	0.23					
2,044	Vertex Pharmaceuticals, Inc.	USD	307,029	1.23					
			1,223,206	4.92					
	Health Care Equipment & Supplies 1.84% (2.84%)								
5,642	Medtronic plc	USD	458,469	1.84					
			458,469	1.84					
	Health Care Providers & Services 4.11% (1.24%)								
2,030	Cigna Corp.	USD	416,069	1.67					
2,734	UnitedHealth Group, Inc.	USD	607,495	2.44					
			1,023,564	4.11					
	Life Sciences Tools & Services 0.00% (1.76%)								
	Pharmaceuticals 2.61% (4.65%)								
1,864	Bristol-Myers Squibb Co.	USD	115,307	0.46					
14,675	Pfizer, Inc.	USD	534,463	2.15					
			649,770	2.61					
	Health Care total		3,355,009	13.48					
	Industrials 10.44% (6.64%)								
	Aerospace & Defense 4.52% (2.86%)								
2,070	Boeing Co. (The)	USD	612,968	2.46					
2,578	L3 Technologies, Inc.	USD	513,254	2.06					
			1,126,222	4.52					
	Airlines 1.81% (1.46%)								
6,824	Southwest Airlines Co.	USD	450,384	1.81					
			450,384	1.81					
	Building Products 0.00% (0.70%)								
	Construction & Engineering 0.71% (0.46%)								
2,718	Granite Construction, Inc.	USD	176,099	0.71					
			176,099	0.71					
	Machinery 3.40% (1.16%)								
3,238	Caterpillar, Inc.	USD	510,730	2.05					
3,726	Ingersoll-Rand plc	USD	335,303	1.35					
			846,033	3.40					
	Industrials total		2,598,738	10.44					
	Information Technology 26.86% (27.47%)								
	Communications Equipment 0.00% (1.52%)								
	Internet Software & Services 4.37% (6.92%)								
355	Alphabet, Inc. 'A'	USD	374,010	1.50					
4,023	Facebook, Inc. 'A'	USD	713,399	2.87					
			1,087,409	4.37					
	IT Services 5.35% (3.60%)								
4,824	Booz Allen Hamilton Holding Corp.	USD	184,373	0.74					
3,134	Leidos Holdings, Inc.	USD	203,616	0.82					
4,117	PayPal Holdings, Inc.	USD	304,164	1.22					
5,586	Visa, Inc. 'A'	USD	638,368	2.57					
			1,330,521	5.35					
	Semiconductors & Semiconductor Equipment 4.85% (4.46%)								
1,818	Broadcom Ltd.	USD	469,080	1.88					
2,336	Lam Research Corp.	USD	431,039	1.73					
3,089	MACOM Technology Solutions Holdings, Inc.	USD	100,856	0.41					
5,022	Micron Technology, Inc.	USD	205,651	0.83					
			1,206,626	4.85					

North American Growth Fund Portfolio Statement (continued)

as at 31st December 2017

Holding	Investment	Currency	Market Value US\$	% of Net Assets
Diversified Financial Services (continued) 2.94% (1.90%)				
Software 7.47% (6.51%)				
1,980	Adobe Systems, Inc.	USD	348,658	1.40
3,483	Electronic Arts, Inc.	USD	365,785	1.47
13,352	Microsoft Corp.	USD	1,144,533	4.60
			1,858,976	7.47
Technology Hardware, Storage & Peripherals 4.82% (4.46%)				
7,077	Apple, Inc.	USD	1,200,542	4.82
			1,200,542	4.82
			6,684,074	26.86
Information Technology total				
Materials 2.94% (3.12%)				
Chemicals 1.80% (2.39%)				
6,283	DowDuPont, Inc.	USD	448,166	1.80
			448,166	1.80
Metals & Mining 1.14% (0.73%)				
4,440	Nucor Corp.	USD	283,494	1.14
			283,494	1.14
			731,660	2.94
Materials total				
Real Estate 0.00% (1.80%)				
Equity Real Estate				
Investment Trusts (REITs)				
0.00% (1.80%)				
Telecommunication Services				
0.00% (2.64%)				
Diversified				
Telecommunication Services				
0.00% (2.64%)				
Utilities 2.00% (2.45%)				
Electric Utilities 2.00% (2.45%)				
10,337	Xcel Energy, Inc.	USD	497,520	2.00
			497,520	2.00
			497,520	2.00
			24,765,878	99.51
Equities total				
Total Value of Investments			24,765,878	99.51
Net Other Assets (2016: 1.42%)			122,760	0.49
Net Assets attributable to Preference Shareholders			24,888,638	100.00

The comparative percentage figures in brackets are as at 31st December 2016.

North American Growth Fund Notes to the Financial Statements

for the accounting period 1st January 2017 to 31st December 2017

1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 68.

2 NET CAPITAL GAINS

The net capital gains during the period comprise:

	2017 US\$	2016 US\$
Non-derivative securities	29,461,543	18,806,006
Other currency gains/(losses)	3,083	(1,612)
Transaction charges	(17,203)	(26,399)
Net capital gains	<u>29,447,423</u>	<u>18,777,995</u>

Gains/(losses) from non-derivatives securities include realised gains of US\$ 68,268,583 (2016: US\$ 1,567,224) and change in unrealised losses of US\$ 38,807,040 (2016: US\$ 17,238,782 – unrealised gains).

3 REVENUE

	2017 US\$	2016 US\$
Overseas dividends	1,844,373	6,348,825
Bank interest	225	15
Total revenue	<u>1,844,598</u>	<u>6,348,840</u>

4 EXPENSES

	2017 US\$	2016 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(2,400,578)	(6,084,480)
Registration expenses	(1,505)	(1,956)
Directors' fees	(2,596)	(13,325)
	<u>(2,404,679)</u>	<u>(6,099,761)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(46,570)	(116,627)
Safe custody fees	(7,847)	(23,045)
Interest payable	(6,675)	(9,892)
	<u>(61,092)</u>	<u>(149,564)</u>
Other expenses:		
Audit fee	(17,166)	(31,483)
Regulatory and professional fees	(19,517)	(13,829)
Miscellaneous expenses	(1,536)	(1,540)
Publication charges	16,041	(30,173)
	<u>(22,178)</u>	<u>(77,025)</u>
Total expenses	<u>(2,487,949)</u>	<u>(6,326,350)</u>

5 TAXATION

	2017 US\$	2016 US\$
Analysis of charge in period:		
Overseas tax suffered	(533,812)	(1,936,508)
Total overseas taxation	<u>(533,812)</u>	<u>(1,936,508)</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:

	2017 US\$	2016 US\$
Revenue deducted on cancellation of shares	966,088	238,209
Revenue received on creation of shares	(9,762)	(208,754)
Distributions for the year	<u>956,326</u>	<u>29,455</u>

Details of the distribution per share are set out on page 38.

7 FAIR VALUE HIERARCHY

Valuation technique	2017 Assets US\$	2016* Assets US\$
Quoted prices for identical instruments in active markets	24,765,878	323,043,513
Valuation techniques using observable market data	–	–
Valuation techniques using non-observable market data	–	–
Total	<u>24,765,878</u>	<u>323,043,513</u>

Financial instruments have been measured at their fair value and have been classified using a hierarchy below that reflects the significance of the inputs used in measuring their fair value:

Level 1: Quoted prices for identical instruments in active markets

This includes instruments such as publicly traded equities; highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation techniques using observable market data

This includes publicly traded corporate bonds and instruments which have been valued using models with observable market data inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads. Over-the-counter instruments have also been included in the category.

Level 3: Valuation techniques using non-observable market data

This refers to instruments which have been valued using models with non-observable market data inputs. This includes private equity, unlisted closed-ended funds and investment analyst recommended prices where the market price is deemed to not be a true representation of fair value.

*Presentation of comparative figures has changed in line with FRS 102 amendments.

8 DEBTORS

	2017 US\$	2016 US\$
Amounts receivable for issue of shares	–	2,298,221
Accrued revenue	25,128	456,750
Receivable from Manager – Nominal shares	147,322	20,421
Total debtors	<u>172,450</u>	<u>2,775,392</u>

9 OTHER CREDITORS

	2017 US\$	2016 US\$
Amounts payable for cancellation of shares	–	(155,515)
Purchases awaiting settlement	–	(4,899,793)
Accrued expenses	(159,558)	(160,896)
Amounts payable to the Manager	(62,765)	(538,367)
Total creditors	<u>(222,323)</u>	<u>(5,754,571)</u>

10 RELATED PARTY TRANSACTIONS

Charles Taylor International Fund Managers (IOM) 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 Charles Taylor Group (see page 73), of which the Fund is a related party, hold 1,374,816 (2016: Zurich Insurance Group 52,030,162) 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 Charles Taylor International Fund Managers (IOM) Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts paid to Charles Taylor International Fund Managers (IOM) Limited in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 56,053 (December 2016: US\$ 528,500) in respect of the annual management charge, and US\$ 124 (December 2016: US\$ 241) 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	53,975,620	1,656,984	(52,417,420)	3,215,184

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2016: US\$ Nil).

North American Growth Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2017 to 31st December 2017

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 2017 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
Purchases (excluding in-specie and corporate action activity):						
Equity	68,367,401	55,586	–	68,422,987	0.08	0.00
	<u>68,367,401</u>	<u>55,586</u>	<u>–</u>	<u>68,422,987</u>		
Sales:						
Sales (excluding in-specie and corporate action activity):						
Equity	395,888,839	(100,475)	(8,644)	395,779,720	(0.03)	(0.00)
	<u>395,888,839</u>	<u>(100,475)</u>	<u>(8,644)</u>	<u>395,779,720</u>		
Total		156,061	8,644			
Percentage of Fund average net assets		<u>0.13%</u>	<u>0.01%</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 2016 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
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>		
Sales:						
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		589,008	(6,915)			
Percentage of Fund average net assets		<u>0.19%</u>	<u>0.00%</u>			

North American Growth Fund
Notes to the Financial Statements (continued)

for the accounting period 1st January 2017 to 31st December 2017

13 DIRECT TRANSACTION COSTS (continued)

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.04% (2016: 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 69.

