

Annual Reports and Accounts 2019

Charles Taylor International Funds (IOM) Limited
(Formerly Allied Dunbar International Funds Limited)

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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
– (Resigned 21 May 2019)
Director of Charles Taylor
International Fund Managers (IOM) Limited

Anthony Adam King
– (Appointed 10 May 2019)
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

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 Charles Taylor International Funds (IOM) Limited (formerly Allied Dunbar International Funds Limited) (“the Company”) for the year ended 31st December 2019 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 Limited.

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 2019, had Funds under management (FUM) of approximately US\$ 189 million (December 2018: US\$ 160 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 2019 was as follows:

Participating Redeemable Preference Shares	88,000,678
Nominal Shares	836,738,239
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 2019 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 2019 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 71.

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

27th February 2020

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 and regulations 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 comprising FRS 102 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 (regulations), the Statement of Recommended Practice for Authorised Funds issued by The Investment Management Association (now The Investment Association) in May 2014, the Isle of Man Companies Acts 1931 to 2004 and the Company's Principal Constitutional Documents.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. In order to do so, the Directors have appointed BNP Paribas Securities Services S.C.A., Jersey Branch as the Fiduciary Custodian of the Company's assets.

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

By order of the Board

Director

27th February 2020

Investment Report

Market Review

World stocks delivered a strong positive return in 2019, overcoming concerns at the start of the year about rising interest rates in the United States (US), the global trade war and a slowing Chinese economy. Instead, equities advanced as the Federal Reserve (Fed) and other central banks lowered rates, the US and China announced a long awaited interim trade accord in December, and Chinese authorities unveiled economic stimulus measures. Share prices recorded a strong start to the year in January and rose steadily over the remainder of 2019, aside from declines in May and August stemming from issues including revived trade tensions and concern about weakening economic growth that sparked buying of government bonds.

Returns were positive across the major equity regions, and the US was the standout performer, outpacing the global benchmark with the help of strong earnings in the key technology sector. The Dow, S&P 500 and tech heavy Nasdaq indices hit a series of record highs over the course of the year. Continental Europe performed in line with world stocks; while relatively undemanding valuations were supportive, the region's export oriented economies were vulnerable to bouts of worries about the trade war. The United Kingdom (UK), Japan and emerging markets trailed global equities markedly. In the UK, shares were held back by Brexit related uncertainty, but ended the year on a high note. The domestically focused FTSE 250 index hit an all time high in December as the ruling Conservative Party won a decisive victory in the general election and legislators approved a Brexit deal. Japan and emerging markets underperformed as the trade war crimped global exports and world trade.

Core government bond markets recorded positive returns for the year, but trailed global equities. With inflation remaining generally subdued, worries about the global economy were a key driver, along with anticipation of rate cuts. For UK government bonds (gilts), the unclear Brexit outlook was an additional support. Yields on 10 year gilts, US Treasuries and German bunds all fell to record lows during 2019 as investors seeking the safest assets bought sovereign debt. Treasuries delivered the highest return among core markets, with European and UK bonds only modestly behind. Yields on shorter dated Treasuries rose above those on 10 year bonds in March and August, a so called inversion that is widely viewed as a sign of an impending recession. UK yields also inverted in August as the prime minister moved to suspend parliament temporarily in an effort to secure passage of a Brexit withdrawal bill.

The economic background was unsettled, broadly characterised by relative strength in the US and China but weakness elsewhere. While consumer spending was generally robust, global manufacturing activity contracted for six months through October as the trade war persisted, according to a widely watched index. In the US, growth slowed markedly after the first quarter (Q1) but still outpaced other leading developed economies, helped by Fed rate cuts. The labour market remained strong, as the jobless rate reached the lowest level since 1969. In China, officials used tactics such as lowering the reserve requirement ratio (the level of reserves that banks must hold, rather than invest or lend) to support the economy as the US imposed tariffs on Chinese products, quarterly growth rates remained around 6% (year on year). Elsewhere, the UK and Germany neared recessions in the third quarter (Q3), while Japan's government unveiled a \$121 billion stimulus programme in December to support a sputtering economy following blows including a deadly typhoon that caused widespread flooding.

The US Dollar index was little changed for the full year, after weakening in the fourth quarter (Q4) as the Fed cut rates for a third time in 2019 and US manufacturing continued to contract. The measure had strengthened markedly in the period's first nine months to the highest level since 2017 as investors moved into US assets, spurred by the uncertain global economic outlook and by the attractive gap with interest rates that were near or below zero in some countries. An index for sterling recorded a robust rise for the year as a whole, strengthening sharply in Q4 as the Brexit withdrawal date was extended into January 2020 and the Conservative Party won the election. The Pound Sterling was a poor performer during the first three quarters, hobbled by political clashes over Brexit that led to Theresa May's resignation as prime minister during the summer.

Commodities also showed a positive return over 2019 and modestly outpaced core government bonds in local currency terms. Crude oil was a strong driver of returns, lifted by further cuts in output as producers sought to balance the market and, later in the year, by anticipation of a US China trade accord and the consequent boost to the demand outlook. Gold also performed well, supported by its traditional role as a 'safe haven' investment in turbulent times; bullion hit record highs against currencies including sterling, the yen and the Canadian dollar.

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.

In early 2019, we became less constructive on equities, given ongoing trade tensions, increasingly patchy economic data and falling earnings expectations. In recent weeks, however, the outlook has brightened somewhat. The downturn in macro data is no longer accelerating, leading indicators are stabilising, and uncertainties around Brexit and trade feel less profound than they were.

Within fixed income, we have become more positive on corporate bonds, slow but positive global economic growth, gentle inflation and dovish central bank policy tends to be a sweet spot for credit investing.

Report of the Manager

Charles Taylor International Funds (IOM) Limited (formerly 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, hereinafter referred to as a sub fund as listed in the tables below, is an Authorised Securities Fund as defined in the Authorised Collective Investment Schemes Regulations 2010 (except the Managed Currency Fund which is a Money Market Fund).

The aim of the Company is to provide an attractive, tax efficient, investment medium for investors worldwide. Resident for tax purposes in the Isle of Man the Company does not pay UK Corporation Tax on its income or capital gains. The Manager's policy for achieving the investment objective is described for each constituent part of the Company on pages 9, 18, 25, 31, 37, 45, 53 and 61.

The investment activities of the Company in the year to 31st December 2019 are described in the Fund Investment Report by the Investment Manager on pages 9, 18, 25, 31, 37, 45, 53 and 61.

The following amounts have been paid and/or accumulated for distribution to holders of Participating Redeemable Preference Shares in respect of the 12 months ended 31st December 2019. Where negative, the deficit has been transferred to the capital reserve.

Interim Amount Paid/(Deficit)	Sub Funds	XD Date	Amount	Payment Date
			Due/(Deficit) US\$	
(76,814)	Managed	1.1.2020	(142,583)	–
–	Worldwide Equity*	1.1.2020	(191,501)	–
3,650	Managed Currency	1.1.2020	2,403	28.2.2020
(7,302)	Gilt and Income	1.1.2020	(19,063)	–
–	North American Growth*	1.1.2020	(111,654)	–
–	Far East*	1.1.2020	6,103	28.2.2020
–	UK Capital Growth*	1.1.2020	823,697	28.2.2020
–	Europe*	1.1.2020	(49,513)	–

*Distribute annually

The total number and mid market value of Participating Redeemable Preference Shares as at 1st January 2019 and 31st December 2019 were as follows:

Sub Funds	Shares in Issue		Mid Market Value Per Share (US\$)	
	1.1.2019	31.12.2019	1.1.2019	31.12.2019
Managed	13,377,477	12,565,853	2.1970	2.7000
Worldwide Equity	10,393,930	9,156,955	2.5670	3.3920
Managed Currency	1,610,986	1,568,856	0.3422	0.3413
Gilt and Income	28,137,952	26,776,092	0.5227	0.5734
North American Growth	2,859,189	2,737,111	7.3005	9.6235
Far East	2,026,524	1,880,706	3.2560	4.0890
UK Capital Growth	29,763,552	29,215,744	1.4546	1.8104
Europe	4,418,235	4,099,361	5.2477	6.7779

The bid value of the sub funds, cancellation prices and shares in issue at the end of the last three accounting periods are shown in the Comparative Tables on pages 11, 19, 26, 32, 38, 46, 54 and 62.

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

Director
27th February 2020

Director
27th February 2020

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 Charles Taylor International Funds (IOM) Limited (formerly Allied Dunbar International Funds Limited)

Report on the audit of the financial statements

Our opinion

In our opinion, Charles Taylor International Funds (IOM) Limited's (formerly Allied Dunbar International Funds Limited) 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 2019 and of the net revenue/expense and the net capital gains/losses of the scheme property of the Company and each of the sub funds for the year then ended in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, 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

Charles Taylor International Funds (IOM) Limited's (formerly Allied Dunbar International Funds Limited) financial statements comprise:

- the aggregated Balance Sheet as at 31 December 2019;
- 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 2019;
- 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 Table 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") and applicable law. 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 Reports and Accounts 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 the applicable framework 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.

Opinion on other matter prescribed by the Authorised Collective Investment Schemes Regulations 2010

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 2019 to 31st December 2019, we state that in our opinion, Charles Taylor International Fund Managers (IOM) Limited has managed in all material respects, Charles Taylor International Funds (IOM) Limited (formerly 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

27th February 2020

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 2019, the Fund achieved a total gross return of +25.2% compared with a return of +19.6% for the benchmark index, both in United States (US) Dollar terms. The benchmark comprises 65% MSCI AC World Index, 32% J.P. Morgan Global Government Traded Bond Index and 3% 7 Day LIBID.

Review

Global equities performed strongly in 2019, with all regions posting double digit gains. Although global trade tensions and growth worries caused momentary volatility, notably in May and August, markets rebounded to finish the year significantly higher. The dovish pivot of central banks, led by the US Federal Reserve (Fed), provided support for risk assets, as did general improvements in geopolitical relations.

North American equities led performance on continued strength in the US economy and hopes of a rapprochement with China. The emergence of an initial trade agreement in the closing months of the year helped to push all the main US equity indices to fresh record highs. The Fed cut interest rates three times between July and October but subsequently signalled a potentially long pause. Continental European stocks finished the year broadly in line with the index. Continued concerns about the regional economy caused a drag on these stocks' performance relative to their US peers. Recession fears swirled in Germany, with the manufacturing sector showing few signs of recovery. However, the European Central Bank's (ECB) late summer intervention – which included a rate cut and the resumption of quantitative easing provided some solace for investors. United Kingdom (UK) stocks and Sterling were impacted by the twists and turns in the Brexit saga, but rallied into year end following the landslide victory of the Conservative Party in the general election. Emerging markets lagged on trade related worries, a stronger US dollar and weak Chinese economic data. Japanese stocks were also held back by global trade uncertainty but rallied in the second half on hopes of a US China deal and further domestic stimulus.

Economically sensitive stocks generally outperformed their defensive peers in the risk environment. By sector, technology was the standout performer, helped further by strong results from key global players and 5G related tailwinds. Energy and materials were the weakest sectors, the former hurt by swings in the oil price and the latter by general concerns over global growth. Despite still rising materially in absolute terms, stable sources of growth such as consumer staples and utilities also struggled to keep pace with their more cyclical peers.

Core government bond markets recorded positive returns for the year, but trailed global equities. With inflation remaining generally subdued, worries about the global economy were a key driver, along with anticipation of rate cuts. For UK government bonds (gilts), the unclear Brexit outlook was an additional support. Treasuries delivered the highest return among core markets, with European and UK bonds only modestly behind. Yields on shorter dated Treasuries rose above those on 10 year bonds in March and August, a so called inversion that is widely viewed as a sign of an impending recession.

Within equities, key portfolio activity included the initiation of a position in consumer electronics company Sony Corp (Japan). We see multiple areas of strength in Sony's earnings. These include its entertainment business, which should benefit the consumer appetite for content grows, and its semiconductor business, which is expanding as efforts to add value to smartphones increase. A recent shift in management's capital allocation policy bodes well. In addition, we bought technology company Samsung Electronics Co. Ltd. (South Korea), which offers high returns with a dominant position in its respective markets, including memory, OLED and consumer electronics. Samsung offers a stable earnings profile relative to peers, and we believe that the quality of these earnings will improve further as it introduces new products with compelling growth prospects. The company also has growing opportunities in areas such as 5G networking. Another new position was in alcoholic beverage producer Pernod Ricard SA (France). The company has a product portfolio skewed towards the fast growing super premium segment, with local premium businesses in Asia which should expand rapidly and profitably. Its brand, cost control and far reaching affiliate network are among its competitive advantages.

Sales included mining company Rio Tinto plc (United Kingdom). We decided to close our position on valuation grounds following the stock's strong run on the back of higher iron ore prices. We also sold the holding in PT Bank Rakyat Indonesia Persero Tbk. (Indonesia). This reflected concerns around the impacts that the lowering of lending rates in Indonesia's guaranteed microfinance programme may have on the company's net interest margins and operating expenditure. In our view, this calls into question the ability of Bank Rakyat to work towards targeted improvements for return on equity, and could mean that the efficiency gains generated by digitalisation are cancelled out. Elsewhere, we disposed of our longstanding position in IHS Markit Ltd. (Bermuda), a provider of critical information, analytics and solutions. The stock's steady appreciation in 2019 reflected the company's prospects of sustained, healthy, recurring revenue growth in the transportation, resources and financial services segments. While we retain conviction in the long term potential of IHS Markit, the stock had reached our estimation of fair value given the cyclicality of the business relative to other companies trading on similar valuations.

Managed Fund (continued)

The bond portfolio is largely invested in core sovereign debt and agency/quasi sovereign debt. A third of the former comprised US Treasuries at the end of the year. Over the period, the allocations to bonds issued by the governments of Japan and France were increased. We sold out of Austria. Within agency/quasi sovereign debt, we initiated a position in the Australian state of Queensland.

Global equity markets have been providing evidence of the value to be found in secular winners that can sustainably outgrow their peers. With scope for these types of businesses to positively re rate and expectations that volatility will remain somewhat elevated, we believe the backdrop is ideal for investors with the ability to identify undervalued, long term opportunities. While factors such as trade and technological regulation will likely remain in focus in the short term, we believe that structural factors driving a world which is 'lower for longer' will shape markets further into the future. These drivers include debt, demographics and technological disruption, and they should ensure that companies sustaining above average growth remain attractive. We therefore retain our focus on companies with durable competitive advantages, as we believe these are best placed to sustain high returns on capital and earnings growth through the market cycle.

Turning to bonds, the Fed is prepared to loosen monetary policy further if required, given the persistent underperformance of inflation and the uncertainty around global trade. We do not see a resumption of tightening in this cycle, but instead believe that the path to lower rates will resume over the coming quarters, as growth and inflation disappoint.

