

# Annual Reports and Accounts 2018

■ *Allied Dunbar  
International  
Funds Limited*

*International*





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# Directors, Management and Administration

## **Board of Directors:**

Christopher James Tunley  
Non Executive Director

Peter James Scott Hammonds  
Non Executive Director

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:**

Bo Larsen – Appointed  
6th August 2018  
Jeffrey Boysie McPherson More – Resigned  
6th August 2018

## **Investment Manager:**

Threadneedle Asset Management Limited  
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 2018 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, Threadneedle Asset Management Ltd.

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 2018, had funds under management (FUM) of approximately US\$160 million (December 2017: US\$204 million).

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

The Shareholders are only liable for the debts of the Company to the extent of their investment. Where the assets of a constituent part of the Scheme are insufficient to meet that constituent part’s liabilities, then any liabilities that remain undischarged will revert to the Company as a whole and be allocated amongst the other constituents of the Scheme. At the period 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 2018 was as follows:

Participating Redeemable Preference Shares	92,587,845
Nominal Shares	832,151,072
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 2018 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 2018 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 and Investment Management Agreements 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

19th February 2019

# 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 Directors have elected to prepare the Company Financial Statements in accordance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, "The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS102)". 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 Management Association, 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**

19th February 2019

# Investment Report

## Market Review

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Despite spells of resilience, global equities had a poor year overall, with the MSCI All Country World Index declining by 7.2% in local currency terms. Dominant themes throughout the year included the end of the 'easy money' era and the escalation of trade tensions between the United States (US) and China. Over much of the year, the rise in the oil price benefited energy companies across the globe, including United Kingdom (UK) oil majors BP and Shell. However, oil prices subsequently fell sharply towards the end of the year. Uncertainties over the Brexit negotiations continued to cast a shadow over the UK stock market, which fell back over the period along with other major equity markets. Having reached record highs in the summer, fuelled by gains in leading technology companies, the US outperformed markets in the UK, Europe and Japan over the period under review.

US President Donald Trump's hawkish rhetoric on trade was backed up with action from the first half of the year, with the announcement of a 25% tariff on \$50bn worth of Chinese exports; the first wave began on 6 July. China retaliated in kind by stating that it would apply an additional 25% levy on \$50bn of products imported from the US. Later, the US administration pressed ahead with levies of 10% on a further \$200bn of imports from China from late September. China responded by imposing tariffs on \$60bn of US imports.

Global equity and bond markets were also buffeted by higher US interest rates and the spike in US Treasury bond yields. The Federal Reserve (Fed) announced four quarter point hikes in US interest rates over the course of the year. The last hike in December brought the target range to 2.25% to 2.5%. December's rise was in line with market expectations, but the Fed reduced its projection for the number of hikes in 2019 (from three to two) and trimmed its short term forecasts for US growth and inflation.

The pace of UK interest rate hikes is likely to be much more pedestrian, particularly with Brexit due next March. On 2 August, the Bank of England announced a quarter point rise in interest rates from 0.5% to 0.75%, only the second increase in a decade. UK interest rates were raised after stronger economic releases convinced policymakers that the softer data earlier in the year was due to the harsh winter weather. While the European Central Bank maintained rates at 0%, the bank confirmed that its bond buying stimulus programme would end in December. This programme had helped to drive the region's economic recovery since the financial crisis. The Bank of Japan left rates unchanged.

The US economy remained buoyant throughout the year, boosted by President Trump's tax cuts. In early November, markets responded positively to the outcome of the US mid term elections. Strong gains by the Democrats in the House of Representatives, mean that they now hold the balance of power. While the Republicans increased their majority in the Senate, there are hopes that a divided Congress could help curb some of Donald Trump's more disruptive policies.

Elsewhere, economic momentum in the Eurozone slowed, with economic growth in the third quarter slipping to a four year low, partly as a result of economic stagnation in Italy. Recent Japanese economic data also proved far from robust, partially due to the disruptions caused by natural disasters later in the year.

Along with President Trump's increasingly protectionist stance, there were a number of other geopolitical concerns. The European Commission rejected the new Italian government's initial expansionary budget proposals as the country is already heavily indebted. Additionally, relations between the West and Saudi Arabia deteriorated following the killing of journalist Jamal Khashoggi. Though sentiment towards equities in emerging markets was hurt by the stronger US Dollar and the prospect of further US interest rate hikes, Brazil rebounded strongly towards the year end as investors responded positively to the election victory of market friendly candidate Jair Bolsonaro.

In fixed income, all of the major government bond markets achieved positive returns over the year, and yields on 10 year US Treasuries rose from 2.41% to 2.68%. Notably, government bond markets performed well towards the end of the year as investors sought safe havens from the increased volatility in global equity markets.

## Outlook

The economic cycle is clearly mature but we do not believe the end is imminent – rather it is being extended and redefined by a combination of structural factors, leading to low interest rates, low inflation and ongoing moderate growth. The warning signs we monitor that would suggest a sharp turnaround are not all flashing red. Our central case is that US growth should moderate over 2019 as the impact of fiscal stimulus rolls off. Inflation should remain under control and valuations remain fair, leaving a generally benign environment for investors.

We expect global equity markets to make gentle positive progress, corporate profits to continue growing, companies to behave in an equity friendly way and valuations to remain supportive.

While 2018 was not a great year for bonds, 2019 looks set to produce more attractive outcomes for those who can navigate highly divergent monetary policy and credit cycles.



# 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 2018 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 2018. Where negative, the deficit has been transferred to the capital reserve.

Interim Amount Paid/(Deficit)	Investment Class	XD Date	Amount Due/(Deficit) US\$	Payment Date
(77,996)	Managed	1.1.2019	(212,795)	–
–	Worldwide Equity*	1.1.2019	(218,708)	–
1,004	Managed Currency	1.1.2019	2,712	28.02.19
(893)	Gilt and Income	1.1.2019	(2,857)	–
–	North American Growth*	1.1.2019	(192,695)	–
–	Far East*	1.1.2019	(3,649)	–
–	UK Capital Growth*	1.1.2019	665,099	28.02.19
–	Europe*	1.1.2019	(15,496)	–

\*Distribute annually

The total number and mid market value of Participating Redeemable Preference Shares as at 1st January 2018 and 31st December 2018 were as follows:

Investment Class	Shares in Issue		Mid Market Value Per Share (US\$)	
	1.1.2018	31.12.2018	1.1.2018	31.12.2018
Managed	14,826,260	13,377,477	2.4175	2.1970
Worldwide Equity	12,341,581	10,393,930	2.9155	2.5670
Managed Currency	1,681,820	1,610,986	0.3413	0.3422
Gilt and Income	29,922,299	28,137,952	0.5585	0.5227
North American Growth	3,215,184	2,859,189	7.9480	7.3005
Far East	2,172,267	2,026,524	3.8715	3.2560
UK Capital Growth	31,339,928	29,763,552	1.8034	1.4546
Europe	4,897,933	4,418,235	6.2661	5.2477

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**  
19th February 2019

**Director**  
19th February 2019

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 31 December 2018 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 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 Management Association, the Authorised Collective Investment Schemes Regulations 2010, the Isle of Man Companies Acts 1931 to 2004 and the Company's Principal Constitutional Documents.

### What we have audited

Allied Dunbar International Funds Limited's financial statements comprise:

- the aggregated balance sheet as at 31 December 2018;
- 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 aggregated financial statements, which include a summary of significant accounting policies.

And for each sub-fund;

- the balance sheet as at 31 December 2018;
- 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 other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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;
- Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association;
- The Authorised Collective Investment Schemes Regulations 2010;
- The Isle of Man Companies Acts 1931 to 2004;
- 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.

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:

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

For the period from 1st January 2018 to 31st December 2018, we state that in our opinion, Charles Taylor International Fund Managers (IOM) Limited 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**

19th February 2019

# 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 2018, the Fund achieved a total gross return of -6.5% compared with a return of -6.0% 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

Volatility returned to global equity markets in 2018. Political noise was a near constant feature of the year. For much of the period, this was drowned out by optimism about the still strong economic and corporate backdrop, especially in the US. From the autumn onwards, however, markets were increasingly rattled by a range of factors. In addition to an overarching concern about tightening monetary conditions, these factors included rising political uncertainty in Europe and the US, ongoing fears of a global trade war, and, related to the latter, evidence of economic deceleration in the Eurozone and China.

Investors have been pondering a world with less “easy money”. The Federal Reserve raised US interest rates by 25 basis points (bps) four times over the year, most recently in December when it guided to two more such hikes in 2019. The European Central Bank announced in June that it would wind up its bond buying stimulus programme at the end of the year. This it duly did, though at the time of writing any interest rate hikes still appear some way off. In the United Kingdom (UK), a run of weaker than expected economic data dissuaded the Bank of England (BoE) from raising the base rate at its May 2018 meeting. The BoE went on to raise it by 25 bps in August after stronger economic indicators convinced policymakers that the earlier weak patch had been due to the harsh winter weather.

On the political front, US President Donald Trump unsettled investors by ramping up his protectionist agenda with fresh import tariffs, aimed not only against China but also traditional US allies such as Canada and the European Union (EU). Italy remained another source of uncertainty (and market volatility), given the potential for ongoing conflict between its Eurosceptic coalition government and the European Commission. In the UK, Prime Minister Theresa May fought to stay in post as dissenters voiced concerns over the pace and direction of Brexit negotiations. Mrs May secured a draft withdrawal agreement with the EU negotiators, but fears of a “no deal” Brexit increased when she delayed a parliamentary vote on the deal and only narrowly survived a no confidence vote called by her own party.

Against this backdrop, the MSCI AC World Index made a total return of -8.9% in US Dollar terms for the year, with most of the weakness concentrated in February and the last quarter of 2018. All the major equity regions were down: Europe, the UK, Japan, Asia ex Japan and emerging markets all suffered double digit losses. US equities outperformed (in relative terms) thanks to strong performance earlier in the year as President Trump’s flagship tax cuts added more fuel to an already strong economy. Global government bonds held up much better than equities over the period, with the benchmark J.P. Morgan Global Government Traded Bond Index returning -0.7% in Dollar terms. The strong US economy saw US Treasuries underperform German bunds.

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. In terms of sovereign debt, the Fund’s country exposures were little changed over the year, though we did slightly raise the weighting to Japanese government bonds while trimming exposure to US Treasuries. The holding in the Threadneedle Emerging Market Local Fund increased, while those in the Threadneedle UK Corporate Bond Fund and Threadneedle European Corporate Bond Fund were reduced.

Key activity in the equity portfolio included establishing new positions in Tencent Holdings Ltd (Cayman Islands), Lam Research Corp. (United States of America), Equinix, Inc. (United States of America), EssilorLuxottica SA (France) and adidas AG (Germany). For internet service provider Tencent, strength in platform engagement is paving the way for sustainable earnings growth. Semiconductor equipment manufacturer Lam is well positioned to benefit from growing spending on wafer fabrication equipment as data centre and autonomous vehicle markets expand. Equinix’s superior brand and premium market position generate pricing power for the company within the data centre connection space, while its multi region footprint drives appeal for customers with more expansive requirements. Essilor is a manufacturer of plastic and glass ophthalmic lenses, benefiting from the structural growth in eyewear. Its recent merger with Luxottica Group (Italy) generates substantial synergy opportunities. Sportswear group adidas continues to gain market share in a relatively concentrated industry. The arrival of well regarded management from Henkel AG (Germany) is promising, given their success in improving margins in their previous role.

Large sales from the portfolio throughout the year included Yaskawa Electric Corp. (Japan). Having performed well throughout 2017, Yaskawa’s valuation had become rich. Profits were taken and the position closed as a result. Lacking the immediate catalysts to grow as fast as other opportunities, pharmaceutical company Pfizer Inc. (United States of America) was also sold. Elsewhere, steep share price appreciation prompted the closing of the fund’s position in United Rentals, Inc. (United States of America). A range of other holdings were sold, where the balance of risk was no longer compelling, including Deutsche Telekom AG (Germany) and Goldman Sachs Group, Inc. (United States of America).

Looking ahead, key challenges include a rising interest rate environment, especially in the US where emphasis will be placed on developments around inflation, the risk of higher tariffs and reduced trade. However, equity fundamentals ultimately look robust, and the recent market weakness provides opportunities. Economic growth remains well entrenched across developed and emerging markets, and this is driving strong corporate earnings. The fund’s investment managers continue to focus on companies with sustainable competitive advantages, reflected by high or rising returns on capital and the ability to compound earnings over time. This reflects the managers’ belief that companies exhibiting these qualities are best placed to outperform across a range of market conditions.

## Managed Fund Comparative Tables

for the accounting period 1st January 2018 to 31st December 2018

	Preference Shares			2015	2014
	2018	2017	2016		
	US\$	US\$	US\$		
<b>Change in net assets per share</b>					
Opening net asset value per share	2.3539	1.9516	1.9330		
Return before operating charges <sup>1</sup>	(0.1638)	0.4476	0.0763		
Operating charges	(0.0512)	(0.0453)	(0.0577)		
Return after operating charges	(0.2150)	0.4023	0.0186		
Distributions on preference shares	–	–	–		
Closing net asset value per shares	2.1389	2.3539	1.9516		
<sup>1</sup> after direct transaction costs	(0.0009)	(0.0019)	(0.0020)		
<b>Performance</b>					
Return after charges	(9.13)%	20.61%	0.96%		
<b>Other information</b>					
Closing net asset value (US\$)	28,612,672	34,899,579	79,513,731		
Closing number of shares	13,377,477	14,826,260	40,743,348		
Operating charges	2.18%	2.14%	2.06%		
Direct transaction costs (note 13)	0.04%	0.09%	0.07%		
<b>Ongoing Charges Figure (“OCF”)<sup>2</sup></b>	2.18%	2.14%	2.06%		
<b>Prices</b>					
Highest offer share price (US\$)	2.6060	2.4840	2.1510	2.1360	2.1360
Lowest bid share price (US\$)	2.1010	1.9460	1.7700	1.8240	1.8550
Net distribution per share (US\$)	–	–	–	–	0.0005

### Notes

<sup>1</sup> Return before operating charges is stated after direct transaction costs.

<sup>2</sup> 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 year.

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 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 2018 to 31st December 2018

	Notes	2018 US\$	2017 US\$
Income			
Net capital (losses)/gains	2	(2,651,912)	7,887,489
Revenue	3	533,403	624,337
Expenses	4	(693,674)	(802,775)
Net expense before taxation		(160,271)	(178,438)
Taxation	5	(62,124)	(108,024)
Net expense after taxation		(222,395)	(286,462)
<b>Total return before distribution</b>		<b>(2,874,307)</b>	<b>7,601,027</b>
Distributions	6	9,600	81,201
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		<b>(2,864,707)</b>	<b>7,682,228</b>

### Balance Sheet

as at 31st December 2018

	Notes	2018 US\$	2017 US\$
<b>Assets:</b>			
Fixed assets:			
Investments	7	27,825,182	33,286,771
Current assets:			
Debtors	8	603,365	604,033
Cash and bank balances		922,818	1,703,063
<b>Total assets</b>		<b>29,351,365</b>	<b>35,593,867</b>
<b>Liabilities:</b>			
Creditors:			
Other creditors	9	(194,152)	(153,369)
<b>Total liabilities</b>		<b>(194,152)</b>	<b>(153,369)</b>
<b>Equity:</b>			
Management shares		(10)	(10)
Nominal shares (note 14, page 71)		(544,531)	(540,909)
<b>Total equity</b>		<b>(544,541)</b>	<b>(540,919)</b>
<b>Net Assets Attributable to Preference Shareholders</b>		<b>28,612,672</b>	<b>34,899,579</b>

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

for the accounting period 1st January 2018 to 31st December 2018

	2018 US\$	2017 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	34,899,579	79,513,731
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	474,961	68,817
Amounts payable on cancellation of shares	(3,897,161)	(52,365,197)
	(3,422,200)	(52,296,380)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(2,864,707)	7,682,228
<b>Closing Net Assets Attributable to Preference Shareholders</b>	<b>28,612,672</b>	<b>34,899,579</b>

### Distribution Tables

There was no distribution for the accounting period 1st January 2018 to 30th June 2018, as expenses exceeded revenue (June 2017: US\$ Nil).

There is no distribution for the accounting period 1st July 2018 to 31st December 2018, as expenses exceeded revenue (December 2017: 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 2018

Investment	Currency	Holding	Market Value US\$	% of Net Assets	Investment	Currency	Holding	Market Value US\$	% of Net Assets
<b>Collective Investment Schemes 2.57% (2.84%)</b>					<b>Mexico 0.00% (0.47%)</b>				
Threadneedle Emerging Market Bond Fund Retail Gross Accumulation GBP	GBP	46,640	153,657	0.54	<b>Netherlands 0.58% (0.68%)</b>				
Threadneedle Emerging Market Local Fund Retail Gross Accumulation Shares GBP	GBP	165,744	308,914	1.08	Airbus SE	EUR	1,723	165,378	0.58
Threadneedle High Yield Bond Fund Institutional Gross Accumulation GBP	GBP	61,554	138,293	0.48	<b>Singapore 0.58% (0.00%)</b>				
Threadneedle UK Corporate Bond Fund Institutional Gross Accumulation GBP	GBP	89,821	135,341	0.47	DBS Group Holdings Ltd.	SGD	9,500	165,121	0.58
<b>Collective Investment Schemes total</b>			<b>736,205</b>	<b>2.57</b>	<b>Spain 0.66% (0.35%)</b>				
<b>Equities 67.15% (66.55%)</b>					Industria de Diseno Textil SA	EUR	7,328	187,255	0.66
<b>Belgium 0.65% (0.99%)</b>					<b>Supranational 0.00% (0.38%)</b>				
Anheuser-Busch InBev SA/NV	EUR	2,819	185,583	0.65	<b>Sweden 1.01% (0.50%)</b>				
<b>Bermuda 0.67% (0.84%)</b>			<b>185,583</b>	<b>0.65</b>	Atlas Copco AB 'A'	SEK	7,489	177,392	0.62
IHS Markit Ltd.	USD	4,047	192,516	0.67	Epiroc AB 'A'	SEK	11,818	111,013	0.39
<b>Brazil 0.53% (0.00%)</b>			<b>192,516</b>	<b>0.67</b>	<b>Switzerland 1.60% (2.20%)</b>				
Itau Unibanco Holding SA Preference	BRL	16,639	152,146	0.53	Cie Financiere Richemont SA	CHF	2,060	131,672	0.46
<b>Canada 0.87% (1.44%)</b>			<b>152,146</b>	<b>0.53</b>	Givaudan SA	CHF	58	133,916	0.47
Suncor Energy, Inc.	CAD	8,972	248,941	0.87	TE Connectivity Ltd.	USD	2,568	192,497	0.67
<b>Cayman Islands 2.71% (1.10%)</b>			<b>248,941</b>	<b>0.87</b>	<b>Thailand 0.00% (0.47%)</b>				
Alibaba Group Holding Ltd., ADR	USD	2,483	342,406	1.19	<b>United Kingdom 6.30% (6.92%)</b>				
Pagseguro Digital Ltd. 'A'	USD	5,395	97,272	0.34	Aon plc	USD	2,058	297,566	1.04
Tencent Holdings Ltd.	HKD	8,400	336,684	1.18	British American Tobacco plc	GBP	2,960	94,254	0.33
Tencent Music Entertainment Group, ADR	USD	1	13	-	Diageo plc	GBP	8,936	318,121	1.11
<b>China 1.03% (1.00%)</b>			<b>776,375</b>	<b>2.71</b>	Reckitt Benckiser Group plc	GBP	1,611	123,341	0.43
Ping An Insurance Group Co. of China Ltd. 'H'	HKD	33,500	295,674	1.03	RELX plc	GBP	15,861	326,568	1.14
<b>Curacao 0.35% (0.00%)</b>			<b>295,674</b>	<b>1.03</b>	Rio Tinto plc	GBP	6,654	316,083	1.11
Schlumberger Ltd.	USD	2,839	100,728	0.35	Unilever plc	GBP	6,256	327,376	1.14
<b>Denmark 0.62% (0.52%)</b>			<b>100,728</b>	<b>0.35</b>	<b>United States of America 37.10% (35.62%)</b>				
Novo Nordisk A/S 'B'	DKK	3,875	176,538	0.62	Activision Blizzard, Inc.	USD	4,809	223,042	0.78
<b>Finland 0.59% (0.00%)</b>			<b>176,538</b>	<b>0.62</b>	Adobe, Inc.	USD	656	147,200	0.51
Nordea Bank Abp	SEK	20,110	169,342	0.59	Alphabet, Inc. 'A'	USD	431	446,908	1.56
<b>France 0.91% (1.13%)</b>			<b>169,342</b>	<b>0.59</b>	Alphabet, Inc. 'C'	USD	153	157,133	0.55
EssilorLuxottica SA	EUR	2,060	260,138	0.91	Amazon.com, Inc.	USD	371	553,272	1.93
<b>Germany 1.30% (1.45%)</b>			<b>260,138</b>	<b>0.91</b>	Amphenol Corp. 'A'	USD	1,957	157,597	0.55
adidas AG	EUR	1,186	247,468	0.87	Bank of America Corp.	USD	15,335	376,781	1.32
OSRAM Licht AG	EUR	2,829	123,363	0.43	Becton Dickinson and Co.	USD	1,161	260,006	0.91
<b>Hong Kong 1.21% (1.03%)</b>			<b>370,831</b>	<b>1.30</b>	Celgene Corp.	USD	1,857	117,028	0.41
AIA Group Ltd.	HKD	41,800	347,040	1.21	Centene Corp.	USD	2,383	273,163	0.96
<b>India 1.14% (0.86%)</b>			<b>347,040</b>	<b>1.21</b>	Charles Schwab Corp. (The)	USD	6,989	287,038	1.00
HDFC Bank Ltd., ADR	USD	3,197	326,861	1.14	CME Group, Inc.	USD	1,475	275,648	0.96
<b>Indonesia 1.13% (0.98%)</b>			<b>326,861</b>	<b>1.14</b>	Comcast Corp. 'A'	USD	5,302	177,988	0.62
Bank Rakyat Indonesia Persero Tbk. PT	IDR	1,278,400	324,490	1.13	Cooper Cos., Inc. (The)	USD	1,140	287,599	1.01
<b>Ireland 1.80% (1.98%)</b>			<b>324,490</b>	<b>1.13</b>	Crown Castle International Corp., REIT	USD	1,935	207,858	0.73
CRH plc	EUR	9,164	239,620	0.84	Diamondback Energy, Inc.	USD	2,475	225,844	0.79
Ingersoll-Rand plc	USD	3,033	273,971	0.96	Ecolab, Inc.	USD	1,947	282,004	0.99
<b>Japan 3.23% (4.88%)</b>			<b>513,591</b>	<b>1.80</b>	EOG Resources, Inc.	USD	2,506	217,972	0.76
Keyence Corp.	JPY	300	152,132	0.53	Equinix, Inc., REIT	USD	748	261,650	0.91
Koito Manufacturing Co. Ltd.	JPY	2,700	139,452	0.49	Estee Lauder Cos., Inc. (The) 'A'	USD	2,135	277,422	0.97
Nintendo Co. Ltd.	JPY	1,000	266,533	0.93	Facebook, Inc. 'A'	USD	2,931	382,642	1.34
Pigeon Corp.	JPY	4,000	171,069	0.60	Gilead Sciences, Inc.	USD	4,035	251,703	0.88
Sekisui Chemical Co. Ltd.	JPY	13,100	194,507	0.68	Halliburton Co.	USD	6,564	169,942	0.59
<b>Jersey 0.58% (0.76%)</b>			<b>923,693</b>	<b>3.23</b>	Illumina, Inc.	USD	664	197,460	0.69
Ferguson plc	GBP	2,578	164,508	0.58	JPMorgan Chase & Co.	USD	4,613	449,768	1.57
			<b>164,508</b>	<b>0.58</b>	Lam Research Corp.	USD	1,833	247,528	0.87
					MACOM Technology Solutions Holdings, Inc.	USD	779	11,232	0.04
					Mastercard, Inc. 'A'	USD	1,923	358,736	1.25
					Microsoft Corp.	USD	6,032	611,645	2.14
					NIKE, Inc. 'B'	USD	1,921	141,808	0.50
					PepsiCo, Inc.	USD	1,777	195,701	0.68
					S&P Global, Inc.	USD	798	134,854	0.47
					Service Corp. International	USD	3,073	122,674	0.43
					Stryker Corp.	USD	1,409	220,678	0.77
					Thermo Fisher Scientific, Inc.	USD	1,194	264,817	0.93
					T-Mobile US, Inc.	USD	3,555	222,579	0.78
					TransUnion	USD	2,358	132,873	0.46
					Tyler Technologies, Inc.	USD	437	79,630	0.28
					Union Pacific Corp.	USD	2,424	332,282	1.16
					UnitedHealth Group, Inc.	USD	914	227,348	0.79
					Vertex Pharmaceuticals, Inc.	USD	1,426	234,377	0.82
					Visa, Inc. 'A'	USD	3,161	412,384	1.44
								<b>10,615,814</b>	<b>37.10</b>
								<b>19,212,362</b>	<b>67.15</b>
					<b>Equities total</b>				
					<b>Government Bonds 26.12% (24.59%)</b>				
					<b>Australia 0.49% (0.45%)</b>				
					Australia Government Bond 1.75% 21/11/2020	AUD	AUD 92,000	64,579	0.23
					Australia Government Bond 2.25% 21/05/2028	AUD	AUD 70,000	48,968	0.17
					Australia Government Bond 3.00% 21/03/2047	AUD	AUD 35,000	25,493	0.09
								<b>139,040</b>	<b>0.49</b>