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	Non-monetary exposure		Total
	Monetary exposure	Non-monetary exposure	
	US\$	US\$	US\$
Currency 2017			
Canadian Dollar	43	–	43
UK Sterling	8,969	–	8,969
US Dollar	113,748	24,765,878	24,879,626
Currency 2016	US\$	US\$	US\$
Canadian Dollar	41	–	41
UK Sterling	57,587	–	57,587
US Dollar	4,605,415	323,043,513	327,648,928

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 2017 and 31st December 2016 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
	US\$	US\$	US\$	US\$
Currency 2017				
Canadian Dollar	43	–	–	43
UK Sterling	8,969	–	–	8,969
US Dollar	310,943	–	24,791,006	25,101,949
Currency 2016	US\$	US\$	US\$	US\$
Canadian Dollar	41	–	–	41
UK Sterling	57,587	–	–	57,587
US Dollar	7,605,015	–	325,798,484	333,403,499

	Floating rate financial liabilities	Financial liabilities not carrying interest	Total
	US\$	US\$	US\$
Currency 2017			
US Dollar	–	(222,323)	(222,323)
Currency 2016	US\$	US\$	US\$
US Dollar	–	(5,754,571)	(5,754,571)

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 2017, the Fund produced a total gross return of +37.2% in United States (US) Dollar terms, compared with a total gross return of +32.0% for the MSCI AC Asia Pacific Free Index.

Review

In the 12 months ended 31st December 2017 Asian equities rallied, with weakness in the US Dollar, global liquidity and the supportive macro outlook all underpinning the continuous inflows into the market.

Japanese markets rose over the review period. The TOPIX index returned 22.32% on a local currency, total return basis, and 15.6% in Sterling. Over the period, economic indicators surprised on the upside, as robust global growth acted as a tailwind for Japan's economy, helping to boost exports. Business and consumer confidence indicators continued to improve. The labour market tightened further, with the unemployment rate falling below 3% for the first time since 1994.

China significantly outperformed regional peers; equities rose on the back of better economic data and strong corporate earnings results. During the period, the People's Bank of China shifted its accommodative stance, raising inter-bank rates in a move to slow credit growth through the control of off-balance sheet lending.

The tech-dominated markets in Korea and Taiwan advanced over the period. In Korea, strong earnings per share (EPS) growth estimates and receding political noise boosted markets. Political tensions with China eased following the election of President Moon Jae-in, and the potential passage of chaebol reforms (regarding the transparency of large corporations) is expected to provide future tailwinds.

In India, equity markets recovered from the sell-off that took place following the government's demonetisation programme. The government introduced the Goods and Services Tax bill, a comprehensive reform of the country's tax code. The bill's implementation weighed on economic performance, but sentiment improved towards the close of the period.

Our activity over the period included:

In Japan, we added a new position in tyre maker Bridgestone Corp. (Japan). We felt that the market underestimated the sustainability of returns for the company and that it would be able to offset higher raw materials costs by raising prices. We also added drugstore companies Cocokara Fine, Inc. (Japan) and Tsuruha Holdings, Inc. (Japan). We feel that sustainable growth is possible within the drugstore industry against a backdrop of Japan's aging population and the potential for consolidation and market share gains within this fragmented market. Another new purchase was merger and acquisition facilitator Nihon M&A Center, Inc. (Japan), a highly profitable company that is benefiting as Japan's elderly business owners retire and look for successors.

The Fund increased its exposure to China, primarily through adding to tech name Alibaba Group Holding Ltd., ADR (Cayman Islands), which offers an improved core business, growing user engagement and better conversion of data-driven marketing technologies. We also initiated a position in China Merchants Bank Co. Ltd. 'H' (China), which enjoys a strong domestic retail franchise.

The Fund also added to its exposure in Korea. We added to financials, such as Hana Financial Group, Inc. (South Korea) and KB Financial Group, Inc. (South Korea), both beneficiaries of the steepening US yield curve. The Fund reduced its exposure to Taiwan, maintaining our process discipline as tech names reached target prices and the risk/reward skew became unfavourable. In addition, the Fund reduced its exposure to Australia for stock-specific reasons and because of an unfavourable macro environment.

Corporate earnings growth in Asia has picked up and is broad based, with a marked improvement in the cyclical sectors, and is now outpacing companies' developed market counterparts. Asian markets have also benefited from policy support, and in many countries the expected increase in fiscal stimulus should help boost domestic demand in both Asia Pacific and developed markets.

Current economic momentum in China has surpassed expectations, but it will be important to monitor the scale of policy tightening and its impact on the economy, which has remained resilient thus far and has been supported by the strength of consumption. Consumption, helped by rising real incomes, remains a strong support for economic growth, while export performance has surprised positively in the absence of US protectionist measures.

Asian markets are trading at undemanding valuations, compared to absolute, relative and historic levels, with further support coming from a benign capex environment, which is leading to cash flow improvements. This creates a strong case for investment into the asset class using our active approach.

Far East Fund Comparative Tables

for the accounting period 1st January 2017 to 31st December 2017

	2017 US\$	Preference shares 2016 US\$	2015 US\$
Change in net assets per share			
Opening net asset value per share	2.8214	2.8402	2.8965
Return before operating charges ¹	1.0351	0.0567	0.0204
Operating charges	(0.0870)	(0.0755)	(0.0767)
Return after operating charges	0.9481	(0.0188)	(0.0563)
Distributions on preference shares	–	–	–
Closing net asset value per shares	3.7695	2.8214	2.8402
¹ after direct transaction costs	(0.0092)	(0.0055)	(0.0063)
Performance			
Return after charges	33.60%	(0.66)%	(1.94)%
Other information			
Closing net asset value (US\$)	8,188,390	6,540,181	7,575,989
Closing number of shares	2,172,267	2,318,044	2,667,400
Operating charges	2.66%	2.73%	2.56%
Direct transaction costs (note 13)	0.28%	0.20%	0.21%
Prices			
Highest offer share price (US\$)	3.9880	3.1700	3.4510
Lowest bid share price (US\$)	2.8060	2.3760	2.6120

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\$
For the accounting period ended:			
31st December 2013	0.0017	3.1550	2.6090
31st December 2014	0.0009	3.2890	2.6900

Ongoing Charges Figure (“OCF”) For the accounting period ended:

	OCF %
31st December 2016	2.73%
31st December 2017	2.66%

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 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 50, 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 2017 to 31st December 2017

	Notes	2017 US\$	2016 US\$
Income			
Net capital gain/(losses)	2	2,125,211	(56,500)
Revenue	3	163,410	170,831
Expenses	4	(158,710)	(151,995)
Net revenue before taxation		4,700	18,836
Taxation	5	(17,773)	(19,613)
Net expense after taxation		(13,073)	(777)
Total return before distributions		2,112,138	(57,277)
Distributions	6	464	(458)
Change in Net Assets Attributable to Preference Shareholders from investment activities		2,112,602	(57,735)

Balance Sheet

as at 31st December 2017

	Notes	2017 US\$	2016 US\$
Assets:			
Fixed assets:			
Investments	7	8,034,418	6,518,555
Current assets:			
Debtors	8	88,762	87,946
Cash and bank balances		170,324	56,127
Total assets		8,293,504	6,662,628
Liabilities:			
Creditors:			
Other creditors	9	(32,887)	(50,584)
Total liabilities		(32,887)	(50,584)
Equity:			
Nominal shares		(72,227)	(71,863)
Total equity		(72,227)	(71,863)
Net Assets Attributable to Preference Shareholders		8,188,390	6,540,181

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2017 to 31st December 2017

	2017 US\$	2016 US\$
Opening Net Assets Attributable to Preference Shareholders	6,540,181	7,575,989
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	60,145	142,537
Amounts payable on cancellation of shares	(524,538)	(1,120,610)
	(464,393)	(978,073)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	2,112,602	(57,735)
Closing Net Assets Attributable to Preference Shareholders	8,188,390	6,540,181

Distribution Tables

There was no distribution for the accounting period 1st January 2017 to 31st December 2017, as expenses exceed revenue (December 2016: US\$ Nil).

* Please refer to the Accounting policies "Basis of accounting" on page 68.

The notes on pages 49 to 51 form an integral part of the financial statements.