Economic expectations in the Eurozone may be stabilising somewhat, but remain fairly low. Opinion at the ECB seems to be hardening against further forays into negative rates, and we no longer expect additional cuts. The heavy lifting must now increasingly be achieved through fiscal policy, though we expect progress to be slow. Eurozone yield curves should continue flattening.

Managed Fund Comparative Tables

for the accounting period 1st January 2019 to 31st December 2019

	Preference Shares		
	2019 US\$	2018 US\$	2017 US\$
Change in net assets per share			
Opening net asset value per share	2.1389	2.3539	1.9516
Return before operating charges ¹	0.5407	(0.1638)	0.4476
Operating charges	(0.0506)	(0.0512)	(0.0453)
Return after operating charges	0.4901	(0.2150)	0.4023
Distributions on preference shares	—	—	—
Closing net asset value per shares	2.6290	2.1389	2.3539
after direct transaction costs ¹	(0.0010)	(0.0009)	(0.0019)

Performance

Return after charges	22.91%	(9.13%)	20.61%
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Other information

Closing net asset value (US\$)	33,035,433	28,612,672	34,899,579
Closing number of shares	12,565,853	13,377,477	14,826,260
Operating charges	2.11%	2.18%	2.14%
Direct transaction costs (note 14)	0.04%	0.04%	0.09%
Ongoing Charges Figure (“OCF”) ²	2.11%	2.18%	2.14%

Prices

	2019	2018	2017	2016	2015
Highest offer share price (US\$)	2.7750	2.6060	2.4840	2.1510	2.1360
Lowest bid share price (US\$)	2.1310	2.1010	1.9460	1.7700	1.8240
Net distribution per share (US\$)	—	—	—	—	—

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.

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

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

Managed Fund

Statement of Total Return

for the accounting period 1st January 2019 to 31st December 2019

	Notes	2019 US\$	2018 US\$
Income			
Net capital gains/(losses)	2	6,567,537	(2,651,912)
Revenue	3	502,527	533,403
Expenses	4	(583,967)	(693,674)
Net expense before taxation		(81,440)	(160,271)
Taxation	5	(67,483)	(62,124)
Net expense after taxation		(148,923)	(222,395)
Total return before distribution		6,418,614	(2,874,307)
Distributions	6	6,340	9,600
Change in Net Assets Attributable to Preference Shareholders from investment activities		6,424,954	(2,864,707)

Balance Sheet

as at 31st December 2019

	Notes	2019 US\$	2018 US\$
Assets:			
Fixed assets:			
Investments	7	32,374,449	27,825,182
Current assets:			
Debtors	8	606,347	603,365
Cash and bank balances		882,979	922,818
Total assets		33,863,775	29,351,365
Liabilities:			
Creditors:			
Other creditors	9	(281,772)	(194,152)
Total liabilities		(281,772)	(194,152)
Equity:			
Management shares		(10)	(10)
Nominal shares (note 15, page 73)		(546,560)	(544,531)
Total equity		(546,570)	(544,541)
Net Assets Attributable to Preference Shareholders		33,035,433	28,612,672

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2019 to 31st December 2019

	2019 US\$	2018 US\$
Opening Net Assets Attributable to Preference Shareholders	28,612,672	34,899,579
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	62,999	474,961
Amounts payable on cancellation of shares	(2,065,192)	(3,897,161)
	(2,002,193)	(3,422,200)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	6,424,954	(2,864,707)
Closing Net Assets Attributable to Preference Shareholders	33,035,433	28,612,672

Distribution Table

There was no distribution for the accounting period 1st January 2019 to 30th June 2019, as expenses exceeded revenue (June 2018: US\$ Nil).

There is no distribution for the accounting period 1st July 2019 to 31st December 2019, as expenses exceeded revenue (December 2018: US\$ Nil).

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

Managed Fund Portfolio Statement

as at 31st December 2019

Investment	Currency	Holding	Market Value US\$	% of Net Assets	Investment	Currency	Holding	Market Value US\$	% of Net Assets
Collective Investment Schemes 2.69% (2.57%)					Netherlands 2.76% (0.58%)				
Threadneedle Emerging Market Bond Fund Retail Gross Accumulation GBP#	GBP	24,520	91,915	0.28	Airbus SE	EUR	1,649	241,489	0.73
Threadneedle Emerging Market Local Fund Retail Gross Accumulation Shares#	GBP	165,744	351,726	1.06	ING Groep NV	EUR	19,177	230,000	0.70
Threadneedle High Yield Bond Fund Institutional Gross Accumulation#	GBP	74,301	192,497	0.58	LyondellBasell Industries NV 'A'	USD	2,898	271,717	0.82
Threadneedle UK Corporate Bond Fund Institutional Gross Accumulation#	GBP	146,825	252,740	0.77	NXP Semiconductors NV	USD	1,328	169,054	0.51
Collective Investment Schemes total			888,878	2.69				912,260	2.76
Equities 67.32% (67.15%)					Singapore 0.00% (0.58%)				
Belgium 0.00% (0.65%)					South Korea 1.45% (0.00%)				
Bermuda 0.00% (0.67%)					Samsung Electronics Co. Ltd.				
Brazil 0.00% (0.53%)					KRW				
Canada 0.79% (0.87%)					9,882				
Suncor Energy, Inc.	CAD	7,925	259,735	0.79				477,855	1.45
			259,735	0.79				477,855	1.45
Cayman Islands 2.05% (2.71%)					Spain 0.59% (0.66%)				
Alibaba Group Holding Ltd., ADR	USD	1,720	365,208	1.10	Industria de Diseno Textil SA	EUR	5,550	195,905	0.59
Tencent Holdings Ltd.	HKD	6,500	313,368	0.95				195,905	0.59
			678,576	2.05	Sweden 0.00% (1.01%)				
China 0.81% (1.03%)					Switzerland 1.66% (1.60%)				
Ping An Insurance Group Co. of China Ltd. 'H'	HKD	22,500	265,986	0.81	Givaudan SA	CHF	80	250,297	0.76
			265,986	0.81	Sika AG	CHF	526	98,769	0.30
Curacao 0.00% (0.35%)					TE Connectivity Ltd.				
Denmark 0.68% (0.62%)					USD				
Novo Nordisk A/S 'B'	DKK	3,875	225,615	0.68				2,094	199,558
			225,615	0.68				548,624	1.66
Finland 0.45% (0.59%)					United Kingdom 3.81% (6.30%)				
UPM-Kymmene OYJ	EUR	4,323	149,974	0.45	Aon plc	USD	912	189,030	0.57
			149,974	0.45	Diageo plc	GBP	7,876	333,773	1.01
France 2.52% (0.91%)					Reckitt Benckiser Group plc				
EssilorLuxottica SA	EUR	1,768	269,472	0.82	RELX plc	GBP	13,005	328,096	1.00
LVMH Moet Hennessy Louis Vuitton SE	EUR	619	287,762	0.87	Unilever plc	GBP	4,250	244,864	0.74
Pernod Ricard SA	EUR	1,535	274,618	0.83				1,256,856	3.81
			831,852	2.52	United States of America 38.51% (37.10%)				
Germany 1.55% (1.30%)					Activision Blizzard, Inc.				
Adidas AG	EUR	1,010	329,306	1.00	Adobe, Inc.	USD	1,141	373,712	1.13
Infiniteon Technologies AG	EUR	8,052	183,095	0.55	Alphabet, Inc. 'A'	USD	406	541,316	1.64
			512,401	1.55	Alphabet, Inc. 'C'	USD	137	182,288	0.55
Hong Kong 0.64% (1.21%)					Amazon.com, Inc.				
AIA Group Ltd.	HKD	20,200	212,090	0.64	Amphenol Corp. 'A'	USD	1,559	167,686	0.51
			212,090	0.64	Bank of America Corp.	USD	9,541	334,412	1.01
India 0.98% (1.14%)					Baxter International, Inc.				
HDFC Bank Ltd., ADR	USD	5,150	324,089	0.98	Becton Dickinson and Co.	USD	1,092	293,901	0.89
			324,089	0.98	Centene Corp.	USD	3,741	234,411	0.71
Indonesia 0.00% (1.13%)					CME Group, Inc.				
CRH plc	EUR	8,268	327,201	0.99	Comcast Corp. 'A'	USD	7,081	317,087	0.96
Ingersoll-Rand plc	USD	2,350	312,503	0.95	Cooper Cos., Inc. (The)	USD	913	290,836	0.88
Medtronic plc	USD	2,013	226,362	0.68	Crown Castle International Corp., REIT	USD	1,347	190,196	0.58
			866,066	2.62	Diamondback Energy, Inc.	USD	2,297	211,439	0.64
Japan 4.88% (3.23%)					Ecolab, Inc.				
Keyence Corp.	JPY	800	283,285	0.86	Electronic Arts, Inc.	USD	1,730	185,478	0.56
Mitsubishi UFJ Financial Group, Inc.	JPY	30,000	163,737	0.50	EOG Resources, Inc.	USD	2,506	207,447	0.63
Nintendo Co. Ltd.	JPY	900	364,164	1.10	Equinix, Inc., REIT	USD	323	187,078	0.57
Pigeon Corp.	JPY	3,500	129,316	0.39	Estee Lauder Cos., Inc. (The) 'A'	USD	1,384	285,104	0.86
Rohm Co. Ltd.	JPY	3,200	258,549	0.78	Facebook, Inc. 'A'	USD	2,310	472,095	1.43
Shiseido Co. Ltd.	JPY	1,000	71,603	0.22	Fidelity National Information Services, Inc.	USD	1,550	213,761	0.65
Sony Corp.	JPY	5,000	340,211	1.03	Gilead Sciences, Inc.	USD	3,387	218,800	0.66
			1,610,865	4.88	Halliburton Co.	USD	5,187	125,577	0.38
Jersey 0.57% (0.58%)					Illumina, Inc.				
Ferguson plc	GBP	2,080	188,691	0.57	JPMorgan Chase & Co.	USD	3,989	552,277	1.67
			188,691	0.57	Lam Research Corp.	USD	772	223,803	0.68
					Mastercard, Inc. 'A'	USD	1,491	441,962	1.34
					Microsoft Corp.	USD	5,558	871,717	2.64
					NextEra Energy, Inc.	USD	694	166,990	0.50
					NVIDIA Corp.	USD	1,195	278,363	0.84
					PepsiCo, Inc.	USD	1,867	254,528	0.77
					S&P Global, Inc.	USD	961	260,864	0.79
					Service Corp. International	USD	6,066	280,007	0.85
					Stryker Corp.	USD	1,150	239,154	0.72
					Thermo Fisher Scientific, Inc.	USD	626	203,150	0.61
					T-Mobile US, Inc.	USD	3,229	251,410	0.76
					TransUnion	USD	1,717	145,069	0.44
					Trex Co., Inc.	USD	1,642	148,076	0.45
					Union Pacific Corp.	USD	2,020	363,580	1.10
					UnitedHealth Group, Inc.	USD	900	262,701	0.79
					Vertex Pharmaceuticals, Inc.	USD	1,183	257,586	0.78
					Visa, Inc. 'A'	USD	2,477	462,753	1.40
					Xylem, Inc.	USD	2,639	207,267	0.63
								12,720,948	38.51

Managed Fund Portfolio Statement (continued)

as at 31 December 2019

Investment	Currency	Holding	Market Value US\$	% of Net Assets	Investment	Currency	Holding	Market Value US\$	% of Net Assets
Equities total			22,238,388	67.32					
Government Bonds 26.77% (26.12%)									
Australia 0.41% (0.49%)									
Australia Government Bond 5.75% 15/07/2022	AUD	AUD 15,000	11,815	0.03	US Treasury 2.00% 15/08/2025	USD	\$340,000	344,622	1.04
Australia Government Bond 2.75% 21/04/2024	AUD	AUD 95,000	71,684	0.22	US Treasury 1.50% 15/08/2026	USD	\$440,000	431,406	1.31
Queensland Treasury Corp. 6.50% 14/03/2033	AUD	AUD 50,000	53,171	0.16	US Treasury 2.25% 15/08/2027	USD	\$205,000	210,862	0.64
			136,670	0.41	US Treasury 2.88% 15/05/2028	USD	\$135,000	145,441	0.44
Austria 0.00% (0.53%)					US Treasury 2.88% 15/08/2028	USD	\$75,000	80,906	0.24
Canada 0.32% (0.30%)					US Treasury 3.13% 15/11/2028	USD	\$185,000	203,616	0.62
Canada Housing Trust No. 1 2.65% 15/12/2028	CAD	CAD 130,000	105,006	0.32	US Treasury 1.63% 15/08/2029	USD	\$600,000	585,094	1.77
			105,006	0.32	US Treasury 3.88% 15/08/2040	USD	\$125,000	157,988	0.48
France 4.27% (4.05%)					US Treasury 3.63% 15/02/2044	USD	\$120,000	148,106	0.45
France Government Bond OAT 3.25% 25/10/2021	EUR	€760,000	913,006	2.76	US Treasury 3.13% 15/08/2044	USD	\$150,000	171,469	0.52
France Government Bond OAT 1.25% 25/05/2036	EUR	€105,000	131,773	0.40	US Treasury 2.50% 15/02/2045	USD	\$80,000	82,038	0.25
France Government Bond OAT 1.75% 25/06/2039	EUR	€55,000	74,750	0.23	US Treasury 2.88% 15/08/2045	USD	\$55,000	60,431	0.18
France Government Bond OAT 1.50% 25/05/2050	EUR	€226,250	292,057	0.88	US Treasury 2.50% 15/05/2046	USD	\$63,800	65,495	0.20
			1,411,586	4.27	US Treasury 2.75% 15/08/2047	USD	\$195,000	210,234	0.64
Germany 1.22% (1.76%)							3,872,028	11.72	
Bundesrepublik Deutschland 2.25% 04/09/2021	EUR	€300,000	352,940	1.07	Government Bonds total		8,843,497	26.77	
Bundesrepublik Deutschland 1.25% 15/08/2048	EUR	€35,000	49,534	0.15	Corporate Bonds 1.22% (1.41%)				
			402,474	1.22	Germany 0.48% (0.55%)				
Japan 5.27% (4.44%)					Kreditanstalt fuer Wiederaufbau 2.05% 16/02/2026	JPY	JPY 10,000,000	105,297	0.32
Japan Government Forty Year Bond 0.40% 20/03/2056	JPY	JPY 17,450,000	158,644	0.48	Kreditanstalt fuer Wiederaufbau 2.60% 20/06/2037	JPY	JPY 4,000,000	53,968	0.16
Japan Government Forty Year Bond 0.50% 20/03/2059	JPY	JPY 5,250,000	49,305	0.15			159,265	0.48	
Japan Government Ten Year Bond 0.10% 20/09/2026	JPY	JPY 4,800,000	44,809	0.14	Luxembourg 0.40% (0.46%)				
Japan Government Thirty Year Bond 2.20% 20/09/2039	JPY	JPY 10,300,000	129,619	0.39	European Financial Stability Facility 1.70% 13/02/2043	EUR	€95,000	130,794	0.40
Japan Government Thirty Year Bond 0.70% 20/12/2048	JPY	JPY 12,100,000	120,220	0.36			130,794	0.40	
Japan Government Twenty Year Bond 1.90% 20/03/2025	JPY	JPY 4,250,000	43,250	0.13	Netherlands 0.34% (0.40%)				
Japan Government Twenty Year Bond 2.10% 20/03/2027	JPY	JPY 34,700,000	370,413	1.12	Nederlandse Financierings- Maatschappij voor Ontwikkelingslanden NV 0.13% 20/04/2022	EUR	€100,000	113,627	0.34
Japan Government Twenty Year Bond 0.20% 20/06/2036	JPY	JPY 17,300,000	159,388	0.48			113,627	0.34	
Japan Government Two Year Bond 0.10% 01/06/2021	JPY	JPY 72,100,000	665,665	2.02	Corporate Bonds total		403,686	1.22	
			1,741,313	5.27	Total Value of Investments			32,374,449	98.00
Netherlands 1.50% (1.08%)					Net other Assets (2018: 2.75%)			660,984	2.00
Netherlands Government Bond 0.00% 15/01/2022	EUR	€237,000	269,084	0.82	Net Assets attributable to Preference Shareholders		33,035,433	100.00	
Netherlands Government Bond 0.25% 15/07/2025	EUR	€195,000	225,959	0.68					
			495,043	1.50	All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.				
United Kingdom 2.06% (1.85%)					The comparative percentage figures in brackets are as at 31st December 2018.				
UK Treasury 3.75% 07/09/2021	GBP	£100,000	139,494	0.42	# Security traded on another regulated market.				
UK Treasury 0.88% 22/10/2029	GBP	£89,000	118,424	0.36					
UK Treasury 1.75% 07/09/2037	GBP	£102,000	146,008	0.44					
UK Treasury 1.50% 22/07/2047	GBP	£52,000	71,534	0.22					
UK Treasury 1.75% 22/01/2049	GBP	£120,000	174,798	0.53					
UK Treasury 1.63% 22/10/2054	GBP	£20,000	29,119	0.09					
			679,377	2.06					
United States of America 11.72% (11.62%)									
FHLB 5.50% 15/07/2036	USD	\$80,000	113,390	0.34					
US Treasury 2.38% 15/03/2021	USD	\$45,000	45,387	0.14					
US Treasury 2.25% 30/04/2021	USD	\$375,000	378,120	1.14					
US Treasury 1.63% 31/10/2023	USD	\$320,000	319,675	0.97					
US Treasury 2.38% 15/08/2024	USD	\$40,000	41,219	0.12					
US Treasury 2.13% 15/05/2025	USD	\$75,000	76,529	0.23					