## Managed Fund Portfolio Statement (continued)

as at 31st December 2018

Investment	Currency	Holding	Market Value US\$	% of Net Assets	Investment	Currency	Holding	Market Value US\$	% of Net Assets
<b>Austria 0.53% (0.46%)</b>					US Treasury 2.00%	USD	\$40,000	38,850	0.14
Austria Government Bond	EUR	€115,000	150,682	0.53	31/05/2024				
3.40% 22/11/2022			<b>150,682</b>	<b>0.53</b>	US Treasury 2.00%	USD	\$415,000	400,637	1.40
					15/02/2025				
<b>Canada 0.30% (0.27%)</b>					US Treasury 2.13%	USD	\$25,000	24,281	0.09
Canada Housing Trust No. 1	CAD	CAD 115,000	85,102	0.30	15/05/2025				
2.65% 15/12/2028			<b>85,102</b>	<b>0.30</b>	US Treasury 2.88%	USD	\$715,000	724,384	2.53
					15/05/2028				
<b>France 4.05% (4.01%)</b>					US Treasury 2.88%	USD	\$245,000	248,254	0.87
France Government Bond	EUR	€600,000	690,522	2.42	15/08/2028				
OAT 0.00% 25/02/2020					US Treasury 4.50%	USD	\$145,000	178,577	0.62
France Government Bond	EUR	€100,000	126,188	0.44	15/02/2036				
OAT 3.25% 25/10/2021					US Treasury 4.63%	USD	\$25,000	31,652	0.11
France Government Bond	EUR	€40,000	50,828	0.18	15/02/2040				
OAT 3.00% 25/04/2022					US Treasury 3.88%	USD	\$100,000	114,766	0.40
France Government Bond	EUR	€120,000	146,099	0.51	15/08/2040				
OAT 1.50% 25/05/2031					US Treasury 2.50%	USD	\$50,000	45,242	0.16
France Government Bond	EUR	€46,000	72,243	0.25	15/02/2045				
OAT 3.25% 25/05/2045					US Treasury 2.88%	USD	\$180,000	175,050	0.61
France Government Bond	EUR	€58,000	71,945	0.25	15/08/2045				
OAT 2.00% 25/05/2048			<b>1,157,825</b>	<b>4.05</b>	US Treasury 2.50%	USD	\$30,000	27,052	0.09
					15/02/2046				
<b>Germany 1.76% (1.76%)</b>					US Treasury 2.50%	USD	\$120,000	108,075	0.38
Bundesrepublik Deutschland	EUR	€45,000	55,381	0.19	15/05/2046				
2.25% 04/09/2021					US Treasury 2.88%	USD	\$75,000	72,844	0.25
Bundesrepublik Deutschland	EUR	€215,000	245,735	0.86	15/11/2046				
0.00% 15/08/2026					US Treasury 2.75%	USD	\$100,000	94,578	0.33
Bundesrepublik Deutschland	EUR	€66,000	118,845	0.42	15/08/2047				
4.00% 04/01/2037								<b>3,326,280</b>	<b>11.62</b>
Bundesrepublik Deutschland	EUR	€52,000	83,599	0.29				<b>7,473,565</b>	<b>26.12</b>
2.50% 15/08/2046			<b>503,560</b>	<b>1.76</b>	<b>Government Bonds total</b>				
					<b>Corporate Bonds 1.41%</b>				
<b>Japan 4.44% (3.56%)</b>					<b>(1.19%)</b>				
Japan Government Ten Year	JPY	JPY 4,800,000	44,476	0.16	<b>Germany 0.55% (0.44%)</b>				
Bond 0.10% 20/09/2026					Kreditanstalt fuer	JPY	JPY 10,000,000	105,354	0.37
Japan Government Thirty Year	JPY	JPY 7,850,000	94,738	0.33	Wiederaufbau 2.05%				
Bond 2.20% 20/09/2039					16/02/2026				
Japan Government Thirty Year	JPY	JPY 7,900,000	86,419	0.30	Kreditanstalt fuer	JPY	JPY 4,000,000	51,176	0.18
Bond 1.50% 20/12/2044					Wiederaufbau 2.60%				
Japan Government Thirty Year	JPY	JPY 8,800,000	94,371	0.33	20/06/2037			<b>156,530</b>	<b>0.55</b>
Bond 1.40% 20/12/2045					<b>Luxembourg 0.46% (0.40%)</b>				
Japan Government Twenty	JPY	JPY 4,250,000	43,640	0.15	European Financial Stability	EUR	€55,000	65,340	0.23
Year Bond 1.90% 20/03/2025					Facility 1.75% 29/10/2020				
Japan Government Twenty	JPY	JPY 7,850,000	84,407	0.30	European Financial Stability	EUR	€55,000	65,523	0.23
Year Bond 2.10% 20/03/2027					Facility 1.70% 13/02/2043			<b>130,863</b>	<b>0.46</b>
Japan Government Twenty	JPY	JPY 17,300,000	151,978	0.53	<b>Netherlands 0.40% (0.35%)</b>				
Year Bond 0.20% 20/06/2036					Nederlandse Financierings-	EUR	€100,000	115,657	0.40
Japan Government Two Year	JPY	JPY 73,400,000	670,275	2.34	Maatschappij voor				
Bond 0.10% 15/01/2020			<b>1,270,304</b>	<b>4.44</b>	Ontwikkelingslanden NV				
					0.13% 20/04/2022			<b>115,657</b>	<b>0.40</b>
<b>Netherlands 1.08% (0.92%)</b>					<b>Corporate Bonds total</b>			<b>403,050</b>	<b>1.41</b>
Netherlands Government Bond	EUR	€147,000	170,595	0.59	<b>Supranationals 0.00% (0.21%)</b>				
0.00% 15/01/2022					Total Value of Investments			27,825,182	97.25
Netherlands Government Bond	EUR	€120,000	139,210	0.49	Net other assets (2017: 4.62%)			787,490	2.75
0.25% 15/07/2025			<b>309,805</b>	<b>1.08</b>	<b>Net Assets attributable to Preference Shareholders</b>			<b>28,612,672</b>	<b>100.00</b>
<b>United Kingdom 1.85%</b>									
<b>(1.71%)</b>									
UK Treasury 1.75%	GBP	£165,000	211,293	0.74					
22/07/2019									
UK Treasury 4.25%	GBP	£32,000	54,332	0.19					
07/06/2032									
UK Treasury 4.50%	GBP	£22,000	39,162	0.14					
07/09/2034									
UK Treasury 1.75%	GBP	£55,000	70,122	0.24					
07/09/2037									
UK Treasury 1.50%	GBP	£52,000	61,511	0.21					
22/07/2047									
UK Treasury 1.75%	GBP	£28,000	35,006	0.12					
22/01/2049									
UK Treasury 1.75%	GBP	£6,000	7,676	0.03					
22/07/2057									
UK Treasury 1.63%	GBP	£42,000	51,865	0.18					
22/10/2071			<b>530,967</b>	<b>1.85</b>					
<b>United States of America</b>									
<b>11.62% (11.45%)</b>									
FHLB 5.50% 15/07/2036	USD	\$80,000	102,622	0.36					
US Treasury 1.88%	USD	\$50,000	49,488	0.17					
30/06/2020									
US Treasury 1.50%	USD	\$320,000	314,663	1.10					
15/08/2020									
US Treasury 1.25%	USD	\$125,000	120,713	0.42					
31/10/2021									
US Treasury 1.88%	USD	\$75,000	73,582	0.26					
31/01/2022									
US Treasury 1.88%	USD	\$120,000	117,684	0.41					
28/02/2022									
US Treasury 1.75%	USD	\$100,000	97,227	0.34					
30/09/2022									
US Treasury 1.38%	USD	\$175,000	166,059	0.58					
31/08/2023									

The comparative percentage figures in brackets are as at 31 December 2017.

## Managed Fund

### Notes to the Financial Statements

for the accounting period 1st January 2018 to 31st December 2018

#### 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)/GAINS

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

	2018 US\$	2017 US\$
Non-derivative securities	(2,621,324)	7,894,280
Forward currency derivative contracts	(139)	–
Other currency (losses)/gains	(11,764)	20,832
Transaction charges	(18,685)	(27,623)
Net capital/(losses)/gains	<u>(2,651,912)</u>	<u>7,887,489</u>

(Losses)/Gains from non-derivative securities include realised gains of US\$ 1,461,729 (2017: US\$ 6,586,408) and change in unrealised losses of US\$ 4,083,053 (2017: US\$ 1,307,872—unrealised gains).

Forward currency derivative contracts include realised losses of US\$ 139 (2017: US\$ Nil) and change in unrealised (losses)/gains of US\$ Nil (2017: US\$ Nil).

#### 3 REVENUE

	2018 US\$	2017 US\$
Overseas dividends	362,034	435,608
Bank interest	5,925	8,371
Interest on debt securities	165,444	180,358
Total revenue	<u>533,403</u>	<u>624,337</u>

#### 4 EXPENSES

	2018 US\$	2017 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(638,736)	(763,490)
Registration expenses	(5,016)	(5,308)
Directors' fees	(3,247)	(1,303)
	<u>(646,999)</u>	<u>(770,101)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(15,696)	(18,761)
Safe custody fees	(4,237)	(5,479)
Interest payable	(624)	(5,459)
	<u>(20,557)</u>	<u>(29,699)</u>
Other expenses:		
Audit fee	(16,744)	(2,696)
Regulatory and professional fees	(4,381)	(9,640)
Miscellaneous expenses	2,259	(677)
Publication charges	(7,252)	10,038
	<u>(26,118)</u>	<u>(2,975)</u>
Total expenses	<u>(693,674)</u>	<u>(802,775)</u>

#### 5 TAXATION

	2018 US\$	2017 US\$
Analysis of charge in period:		
Overseas tax suffered	(62,124)	(108,024)
Total overseas taxation	<u>(62,124)</u>	<u>(108,024)</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:

	2018 US\$	2017 US\$
Revenue deducted on cancellation of shares	11,201	81,295
Revenue received on creation of shares	(1,601)	(94)
Distributions for the year	<u>9,600</u>	<u>81,201</u>

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

#### 7 FAIR VALUE HIERARCHY

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

The disclosure is split into the following categories:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

	2018 Assets US\$	2017 Assets US\$
Level 1: Quoted prices	19,948,567	32,872,757
Level 2: Observable market data	7,876,615	414,014
Level 3: Unobservable data	–	–
Total value	<u>27,825,182</u>	<u>33,286,771</u>

#### 8 DEBTORS

	2018 US\$	2017 US\$
Sales awaiting settlement	9,491	–
Accrued revenue	48,798	62,579
Receivable from Manager – Nominal and management shares	544,541	540,919
Overseas tax recoverable	535	535
Total debtors	<u>603,365</u>	<u>604,033</u>

#### 9 OTHER CREDITORS

	2018 US\$	2017 US\$
Purchases awaiting settlement	(47,580)	–
Accrued expenses	(85,201)	(86,049)
Amounts payable to the Manager	(61,371)	(67,320)
Total creditors	<u>(194,152)</u>	<u>(153,369)</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, of which the Fund is a related party, hold 548,593 (2017: 638,366) 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\$ 48,747 (December 2017: US\$ 65,118) in respect of the annual management charge, and US\$ 393 (December 2017: US\$ 434) 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	14,826,260	199,939	(1,648,722)	13,377,477
Management Shares	10	–	–	10

#### 12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2017: US\$ Nil).

## Managed Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2018 to 31st December 2018

#### 13 DEBT SECURITY CREDIT ANALYSIS

	Market Value US\$	% of Net Assets
Investment Grade*	7,876,615	27.53
<b>Debt securities total</b>	<b>7,876,615</b>	<b>27.53</b>

\* "Investment grade refers to the quality of a company's credit. A rating of 'BBB' or higher is considered an investment grade issue".

#### 14 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 2018 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	7,870,552	4,147	3,606	7,878,305	0.05	0.05
Bonds	11,372,691	–	–	11,372,691	–	–
Funds	157,339	–	–	157,339	–	–
	<u>19,400,582</u>	<u>4,147</u>	<u>3,606</u>	<u>19,408,335</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	9,574,867	(5,014)	(543)	9,569,310	(0.05)	(0.01)
Bonds	12,370,343	–	–	12,370,343	–	–
Funds	287,117	–	–	287,117	–	–
	<u>22,232,327</u>	<u>(5,014)</u>	<u>(543)</u>	<u>22,226,770</u>		
Total		<u>9,161</u>	<u>4,149</u>			
Percentage of Fund average net assets		<u>0.03%</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 2017 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
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>		
<b>Sales:</b>						
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>			

## Managed Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2018 to 31st December 2018

#### Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.10% (2017: 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.

#### 15 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 2018	US\$	US\$	US\$
Australian Dollar	1,453	139,040	140,493
Brazilian Real	13	152,146	152,159
Canadian Dollar	233	334,043	334,276
Danish Krone	559	176,538	177,097
Euro	15,302	3,777,197	3,792,499
Hong Kong Dollar	248	979,398	979,646
Indonesian Rupiah	-	324,490	324,490
Japanese Yen	2,272	2,350,527	2,352,799
Mexican Peso	46	-	46
New Zealand Dollar	572	-	572
Norwegian Krone	38	-	38
Polish Zloty	215	-	215
Singapore Dollar	73	165,121	165,194
South African Rand	57	-	57
Swedish Krona	98	457,747	457,845
Swiss Franc	448	265,588	266,036
Taiwanese Dollar	31,382	-	31,382
Turkish Lira	2	-	2
UK Sterling	5,444	2,937,423	2,942,867
US Dollar	729,035	15,765,924	16,494,959
Currency 2017	US\$	US\$	US\$
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

#### 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 2018 and 31st December 2017 was:

Currency 2018	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
	US\$	US\$	US\$	US\$
Australian Dollar	1,003	139,040	450	140,493
Brazilian Real	13	-	152,146	152,159
Canadian Dollar	135	85,102	249,039	334,276
Danish Krone	559	-	176,538	177,097
Euro	4,822	2,368,392	1,419,285	3,792,499
Hong Kong Dollar	47,829	-	979,397	1,027,226
Indonesian Rupiah	-	-	324,490	324,490
Japanese Yen	80	1,426,834	925,885	2,352,799
Mexican Peso	46	-	-	46
New Zealand Dollar	572	-	-	572
Norwegian Krone	38	-	-	38
Polish Zloty	215	-	-	215
Singapore Dollar	73	-	165,121	165,194
South African Rand	57	-	-	57
Swedish Krona	98	-	457,747	457,845
Swiss Franc	448	-	265,588	266,036
Taiwanese Dollar	31,382	-	-	31,382
Turkish Lira	2	-	-	2
UK Sterling	219	530,967	2,411,681	2,942,867
US Dollar	835,227	3,326,280	12,480,024	16,641,531
Currency 2017	US\$	US\$	US\$	US\$
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 2018	Floating rate financial liabilities	Financial liabilities not carrying interest	Total
	US\$	US\$	US\$
Hong Kong Dollar	-	(47,580)	(47,580)
US Dollar	-	(146,572)	(146,572)
Currency 2017	US\$	US\$	US\$
US Dollar	-	(153,369)	(153,369)

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 2018 the MSCI AC World Index produced a return of -8.9% in United States (US) Dollar terms. By comparison, the Fund achieved a return of -9.2% over the same period.

### Review

Despite spells of resilience, 2018 proved a challenging year for global equities. This saw the MSCI All Country World Index finish the year 7.2% down in local terms and return a portion of 2017's steady appreciation. Dominant themes throughout the year included tighter monetary policy, technological regulation and the escalation of trade tensions between the US and China.

US equities fell as concerns around trading relationships, nascent inflation and subsequent projections for an increased pace of rate hikes dampened sentiment. However, they outperformed their global peers as President Donald Trump's fiscal reform carried positive implications for earnings, and consumer confidence remained intact. Towards the end of the year, more subdued forecasts for global growth led the Federal Reserve to reduce its projection for the number of rate hikes in 2019 (from three to two).

By contrast, European equities lagged wider indices over the period, buffeted by underwhelming economic data, the formation of a euro-sceptic coalition in Italy and, as elsewhere, concerns over trade disputes. Later, markets welcomed the resolution of a standoff between the European Union and the Italian government about the proposed deficit of the Italian budget. The United Kingdom's market offered slightly more resilience, buoyed for much of the year by rising commodity prices. Brexit-related concerns persisted. Japanese, Far Eastern and emerging markets (EM) were swayed by factors such as trade rhetoric, currency pressures and a hawkish Federal Reserve.

Sectors such as utilities and real estate outperformed their cyclical peers over the year as developments in the final quarter saw bond yields retract, and prompted investors to seek cheaper, more defensive sources of growth. Despite a late sell-off in high-duration growth stocks, the technology sector also outperformed after several of its key constituents produced strong corporate earnings. Industrials lagged as investors considered a cyclical peak, while energy fell late in the period amid concerns around oversupply.

Key purchases over the year included Ecolab, Inc. (United States of America), a global leader in commercial services, which assists in the provision of everyday necessities such as safe food, clean water and energy. Its market is highly fragmented, promoting the opportunity for market share gains through bolt-on acquisitions. These should supplement organic growth.

We also initiated a position in global medical technology company Becton Dickinson and Co. (United States of America). With a diversified portfolio, high market share and its recent acquisition of Bard, Becton stands to benefit from an acceleration in top-line growth and margins. Its competitive advantages consist of intangible assets and switching costs.

Another addition was internet service provider Tencent Holdings Ltd. (Cayman Islands). With continued strength in platform engagement paving the way for sustainable earnings growth, and the potential for concerns over the impact of regulation on the company's gaming and payments divisions to ease, we felt the stock's valuation did reflect the company's prospects. The subsequent news from Chinese regulatory officials that new games had been cleared for sale saw the stock outperform.

Elsewhere, we purchased Adidas AG (Germany), which continues to gain market share in a relatively concentrated industry. The arrival of well-regarded management from Henkel is promising, given their success in improving margins in their previous role. Factoring in its strong brand, scale and improvements in productivity, we believe Adidas can perform well from here.

We established a position in EssilorLuxottica SA (France), an ophthalmic lens manufacturer which is benefiting from the structural growth in eyewear. Essilor's merger with Luxottica generates substantial synergy opportunities, given the companies' respective positions as leading lens and frame manufacturers.

Internet connection specialist Equinix, Inc. (United States of America) was added to the portfolio. Equinix's superior brand and premium market position generates pricing power within the data-centre connection space, while its multi-region footprint drives appeal for customers with more expansive requirements. A recent pullback provided an attractive entry point, given its secular, technological performance drivers.

We exited names including Yaskawa Electric Corporation (Japan), which had performed strongly during 2017 following healthy traction in new, high margin products. Having considered the stock's rise in valuation and assessed concerns around the impact of a cyclical peak in demand for motion control, we took profits. Elsewhere, we closed our position in HSBC Holdings Plc (United Kingdom). The stock had outperformed materially since mid-2016 on factors such as buyback plans and rising rates; but 2018 brought signs that the pace at which costs were rising was challenging that of revenues. This prompted us to sell. Other exits included Siam Commercial Bank (Thailand), L'Oréal (France) and Goldman Sachs Group (United States of America).

We believe that the recent shifts experienced by markets represents opportunity. Resets in the valuations of attractive, secular growth stories makes this backdrop an ideal hunting ground for bottom-up investors capable of identifying long-term winners, trading at below their intrinsic values. While factors such as rising rates, tariffs and technological regulation remain in focus, we believe structural factors promoting a world which is 'lower for longer' remain in place. These include debt, demographics and technological disruption, and should ensure that companies which can sustain above-average growth remain attractive. Within this context, we retain our focus on companies with durable competitive advantages. We believe these support the retention of high or rising returns on capital, and long-term earnings growth.

## Worldwide Equity Fund Comparative Tables

for the accounting period 1st January 2018 to 31st December 2018

	Preference Shares			2015	2014
	2018	2017	2016		
	US\$	US\$	US\$		
<b>Change in net assets per share</b>					
Opening net asset value per share	2.8384	2.2080	2.1696		
Return before operating charges <sup>1</sup>	(0.2787)	0.6839	0.0841		
Operating charges	(0.0608)	(0.0535)	(0.0457)		
Return after operating charges	(0.3395)	0.6304	0.0384		
Distributions on preference shares	–	–	–		
Closing net asset value per shares	2.4989	2.8384	2.2080		
<sup>1</sup> after direct transaction costs	(0.0017)	(0.0020)	(0.0021)		
<b>Performance</b>					
Return after charges	(11.96)%	28.55%	1.77%		
<b>Other information</b>					
Closing net asset value (US\$)	25,973,376	35,030,454	30,369,429		
Closing number of shares	10,393,930	12,341,581	13,754,145		
Operating charges	2.14%	2.13%	2.14%		
Direct transaction costs (note 13)	0.06%	0.08%	0.10%		
<b>Ongoing Charges Figure (“OCF”)<sup>2</sup></b>	2.14%	2.13%	2.14%		
<b>Prices</b>					
Highest offer share price (US\$)	3.1970	2.9970	2.3940	2.4260	2.3440
Lowest bid share price (US\$)	2.4380	2.2070	1.8790	1.9750	1.9670
Net distribution per share (US\$)	–	–	–	–	0.0006

### Notes

<sup>1</sup>Return before operating charges is stated after direct transaction costs.