Far East Fund Portfolio Statement

as at 31st December 2017

Holding	Investment	Currency	Market Value US\$	% of Net Assets	Holding	Investment	Currency	Market Value US\$	% of Net Assets
	Collective Investment Schemes 2.23% (1.53%)								
2,098	Threadneedle India Fund Ltd.	USD	182,564	2.23	800	cocokara fine, Inc.	JPY	51,638	0.63
	Collective Investment Schemes total		182,564	2.23	3,700	Dai-ichi Life Holdings, Inc.	JPY	76,263	0.93
	Equities 95.89% (98.14%)				2,200	Daiichi Sankyo Co. Ltd.	JPY	57,339	0.70
	Australia 7.43% (10.56%)				700	Daikin Industries Ltd.	JPY	82,846	1.01
2,568	Amcort Ltd.	AUD	30,956	0.38	7,000	Daiwa Securities Group, Inc.	JPY	43,934	0.54
3,189	Australia & New Zealand Banking Group Ltd.	AUD	71,646	0.88	600	Digital Arts, Inc.	JPY	23,999	0.29
4,210	BHP Billiton Ltd.	AUD	97,383	1.19	100	Disco Corp.	JPY	22,232	0.27
3,676	Challenger Ltd.	AUD	40,345	0.49	800	Don Quijote Holdings Co. Ltd.	JPY	41,836	0.51
886	Commonwealth Bank of Australia	AUD	55,668	0.68	900	Eizo Corp.	JPY	42,431	0.52
777	CSL Ltd.	AUD	85,854	1.05	1,600	Elecom Co. Ltd.	JPY	36,864	0.45
2,321	LendLease Group	AUD	29,667	0.36	1,600	Hoya Corp.	JPY	79,851	0.98
5,359	Link Administration Holdings Ltd.	AUD	35,382	0.43	3,500	I TOCHU Corp.	JPY	65,336	0.80
568	Macquarie Group Ltd.	AUD	44,259	0.54	1,700	Itochu Techno-Solutions Corp.	JPY	73,657	0.90
1,377	Rio Tinto Ltd.	AUD	81,650	1.00	900	JCU Corp.	JPY	43,789	0.54
1,449	Westpac Banking Corp.	AUD	35,524	0.43	2,900	JSR Corp.	JPY	57,109	0.70
			608,334	7.43	1,000	Katitas Co. Ltd.	JPY	22,916	0.28
	Cayman Islands 9.48% (7.00%)				300	Keyence Corp.	JPY	168,072	2.05
1,406	Alibaba Group Holding Ltd., ADR	USD	242,043	2.96	700	Koito Manufacturing Co. Ltd.	JPY	49,099	0.60
14,000	ANTA Sports Products Ltd.	HKD	63,487	0.78	300	Kose Corp.	JPY	46,826	0.57
1,060	JD.com, Inc., ADR	USD	43,979	0.54	3,900	Kubota Corp.	JPY	76,490	0.93
47,000	Li Ning Co. Ltd.	HKD	37,998	0.46	2,600	Kyowa Hakko Kirin Co. Ltd.	JPY	50,278	0.61
6,000	Minh Group Ltd.	HKD	36,036	0.44	1,800	Maeda Kosen Co. Ltd.	JPY	33,178	0.41
6,000	Sands China Ltd.	HKD	30,931	0.38	3,800	Mitsubishi Corp.	JPY	104,995	1.28
253	SINA Corp.	USD	25,543	0.31	24,800	Mitsubishi UFJ Financial Group, Inc.	JPY	181,833	2.22
5,700	Tencent Holdings Ltd.	HKD	296,035	3.61	2,200	Mitsui Chemicals, Inc.	JPY	70,807	0.87
			776,052	9.48	400	Nidec Corp.	JPY	56,131	0.69
	China 5.59% (5.23%)				1,300	Nihon M&A Center, Inc.	JPY	61,982	0.76
7,500	Anhui Conch Cement Co. Ltd. 'H'	HKD	35,114	0.43	200	Nintendo Co. Ltd.	JPY	73,142	0.89
133,000	Bank of China Ltd. 'H'	HKD	65,332	0.80	1,500	Nippon Steel & Sumitomo Metal Corp.	JPY	38,496	0.47
120,000	China Construction Bank Corp. 'H'	HKD	110,524	1.35	2,300	Nippon Telegraph & Telephone Corp.	JPY	108,230	1.32
15,000	China Merchants Bank Co. Ltd. 'H'	HKD	59,675	0.73	900	Olympus Corp.	JPY	34,520	0.42
42,000	China Petroleum & Chemical Corp. 'H'	HKD	30,786	0.37	1,500	Open House Co. Ltd.	JPY	80,440	0.98
15,000	Ping An Insurance Group Co. of China Ltd. 'H'	HKD	156,096	1.91	3,300	ORIX Corp.	JPY	55,786	0.68
			457,527	5.59	5,900	Penta-Ocean Construction Co. Ltd.	JPY	43,898	0.54
	Hong Kong 6.51% (5.39%)				2,200	Persol Holdings Co. Ltd.	JPY	55,103	0.67
22,400	AIA Group Ltd.	HKD	190,838	2.33	1,300	Pigeon Corp.	JPY	49,458	0.60
7,500	BOC Hong Kong Holdings Ltd.	HKD	37,993	0.46	2,000	Relo Group, Inc.	JPY	54,426	0.67
2,500	China Mobile Ltd.	HKD	25,344	0.31	15,400	Resona Holdings, Inc.	JPY	92,020	1.12
38,000	CNOOC Ltd.	HKD	54,541	0.67	1,200	Resorttrust, Inc.	JPY	27,265	0.33
44,000	CSPC Pharmaceutical Group Ltd.	HKD	88,818	1.09	400	Rohm Co. Ltd.	JPY	44,287	0.54
5,000	Galaxy Entertainment Group Ltd.	HKD	40,103	0.49	900	SCSK Corp.	JPY	41,472	0.51
3,000	Sun Hung Kai Properties Ltd.	HKD	49,928	0.61	2,500	Seiko Epson Corp.	JPY	58,976	0.72
7,000	Techtronic Industries Co. Ltd.	HKD	45,399	0.55	4,200	Sekisui Chemical Co. Ltd.	JPY	84,313	1.03
			532,964	6.51	700	Seria Co. Ltd.	JPY	42,200	0.52
	India 1.99% (1.52%)				800	SoftBank Group Corp.	JPY	63,344	0.77
708	HDFC Bank Ltd., ADR	USD	71,692	0.88	1,100	Solasto Corp.	JPY	24,924	0.30
2,338	ICICI Bank Ltd., ADR	USD	22,819	0.28	2,200	Start Today Co. Ltd.	JPY	66,900	0.82
2,389	Reliance Industries Ltd., GDR	USD	68,206	0.83	1,000	Suzuki Motor Corp.	JPY	57,969	0.71
			162,717	1.99	3,200	Takuma Co. Ltd.	JPY	44,805	0.55
	Indonesia 2.07% (2.53%)				2,300	Tanseisha Co. Ltd.	JPY	25,914	0.32
52,200	Astra International Tbk. PT	IDR	31,962	0.39	400	Tokyo Electron Ltd.	JPY	72,432	0.88
192,500	Bank Rakyat Indonesia Persero Tbk. PT	IDR	51,549	0.63	1,500	Toyota Motor Corp.	JPY	96,036	1.17
261,700	Telekomunikasi Indonesia Persero Tbk. PT	IDR	85,718	1.05	300	Tsuruha Holdings, Inc.	JPY	40,780	0.50
			169,229	2.07				3,518,247	42.97
	Ireland 0.00% (0.64%)					Luxembourg 0.47% (0.00%)			
	Japan 42.97% (47.60%)				8,400	Samsonite International SA	HKD	38,361	0.47
2,000	Amano Corp.	JPY	52,260	0.64				38,361	0.47
800	BayCurrent Consulting, Inc.	JPY	23,084	0.28		Malaysia 0.00% (0.60%)			
2,300	Benefit One, Inc.	JPY	47,989	0.59		Philippines 1.12% (0.83%)			
1,900	Bridgestone Corp.	JPY	88,345	1.08	32,800	Ayala Land, Inc.	PHP	29,090	0.35
1,300	Capcom Co. Ltd.	JPY	41,148	0.50	203,400	Metro Pacific Investments Corp.	PHP	27,812	0.34
8,000	Chiba Bank Ltd. (The)	JPY	66,554	0.81	17,250	Metropolitan Bank & Trust Co.	PHP	34,984	0.43
								91,886	1.12
					7,800	Singapore 3.07% (1.43%)			
					6,460	City Developments Ltd.	SGD	72,844	0.89
					10,700	DBS Group Holdings Ltd.	SGD	120,128	1.46
						Keppel Corp. Ltd.	SGD	58,852	0.72
								251,824	3.07
						South Korea 9.35% (6.81%)			
					219	E-MART, Inc.	KRW	55,349	0.68
					1,304	Hana Financial Group, Inc.	KRW	60,725	0.74
					1,190	KB Financial Group, Inc.	KRW	70,398	0.86
					156	LG Chem Ltd.	KRW	59,139	0.72
					177	LG Innotek Co. Ltd.	KRW	23,775	0.29
					1,880	LG Uplus Corp.	KRW	24,637	0.30
					79	NCSOFT Corp.	KRW	33,055	0.40
					168	POSCO	KRW	52,209	0.64
					108	Samsung Electronics Co. Ltd.	KRW	257,586	3.14

Far East Fund
Portfolio Statement (continued)

as at 31st December 2017

Holding	Investment	Currency	Market Value US\$	% of Net Assets
South Korea 9.35%				
(6.81%) (continued)				
13	Samsung Electronics Co. Ltd. Preference	KRW	25,372	0.31
343	Samsung Life Insurance Co. Ltd.	KRW	39,812	0.49
334	Samsung SDI Co. Ltd.	KRW	63,935	0.78
			765,992	9.35
Taiwan 5.08% (6.65%)				
20,000	Cathay Financial Holding Co. Ltd.	TWD	35,991	0.44
42,705	E.Sun Financial Holding Co. Ltd.	TWD	27,128	0.33
13,000	Hon Hai Precision Industry Co. Ltd.	TWD	41,663	0.51
250	Largan Precision Co. Ltd.	TWD	33,868	0.41
7,000	MediaTek, Inc.	TWD	69,353	0.85
27,000	Taiwan Semiconductor Manufacturing Co. Ltd.	TWD	208,364	2.54
			416,367	5.08
Thailand 0.76% (1.07%)				
8,000	Kasikornbank PCL, NVDR	THB	56,950	0.69
400	PTT PCL	THB	5,400	0.07
			62,350	0.76
United States of America				
0.00% (0.28%)				
Equities total			7,851,850	95.89
Forward Currency Contract				
0.00% (0.00%)				
	Buy JPY 327,000 sell USD 2,899 dated 04/01/2018		4	-
Forward Currency Contracts total			4	-
Total Value of Investments			8,034,418	98.12
Net Other Assets (2016: 0.33%)			153,972	1.88
Net assets attributable to Preference Shareholders			8,188,390	100.00

The comparative percentage figures in brackets are as at 31st December 2016.

Far East Fund

Notes to the Financial Statements

for the accounting period 1st January 2017 to 31st December 2017

1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 68.

2 NET CAPITAL GAINS/(LOSSES)

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

	2017 US\$	2016 US\$
Non-derivative securities	2,163,101	(12,610)
Forward currency derivative contracts	(197)	869
Other currency losses	(2,147)	(5,402)
Transaction charges	(35,546)	(39,357)
Net capital gains/(losses)	<u>2,125,211</u>	<u>(56,500)</u>

Gains/(losses) from non-derivatives securities include realised gains of US\$ 713,113 (2016: US\$ 207,203 – realised loss) and change in unrealised gains of US\$ 1,449,988 (2016: US\$ 194,593).

Forward currency derivative contracts include realised losses of US\$ 201 (2016: US\$ 869 – realised gains) and change in unrealised gains of US\$ 4 (2016: US\$ Nil).