Managed Fund

Notes to the Financial Statements

for the accounting period 1st January 2019 to 31st December 2019

1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 70.

2 NET CAPITAL GAINS/(LOSSES)

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

	2019 US\$	2018 US\$
Non-derivative securities	6,591,791	(2,621,324)
Forward currency derivative contracts	(3,492)	(139)
Other currency gains/(losses)	152	(11,764)
Transaction charges	(20,914)	(18,685)
Net capital gains/(losses)	<u>6,567,537</u>	<u>(2,651,912)</u>

Gains/(Losses) from non-derivative securities include realised gains of US\$ 2,083,898 (2018: US\$ 1,461,729) and change in unrealised gains of US\$ 4,507,893 (2018: US\$ 4,083,053—unrealised losses).

Forward currency derivative contracts include realised losses of US\$ 3,477 (2018: US\$ 139) and change in unrealised losses of US\$ 15 (2018: US\$ Nil).

3 REVENUE

	2019 US\$	2018 US\$
Overseas dividends	337,979	362,034
Bank interest	13,079	5,925
Interest on debt securities	151,469	165,444
Total revenue	<u>502,527</u>	<u>533,403</u>

4 EXPENSES

	2019 US\$	2018 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(606,389)	(638,736)
Registration expenses	(4,475)	(5,016)
Directors' fees	(3,151)	(3,247)
	<u>(614,015)</u>	<u>(646,999)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	54,273	(15,696)
Safe custody fees	(4,877)	(4,237)
Interest payable	(582)	(624)
	<u>48,814</u>	<u>(20,557)</u>
Other expenses:		
Audit fee	(10,821)	(16,744)
Regulatory and professional fees	(5,109)	(4,381)
Miscellaneous expenses	–	2,259
Publication charges	(2,836)	(7,252)
	<u>(18,766)</u>	<u>(26,118)</u>
Total expenses	<u>(583,967)</u>	<u>(693,674)</u>

5 TAXATION

	2019 US\$	2018 US\$
Analysis of charge in period:		
Overseas tax suffered	(67,483)	(62,124)
Total overseas taxation	<u>(67,483)</u>	<u>(62,124)</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:

	2019 US\$	2018 US\$
Revenue deducted on cancellation of shares	6,548	11,201
Revenue received on creation of shares	(208)	(1,601)
Distributions for the year	<u>6,340</u>	<u>9,600</u>

Details of the distribution per share are set out on page 12.

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.

	2019 Assets US\$	2018 Assets US\$
Level 1: Quoted prices	23,240,656	19,948,567
Level 2: Observable market data	9,133,793	7,876,615
Level 3: Unobservable data	–	–
Total value	<u>32,374,449</u>	<u>27,825,182</u>

8 DEBTORS

	2019 US\$	2018 US\$
Sales awaiting settlement	–	9,491
Accrued revenue	59,242	48,798
Receivable from Manager – Nominal and management shares	546,570	544,541
Overseas tax recoverable	535	535
Total debtors	<u>606,347</u>	<u>603,365</u>

9 OTHER CREDITORS

	2019 US\$	2018 US\$
Amounts payable for cancellation of shares	(207,920)	–
Purchases awaiting settlement	–	(47,580)
Accrued expenses	(17,712)	(85,201)
Amounts payable to the Manager	(56,140)	(61,371)
Total creditors	<u>(281,772)</u>	<u>(194,151)</u>

10 RELATED PARTY TRANSACTIONS

Charles Taylor International Fund Managers (IOM) Limited (Fund Manager) provides services to the company under the terms of a management agreement (page 71, note 10) and acts as principal in respect of all transactions of shares in the Fund.

The Fund manager owns the management shares of the company and has common directors with the company namely Jeffrey Boysie McPherson More, Anthony Adam King and Darren Mark Kelly who have waived their rights to directors fees. Directors fees is payable to each of the two non-executive directors of the company.

The total director fees expense for the year was US\$ 3,151 (2018: US\$ 3,247) with US\$ 929 (2018: US\$ 528) outstanding at year end.

Amounts paid to the Fund manager in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 54,851 (December 2018: US\$ 48,747) in respect of the annual management charge, and US\$ 360 (December 2018: US\$ 393) in respect of registration expenses is due at the end of the accounting period and is included within amounts payable to the Manager.

At the balance sheet date Preference Shareholders from within the Charles Taylor Group, of which the Fund is a related party, hold 536,162 (2018: 548,593) 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.

11 SHARES IN ISSUE RECONCILIATION

	Number of shares in issue at start of the year	Number of shares created	Number of shares cancelled	Number of shares in issue at end of the year
Participating Redeemable Preference Shares	13,377,477	25,443	(837,067)	12,565,853
Management Shares	10	–	–	10

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2018: US\$ Nil).

Managed Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

13 DEBT SECURITY CREDIT ANALYSIS

	2019		2018	
	Market Value US\$	% of Net Assets	Market Value US\$	% of Net Assets
Investment Grade*	9,247,183	27.99	7,876,615	27.53
	<u>9,247,183</u>	<u>27.99</u>	<u>7,876,615</u>	<u>27.53</u>

*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\$	Accounting period to 31st December 2019		
				Total Cost US\$	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
Purchases (excluding in-specie and corporate action activity):						
Equity	7,723,119	2,628	3,518	7,729,265	0.03	0.05
Bonds	18,341,536	–	–	18,341,536	–	–
Funds	159,898	–	–	159,898	–	–
	<u>26,224,553</u>	<u>2,628</u>	<u>3,518</u>	<u>26,230,699</u>		
Sales:						
Sales (excluding in-specie and corporate action activity):						
Equity	10,842,013	(3,785)	(1,391)	10,836,837	(0.03)	(0.01)
Bonds	17,316,672	–	–	17,316,672	–	–
Funds	77,619	–	–	77,619	–	–
	<u>28,236,304</u>	<u>(3,785)</u>	<u>(1,391)</u>	<u>28,231,128</u>		
Total		<u>6,413</u>	<u>4,909</u>			
Percentage of Fund average net assets		<u>0.02%</u>	<u>0.02%</u>			

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

	Principal US\$	Commission US\$	Taxes US\$	Accounting period to 31st December 2018		
				Total Cost US\$	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
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>		
Sales:						
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>			

Managed Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

14 DIRECT TRANSACTION COSTS (continued)

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.09% (2018: 0.10%). 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 71.

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.

Currency risk sensitivity

As at 31 December 2019 the Fund was exposed to currency risk through the assets and liabilities denominated in foreign currencies.

If the exchange rates at 31 December 2019 between US\$ and all other currencies had strengthened by 5% (2018: 5%), with all other variables held constant, this would have decreased the net assets attributable to preference shareholders by US\$ 689,323 (2018: US\$: 605,886).

A weakening of the US\$ compared to other currencies would have resulted in an equal and opposite effect on the financial statements, assuming that all other variables remained constant.

Net foreign currency assets	Monetary exposure	Non-monetary exposure	Total
Currency 2019	US\$	US\$	US\$
Australian Dollar	2,316	136,670	138,986
Brazilian Real	13	-	13
Canadian Dollar	258	364,741	364,999
Danish Krone	2	225,615	225,617
Euro	13,947	5,042,346	5,056,293
Hong Kong Dollar	96	791,444	791,540
Japanese Yen	4,951	3,511,443	3,516,394
Mexican Peso	50	-	50
New Zealand Dollar	576	-	576
Norwegian Krone	38	-	38
Polish Zloty	213	-	213
Singapore Dollar	77	-	77
South African Rand	60	-	60
South Korean Won	2,364	477,855	480,219
Swedish Krona	93	-	93
Swiss Franc	450	349,066	349,516
Taiwanese Dollar	32,027	-	32,027
Turkish Lira	2	-	2
UK Sterling	4,982	2,824,772	2,829,754
US Dollar	598,469	18,650,497	19,248,966
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

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 2019 and 31st December 2018 was:

Currency 2019	Floating rate financial assets US\$	Fixed rate financial assets US\$	Financial assets not carrying interest US\$	Total US\$
Australian Dollar	1,002	136,670	1,314	138,986
Brazilian Real	13	-	-	13
Canadian Dollar	142	105,006	259,851	364,999
Danish Krone	2	-	225,615	225,617
Euro	567	2,553,524	2,502,202	5,056,293
Hong Kong Dollar	96	-	791,444	791,540
Japanese Yen	14	1,900,578	1,615,802	3,516,394
Mexican Peso	50	-	-	50
New Zealand Dollar	576	-	-	576
Norwegian Krone	38	-	-	38
Polish Zloty	213	-	-	213
Singapore Dollar	77	-	-	77
South African Rand	60	-	-	60
South Korean Won	-	-	480,219	480,219
Swedish Krona	93	-	-	93
Swiss Franc	450	-	349,066	349,516
Taiwanese Dollar	32,027	-	-	32,027
Turkish Lira	2	-	-	2
UK Sterling	699	679,378	2,149,677	2,829,754
US Dollar	846,858	3,872,028	14,811,852	19,530,738
Currency 2018	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 2019	Floating rate financial liabilities US\$	Financial liabilities not carrying interest US\$	Total US\$	
US Dollar	-	(281,772)	(281,772)	
Currency 2018	US\$	US\$	US\$	
Hong Kong Dollar	-	(47,580)	(47,580)	
US Dollar	-	(146,572)	(146,572)	

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.

Interest rate risk sensitivity

As at 31 December 2019 the Fund was exposed to interest rate risk through its investments in debt instruments. The percentage of the net assets held in these investments are disclosed in the Portfolio Statement of the Fund.

The sensitivity analysis was based on a change in one variable while holding all other variables constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated.

As at 31 December 2019 had market interest rates strengthened by 1% (2018: 1%), the net assets attributable to preference shareholders of the Fund would have decreased by US\$ 896,373 (2018: US\$ 683,561).

A weakening of the interest rate would have resulted in an equal and opposite effect on the financial statements, assuming that all other variables remained constant.

Other price risk sensitivity

As at 31 December 2019 the Fund was exposed to other market price risk due to its investments in equities and collective investment schemes. The percentage of the net assets held in these investments are disclosed in the Portfolio Statement of the Fund. The sensitivity analysis assumes a change in the market price of equities and exchange traded funds while holding all other variables constant. In practice all other variables are unlikely to remain constant, and changes in some of the variables may be correlated.

As at 31 December 2019, had the fair value of equity securities and collective investment schemes increased/(decreased) by 5% (2018: 5%), with all other variables held constant, the net assets attributable to preference shareholders would have increased/(decreased) by US\$ 1,156,363 (2018: US\$ 997,428).

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 2019 the MSCI AC World Index produced a return of +27.3% in United States (US) Dollar terms. By comparison, the Fund achieved a gross return of +34.8% over the same period.

Review

Global equities performed strongly in 2019, with all regions posting double digit gains. Although global trade tensions and growth worries caused momentary volatility, notably in May and August, markets rebounded to finish the year significantly higher. The dovish pivot of central banks, led by the US Federal Reserve (Fed), provided support for risk assets, as did general improvements in geopolitical relations.

North American equities led performance on continued strength in the US economy and hopes of a rapprochement with China. The emergence of an initial trade agreement in the closing months of the year helped to push all the main US equity indices to fresh record highs. The Fed cut interest rates three times between July and October but subsequently signalled a potentially long pause. Continental European stocks finished the year broadly in line with the index. Continued concerns about the regional economy caused a drag on these stocks' performance relative to their US peers. Recession fears swirled in Germany, with the manufacturing sector showing few signs of recovery. However, the European Central Bank's (ECB) late summer intervention – which included a rate cut and the resumption of quantitative easing – provided some solace for investors. United Kingdom (UK) stocks and Sterling were impacted by the twists and turns in the Brexit saga, but rallied into year end following the landslide victory of the Conservative Party in the general election. Emerging markets lagged on trade related worries, a stronger US dollar and weak Chinese economic data. Japanese stocks were also held back by global trade uncertainty but rallied in the second half on hopes of a US China deal and further domestic stimulus.

Economically sensitive stocks generally outperformed their defensive peers in the risk on environment. By sector, technology was the standout performer, helped further by strong results from key global players and 5G related tailwinds. Energy and materials were the weakest sectors, the former hurt by swings in the oil price and the latter by general concerns over global growth. Despite still rising materially in absolute terms, stable sources of growth such as consumer staples and utilities also struggled to keep pace with their more cyclical peers.