<sup>2</sup>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 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 2018 to 31st December 2018

	Notes	2018 US\$	2017 US\$
Income			
Net capital (losses)/gains	2	(3,235,721)	8,215,646
Revenue	3	528,045	580,751
Expenses	4	(675,441)	(664,306)
Net expense before taxation		(147,396)	(83,555)
Taxation	5	(88,293)	(120,494)
Net expense after taxation		(235,689)	(204,049)
<b>Total return before distribution</b>		<b>(3,471,410)</b>	<b>8,011,597</b>
Distributions	6	16,981	5,859
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		<b>(3,454,429)</b>	<b>8,017,456</b>

### Balance Sheet

as at 31st December 2018

	Notes	2018 US\$	2017 US\$
<b>Assets:</b>			
Fixed assets:			
Investments	7	25,740,220	33,909,648
Current assets:			
Debtors	8	241,715	239,318
Cash and bank balances		300,861	1,206,774
<b>Total assets</b>		<b>26,282,796</b>	<b>35,355,740</b>
<b>Liabilities:</b>			
Creditors:			
Other creditors	9	(93,411)	(114,145)
<b>Total liabilities</b>		<b>(93,411)</b>	<b>(114,145)</b>
<b>Equity:</b>			
Nominal shares (note 14, page 71)		(216,009)	(211,141)
Total equity		(216,009)	(211,141)
<b>Net Assets Attributable to Preference Shareholders</b>		<b>25,973,376</b>	<b>35,030,454</b>

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

for the accounting period 1st January 2018 to 31st December 2018

	2018 US\$	2017 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	35,030,454	30,369,429
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	1,039,978	1,533,430
Amounts payable on cancellation of shares	(6,642,627)	(4,889,861)
	(5,602,649)	(3,356,431)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(3,454,429)	8,017,456
<b>Closing Net Assets Attributable to Preference Shareholders</b>	<b>25,973,376</b>	<b>35,030,454</b>

### Distribution Tables

There is no distribution for the accounting period 1st January 2018 to 31st December 2018, as expenses exceeded revenue (December 2017: 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

### Notes to the Financial Statements

for the accounting period 1st January 2018 to 31st December 2018

#### 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)/GAINS

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

	2018 US\$	2017 US\$
Non-derivative securities	(3,208,090)	8,237,249
Other currency losses	(10,543)	(4,502)
Transaction charges	(17,088)	(17,101)
Net capital (losses)/gains	<u>(3,235,721)</u>	<u>8,215,646</u>

(Losses)/gains from non-derivatives securities include realised gains of US\$ 2,554,726 (2017: US\$ 2,860,130) and change in unrealised losses of US\$ 5,762,816 (2017: US\$ 5,377,119 - unrealised gains).

#### 3 REVENUE

	2018 US\$	2017 US\$
Overseas dividends	525,382	579,373
Bank interest	2,663	1,378
Total revenue	<u>528,045</u>	<u>580,751</u>

#### 4 EXPENSES

	2018 US\$	2017 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(630,176)	(624,719)
Registration expenses	(1,764)	(1,893)
Directors' fees	(2,425)	(2,060)
	<u>(634,365)</u>	<u>(628,672)</u>

Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(15,476)	(15,341)
Safe custody fees	(4,042)	(5,190)
Interest payable	(769)	(678)
	<u>(20,287)</u>	<u>(21,209)</u>

Other expenses:		
Audit fee	(11,448)	(7,001)
Regulatory and professional fees	(4,532)	(7,264)
Miscellaneous expenses	681	(204)
Publication charges	(5,490)	44
	<u>(20,789)</u>	<u>(14,425)</u>
Total expenses	<u>(675,441)</u>	<u>(664,306)</u>

#### 5 TAXATION

	2018 US\$	2017 US\$
Analysis of charge in period:		
Overseas tax suffered	(88,293)	(109,421)
Capital gains tax	-	(11,073)
Total overseas taxation	<u>(88,293)</u>	<u>(120,494)</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:

	2018 US\$	2017 US\$
Revenue deducted on cancellation of shares	20,316	10,349
Revenue received on creation of shares	(3,335)	(4,490)
Distributions for the year	<u>16,981</u>	<u>5,859</u>

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

#### 7 FAIR VALUE HIERARCHY

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

The disclosure is split into the following categories:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

Valuation technique	2018 Assets US\$	2017 Assets US\$
Level 1: Quoted prices	25,740,220	33,909,648
Level 2: Observable market data	-	-
Level 3: Unobservable data	-	-
Total value	<u>25,740,220</u>	<u>33,909,648</u>

#### 8 DEBTORS

	2018 US\$	2017 US\$
Sales awaiting settlement	14,229	-
Accrued revenue	11,246	27,946
Receivable from Manager - Nominal shares	216,009	211,141
Overseas tax recoverable	231	231
Total debtors	<u>241,715</u>	<u>239,318</u>

#### 9 OTHER CREDITORS

	2018 US\$	2017 US\$
Amounts payable for cancellation of shares	-	(8,679)
Accrued expenses	(44,106)	(45,505)
Amounts payable to the Manager	(49,305)	(59,961)
Total creditors	<u>(93,411)</u>	<u>(114,145)</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, of which the Fund is a related party, hold 7,930,298 (2017: 9,498,820) 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\$ 44,807 (December 2017: US\$ 57,377) in respect of the annual management charge, and US\$ 138 (December 2017: US\$ 155) 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	12,341,581	356,678	(2,304,329)	10,393,930

#### 12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2017: US\$ Nil).

## Worldwide Equity Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2018 to 31st December 2018

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#### 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 2018 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	10,493,165	5,668	5,273	10,504,106	0.05	0.05
	<u>10,493,165</u>	<u>5,668</u>	<u>5,273</u>	<u>10,504,106</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	15,473,775	(7,853)	(924)	15,464,998	(0.05)	(0.01)
	<u>15,473,775</u>	<u>(7,853)</u>	<u>(924)</u>	<u>15,464,998</u>		
Total		<u>13,521</u>	<u>6,197</u>			
Percentage of Fund average net assets		<u>0.04%</u>	<u>0.02%</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 2017 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	11,004,541	7,150	6,434	11,018,125	0.06	0.06
	<u>11,004,541</u>	<u>7,150</u>	<u>6,434</u>	<u>11,018,125</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	15,453,680	(10,164)	(2,944)	15,440,572	(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>			

## Worldwide Equity Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2018 to 31st December 2018

#### 13 DIRECT TRANSACTION COSTS (continued)

##### Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.11% (2017: 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			
Currency 2018	Monetary exposure US\$	Non-monetary exposure US\$	Total US\$
Australian Dollar	242	–	242
Brazilian Real	–	206,205	206,205
Canadian Dollar	74	344,999	345,073
Danish Krone	120	241,686	241,806
Euro	82	1,860,929	1,861,011
Hong Kong Dollar	4	1,244,541	1,244,545
Indonesian Rupiah	–	444,269	444,269
Japanese Yen	9	1,245,113	1,245,122
Mexican Peso	38	–	38
New Zealand Dollar	667	–	667
Norwegian Krone	90	–	90
Polish Zloty	119	–	119
Singapore Dollar	50	239,860	239,910
South African Rand	4	–	4
Swedish Krona	20	627,837	627,857
Swiss Franc	44	354,159	354,203
Taiwanese Dollar	10,353	–	10,353
Turkish Lira	1	–	1
UK Sterling	2,447	2,269,871	2,272,318
US Dollar	218,792	16,660,751	16,879,543
<b>Currency 2017</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
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

##### 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 2018 and 31st December 2017 was:

Currency 2018	Floating rate financial assets US\$	Fixed rate financial assets US\$	Financial assets not carrying interest US\$	Total US\$
Australian Dollar	242	–	–	242
Brazilian Real	–	–	206,205	206,205
Canadian Dollar	74	–	344,999	345,073
Danish Krone	120	–	241,686	241,806
Euro	82	–	1,860,929	1,861,011
Hong Kong Dollar	4	–	1,244,541	1,244,545
Indonesian Rupiah	–	–	444,269	444,269
Japanese Yen	9	–	1,245,113	1,245,122
Mexican Peso	38	–	–	38
New Zealand Dollar	667	–	–	667
Norwegian Krone	90	–	–	90
Polish Zloty	119	–	–	119
Singapore Dollar	50	–	239,860	239,910
South African Rand	4	–	–	4
Swedish Krona	20	–	627,837	627,857
Swiss Franc	44	–	354,159	354,203
Taiwanese Dollar	10,353	–	–	10,353
Turkish Lira	1	–	–	1
UK Sterling	40	–	2,272,278	2,272,318
US Dollar	288,904	–	16,684,050	16,972,954
<b>Currency 2017</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
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 2018	Floating rate financial liabilities US\$	Financial liabilities not carrying interest US\$	Total US\$
US Dollar	–	(93,411)	(93,411)
<b>Currency 2017</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
US Dollar	–	(114,145)	(114,145)

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 Investment 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 2018 the Fund posted a gross return of +1.9% versus +1.9% for the US Certificate of Deposit One Month Index, in US Dollar terms.

### Review

Throughout the reporting period, the Fund was invested entirely in short dated US Dollar deposits. Over the period as a whole, the Dollar was up against all major currencies except the Japanese Yen.

In 2018, the Dollar was supported by a divergence between the US and other developed markets in terms of growth, and therefore, interest-rate expectations. The currency also gained from escalating trade tensions between the US and China, as investors anticipated that the US would be the ultimate victor of the battle. The resulting volatility in risk markets also heightened the Dollar's "safe-haven" appeal as did periodic worries around Brexit, geopolitics, the formation of an Eurosceptic government in Italy, and fears of contagion from sharp falls in the Turkish lira and Argentine peso (though ironically, this last factor was in fact partly caused by earlier strength in the Dollar).

The US economy was buoyant, partly due to the boost to consumption from President Donald Trump's tax cuts. Meanwhile, growth in the eurozone and the United Kingdom (UK) was fairly muted. Consequently, over much of the year, investors remained confident that US interest rates would rise faster than those in Europe, the UK and especially, Japan. During the review period, the Federal Reserve (Fed) raised the target range for the federal funds rate on four occasions, by 25 basis points each time. The European Central Bank (ECB), by contrast, adopted a more dovish tone. In June, it signalled that its programme of monthly bond purchases would end this year but took pains to reassure investors that interest rates would not rise from their historic lows before the autumn of 2019. In the UK, a run of weaker-than-expected economic data dissuaded the Bank of England from raising the base rate at its May 2018 meeting. While the bank did raise rates in August, expectations for further such measures remained muted, given the uncertainty around Brexit.

Having reached its year to date peak in early November, the Dollar thereafter drifted lower. This was partly due to the results of the mid-term elections in November; the Democrats' victory in the House fuelled expectations that President Trump would now find it harder to implement stimulus measures, which could thereby alleviate the pressure on the Fed to raise rates. Late in November, Chairman Jay Powell's comments that interest rates were "just below" the so-called neutral level also dealt a blow to the Dollar, as these fuelled expectations that rate hikes may be slowed – or even stopped – after December. Indeed, at the Fed's last meeting of the year in December, the bank scaled down its forecasts for its projected rate hikes in 2019 from three to two. Towards year end, expectations of a less hawkish Fed were strengthened by signs that the global economic slowdown could have finally reached American shores. In December, the Dollar was also pressured by the resignation of the Defence Secretary, the president's rhetoric against the Fed's chief, and a US government shutdown driven by disputes over funding for a Mexican border wall.

While the Dollar has strengthened this year on the back of fiscal forces, we feel these drivers will ultimately weaken it, by resulting in wider federal and current account deficits.

Moreover, in the US, rising earnings are not seeping into prices, and we see little in the incoming core price data to suggest an imminent breakout above 2%, a view also held by Fed chair Powell and several members of the Federal Open Market Committee. The recent tightening of financial conditions will likely act as a brake in the coming quarters, just as the fiscal stimulus fades.

We expect the Fed to move from the framework of "forward guidance" it has used in recent years (marked by predictable, quarterly rate increases), to a framework of "data dependence" in which more recent developments in data will alter the path of policy. Barring an accelerating inflation backdrop, we expect the Fed to pause its quarterly rate hiking cycle in 2019 and take a wait and see approach, which could be Dollar negative.

## Managed Currency Fund Comparative Tables

for the accounting period 1st January 2018 to 31st December 2018

	Preference shares			2015	2014
	2018	2017	2016		
	US\$	US\$	US\$		
<b>Change in net assets per share</b>					
Opening net asset value per share	0.3325	0.3336	0.3360		
Return before operating charges <sup>1</sup>	0.0054	0.0026	0.0013		
Operating charges	(0.0039)	(0.0037)	(0.0037)		
Return after operating charges	0.0015	(0.0011)	(0.0024)		
Distributions on preference shares	(0.0023)	–	–		
Closing net asset value per shares	0.3317	0.3325	0.3336		
<sup>1</sup> after direct transaction costs	–	–	–		
<b>Performance</b>					
Return after charges	0.45%	(0.33)%	(0.71)%		
<b>Other information</b>					
Closing net asset value (US\$)	534,391	559,208	568,562		
Closing number of shares	1,610,986	1,681,820	1,704,392		
Operating charges	1.16%	1.13%	1.11%		
Direct transaction costs (note 12)	0.00%	0.00%	0.00%		
<b>Ongoing Charges Figure (“OCF”)<sup>2</sup></b>	1.16%	1.13%	1.11%		
<b>Prices</b>					
Highest offer share price (US\$)	0.3511	0.3511	0.3537	0.3576	0.3620
Lowest bid share price (US\$)	0.3321	0.3323	0.3336	0.3360	0.3398
Net distribution per share (US\$)	0.0023	–	–	–	–

### Notes

<sup>1</sup> Return before operating charges is stated after direct transaction costs.

<sup>2</sup> 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 year.

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 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 2018 to 31st December 2018

	Notes	2018 US\$	2017 US\$
Income			
Net capital losses	2	(1,286)	(902)
Revenue	3	10,133	5,313
Expenses	4	(6,390)	(6,276)
Net revenue/(expense) before taxation		3,743	(963)
Taxation		–	–
Net revenue/(expense) after taxation		3,743	(963)
<b>Total return before distribution</b>		<b>2,457</b>	<b>(1,865)</b>
Distributions	5	(3,743)	5
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		<b>(1,286)</b>	<b>(1,860)</b>

### Balance Sheet

as at 31st December 2018

	Notes	2018 US\$	2017 US\$
<b>Assets:</b>			
Fixed assets:			
Investments	6	262,558	260,844
Current assets:			
Debtors	7	59,776	59,599
Cash and bank balances		275,807	299,677
<b>Total assets</b>		<b>598,141</b>	<b>620,120</b>
<b>Liabilities:</b>			
Creditors:			
Distribution payable	5	(2,712)	–
Other creditors	8	(1,262)	(1,313)
<b>Total liabilities</b>		<b>(3,974)</b>	<b>(1,313)</b>
<b>Equity:</b>			
Nominal shares (note 14, page 71)		(59,776)	(59,599)
Total equity		(59,776)	(59,599)
<b>Net Assets Attributable to Preference Shareholders</b>		<b>534,391</b>	<b>559,208</b>

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

for the accounting period 1st January 2018 to 31st December 2018

	2018 US\$	2017 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	559,208	568,562
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	643	5,487
Amounts payable on cancellation of shares	(24,174)	(13,015)
	(23,531)	(7,528)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(1,286)	(1,860)
Unclaimed distributions	–	34
<b>Closing Net Assets Attributable to Preference Shareholders</b>	<b>534,391</b>	<b>559,208</b>

### Distribution Tables

for the accounting period 1st January 2018 to 30th June 2018

	Distribution Paid Income US\$	Distribution Paid Equalisation US\$	2018 US\$	2017 US\$
Group 1	0.0006	–	0.0006	0.0000
Group 2	0.0006	0.0000	0.0006	0.0000

Group 2 units are those purchased after 16:00 (UK time) on 31st December 2017.

for the accounting period 1st July 2018 to 31st December 2018

	Distribution Paid Income US\$	Distribution Paid Equalisation US\$	2018 US\$	2017 US\$
Group 1	0.0017	–	0.0017	0.0000
Group 2	0.0013	0.0004	0.0017	0.0000

Group 2 units are those purchased after 16:00 (UK time) on 30th June 2018.

## Managed Currency Fund Portfolio Statement

as at 31st December 2018

Investment	Currency	Holding	Market Value US\$	% of Net Assets
<b>Time Deposits 49.13%</b>				
<b>(46.65%)</b>				
<b>United States of America</b>				
<b>49.13% (46.65%)</b>				
Credit Agricole CIB 2.71% 18/03/2019	USD	50,614	50,614	9.47
Mitsubishi UFJ Trust & Banking 2.70% 12/03/2019	USD	53,622	53,622	10.03
National Bank Abu Dhabi PJSC 2.45% 16/01/2019	USD	53,322	53,322	9.98
Standard Chartered Bank 2.30% 19/02/2019	USD	52,000	52,000	9.73
Sumitomo Mitsui Banking Corp. 2.68% 14/03/2019	USD	53,000	53,000	9.92
			<b>262,558</b>	<b>49.13</b>
<b>Time Deposits total</b>			<b>262,558</b>	<b>49.13</b>
Total Value of Investments			262,558	49.13
Net other assets (2017: 53.35%)			271,833	50.87
<b>Net Assets attributable to Preference Shareholders</b>			<b>534,391</b>	<b>100.00</b>

\*United States Dollar (US\$) time deposits greater than 3 months at 31st December 2018 was US\$ 262,558 (December 2017: US\$ 260,844)

The comparative percentage figures in brackets are as at 31 December 2017.

## Managed Currency Fund

### Notes to the Financial Statements

for the accounting period 1st January 2018 to 31st December 2018

#### 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:

	2018 US\$	2017 US\$
Other currency (losses)/gains	(1)	5
Transaction charges	(1,285)	(907)
Net capital losses	(1,286)	(902)

#### 3 REVENUE

	2018 US\$	2017 US\$
Interest on debt securities	10,133	5,313
Total revenue	10,133	5,313

#### 4 EXPENSES

	2018 US\$	2017 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(5,491)	(5,580)
Registration expenses	(184)	(207)
Directors' fees	(46)	(34)
	(5,721)	(5,821)
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(264)	(268)
Interest payable	(62)	(1)
	(326)	(269)
Other expenses:		
Audit fee	(228)	(119)
Regulatory and professional fees	(18)	(78)
Miscellaneous expenses	12	(4)
Publication charges	(109)	15
	(343)	(186)
Total expenses	(6,390)	(6,276)

#### 5 DISTRIBUTIONS

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

	2018 US\$	2017 US\$
Interim	(1,004)	-
Final	(2,712)	-
	(3,716)	-
Revenue deducted on cancellation of shares	(28)	13
Revenue received on creation of shares	1	(8)
Distributions for the year	(3,743)	5

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

#### 6 FAIR VALUE HIERARCHY

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

The disclosure is split into the following categories:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

	2018 Assets US\$	2017 Assets US\$
Level 1: Quoted prices	-	-
Level 2: Observable market data	262,558	260,844
Level 3: Unobservable data	-	-
Total value	262,558	260,844

#### 7 DEBTORS

	2018 US\$	2017 US\$
Receivable from Manager - Nominal shares	59,776	59,599
Total debtors	59,776	59,599

#### 8 OTHER CREDITORS

	2018 US\$	2017 US\$
Accrued expenses	(745)	(775)
Amounts payable to the Manager	(517)	(538)
Total creditors	(1,262)	(1,313)

#### 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, of which the Fund is a related party, hold 446,427 (2017: 483,909) 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\$ 456 (December 2017: US\$ 480) in respect of the annual management charge, and US\$ 14 (December 2017: US\$ 17) 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	1,681,820	1,938	(72,772)	1,610,986

#### 11 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2017: 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 (2017: US\$ Nil) and the total sales amounted to US\$ Nil (2017: US\$ Nil).



**Managed Currency Fund**  
**Notes to the Financial Statements (continued)**

for the accounting period 1st January 2018 to 31st December 2018

**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 2018 and 31st December 2017 was:

	<b>Floating rate financial assets</b>	<b>Fixed rate financial assets</b>	<b>Financial assets not carrying interest</b>	<b>Total</b>
<b>Currency 2018</b>	US\$	US\$	US\$	US\$
Euro	24	–	–	24
US Dollar	538,341	–	–	538,341
<b>Currency 2017</b>	US\$	US\$	US\$	US\$
Euro	25	–	–	25
UK Sterling	20	–	–	20
US Dollar	560,476	–	–	560,476

	<b>Floating rate financial liabilities</b>	<b>Financial liabilities not carrying interest</b>	<b>Total</b>
<b>Currency 2018</b>	US\$	US\$	US\$
US Dollar	–	(3,974)	(3,974)
<b>Currency 2017</b>	US\$	US\$	US\$
US Dollar	–	(1,313)	(1,313)

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 2018, the Fund produced a total gross return of +0.8% in Sterling terms, compared with a return of +0.6% for the FTSE Actuaries All Stocks Index.

### Review

Having started 2018 at 1.19%, the UK 10-year gilt yield finished the year at 1.28%. Over the year, gilts were periodically pressured by fears that the “easy money” era could end sooner than envisaged. However, gilts gained on Brexit uncertainty and fears that Prime Minister Theresa May could be ousted in a leadership coup. Gilts also benefited from bouts of risk aversion triggered by concerns over escalating global trade tensions, slowing global growth, political turmoil in the eurozone, country-specific issues in emerging markets and the Trump administration’s “spring cleaning”. The UK’s Gross Domestic Product (GDP) growth was hit by poor weather in the first quarter, which led the Bank of England to hold interest rates in the first half. However, improving growth over the summer encouraged the Bank of England to hike rates by 25 basis points in August. Growth faded as autumn approached, and uncertainties around Brexit dented consumer and business sentiment, especially towards year-end, when fears of a “no-deal” exit began to mount.

The portfolio started 2018 with a relative duration of +0.2 years. We made various relative-value switches within maturity buckets over the period. After the sell-off in the wake of a strong UK jobs report in January, we increased duration to +0.5 years long. In February, we switched 30-year gilts into 20-years and reduced exposure to 10-year gilts, while increasing the long position in the 3-7 year area. Following the debt management office’s (DMO) auction, we raised the portfolio’s ultra long exposure. On 21 March, we moved around +0.2 years of duration from the 7-15 year area into the 15-25 and 25-35 year. In April, we sold 2055s and 2065s into 2057s, and sold 2027s into 2026s and 2028s. Later, we trimmed duration in 7-15s and 15-25s but added more in 25-35s and ultra-longs. Ahead of the Bank of England’s May meeting the portfolio was underweight at the front end; we later added some duration here. As the Italian crisis took hold, we reduced the 7-15 year segment to flat. On 1 June, we halved the long position in 25-35s, and later added duration in 10-years and ultra-longs, after the latter cheapened. In mid-June, we closed the underweight in 15-25s and took 25-35s to flat. Before the Monetary Policy Committee meeting, we took the portfolio to flat across all maturities.

Over the third quarter of 2018, we increased duration, particularly in the ultra-long segment. Early in October, we adjusted the portfolio’s exposures around the 2071 syndication before reducing exposure across most maturity buckets as yields approached the bottom of the trading range. As yields rose as a Brexit deal appeared imminent, we switched some exposure to 20-year and ultra-long gilts into the 30 year segment. Once it was clear that the deal was unlikely to be approved by parliament, we undertook some relative-value trades, taking advantage of the steeper curve and resulting significant improvements in yield pick-ups. In December, we moved some of the portfolio’s flattening bias from the very long end of the curve to the 20-year sector and made numerous relative-value trades for record pick-ups in yield. As yields fell to the year low as the parliamentary vote was postponed, we reduced duration by closing the overweight in the 25-30 year area. The portfolio ended the quarter 0.2 years short of the index.

Looking ahead, the main risk to the UK economy is if Britain crashes out of the European Union (EU) without securing an agreement. Both sides have a strong incentive to avoid this, and we still think they will find a way to do so. It remains uncertain whether Theresa May’s deal will be passed by the House of Commons, with the likelihood increasing of a “no deal” exit or a “no-Brexit”. The last reading of consumer price index (CPI) inflation undershot expectations, and we could see the rate move below 2% year-on-year quicker than previously thought, maybe early in the first quarter of 2019. The “underlying” CPI is still markedly below its 1998-2007 average, suggesting that inflationary pressures are not that great at present. Wage growth has increased recently but there remains some slack in the labour market when observing the gap between underemployment and unemployment. Over the last three months, the workforce grew more than employment, suggesting there is a limit to the extent of the recent rise in wage growth. The uncertainty around Brexit makes it unlikely that interest rates will move until the future path is clearer.