3 REVENUE

	2017 US\$	2016 US\$
Overseas dividends	162,233	167,303
Bank interest	357	309
Management fee rebates	820	3,219
Total revenue	<u>163,410</u>	<u>170,831</u>

4 EXPENSES

	2017 US\$	2016 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(142,678)	(136,052)
Registration expenses	(2,245)	(2,846)
Directors' fees	(489)	(251)
	<u>(145,412)</u>	<u>(139,149)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(3,502)	(3,339)
Safe custody fees	(3,865)	(3,648)
Interest payable	(135)	(1,307)
	<u>(7,502)</u>	<u>(8,294)</u>
Other expenses:		
Audit fee	(1,633)	(356)
Regulatory and professional fees	(4,123)	(3,367)
Miscellaneous expenses	(47)	(47)
Publication charges	7	(782)
	<u>(5,796)</u>	<u>(4,552)</u>
Total expenses	<u>(158,710)</u>	<u>(151,995)</u>

5 TAXATION

	2017 US\$	2016 US\$
Analysis of charge in period:		
Overseas tax suffered	(17,773)	(19,613)
Total overseas taxation	<u>(17,773)</u>	<u>(19,613)</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:

	2017 US\$	2016 US\$
Final	–	–
Revenue deducted on cancellation of shares	516	(473)
Revenue received on creation of shares	(52)	15
Distributions for the year	<u>464</u>	<u>(458)</u>

Details of the distribution per share are set out on page 46.

7 FAIR VALUE HIERARCHY

Valuation technique	2017 Assets US\$	2016* Assets US\$
Quoted prices for identical instruments in active markets	7,851,850	6,418,467
Valuation techniques using observable market data	182,568	100,088
Valuation techniques using non-observable data	–	–
Total value	<u>8,034,418</u>	<u>6,518,555</u>

Financial instruments have been measured at their value and have been classified using a hierarchy below that reflects the significance of the inputs used in measuring their value:

Level 1: Quoted prices for identical instruments in active markets

This includes instruments such as publicly traded equities; highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation techniques using observable market data

This includes publicly traded corporate bonds and instruments which have been valued using models with observable market data inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads. Over-the-counter instruments have also been included in the category.

Level 3: Valuation techniques using non-observable market data

This refers to instruments which have been valued using models with non-observable market data inputs. This includes private equity, unlisted closed-ended funds and investment analyst recommended prices where the market price is deemed to not be true representation of fair value.

*Presentation of comparative figures has changed in line with FRS 102 amendments.

8 DEBTORS

	2017 US\$	2016 US\$
Accrued rebates	7,286	6,466
Accrued revenue	8,857	9,258
Receivable from Manager – Nominal shares	72,227	71,863
Overseas tax recoverable	392	359
Total debtors	<u>88,762</u>	<u>87,946</u>

9 OTHER CREDITORS

	2017 US\$	2016 US\$
Amounts payable for cancellation of shares	–	(26,382)
Purchases awaiting settlement	(5,806)	–
Accrued expenses	(12,896)	(12,723)
Amounts payable to the Manager	(14,185)	(11,479)
Total creditors	<u>(32,887)</u>	<u>(50,584)</u>

10 RELATED PARTY TRANSACTIONS

Charles Taylor International Fund Managers (IOM) 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 Charles Taylor Group (see page 73), of which the Fund is a related party, hold 585,910 (2016: Zurich Insurance Group 648,813) 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 Charles Taylor International Fund Managers (IOM) Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts paid to Charles Taylor International Fund Managers (IOM) Limited in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 13,435 (December 2016: US\$ 10,946) in respect of the annual management charge, and US\$ 185 (December 2016: US\$ 346) 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	2,318,044	18,778	(164,555)	2,172,267

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2016: Nil).

Far East Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2017 to 31st December 2017

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 2017 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
Purchases (excluding in-specie and corporate action activity):						
Equity	4,998,848	7,103	1,250	5,007,201	0.14	0.03
Funds	38,000	–	–	38,000	–	–
	<u>5,036,848</u>	<u>7,103</u>	<u>1,250</u>	<u>5,045,201</u>		
Sales:						
Sales (excluding in-specie and corporate action activity):						
Equity	5,705,004	(8,161)	(4,301)	5,692,542	(0.14)	(0.08)
	<u>5,705,004</u>	<u>(8,161)</u>	<u>(4,301)</u>	<u>5,692,542</u>		
Total		<u>15,264</u>	<u>5,551</u>			
Percentage of Fund average net assets		<u>0.21%</u>	<u>0.07%</u>			

The direct transaction costs incurred during prior 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 %
Purchases:						
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>		
Sales:						
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>			

Far East Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2017 to 31st December 2017

13 DIRECT TRANSACTION COSTS (continued)

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.19% (2016: 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 69.

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 2017	US\$	US\$	US\$
Australian Dollar	1	608,334	608,335
Euro	20	–	20
Hong Kong Dollar	48	1,493,339	1,493,387
Indonesian Rupiah	–	169,229	169,229
Japanese Yen	(3,444)	3,521,150	3,517,706
Korean Won	6,945	765,992	772,937
Malaysian Ringitt	6	–	6
New Zealand Dollar	123	–	123
Philippine Peso	–	91,886	91,886
Singapore Dollar	50	251,824	251,874
Thai Bhat	114	62,350	62,464
Taiwanese Dollar	392	416,367	416,759
UK Sterling	254	–	254
US Dollar	149,463	653,947	803,410
Currency 2016	US\$	US\$	US\$
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

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 2017 and 31st December 2016 was:

Currency 2017	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
	US\$	US\$	US\$	US\$
Australian Dollar	1	–	608,334	608,335
Euro	20	–	–	20
Hong Kong Dollar	48	–	1,493,339	1,493,387
Indonesian Rupiah	–	–	169,229	169,229
Japanese Yen	431	–	3,523,081	3,523,512
Korean Won	19	–	772,918	772,937
Malaysian Ringitt	6	–	–	6
New Zealand Dollar	123	–	–	123
Philippine Peso	–	–	91,886	91,886
Singapore Dollar	50	–	251,824	251,874
Taiwanese Dollar	–	–	416,759	416,759
Thai Bhat	114	–	62,350	62,464
UK Sterling	254	–	–	254
US Dollar	169,258	–	664,132	833,390
Currency 2016	US\$	US\$	US\$	US\$
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

Currency 2017	Floating rate financial liabilities	Financial liabilities not carrying interest	Total
	US\$	US\$	US\$
Japanese Yen	–	(5,806)	(5,806)
US Dollar	–	(29,980)	(29,980)
Currency 2016	US\$	US\$	US\$
US Dollar	–	(50,584)	(50,584)

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 2017 the FTSE All-Share Index produced a return of +13.1% in Sterling terms. By comparison, the Fund achieved a total gross return of +12.0% over the same period.

Review

The FTSE All-Share index posted a total return of 13.1% in 2017. Factors that bolstered sentiment included increased takeover activity, some better than expected economic markers and a general move in favour of risk assets.

Sterling trended higher over the year and recovered to its September 2016 level. Nevertheless, exporters and companies with significant overseas earnings still led the market over 2017. Some of these stocks benefited from hopes that President Trump would implement his planned growth friendly policies. A tax cutting bill was eventually passed on 20 December 2017; the proposed overhaul could provide a boost to the earnings of some United Kingdom (UK) companies.

UK politics also garnered attention. In April, Prime Minister Theresa May's unexpected call for a snap general election in June fuelled hopes that the Conservatives would secure an increased parliamentary majority which would strengthen the government's hand in Brexit negotiations. In the event, this failed to materialise: the Conservative Party lost its overall majority and had to strike a "confidence and supply deal" with Northern Ireland's Democratic Unionist Party. While the rest of the year saw some jitters regarding Theresa May's ability to stay on as Prime Minister and uncertainties over the UK's future relationship with the European Union (EU), Sterling still rose, largely because hawkish comments from Bank of England (BoE) officials and high inflation prints led investors to anticipate that the central bank could soon raise interest rates. These expectations were proved correct in November when the BoE delivered a quarter-point rate hike; however, market participants' dovish interpretation of the bank's guidance subsequently pressured Sterling. Later, the currency gained due to the prospect, then reality, that UK and EU officials would reach agreement on some of the key sticking points in Brexit negotiations, although some of the optimism gave way to jitters about the tougher next phase.

On the economic front, the UK's gross domestic product growth trended lower in 2017. High inflation came through during the year due to the currency weakness increasing costs of goods. However, Sterling's decline benefited the UK's manufacturing sector, which saw solid growth in output and new orders. Furthermore, readings of the purchasing managers' index covering the services sector remained consistently in expansionary territory.

2017 saw several new holdings added to the Fund. These included Whitbread plc (hotels, restaurants and leisure), Informa plc (media), Rotork plc (machinery) and Cobham plc (aerospace and defense). We took advantage of share price weakness to open a position in Whitbread. We believe the company has a potentially significant revenue enhancing opportunity in its hotel franchise: management has plans for a 7% increase in the number of rooms by 2020. Publishing and events company Informa has a robust business model, with ongoing improvements in various areas. Rotork is a global leader in actuation systems. Tailwinds from returning oil & gas capital expenditure, industry consolidation, and a management team that has invested well to enhance the company's offering all combine to present an interesting backdrop. Furthermore, we believe Rotork is less vulnerable than its peers to macroeconomic weakness. In our view, Cobham's resilient underlying business offers multiple opportunities for value creation, which the new management team should be able to unlock.

Among sales, we exited Pearson plc (media) and recycled the proceeds into stocks where we have more conviction. We also sold Berendsen plc (commercial services and supplies) following news that it would be taken over by French rival Elis. Other exits included BAE Systems plc (aerospace and defense) as we felt the stock was fully valued and that the risk reward profile was likely to turn less attractive.

We remain cautious about the gradual withdrawal of liquidity by global central banks and the potential risks this poses for equities, given their rich valuations. UK equities are relatively more attractively valued than their international counterparts, largely due to the uncertainty around Brexit.

In our view, the unjustifiably cheap valuations of many UK firms along with Sterling's weakness since the Brexit vote, should help ensure UK listed firms remain attractive takeover targets for overseas companies. Political noise following the UK general election in June seemed to slow bid momentum, but we are beginning to see a pick up in activity from activist investors, so expect deal activity to resurface this year.

We will retain our focus on bottom up company fundamentals and believe that volatile markets should provide us with opportunities to add to favoured names at attractive valuations.