Key portfolio activity included the initiation of a position in consumer electronics company Sony Corp (Japan). We see multiple areas of strength in Sony's earnings. These include its entertainment business, which should benefit as the consumer appetite for content grows, and its semiconductor business, which is expanding as efforts to add value to smartphones increase. A recent shift in management's capital allocation policy bodes well. In addition, we bought technology company Samsung Electronics Co. Ltd. (South Korea), which offers high returns with a dominant position in its respective markets, including memory, OLED and consumer electronics. Samsung offers a stable earnings profile relative to peers, and we believe that the quality of these earnings will improve further as it introduces new products with compelling growth prospects. The company also has growing opportunities in areas such as 5G networking. Another new position was in alcoholic beverage producer Pernod Ricard SA (France). The company has a product portfolio skewed towards the fast growing super premium segment, with local premium businesses in Asia which should expand rapidly and profitably. Its brand, cost control and far reaching affiliate network are among its competitive advantages.

Sales included mining company Rio Tinto plc (United Kingdom). We decided to close our position on valuation grounds following the stock's strong run on the back of higher iron ore prices. We also sold the holding in PT Bank Rakyat Indonesia Persero Tbk. (Indonesia). This reflected concerns around the impacts that the lowering of lending rates in Indonesia's guaranteed microfinance programme may have on the company's net interest margins and operating expenditure. In our view, this calls into question the ability of Bank Rakyat to work towards targeted improvements for return on equity, and could mean that the efficiency gains generated by digitalisation are cancelled out. Elsewhere, we disposed of our longstanding position in IHS Markit Ltd. (Bermuda), a provider of critical information, analytics and solutions. The stock's steady appreciation in 2019 reflected the company's prospects of sustained, healthy, recurring revenue growth in the transportation, resources and financial services segments. While we retain conviction in the long term potential of IHS Markit, the stock had reached our estimation of fair value given the cyclical nature of the business relative to other companies trading on similar valuations.

Global equity markets have been providing evidence of the value to be found in secular winners that can sustainably outgrow their peers. With scope for these types of businesses to positively re rate and expectations that volatility will remain somewhat elevated, we believe the backdrop is ideal for investors with the ability to identify undervalued, long term opportunities. While factors such as trade and technological regulation will likely remain in focus in the short term, we believe that structural factors driving a world which is 'lower for longer' will shape markets further into the future. These drivers include debt, demographics and technological disruption, and they should ensure that companies sustaining above average growth remain attractive. We therefore retain our focus on companies with durable competitive advantages, as we believe these are best placed to sustain high returns on capital and earnings growth through the market cycle.

Worldwide Equity Fund Comparative Tables

for the accounting period 1st January 2019 to 31st December 2019

	Preference Shares			2016	2015
	2019	2018	2017		
	US\$	US\$	US\$		
Change in net assets per share					
Opening net asset value per share	2.4989	2.8384	2.2080		
Return before operating charges ¹	0.8652	(0.2787)	0.6839		
Operating charges	(0.0621)	(0.0608)	(0.0535)		
Return after operating charges	0.8031	(0.3395)	0.6304		
Distributions on preference shares	—	—	—		
Closing net asset value per shares	3.3020	2.4989	2.8384		
after direct transaction costs ¹	(0.0015)	(0.0017)	(0.0020)		
Performance					
Return after charges	32.14%	(11.96%)	28.55%		
Other information					
Closing net asset value (US\$)	30,236,469	25,973,376	35,030,454		
Closing number of shares	9,156,955	10,393,930	12,341,581		
Operating charges	2.10%	2.14%	2.13%		
Direct transaction costs (note 13)	0.05%	0.06%	0.08%		
Ongoing Charges Figure (“OCF”) ²	2.10%	2.14%	2.13%		
Prices	2019	2018	2017	2016	2015
Highest offer share price (US\$)	3.4940	3.1970	2.9970	2.3940	2.4260
Lowest bid share price (US\$)	2.4780	2.4380	2.2070	1.8790	1.9750
Net distribution per share (US\$)	—	—	—	—	—

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.

Please refer to the Direct transaction costs note on page 23, 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 because of this, investors may not get back money invested and are not certain to make a profit on their investment.

Worldwide Equity Fund

Statement of Total Return

for the accounting period 1st January 2019 to 31st December 2019

	Notes	2019 US\$	2018 US\$
Income			
Net capital gains/(losses)	2	8,206,909	(3,235,721)
Revenue	3	460,744	528,045
Expenses	4	(575,408)	(675,441)
Net expense before taxation		(114,664)	(147,396)
Taxation	5	(89,371)	(88,293)
Net expense after taxation		(204,035)	(235,689)
Total return before distribution		8,002,874	(3,471,410)
Distributions	6	12,534	16,981
Change in Net Assets Attributable to Preference Shareholders from investment activities		8,015,408	(3,454,429)

Balance Sheet

as at 31st December 2019

	Notes	2019 US\$	2018 US\$
Assets:			
Fixed assets:			
Investments	7	29,655,462	25,740,220
Current assets:			
Debtors	8	232,670	241,715
Cash and bank balances		637,133	300,861
Total assets		30,525,265	26,282,796
Liabilities:			
Creditors:			
Other creditors	9	(69,694)	(93,411)
Total liabilities		(69,694)	(93,411)
Equity:			
Nominal shares (note 15, page 73)		(219,102)	(216,009)
Total equity		(219,102)	(216,009)
Net Assets Attributable to Preference Shareholders		30,236,469	25,973,376

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2019 to 31st December 2019

	2019 US\$	2018 US\$
Opening Net Assets Attributable to Preference Shareholders	25,973,376	35,030,454
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	235,022	1,039,978
Amounts payable on cancellation of shares	(3,987,337)	(6,642,627)
	(3,752,315)	(5,602,649)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	8,015,408	(3,454,429)
Closing Net Assets Attributable to Preference Shareholders	30,236,469	25,973,376

Distribution Table

There is no distribution for the accounting period 1st January 2019 to 31st December 2019, as expenses exceed revenue (December 2018: US\$ Nil).

The notes on pages 22 to 24 form an integral part of the financial statements.

Worldwide Equity Fund Portfolio Statement

as at 31 December 2019

Investment	Currency	Holding	Market Value US\$	% of Net Assets	Investment	Currency	Holding	Market Value US\$	% of Net Assets
Equities 98.08% (99.10%)					Spain 0.90% (0.96%)				
Belgium 0.00% (0.97%)					Industria de Diseno Textil SA				
Bermuda 0.00% (1.04%)					EUR				
Brazil 0.00% (0.79%)					7,746				
Canada 1.15% (1.33%)					273,420				
Suncor Energy, Inc.	CAD	10,574	346,554	1.15	273,420				
346,554					0.90				
Cayman Islands 2.97% (3.68%)					Sweden 0.00% (1.53%)				
Alibaba Group Holding Ltd., ADR					Switzerland 2.40% (2.36%)				
Tencent Holdings Ltd.	USD	2,233	474,133	1.57	Givaudan SA				
898,386					CHF				
2.97					108				
China 1.13% (1.53%)					Sika AG				
Ping An Insurance Group Co. of China Ltd. 'H'					CHF				
HKD					729				
29,000					2,634				
342,826					725,808				
342,826					2.40				
Curacao 0.00% (0.57%)					United Kingdom 5.57% (9.43%)				
Denmark 0.96% (0.93%)					Aon plc				
Novo Nordisk A/S 'B'					USD				
DKK					1,219				
4,998					10,311				
290,999					252,662				
290,999					436,965				
0.96					209,705				
Finland 0.66% (0.88%)					Reckitt Benckiser Group plc				
UPM-Kymmene OYJ					GBP				
EUR					17,630				
5,795					5,906				
201,041					1,684,384				
201,041					5.57				
France 3.66% (1.34%)					United States of America 56.20% (54.60%)				
EssilorLuxottica SA					Activision Blizzard, Inc.				
EUR					USD				
2,378					7,864				
362,446					1,520				
1.20					497,846				
LVMH Moet Hennessy Louis Vuitton SE					Alphabet, Inc. 'A'				
EUR					USD				
825					534				
383,527					711,977				
1.27					260,792				
Pernod Ricard SA					Alphabet, Inc. 'C'				
EUR					USD				
2,010					445				
359,598					817,999				
1.19					209,204				
1,105,571					Bank of America Corp.				
3.66					USD				
Germany 2.34% (1.84%)					12,698				
adidas AG					3,081				
EUR					256,278				
1,490					442,197				
485,808					296,883				
0.74					1,46				
Infineon Technologies AG					Centene Corp.				
EUR					USD				
9,820					4,738				
223,297					296,883				
0.74					1,30				
709,105					CME Group, Inc.				
2.34					USD				
Hong Kong 0.94% (1.80%)					9,077				
AIA Group Ltd.					USD				
HKD					1,203				
27,000					383,216				
283,487					1.27				
283,487					Cooper Cos., Inc. (The)				
0.94					USD				
India 1.43% (1.73%)					Crown Castle International Corp., REIT				
HDFC Bank Ltd., ADR					USD				
USD					1,783				
6,878					251,760				
432,833					0.83				
432,833					Diamondback Energy, Inc.				
1.43					USD				
Indonesia 0.00% (1.71%)					3,304				
Ireland 3.79% (2.66%)					304,133				
CRH plc					1.01				
EUR					Ecolab, Inc.				
10,698					USD				
423,367					1,811				
1.40					347,893				
Ingersoll-Rand plc					1.15				
USD					0.79				
3,202					239,943				
425,802					1.34				
1.41					0.83				
Medtronic plc					Equinix, Inc., REIT				
USD					USD				
2,639					432				
296,756					250,210				
0.98					0.83				
1,145,925					Estee Lauder Cos., Inc.				
3.79					(The) 'A'				
Japan 7.00% (4.79%)					USD				
Keyence Corp.					1,815				
JPY					373,890				
1,000					1.24				
354,106					2.09				
1.17					3,099				
Mitsubishi UFJ Financial Group, Inc.					633,343				
JPY					280,509				
38,400					0.93				
209,584					286,759				
0.69					0.95				
Nintendo Co. Ltd.					174,699				
JPY					0.58				
1,200					303,339				
485,552					1.00				
1.61					2.39				
Pigeon Corp.					0.98				
JPY					1.93				
4,600					3.87				
169,958					0.73				
0.56					1.23				
Rohm Co. Ltd.					1.12				
JPY					0.65				
4,300					1.06				
347,425					0.89				
1.15					1.12				
Shiseido Co. Ltd.					1.12				
JPY					0.65				
1,300					1.61				
93,085					1.10				
0.31					1.10				
Sony Corp.					0.65				
JPY					1.61				
6,700					1.12				
455,882					1.12				
1.51					1.10				
2,115,592					1.10				
7.00					1.10				
Jersey 1.00% (0.87%)					1.10				
Ferguson plc					1.00				
GBP					1.00				
3,319					1.00				
301,088					1.00				
301,088					1.00				
Netherlands 3.89% (0.84%)					1.00				
Airbus SE					0.99				
EUR					0.99				
2,067					0.99				
302,703					0.99				
1.00					0.99				
ING Groep NV					0.99				
EUR					0.99				
25,055					0.99				
300,498					0.99				
1.00					0.99				
LyondellBasell Industries NV 'A'					0.99				
USD					0.99				
3,760					0.99				
352,538					0.99				
1.17					0.99				
NXP Semiconductors NV					0.99				
USD					0.99				
1,728					0.99				
219,974					0.99				
0.73					0.99				
1,175,713					0.99				
3.89					0.99				
Singapore 0.00% (0.92%)					0.99				
South Korea 2.09% (0.00%)					0.99				
Samsung Electronics Co. Ltd.					0.99				
KRW					0.99				
13,045					0.99				
630,805					0.99				
2.09					0.99				
630,805					0.99				
2.09					0.99				
Equities total					29,655,462				
29,655,462					98.08				
98.08					98.08				
Net Assets attributable to Preference Shareholders					30,236,469				
30,236,469					100.00				
100.00					100.00				
Total Value of Investments					29,655,462				
98.08					98.08				
Net other assets (2018: 0.90%)					581,007				
1.92					1.92				
1.92					1.92				
All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.					The comparative percentage figures in brackets are as at 31st December 2018.				

Worldwide Equity Fund

Notes to the Financial Statements

for the accounting period 1st January 2019 to 31st December 2019

22

1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 70.

2 NET CAPITAL GAINS/(LOSSES)

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

	2019 US\$	2018 US\$
Non-derivative securities	8,226,076	(3,208,090)
Other currency losses	(1,385)	(10,543)
Transaction charges	(17,782)	(17,088)
Net capital gains/(losses)	8,206,909	(3,235,721)

Gains/(losses) from non-derivatives securities include realised gains of US\$ 2,450,559 (2018: US\$ 2,554,726) and change in unrealised gains of US\$ 5,775,517 (2018: US\$ 5,762,816—unrealised losses).

3 REVENUE

	2019 US\$	2018 US\$
Overseas dividends	454,543	525,382
Bank interest	6,201	2,663
Total revenue	460,744	528,045

4 EXPENSES

	2019 US\$	2018 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(563,701)	(630,176)
Registration expenses	(1,567)	(1,764)
Directors' fees	(2,959)	(2,425)
	(568,227)	(634,365)

Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	15,632	(15,476)
Safe custody fees	(4,667)	(4,042)
Interest payable	(592)	(769)
	10,373	(20,287)

Other expenses:		
Audit fee	(10,055)	(11,448)
Regulatory and professional fees	(4,877)	(4,532)
Miscellaneous expenses		681
Publication charges	(2,622)	(5,490)
	(17,554)	(20,789)

Total expenses	(575,408)	(675,441)
----------------	-----------	-----------

5 TAXATION

	2019 US\$	2018 US\$
Analysis of charge in period:		
Overseas tax suffered	(89,371)	(88,293)
Total overseas taxation	(89,371)	(88,293)

6 DISTRIBUTIONS

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

	2019 US\$	2018 US\$
Revenue deducted on cancellation of shares	13,801	20,316
Revenue received on creation of shares	(1,267)	(3,335)
Distributions for the year	12,534	16,981

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

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	2019 Assets US\$	2018 Assets US\$
Level 1: Quoted prices	29,655,462	25,740,220
Level 2: Observable market data	–	–
Level 3: Unobservable data	–	–
Total value	29,655,462	25,740,220

8 DEBTORS

	2019 US\$	2018 US\$
Sales awaiting settlement	–	14,229
Accrued revenue	13,269	11,246
Receivable from Manager – Nominal shares	219,102	216,009
Overseas tax recoverable	231	231
Prepaid expenses	68	–
Total debtors	232,670	241,715

9 OTHER CREDITORS

	2019 US\$	2018 US\$
Amounts payable for cancellation of shares	(5,705)	–
Accrued expenses	(13,258)	(44,106)
Amounts payable to the Manager	(50,731)	(49,305)
Total creditors	(69,694)	(93,411)

10 RELATED PARTY TRANSACTIONS

Charles Taylor International Fund Managers (IOM) Limited (Fund Manager) provides services to the company under the terms of a management agreement (page 71, note 10) and acts as principal in respect of all transactions of shares in the Fund.