## Gilt and Income Fund Comparative Tables

for the accounting period 1st January 2018 to 31st December 2018

	2018	Preference shares			
	£	2017	2016		
		£	£		
<b>Change in net assets per share</b>					
Opening net asset value per share	0.4020	0.3993	0.3669		
Return before operating charges <sup>1</sup>	0.0033	0.0083	0.0389		
Operating charges	(0.0057)	(0.0056)	(0.0055)		
Return after operating charges	(0.0024)	0.0027	0.0334		
Distributions on preference shares	–	–	(0.0010)		
Closing net asset value per shares	0.3996	0.4020	0.3993		
<sup>1</sup> after direct transaction costs	–	–	–		
<b>Performance</b>					
Return after charges	(0.60)%	0.68%	9.10%		
<b>Other information</b>					
Closing net asset value (£)	11,242,524	12,027,560	12,966,627		
Closing number of shares	28,137,952	29,922,299	32,470,163		
Operating charges	1.42%	1.42%	1.38%		
Direct transaction costs (note 12)	0.00%	0.00%	0.00%		
<b>Ongoing Charges Figure ("OCF")<sup>2</sup></b>	1.42%	1.42%	1.38%		
<b>Prices</b>					
Highest offer share price (£)	0.4282	0.4313	0.4508	0.4087	0.3934
Lowest bid share price (£)	0.3849	0.3887	0.3680	0.3598	0.3342
Net distribution per share (£)	–	–	0.0010	0.0023	0.0028

Notes

<sup>1</sup>Return before operating charges is stated after direct transaction costs.

<sup>2</sup>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 year.

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 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 2018 to 31st December 2018

	Notes	2018 US\$	2017 US\$
Income			
Net capital (losses)/gains	2	(96,554)	125,241
Revenue	3	199,335	209,384
Expenses	4	(202,270)	(232,105)
Net expense before taxation		(2,935)	(22,721)
Taxation		–	–
Net expense after taxation		(2,935)	(22,721)
<b>Total return before distribution</b>		<b>(99,489)</b>	<b>102,520</b>
Distributions	5	78	792
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		<b>(99,411)</b>	<b>103,312</b>

### Balance Sheet

as at 31st December 2018

	Notes	2018 US\$	2017 US\$
<b>Assets:</b>			
Fixed assets:			
Investments	6	14,024,003	15,663,351
Current assets:			
Debtors	7	634,421	627,243
Cash and bank balances		245,764	566,795
<b>Total assets</b>		<b>14,904,188</b>	<b>16,857,389</b>
<b>Liabilities:</b>			
Creditors:			
Other creditors	8	(35,876)	(41,055)
<b>Total liabilities</b>		<b>(35,876)</b>	<b>(41,055)</b>
<b>Equity:</b>			
Nominal shares (note 14, page 72)		(548,709)	(544,248)
<b>Total equity</b>		<b>(548,709)</b>	<b>(544,248)</b>
<b>Net Assets Attributable to Preference Shareholders</b>		<b>14,319,603</b>	<b>16,272,086</b>

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

for the accounting period 1st January 2018 to 31st December 2018

	2018 US\$	2017 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	16,272,086	16,028,049
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	54,860	69,412
Amounts payable on cancellation of shares	(955,540)	(1,443,885)
	(900,680)	(1,374,473)
Difference on currency conversion	(952,582)	1,514,499
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(99,411)	103,312
Unclaimed distributions	190	699
<b>Closing Net Assets Attributable to Preference Shareholders</b>	<b>14,319,603</b>	<b>16,272,086</b>

### Distribution Tables

There was no distribution for the accounting period 1st January 2018 to 30th June 2018, as expenses exceeded revenue (June 2017: Nil).

There is no distribution for the accounting period 1st July 2018 to 31st December 2018, as expenses exceeded revenue (December 2017: Nil).

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 2018

Investment	Currency	Holding	Market Value US\$	% of Net Assets	Investment	Currency	Holding	Market Value US\$	% of Net Assets
<b>Government Bonds 91.57% (89.19%)</b>					<b>Supranationals 1.26% (2.22%)</b>				
<b>Finland 1.60% (1.51%)</b>					European Investment Bank				
Municipality Finance plc					1.13% 07/09/2021	GBP	€65,000	82,747	0.58
1.25% 07/03/2019	GBP	£180,000	229,353	1.60	European Investment Bank				
			<u>229,353</u>	<u>1.60</u>	1.00% 21/09/2026	GBP	€80,000	97,481	0.68
<b>United Kingdom 89.97% (87.68%)</b>					<b>Supranationals total</b>				
UK Treasury 4.50%					Total Value of Investments			14,024,003	97.94
07/03/2019	GBP	£586,000	751,270	5.25	Net Other Assets (2017: 3.74%)			295,600	2.06
UK Treasury 1.75%					<b>Net Assets attributable to Preference Shareholders</b>			<u>14,319,603</u>	<u>100.00</u>
22/07/2019	GBP	£1,398,000	1,790,230	12.50					
UK Treasury 2.00%									
22/07/2020	GBP	£246,000	319,331	2.23					
UK Treasury 3.75%									
07/09/2020	GBP	£237,000	316,839	2.21					
UK Treasury 1.75%									
07/09/2022	GBP	£242,000	318,500	2.23					
UK Treasury 0.75%									
22/07/2023	GBP	£435,000	550,351	3.84					
UK Treasury 1.00%									
22/04/2024	GBP	£89,000	113,592	0.79					
UK Treasury 2.00%									
07/09/2025	GBP	£557,000	755,197	5.27					
UK Treasury 1.50%									
22/07/2026	GBP	£372,000	488,519	3.41					
UK Treasury 1.25%									
22/07/2027	GBP	£391,000	501,098	3.50					
UK Treasury 1.63%									
22/10/2028	GBP	£42,000	55,215	0.39					
UK Treasury 4.25%									
07/06/2032	GBP	£620,000	1,052,688	7.35					
UK Treasury 4.25%									
07/03/2036	GBP	£281,000	494,884	3.46					
UK Treasury 1.75%									
07/09/2037	GBP	£421,000	536,751	3.75					
UK Treasury 4.25%									
07/12/2040	GBP	£363,000	669,327	4.67					
UK Treasury 4.50%									
07/12/2042	GBP	£401,000	778,063	5.43					
UK Treasury 4.25%									
07/12/2046	GBP	£411,000	799,716	5.59					
UK Treasury 1.50%									
22/07/2047	GBP	£409,000	483,807	3.38					
UK Treasury 1.75%									
22/01/2049	GBP	£503,000	628,850	4.39					
UK Treasury 1.75%									
22/07/2057	GBP	£432,000	552,689	3.86					
UK Treasury 2.50%									
22/07/2065	GBP	£353,000	562,363	3.93					
UK Treasury 1.63%									
22/10/2071	GBP	£295,000	364,289	2.54					
			<u>12,883,569</u>	<u>89.97</u>					
<b>Government Bonds total</b>			<u>13,112,922</u>	<u>91.57</u>					
<b>Corporate Bonds 5.11% (4.85%)</b>									
<b>Canada 1.59% (1.49%)</b>									
Export Development Canada									
0.88% 07/12/2021	GBP	£180,000	227,555	1.59					
			<u>227,555</u>	<u>1.59</u>					
<b>Germany 1.78% (1.68%)</b>									
FMS Wertmanagement AoeR									
1.25% 08/03/2019	GBP	£200,000	254,870	1.78					
			<u>254,870</u>	<u>1.78</u>					
<b>United Kingdom 1.74% (1.68%)</b>									
LCR Finance plc 4.50%									
07/12/2028	GBP	£50,000	80,304	0.56					
Network Rail Infrastructure									
Finance plc 4.63%									
21/07/2020	GBP	£125,000	168,124	1.18					
			<u>248,428</u>	<u>1.74</u>					
<b>Corporate Bonds total</b>			<u>730,853</u>	<u>5.11</u>					

The comparative percentage figures in brackets are as at 31 December 2017.

## Gilt and Income Fund

### Notes to the Financial Statements

for the accounting period 1st January 2018 to 31st December 2018

#### 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)/GAINS

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

	2018	2017
	US\$	US\$
Non-derivative securities	(90,461)	132,677
Transaction charges	(6,093)	(7,436)
Net capital (losses)/gains	<u>(96,554)</u>	<u>125,241</u>

(Losses)/gains from non-derivative securities include realised losses of USD\$ 55,449 (2017: USD\$ 648,815 - realised gains) and change in unrealised losses of USD\$ 35,012 (2017: USD\$ 516,138).

#### 3 REVENUE

	2018	2017
	US\$	US\$
Interest on debt securities	199,335	209,384
Total revenue	<u>199,335</u>	<u>209,384</u>

#### 4 EXPENSES

	2018	2017
	US\$	US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(183,664)	(211,927)
Registration expenses	(865)	(1,149)
Directors' fees	(987)	(1,360)
	<u>(185,516)</u>	<u>(214,436)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(7,050)	(8,135)
Safe custody fees	(1,289)	(1,519)
Interest payable	(481)	(33)
	<u>(8,820)</u>	<u>(9,687)</u>
Other expenses:		
Audit fee	(5,273)	(4,634)
Regulatory and professional fees	(523)	(2,366)
Miscellaneous expenses	310	(98)
Publication charges	(2,448)	(884)
	<u>(7,934)</u>	<u>(7,982)</u>
Total expenses	<u>(202,270)</u>	<u>(232,105)</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:

	2018	2017
	US\$	US\$
Revenue deducted on cancellation of shares	91	820
Revenue received on creation of shares	(13)	(28)
Distributions for the year	<u>78</u>	<u>792</u>

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

#### 6 FAIR VALUE HIERARCHY

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

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

	2018	2017
	Assets	Assets
	US\$	US\$
Level 1: Quoted prices	–	–
Level 2: Observable market data	14,024,003	15,663,351
Level 3: Unobservable data	–	–
Total value	<u>14,024,003</u>	<u>15,663,351</u>

#### 7 DEBTORS

	2018	2017
	US\$	US\$
Accrued revenue	85,712	82,995
Receivable from Manager – Nominal shares	548,709	544,248
Total debtors	<u>634,421</u>	<u>627,243</u>

#### 8 OTHER CREDITORS

	2018	2017
	US\$	US\$
Accrued expenses	(20,320)	(23,296)
Amounts payable to the Manager	(15,556)	(17,759)
Total creditors	<u>(35,876)</u>	<u>(41,055)</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, of which the Fund is a related party, hold 18,075,782 (2017: Charles Taylor Group 19,582,744) 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\$ 15,218 (December 2017: US\$ 16,108) in respect of the annual management charge, and US\$ 73 (December 2017: US\$ 85) 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	29,922,299	108,967	(1,893,314)	28,137,952

#### 11 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2017: 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\$ 36,222,340 (2017: US\$ 34,407,805) and the total sales amounted to US\$ 36,754,445 (2017: US\$ 36,099,344).

#### Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.15% (2017: 0.13%). 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\$ 14,024,003 (2017: US\$ 15,663,351). The Fund has assets not carrying interest of US\$ 85,712 (2017: US\$ 82,995).

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**  
**Notes to the Financial Statements (continued)**  
for the accounting period 1st January 2018 to 31st December 2018

**14 DEBT SECURITY CREDIT ANALYSIS**

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

	2018	2017
	US\$	US\$
Investment grade securities*	<u>14,024,003</u>	<u>15,663,351</u>
	<u>14,024,003</u>	<u>15,663,351</u>

\* Credit rating designations BBB or above are considered investment grade whereas credit rating designations BB or lower are considered below investment grade.

# 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 -4.9%, while the S&P 500 Composite Index returned -4.4% in United States (US) Dollar terms.

### Review

In a year characterised by rising market volatility, the S&P 500 recorded a series of all-time highs during 2018, but ultimately fell 4.4% in United States (US) Dollar terms. Against a backdrop of tightening monetary conditions, investor confidence faded in the face of political uncertainty, global trade tensions and concerns about the outlook for global growth.

The year started promisingly, as robust corporate results and optimism about President Trump's tax cuts boosted investor sentiment. However, markets fell sharply in March, as the US President introduced import tariffs on steel and aluminium, and levies on \$60 billion of Chinese goods. China retaliated by threatening tariffs on around \$3 billion of US imports. Despite earlier nervousness about the outlook for monetary policy, the Federal Reserve's quarter-point interest-rate rise had relatively little impact on markets, as it was widely expected.

President Trump continued to stoke market volatility, pulling out of the Iran nuclear deal and aiming various new import tariffs at US allies and adversaries alike, but US equities maintained their positive momentum in the second quarter, with optimism over the robust economic and corporate backdrop outweighing macro worries. The strong economic data prompted the Federal Reserve (Fed) to take a more hawkish turn, raising interest rates in June as expected, but increasing its projections for the pace of future rate hikes.

The S&P 500 rose in the third quarter of 2018, as optimism over the booming domestic economy and stellar corporate results continued to support risk appetite. The Fed raised interest rates again in September and notably dropped the word "accommodative" to describe its stance. Trade tensions continued to wax and wane, with the US and European Union pledging to target zero tariffs on non-auto industrial goods and the US striking a preliminary trade deal with Mexico. However, US China relations deteriorated, with each introducing fresh tariffs during the quarter.

The fourth quarter of 2018 was a volatile and weak period for US equities, as strong US labour market and services data helped push Treasury yields sharply higher, triggering an equity sell off. The Fed raised rates in December, as expected, but reduced (to two) the number of hikes projected for 2019 and trimmed its short-term growth forecasts. However, equities fell sharply as the Fed's accompanying statement was less dovish than many had anticipated. Meanwhile, despite a broadly strong third-quarter US results season, investors seemed concerned that earnings may already have peaked. This view was supported by cautious guidance from industrial giants Caterpillar (industrials) and 3M (industrials), which triggered selling pressure in their sectors and beyond.

Our key activity over the period included:

- Establishing a new holding in CME Group, Inc. (financials). The company's purchase of NEX Group has provided opportunities to deliver extra product lines and cost synergies. With quantitative-easing programmes starting to unwind and the Fed stepping up the pace of rate hikes, the long-term suppression of volatility is easing, raising the likelihood of higher market volatility and trading volumes. This promises to be a positive development for CME, which derives 85% of its revenues from transaction fees.
- Initiating a new position in American Tower Corp., REIT (real estate). Real estate investment trust American Tower is focused on owning and developing wireless broadcast and communications towers and has the attractive tenets of the tower business, including annual price increases, high incremental margins, low capital expenditure, and high barriers to entry, which are likely to persist. American Tower is the blue-chip company in the industry, with a balanced capital-allocation strategy, strong management team and international growth opportunities.
- Adding a new holding in Union Pacific Corp. (industrials). Union Pacific has a strong and improving free cashflow, which has been boosted by tax reform in the US. The company is also benefiting from strong demand for freight services, a development that should ultimately also deliver pricing benefits.
- Establishing a new position in MasterCard, Inc. 'A' (information technology). Mastercard continues to enjoy compound growth, thanks largely to its exposure to positive industry trends in software-driven payments, e-commerce and international penetration. The company is also benefiting from the ongoing move from cash to card payments. MasterCard is aiming for longer-term revenue growth of 7% to 9%, and mid-teens growth in earnings-per-share, with significant margin expansion.
- Exiting stocks including Berkshire Hathaway Inc. 'B' (financials), Facebook, Inc. 'A' (communication services), and Pfizer Inc. (health care), which we felt no longer offered compelling risk/reward profiles.

In terms of outlook, we believe the market is grappling with a twin dilemma. On the one hand, we have a robust business cycle in the US; on the other, we are confronted with quantitative tightening (QT) or a liquidity-induced slowdown in the rest of the world. This is reminiscent of 2015 when an industrial and commodity recession took place within an otherwise growing economy. At that time, central banks intervened and the market resumed its upward movement; the crucial question now is whether the impact of QT on global liquidity will derail the business cycle.

The market seems to fear that central banks will not respond sufficiently this time. The market is pricing in a growing likelihood of recession but we do not see the same signs of deterioration in the business cycle. Indeed, we remain cautiously optimistic on the prospects for the US economy, with its combination of above-trend earnings growth, benign inflation and low unemployment. The US market is trading on attractive valuation multiples, which we think makes it a robust environment for stock pickers.



## North American Growth Fund Comparative Tables

for the accounting period 1st January 2018 to 31st December 2018

	Preference shares			2015	2014
	2018	2017	2016		
	US\$	US\$	US\$		
<b>Change in net assets per share</b>					
Opening net asset value per share	7.7410	6.0714	5.7835		
Return before operating charges <sup>1</sup>	(0.4645)	1.8024	0.4041		
Operating charges	(0.1675)	(0.1328)	(0.1162)		
Return after operating charges	(0.6320)	1.6696	0.2879		
Distributions on preference shares	–	–	–		
Closing net asset value per shares	7.1090	7.7410	6.0714		
<sup>1</sup> after direct transaction costs	(0.0040)	(0.9026)	(0.0108)		
<b>Performance</b>					
Return after charges	(8.16%)	27.50%	4.98%		
<b>Other information</b>					
Closing net asset value (US\$)	20,325,943	24,888,638	327,706,556		
Closing number of shares	2,859,189	3,215,184	53,975,620		
Operating charges	2.09%	2.05%	2.04%		
Direct transaction costs (note 13)	0.05%	0.14%	0.19%		
<b>Ongoing Charges Figure (“OCF”)<sup>2</sup></b>	2.09%	2.05%	2.04%		
<b>Prices</b>					
Highest offer share price (US\$)	9.0470	8.1790	6.4860	6.3300	6.0840
Lowest bid share price (US\$)	6.8990	6.0800	5.0120	5.2940	4.9240
Net distribution per share (US\$)	–	–	–	–	–

### Notes

<sup>1</sup>Return before operating charges is stated after direct transaction costs.

<sup>2</sup>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 year.

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 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 2018 to 31st December 2018

	Notes	2018 US\$	2017 US\$
Income			
Net capital (losses)/gains	2	(1,492,580)	29,447,423
Revenue	3	369,064	1,844,598
Expenses	4	(470,433)	(2,487,949)
Net expense before taxation		(101,369)	(643,351)
Taxation	5	(105,255)	(533,812)
Net expense after taxation		(206,624)	(1,177,163)
<b>Total return before distribution</b>		<u>(1,699,204)</u>	<u>28,270,260</u>
Distributions	6	13,929	956,326
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		<u>(1,685,275)</u>	<u>29,226,586</u>

### Balance Sheet

As at 31st December 2018

	Notes	2018 US\$	2017 US\$
<b>Assets:</b>			
Fixed assets:			
Investments	7	20,395,448	24,765,878
Current assets:			
Debtors	8	167,099	172,450
Cash and bank balances		63,790	319,955
<b>Total assets</b>		<u>20,626,337</u>	<u>25,258,283</u>
<b>Liabilities:</b>			
Creditors:			
Other creditors	9	(152,182)	(222,323)
<b>Total liabilities</b>		<u>(152,182)</u>	<u>(222,323)</u>
<b>Equity:</b>			
Nominal shares (note 14, page 72)		(148,212)	(147,322)
<b>Total equity</b>		<u>(148,212)</u>	<u>(147,322)</u>
<b>Net Assets Attributable to Preference Shareholders</b>		<u>20,325,943</u>	<u>24,888,638</u>

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

for the accounting period 1st January 2018 to 31st December 2018

	2018 US\$	2017 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	24,888,638	327,706,556
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	829,347	10,420,305
Amounts payable on cancellation of shares	(3,706,767)	(342,464,809)
	(2,877,420)	(332,044,504)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(1,685,275)	29,226,586
<b>Closing Net Assets Attributable to Preference Shareholders</b>	<u>20,325,943</u>	<u>24,888,638</u>

### Distribution Tables

There was no distribution for the accounting period 1st January 2018 to 31st December 2018, as expenses exceeded revenue (December 2017: 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 2018

Investment	Currency	Holding	Market Value US\$	% of Net Assets	Investment	Currency	Holding	Market Value US\$	% of Net Assets
<b>Equities 100.34% (99.51%)</b>					<b>Diversified Financial Services 0.00% (2.94%)</b>				
<b>Communication Services 8.52% (6.17%)</b>					<b>Insurance 3.45% (2.78%)</b>				
<b>Entertainment 1.48% (1.47%)</b>					Alfac, Inc. USD 7,729 348,965 1.72				
Electronic Arts, Inc.	USD	3,818	300,591	1.48	Marsh & McLennan Cos., Inc.	USD	4,454	352,623	1.73
			<b>300,591</b>	<b>1.48</b>				<b>701,588</b>	<b>3.45</b>
<b>Interactive Media &amp; Services 4.73% (1.50%)</b>					<b>Financials total</b>				
Alphabet, Inc. 'A'	USD	928	962,252	4.73				<b>3,135,794</b>	<b>15.43</b>
			<b>962,252</b>	<b>4.73</b>	<b>Health Care 16.96% (13.48%)</b>				
<b>Media 2.31% (3.20%)</b>					<b>Biotechnology 5.98% (4.92%)</b>				
Comcast Corp. 'A'	USD	13,952	468,369	2.31	Alexion Pharmaceuticals, Inc.	USD	2,750	270,105	1.33
			<b>468,369</b>	<b>2.31</b>	Biogen, Inc.	USD	859	257,210	1.27
<b>Communication Services total</b>					BioMarin Pharmaceutical, Inc.				
			<b>1,731,212</b>	<b>8.52</b>		USD	2,036	170,637	0.84
<b>Consumer Discretionary 8.11% (10.35%)</b>					Bluebird Bio, Inc.				
<b>Hotels, Restaurants &amp; Leisure 1.16% (1.88%)</b>					Exact Sciences Corp.				
Extended Stay America, Inc.	USD	7,753	119,551	0.59	Sage Therapeutics, Inc.	USD	421	38,345	0.19
Royal Caribbean Cruises Ltd.	USD	1,200	115,752	0.57	Vertex Pharmaceuticals, Inc.	USD	2,100	345,156	1.70
			<b>235,303</b>	<b>1.16</b>				<b>1,214,797</b>	<b>5.98</b>
<b>Household Durables 0.00% (1.07%)</b>					<b>Health Care Equipment &amp; Supplies 4.17% (1.84%)</b>				
<b>Internet &amp; Direct Marketing Retail 4.55% (3.26%)</b>					Baxter International, Inc.				
Amazon.com, Inc.	USD	620	924,606	4.55	Medtronic plc	USD	5,951	390,624	1.92
			<b>924,606</b>	<b>4.55</b>		USD	5,056	456,961	2.25
<b>Specialty Retail 2.40% (2.44%)</b>					<b>Health Care Providers &amp; Services 3.75% (4.11%)</b>				
Home Depot, Inc. (The)	USD	2,856	488,748	2.40	Centene Corp.	USD	1,545	177,104	0.87
			<b>488,748</b>	<b>2.40</b>	UnitedHealth Group, Inc.	USD	2,353	585,285	2.88
<b>Textiles, Apparel &amp; Luxury Goods 0.00% (1.70%)</b>					<b>Life Sciences Tools &amp; Services 1.53% (0.00%)</b>				
<b>Consumer Discretionary total</b>					Thermo Fisher Scientific, Inc.				
			<b>1,648,657</b>	<b>8.11</b>		USD	1,405	311,615	1.53
<b>Consumer Staples 3.60% (5.80%)</b>					<b>Pharmaceuticals 1.53% (2.61%)</b>				
<b>Beverages 0.00% (1.74%)</b>					Bristol-Myers Squibb Co.				
<b>Food &amp; Staples Retailing 1.82% (2.08%)</b>					USD				
Wal-Mart Stores, Inc.	USD	3,999	370,467	1.82		USD	6,046	311,308	1.53
			<b>370,467</b>	<b>1.82</b>				<b>311,308</b>	<b>1.53</b>
<b>Food Products 1.78% (0.00%)</b>					<b>Health Care total</b>				
Mondelez International, Inc. 'A'	USD	9,065	361,422	1.78				<b>3,447,694</b>	<b>16.96</b>
			<b>361,422</b>	<b>1.78</b>	<b>Industrials 11.46% (10.44%)</b>				
<b>Tobacco 0.00% (1.98%)</b>					<b>Aerospace &amp; Defense 3.83% (4.52%)</b>				
<b>Consumer Staples total</b>					Boeing Co. (The)				
			<b>731,889</b>	<b>3.60</b>	L3 Technologies, Inc.	USD	2,312	382,490	1.88
<b>Energy 5.10% (6.33%)</b>					USD				
<b>Energy Equipment &amp; Services 0.00% (1.34%)</b>					USD				
<b>Oil, Gas &amp; Consumable Fuels 5.10% (4.99%)</b>					USD				
Chevron Corp.	USD	4,159	449,505	2.21		USD	1,190	396,600	1.95
Diamondback Energy, Inc.	USD	1,556	141,985	0.70		USD	2,312	<b>779,090</b>	<b>3.83</b>
EOG Resources, Inc.	USD	3,162	275,031	1.35	<b>Airlines 0.00% (1.81%)</b>				
Valero Energy Corp.	USD	2,299	171,068	0.84	<b>Commercial Services &amp; Supplies 1.84% (0.00%)</b>				
			<b>1,037,589</b>	<b>5.10</b>	Republic Services, Inc.				
			<b>1,037,589</b>	<b>5.10</b>		USD	5,212	373,075	1.84
<b>Energy total</b>					<b>Construction &amp; Engineering 0.00% (0.71%)</b>				
					<b>Machinery 3.26% (3.40%)</b>				
<b>Financials 15.43% (18.11%)</b>					Gardner Denver Holdings, Inc.				
<b>Banks 9.27% (10.94%)</b>					Ingersoll-Rand plc				
Bank of America Corp.	USD	24,196	594,496	2.93	Xylem, Inc.	USD	3,743	245,653	1.21
Citigroup, Inc.	USD	6,714	346,980	1.71				<b>663,647</b>	<b>3.26</b>
Citizens Financial Group, Inc.	USD	7,113	209,478	1.03	<b>Road &amp; Rail 2.53% (0.00%)</b>				
JPMorgan Chase & Co.	USD	7,513	732,517	3.60	Union Pacific Corp.				
			<b>1,883,471</b>	<b>9.27</b>		USD	3,750	514,050	2.53
<b>Capital Markets 2.71% (1.45%)</b>					<b>Industrials total</b>				
CME Group, Inc.	USD	2,947	550,735	2.71				<b>514,050</b>	<b>2.53</b>
			<b>550,735</b>	<b>2.71</b>				<b>2,329,862</b>	<b>11.46</b>
<b>IT Services 5.48% (5.35%)</b>					<b>Information Technology 24.01% (23.89%)</b>				
<b>Infrastructure 0.00% (2.87%)</b>					<b>Internet Services &amp; Infrastructure 0.00%</b>				
<b>IT Services 5.48% (5.35%)</b>					Booz Allen Hamilton Holding Corp.				
Mastercard, Inc. 'A'	USD	2,472	461,152	2.27	USD				
Visa, Inc. 'A'	USD	3,975	518,578	2.55	USD				
			<b>1,113,790</b>	<b>5.48</b>					