UK Capital Growth Fund Comparative Tables

for the accounting period 1st January 2017 to 31st December 2017

	2017	Preference shares 2016	2015
	£	£	£
Change in net assets per share			
Opening net asset value per share	1.1782	1.0615	1.0233
Return before operating charges ¹	0.1425	0.1540	0.0729
Operating charges	(0.0263)	(0.0227)	(0.0223)
Return after operating charges	0.1162	0.1313	0.0506
Distributions on preference shares	(0.0152)	(0.0146)	(0.0124)
Closing net asset value per shares	1.2792	1.1782	1.0615
¹ after direct transaction costs	(0.0018)	(0.0013)	(0.0009)
Performance			
Return after charges	9.86%	12.37%	4.94%
Other information			
Closing net asset value (£)	40,090,293	40,250,597	37,658,730
Closing number of shares	31,339,928	34,161,700	35,476,811
Operating charges	2.09%	2.06%	2.06%
Direct transaction costs (note 13)	0.14%	0.12%	0.09%
Prices			
Highest offer share price (£)	1.3740	1.2750	1.2020
Lowest bid share price (£)	1.1710	0.9444	0.9980

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 £
For the accounting period ended:			
31st December 2013	0.0122	1.0830	0.8234
31st December 2014	0.0095	1.1140	0.9423

Ongoing Charges Figure ("OCF") For the accounting period ended:

	OCF
	%
31st December 2016	2.06%
31st December 2017	2.09%

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 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 58, 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

54

Statement of Total Return

for the accounting period 1st January 2017 to 31st December 2017

	Notes	2017 US\$	2016 US\$
Income			
Net capital gains	2	4,507,941	5,038,836
Revenue	3	1,852,251	1,624,365
Expenses	4	(1,163,274)	(979,657)
Net revenue before taxation		688,977	644,708
Taxation	5	(4,520)	(5,061)
Net revenue after taxation		684,457	639,647
Total return before distribution		5,192,398	5,678,483
Distributions	6	(684,457)	(639,647)
Change in Net Assets Attributable to Preference Shareholders from investment activities		4,507,941	5,038,836

Balance Sheet

as at 31st December 2017

	Notes	2017 US\$	2016 US\$
Assets:			
Fixed assets:			
Investments	7	54,637,461	50,317,631
Current assets:			
Debtors	8	514,632	492,066
Cash and bank balances		289,249	126,751
Total assets		55,441,342	50,936,448
Liabilities:			
Creditors:			
Distribution payable	6	(644,557)	(617,055)
Other creditors	9	(165,696)	(179,752)
Total liabilities		(810,253)	(796,807)
Equity:			
Nominal shares		(392,932)	(385,877)
Total equity		(392,932)	(385,877)
Net Assets Attributable to Preference Shareholders		54,238,157	49,753,764

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2017 to 31st December 2017

	2017 US\$	2016 US\$
Opening Net Assets Attributable to Preference Shareholders	49,753,764	55,510,851
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	964,224	2,694,840
Amounts payable on cancellation of shares	(5,689,040)	(4,529,964)
	(4,724,816)	(1,835,124)
Difference on currency conversion	4,701,268	(8,960,893)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	4,507,941	5,038,836
Unclaimed distributions	–	94
Closing Net Assets Attributable to Preference Shareholders	54,238,157	49,753,764

Distribution Tables

for the accounting period 1st January 2017 to 31st December 2017

	Income £	Equalisation £	Distribution Payable 2017 £	Distribution Paid 2016 £
Group 1	0.0152	–	0.0152	0.0146
Group 2	0.0116	0.0036	0.0152	0.0146

Group 2 units are those purchased after 16:00 (UK time) on 31st December 2016.

* Please refer to the Accounting policies "Basis of accounting" on page 68.

The notes on pages 57 to 59 form an integral part of the financial statements.

UK Capital Growth Fund Portfolio Statement

as at 31st December 2017

Holding	Investment	Currency	Market Value US\$	% of Net Assets	Holding	Investment	Currency	Market Value US\$	% of Net Assets
Equities 100.74% (101.13%)					Capital Markets 7.46% (4.79%)				
Consumer Discretionary 16.03% (19.49%)					Insurance 8.81% (10.31%)				
Auto Components 1.37% (2.05%)					Financials total 11,098,349 20.46				
172,602	GKN plc	GBP	743,973	1.37	59,654	Intermediate Capital Group plc	GBP	924,082	1.70
			743,973	1.37	26,444	London Stock Exchange Group plc	GBP	1,354,483	2.50
					18,110	Schroders plc, (Non-Voting)	GBP	613,751	1.13
					69,533	St James's Place plc	GBP	1,152,372	2.13
								4,044,688	7.46
					Health Care 6.13% (8.42%)				
42,938	Headlam Group plc	GBP	334,893	0.62	422,202	Legal & General Group plc	GBP	1,561,082	2.88
39,800	Inchcape plc	GBP	420,533	0.77	92,174	Prudential plc	GBP	2,373,083	4.37
			755,426	1.39	99,236	RSA Insurance Group plc	GBP	847,829	1.56
								4,781,994	8.81
					Health Care Equipment & Supplies 1.37% (2.37%)				
					42,898	Smith & Nephew plc	GBP	745,772	1.37
								745,772	1.37
					Pharmaceuticals 4.76% (6.05%)				
					16,471	AstraZeneca plc	GBP	1,140,475	2.10
					80,796	GlaxoSmithKline plc	GBP	1,440,692	2.66
								2,581,167	4.76
					Health Care total 3,326,939 6.13				
					Industrials 14.42% (14.72%)				
					Aerospace & Defense 1.86% (2.08%)				
					229,637	Cobham plc	GBP	391,762	0.72
					53,530	Rolls-Royce Holdings plc	GBP	613,404	1.13
					2,821,042	Rolls-Royce Holdings plc Preference	GBP	3,817	0.01
								1,008,983	1.86
					Air Freight & Logistics 1.01% (1.12%)				
					89,442	Royal Mail plc	GBP	547,552	1.01
								547,552	1.01
					Commercial Services & Supplies 1.79% (2.99%)				
					24,352	Aggreko plc	GBP	262,578	0.48
					164,733	Rentokil Initial plc	GBP	708,718	1.31
								971,296	1.79
					Electrical Equipment 1.42% (1.40%)				
					269,626	Melrose Industries plc	GBP	772,598	1.42
								772,598	1.42
					Industrial Conglomerates 1.24% (1.20%)				
					33,256	Smiths Group plc	GBP	670,381	1.24
								670,381	1.24
					Machinery 1.68% (0.00%)				
					121,260	Rotork plc	GBP	437,856	0.81
					16,480	Weir Group plc (The)	GBP	473,340	0.87
								911,196	1.68
					Professional Services 2.62% (2.57%)				
					60,451	RELX plc	GBP	1,421,409	2.62
								1,421,409	2.62
					Road & Rail 0.68% (0.72%)				
					165,919	Stagecoach Group plc	GBP	369,705	0.68
								369,705	0.68
					Trading Companies & Distributors 2.12% (2.64%)				
					8,661	Ferguson plc	GBP	624,541	1.15
					82,709	Howden Joinery Group plc	GBP	522,335	0.97
								1,146,876	2.12
					Industrials total 7,819,996 14.42				
					Information Technology 3.74% (3.03%)				
					IT Services 1.45% (1.21%)				
					62,215	FDM Group Holdings plc	GBP	785,733	1.45
								785,733	1.45
					Software 2.29% (1.82%)				
					115,742	Sage Group plc (The)	GBP	1,244,087	2.29
								1,244,087	2.29
					Information Technology total 2,029,820 3.74				
					Financials 20.46% (17.28%)				
					Banks 4.19% (2.18%)				
407,449	Barclays plc	GBP	1,119,564	2.07					
109,177	Standard Chartered plc	GBP	1,152,103	2.12					
			2,271,667	4.19					

UK Capital Growth Fund Portfolio Statement (continued)

as at 31st December 2017

Holding	Investment	Currency	Market Value US\$	% of Net Assets
	Materials 9.83% (8.49%)			
	Chemicals 2.19% (1.83%)			
28,607	Johnson Matthey plc	GBP	1,188,938	2.19
			1,188,938	2.19
	Construction Materials 3.38% (3.02%)			
541,465	Breedon Group plc #	GBP	629,991	1.16
33,414	CRH plc	GBP	1,201,118	2.22
			1,831,109	3.38
	Containers & Packaging 1.51% (1.14%)			
116,915	DS Smith plc	GBP	818,552	1.51
			818,552	1.51
	Metals & Mining 2.75% (2.50%)			
27,988	Rio Tinto plc	GBP	1,491,880	2.75
			1,491,880	2.75
	Materials total		5,330,479	9.83
	Real Estate 3.25% (3.00%)			
	Equity Real Estate Investment Trusts (REITs) 2.18% (2.07%)			
12,899	Derwent London plc	GBP	543,949	1.00
46,915	Land Securities Group plc	GBP	639,791	1.18
			1,183,740	2.18
	Real Estate Management & Development 1.07% (0.93%)			
148,269	Grainger plc	GBP	579,514	1.07
			579,514	1.07
	Real Estate total		1,763,254	3.25
	Telecommunication Services 2.50% (3.29%)			
	Diversified Telecommunication Services 2.50% (3.29%)			
369,226	BT Group plc	GBP	1,355,713	2.50
			1,355,713	2.50
	Telecommunication Services total		1,355,713	2.50
	Equities total		54,637,461	100.74
	Total Value of Investments		54,637,461	100.74
	Net Other Liabilities (2016: 1.13%)		(399,304)	(0.74)
	Net Assets attributable to Preference Shareholders		54,238,157	100.00

The comparative percentage figures in brackets are as at 31st December 2016.
Security traded on another regulated market.

UK Capital Growth Fund

Notes to the Financial Statements

for the accounting period 1st January 2017 to 31st December 2017

1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 68.

2 NET CAPITAL GAINS

The net capital gains during the period comprise:

	2017 US\$	2016 US\$
Non-derivative securities	4,521,100	5,048,380
Other currency gains	1,160	376
Transaction charges	(14,319)	(9,920)
Net capital gains	<u>4,507,941</u>	<u>5,038,836</u>

Gains from non-derivatives securities include realised gains of US\$ 4,423,436 (2016: US\$ 4,711,709) and change in unrealised gains of US\$ 97,664 (2016: US\$ 4,576,671).