The Fund manager owns the management shares of the company and has common directors with the company namely Jeffrey Boysie McPherson More, Anthony Adam King and Darren Mark Kelly who have waived their rights to directors fees. Directors fees is payable to each of the two non-executive directors of the company.

The total director fees expense for the year was US\$ 2,959 (2018: US\$ 2,425) with US\$ 955 (2018: US\$ 482) outstanding at year end.

Amounts paid to the Fund manager in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 49,650 (December 2018: US\$ 44,807) in respect of the annual management charge, and US\$ 126 (December 2018: US\$ 138) in respect of registration expenses is due at the end of the accounting period and is included within amounts payable to the Manager

At the balance sheet date Preference Shareholders from within the Charles Taylor Group, of which the Fund is a related party, hold 6,823,472 (2018: 7,930,298) 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.

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	10,393,930	77,378	(1,314,353)	9,156,955

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2018: US\$ Nil).

Worldwide Equity Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

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 2019 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
Purchases (excluding in-specie and corporate action activity):						
Equity	9,955,757	3,423	4,073	9,963,253	0.03	0.04
	<u>9,955,757</u>	<u>3,423</u>	<u>4,073</u>	<u>9,963,253</u>		
Sales:						
Sales (excluding in-specie and corporate action activity):						
Equity	14,282,566	(4,886)	(1,867)	14,275,813	(0.03)	(0.01)
	<u>14,282,566</u>	<u>(4,886)</u>	<u>(1,867)</u>	<u>14,275,813</u>		
Total		<u>8,309</u>	<u>5,940</u>			
Percentage of Fund average net assets		<u>0.03%</u>	<u>0.02%</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 2018 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
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>		
Sales:						
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>			

Worldwide Equity Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

13 DIRECT TRANSACTION COSTS (continued)

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.09% (2018: 0.11%). 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 71

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.

Currency risk sensitivity

As at 31 December 2019 the Fund was exposed to currency risk through the assets and liabilities denominated in foreign currencies.

If the exchange rates at 31 December 2019 between US\$ and all other currencies had strengthened by 5% (2018: 5%), with all other variables held constant, this would have decreased the net assets attributable to preference shareholders by US\$ 498,211 (2018: US\$ 454,692).

A weakening of the US\$ compared to other currencies would have resulted in an equal and opposite effect on the financial statements, assuming that all other variables remained constant.

Net foreign currency assets	Non-		Total
	Monetary exposure	monetary exposure	
Currency 2019	US\$	US\$	US\$
Australian Dollar	241	–	241
Canadian Dollar	4	346,554	346,558
Danish Krone	118	290,999	291,117
Euro	153	3,315,705	3,315,858
Hong Kong Dollar	6	1,050,566	1,050,572
Japanese Yen	1,558	2,115,592	2,117,150
Mexican Peso	41	–	41
New Zealand Dollar	671	–	671
Norwegian Krone	89	–	89
Polish Zloty	118	–	118
Singapore Dollar	66	–	66
South African Rand	5	–	5
South Korean Won	3,121	630,805	633,926
Swedish Krona	64	–	64
Swiss Franc	74	474,788	474,862
Turkish Lira	1	–	1
UK Sterling	66	1,732,810	1,732,876
US Dollar	574,611	19,697,643	20,272,254
Currency 2018	US\$	US\$	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

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 2019 and 31st December 2018 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
Currency 2019	US\$	US\$	US\$	US\$
Australian Dollar	241	–	–	241
Canadian Dollar	4	–	346,554	346,558
Danish Krone	118	–	290,999	291,117
Euro	153	–	3,315,705	3,315,858
Hong Kong Dollar	6	–	1,050,566	1,050,572
Japanese Yen	–	–	2,117,150	2,117,150
Mexican Peso	41	–	–	41
New Zealand Dollar	671	–	–	671
Norwegian Krone	89	–	–	89
Polish Zloty	118	–	–	118
Singapore Dollar	66	–	–	66
South African Rand	5	–	–	5
South Korean Won	–	–	633,926	633,926
Swedish Krona	64	–	–	64
Swiss Franc	74	–	474,788	474,862
Turkish Lira	1	–	–	1
UK Sterling	66	–	1,732,810	1,732,876
US Dollar	635,416	–	19,706,532	20,341,948
Currency 2018	US\$	US\$	US\$	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
Currency 2019	US\$	US\$	US\$	US\$
US Dollar	–	–	(69,694)	(69,694)
Currency 2018	US\$	US\$	US\$	US\$
US Dollar	–	–	(93,411)	(93,411)

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.

Other price risk sensitivity

As at 31 December 2019 the Fund was exposed to other market price risk due to its investments in equities. The percentage of the net assets held in these investments are disclosed in the Portfolio Statement of the Fund. The sensitivity analysis assumes a change in the market price of equities and exchange traded funds while holding all other variables constant. In practice all other variables are unlikely to remain constant, and changes in some of the variables may be correlated.

As at 31 December 2019, had the fair value of equity securities increased/(decreased) by 5% (2018: 5%), with all other variables held constant, the net assets attributable to preference shareholders would have increased/(decreased) by US\$ 1,482,773 (2018: US\$ 1,287,011).

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 2019 the Fund posted a total gross return of +2.3% versus +2.1% for the LIBID USD 1M, in US Dollar terms.

Review

During the twelve months under review, the portfolio was invested entirely in US Dollar deposits.

The Bloomberg Dollar index was little changed over the 12 months under review, despite some notable fluctuations during the period. Initially, the US Dollar gained in the first quarter despite an unexpectedly dovish shift by the Federal Reserve (Fed) early in the year. Markets had previously expected the Fed to hike rates again in 2019, having raised them four times in 2018 to a target range of 2.25% to 2.5%. The US Dollar's gains were fuelled by worries about slowing growth outside the US. In response to softening economic conditions, central banks in other major economies signalled that they would also pause along their path towards "normal" monetary policy, thereby providing a further tailwind for the US Dollar.

During the second quarter, the Bloomberg Dollar index slipped back. By June, markets were speculating whether the Fed's next move in US interest rates would be downwards, in light of recent comments by members of the policy setting Federal Open Market Committee (FOMC). Several factors suggested that a rate cut could be prudent, including the impact of ongoing trade friction between the US and China, the lack of inflationary pressures in the US and softer global economic growth. The recent trade tensions between America and some of its key trading partners had increased the risks to economic growth in the US and globally.

Subsequently, the US Dollar moved higher over the third quarter, with particularly strong gains against emerging market currencies. US monetary policy remained the focus of attention, with the Fed cutting interest rates by a quarter point on two occasions, as economic data revealed the damage caused by the trade war with China. While the Fed continued to underline global uncertainties, it also reiterated its confidence in the health of the US economy and expected inflation to remain around its 2% target.

In the final quarter of the year, the US currency fell back once again. At the end of October, the Fed cut interest rates by a quarter point for the third time in 2019, to a range of 1.5% to 1.75%. The pace of US Gross Domestic Product (GDP) growth has slowed since the first quarter of the year, and the latest rate cut should further support economic activity amid weaker global growth.

While the Fed has reduced interest rates by a total of 0.75% this year, it has signalled there would need to be clear signs of a deterioration in the US economy before any decision to cut rates further.

By the end of 2019, there were more encouraging signs on the trade front, which would have positive implications for the US economy. On New Year's Eve, President Trump announced that a phase one trade agreement between the US and China would be signed on 15th January 2020.

Managed Currency Fund Comparative Tables

for the accounting period 1st January 2019 to 31st December 2019

26

	Preference Shares				
	2019	2018	2017		
	US\$	US\$	US\$		
Change in net assets per share					
Opening net asset value per share	0.3317	0.3325	0.3336		
Return before operating charges ¹	0.0067	0.0054	0.0026		
Operating charges	(0.0036)	(0.0039)	(0.0037)		
Return after operating charges	0.0031	0.0015	(0.0011)		
Distributions on preference shares	(0.0038)	(0.0023)	—		
Closing net asset value per shares	0.3310	0.3317	0.3325		
after direct transaction costs ¹	—	—	—		
Performance					
Return after charges	0.93%	0.45%	(0.33%)		
Other information					
Closing net asset value (US\$)	519,291	534,391	559,208		
Closing number of shares	1,568,856	1,610,986	1,681,820		
Operating charges	1.09%	1.16%	1.13%		
Direct transaction costs (note 12)	0.00%	0.00%	0.00%		
Ongoing Charges Figure (“OCF”) ²	1.09%	1.16%	1.13%		
Prices					
Highest offer share price (US\$)	0.3513	0.3511	0.3511	0.3537	0.3576
Lowest bid share price (US\$)	0.3314	0.3321	0.3323	0.3336	0.3360
Net distribution per share (US\$)	0.0038	0.0023	—	—	—

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.

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 because of this, investors may not get back money invested and are not certain to make a profit on their investment.

Managed Currency Fund

Statement of Total Return

for the accounting period 1st January 2019 to 31st December 2019

	Notes	2019 US\$	2018 US\$
Income			
Net capital losses	2	(1,138)	(1,286)
Revenue	3	11,982	10,133
Expenses	4	(5,889)	(6,390)
Net revenue before taxation		6,093	3,743
Taxation		–	–
Net revenue after taxation		6,093	3,743
Total return before distribution		4,955	2,457
Distributions	5	(6,093)	(3,743)
Change in Net Assets Attributable to Preference Shareholders from investment activities		(1,138)	(1,286)

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2019 to 31st December 2019

	2019 US\$	2018 US\$
Opening Net Assets Attributable to Preference Shareholders	534,391	559,208
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	5,690	643
Amounts payable on cancellation of shares	(19,652)	(24,174)
	(13,962)	(23,531)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(1,138)	(1,286)
Closing Net Assets Attributable to Preference Shareholders	519,291	534,391

Balance Sheet

as at 31st December 2019

	Notes	2019 US\$	2018 US\$
Assets:			
Fixed assets:			
Investments	6	256,283	262,558
Current assets:			
Debtors	7	59,881	59,776
Cash and bank balances		266,112	275,807
Total assets		582,276	598,141
Liabilities:			
Creditors:			
Distribution payable		(2,403)	(2,712)
Other creditors	8	(701)	(1,262)
Total liabilities		(3,104)	(3,974)
Equity:			
Nominal shares (note 15, page 73)		(59,881)	(59,776)
Total equity		(59,881)	(59,776)
Net Assets Attributable to Preference Shareholders		519,291	534,391

Distribution Table

for the accounting period 1st January 2019 to 30th June 2019

	Income US\$	Equalisation US\$	Distribution Paid 2019 US\$	Distribution Paid 2018 US\$
Group 1	0.0023	–	0.0023	0.0006
Group 2	0.0016	0.0007	0.0023	0.0006

Group 2 units are those purchased after 16:00 (UK time) on 31st December 2018.

for the accounting period 1st July 2019 to 31st December 2019

	Income US\$	Equalisation US\$	Distribution Payable 2019 US\$	Distribution Paid 2018 US\$
Group 1	0.0015	–	0.0015	0.0017
Group 2	0.0011	0.0004	0.0015	0.0017

Group 2 units are those purchased after 16:00 (UK time) on 30th June 2019.

The notes on pages 29 and 30 form an integral part of the financial statements.

Managed Currency Fund Portfolio Statement

as at 31 December 2019

Investment	Currency	Holding	Market Value US\$	% of Net Assets
Time Deposits 49.35% (49.13%)				
United States of America 49.35% (49.13%)				
Credit Agricole Corporate & Investment Bank SA 1.68% 18/02/2020	USD	51,749	51,749	9.97
First Abu Dhabi Bank PJSC 2.04% 14/02/2020	USD	51,000	51,000	9.82
Mitsubishi UFJ Trust & Banking Corp. 1.84% 12/03/2020	USD	51,267	51,267	9.87
Standard Chartered Bank 1.93% 21/01/2020	USD	51,000	51,000	9.82
Sumitomo Mitsui Banking Corp. 1.89% 16/03/2020	USD	51,267	51,267	9.87
			256,283	49.35
Time Deposits total			256,283	49.35
Total Value of Investments			256,283	49.35
Net Other Assets (2018: 50.87%)			263,008	50.65
Net Assets attributable to Preference Shareholders			519,291	100.00

*United States Dollar (US\$) time deposits greater than 3 months at 31st December 2019 was US\$ 256,283 (December 2018: US\$ 262,558)

All investments in time deposits are other securities which are not admitted to official stock exchange listing or on another regulated market.

The comparative percentage figures in brackets are as at 31st December 2018.

Managed Currency Fund

Notes to the Financial Statements

for the accounting period 1st January 2019 to 31st December 2019

1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 70.

2 NET CAPITAL LOSSES

The net capital losses during the period comprise:

	2019 US\$	2018 US\$
Other currency losses	(10)	(1)
Transaction charges	(1,128)	(1,285)
Net capital losses	(1,138)	(1,286)

3 REVENUE

	2019 US\$	2018 US\$
Interest on debt securities	11,982	10,133
Total revenue	11,982	10,133

4 EXPENSES

	2019 US\$	2018 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(5,228)	(5,491)
Registration expenses	(171)	(184)
Directors' fees	(55)	(46)
	(5,454)	(5,721)
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	252	(264)
Interest payable	(463)	(62)
	(211)	(326)
Other expenses:		
Audit fee	(155)	(228)
Regulatory and professional fees	(34)	(18)
Miscellaneous expenses	-	12
Publication charges	(35)	(109)
	(224)	(343)
Total expenses	(5,889)	(6,390)

5 DISTRIBUTIONS

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

	2019 US\$	2018 US\$
Interim	(3,650)	(1,004)
Final	(2,403)	(2,712)
	(6,053)	(3,716)
Revenue deducted on cancellation of shares	(67)	(28)
Revenue received on creation of shares	27	1
Distributions for the year	(6,093)	(3,743)

Details of the distribution per share are set out on page 27.

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.

	2019 Assets US\$	2018 Assets US\$
Level 1: Quoted prices	-	-
Level 2: Observable market data	256,283	262,558
Level 3: Unobservable data	-	-
Total value	256,283	262,558

7 DEBTORS

	2019 US\$	2018 US\$
Receivable from Manager – Nominal shares	59,881	59,776
Total debtors	59,881	59,776

8 OTHER CREDITORS

	2019 US\$	2018 US\$
Accrued expenses	(225)	(745)
Amounts payable to the Manager	(476)	(517)
Total creditors	(701)	(1,262)

9 RELATED PARTY TRANSACTIONS

Charles Taylor International Fund Managers (IOM) Limited (Fund Manager) provides services to the company under the terms of a management agreement (page 71, note 10) and acts as principal in respect of all transactions of shares in the Fund.