## North American Growth Fund Portfolio Statement (continued)

as at 31st December 2018

Investment	Currency	Holding	Market Value US\$	% of Net Assets
<b>Information Technology</b>				
<b>24.01% (23.89%) (continued)</b>				
<b>Semiconductors &amp; Semiconductor Equipment</b>				
<b>5.85% (4.85%)</b>				
Broadcom, Inc.	USD	1,915	483,020	2.38
Lam Research Corp.	USD	2,472	333,819	1.64
NVIDIA Corp.	USD	1,659	220,929	1.09
NXP Semiconductors NV	USD	2,088	150,044	0.74
			<u>1,187,812</u>	<u>5.85</u>
<b>Software 8.19% (6.00%)</b>				
Adobe, Inc.	USD	2,199	493,434	2.43
Microsoft Corp.	USD	11,556	1,171,778	5.76
			<u>1,665,212</u>	<u>8.19</u>
<b>Technology Hardware, Storage &amp; Peripherals 4.49% (4.82%)</b>				
Apple, Inc.	USD	5,814	912,972	4.49
			<u>912,972</u>	<u>4.49</u>
<b>Information Technology total</b>				
			<u>4,879,786</u>	<u>24.01</u>
<b>Materials 2.76% (2.94%)</b>				
<b>Chemicals 2.14% (1.80%)</b>				
DowDuPont, Inc.	USD	8,211	434,773	2.14
			<u>434,773</u>	<u>2.14</u>
<b>Metals &amp; Mining 0.62% (1.14%)</b>				
Steel Dynamics, Inc.	USD	4,289	127,040	0.62
			<u>127,040</u>	<u>0.62</u>
<b>Materials total</b>				
			<u>561,813</u>	<u>2.76</u>
<b>Real Estate 2.09% (0.00%)</b>				
<b>Equity Real Estate Investment Trusts (REITs) 2.09% (0.00%)</b>				
American Tower Corp.	USD	2,690	424,132	2.09
			<u>424,132</u>	<u>2.09</u>
<b>Real Estate total</b>				
			<u>424,132</u>	<u>2.09</u>
<b>Utilities 2.30% (2.00%)</b>				
<b>Electric Utilities 2.30% (2.00%)</b>				
Xcel Energy, Inc.	USD	9,500	467,020	2.30
			<u>467,020</u>	<u>2.30</u>
<b>Utilities total</b>				
			<u>467,020</u>	<u>2.30</u>
<b>Equities total</b>				
			<u>20,395,448</u>	<u>100.34</u>
Total Value of Investments			20,395,448	100.34
Net Other Liabilities (2017: 0.49% Net Other Assets)			(69,505)	(0.34)
<b>Net Assets attributable to Preference Shareholders</b>				
			<u>20,325,943</u>	<u>100.00</u>

The comparative percentage figures in brackets are as at 31 December 2017.

## North American Growth Fund

### Notes to the Financial Statements

for the accounting period 1st January 2018 to 31st December 2018

#### 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 (losses)/gains during the period comprise:

	2018	2017
	US\$	US\$
Non-derivative securities	(1,471,909)	29,461,543
Other currency (losses)/gains	(1,680)	3,083
Transaction charges	(18,991)	(17,203)
Net capital (losses)/gains	<u>(1,492,580)</u>	<u>29,447,423</u>

(Losses)/gains from non-derivatives securities include realised gains of US\$ 1,494,595 (2017: US\$ 68,268,583) and change in unrealised losses of US\$ 2,966,504 (2017: US\$ 38,807,040).

#### 3 REVENUE

	2018	2017
	US\$	US\$
Overseas dividends	367,999	1,844,373
Bank interest	1,065	225
Total revenue	<u>369,064</u>	<u>1,844,598</u>

#### 4 EXPENSES

	2018	2017
	US\$	US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(474,142)	(2,400,578)
Registration expenses	(1,296)	(1,505)
Directors' fees	2,788	(2,596)
	<u>(472,650)</u>	<u>(2,404,679)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(11,649)	(46,570)
Safe custody fees	(1,833)	(7,847)
Interest payable	(915)	(6,675)
	<u>(14,397)</u>	<u>(61,092)</u>
Other expenses:		
Audit fee	2,726	(17,166)
Regulatory and professional fees	7,535	(19,517)
Miscellaneous expenses	5,128	(1,536)
Publication charges	1,225	16,041
	<u>16,614</u>	<u>(22,178)</u>
Total expenses	<u>(470,433)</u>	<u>(2,487,949)</u>

#### 5 TAXATION

	2018	2017
	US\$	US\$
Analysis of charge in period:		
Overseas tax suffered	(105,255)	(533,812)
Total overseas taxation	<u>(105,255)</u>	<u>(533,812)</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:

	2018	2017
	US\$	US\$
Revenue deducted on cancellation of shares	18,533	966,088
Revenue received on creation of shares	(4,604)	(9,762)
Distributions for the year	<u>13,929</u>	<u>956,326</u>

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

#### 7 FAIR VALUE HIERARCHY

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

The disclosure is split into the following categories:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

Valuation technique	2018	2017
	Assets	Assets
	US\$	US\$
Level 1: Quoted prices	20,395,448	24,765,878
Level 2: Observable market data	–	–
Level 3: Unobservable data	–	–
Total	<u>20,395,448</u>	<u>24,765,878</u>

#### 8 DEBTORS

	2018	2017
	US\$	US\$
Accrued revenue	18,887	25,128
Receivable from Manager – Nominal shares	148,212	147,322
Total debtors	<u>167,099</u>	<u>172,450</u>

#### 9 OTHER CREDITORS

	2018	2017
	US\$	US\$
Accrued expenses	(98,675)	(159,558)
Amounts payable to the Manager	(53,507)	(62,765)
Total creditors	<u>(152,182)</u>	<u>(222,323)</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, of which the Fund is a related party, hold 1,148,779 (2017: 1,374,816) 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\$ 35,159 (December 2017: US\$ 56,053) in respect of the annual management charge, and US\$ 100 (December 2017: US\$ 124) 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	3,215,184	100,335	(456,330)	2,859,189

#### 12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2017: US\$ Nil).

## North American Growth Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2018 to 31st December 2018

#### 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 2018 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	10,310,452	5,535	–	10,315,987	0.05	0.00
	<u>10,310,452</u>	<u>5,535</u>	<u>–</u>	<u>10,315,987</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	13,214,692	(6,250)	(240)	13,208,202	(0.05)	(0.00)
	<u>13,214,692</u>	<u>(6,250)</u>	<u>(240)</u>	<u>13,208,202</u>		
Total		11,785	240			
Percentage of Fund average net assets		0.05%	0.00%			

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 2017 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
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>		
<b>Sales:</b>						
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		0.13%	0.01%			

## North American Growth Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2018 to 31st December 2018

#### 13 DIRECT TRANSACTION COSTS (continued)

##### Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.07% (2017: 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	Monetary exposure	Non-monetary exposure	Total
	US\$	US\$	US\$
<b>Currency 2018</b>			
Canadian Dollar	40	–	40
UK Sterling	139	–	139
US Dollar	(69,684)	20,395,448	20,325,764
<b>Currency 2017</b>	US\$	US\$	US\$
Canadian Dollar	43	–	43
UK Sterling	8,969	–	8,969
US Dollar	113,748	24,765,878	24,879,626

##### 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 2018 and 31st December 2017 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
	US\$	US\$	US\$	US\$
<b>Currency 2018</b>				
Canadian Dollar	40	–	–	40
UK Sterling	139	–	–	139
US Dollar	63,611	–	20,414,335	20,477,946
<b>Currency 2017</b>	US\$	US\$	US\$	US\$
Canadian Dollar	43	–	–	43
UK Sterling	8,969	–	–	8,969
US Dollar	310,943	–	24,791,006	25,101,949

	Floating rate financial liabilities	Financial liabilities not carrying interest	Total
	US\$	US\$	US\$
<b>Currency 2018</b>			
US Dollar	–	(152,182)	(152,182)
<b>Currency 2017</b>	US\$	US\$	US\$
US Dollar	–	(222,323)	(222,323)

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 levels 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 2018, the Fund produced a total return of -13.4% in United States (US) Dollar terms, compared with a total return of -13.3% for the MSCI AC Asia Pacific Free Index.

### Review

2018 was a challenging year for stock markets in Asia and Japan. Despite relatively resilient corporate earnings across the region, and improved relations between North and South Korea, investors focused their attention on the impact of rising interest rates in the US, the resultant stronger dollar, and escalating US-China trade tensions. This last factor gave rise to concerns over the slowdown in China's economic growth.

Against the backdrop of rising US interest rates and a stronger Dollar, central banks in India, the Philippines and Indonesia also tightened policy to support their currencies. By contrast, Chinese policymakers eased their monetary stance in the face of the anticipated drag on growth from US tariffs.

The rise in protectionism has also taken a toll on Japan's economy, along with the recent spate of natural disasters. The Bank of Japan maintained its accommodative stance, as inflation continued to elude its 2% target. Nevertheless, the Japanese Yen strengthened over the year; the currency is perceived as a safe-haven and therefore benefited from investor demand induced by the aforementioned unfavourable developments. The Yen's strength was a further headwind for Japan's heavily export-oriented market. However, Japanese stocks did benefit from renewed hopes for 'Abenomics' following Prime Minister Abe's re-election as his party's leader.

Having performed well in the run up to the inclusion of China's A-shares in the MSCI Emerging Markets index in May, Chinese equities ended the year as the worst performers in the region and globally, due to the worries about trade and the economy. Elsewhere, Korean equities had a poor year too, despite waning concerns about North Korea's sabre-rattling. With the market having a high weighting in technology companies, it was particularly vulnerable to the sharp falls in these stocks in the second half of 2018. Likewise, Taiwan's tech-heavy market underperformed. However, the Indian market finished the year ahead in local currency terms. The Indian economy is relatively closed compared to those of China, Japan and Korea, and the market was therefore less impacted by trade war jitters. Indian equities also benefited from falling oil prices during the latter half of the year as the country is a large oil importer.

The fund's largest exposure is to Japan, where we continued to invest in companies with attractive valuations and strong long term fundamentals. During the year, we established a new holding in Metawater Co Ltd (Japan), which provides water and sewage treatment equipment and services. We considered the shares to be undervalued, with the company benefiting from steady and sustainable sales with rising profitability. Other new additions included Japan Tobacco Inc and Sony Corporation. The latter has been benefiting from strong growth in its Game & Network Services unit, while Japan Tobacco looks well placed to increase its share in the reduced risk products market by expanding its portfolio. Other new Japanese purchases included beer company Asahi Group Holdings Ltd, Takeda Pharmaceutical Co Ltd, IT-services firm Comture Corporation, chemical and cosmetics company Kao Corporation, and insurance firm Tokio Marine Holdings Inc.

Outside Japan, we purchased a new position in Singapore's United Overseas Bank Ltd, which looked attractively valued relative to its improving earnings outlook. Another new addition was China Unicom Hong Kong Ltd (Hong Kong), which should begin to reap the benefits of mixed ownership reform and partnerships with internet players in 5G-enabled solutions.

Sales in Japan included Seiko Epson Corporation, on concerns that the company's competitive position in printer consumables was weaker than we had anticipated. We also exited discount retailer Don Quijote Holdings Co Ltd after a strong performance. We took profits in cosmetic manufacturer Kose Corporation as the stock was trading on rich valuations. We sold pharmaceutical developer Kyowa HAKKO Kirin Co Ltd as the company's performance is largely dependent on the approval of its XLH treatment burosumab. We exited the position in human resources solution provider Persol Holdings Co Ltd, as revenue growth in temporary staffing is slowing. In India, we sold out of ICICI Bank Ltd, as the improvement in asset quality is taking longer than anticipated, and we also exited Commonwealth Bank of Australia.

Trade tensions between the US and China remain the key factor influencing equity markets. Much will depend on how the negotiations progress. Should the US and China come to an agreement, we would expect markets to recover from current levels. We expect both positive and negative surprises, given the intermingling of both trade and national security issues.

The Japanese market and economy is highly geared towards global growth. As such we are wary of the risk of slowing global growth in the short term. A sentiment shared by the US Federal reserve, given their dovish stance, reducing the prospects for continued tightening.

Given the recent market correction, valuations across Asia are now rather attractive. Whilst short term visibility is low, over the longer term we remain positive on the prospects for Asian equities. We expect corporate governance and labour market reforms to drive higher returns on capital and profits particularly for Japanese companies.



## Far East Fund Comparative Tables

for the accounting period 1st January 2018 to 31st December 2018

	Preference shares			2015	2014
	2018	2017	2016		
	US\$	US\$	US\$		
<b>Change in net assets per share</b>					
Opening net asset value per share	3.7695	2.8214	2.8402		
Return before operating charges <sup>1</sup>	(0.5069)	1.0351	0.0567		
Operating charges	(0.0931)	(0.0870)	(0.0755)		
Return after operating charges	(0.6000)	0.9481	(0.0188)		
Distributions on preference shares	–	–	–		
Closing net asset value per shares	3.1695	3.7695	2.8214		
<sup>1</sup> after direct transaction costs	(0.0037)	(0.0092)	(0.0055)		
<b>Performance</b>					
Return after charges	(15.92)%	33.60%	(0.66)%		
<b>Other information</b>					
Closing net asset value (US\$)	6,423,064	8,188,390	6,540,181		
Closing number of shares	2,026,524	2,172,267	2,318,044		
Operating charges	2.53%	2.66%	2.73%		
Direct transaction costs (note 13)	0.10%	0.28%	0.20%		
<b>Ongoing Charges Figure (“OCF”)<sup>2</sup></b>	<b>2.53%</b>	<b>2.66%</b>	<b>2.73%</b>		
<b>Prices</b>					
Highest offer share price (US\$)	4.2930	3.9880	3.1700	3.4510	3.2890
Lowest bid share price (US\$)	3.1220	2.8060	2.3760	2.6120	2.6900
Net distribution per share (US\$)	–	–	–	–	0.0009

### Notes

<sup>1</sup> Return before operating charges is stated after direct transaction costs.

<sup>2</sup> 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 year.

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 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 2018 to 31st December 2018

	Notes	2018 US\$	2017 US\$
Income			
Net capital (losses)/gain	2	(1,226,312)	2,125,211
Revenue	3	184,178	163,410
Expenses	4	(168,534)	(158,710)
Net revenue before taxation		15,644	4,700
Taxation	5	(19,757)	(17,773)
Net expense after taxation		(4,113)	(13,073)
<b>Total return before distributions</b>		<b>(1,230,425)</b>	<b>2,112,138</b>
Distributions	6	464	464
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		<b>(1,229,961)</b>	<b>2,112,602</b>

### Balance Sheet

as at 31st December 2018

	Notes	2018 US\$	2017 US\$
<b>Assets:</b>			
Fixed assets:			
Investments	7	6,269,051	8,034,418
Current assets:			
Debtors	8	106,385	88,762
Cash and bank balances		163,625	170,324
<b>Total assets</b>		<b>6,539,061</b>	<b>8,293,504</b>
<b>Liabilities:</b>			
Creditors:			
Other creditors	9	(43,405)	(32,887)
<b>Total liabilities</b>		<b>(43,405)</b>	<b>(32,887)</b>
<b>Equity:</b>			
Nominal shares (note 14, page 72)		(72,592)	(72,227)
<b>Total equity</b>		<b>(72,592)</b>	<b>(72,227)</b>
<b>Net Assets Attributable to Preference Shareholders</b>		<b>6,423,064</b>	<b>8,188,390</b>

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

for the accounting period 1st January 2018 to 31st December 2018

	2018 US\$	2017 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	8,188,390	6,540,181
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	100,778	60,145
Amounts payable on cancellation of shares	(636,143)	(524,538)
	(535,365)	(464,393)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(1,229,961)	2,112,602
<b>Closing Net Assets Attributable to Preference Shareholders</b>	<b>6,423,064</b>	<b>8,188,390</b>

### Distribution Tables

There was no distribution for the accounting period 1st January 2018 to 31st December 2018, as expenses exceeded revenue (December 2017: US\$ Nil).