3 REVENUE

	2017 US\$	2016 US\$
Overseas dividends	1,813,421	1,563,138
Bank interest	57	114
Scrip dividends	8,285	49,383
Miscellaneous revenue	30,488	11,730
Total revenue	<u>1,852,251</u>	<u>1,624,365</u>

4 EXPENSES

	2017 US\$	2016 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(1,094,141)	(934,703)
Registration expenses	(1,877)	(2,173)
Directors' fees	(4,629)	(1,953)
	<u>(1,100,647)</u>	<u>(938,829)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(26,816)	(22,906)
Safe custody fees	(4,545)	(3,697)
Interest payable	(3,637)	(3,239)
	<u>(34,998)</u>	<u>(29,842)</u>
Other expenses:		
Audit fee	(15,743)	(3,716)
Regulatory and professional fees	(7,514)	(2,321)
Miscellaneous expenses	(295)	(271)
Publication charges	(4,077)	(4,678)
	<u>(27,629)</u>	<u>(10,986)</u>
Total expenses	<u>(1,163,274)</u>	<u>(979,657)</u>

5 TAXATION

	2017 US\$	2016 US\$
Analysis of charge in period:		
Overseas tax suffered	(4,520)	(5,061)
Total overseas taxation	<u>(4,520)</u>	<u>(5,061)</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:

	2017 US\$	2016 US\$
Final	(644,557)	(617,055)
	<u>(644,557)</u>	<u>(617,055)</u>
Revenue deducted on cancellation of shares	(42,328)	(36,264)
Revenue received on creation of shares	2,428	13,672
Distributions for the year	<u>(684,457)</u>	<u>(639,647)</u>

Details of the distribution per share are set out on page 54.

7 FAIR VALUE HIERARCHY

Valuation technique	2017 Assets US\$	2016* Assets US\$
Quoted prices for identical instruments in active markets	54,637,461	50,317,631
Valuation techniques using observable market data	–	–
Valuation techniques using non-observable market data	–	–
Total value	<u>54,637,461</u>	<u>50,317,631</u>

Financial instruments have been measured at their value and have been classified using a hierarchy below that reflects the significance of the inputs used in measuring their value:

Level 1: Quoted prices for identical instruments in active markets

This includes instruments such as publicly traded equities; highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation techniques using observable market data

This includes publicly traded corporate bonds and instruments which have been valued using models with observable market data inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads. Over-the-counter instruments have also been included in the category.

Level 3: Valuation techniques using non-observable market data

This refers to instruments which have been valued using models with non-observable market data inputs. This includes private equity, unlisted closed-ended funds and investment analyst recommended prices where the market price is deemed to not be true representation of fair value.

*Presentation of comparative figures has changed in line with FRS 102 amendments.

8 DEBTORS

	2017 US\$	2016 US\$
Accrued revenue	120,748	105,319
Receivable from Manager – Nominal shares	392,932	385,877
Overseas tax recoverable	952	870
Total debtors	<u>514,632</u>	<u>492,066</u>

9 OTHER CREDITORS

	2017 US\$	2016 US\$
Amounts payable for cancellation of shares	–	(58,855)
Accrued expenses	(75,723)	(40,122)
Amounts payable to the Manager	(89,973)	(80,775)
Total creditors	<u>(165,696)</u>	<u>(179,752)</u>

10 RELATED PARTY TRANSACTIONS

Charles Taylor International Fund Managers (IOM) 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 Charles Taylor Group (see page 73), of which the Fund is a related party, hold 25,140,125 (2016: Zurich Insurance Group 27,618,221) 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 Charles Taylor International Fund Managers (IOM) Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts paid to Charles Taylor International Fund Managers (IOM) Limited in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 84,543 (December 2016: US\$ 79,132) in respect of the annual management charge, and US\$ 155 (December 2016: US\$ 195) 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	34,161,700	576,028	(3,397,800)	31,339,928

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date. (2016: US\$ Nil).

UK Capital Growth Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2017 to 31st December 2017

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\$	Year to 31st December 2017 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
Purchases (excluding in-specie and corporate action activity):						
Equity	11,072,297	10,072	56,400	11,138,769	0.09	0.51
	<u>11,072,297</u>	<u>10,072</u>	<u>56,400</u>	<u>11,138,769</u>		
Sales:						
Sales (excluding in-specie and corporate action activity):						
Equity	16,067,475	(12,356)	(245)	16,054,874	(0.08)	(0.00)
	<u>16,067,475</u>	<u>(12,356)</u>	<u>(245)</u>	<u>16,054,874</u>		
Total		<u>22,428</u>	<u>56,645</u>			
Percentage of Fund average net assets		<u>0.04%</u>	<u>0.10%</u>			

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

	Principal US\$	Commission US\$	Taxes US\$	Total Cost US\$	Year to 31st December 2016 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
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>		
Sales:						
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>			

UK Capital Growth Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2017 to 31st December 2017

13 DIRECT TRANSACTION COSTS (continued)

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.16% (2016: 0.22%). 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 69.

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
Currency 2017	US\$	US\$	US\$
Euro	34,419	–	34,419
UK Sterling	(433,774)	54,637,462	54,203,688
US Dollar	50	–	50
Currency 2016	US\$	US\$	US\$
Euro	13,867	–	13,867
UK Sterling	(577,783)	50,317,631	49,739,848
US Dollar	49	–	49

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 2017 and 31st December 2016 was:

	Floating rate financial assets	Financial assets not carrying interest	Total
Currency 2017	US\$	US\$	US\$
Euro	34,419	–	34,419
UK Sterling	254,780	54,759,161	55,013,941
US Dollar	50	–	50
Currency 2016	US\$	US\$	US\$
Euro	13,867	–	13,867
UK Sterling	112,835	50,423,820	50,536,655
US Dollar	49	–	49

	Financial liabilities not carrying interest	Total
Currency 2017	US\$	US\$
UK Sterling	(810,253)	(810,253)
Currency 2016	US\$	US\$
UK Sterling	(796,807)	(796,807)

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 +12.8%, which was behind the FTSE World Europe ex UK Index, which returned +13.0% in Euro terms.

Review

This was a strong year for European equity markets.

The composite purchasing managers' index for the Eurozone indicated economic expansion; corporate earnings also provided grounds for optimism. The Eurozone's economy has now strengthened sufficiently for the European Central Bank (ECB) to start scaling back bond purchases in 2018, although the duration of the financial stimulus plan has been extended until at least September 2018.

The Bank of England raised interest rates, the first rate hike in a decade. United Kingdom (UK) growth forecasts have been revised downwards; Sterling weakness has benefited exporters but Brexit-related issues are delaying corporate investment, and rising inflation has dampened consumer spending.

Merger & acquisition (M&A) activity was evident in a wide variety of sectors, and several substantial deals were announced during the review period.

Pivotal elections were held in the Netherlands and France and investors were alert to any signs that these countries could follow the UK out of the European Union (EU). However, pro-EU candidates were elected in both countries, and equity markets staged a relief rally.

Angela Merkel's party secured a victory in Germany's federal election, which appeared to bode well for continuity, but negotiations to form a coalition government have been protracted. However, some progress has been made in the UK's negotiations to extricate itself from the EU. Following a contentious independence referendum, regional elections were held in Catalonia, Spain's most prosperous region; separatist parties secured a majority although the Spanish government remains opposed to their demands.

In the United States (US), President Trump's administration succeeded in passing tax reforms, which could further boost the US economy, benefiting some European exporters and companies with operations there.

Geopolitical tensions ran high during the year; North Korea and the US exchanged threats of military action, terrorists struck several times in Europe, and Russia staged wargames in Belarus, which caused nervousness in neighbouring countries.

New holdings included BNP Paribas SA (France), Volvo AB (Sweden) and Adidas AG (Germany). French bank BNP Paribas SA is well placed to take advantage of higher growth, interest rates and bond yields, all of which are likely to come through in due course. Volvo AB manufactures trucks, buses and construction equipment. The company has a revitalised management team and operates in a concentrated market – it should benefit from European growth and capital investment. Adidas AG is under new management, is gaining market share, and has a strong position in China. The sportswear firm's sales strategy has hit a sweet spot, with products such as retro shoes.

Sales included Akzo Nobel NV (Netherlands); shares in the paint firm had risen strongly following a takeover bid. Following a period of good returns, we trimmed several positions including tyre and auto-component manufacturer Continental AG (Germany).

Our main focus in managing this portfolio is on stock selection, informed by macro-economic and thematic views. We favour companies which have a competitive advantage and pricing power generated by brands, patented processes, regulatory barriers to entry and strong market positions.

European equities are benefiting from improving corporate profitability and encouraging GDP growth, and are cheap relative to US equities. The UK has now embarked on an interest-rate tightening cycle, but any such increases in the Eurozone appear some way off.

It will take time before the full effects of Brexit and Catalonia's bid for independence become clear, while Italy is due to hold a general election in March, and Germany's political outlook is uncertain. Other risks include heightened geopolitical tensions, especially in North Korea.

Europe Fund Comparative Tables

for the accounting period 1st January 2017 to 31st December 2017

	Preference shares		
	2017	2016	2015
	EUR	EUR	EUR
Change in net assets per share			
Opening net asset value per share	4.6317	5.0316	4.2771
Return before operating charges ¹	0.5593	(0.2944)	0.8628
Operating charges	(0.1103)	(0.0984)	(0.1083)
Return after operating charges	0.4490	(0.3928)	0.7545
Distributions on preference shares	(0.0004)	(0.0071)	–
Closing net asset value per shares	5.0803	4.6317	5.0316
¹ after direct transaction costs	(0.0089)	(0.0077)	(0.0120)
Performance			
Return after charges	9.69%	(7.81%)	17.64%
Other information			
Closing net asset value (EUR)	24,883,129	25,011,374	29,773,058
Closing number of shares	4,897,933	5,400,066	5,917,171
Operating charges	2.22%	2.16%	2.16%
Direct transaction costs (note 13)	0.18%	0.17%	0.27%
Prices			
Highest offer share price (EUR)	5.5760	5.3170	5.7000
Lowest bid share price (EUR)	4.5940	4.1560	4.1920

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
	EUR	EUR	EUR
For the accounting period ended:			
31st December 2013	0.0000	4.2900	3.4160
31st December 2014	0.0000	4.6250	3.7360

Ongoing Charges Figure (“OCF”)

For the accounting period ended:	OCF %
31st December 2016	2.16%
31st December 2017	2.22%

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

- (a) Changes to fee rates were made during the year and the OCF has been amended to be future proofed for this change.
- (b) 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 65, 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