The Fund manager owns the management shares of the company and has common directors with the company namely Jeffrey Boysie McPherson More, Anthony Adam King and Darren Mark Kelly who have waived their rights to directors fees. Directors fees is payable to each of the two non-executive directors of the company.

The total director fees expense for the year was US\$ 55 (2018: US\$ 46) with US\$ 18 (2018: US\$ 9) outstanding at year end.

Amounts paid to the Fund manager in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 443 (December 2018: US\$ 456) in respect of the annual management charge, and US\$ 14 (December 2018: US\$ 14) in respect of registration expenses is due at the end of the accounting period and is included within amounts payable to the Manager.

At the balance sheet date Preference Shareholders from within the Charles Taylor Group, of which the Fund is a related party, hold 442,877 (2018: 446,427) 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.

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	1,610,986	17,169	(59,299)	1,568,856

11 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2018: 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 (2018: US\$ Nil) and the total sales amounted to US\$ Nil (2018: US\$ Nil).

Managed Currency Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

13 FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 71.

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 2019 and 31st December 2018 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
	US\$	US\$	US\$	US\$
Currency 2019				
Euro	24	–	–	24
US Dollar	522,371	–	–	522,371
Currency 2018	US\$	US\$	US\$	US\$
Euro	24	–	–	24
US Dollar	538,341	–	–	538,341

	Floating rate financial liabilities	Financial liabilities not carrying interest	Total
	US\$	US\$	US\$
Currency 2019			
US Dollar	–	(3,104)	(3,104)
Currency 2018			
US Dollar	–	(3,974)	(3,974)

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 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 2019, the Fund produced a total gross return of +6.9% in Sterling terms, compared with a return of +6.9% for the FTSE Actuaries UK Conventional Gilts All Stocks Index.

Review

Having started the year at 1.28%, the UK 10 year gilt yield finished 2019 at 0.82%.

Gilts advanced over the twelve months of the review period. Globally, core government bonds were supported as risk off sentiment prevailed for extended periods, with investors focusing on concerns around global growth, trade tensions between the United States (US) and China, and, in the case of gilts, political and Brexit related uncertainty. Core government bonds were also supported as key central banks, led by the US Federal Reserve (Fed), turned more accommodative. The Bank of England (BoE) kept rates on hold as the outlook for Brexit remained unclear. However, commentary from officials later on indicated that the bank could join its counterparts in Europe and US in easing policy should a downturn in global growth or Brexit related uncertainty threaten the UK's economic recovery. In November's and December's policy meetings, two out of the nine members of the Monetary Policy Committee (MPC) voted to cut rates.

On the Brexit front, gilts found support when political uncertainty rose as Boris Johnson took over from Theresa May as prime minister in the summer, owing to his campaign pledge to deliver Brexit by the extended deadline of 31 October 2019 "no matter what". Despite Johnson's controversial attempts to frustrate them, Members of Parliament (MPs) effectively legislated in September against a no deal exit, which propelled yields higher. Gilt yields rose further in October, as Johnson managed to renegotiate the withdrawal agreement with the European Union and as the Article 50 deadline was extended further. With an imminent no deal Brexit off the table, MPs finally agreed to Johnson's demands for an early general election, set for 12 December. Gilts weakened further due to the prospect, then reality, that the Conservative Party could secure an outright majority in the election – an outcome that was perceived to pave the way for an orderly Brexit.

In terms of the UK economy, the labour market remained resilient with employment figures remaining near at record highs. Consumer spending was also strong, but business investment was hurt by the political uncertainty. Meanwhile, the manufacturing sector was plagued by the US China trade war. At the time of writing, the latest Gross Domestic Product (GDP) figures showed that on an annual basis, GDP growth was 0.8% in the three months to October – the weakest growth since 2010.

The portfolio began the review period 0.2 years short of the index in terms of relative duration.

We increased our bearish flattener strategy in January, reducing duration and extending the underweight in the 3 to 7 year segment. We maintained the flattening bias in February, expecting that an Article 50 extension would lift yields on shorter dated bonds. We increased duration in mid and late February, but lowered it back in mid March as yields approached the bottom of the year's trading range. We then increased duration again, as yields fell below the bottom of the range on mounting Brexit fears and as the Federal Reserve signalled US interest rates would not rise this year.

We reduced duration at the start of April but increased it mid month, as yields rose to 1.20%, and again towards month end, with yields at 1.14%. On 13 May we sold some duration in ultra long gilts into 25–35 years. Later, we sold some duration from 15–25 years into ultra longs. On 23 May, we reduced duration as the 10 year yield dropped to our 1% target, but reversed this as yields fell further to our stop target of 0.95%. Gilts were range bound in June. Mid month we increased duration in 25–35 years.

In July we increased duration following a sell off, as yields returned to the month's opening levels. We then sold 3 year gilts into 18 month and 5 year gilts for a pick up in yield, as the shorter end of the curve inverted. In August, we largely maintained positioning as the Fund's strategies played out but shifted some duration further along the curve following late July's curve steepening. We also switched 2047s into 5 and 10 year gilts ahead of a fresh supply of 30 year gilts. In mid September, we increased duration in 10 and 30 year gilts as yields peaked, later adding further to duration in 10 year gilts. At month end, we reduced the flattening bias following dovish comments from the Monetary Policy Committee.

In early October we sold 2065 gilts into 2054s for the highest pick up in yield since the latter were issued. Mid month, we reduced the portfolio's flattening bias in a duration neutral trade. Ahead of parliament's vote on the Brexit deal, we moved relative duration to flat across the curve. Activity in November was quiet, as yields range traded ahead of the general election. We increased duration as the 30 year gilt yield climbed to 1.30% and added to duration in the 10 year area on 13 November. We moved relative duration to neutral across the curve on the eve of December 2019's election. As yields gapped higher on the morning after the election, we increased duration via 30 year gilts. On Christmas Eve, we trimmed the resulting overweight in ultra longs. With the other maturity buckets flat against the benchmark, the portfolio finished the quarter with an overall relative duration of +0.1 years long versus the index.

Looking ahead, the main risk to the UK economy is of a no deal Brexit. This still remains a possibility, given that the agreed transition period ends in less than a year.

UK growth remains fragile. While employment and earnings have been robust, cracks are beginning to appear. Sentiment remains soft and investment is almost non-existent. With the outlook for the UK economy remaining clouded by uncertainty regarding the country's future relationship with its European neighbours, we anticipate low but positive GDP growth and inflation in the coming months.

The BoE continues to signal a gradual removal of stimulus, but its conviction is clearly shifting towards a more supportive stance, even ahead of a Brexit outcome.

Gilt and Income Fund Comparative Tables

for the accounting period 1st January 2019 to 31st December 2019

	Preference Shares				
	2019	2018	2017		
	£	£	£		
Change in net assets per share					
Opening net asset value per share	0.3996	0.4020	0.3993		
Return before operating charges ¹	0.0276	0.0033	0.0083		
Operating charges	(0.0057)	(0.0057)	(0.0056)		
Return after operating charges	0.0219	(0.0024)	0.0027		
Distributions on preference shares	—	—	—		
Closing net asset value per shares	0.4215	0.3996	0.4020		
after direct transaction costs ¹	—	—	—		
Performance					
Return after charges	5.48%	(0.60%)	0.68%		
Other information					
Closing net asset value (£)	11,285,788	11,242,524	12,027,560		
Closing number of shares	26,776,092	28,137,952	29,922,299		
Operating charges	1.37%	1.42%	1.42%		
Direct transaction costs (note 12)	0.00%	0.00%	0.00%		
Ongoing Charges Figure (“OCF”) ²	1.37%	1.42%	1.42%		
Prices					
Highest offer share price (£)	0.4681	0.4282	0.4313	0.4508	0.4087
Lowest bid share price (£)	0.3977	0.3849	0.3887	0.3680	0.3598
Net distribution per share (£)	—	—	—	0.0010	0.0023

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.

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 because of this, investors may not get back money invested and are not certain to make a profit on their investment.

Gilt and Income Fund

Statement of Total Return

for the accounting period 1st January 2019 to 31st December 2019

		2019	Restated*
	Notes	US\$	2018
			US\$
Income			
Net capital gains/(losses)	2	805,276	(101,210)
Revenue	3	166,359	208,948
Expenses	4	(185,906)	(212,023)
Net expense before taxation		(19,547)	(3,075)
Taxation		–	–
Net expense after taxation		(19,547)	(3,075)
Total return before distribution		785,729	(104,285)
Distributions	5	484	82
Change in Net Assets Attributable to Preference Shareholders from investment activities		786,213	(104,203)

Balance Sheet

as at 31st December 2019

	Notes	2019	2018
		US\$	US\$
Assets:			
Fixed assets:			
Investments	6	14,739,607	14,024,003
Current assets:			
Debtors	7	629,729	634,421
Cash and bank balances		152,112	245,764
Total assets		15,521,448	14,904,188
Liabilities:			
Creditors:			
Other creditors	8	(23,226)	(35,876)
Total liabilities		(23,226)	(35,876)
Equity:			
Nominal shares (note 15, page 74)		(552,114)	(548,709)
Total equity		(552,114)	(548,709)
Net Assets Attributable to Preference Shareholders		14,946,108	14,319,603

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2019 to 31st December 2019

	2019	Restated*
	US\$	2018
		US\$
Opening Net Assets Attributable to Preference Shareholders	14,319,603	16,272,086⁽¹⁾
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	17,182	57,506
Amounts payable on cancellation of shares	(748,159)	(1,001,621)
	(730,977)	(944,115)
Difference on currency conversion	571,269	(904,364)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	786,213	(104,203)
Unclaimed distributions	–	199
Closing Net Assets Attributable to Preference Shareholders	14,946,108	14,319,603

Distribution Table

There was no distribution for the accounting period 1st January 2019 to 30th June 2019, as expenses exceed revenue (June 2018: £Nil).

There is no distribution for the accounting period 1st July 2019 to 31st December 2019, as expenses exceed revenue (December 2018: £Nil).

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

*Please refer to the prior year adjustment note on page 36.

⁽¹⁾ Opening Net Assets Attributable to Preference Shareholders for 2018 has not been restated.

Gilt and Income Fund Portfolio Statement

as at 31st December 2019

Investment	Currency	Holding	Market Value US\$	% of Net Assets	Investment	Currency	Holding	Market Value US\$	% of Net Assets
Government Bonds 91.81% (91.57%)					Supranationals 1.29% (1.26%)				
Finland 0.00% (1.60%)					European Investment Bank 1.13% 07/09/2021				
					European Investment Bank 1.00% 21/09/2026				
					Supranationals total				
					Certificates of Deposit 1.33% (0.00%)				
					United States of America 1.33% (0.00%)				
United Kingdom 91.81% (89.97%)					Export Development Corp. 0.00% 29/05/2024				
UK Treasury 2.00%					International Bank for Reconstruction & Development 0.99%				
22/07/2020	GBP	£451,000	601,722	4.03	13/12/2024				
UK Treasury 3.75%									
07/09/2020	GBP	£398,000	538,084	3.60					
UK Treasury 1.50%									
22/01/2021	GBP	£1,004,000	1,342,139	8.98					
UK Treasury 1.75%									
07/09/2022	GBP	£311,000	425,149	2.84					
UK Treasury 1.00%									
22/04/2024	GBP	£334,000	449,740	3.01					
UK Treasury 0.63%									
07/06/2025	GBP	£1,092,000	1,444,671	9.66					
UK Treasury 1.25%									
22/07/2027	GBP	£184,000	253,995	1.70					
UK Treasury 0.88%									
22/10/2029	GBP	£799,000	1,063,158	7.11					
UK Treasury 4.25%									
07/06/2032	GBP	£586,000	1,073,276	7.18					
UK Treasury 4.50%									
07/09/2034	GBP	£113,000	218,696	1.46					
UK Treasury 4.25%									
07/03/2036	GBP	£106,000	204,401	1.37					
UK Treasury 1.75%									
07/09/2037	GBP	£805,000	1,152,320	7.71					
UK Treasury 3.25%									
22/01/2044	GBP	£631,000	1,164,119	7.79					
UK Treasury 1.50%									
22/07/2047	GBP	£686,000	943,694	6.31					
UK Treasury 1.75%									
22/01/2049	GBP	£645,000	939,541	6.29					
UK Treasury 1.63%									
22/10/2054	GBP	£656,000	955,098	6.39					
UK Treasury 1.75%									
22/07/2057	GBP	£210,000	321,197	2.15					
UK Treasury 2.50%									
22/07/2065	GBP	£238,000	455,298	3.05					
UK Treasury 1.63%									
22/10/2071	GBP	£114,000	176,452	1.18					
			13,722,750	91.81					
			13,722,750	91.81					
Government Bonds total									
Corporate Bonds 4.19% (5.11%)					Certificates of Deposit total				
Austria 0.89% (0.00%)									
Oesterreichische Kontrollbank AG 1.25% 15/12/2023					Total Value of Investments				
			133,828	0.89	Net Other Assets (2018: 2.06%)				
			133,828	0.89					
Canada 1.60% (1.59%)									
Export Development Canada 0.88% 07/12/2021					Net Assets attributable to Preference Shareholders				
			238,510	1.60	14,946,108				
			238,510	1.60	100.00				
Germany 0.00% (1.78%)									
United Kingdom 1.70% (1.74%)									
LCR Finance plc 4.50%									
07/12/2028									
Network Rail Infrastructure Finance plc 4.63%									
21/07/2020									
			168,980	1.13					
			254,068	1.70					
Corporate Bonds total									
			626,406	4.19					

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.

The comparative percentage figures in brackets are as at 31st December 2018.

Gilt and Income Fund

Notes to the Financial Statements

for the accounting period 1st January 2019 to 31st December 2019

1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 70.

2 NET CAPITAL GAINS/(LOSSES)

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

	2019	Restated 2018
	US\$	US\$
Non-derivative securities	812,515	(94,823)
Transaction charges	(7,239)	(6,387)
Net capital gains/(losses)	<u>805,276</u>	<u>(101,210)</u>

Gains/(losses) from non-derivative securities include realised gains of US\$ 721,101 (2018: US\$ 58,123 – realised losses) and change in unrealised gains of US\$ 91,414 (2018: US\$ 36,700 – unrealised losses).