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

**Far East Fund**  
**Portfolio Statement**  
as at 31st December 2018

Investment	Currency	Holding	Market Value US\$	% of Net Assets	Investment	Currency	Holding	Market Value US\$	% of Net Assets
<b>Collective Investment Schemes 2.58% (2.23%)</b>					<b>Elecom Co. Ltd.</b> JPY 1,600 40,619 0.63				
Threadneedle Financial Services Ltd.	USD	2,098	165,793	2.58	Hoya Corp.	JPY	1,700	102,421	1.59
<b>Collective Investment Schemes total</b>					<b>Industrial &amp; Infrastructure Fund Investment Corp., REIT</b> JPY 39 40,393 0.63				
					<b>ITOCHU Corp.</b> JPY 4,900 83,266 1.30				
					<b>Itochu Techno-Solutions Corp.</b> JPY 2,200 42,545 0.66				
					<b>Japan Tobacco, Inc.</b> JPY 2,500 59,585 0.93				
					<b>JCU Corp.</b> JPY 500 6,335 0.10				
					<b>Kao Corp.</b> JPY 1,000 74,167 1.15				
					<b>Katitas Co. Ltd.</b> JPY 1,400 33,068 0.52				
					<b>Keyence Corp.</b> JPY 200 101,421 1.58				
					<b>Kinden Corp.</b> JPY 1,700 27,440 0.43				
					<b>Koito Manufacturing Co. Ltd.</b> JPY 800 41,319 0.64				
					<b>Kubota Corp.</b> JPY 800 11,365 0.18				
					<b>M&amp;A Capital Partners Co. Ltd.</b> JPY 400 13,828 0.22				
					<b>Maeda Kosen Co. Ltd.</b> JPY 2,300 55,206 0.86				
					<b>Matsumotokiyoshi Holdings Co. Ltd.</b> JPY 1,100 33,667 0.52				
					<b>Mercari, Inc.</b> JPY 800 13,416 0.21				
					<b>META WATER Co. Ltd.</b> JPY 1,700 45,311 0.71				
					<b>Mitsubishi Corp.</b> JPY 2,700 74,276 1.16				
					<b>Mitsubishi UFJ Financial Group, Inc.</b> JPY 19,300 94,531 1.47				
					<b>Nakanishi, Inc.</b> JPY 1,400 23,784 0.37				
					<b>Nidec Corp.</b> JPY 400 45,382 0.71				
					<b>Nihon M&amp;A Center, Inc.</b> JPY 2,400 48,337 0.75				
					<b>Nintendo Co. Ltd.</b> JPY 300 79,960 1.25				
					<b>Nippon Telegraph &amp; Telephone Corp.</b> JPY 2,100 85,699 1.33				
					<b>ORIX Corp.</b> JPY 3,100 45,308 0.71				
					<b>PALTAC Corp.</b> JPY 600 28,257 0.44				
					<b>Pigeon Corp.</b> JPY 1,400 59,874 0.93				
					<b>Qol Holdings Co. Ltd.</b> JPY 3,400 51,629 0.80				
					<b>Raksul, Inc.</b> JPY 784 16,975 0.26				
					<b>Recruit Holdings Co. Ltd.</b> JPY 600 14,538 0.23				
					<b>Rheon Automatic Machinery Co. Ltd.</b> JPY 1,400 17,535 0.27				
					<b>Sekisui Chemical Co. Ltd.</b> JPY 2,300 34,150 0.53				
					<b>SMC Corp.</b> JPY 100 30,270 0.47				
					<b>Solasto Corp.</b> JPY 800 7,994 0.12				
					<b>Sony Corp.</b> JPY 2,100 101,748 1.58				
					<b>Sumitomo Mitsui Financial Group, Inc.</b> JPY 1,000 33,203 0.52				
					<b>Suzuki Motor Corp.</b> JPY 1,100 55,701 0.87				
					<b>Takeda Pharmaceutical Co. Ltd.</b> JPY 2,200 74,228 1.16				
					<b>Takuma Co. Ltd.</b> JPY 3,600 44,926 0.70				
					<b>Tokio Marine Holdings, Inc.</b> JPY 1,200 57,191 0.89				
					<b>Tokyo Electron Ltd.</b> JPY 200 22,736 0.35				
					<b>Toyota Motor Corp.</b> JPY 1,400 81,682 1.27				
					<b>2,418,820 37.66</b>				
<b>China 6.44% (5.59%)</b>					<b>Luxembourg 0.37% (0.47%)</b>				
Anhui Conch Cement Co. Ltd. 'H'	HKD	11,500	55,818	0.87	Samsonite International SA	HKD	8,400	23,873	0.37
China Construction Bank Corp. 'H'	HKD	139,000	114,515	1.78	<b>23,873 0.37</b>				
China Merchants Bank Co. Ltd. 'H'	HKD	19,500	71,484	1.11	<b>Malaysia 0.43% (0.00%)</b>				
China Petroleum & Chemical Corp. 'H'	HKD	68,000	48,465	0.76	<b>Malayan Banking Bhd.</b> MYR 12,136 27,817 0.43				
Ping An Insurance Group Co. of China Ltd. 'H'	HKD	14,000	123,565	1.92	<b>Philippines 1.21% (1.12%)</b>				
					<b>Ayala Land, Inc.</b> PHP 43,800 33,859 0.53				
					<b>Metropolitan Bank &amp; Trust Co.</b> PHP 28,578 43,558 0.68				
					<b>77,417 1.21</b>				
<b>Hong Kong 9.54% (6.51%)</b>					<b>Singapore 2.97% (3.07%)</b>				
AIA Group Ltd.	HKD	20,200	167,708	2.61	DBS Group Holdings Ltd.	SGD	4,760	82,734	1.29
BOC Hong Kong Holdings Ltd.	HKD	10,000	37,169	0.58	United Overseas Bank Ltd.	SGD	6,000	108,161	1.68
China Mobile Ltd.	HKD	6,000	57,631	0.90	<b>190,895 2.97</b>				
China Unicom Hong Kong Ltd.	HKD	32,000	34,007	0.53	<b>South Korea 6.43% (9.35%)</b>				
CNOOC Ltd.	HKD	58,000	89,492	1.39	<b>E-MART, Inc.</b> KRW 179 29,248 0.46				
CSPC Pharmaceutical Group Ltd.	HKD	18,000	25,934	0.40	<b>KB Financial Group, Inc.</b> KRW 1,668 69,559 1.08				
Galaxy Entertainment Group Ltd.	HKD	8,000	50,683	0.79	<b>POSCO</b> KRW 250 54,428 0.85				
Hong Kong Exchanges & Clearing	HKD	1,926	55,696	0.87	<b>Samsung Electronics Co. Ltd.</b> KRW 5,092 176,690 2.75				
Sun Hung Kai Properties Ltd.	HKD	4,000	57,018	0.89	<b>Samsung Life Insurance Co. Ltd.</b> KRW 236 17,289 0.27				
Techtronic Industries Co. Ltd.	HKD	7,000	37,195	0.58	<b>Samsung SDI Co. Ltd.</b> KRW 334 65,670 1.02				
					<b>412,884 6.43</b>				
<b>India 2.35% (1.99%)</b>					<b>Taiwan 5.84% (5.08%)</b>				
HDFC Bank Ltd., ADR	USD	708	72,386	1.13	<b>Cathay Financial Holding Co. Ltd.</b> TWD 25,000 38,334 0.60				
Infosys Ltd., ADR	USD	2,880	27,130	0.42	<b>Chroma ATE, Inc.</b> TWD 9,000 34,537 0.54				
Reliance Industries Ltd., GDR	USD	1,610	51,278	0.80	<b>E.Sun Financial Holding Co. Ltd.</b> TWD 62,301 40,898 0.63				
					<b>Largan Precision Co. Ltd.</b> TWD 250 26,168 0.41				
					<b>MediaTek, Inc.</b> TWD 4,000 29,655 0.46				
					<b>150,794 2.35</b>				
<b>Indonesia 2.67% (2.07%)</b>									
Bank Rakyat Indonesia	IDR	354,100	89,879	1.40					
Persero Tbk. PT Telekomunikasi Indonesia	IDR	312,800	81,572	1.27					
					<b>171,451 2.67</b>				
<b>Japan 37.66% (42.97%)</b>									
Amano Corp.	JPY	500	9,688	0.15					
ARTERIA Networks Corp.	JPY	1,091	11,588	0.18					
Asahi Group Holdings Ltd.	JPY	1,700	66,046	1.03					
Asahi Inteco Co. Ltd.	JPY	400	16,888	0.26					
Bridgestone Corp.	JPY	1,700	65,535	1.02					
Comture Corp.	JPY	600	12,920	0.20					
Dai-ichi Life Holdings, Inc.	JPY	2,200	34,349	0.54					
Daiichi Sankyo Co. Ltd.	JPY	1,900	60,558	0.94					
Daikin Industries Ltd.	JPY	600	63,809	0.99					
Digital Arts, Inc.	JPY	400	22,153	0.35					

**Far East Fund**  
**Portfolio Statement (continued)**

as at 31st December 2018

Investment	Currency	Holding	Market Value US\$	% of Net Assets
<b>Taiwan 5.84% (5.08%) (continued)</b>				
Taiwan Semiconductor Manufacturing Co. Ltd.	TWD	28,000	205,755	3.20
			<b>375,347</b>	<b>5.84</b>
<b>Thailand 0.85% (0.76%)</b>				
Kasikornbank PCL, NVDR	THB	9,600	54,768	0.85
			<b>54,768</b>	<b>0.85</b>
<b>Equities total</b>			<b>6,103,258</b>	<b>95.02</b>
Total Value of Investments			6,269,051	97.60
Net Other Assets (2017: 1.88%)			154,013	2.40
<b>Net assets attributable to Preference Shareholders</b>			<b>6,423,064</b>	<b>100.00</b>

The comparative percentage figures in brackets are as at 31 December 2017.

## Far East Fund

### Notes to the Financial Statements

for the accounting period 1st January 2018 to 31st December 2018

#### 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)/GAINS

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

	2018	2017
	US\$	US\$
Non-derivative securities	(1,197,560)	2,163,101
Forward currency derivative contracts	(1,281)	(197)
Other currency losses	(1,169)	(2,147)
Transaction charges	(26,302)	(35,546)
Net capital (losses)/gains	(1,226,312)	2,125,211

(Losses)/Gains from non-derivatives securities include realised gains of US\$ 351,061 (2017: US\$ 713,113) and change in unrealised losses of US\$ 1,548,621 (2017: US\$ 1,449,988 - unrealised gains).

Forward currency derivative contracts include realised losses of US\$ 1,277 (2017: US\$ 201) and change in unrealised losses of US\$ 4 (2017: US\$ 4 - unrealised gain).

#### 3 REVENUE

	2018	2017
	US\$	US\$
Overseas dividends	183,321	162,233
Bank interest	857	357
Management fee rebates	-	820
Total revenue	184,178	163,410

#### 4 EXPENSES

	2018	2017
	US\$	US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(150,543)	(142,678)
Registration expenses	(2,047)	(2,245)
Directors' fees	(608)	(489)
	(153,198)	(145,412)
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(3,696)	(3,502)
Safe custody fees	(3,893)	(3,865)
Interest payable	(78)	(135)
	(7,667)	(7,502)
Other expenses:		
Audit fee	(2,876)	(1,633)
Regulatory and professional fees	(3,558)	(4,123)
Miscellaneous expenses	158	(47)
Publication charges	(1,393)	7
	(7,669)	(5,796)
Total expenses	(168,534)	(158,710)

#### 5 TAXATION

	2018	2017
	US\$	US\$
Analysis of charge in period:		
Overseas tax suffered	(19,757)	(17,773)
Total overseas taxation	(19,757)	(17,773)

#### 6 DISTRIBUTIONS

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

	2018	2017
	US\$	US\$
Revenue deducted on cancellation of shares	443	516
Revenue received on creation of shares	21	(52)
Distributions for the year	464	464

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

#### 7 FAIR VALUE HIERARCHY

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

The disclosure is split into the following categories:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

	2018	2017
	Assets	Assets
	US\$	US\$
Level 1: Quoted prices	6,269,051	8,034,418
Level 2: Observable market data	-	-
Level 3: Unobservable data	-	-
Total value	6,269,051	8,034,418

#### 8 DEBTORS

	2018	2017
	US\$	US\$
Sales awaiting settlement	16,400	-
Accrued rebates	7,286	7,286
Accrued revenue	9,727	8,857
Receivable from Manager - Nominal shares	72,592	72,227
Overseas tax recoverable	380	392
Total debtors	106,385	88,762

#### 9 OTHER CREDITORS

	2018	2017
	US\$	US\$
Purchases awaiting settlement	(18,428)	(5,806)
Accrued expenses	(12,831)	(12,896)
Amounts payable to the Manager	(12,146)	(14,185)
Total creditors	(43,405)	(32,887)

#### 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, of which the Fund is a related party, hold 539,457 (2017: 585,910) 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\$ 10,887 (December 2017: US\$ 13,435) in respect of the annual management charge, and US\$ 161 (December 2017: US\$ 185) 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	2,172,267	27,801	(173,544)	2,026,524

#### 12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2017: Nil).

## Far East Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2018 to 31st December 2018

#### 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 2018 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	3,744,034	2,583	657	3,747,274	0.07	0.02
	<u>3,744,034</u>	<u>2,583</u>	<u>657</u>	<u>3,747,274</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	4,319,708	(2,649)	(1,941)	4,315,118	(0.06)	(0.04)
	<u>4,319,708</u>	<u>(2,649)</u>	<u>(1,941)</u>	<u>4,315,118</u>		
Total		<u>5,232</u>	<u>2,598</u>			
Percentage of Fund average net assets		<u>0.07%</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 2017 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	4,998,848	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>		
<b>Sales:</b>						
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>			

## Far East Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2018 to 31st December 2018

#### 13 DIRECT TRANSACTION COSTS (continued)

##### Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.23% (2017: 0.19%). 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 2018	US\$	US\$	US\$
Australian Dollar	1,004	659,046	660,050
Euro	19	–	19
Hong Kong Dollar	2	1,361,192	1,361,194
Indonesian Rupiah	–	171,451	171,451
Japanese Yen	11,708	2,418,820	2,430,528
Korean Won	4,798	412,884	417,682
Malaysian Ringitt	6	27,817	27,823
New Zealand Dollar	116	–	116
Philippine Peso	–	77,417	77,417
Singapore Dollar	45	190,895	190,940
Taiwanese Dollar	380	375,347	375,727
Thai Bhat	115	54,768	54,883
UK Sterling	10	–	10
US Dollar	135,810	519,414	655,224
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
Taiwanese Dollar	392	416,367	416,759
Thai Bhat	114	62,350	62,464
UK Sterling	254	–	254
US Dollar	149,463	653,947	803,410

##### 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 2018 and 31st December 2017 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest
Currency 2018	US\$	US\$	US\$
Australian Dollar	7	660,043	660,050
Euro	19	–	19
Hong Kong Dollar	2	1,361,192	1,361,194
Indonesian Rupiah	–	171,451	171,451
Japanese Yen	9,785	2,439,171	2,448,956
Korean Won	19	417,663	417,682
Malaysian Ringitt	6	27,817	27,823
New Zealand Dollar	116	–	116
Philippine Peso	–	77,417	77,417
Singapore Dollar	45	190,895	190,940
Taiwanese Dollar	–	375,727	375,727
Thai Bhat	115	54,768	54,883
UK Sterling	10	–	10
US Dollar	153,501	526,700	680,201
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	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	661,233	830,491
Currency 2018	US\$	Total US\$	
Japanese Yen	(18,428)	(18,428)	
US Dollar	(24,977)	(24,977)	
Currency 2017	US\$	Total US\$	
Japanese Yen	(5,806)	(5,806)	
US Dollar	(27,081)	(27,081)	

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 2018 the FTSE All-Share Index produced a return of -9.5% in Sterling terms. By comparison, the Fund achieved a total gross return of -11.5% over the same period.

### Review

United Kingdom (UK) equities, along with most other global bourses, had a challenging year. Factors that soured sentiment included jitters about slowing global growth, tightening monetary policy, increased political uncertainty in the United States (US) and Europe, and a rise in global protectionism, which was triggered by President Trump's imposition of tariffs against America's major trading partners. Closer to home, Brexit-related uncertainties also presented a headwind for UK equities, and resulted in Sterling weakening over the year. One by-product of the currency's weakness may have been a boost to the momentum of overseas corporates launching takeover bids for UK firms, which helped UK stocks throughout the year. Robust corporate earnings also proved supportive.

Disagreements around whether Brexit should be "soft" or "hard" fuelled a slew of resignations from Prime Minister Theresa May's cabinet over the year, stoking fears of a possible leadership coup by Tory "hard Brexiters". After contentious negotiations, the prime minister and European Union (EU) leaders finally managed to settle on a draft Brexit deal in November, but this received little support from UK members of parliament (MPs), prompting fears that parliament would vote down the deal. In the event, they did not get the chance the prime minister postponed the vote at the last minute, prompting dissenters in her party to launch a no confidence motion. She did survive this, but not convincingly, with more than a third of her MPs voting against her.

On the economic front, the UK's Gross Domestic Product (GDP) growth was hit by poor weather in the first quarter. This led the Bank of England to hold interest rates in the first half. However, improving growth over the summer encouraged the bank to hike interest rates by 25 basis points in August. As 2018 progressed, growth momentum faded somewhat and uncertainties around Brexit dented consumer and business sentiment, especially towards year end, when fears of a "no-deal" exit began to mount. However, this led businesses to stockpile inventories, which provided a boost to manufacturing in the fourth quarter. On another positive note, wage growth outstripped inflation over much of the year.

Tesco plc (Consumer Staples) was added to the portfolio following its acquisition of Booker Group plc (Consumer Staples), which we previously held. We are positive about the acquisition, and Tesco's deal on the pension fund, its improved operating performance and focus on cashflow.

Other new positions over the period included Merlin Entertainments plc (Consumer Discretionary) and Associated British Foods plc (Consumer Staples). For Merlin Entertainments, the new Legoland in New York should stimulate growth, and in our view, the value of the company's intellectual property continues to be ignored by the market. Associated British Foods' subsidiaries, which include clothing retailer Primark and tea brand Twinings, are well supported by a strong balance sheet and an impressive management team focused on long term value creation.

We took advantage of the rally in healthcare stocks this year to profitably close our holding in AstraZeneca plc (Health Care).

GKN plc (Consumer Discretionary) was delisted, as the company was acquired by Melrose Industries plc (Industrials); we already had a position in the latter prior to the acquisition. Melrose Industries is a proven turnaround specialist, and we feel its restructuring of GKN should ultimately boost shareholder value.

While there are concerns about the UK's domestic and economic prospects and, in a broader context, central banks' plans to normalise policy, we still believe there are pockets of value in the UK market.

After having recovered somewhat from the financial crisis era lows in March, sentiment towards UK equities among asset allocators returned to record lows in December. A strong cohort of UK listed companies, including some overseas earners, remain undervalued relative to globally listed peers, which should enable UK firms to continue to attract takeover bids. These have persisted throughout the year as firms have sought to capitalise on the value arbitrage opportunity. In addition, there has been a notable uptick in interest from activist investors in the UK market, as they also seek to capitalise on the 'Brexit discount'.

We also believe that there is value in defensives, where we feel that there are opportunities in companies whose underlying fundamentals have stabilised but which are trading at low valuations relative to history. The UK market's high exposure to defensive areas means it should be more resilient than global markets in the event of a broad based rotation into less economically sensitive sectors.

We see numerous opportunities to deliver solid risk adjusted returns, while retaining our focus on company fundamentals, and using volatile markets to top up and buy favoured stocks.



## UK Capital Growth Fund Comparative Tables

for the accounting period 1st January 2018 to 31st December 2018

	Preference shares				
	2018	2017	2016	2015	2014
	£	£	£		
<b>Change in net assets per share</b>					
Opening net asset value per share	1.2792	1.1782	1.0615		
Return before operating charges <sup>1</sup>	(0.1447)	0.1425	0.1540		
Operating charges	(0.0264)	(0.0263)	(0.0227)		
Return after operating charges	(0.1711)	0.1162	0.1313		
Distributions on preference shares	(0.0175)	(0.0152)	(0.0146)		
Closing net asset value per share	1.0906	1.2792	1.1782		
<sup>1</sup> after direct transaction costs	(0.0012)	(0.0018)	(0.0013)		
<b>Performance</b>					
Return after charges	(13.38)%	9.86%	12.37%		
<b>Other information</b>					
Closing net asset value (£)	32,460,981	40,090,293	40,250,597		
Closing number of shares	29,763,552	31,339,928	34,161,700		
Operating charges	2.10%	2.09%	2.06%		
Direct transaction costs (note 13)	0.10%	0.14%	0.12%		
<b>Ongoing Charges Figure ("OCF")<sup>2</sup></b>	<b>2.10%</b>	<b>2.09%</b>	<b>2.06%</b>		
<b>Prices</b>					
Highest offer share price (£)	1.4110	1.3740	1.2750	1.2020	1.1140
Lowest bid share price (£)	1.0760	1.1710	0.9444	0.9980	0.9423
Net distribution per share (£)	0.0175	0.0152	0.0146	0.0124	0.0095

### Notes

1 Return before operating charges is stated after direct transaction costs.

2 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 year.

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 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

### Statement of Total Return

for the accounting period 1st January 2018 to 31st December 2018

	Notes	2018 US\$	2017 US\$
Income			
Net capital (losses)/gains	2	(7,329,700)	4,507,941
Revenue	3	1,684,945	1,852,251
Expenses	4	(1,000,871)	(1,163,274)
Net revenue before taxation		684,074	688,977
Taxation	5	(11,400)	(4,520)
Net revenue after taxation		672,674	684,457
<b>Total return before distribution</b>		<b>(6,657,026)</b>	<b>5,192,398</b>
Distributions	6	(672,674)	(684,457)
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		<b>(7,329,700)</b>	<b>4,507,941</b>

### Balance Sheet

as at 31st December 2018

	Notes	2018 US\$	2017 US\$
<b>Assets:</b>			
Fixed assets:			
Investments	7	42,003,320	54,637,461
Current assets:			
Debtors	8	532,261	514,632
Cash and bank balances		7,088	289,249
<b>Total assets</b>		<b>42,542,669</b>	<b>55,441,342</b>
<b>Liabilities:</b>			
Creditors:			
Distribution payable	6	(665,099)	(644,557)
Other creditors	9	(135,147)	(165,696)
<b>Total liabilities</b>		<b>(800,246)</b>	<b>(810,253)</b>
<b>Equity:</b>			
Nominal shares (note 14, page 72)		(396,872)	(392,932)
<b>Total equity</b>		<b>(396,872)</b>	<b>(392,932)</b>
<b>Net Assets Attributable to Preference Shareholders</b>		<b>41,345,551</b>	<b>54,238,157</b>

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

for the accounting period 1st January 2018 to 31st December 2018

	2018 US\$	2017 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	54,238,157	49,753,764
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	2,297,646	964,224
Amounts payable on cancellation of shares	(4,686,379)	(5,689,040)
	(2,388,733)	(4,724,816)
Difference on currency conversion	(3,175,150)	4,701,268
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(7,329,700)	4,507,941
Unclaimed distributions	977	–
<b>Closing Net Assets Attributable to Preference Shareholders</b>	<b>41,345,551</b>	<b>54,238,157</b>

### Distribution Table

for the accounting period 1st January 2018 to 31st December 2018

	Income £	Equalisation £	Distribution Payable 2018 £	Distribution Paid 2017 £
Group 1	0.0175	–	0.0175	0.0152
Group 2	0.0063	0.0112	0.0175	0.0152

Group 2 units are those purchased after 16:00 (UK time) on 31st December 2017.