62

Statement of Total Return

for the accounting period 1st January 2017 to 31st December 2017

	Notes	2017 US\$	2016 US\$
Income			
Net capital gains / (losses)	2	2,797,800	(2,536,199)
Revenue	3	851,901	793,312
Expenses	4	(637,460)	(559,151)
Net revenue before taxation		214,441	234,161
Taxation	5	(208,252)	(188,028)
Net revenue after taxation		6,189	46,133
Total return before distribution		2,803,989	(2,490,066)
Distributions	6	(6,189)	(46,133)
Change in Net Assets Attributable to Preference Shareholders from investment activities		2,797,800	(2,536,199)

Balance Sheet

as at 31st December 2017

Notes	2017 US\$	2016 US\$	
Assets:			
Fixed assets:			
Investments	7	29,839,731	26,336,082
Current assets:			
Debtors	8	99,849	139,904
Cash and bank balances		137,428	108,459
Total assets		30,077,008	26,584,445
Liabilities:			
Creditors:			
Bank overdrafts		–	(7,048)
Distribution payable	6	(2,125)	(40,636)
Other creditors	9	(98,515)	(65,793)
Total liabilities		(100,640)	(113,477)
Equity:			
Nominal shares		(92,477)	(91,222)
Total equity		(92,477)	(91,222)
Net Assets Attributable to Preference Shareholders		29,883,891	26,379,746

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2017 to 31st December 2017

	2017 US\$	2016 US\$
Opening Net Assets Attributable to Preference Shareholders	26,379,746	32,351,999
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	265,016	190,715
Amounts payable on cancellation of shares	(3,216,836)	(2,676,712)
	(2,951,820)	(2,485,997)
Difference on currency conversion	3,658,165	(950,057)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	2,797,800	(2,536,199)
Closing Net Assets Attributable to Preference Shareholders	29,883,891	26,379,746

Distribution Tables

for the accounting period 1st January 2017 to 31st December 2017

	Income €	Equalisation €	Distribution Payable 2017 €	Distribution Paid 2016 €
Group 1	0.0004	–	0.0004	0.0071
Group 2	0.0000	0.0004	0.0004	0.0071

Group 2 units are those purchased after 16:00 (UK time) on 31st December 2016.

* Please refer to the Accounting policies "Basis of accounting" on page 68.

The notes on pages 64 to 66 form an integral part of the financial statements.

Europe Fund

Notes to the Financial Statements

for the accounting period 1st January 2017 to 31st December 2017

64

1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 68.

2 NET CAPITAL GAINS/(LOSSES)

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

	2017 US\$	2016 US\$
Non-derivative securities	2,847,016	(2,541,525)
Forward currency derivative contracts	(306)	–
Other currency (losses) / gains	(4,879)	32,866
Transaction charges	(44,031)	(27,540)
Net capital gains / (losses)	<u>2,797,800</u>	<u>(2,536,199)</u>

Gains/(losses) from non-derivatives securities include realised gains of US\$ 1,749,785 (2016: US\$ 50,847) and change in unrealised gains of US\$ 1,097,231 (2016: US\$ 2,592,372 – unrealised losses).

Forward currency derivative contracts include realised losses of US\$ 306 (2016: Nil) and Nil change in unrealised gains / (losses) (2016: Nil).

3 REVENUE

	2017 US\$	2016 US\$
Overseas dividends	851,671	793,260
Bank interest	230	52
Total revenue	<u>851,901</u>	<u>793,312</u>

4 EXPENSES

	2017 US\$	2016 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(595,551)	(526,624)
Registration expenses	(1,982)	(2,216)
Directors' fees	(2,298)	(1,177)
	<u>(599,831)</u>	<u>(530,017)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(14,631)	(12,937)
Safe custody fees	(6,734)	(7,025)
Interest payable	(2,844)	(2,380)
	<u>(24,209)</u>	<u>(22,342)</u>
Other expenses:		
Audit fee	(7,772)	(2,268)
Regulatory and professional fees	(4,204)	(1,530)
Miscellaneous expenses	(184)	(162)
Publication charges	(1,260)	(2,832)
	<u>(13,420)</u>	<u>(6,792)</u>
Total expenses	<u>(637,460)</u>	<u>(559,151)</u>

5 TAXATION

	2017 US\$	2016 US\$
Analysis of charge in period:		
Overseas tax suffered	(208,252)	(188,028)
Total overseas taxation	<u>(208,252)</u>	<u>(188,028)</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:

	2017 US\$	2016 US\$
Final	(2,125)	(40,636)
	<u>(2,125)</u>	<u>(40,636)</u>
Revenue deducted on cancellation of shares	(4,884)	(5,720)
Revenue received on creation of shares	820	223
Distributions for the year	<u>(6,189)</u>	<u>(46,133)</u>

Details of the distribution per share are set out on page 62.

7 FAIR VALUE HIERARCHY

Valuation technique	2017 Assets US\$	2016* Assets US\$
Quoted prices for identical instruments in active markets	29,839,731	26,336,082
Valuation techniques using observable market data	–	–
Valuation techniques using non-observable market data	–	–
Total value	<u>29,839,731</u>	<u>26,336,082</u>

Financial instruments have been measured at their fair value and have been classified using a hierarchy below that reflects the significance of the inputs used in measuring their fair value:

Level 1: Quoted prices for identical instruments in active markets

This includes instruments such as publicly traded equities; highly liquid bonds (e.g. government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation techniques using observable market data

This includes publicly traded corporate bonds and instruments which have been valued using models with observable market data inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads. over-the-counter instruments have also been included in the category.

Level 3: Valuation techniques using non-observable market data

This refers to instruments which have been valued using models with non-observable market data inputs. this includes private equity, unlisted closed-ended funds and investment analyst recommended prices where the market price is deemed to not be a true representation of fair value.

*Presentation of comparative figures has changed in line with FRS 102 amendments.

8 DEBTORS

	2017 US\$	2016 US\$
Sales awaiting settlement	–	43,819
Accrued revenue	7,372	4,863
Receivable from Manager – Nominal shares	92,477	91,222
Total debtors	<u>99,849</u>	<u>139,904</u>

9 OTHER CREDITORS

	2017 US\$	2016 US\$
Amounts payable for cancellation of shares	(5,471)	(889)
Accrued expenses	(42,812)	(24,151)
Amounts payable to the Manager	(50,232)	(40,753)
Total creditors	<u>(98,515)</u>	<u>(65,793)</u>

10 RELATED PARTY TRANSACTIONS

Charles Taylor International Fund Managers (IOM) 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 Charles Taylor Group (see page 73), of which the Fund is a related party, hold 2,761,056 (2016: Zurich Insurance Group 3,067,525) 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 Charles Taylor International Fund Managers (IOM) Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts paid to Charles Taylor International Fund Managers (IOM) Limited in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 47,430 (December 2016: US\$ 39,744) in respect of the annual management charge, and US\$ 153 (December 2016: US\$ 249) 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	5,400,066	44,430	(546,563)	4,897,933

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2016: US\$ Nil).

Europe Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2017 to 31st December 2017

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 2017 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
Purchases (excluding in-specie and corporate action activity):						
Equity	17,617,602	15,661	21,372	17,654,635	0.09	0.12
Corporate action purchase activity:						
Equity	119,232	—	—	119,232		
	<u>17,736,834</u>	<u>15,661</u>	<u>21,372</u>	<u>17,773,867</u>		
Sales:						
Sales (excluding in-specie and corporate action activity):						
Equity	20,786,983	(17,629)	(18)	20,769,336	(0.08)	(0.00)
	<u>20,786,983</u>	<u>(17,629)</u>	<u>(18)</u>	<u>20,769,336</u>		
Total		<u>33,290</u>	<u>21,390</u>			
Percentage of Fund average net assets		<u>0.11%</u>	<u>0.07%</u>			

The direct transaction costs incurred during prior 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 %
Purchases:						
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>		
Sales:						
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		<u>33,828</u>	<u>11,386</u>			
Percentage of Fund average net assets		<u>0.13%</u>	<u>0.04%</u>			

Aggregated Financial Statements for Allied Dunbar International Funds Limited

Statement of Total Return

for the accounting period 1st January 2017 to 31st December 2017

	Notes	2017 US\$	2016 US\$
Income			
Net capital gains	2	55,105,849	24,269,767
Revenue	3	6,131,945	12,185,242
Expenses	4	(6,152,855)	(11,309,058)
Net (expense)/revenue before taxation		(20,910)	876,184
Taxation	5	(992,875)	(2,579,095)
Net expense after taxation		(1,013,785)	(1,702,911)
Total return before distribution		54,092,064	22,566,856
Distributions			
	6	354,001	(542,086)
Change in Net Assets Attributable to Preference Shareholders from investment activities		54,446,065	22,024,770

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2017 to 31st December 2017

	2017 US\$	2016 US\$
Opening Net Assets Attributable to Preference Shareholders	536,860,018	577,315,618
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	13,386,836	95,335,919
Amounts payable on cancellation of shares	(410,607,181)	(145,125,893)
	(397,220,345)	(49,789,974)
Difference on currency conversion	9,873,932	(12,691,123)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	54,446,065	22,024,770
Unclaimed distributions	733	727
Closing Net Assets Attributable to Preference Shareholders	203,960,403	536,860,018

Balance Sheet

as at 31st December 2017

	Notes	2017 US\$	2016 US\$
Assets:			
Fixed assets:			
Investments	7	200,398,102	528,109,822
Current assets:			
Debtors	8	2,405,886	5,035,567
Cash and bank balances		4,693,265	12,739,360
Total assets		207,497,253	545,884,749
Liabilities:			
Creditors:			
Bank overdrafts		-	(7,048)
Distribution payable	6	(646,682)	(662,452)
Other creditors	9	(829,303)	(6,504,692)
Total liabilities		(1,475,985)	(7,174,192)
Equity:			
Management shares	14	(10)	(10)
Nominal shares	14	(2,060,855)	(1,850,529)
Total equity		(2,060,865)	(1,850,539)
Net Assets Attributable to Preference Shareholders		203,960,403	536,860,018

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 68 to 72 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	Director
22nd February 2018	22nd February 2018

* Please refer to the Accounting policy 'Basis of accounting' on page 68.