3 REVENUE

	2019	Restated 2018
	US\$	US\$
Bank interest	16	–
Interest on debt securities	166,343	208,948
Total revenue	<u>166,359</u>	<u>208,948</u>

4 EXPENSES

	2019	Restated 2018
	US\$	US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(182,925)	(192,521)
Registration expenses	(804)	(906)
Directors' fees	(1,405)	(1,034)
	<u>(185,134)</u>	<u>(194,461)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	6,880	(7,390)
Safe custody fees	(1,266)	(1,351)
Interest payable	(16)	(504)
	<u>5,598</u>	<u>(9,245)</u>
Other expenses:		
Audit fee	(4,353)	(5,527)
Regulatory and professional fees	(969)	(548)
Miscellaneous expenses	–	325
Publication charges	(1,048)	(2,567)
	<u>(6,370)</u>	<u>(8,317)</u>
Total expenses	<u>(185,906)</u>	<u>(212,023)</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:

	2019	Restated 2018
	US\$	US\$
Revenue deducted on cancellation of shares	513	96
Revenue received on creation of shares	(29)	(14)
Distributions for the year	<u>484</u>	<u>82</u>

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

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.

	2019	2018
	Assets US\$	Assets US\$
Level 1: Quoted prices	–	–
Level 2: Observable market data	14,739,607	14,024,003
Level 3: Unobservable data	–	–
Total value	<u>14,739,607</u>	<u>14,024,003</u>

7 DEBTORS

	2019	2018
	US\$	US\$
Accrued revenue	77,615	85,712
Receivable from Manager – Nominal shares	552,114	548,709
Total debtors	<u>629,729</u>	<u>634,421</u>

8 OTHER CREDITORS

	2019	2018
	US\$	US\$
Accrued expenses	(6,729)	(20,320)
Amounts payable to the Manager	(16,497)	(15,556)
Total creditors	<u>(23,226)</u>	<u>(35,876)</u>

9 RELATED PARTY TRANSACTIONS

Charles Taylor International Fund Managers (IOM) Limited (Fund Manager) provides services to the company under the terms of a management agreement (page 71, note 10) and acts as principal in respect of all transactions of shares in the Fund.

The Fund manager owns the management shares of the company and has common directors with the company namely Jeffrey Boysie McPherson More, Anthony Adam King and Darren Mark Kelly who have waived their rights to directors fees. Directors fees is payable to each of the two non-executive directors of the company.

The total director fees expense for the year was US\$ 1,405 (2018: US\$ 1,304) with US\$ 321 (2018: US\$ 208) outstanding at year end.

Amounts paid to the Fund manager in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 16,001 (December 2018: US\$ 15,218) in respect of the annual management charge, and US\$ 71 (December 2018: US\$ 73) in respect of registration expenses is due at the end of the accounting period and is included within amounts payable to the Manager.

At the balance sheet date Preference Shareholders from within the Charles Taylor Group, of which the Fund is a related party, hold 16,953,631 (2018: 18,075,782) 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.

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	28,137,952	32,810	(1,394,670)	26,776,092

11 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2018: 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\$ 28,042,257 (2018: US\$ 37,969,182) and the total sales amounted to US\$ 28,578,334 (2018: US\$ 38,526,948).

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.18% (2018: 0.15%). 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 71.

Currency exposures

All the net assets and liabilities of the Fund are denominated in UK Sterling which is the base currency of the Fund.

Currency risk sensitivity

If the exchange rates at 31 December 2019 between US\$ and UK Sterling had strengthened by 5% (2018: 5%), with all other variables held constant, this would have decreased the net assets attributable to preference shareholders by US\$ 747,305 (2018: US\$ 715,980).

A weakening of the US\$ compared to UK Sterling would have resulted in an equal and opposite effect on the financial statements, assuming that all other variables remained constant.

Interest rate risk sensitivity

As at 31 December 2019 the Fund was exposed to interest rate risk through its investments in debt instruments. The percentage of the net assets held in these investments are disclosed in the Portfolio Statement of the Fund.

Gilt and Income Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

13 FINANCIAL INSTRUMENTS (continued)

Interest rate risk sensitivity (continued)

The sensitivity analysis was based on a change in one variable while holding all other variables constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated.

As at 31 December 2019 had market interest rates strengthened by 1% (2018: 1%), the net assets attributable to preference shareholders of the Fund would have decreased by US\$ 1,799,675 (2018: US\$ 1,574,650).

A weakening of the interest rate would have resulted in an equal and opposite effect on the financial statements, assuming that all other variables remained constant.

Interest rate risk profile of financial assets and financial liabilities

Fixed rate financial assets consist of Sterling denominated bonds of US\$ 14,739,607 (2018: US\$ 14,024,003). The Fund has assets not carrying interest of US\$ 77,615 (2018: US\$ 85,712).

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

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

Fair value of financial assets and financial liabilities

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

14 DEBT SECURITY CREDIT ANALYSIS

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

	2019		2018	
	US\$	% of Net Assets	US\$	% of Net Assets
Investment grade securities*	14,739,607	98.62	14,024,003	97.94
	<u>14,739,607</u>	<u>98.62</u>	<u>14,024,003</u>	<u>97.94</u>

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

15 PRIOR YEAR ADJUSTMENT

The 2018 corresponding figures in the Statement of Total Return, Statement of Change in Net Assets Attributable to Preference Shareholders and related notes for the Fund, have been restated to reflect the change in accounting policy used in translating these statements from functional currency to presentation currency. These statements were previously translated at the closing exchange rate ruling at the year end and are now translated at the average exchange rate for the accounting period in accordance with FRS 102.

The Net Asset Values (NAV) of the Fund for dealing purposes is stated in functional currency. There has been no impact on NAV as a result of the change in accounting policy.

Impact on Statement of Total Return

	31 December 2018 Actual US\$	Adjustments US\$	31 December 2018 Restated US\$
Income			
Net capital losses	(96,554)	(4,656)	(101,210)
Revenue	199,335	9,613	208,948
Expenses	(202,270)	(9,753)	(212,023)
Net revenue before taxation	(2,935)	(140)	(3,075)
Taxation	—	—	—
Net expense after taxation	(2,935)	(140)	(3,075)
Total return before distribution	(99,489)	(4,796)	(104,285)
Distributions	78	4	82
Reduction in Net Assets Attributable to Preference Shareholders from investment activities	(99,411)	(4,792)	(104,203)

Statement of Change in Net Assets Attributable to Preference Shareholders

	31 December 2018 Actual US\$	Adjustments US\$	31 December 2018 Restated US\$
Opening Net Assets Attributable to Preference Shareholders	16,272,086	—	16,272,086
Movement due to sales and repurchases of shares:			
Amounts receivable on issue of shares	54,860	2,646	57,506
Amounts payable on cancellation of shares	(955,540)	(46,081)	(1,001,621)
	(900,680)	(43,435)	(944,115)
Difference on currency conversion	(952,582)	48,218	(904,364)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(99,411)	(4,792)	(104,203)
Unclaimed distributions	190	9	199
Closing Net Assets Attributable to Preference Shareholders	14,319,603	—	14,319,603

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 +34.1%, while the S&P 500 Index returned +31.5% in United States (US) Dollar terms.

Review

US equities recorded a banner year in 2019, driving the S&P 500, Dow and technology heavy Nasdaq indices to a series of all time highs.

Shares delivered a strong start in the first quarter (Q1) as the S&P 500 index registered its best quarterly rise since 2009 in US dollar terms, supported by an unexpectedly dovish shift in tone by the Federal Reserve (Fed) and signs of progress in US China trade talks. Stocks advanced further during the second quarter (Q2), helped by anticipation of looser Fed policy and optimism about an end to the trade dispute. The market rebounded from a sharp sell-off in May to cap its best first half in more than two decades.

Equities chalked up a third straight quarterly gain in quarter three (Q3) as further expectations of Fed easing culminated in the central bank's first interest rate cut since 2008 in July. Stronger than expected corporate earnings also supported prices. Stocks rounded out the year on a positive note in the quarter four (Q4) delivering another advance as the Fed lowered rates for a third time in 2019 and the US announced a preliminary trade accord with China.

The change in Fed policy was a key factor in the market's rise. While the central bank had pencilled in two interest rate hikes as at the start of 2019, Fed officials indicated in March that rates were unlikely to rise at all during the year. One policymaker voted for a cut in June 2019, although rates ultimately stayed unchanged that month. The central bank subsequently lowered rates twice in Q3 and again in October 2019, near year end, the Fed suggested that policy would probably stay on hold in 2020.

The economic backdrop was generally positive. While Gross Domestic Product (GDP) slowed noticeably after the Q1 figure came in at 3.1% (annualised), growth still remained around 2% in both Q2 and Q3. The labour market showed strength, as the unemployment rate reached the lowest level since 1969. However, manufacturing was vulnerable to the trade war with China and the consequent effect on exports; the sector closed out 2019 with a downbeat tone as a widely watched gauge of activity indicated that a contraction extended to a fourth month in November.

Worries about the trade conflict waxed and waned over the course of the year. Notably, stocks registered monthly falls in May and August as the US imposed or raised tariffs on imported Chinese goods, provoking similar steps by Beijing and spurring investors to sell risk assets. However, both sides also made efforts at conciliation, and the market ended the year with a strong finish as the 'phase one' deal was announced in December 2019, with signing scheduled for January 2020.

Domestic political tensions were also evident during 2019, intensifying notably later in the year as the Democrat controlled House of Representatives began an impeachment inquiry against President Donald Trump in September. Lawmakers voted in December to impeach Trump, as expected. However, while the impeachment process dominated headlines, investors seemed to largely dismiss any concern that it might result in Trump's removal from office, as the Republican dominated Senate appeared certain to acquit the president or throw out the case completely.

Significant portfolio activity during the period under review included the following transactions:

- Opening a position in Procter & Gamble Co. (consumer staples). Management is successfully executing a turnaround plan, leading to an acceleration in revenue growth, margin expansion and earnings. Return on invested capital is high and rising, and activist shareholder involvement should lead to an increased focus on the company's competitive position.
- Establishing an allocation to Edison International (utilities). Edison, which operates in California, benefits from a positive regulatory regime and looks set to earn above average rate based growth of 7–8%. We bought the stock following a selloff in the wake of troubles experienced by sector peer Pacific Gas and Electric company, as the pricing at that time seemed to offer an attractive entry point.
- Initiating an exposure to Take-Two Interactive Software, Inc. (communication services). Take-Two should be well positioned to capture market share within a growing video gaming industry by leveraging its strong library of existing game titles. The company should also benefit from longer term secular trends, such as the move to digital distribution from physical and the growth of mobile gaming and e sports.
- Beginning a holding of Caterpillar, Inc. (industrial). The firm is a leading manufacturer of construction and mining equipment, and the stock lagged the broader market over much of 2019 due to concerns about a cyclical downturn in the mining industry. We feel that earnings should be more resilient than the market anticipates, and the shares performed well during the year's final four months.
- We closed positions including CME Group, Inc. Class A (financial), UnitedHealth Group, Inc. (healthcare) and Electronic Arts, Inc. (communication services), taking the view that better opportunities were available elsewhere.

In aggregate, US equities delivered a strong performance for 2019 as a whole, driven by the dovish policy shift at the Fed, a solid domestic economy and robust corporate earnings. Political risk will remain heightened until the presidential election in November 2020, and much detail remains to be negotiated before the US and China arrive at a final trade agreement. Nonetheless, we feel that the US economy is on track for trend growth (1.52%) in 2020, with inflation seemingly set to remain moderate, providing support for stocks.

North American Growth Fund Comparative Tables

for the accounting period 1st January 2019 to 31st December 2019

	Preference Shares				
	2019	2018	2017	2016	2015
	US\$	US\$	US\$		
Change in net assets per share					
Opening net asset value per share	7.1090	7.7410	6.0714		
Return before operating charges ¹	2.4325	(0.4645)	1.8024		
Operating charges	(0.1684)	(0.1675)	(0.1328)		
Return after operating charges	2.2641	(0.6320)	1.6696		
Distributions on preference shares	—	—	—		
Closing net asset value per shares	9.3731	7.1090	7.7410		
after direct transaction costs ¹	(0.0017)	(0.0040)	(0.9026)		
Performance					
Return after charges	31.85%	(8.16%)	27.50%		
Other information					
Closing net asset value (US\$)	25,655,208	20,325,943	24,888,638		
Closing number of shares	2,737,111	2,859,189	3,215,184		
Operating charges	2.08%	2.09%	2.05%		
Direct transaction costs (note 13)	0.02%	0.05%	0.14%		
Ongoing Charges Figure (“OCF”) ²	2.08%	2.09%	2.05%		
Prices					
Highest offer share price (US\$)	9.9140	9.0470	8.1790	6.4860	6.3300
Lowest bid share price (US\$)	6.9980	6.8990	6.0800	5.0120	5.2940
Net distribution per share (US\$)	—	—	—	—	—

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.

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

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

North American Growth Fund

Statement of Total Return

for the accounting period 1st January 2019 to 31st December 2019

	Notes	2019 US\$	2018 US\$
Income			
Net capital gains/(losses)	2	6,493,421	(1,492,580)
Revenue	3	375,980	369,064
Expenses	4	(381,630)	(470,433)
Net expense before taxation		(5,650)	(101,369)
Taxation	5	(109,785)	(105,255)
Net expense after taxation		(115,435)	(206,624)
Total return before distribution		6,377,986	(1,699,204)
Distributions	6	3,781	13,929
Change in Net Assets Attributable to Preference Shareholders from investment activities		6,381,767	(1,685,275)

Balance Sheet

As at 31st December 2019

	Notes	2019 US\$	2018 US\$
Assets:			
Fixed assets:			
Investments	7	25,460,546	20,395,448
Current assets:			
Debtors	8	162,368	167,099
Cash and bank balances		234,684	63,790
Total assets		25,857,598	20,626,337
Liabilities:			
Creditors:			
Other creditors	9	(53,873)	(152,182)
Total liabilities		(53,873)	(152,182)
Equity:			
Nominal shares (note 15, page 74)		(148,517)	(148,212)
Total equity		(148,517)	(148,212)
Net Assets Attributable to Preference Shareholders		25,655,208	20,325,943

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2019 to 31st December 2019

	2019 US\$	2018 US\$
Opening Net Assets Attributable to Preference Shareholders	20,325,943	24,888,638
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	378,024	829,347
Amounts payable on cancellation of shares	(1,430,526)	(3,706,767)
	(1,052,502)	(2,877,420)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	6,381,767	(1,685,275)
Closing Net Assets Attributable to Preference Shareholders	25,655,208	20,325,943

Distribution Table

There was no distribution for the accounting period 1st January 2019 to 31st December 2019, as expenses exceed revenue (December 2018: US\$ Nil).