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 2018

Investment	Currency	Holding	Market Value US\$	% of Net Assets	Investment	Currency	Holding	Market Value US\$	% of Net Assets
<b>Equities 101.59% (100.74%)</b>					<b>Capital Markets 6.27% (7.46%)</b>				
<b>Communication Services 6.98% (6.77%)</b>					Intermediate Capital Group plc				
<b>Diversified Telecommunication Services 3.07% (2.50%)</b>					London Stock Exchange Group plc				
BT Group plc	GBP	418,277	1,268,234	3.07	Schroders plc, (Non-Voting)	GBP	14,843	385,673	0.93
			<b>1,268,234</b>	<b>3.07</b>	St James's Place plc	GBP	58,506	702,566	1.70
<b>Media 3.91% (4.27%)</b>					<b>2,589,983</b>				
Daily Mail & General Trust plc 'A'	GBP	44,325	324,626	0.78	<b>6.27</b>				
Informa plc	GBP	75,052	602,241	1.46	<b>Insurance 6.48% (8.81%)</b>				
ITV plc	GBP	434,498	690,945	1.67	Legal & General Group plc				
			<b>1,617,812</b>	<b>3.91</b>	Prudential plc				
<b>Communication Services total</b>					RSA Insurance Group plc				
			<b>2,886,046</b>	<b>6.98</b>	<b>2,678,952</b>				
<b>Consumer Discretionary 10.71% (11.76%)</b>					<b>6.48</b>				
<b>Auto Components 0.00% (1.37%)</b>					<b>Financials total</b>				
<b>Distributors 1.12% (1.39%)</b>					<b>7,052,036</b>				
Headlam Group plc	GBP	41,584	217,159	0.53	<b>17.06</b>				
Inchcape plc	GBP	34,902	245,167	0.59	<b>Health Care 6.62% (6.13%)</b>				
			<b>462,326</b>	<b>1.12</b>	<b>Health Care Equipment &amp; Supplies 2.03% (1.37%)</b>				
<b>Hotels, Restaurants &amp; Leisure 8.11% (7.82%)</b>					Smith & Nephew plc				
Carnival plc	GBP	15,361	735,655	1.78	GBP				
Compass Group plc	GBP	41,217	863,594	2.09	44,922				
InterContinental Hotels Group plc	GBP	12,370	666,780	1.61	<b>837,659</b>				
Merlin Entertainments plc	GBP	115,140	465,626	1.12	<b>2.03</b>				
Whitbread plc	GBP	10,687	623,295	1.51	<b>Pharmaceuticals 4.59% (4.76%)</b>				
			<b>3,354,950</b>	<b>8.11</b>	GlaxoSmithKline plc				
<b>Household Durables 0.80% (0.54%)</b>					GBP				
Crest Nicholson Holdings plc	GBP	79,010	330,284	0.80	99,931				
			<b>330,284</b>	<b>0.80</b>	<b>1,898,031</b>				
<b>Textiles, Apparel &amp; Luxury Goods 0.68% (0.64%)</b>					<b>1,898,031</b>				
Burberry Group plc	GBP	12,798	282,004	0.68	<b>4.59</b>				
			<b>282,004</b>	<b>0.68</b>	<b>2,735,690</b>				
<b>Consumer Discretionary total</b>					<b>6.62</b>				
			<b>4,429,564</b>	<b>10.71</b>	<b>Health Care total</b>				
<b>Consumer Staples 19.96% (17.54%)</b>					<b>16.58% (14.42%)</b>				
<b>Beverages 3.77% (3.30%)</b>					<b>Aerospace &amp; Defense 2.45% (1.86%)</b>				
Diageo plc	GBP	43,754	1,557,639	3.77	Cobham plc				
			<b>1,557,639</b>	<b>3.77</b>	GBP				
<b>Food &amp; Staples Retailing 1.89% (0.97%)</b>					Rolls-Royce Holdings plc				
Tesco plc	GBP	322,591	781,091	1.89	GBP				
			<b>781,091</b>	<b>1.89</b>	317,841				
<b>Food Products 0.88% (0.00%)</b>					Rolls-Royce Holdings plc				
Associated British Foods plc	GBP	14,057	365,787	0.88	GBP				
			<b>365,787</b>	<b>0.88</b>	58,339				
<b>Household Products 3.20% (2.86%)</b>					Preference				
PZ Cussons plc	GBP	55,085	149,304	0.36	GBP				
Reckitt Benckiser Group plc	GBP	15,315	1,172,549	2.84	2,702,316				
			<b>1,321,853</b>	<b>3.20</b>	<b>3,442</b>				
<b>Personal Products 3.33% (3.04%)</b>					<b>1,014,897</b>				
Unilever plc	GBP	26,354	1,379,104	3.33	<b>2.45</b>				
			<b>1,379,104</b>	<b>3.33</b>	<b>Air Freight &amp; Logistics 0.71% (1.01%)</b>				
<b>Tobacco 6.89% (7.37%)</b>					Royal Mail plc				
British American Tobacco plc	GBP	43,466	1,384,066	3.35	GBP				
Imperial Brands plc	GBP	48,351	1,463,867	3.54	84,081				
			<b>2,847,933</b>	<b>6.89</b>	<b>291,403</b>				
<b>Consumer Staples total</b>					<b>0.71</b>				
			<b>8,253,407</b>	<b>19.96</b>	<b>291,403</b>				
<b>Energy 7.45% (6.84%)</b>					<b>Commercial Services &amp; Supplies 1.73% (1.79%)</b>				
<b>Energy Equipment &amp; Services 2.36% (2.83%)</b>					Aggreko plc				
Hunting plc	GBP	26,043	156,036	0.37	GBP				
John Wood Group plc	GBP	127,491	821,994	1.99	GBP				
			<b>978,030</b>	<b>2.36</b>	116,594				
<b>Oil, Gas &amp; Consumable Fuels 5.09% (4.01%)</b>					<b>715,451</b>				
Royal Dutch Shell plc 'B'	GBP	70,667	2,103,500	5.09	<b>1.73</b>				
			<b>2,103,500</b>	<b>5.09</b>	<b>Electrical Equipment 1.62% (1.42%)</b>				
<b>Energy total</b>					Melrose Industries plc				
			<b>3,081,530</b>	<b>7.45</b>	GBP				
<b>Financials 17.06% (20.46%)</b>					<b>667,595</b>				
<b>Banks 4.31% (4.19%)</b>					<b>1.62</b>				
Barclays plc	GBP	527,956	1,012,049	2.45	<b>Industrial Conglomerates 1.33% (1.24%)</b>				
Standard Chartered plc	GBP	99,354	771,052	1.86	Smiths Group plc				
			<b>1,783,101</b>	<b>4.31</b>	GBP				
<b>Equities total</b>					<b>550,480</b>				
			<b>101,590,000</b>	<b>100.74</b>	<b>1.33</b>				
<b>Capital Markets 6.27% (7.46%)</b>					<b>Machinery 2.42% (1.68%)</b>				
<b>Insurance 6.48% (8.81%)</b>					Rotork plc				
<b>Financials total</b>					GBP				
			<b>7,052,036</b>	<b>17.06</b>	40,276				
<b>Health Care 6.62% (6.13%)</b>					<b>1,001,524</b>				
<b>Health Care Equipment &amp; Supplies 2.03% (1.37%)</b>					<b>2.42</b>				
<b>Pharmaceuticals 4.59% (4.76%)</b>					<b>Professional Services 3.12% (2.62%)</b>				
<b>Health Care total</b>					RELX plc				
			<b>2,735,690</b>	<b>6.62</b>	GBP				
<b>Industrials 16.58% (14.42%)</b>					<b>3.12</b>				
<b>Aerospace &amp; Defense 2.45% (1.86%)</b>					<b>Road &amp; Rail 0.64% (0.68%)</b>				
<b>Cobham plc</b>					Stagecoach Group plc				
GBP					GBP				
317,841					156,374				
395,604					<b>263,905</b>				
615,851					<b>0.64</b>				
1.49					<b>Trading Companies &amp; Distributors 2.56% (2.12%)</b>				
0.01					Ferguson plc				
<b>1,014,897</b>					GBP				
<b>2.45</b>					9,791				
<b>Air Freight &amp; Logistics 0.71% (1.01%)</b>					78,423				
Royal Mail plc					GBP				
GBP					1,059,896				
84,081					<b>16.58</b>				
<b>291,403</b>					<b>Information Technology 2.99% (3.74%)</b>				
<b>0.71</b>					<b>IT Services 0.99% (1.45%)</b>				
<b>Commercial Services &amp; Supplies 1.73% (1.79%)</b>					FDM Group Holdings plc				
Aggreko plc					GBP				
GBP					43,235				
116,594					<b>409,158</b>				
<b>715,451</b>					<b>0.99</b>				
<b>1.73</b>					<b>409,158</b>				
<b>Electrical Equipment 1.62% (1.42%)</b>					<b>0.99</b>				
Melrose Industries plc					GBP				
GBP					108,037				
319,889					<b>826,741</b>				
<b>667,595</b>					<b>2.00</b>				
<b>1.62</b>					<b>Information Technology total</b>				
<b>Industrial Conglomerates 1.33% (1.24%)</b>					<b>1,235,899</b>				
Smiths Group plc					GBP				
GBP					2.99				
31,732					<b>2.99</b>				
<b>550,480</b>					<b>Software 2.00% (2.29%)</b>				
<b>1.33</b>					Sage Group plc (The)				
<b>Machinery 2.42% (1.68%)</b>					GBP				
Rotork plc					108,037				
GBP					<b>826,741</b>				
40,276					<b>2.00</b>				
<b>665,868</b>					<b>Information Technology total</b>				
<b>1,001,524</b>					<b>1,235,899</b>				
<b>2.42</b>					<b>2.99</b>				
<b>Professional Services 3.12% (2.62%)</b>					<b>2.99</b>				
RELX plc					GBP				
GBP					2.00				
62,554					<b>826,741</b>				
<b>1,287,947</b>					<b>2.00</b>				
<b>3.12</b>					<b>Information Technology total</b>				
<b>Road &amp; Rail 0.64% (0.68%)</b>					<b>1,235,899</b>				
Stagecoach Group plc					GBP				
GBP					2.99				
156,374					<b>2.99</b>				
<b>263,905</b>					<b>Software 2.00% (2.29%)</b>				
<b>0.64</b>					Sage Group plc (The)				
<b>Trading Companies &amp; Distributors 2.56% (2.12%)</b>					GBP				
Ferguson plc					108,037				
GBP					<b>826,741</b>				
9,791					<b>2.00</b>				
78,423					<b>Information Technology total</b>				
<b>1,059,896</b>					<b>1,235,899</b>				
<b>16.58</b>					<b>2.99</b>				

## UK Capital Growth Fund Portfolio Statement (continued)

as at 31st December 2018

Investment	Currency	Holding	Market Value US\$	% of Net Assets
<b>Materials 9.79% (9.83%)</b>				
<b>Chemicals 2.26% (2.19%)</b>				
Johnson Matthey plc	GBP	26,243	933,580	2.26
			<b>933,580</b>	<b>2.26</b>
<b>Construction Materials</b>				
<b>2.64% (3.38%)</b>				
Breedon Group plc #	GBP	512,891	385,429	0.93
CRH plc	GBP	26,870	708,443	1.71
			<b>1,093,872</b>	<b>2.64</b>
<b>Containers &amp; Packaging</b>				
<b>1.16% (1.51%)</b>				
DS Smith plc	GBP	126,213	480,665	1.16
			<b>480,665</b>	<b>1.16</b>
<b>Metals &amp; Mining 3.73%</b>				
<b>(2.75%)</b>				
Rio Tinto plc	GBP	32,448	1,541,366	3.73
			<b>1,541,366</b>	<b>3.73</b>
<b>Materials total</b>				
			<b>4,049,483</b>	<b>9.79</b>
<b>Real Estate 3.45% (3.25%)</b>				
<b>Equity Real Estate Investment</b>				
<b>Trusts (REITs) 2.15% (2.18%)</b>				
Derwent London plc	GBP	11,974	435,119	1.05
Land Securities Group plc	GBP	44,216	453,022	1.10
			<b>888,141</b>	<b>2.15</b>
<b>Real Estate Management &amp; Development 1.30% (1.07%)</b>				
Grainger plc	GBP	201,490	538,426	1.30
			<b>538,426</b>	<b>1.30</b>
<b>Real Estate total</b>				
			<b>1,426,567</b>	<b>3.45</b>
<b>Equities total</b>				
			<b>42,003,320</b>	<b>101.59</b>
Total Value of Investments			42,003,320	101.59
Net Other Liabilities (2017: (0.74)%)			(657,769)	(1.59)
<b>Net Assets attributable to Preference Shareholders</b>			<b>41,345,551</b>	<b>100.00</b>

The comparative percentage figures in brackets are as at 31 December 2017.

# Security traded on another regulated market.

## UK Capital Growth Fund

### Notes to the Financial Statements

for the accounting period 1st January 2018 to 31st December 2018

#### 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)/GAINS

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

	2018 US\$	2017 US\$
Non-derivative securities	(7,313,861)	4,521,100
Other currency (losses)/gains	(143)	1,160
Transaction charges	(15,696)	(14,319)
Net capital (losses)/gains	(7,329,700)	4,507,941

(Losses)/Gains from non-derivatives securities include realised gains of US\$ 3,355,500 (2017: US\$ 4,423,436) and change in unrealised losses of US\$ 10,669,361 (2017: US\$ 97,664 – unrealised gains).

#### 3 REVENUE

	2018 US\$	2017 US\$
Overseas dividends	1,628,400	1,813,421
Bank interest	29	57
Scrip dividends	21,117	8,285
Miscellaneous revenue	35,399	30,488
Total revenue	1,684,945	1,852,251

#### 4 EXPENSES

	2018 US\$	2017 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(946,546)	(1,094,141)
Registration expenses	(1,694)	(1,877)
Directors' fees	(2,648)	(4,629)
	(950,888)	(1,100,647)
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(23,200)	(26,816)
Safe custody fees	(3,847)	(4,545)
Interest payable	(1,956)	(3,637)
	(29,003)	(34,998)
Other expenses:		
Audit fee	(14,081)	(15,743)
Regulatory and professional fees	(1,443)	(7,514)
Miscellaneous expenses	929	(295)
Publication charges	(6,385)	(4,077)
	(20,980)	(27,629)
Total expenses	(1,000,871)	(1,163,274)

#### 5 TAXATION

	2018 US\$	2017 US\$
Analysis of charge in period:		
Overseas tax suffered	(11,400)	(4,520)
Total overseas taxation	(11,400)	(4,520)

#### 6 DISTRIBUTIONS

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

	2018 US\$	2017 US\$
Final	(665,099)	(644,557)
	(665,099)	(644,557)
Revenue deducted on cancellation of shares	(25,102)	(42,328)
Revenue received on creation of shares	17,527	2,428
Distributions for the year	(672,674)	(684,457)

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

#### 7 FAIR VALUE HIERARCHY

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

The disclosure is split into the following categories:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

	2018 Assets US\$	2017 Assets US\$
Level 1: Quoted prices	41,999,878	54,637,461
Level 2: Observable market data	–	–
Level 3: Unobservable data	3,442	–
Total value	42,003,320	54,637,461

#### 8 DEBTORS

	2018 US\$	2017 US\$
Accrued revenue	135,389	120,748
Receivable from Manager – Nominal shares	396,872	392,932
Overseas tax recoverable	–	952
Total debtors	532,261	514,632

#### 9 OTHER CREDITORS

	2018 US\$	2017 US\$
Accrued expenses	(62,864)	(75,723)
Amounts payable to the Manager	(72,283)	(89,973)
Total creditors	(135,147)	(165,696)

#### 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, of which the Fund is a related party, hold 23,940,608 (2017: 25,140,125) 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\$ 71,365 (December 2017: US\$ 84,543) in respect of the annual management charge, and US\$ 139 (December 2017: US\$ 155) 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	31,339,928	1,420,603	(2,996,979)	29,763,552

#### 12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date. (2017: US\$ Nil).

## UK Capital Growth Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2018 to 31st December 2018

#### 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 2018 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	8,598,567	4,176	40,654	8,643,397	0.05	0.47
	<u>8,598,567</u>	<u>4,176</u>	<u>40,654</u>	<u>8,643,397</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	10,740,190	(3,658)	(238)	10,736,294	(0.03)	(0.00)
	<u>10,740,190</u>	<u>(3,658)</u>	<u>(238)</u>	<u>10,736,294</u>		
Total		<u>7,834</u>	<u>40,892</u>			
Percentage of Fund average net assets		<u>0.02%</u>	<u>0.08%</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 2017 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
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>		
<b>Sales:</b>						
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>			

## UK Capital Growth Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2018 to 31st December 2018

#### 13 DIRECT TRANSACTION COSTS (continued)

##### Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.20% (2017: 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.

#### 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
<b>Currency 2018</b>	US\$	US\$	US\$
Euro	5,001	–	5,001
UK Sterling	(662,770)	42,003,320	41,340,550
<b>Currency 2017</b>	US\$	US\$	US\$
Euro	34,419	–	34,419
UK Sterling	(433,774)	54,637,462	54,203,688
US Dollar	50	–	50

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

The interest rate risk profile of the Fund's financial assets and financial liabilities at 31st December 2018 and 31st December 2017 was:

	Floating rate financial assets	Financial assets not carrying interest	Total
<b>Currency 2018</b>	US\$	US\$	US\$
Euro	5,001	–	5,001
UK Sterling	2,087	42,138,709	42,140,796
<b>Currency 2017</b>	US\$	US\$	US\$
Euro	34,419	–	34,419
UK Sterling	254,780	54,759,161	55,013,941
US Dollar	50	–	50

	Floating rate financial assets	Financial liabilities not carrying interest	Total
<b>Currency 2018</b>	US\$	US\$	US\$
UK Sterling	–	(800,246)	(800,246)
<b>Currency 2017</b>	US\$	US\$	US\$
UK Sterling	–	(810,253)	(810,253)

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 -9.3%, which was in front of the FTSE World Europe ex UK Index, which returned -10.5% in Euro terms.

### Review

This was a more volatile year for European equities.

Overall, the relatively defensive utility sector held up best, while most sectors linked to economic expansion suffered from profit-taking later in the year. Merger and acquisition (M&A) activity gathered pace in a variety of sectors including media and finance, and energy stocks were initially bolstered by strength in oil prices, before losing ground in the fourth quarter as oil prices fell.

Stocks came under pressure from rising political risk in the Eurozone. After fractious negotiations, Italy's leading populist parties eventually agreed a coalition deal. There could be interesting times ahead as these parties challenge the European Union (EU) on immigration, a basic income for the poor, and tax reductions which would stretch state finances. Spanish politics were eventful too as Prime Minister Rajoy lost a vote of confidence; he was succeeded by Pedro Sanchez, leader of the socialist PSOE (Partido Socialista Obrero Español). In Germany, Chancellor Angela Merkel started her fourth, and final, term in office.

Brexit negotiations remained a source of disquiet. EU leaders and the United Kingdom (UK) prime minister reached a draft agreement, but many details have still to be resolved and the deal has not yet been approved by the UK parliament. Contingency plans are being drawn up in case no deal is agreed before the proposed exit date in March 2019.

The European Central Bank confirmed that it would complete its bond buying stimulus plan by the end of 2018 – this programme had helped to drive the region's post crisis economic recovery. The Eurozone's economic backdrop remained supportive, but lost some momentum towards the end of the year. Data now shows continuing growth, but at a slower pace. Annual Eurozone GDP growth was lower than expected at 1.6% in the third quarter, partly due to a modest contraction in Germany and Italy. Interest rates are likely to stay low for some time as inflation is expected to remain subdued.

Economic indicators in China were weaker too, and the United States (US) economy may cool following a series of interest rate hikes, although tax cuts have been a strong stimulus to activity. Poor sentiment was exacerbated by President Trump's protectionism, which has led to tariffs on goods imported into the US from China and Europe. However, there was some optimism that talks between the US and China may help to de-escalate trade tensions.

We opened several new positions including Air Liquide SA (France), Akzo Nobel N.V. (Netherlands) and Koninklijke Philips N.V. (Royal Philips) (Netherlands). Air Liquide SA is a large global producer of industrial gases, benefiting from scale and network density advantages, and from long term contracts. Paint business Akzo Nobel N.V. has a strong balance sheet and operates in a concentrated market, which has led to rational pricing and a strong business model. Koninklijke Philips N.V. (Royal Philips) is transitioning towards a more focused healthcare company; management is seeking to raise growth, increase margins, and make further strategic disposals.

Sales included AXA SA (France), Svenska Handelsbanken AB (Sweden) and Amundi SA (France). We reduced exposure to the financial sector in the light of political uncertainty in the Eurozone, and because any interest rate increases are likely to be at a slow pace. Svenska Handelsbanken AB is also now suffering from competition and pricing pressure in the Swedish mortgage market. Amundi SA's third quarter revenues were softer due to lower performance fees – the financial outlook is also more subdued given the market backdrop, lower risk appetite and heightened volatility.

European equities are supported by encouraging profitability, by economic growth, which is slowing but still positive, and by attractive valuations relative to US equities. The market volatility seen in recent months presents us with investment opportunities.

It will take time before the full effects of Brexit, whether hard, soft, or no-deal, become clear; the same is true of Italian politics where there have been well publicised tensions with Brussels over the budget. Other risks include heightened tensions with Russia, the threat of a global trade war, and slower global growth as the Chinese economy decelerates and the US nears the end of the economic cycle.

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



## Europe Fund Comparative Tables

for the accounting period 1st January 2018 to 31st December 2018

	Preference shares			2015	2014
	2018	2017	2016		
	EUR	EUR	EUR		
<b>Change in net assets per share</b>					
Opening net asset value per share	5.0803	4.6317	5.0316		
Return before operating charges <sup>1</sup>	(0.5023)	0.5593	(0.2944)		
Operating charges	(0.1107)	(0.1103)	(0.0984)		
Return after operating charges	(0.6130)	0.4490	(0.3928)		
Distributions on preference shares	–	(0.0004)	(0.0071)		
Closing net asset value per shares	4.4673	5.0803	4.6317		
<sup>1</sup> after direct transaction costs	(0.0045)	(0.0089)	(0.0077)		
<b>Performance</b>					
Return after charges	(12.07%)	9.69%	(7.81%)		
<b>Other information</b>					
Closing net asset value (EUR)	19,737,485	24,883,129	25,011,374		
Closing number of shares	4,418,235	4,897,933	5,400,066		
Operating charges	2.19%	2.22%	2.16%		
Direct transaction costs (note 13)	0.09%	0.18%	0.17%		
<b>Ongoing Charges Figure (“OCF”)<sup>2</sup></b>	2.19%	2.22%	2.16%		
<b>Prices</b>					
Highest offer share price (EUR)	5.6120	5.5760	5.3170	5.7000	4.6250
Lowest bid share price (EUR)	4.3440	4.5940	4.1560	4.1920	3.7360
Net distribution per share (EUR)	–	0.0004	0.0071	–	–

### Notes

<sup>1</sup> Return before operating charges is stated after direct transaction costs.

<sup>2</sup> 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 year.

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

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### Statement of Total Return

for the accounting period 1st January 2018 to 31st December 2018

	Notes	2018 US\$	2017 US\$
Income			
Net capital (losses) / gains	2	(3,131,453)	2,797,800
Revenue	3	733,782	851,901
Expenses	4	(561,647)	(637,460)
Net revenue before taxation		172,135	214,441
Taxation	5	(184,162)	(208,252)
Net (expense) / revenue after taxation		(12,027)	6,189
<b>Total return before distribution</b>		<b>(3,143,480)</b>	<b>2,803,989</b>
Distributions	6	(3,469)	(6,189)
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		<b>(3,146,949)</b>	<b>2,797,800</b>

### Balance Sheet

as at 31st December 2018

	Notes	2018 US\$	2017 US\$
<b>Assets:</b>			
Fixed assets:			
Investments	7	22,446,684	29,839,731
Current assets:			
Debtors	8	103,583	99,849
Cash and bank balances		186,353	137,428
<b>Total assets</b>		<b>22,736,620</b>	<b>30,077,008</b>
<b>Liabilities:</b>			
Creditors:			
Bank overdrafts		(836)	–
Distribution payable	6	–	(2,125)
Other creditors	9	(75,650)	(98,515)
<b>Total liabilities</b>		<b>(76,486)</b>	<b>(100,640)</b>
<b>Equity:</b>			
Nominal shares (note 14, page 72)		(93,676)	(92,477)
<b>Total equity</b>		<b>(93,676)</b>	<b>(92,477)</b>
<b>Net Assets Attributable to Preference Shareholders</b>		<b>22,566,458</b>	<b>29,883,891</b>

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

for the accounting period 1st January 2018 to 31st December 2018

	2018 US\$	2017 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	29,883,891	26,379,746
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	185,531	265,016
Amounts payable on cancellation of shares	(2,921,750)	(3,216,836)
	(2,736,219)	(2,951,820)
Difference on currency conversion	(1,434,265)	3,658,165
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(3,146,949)	2,797,800
<b>Closing Net Assets Attributable to Preference Shareholders</b>	<b>22,566,458</b>	<b>29,883,891</b>

### Distribution Table

for the accounting period 1st January 2018 to 31st December 2018

	Income €	Equalisation €	Distribution Payable 2018 €	Distribution Paid 2017 €
Group 1	0.0000	–	0.0000	0.0004
Group 2	0.0000	0.0000	0.0000	0.0004

Group 2 units are those purchased after 16:00 (UK time) on 31st December 2017.