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

Notes to the Financial Statements

for the accounting period 1st January 2017 to 31st December 2017

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:

	2017 US\$	2016 US\$
Non-derivative securities	55,256,966	24,358,545
Forward currency derivative contracts	(503)	(4,339)
Other currency gains	13,552	71,723
Transaction charges	(164,166)	(156,162)
Net capital gains	55,105,849	24,269,767

3 REVENUE

	2017 US\$	2016 US\$
Overseas dividends	5,686,679	11,303,847
Bank interest	10,618	552
Interest on debt securities	395,055	816,511
Scrip dividends	8,285	49,383
Management fee rebates	820	3,219
Miscellaneous income	30,488	11,730
Total revenue	6,131,945	12,185,242

4 EXPENSES

	2017 US\$	2016 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(5,838,664)	(10,809,375)
Registration expenses	(16,166)	(19,878)
Directors' fees	(14,769)	(21,760)
	(5,869,599)	(10,851,013)
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(134,024)	(233,080)
Safe custody fees	(35,179)	(65,970)
Interest payable	(19,462)	(19,314)
	(188,665)	(318,364)
Other expenses:		
Audit fee	(56,764)	(45,902)
Regulatory and professional fees	(54,706)	(35,453)
Publication charges	19,924	(55,329)
Miscellaneous expenses	(3,045)	(2,997)
	(94,591)	(139,681)
Total expenses	(6,152,855)	(11,309,058)

5 TAXATION

	2017 US\$	2016 US\$
Analysis of charge in period:		
Overseas tax suffered	(981,802)	(2,578,353)
Capital gains tax	(11,073)	(742)
Total overseas taxation	(992,875)	(2,579,095)

Allied Dunbar International Funds Limited

Notes to the Aggregated Financial Statements (continued)

for the accounting period 1st January 2017 to 31st December 2017

6 DISTRIBUTIONS

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

	2017 US\$	2016 US\$
Interim	–	(38,139)
Final	(646,682)	(662,452)
Revenue deducted on cancellation of shares	1,011,869	355,963
Revenue received on creation of shares	(11,186)	(197,458)
Distributions for the year	354,001	(542,086)

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

	2017 US\$	2016 US\$
Amounts receivable for issue of shares	–	2,298,221
Sales awaiting settlement	–	43,819
Accrued rebates	7,286	6,466
Receivable from Manager – Nominal and management shares	2,060,865	1,850,539
Overseas tax recoverable	2,110	1,996
Accrued revenue	335,625	834,526
Total debtors	2,405,886	5,035,567

9 OTHER CREDITORS

	2017 US\$	2016 US\$
Amounts payable for cancellation of shares	(14,150)	(335,245)
Purchases awaiting settlement	(5,806)	(4,899,793)
Accrued expenses	(446,614)	(379,549)
Amounts payable to the Manager	(362,733)	(890,105)
Total creditors	(829,303)	(6,504,692)

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 Charles Taylor International Fund Managers (IOM) Limited. This is under an agreement dated 28 April 2017 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

Charles Taylor International Fund Managers (IOM) 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 of 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. Details of derivative contracts are disclosed in the portfolio statements of the relevant funds.

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 (2016: US\$ Nil).

14 CAPITAL AND RESERVES

Authorised Share Capital	2017 US\$	2016 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
	2,500,010	2,500,010

The Management Shares have been issued to and are held by Charles Taylor International Fund Managers (IOM) 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.

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

for the accounting period 1st January 2017 to 31st December 2017

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 2017 to 31st December 2017

14 CAPITAL AND RESERVES (continued)

	No. of Shares	Aggregated Total US\$	Managed US\$	Worldwide Equity US\$	Managed Currency US\$
Management shares					
Balance as at 01.01.17	10	10	10		
Issued during the year	–	–	–		
Redeemed during the year	–	–	–		
Balance as at 31.12.17	10	10	10		
Nominal shares \$0.0025 each					
Balance as at 01.01.17		1,850,529	476,116	207,609	59,542
Issued during the year		217,987	64,877	5,006	98
Redeemed during the year		(7,661)	(84)	(1,474)	(41)
Balance as at 31.12.17		2,060,855	540,909	211,141	59,599
Nominal shares – number of shares					
Balance as at 01.01.17		740,211,439	190,446,567	83,043,524	23,816,838
Issued during the year		87,194,366	25,950,869	2,002,149	39,035
Redeemed during the year		(3,064,160)	(33,781)	(589,585)	(16,463)
Balance as at 31.12.17		824,341,645	216,363,655	84,456,088	23,839,410
Preference Shares \$0.0025 each					
Balance as at 01.01.17		461,321	101,859	34,386	4,262
Issued during the year		7,661	84	1,474	41
Redeemed during the year		(217,987)	(64,877)	(5,006)	(98)
Balance as at 31.12.17		250,995	37,066	30,854	4,205
Preference Shares – number of shares					
Balance as at 01.01.17		184,527,478	40,743,348	13,754,145	1,704,392
Issued during the year		3,064,160	33,781	589,585	16,463
Redeemed during the year		(87,194,366)	(25,950,869)	(2,002,149)	(39,035)
Balance as at 31.12.17		100,397,272	14,826,260	12,341,581	1,681,820
Share premium					
Balance as at 01.01.17		457,100,486	60,473,250	21,121,937	611,881
Premium relating to shares (Redeemed)/Issued during the year		(317,956,543)	(35,050,342)	(873,852)	(8,635)
Balance as at 31.12.17		139,143,943	25,422,908	20,248,085	603,246
Capital reserve					
Balance as at 01.01.17		79,298,211	18,938,622	9,213,106	(47,581)
(Increase)/Decrease in the year		(14,732,746)	(9,499,017)	5,538,409	(662)
Balance as at 31.12.17		64,565,465	9,439,605	14,751,515	(48,243)
Net assets attributable to Preference Shareholders comprises:					
Share capital		250,995	37,066	30,854	4,205
Share premium		139,143,943	25,422,908	20,248,085	603,246
Capital reserve		64,565,465	9,439,605	14,751,515	(48,243)
Total		203,960,403	34,899,579	35,030,454	559,208

Allied Dunbar International Funds Limited
Notes to the Aggregated Financial Statements (continued)
for the accounting period 1st January 2017 to 31st December 2017

14 CAPITAL AND RESERVES (continued)

	Gilt and Income US\$	North American Growth US\$	Far East US\$	UK Capital Growth US\$	Europe US\$
Management shares					
Balance as at 01.01.17					
Issued during the year					
Redeemed during the year					
Balance as at 31.12.17					
Nominal shares \$0.0025 each					
Balance as at 01.01.17	537,879	20,421	71,863	385,877	91,222
Issued during the year	6,690	131,044	411	8,495	1,366
Redeemed during the year	(321)	(4,143)	(47)	(1,440)	(111)
Balance as at 31.12.17	544,248	147,322	72,227	392,932	92,477
Nominal shares – number of shares					
Balance as at 01.01.17	215,151,415	8,168,268	28,745,224	154,350,750	36,488,853
Issued during the year	2,675,975	52,417,420	164,555	3,397,800	546,563
Redeemed during the year	(128,111)	(1,656,984)	(18,778)	(576,028)	(44,430)
Balance as at 31.12.17	217,699,279	58,928,704	28,891,001	157,172,522	36,990,986
Preference Shares \$0.0025 each					
Balance as at 01.01.17	81,175	134,939	5,795	85,405	13,500
Issued during the year	321	4,143	47	1,440	111
Redeemed during the year	(6,690)	(131,044)	(411)	(8,495)	(1,366)
Balance as at 31.12.17	74,806	8,038	5,431	78,350	12,245
Preference Shares – number of shares					
Balance as at 01.01.17	32,470,163	53,975,620	2,318,044	34,161,700	5,400,066
Issued during the year	128,111	1,656,984	18,778	576,028	44,430
Redeemed during the year	(2,675,975)	(52,417,420)	(164,555)	(3,397,800)	(546,563)
Balance as at 31.12.17	29,922,299	3,215,184	2,172,267	31,339,928	4,897,933
Share premium					
Balance as at 01.01.17	17,220,767	299,173,195	5,263,219	37,211,935	16,024,302
Premium relating to shares (Redeemed)/Issued during the year	(1,469,732)	(277,365,072)	(185,617)	(1,664,528)	(1,338,765)
Balance as at 31.12.17	15,751,035	21,808,123	5,077,602	35,547,407	14,685,537
Capital reserve					
Balance as at 01.01.17	(1,273,893)	28,398,422	1,271,167	12,456,424	10,341,944
(Increase)/Decrease in the year	1,720,138	(25,325,945)	1,834,190	6,155,976	4,844,165
Balance as at 31.12.17	446,245	3,072,477	3,105,357	18,612,400	15,186,109
Net assets attributable to Preference Shareholders comprises:					
Share capital	74,806	8,038	5,431	78,350	12,245
Share premium	15,751,035	21,808,123	5,077,602	35,547,407	14,685,537
Capital reserve	446,245	3,072,477	3,105,357	18,612,400	15,186,109
Total	16,272,086	24,888,638	8,188,390	54,238,157	29,883,891

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% (2016: 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.

73

Price Publication

Charles Taylor International Fund Managers (IOM) Limited publishes prices for each of the sub-funds which are available on the Charles Taylor International website ([www.ctplc.com/insurance-support-services/charles-taylor-international-fund-managers-\(IOM\)-Limited](http://www.ctplc.com/insurance-support-services/charles-taylor-international-fund-managers-(IOM)-Limited)).

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.

Fund Manager acquisition and change of name of Fund Manager

Allied Dunbar International Fund Managers Limited (The Manager of Allied Dunbar International Funds Limited) became a wholly owned subsidiary of Charles Taylor Plc on 28th April 2017 and was renamed Charles Taylor International Fund Managers (IOM) Limited.

De-Recognised Fund Status

The Company holds Recognised Fund Status under s282 of the Financial Services Market Act 2000. The Company has applied to the UK Financial Conduct Authority to become derecognised, which will become effective on 31st March 2018.

Approval of Financial Statements

The Financial Statements were approved by the Board of Directors on 22nd February 2018.

A copy of these audited Financial Statements is available on request from the Manager.

Issued by

**Charles Taylor International Fund
Managers (IOM) Limited**

Licensed by the Isle of Man
Financial Services Authority

Registered in the Isle of Man
Number: 023846C

Registered Office:
St George's Court,
Upper Church Street,
Douglas,
Isle of Man
IM1 1EE

Telephone: +44 (0) 1624 661551
Fax: +44 (0) 1624 683755