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

## Europe Fund Portfolio Statement

as at 31st December 2018

Investment	Currency	Holding	Market Value US\$	% of Net Assets	Investment	Currency	Holding	Market Value US\$	% of Net Assets
<b>Equities 99.47% (99.85%)</b>					<b>United Kingdom 5.59% (1.50%)</b>				
<b>Belgium 1.54% (5.58%)</b>					<b>RELX plc</b>				
KBC Group NV	EUR	5,368	347,745	1.54	Royal Dutch Shell plc 'A'	EUR	28,335	582,161	2.58
			<b>347,745</b>	<b>1.54</b>		EUR	23,131	678,481	3.01
<b>Denmark 6.96% (4.79%)</b>					<b>Equities total</b>				
Chr Hansen Holding A/S	DKK	3,226	284,204	1.26				<b>22,446,684</b>	<b>99.47</b>
DSV A/S	DKK	4,963	324,995	1.44	Total Value of Investments			22,446,684	99.47
Novo Nordisk A/S 'B'	DKK	9,461	431,025	1.91	Net Other Assets (2017: 0.15%)			119,774	0.53
Tryg A/S	DKK	21,169	529,644	2.35				<b>22,566,458</b>	<b>100.00</b>
			<b>1,569,868</b>	<b>6.96</b>	<b>Net Assets attributable to Preference Shareholders</b>				
<b>Finland 3.58% (3.32%)</b>									
Kone OYJ 'B'	EUR	488	23,155	0.10					
Nordea Bank Abp	SEK	38,333	322,794	1.43					
Sampo OYJ 'A'	EUR	10,557	461,683	2.05					
			<b>807,632</b>	<b>3.58</b>					
<b>France 29.43% (28.43%)</b>									
Air Liquide SA	EUR	5,445	672,347	2.98					
Dassault Systemes SE	EUR	5,187	614,691	2.72					
Elis SA	EUR	24,127	401,363	1.78					
EssilorLuxottica SA	EUR	4,720	596,045	2.64					
Legrand SA	EUR	5,603	315,820	1.40					
L'Oreal SA	EUR	3,594	825,524	3.66					
LVMH Moet Hennessy Louis Vuitton SE	EUR	2,573	759,570	3.37					
Pernod Ricard SA	EUR	4,357	709,862	3.15					
Schneider Electric SE	EUR	3,284	224,230	0.99					
TOTAL SA	EUR	19,342	1,021,238	4.53					
Vinci SA	EUR	6,068	499,655	2.21					
			<b>6,640,345</b>	<b>29.43</b>					
<b>Germany 16.95% (14.05%)</b>									
adidas AG	EUR	3,252	678,555	3.01					
Allianz SE	EUR	2,580	518,219	2.30					
BASF SE	EUR	6,383	441,376	1.95					
Brenntag AG	EUR	9,698	417,907	1.85					
Continental AG	EUR	82	11,283	0.05					
Fresenius Medical Care AG & Co. KGaA	EUR	5,604	362,008	1.60					
Knorr-Bremse AG	EUR	3,151	283,527	1.26					
Puma SE	EUR	593	287,470	1.27					
SAP SE	EUR	8,282	825,797	3.66					
			<b>3,826,142</b>	<b>16.95</b>					
<b>Ireland 3.53% (5.08%)</b>									
CRH plc	EUR	18,581	485,855	2.15					
Kingspan Group plc	EUR	7,448	312,009	1.38					
			<b>797,864</b>	<b>3.53</b>					
<b>Italy 4.54% (6.04%)</b>									
Davide Campari-Milano SpA	EUR	55,875	470,502	2.09					
Infrastrutture Wireless Italiane SpA	EUR	81,205	553,351	2.45					
			<b>1,023,853</b>	<b>4.54</b>					
<b>Netherlands 11.68% (9.61%)</b>									
Akzo Nobel NV	EUR	6,538	522,957	2.31					
ASML Holding NV	EUR	4,331	678,887	3.01					
ING Groep NV	EUR	20,726	222,985	0.99					
Koninklijke Philips NV	EUR	10,917	385,686	1.71					
Unilever NV, CVA	EUR	15,234	825,589	3.66					
			<b>2,636,104</b>	<b>11.68</b>					
<b>Norway 1.33% (2.26%)</b>									
DNB ASA	NOK	18,764	299,243	1.33					
			<b>299,243</b>	<b>1.33</b>					
<b>Spain 5.24% (2.80%)</b>									
Amadeus IT Group SA	EUR	6,500	452,141	2.00					
Cellnex Telecom SA	EUR	20,858	532,040	2.36					
Grifols SA	EUR	7,618	198,934	0.88					
			<b>1,183,115</b>	<b>5.24</b>					
<b>Sweden 6.55% (10.83%)</b>									
Assa Abloy AB 'B'	SEK	1,275	22,683	0.10					
Atlas Copco AB 'A'	SEK	18,874	447,068	1.98					
Epiroc AB 'A'	SEK	57,547	540,571	2.40					
Hexagon AB 'B'	SEK	10,164	467,631	2.07					
			<b>1,477,953</b>	<b>6.55</b>					
<b>Switzerland 2.55% (5.56%)</b>									
Sika AG	CHF	4,560	576,178	2.55					
			<b>576,178</b>	<b>2.55</b>					

The comparative percentage figures in brackets are as at 31 December 2017.

## Europe Fund

### Notes to the Financial Statements

for the accounting period 1st January 2018 to 31st December 2018

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#### 1 ACCOUNTING POLICIES

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

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

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

	2018	2017
	US\$	US\$
Non-derivative securities	(3,093,013)	2,847,016
Forward currency derivative contracts	(18)	(306)
Other currency losses	(10,039)	(4,879)
Transaction charges	(28,383)	(44,031)
Net capital (losses)/gains	<u>(3,131,453)</u>	<u>2,797,800</u>

(Losses)/gains from non-derivatives securities include realised gains of US\$ 257,459 (2017: US\$ 1,749,785) and change in unrealised losses of US\$ 3,350,472 (2017: US\$ 1,097,231 – unrealised gains).

Forward currency derivative contracts include realised losses of US\$ 18 (2017: US\$ 306) and changes in unrealised (losses)/gains of US\$ Nil (2017: US\$ Nil).

#### 3 REVENUE

	2018	2017
	US\$	US\$
Overseas dividends	733,696	851,671
Bank interest	86	230
Total revenue	<u>733,782</u>	<u>851,901</u>

#### 4 EXPENSES

	2018	2017
	US\$	US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(525,949)	(595,551)
Registration expenses	(1,626)	(1,982)
Directors' fees	(1,647)	(2,298)
	<u>(529,222)</u>	<u>(599,831)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(12,921)	(14,631)
Safe custody fees	(5,600)	(6,734)
Interest payable	(1,265)	(2,844)
	<u>(19,786)</u>	<u>(24,209)</u>
Other expenses:		
Audit fee	(8,524)	(7,772)
Regulatory and professional fees	(831)	(4,204)
Miscellaneous expenses	583	(184)
Publication charges	(3,867)	(1,260)
	<u>(12,639)</u>	<u>(13,420)</u>
Total expenses	<u>(561,647)</u>	<u>(637,460)</u>

#### 5 TAXATION

	2018	2017
	US\$	US\$
Analysis of charge in period:		
Overseas tax suffered	(184,162)	(208,252)
Total overseas taxation	<u>(184,162)</u>	<u>(208,252)</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:

	2018	2017
	US\$	US\$
Final	–	(2,125)
	–	(2,125)
Revenue deducted on cancellation of shares	(3,608)	(4,884)
Revenue received on creation of shares	139	820
Distributions for the year	<u>(3,469)</u>	<u>(6,189)</u>

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

#### 7 FAIR VALUE HIERARCHY

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

The disclosure is split into the following categories:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within level 1;

**Level 3:** Valuation techniques using unobservable inputs.

	2018	2017
	Assets	Assets
	US\$	US\$
Level 1: Quoted prices	22,446,684	29,839,731
Level 2: Observable market data	–	–
Level 3: Unobservable data	–	–
Total value	<u>22,446,684</u>	<u>29,839,731</u>

#### 8 DEBTORS

	2018	2017
	US\$	US\$
Accrued revenue	9,907	7,372
Receivable from Manager - Nominal shares	93,676	92,477
Total debtors	<u>103,583</u>	<u>99,849</u>

#### 9 OTHER CREDITORS

	2018	2017
	US\$	US\$
Amounts payable for cancellation of shares	–	(5,471)
Accrued expenses	(36,750)	(42,812)
Amounts payable to the Manager	(38,900)	(50,232)
Total creditors	<u>(75,650)</u>	<u>(98,515)</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, of which the Fund is a related party, hold 2,505,182 (2017: 2,761,056) 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\$ 38,125 (December 2017: US\$ 47,430) in respect of the annual management charge, and US\$ 116 (December 2017: US\$ 153) 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	4,897,933	27,797	(507,495)	4,418,235

#### 12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2017: US\$ Nil).

## Europe Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2018 to 31st December 2018

#### 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 2018 Commission as a percentage of principal %	Taxes as a percentage of principal %
<b>Purchases:</b>						
Purchases (excluding in-specie and corporate action activity):						
Equity	10,967,842	7,136	8,966	10,983,944	0.07	0.08
	<u>10,967,842</u>	<u>7,136</u>	<u>8,966</u>	<u>10,983,944</u>		
<b>Sales:</b>						
Sales (excluding in-specie and corporate action activity):						
Equity	13,860,924	(9,079)	(13)	13,851,832	(0.07)	(0.00)
	<u>13,860,924</u>	<u>(9,079)</u>	<u>(13)</u>	<u>13,851,832</u>		
Total		16,215	8,979			
Percentage of Fund average net assets		<u>0.06%</u>	<u>0.03%</u>			

he direct transaction costs incurred during prior 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 %
<b>Purchases:</b>						
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>		
<b>Sales:</b>						
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		33,290	21,390			
Percentage of Fund average net assets		<u>0.11%</u>	<u>0.07%</u>			

## Europe Fund

### Notes to the Financial Statements (continued)

for the accounting period 1st January 2018 to 31st December 2018

#### 13 DIRECT TRANSACTION COSTS (continued)

##### Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.16% (2017: 0.06%). 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 proportion of the Net Assets of the Fund are denominated in currencies other than Euro, which is the base currency in which the Fund is managed. This has the effect that the Balance Sheet and Statement of Total Return can be affected by currency movements.

Net foreign currency assets	Monetary exposure	Non-monetary exposure	Total
Currency 2018	US\$	US\$	US\$
Czech Koruna	24	–	24
Danish Krone	46	1,569,868	1,569,914
Euro	(66,579)	18,200,648	18,134,069
Hungarian Forint	13	–	13
Norwegian Krone	2	299,243	299,245
Swedish Krona	26	1,800,747	1,800,773
Swiss Franc	138	576,178	576,316
UK Sterling	186,097	–	186,097
US Dollar	7	–	7
<b>Currency 2017</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Czech Koruna	25	–	25
Danish Krone	315	1,429,948	1,430,263
Euro	(45,787)	22,834,339	22,788,552
Hungarian Forint	14	–	14
Norwegian Krone	7	676,500	676,507
Swedish Krona	465	3,237,410	3,237,875
Swiss Franc	258	1,661,534	1,661,792
UK Sterling	88,857	–	88,857
US Dollar	6	–	6

##### 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 2018 and 31st December 2017 was:

Currency 2018	Floating rate financial assets US\$	Financial assets not carrying interest US\$	Total US\$
Czech Koruna	24	–	24
Danish Krone	46	1,569,868	1,569,914
Euro	–	18,210,555	18,210,555
Hungarian Forint	13	–	13
Norwegian Krone	2	299,243	299,245
Swedish Krona	26	1,800,747	1,800,773
Swiss Franc	138	576,178	576,316
UK Sterling	186,097	–	186,097
US Dollar	7	–	7
<b>Currency 2017</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Czech Koruna	25	–	25
Danish Krone	315	1,429,948	1,430,263
Euro	47,481	22,841,711	22,889,192
Hungarian Forint	14	–	14
Norwegian Krone	7	676,500	676,507
Swedish Krona	465	3,237,410	3,237,875
Swiss Franc	258	1,661,534	1,661,792
UK Sterling	88,857	–	88,857
US Dollar	6	–	6

Currency 2018	Floating rate financial liabilities US\$	Financial liabilities not carrying interest US\$	Total US\$
Euro	(836)	(75,650)	(76,486)
<b>Currency 2017</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Euro	–	(100,640)	(100,640)

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

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

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

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

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

# Aggregated Financial Statements for Allied Dunbar International Funds Limited

## Statement of Total Return

for the accounting period 1st January 2018 to 31st December 2018

	Notes	2018 US\$	2017 US\$
<b>Income</b>			
Net capital (losses)/gains	2	(19,165,518)	55,105,849
Revenue	3	4,242,885	6,131,945
Expenses	4	(3,779,260)	(6,152,855)
Net revenue/(expense) before taxation		463,625	(20,910)
Taxation	5	(470,991)	(992,875)
Net expense after taxation		(7,366)	(1,013,785)
<b>Total return before distribution</b>		<b>(19,172,884)</b>	<b>54,092,064</b>
<b>Distributions</b>			
	6	(638,834)	354,001
<b>Change in Net Assets Attributable to Preference Shareholders from investment activities</b>		<b>(19,811,718)</b>	<b>54,446,065</b>

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

for the accounting period 1st January 2018 to 31st December 2018

	2018 US\$	2017 US\$
<b>Opening Net Assets Attributable to Preference Shareholders</b>	203,960,403	536,860,018
<b>Movement due to sales and repurchases of shares:</b>		
Amounts receivable on issue of shares	4,983,744	13,386,836
Amounts payable on cancellation of shares	(23,470,541)	(410,607,181)
	(18,486,797)	(397,220,345)
Difference on currency conversion	(5,561,997)	9,873,932
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(19,811,718)	54,446,065
Unclaimed distributions	1,167	733
<b>Closing Net Assets Attributable to Preference Shareholders</b>	<b>160,101,058</b>	<b>203,960,403</b>

## Balance Sheet

as at 31st December 2018

	Notes	2018 US\$	2017 US\$
<b>Assets:</b>			
<b>Fixed assets:</b>			
Investments	7	158,966,466	200,398,102
<b>Current assets:</b>			
Debtors	8	2,448,605	2,405,886
Cash and bank balances		2,166,106	4,693,265
<b>Total assets</b>		<b>163,581,177</b>	<b>207,497,253</b>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Bank overdrafts		(836)	-
Distribution payable	6	(667,811)	(646,682)
Other creditors	9	(731,085)	(829,303)
<b>Total liabilities</b>		<b>(1,399,732)</b>	<b>(1,475,985)</b>
<b>Equity:</b>			
Management shares	14	(10)	(10)
Nominal shares (note 14, page 72)	14	(2,080,377)	(2,060,855)
<b>Total equity</b>		<b>(2,080,387)</b>	<b>(2,060,865)</b>
<b>Net Assets Attributable to Preference Shareholders</b>		<b>160,101,058</b>	<b>203,960,403</b>

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

The notes on pages 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**  
19th February 2019

**Director**  
19th February 2019

\* 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 2018 to 31st December 2018

### 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 Authorised Funds ("SORP") issued by The Investment Management Association ("the IMA"), and in accordance with United Kingdom Accounting Standards comprising 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.

#### Cash and bank balances

Cash and bank balances includes cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in the statement of financial position. United States Dollar (US\$) time deposits greater than 3 months at 31st December 2018 was US\$ 262,558 (31 December 2017: US\$ 260,844).

#### (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 rate 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 (losses)/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 (LOSSES)/GAINS

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

	2018 US\$	2017 US\$
Non-derivative securities	(18,996,218)	55,256,966
Forward currency derivative contracts	(1,438)	(503)
Other currency (losses)/gains	(35,339)	13,552
Transaction charges	(132,523)	(164,166)
Net capital (losses)/gains	<u>(19,165,518)</u>	<u>55,105,849</u>

### 3 REVENUE

	2018 US\$	2017 US\$
Overseas dividends	3,800,832	5,686,679
Bank interest	10,625	10,618
Interest on debt securities	374,912	395,055
Scrip dividends	21,117	8,285
Management fee rebates	-	820
Miscellaneous income	35,399	30,488
Total revenue	<u>4,242,885</u>	<u>6,131,945</u>

### 4 EXPENSES

	2018 US\$	2017 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(3,555,247)	(5,838,664)
Registration expenses	(14,492)	(16,166)
Directors' fees	(8,820)	(14,769)
	<u>(3,578,559)</u>	<u>(5,869,599)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	(89,952)	(134,024)
Safe custody fees	(24,741)	(35,179)
Interest payable	(6,150)	(19,462)
	<u>(120,843)</u>	<u>(188,665)</u>
Other expenses:		
Audit fee	(56,448)	(56,764)
Regulatory and professional fees	(7,751)	(54,706)
Publication charges	(25,719)	19,924
Miscellaneous expenses	10,060	(3,045)
	<u>(79,858)</u>	<u>(94,591)</u>
Total expenses	<u>(3,779,260)</u>	<u>(6,152,855)</u>

### 5 TAXATION

	2018 US\$	2017 US\$
Analysis of charge in period:		
Overseas tax suffered	(470,991)	(981,802)
Capital gains tax	-	(11,073)
Total overseas taxation	<u>(470,991)</u>	<u>(992,875)</u>



# Allied Dunbar International Funds Limited

## Notes to the Aggregated Financial Statements (continued)

for the accounting period 1st January 2018 to 31st December 2018

### 6 DISTRIBUTIONS

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

	2018 US\$	2017 US\$
Interim	(1,004)	–
Final	(667,811)	(646,682)
	(668,815)	(646,682)
Revenue deducted on cancellation of shares	21,846	1,011,869
Revenue received on creation of shares	8,135	(11,186)
Distributions for the year	(638,834)	354,001

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

	2018 US\$	2017 US\$
Sales awaiting settlement	40,120	–
Accrued rebates	7,286	7,286
Receivable from Manager - Nominal and management shares	2,080,387	2,060,865
Overseas tax recoverable	1,146	2,110
Accrued revenue	319,666	335,625
Total debtors	2,448,605	2,405,886

### 9 OTHER CREDITORS

	2018 US\$	2017 US\$
Amounts payable for cancellation of shares	–	(14,150)
Purchases awaiting settlement	(66,008)	(5,806)
Accrued expenses	(361,492)	(446,614)
Amounts payable to the Manager	(303,585)	(362,733)
Total creditors	(731,085)	(829,303)

### 10 MATERIAL CONTRACTS AND RELATED PARTY CONTRACTS

#### Management and Investment Manager Agreements

The following contracts which are or may be significant have been entered into 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 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 (2017: US\$ Nil).

### 14 CAPITAL AND RESERVES

Authorised Share Capital	2018 US\$	2017 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 2018 to 31st December 2018

**14 CAPITAL AND RESERVES (continued)**

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 2018 to 31st December 2018

**14 CAPITAL AND RESERVES (continued)**

	No. of Shares	Aggregated Total US\$	Managed US\$	Worldwide Equity US\$	Managed Currency US\$
<b>Management shares</b>					
Balance as at 01.01.18	10	10	10		
Issued during the year	–	–	–		
Redeemed during the year	–	–	–		
<b>Balance as at 31.12.18</b>	<b>10</b>	<b>10</b>	<b>10</b>		
<b>Nominal shares \$0.0025 each</b>					
Balance as at 01.01.18		2,060,855	540,909	211,141	59,599
Issued during the year		25,133	4,122	5,760	182
Redeemed during the year		(5,611)	(500)	(892)	(5)
<b>Balance as at 31.12.18</b>		<b>2,080,377</b>	<b>544,531</b>	<b>216,009</b>	<b>59,776</b>
<b>Nominal shares – number of shares</b>					
Balance as at 01.01.18		824,341,645	216,363,655	84,456,088	23,839,410
Issued during the year		10,053,485	1,648,722	2,304,329	72,772
Redeemed during the year		(2,244,058)	(199,939)	(356,678)	(1,938)
<b>Balance as at 31.12.18</b>		<b>832,151,072</b>	<b>217,812,438</b>	<b>86,403,739</b>	<b>23,910,244</b>
<b>Preference Shares \$0.0025 each</b>					
Balance as at 01.01.18		250,995	37,066	30,854	4,205
Issued during the year		5,611	500	892	5
Redeemed during the year		(25,133)	(4,122)	(5,760)	(182)
<b>Balance as at 31.12.18</b>		<b>231,473</b>	<b>33,444</b>	<b>25,986</b>	<b>4,028</b>
<b>Preference Shares – number of shares</b>					
Balance as at 01.01.18		100,397,272	14,826,260	12,341,581	1,681,820
Issued during the year		2,244,058	199,939	356,678	1,938
Redeemed during the year		(10,053,485)	(1,648,722)	(2,304,329)	(72,772)
<b>Balance as at 31.12.18</b>		<b>92,587,845</b>	<b>13,377,477</b>	<b>10,393,930</b>	<b>1,610,986</b>
<b>Share premium</b>					
Balance as at 01.01.18		139,143,943	25,422,908	20,248,085	603,246
Premium relating to shares (Redeemed)/issued during the year		(9,187,956)	(2,083,383)	(1,808,207)	(26,105)
<b>Balance as at 31.12.18</b>		<b>129,955,987</b>	<b>23,339,525</b>	<b>18,439,878</b>	<b>577,141</b>
<b>Capital reserve</b>					
Balance as at 01.01.18		64,565,465	9,439,605	14,751,515	(48,243)
(Increase)/decrease in the year		(34,651,867)	(4,199,902)	(7,244,003)	1,465
<b>Balance as at 31.12.18</b>		<b>29,913,598</b>	<b>5,239,703</b>	<b>7,507,512</b>	<b>(46,778)</b>
<b>Net assets attributable to Preference Shareholders comprises:</b>					
Share capital		231,473	33,444	25,986	4,028
Share premium		129,955,987	23,339,525	18,439,878	577,141
Capital reserve		29,913,598	5,239,703	7,507,512	(46,778)
<b>Total</b>		<b>160,101,058</b>	<b>28,612,672</b>	<b>25,973,376</b>	<b>534,391</b>

**Allied Dunbar International Funds Limited**  
**Notes to the Aggregated Financial Statements (continued)**  
for the accounting period 1st January 2018 to 31st December 2018

**14 CAPITAL AND RESERVES (continued)**

	Gilt and Income US\$	North American Growth US\$	Far East US\$	UK Capital Growth US\$	Europe US\$
<b>Management shares</b>					
Balance as at 01.01.18					
Issued during the year					
Redeemed during the year					
<b>Balance as at 31.12.18</b>					
<b>Nominal shares \$0.0025 each</b>					
Balance as at 01.01.18	544,248	147,322	72,227	392,932	92,477
Issued during the year	4,733	1,141	434	7,492	1,269
Redeemed during the year	(272)	(251)	(69)	(3,552)	(70)
<b>Balance as at 31.12.18</b>	<b>548,709</b>	<b>148,212</b>	<b>72,592</b>	<b>396,872</b>	<b>93,676</b>
<b>Nominal shares – number of shares</b>					
Balance as at 01.01.18	217,699,279	58,928,704	28,891,001	157,172,522	36,990,986
Issued during the year	1,893,314	456,330	173,544	2,996,979	511,634
Redeemed during the year	(108,967)	(100,335)	(27,801)	(1,420,603)	(31,936)
<b>Balance as at 31.12.18</b>	<b>219,483,626</b>	<b>59,284,699</b>	<b>29,036,744</b>	<b>158,748,898</b>	<b>37,470,684</b>
<b>Preference Shares \$0.0025 each</b>					
Balance as at 01.01.18	74,806	8,038	5,431	78,350	12,245
Issued during the year	272	251	69	3,552	80
Redeemed during the year	(4,733)	(1,141)	(434)	(7,492)	(1,279)
<b>Balance as at 31.12.18</b>	<b>70,345</b>	<b>7,148</b>	<b>5,066</b>	<b>74,410</b>	<b>11,046</b>
<b>Preference Shares – number of shares</b>					
Balance as at 01.01.18	29,922,299	3,215,184	2,172,267	31,339,928	4,897,933
Issued during the year	108,967	100,335	27,801	1,420,603	31,936
Redeemed during the year	(1,893,314)	(456,330)	(173,544)	(2,996,979)	(511,634)
<b>Balance as at 31.12.18</b>	<b>28,137,952</b>	<b>2,859,189</b>	<b>2,026,524</b>	<b>29,763,552</b>	<b>4,418,235</b>
<b>Share premium</b>					
Balance as at 01.01.18	15,751,035	21,808,123	5,077,602	35,547,407	14,685,537
Premium relating to shares (Redeemed)/issued during the year	(1,029,029)	(2,852,770)	(162,806)	40,719	(1,266,375)
<b>Balance as at 31.12.18</b>	<b>14,722,006</b>	<b>18,955,353</b>	<b>4,914,796</b>	<b>35,588,126</b>	<b>13,419,162</b>
<b>Capital reserve</b>					
Balance as at 01.01.18	446,245	3,072,477	3,105,357	18,612,400	15,186,109
(Increase)/decrease in the year	(918,993)	(1,709,035)	(1,602,156)	(12,929,385)	(6,049,858)
<b>Balance as at 31.12.18</b>	<b>(472,748)</b>	<b>1,363,442</b>	<b>1,503,201</b>	<b>5,683,015</b>	<b>9,136,251</b>
<b>Net assets attributable to Preference Shareholders comprises:</b>					
Share capital	70,345	7,148	5,067	74,410	11,045
Share premium	14,722,006	18,955,353	4,914,796	35,588,126	13,419,162
Capital reserve	(472,748)	1,363,442	1,503,201	5,683,015	9,136,251
<b>Total</b>	<b>14,319,603</b>	<b>20,325,943</b>	<b>6,423,064</b>	<b>41,345,551</b>	<b>22,566,458</b>

# Further Information

## **Taxation**

The Company is resident in the Isle of Man and, as such, is liable to Isle of Man Income Tax on profits. Under current Isle of Man taxation rules, a rate of 0% (2017: 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.

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## **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.

## **Approval of Financial Statements**

The Financial Statements were approved by the Board of Directors on 19th February 2019.

A copy of these audited Financial Statements is available on the Charles Taylor International website request from the Manager.



**Issued by**

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

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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