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

North American Growth Fund

Portfolio Statement

as at 31st December 2019

Investment	Currency	Holding	Market Value US\$	% of Net Assets	Investment	Currency	Holding	Market Value US\$	% of Net Assets
Equities 99.24% (100.34%)					Capital Markets 0.00% (2.71%)				
Communication Services 11.95% (8.52%)					Diversified Financial Services 1.46% (0.00%)				
Entertainment 1.51% (1.48%)					Voya Financial, Inc.				
Take-Two Interactive Software, Inc.	USD	3,193	388,812	1.51	USD	6,155	373,362	1.46	
			388,812	1.51			373,362	1.46	
Interactive Media & Services 8.01% (4.73%)					Insurance 1.81% (3.45%)				
Alphabet, Inc. 'A'	USD	877	1,169,295	4.56	Allstate Corp. (The)	USD	4,163	465,340	1.81
Facebook, Inc. 'A'	USD	4,335	885,944	3.45			465,340	1.81	
			2,055,239	8.01	Financials total 2,732,929 10.65				
Media 2.43% (2.31%)					Health Care 13.43% (16.96%)				
Comcast Corp. 'A'	USD	13,900	622,442	2.43	Biotechnology 3.94% (5.98%)				
			622,442	2.43	Alexion Pharmaceuticals, Inc.	USD	2,297	245,411	0.96
Communication Services total 3,066,493 11.95					BioMarin Pharmaceutical, Inc.				
Consumer Discretionary 8.68% (8.11%)					Bluebird Bio, Inc.				
Hotels, Restaurants & Leisure 0.45% (1.16%)					Sage Therapeutics, Inc.				
Extended Stay America, Inc.	USD	7,722	114,363	0.45	Vertex Pharmaceuticals, Inc.	USD	1,736	377,997	1.47
			114,363	0.45			1,011,652	3.94	
Internet & Direct Marketing Retail 4.24% (4.55%)					Health Care Equipment & Supplies 3.81% (4.17%)				
Amazon.com, Inc.	USD	592	1,088,214	4.24	Abbott Laboratories	USD	5,596	483,998	1.89
			1,088,214	4.24	Baxter International, Inc.	USD	5,928	493,091	1.92
Specialty Retail 2.63% (2.40%)					Health Care Providers & Services 1.78% (3.75%)				
Home Depot, Inc. (The)	USD	3,116	674,957	2.63	Centene Corp.	USD	5,329	333,915	1.30
			674,957	2.63	Guardant Health, Inc.	USD	1,582	122,400	0.48
Textiles, Apparel & Luxury Goods 1.36% (0.00%)					Life Sciences Tools & Services 2.14% (1.53%)				
VF Corp.	USD	3,518	350,006	1.36	Thermo Fisher Scientific, Inc.	USD	1,688	547,790	2.14
			350,006	1.36			547,790	2.14	
Consumer Discretionary total 2,227,540 8.68					Pharmaceuticals 1.76% (1.53%)				
Consumer Staples 6.87% (3.60%)					Bristol-Myers Squibb Co.				
Beverages 2.11% (0.00%)					USD				
PepsiCo, Inc.	USD	3,964	540,412	2.11		7,066	451,305	1.76	
			540,412	2.11			451,305	1.76	
Food & Staples Retailing 0.00% (1.82%)					Health Care total 3,444,151 13.43				
Food Products 1.85% (1.78%)					Industrials 11.14% (11.46%)				
Mondelez International, Inc. 'A'	USD	8,676	475,965	1.85	Aerospace & Defense 2.84% (3.83%)				
			475,965	1.85	L3Harris Technologies, Inc.				
Household Products 2.91% (0.00%)					USD				
Procter & Gamble Co. (The)	USD	6,014	746,999	2.91	Spirit AeroSystems Holdings, Inc. 'A'	USD	3,113	228,868	0.89
			746,999	2.91			729,352	2.84	
Consumer Staples total 1,763,376 6.87					Commercial Services & Supplies 1.62% (1.84%)				
Energy 5.07% (5.10%)					Republic Services, Inc.				
Oil, Gas & Consumable Fuels 5.07% (5.10%)					USD				
Chevron Corp.	USD	4,143	496,787	1.93		4,640	414,630	1.62	
Diamondback Energy, Inc.	USD	2,359	217,146	0.85			414,630	1.62	
EOG Resources, Inc.	USD	2,944	243,704	0.95	Machinery 4.34% (3.26%)				
Valero Energy Corp.	USD	3,684	343,644	1.34	Caterpillar, Inc.				
			1,301,281	5.07	Gardner Denver Holdings, Inc.	USD	5,234	192,402	0.75
Energy total 1,301,281 5.07					Ingersoll-Rand plc				
Financials 10.65% (15.43%)					USD				
Banks 7.38% (9.27%)					USD				
Bank of America Corp.	USD	22,516	789,186	3.08		3,851	512,106	2.00	
Citigroup, Inc.	USD	7,858	624,711	2.43			1,112,750	4.34	
Citizens Financial Group, Inc.	USD	11,860	480,330	1.87	Road & Rail 2.34% (2.53%)				
			1,894,227	7.38	Union Pacific Corp.				
Financials total 1,894,227 7.38					USD				
Information Technology 27.14% (24.01%)					Industrials total 2,856,819 11.14				
Communications Equipment 2.09% (0.00%)					Information Technology 27.14% (24.01%)				
Cisco Systems, Inc.					USD				
		11,243	535,054	2.09	Communications Equipment 2.09% (0.00%)				
			535,054	2.09	Cisco Systems, Inc.				
IT Services 5.52% (5.48%)					USD				
Mastercard, Inc. 'A'	USD	2,465	730,675	2.85	IT Services 5.52% (5.48%)				
Visa, Inc. 'A'	USD	3,670	685,630	2.67	Mastercard, Inc. 'A'				
			1,416,305	5.52	USD				
Semiconductors & Semiconductor Equipment 5.02% (5.85%)					USD				
Broadcom, Inc.					USD				
		1,430	449,320	1.75	Broadcom, Inc.				
Lam Research Corp.	USD	1,652	478,915	1.87	Lam Research Corp.				
NXP Semiconductors NV	USD	2,834	360,768	1.40	NXP Semiconductors NV				
			1,289,003	5.02	Semiconductors & Semiconductor Equipment 5.02% (5.85%)				

North American Growth Fund Portfolio Statement (continued)

as at 31st December 2019

Investment	Currency	Holding	Market Value US\$	% of Net Assets
Equities 99.24% (100.34%) (continued)				
Information Technology 27.14% (24.01%) (continued)				
Software 8.73% (8.19%)				
Adobe, Inc.	USD	1,793	587,261	2.29
Microsoft Corp.	USD	10,532	1,651,839	6.44
			<u>2,239,100</u>	<u>8.73</u>
Technology Hardware, Storage & Peripherals 5.78% (4.49%)				
Apple, Inc.	USD	5,092	1,481,976	5.78
			<u>1,481,976</u>	<u>5.78</u>
Information Technology total			<u>6,961,438</u>	<u>27.14</u>
Materials 1.79% (2.76%)				
Chemicals 1.79% (2.14%)				
Dow, Inc.	USD	4,106	222,792	0.87
DuPont de Nemours, Inc.	USD	3,737	236,440	0.92
			<u>459,232</u>	<u>1.79</u>
Metals & Mining 0.00% (0.62%)				
Materials total			<u>459,232</u>	<u>1.79</u>
Real Estate 1.28% (2.09%)				
Equity Real Estate Investment Trusts (REITs) 1.28% (2.09%)				
American Tower Corp.	USD	1,441	328,980	1.28
			<u>328,980</u>	<u>1.28</u>
Real Estate total			<u>328,980</u>	<u>1.28</u>
Utilities 1.24% (2.30%)				
Electric Utilities 1.24% (2.30%)				
Edison International	USD	4,239	318,307	1.24
			<u>318,307</u>	<u>1.24</u>
Utilities total			<u>318,307</u>	<u>1.24</u>
Equities total			<u>25,460,546</u>	<u>99.24</u>
Total Value of Investments			25,460,546	99.24
Net Other Assets (2018: (0.34%) Net Other Liabilities)			194,662	0.76
Net Assets attributable to Preference Shareholders			<u>25,655,208</u>	<u>100.00</u>

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.

The comparative percentage figures in brackets are as at 31st December 2018.

North American Growth Fund

Notes to the Financial Statements

for the accounting period 1st January 2019 to 31st December 2019

1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 70.

2 NET CAPITAL GAINS/(LOSSES)

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

	2019	2018
	US\$	US\$
Non-derivative securities	6,507,300	(1,471,909)
Other currency losses	–	(1,680)
Transaction charges	(13,879)	(18,991)
Net capital gains/(losses)	<u>6,493,421</u>	<u>(1,492,580)</u>

Gains/(losses) from non-derivatives securities include realised gains of US\$ 1,741,246 (2018: US\$ 1,494,595) and change in unrealised gains of US\$ 4,766,054 (2018: US\$ 2,966,504 unrealised losses).

3 REVENUE

	2019	2018
	US\$	US\$
Overseas dividends	370,290	367,999
Bank interest	5,690	1,065
Total revenue	<u>375,980</u>	<u>369,064</u>

4 EXPENSES

	2019	2018
	US\$	US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(444,015)	(474,142)
Registration expenses	(1,131)	(1,296)
Directors' fees	(2,359)	2,788
	<u>(447,505)</u>	<u>(472,650)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	78,501	(11,649)
Safe custody fees	626	(1,833)
Interest payable	(839)	(915)
	<u>78,288</u>	<u>(14,397)</u>
Other expenses:		
Audit fee	(8,486)	2,726
Regulatory and professional fees	(1,599)	7,535
Miscellaneous expenses	–	5,128
Publication charges	(2,328)	1,225
	<u>(12,413)</u>	<u>16,614</u>
Total expenses	<u>(381,630)</u>	<u>(470,433)</u>

5 TAXATION

	2019	2018
	US\$	US\$
Analysis of charge in period:		
Overseas tax suffered	(109,785)	(105,255)
Total overseas taxation	<u>(109,785)</u>	<u>(105,255)</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:

	2019	2018
	US\$	US\$
Revenue deducted on cancellation of shares	5,441	18,533
Revenue received on creation of shares	(1,660)	(4,604)
Distributions for the year	<u>3,781</u>	<u>13,929</u>

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

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	2019	2018
	Assets	Assets
	US\$	US\$
Level 1: Quoted prices	25,460,546	20,395,448
Level 2: Observable market data	–	–
Level 3: Unobservable data	–	–
Total	<u>25,460,546</u>	<u>20,395,448</u>

8 DEBTORS

	2019	2018
	US\$	US\$
Accrued revenue	13,851	18,887
Receivable from Manager – Nominal shares	148,517	148,212
Total debtors	<u>162,368</u>	<u>167,099</u>

9 OTHER CREDITORS

	2019	2018
	US\$	US\$
Amounts payable for cancellation of shares	(53)	–
Accrued expenses	(10,998)	(98,675)
Amounts payable to the Manager	(42,822)	(53,507)
Total creditors	<u>(53,873)</u>	<u>(152,182)</u>

10 RELATED PARTY TRANSACTIONS

Charles Taylor International Fund Managers (IOM) Limited (Fund Manager) provides services to the company under the terms of a management agreement (page 71, note 10) and acts as principal in respect of all transactions of shares in the Fund.

The Fund manager owns the management shares of the company and has common directors with the company namely Jeffrey Boysie McPherson More, Anthony Adam King and Darren Mark Kelly who have waived their rights to directors fees. Directors fees is payable to each of the two non-executive directors of the company.

The total director fees expense for the year was US\$ 2,359 (2018: US\$ 2,788) with US\$ 664 (2018: US\$ 376) outstanding at year end.

Amounts paid to the Fund manager in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 42,066 (December 2018: US\$ 35,159) in respect of the annual management charge, and US\$ 92 (December 2018: US\$ 100) in respect of registration expenses is due at the end of the accounting period and is included within amounts payable to the Manager.

At the balance sheet date Preference Shareholders from within the Charles Taylor Group, of which the Fund is a related party, hold 1,098,441 (2018: 1,148,779) 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.

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	2,859,189	44,928	(167,006)	2,737,111

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2018: US\$ Nil).

North American Growth Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

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 2019 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
Purchases (excluding in-specie and corporate action activity):						
Equity	10,171,069	1,619	–	10,172,688	0.02	0.00
	<u>10,171,069</u>	<u>1,619</u>	<u>–</u>	<u>10,172,688</u>		
Sales:						
Sales (excluding in-specie and corporate action activity):						
Equity	11,609,784	(1,974)	(200)	11,607,610	(0.02)	(0.00)
	<u>11,609,784</u>	<u>(1,974)</u>	<u>(200)</u>	<u>11,607,610</u>		
Total		<u>3,593</u>	<u>200</u>			
Percentage of Fund average net assets		<u>0.02%</u>	<u>0.00%</u>			

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

	Principal US\$	Commission US\$	Taxes US\$	Total Cost US\$	Accounting period to 31st December 2018 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
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>		
Sales:						
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		<u>11,785</u>	<u>240</u>			
Percentage of Fund average net assets		<u>0.05%</u>	<u>0.00%</u>			

North American Growth Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

13 DIRECT TRANSACTION COSTS (continued)

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.05% (2018: 0.07%). This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

14 FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 71.

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\$
Currency 2019			
Canadian Dollar	42	–	42
UK Sterling	43	–	43
US Dollar	194,577	25,460,546	25,655,123
Currency 2018			
Canadian Dollar	40	–	40
UK Sterling	139	–	139
US Dollar	(69,684)	20,395,448	20,325,764

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 2019 and 31st December 2018 was:

	Floating rate financial assets	Financial assets not carrying interest	Total
	US\$	US\$	US\$
Currency 2019			
Canadian Dollar	42	–	42
UK Sterling	43	–	43
US Dollar	234,599	25,474,397	25,708,996
Currency 2018			
Canadian Dollar	40	–	40
UK Sterling	139	–	139
US Dollar	63,611	20,414,335	20,477,946

	Floating rate financial liabilities	Financial liabilities not carrying interest	Total
	US\$	US\$	US\$
Currency 2019			
US Dollar	–	(53,873)	(53,873)
Currency 2018			
US Dollar	–	(152,182)	(152,182)

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.

Other price risk sensitivity

As at 31 December 2019 the Fund was exposed to other market price risk due to its investments in equities. The percentage of the net assets held in these investments are disclosed in the Portfolio Statement of the Fund. The sensitivity analysis assumes a change in the market price of equities and exchange traded funds while holding all other variables constant. In practice all other variables are unlikely to remain constant, and changes in some of the variables may be correlated.

As at 31 December 2019, had the fair value of equity securities increased/(decreased) by 5% (2018: 5%), with all other variables held constant, the net assets attributable to preference shareholders would have increased/(decreased) by US\$ 1,273,027 (2018: US\$ 1,019,772).

Fair value of financial assets and financial liabilities

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

Far East Fund

Fund Investment Report

Investment Policy

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

Types of Investment

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

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

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

Fund Performance

Over the 12 months to 31st December 2019, the Fund produced a total gross return of +29.1% in United States (US) Dollar terms, compared with a total return of +19.7% for the MSCI AC Asia Pacific Index.

Review

Asian equities lagged global benchmarks in 2019, but still produced double digit absolute returns in local currency and dollar terms. US-China trade tensions and related global growth worries set the tone over the year, with markets oscillating between fear and hope. May and August saw pronounced volatility, but signs of more constructive talks – eventually resulting in a phase-one deal helped buoy Asian markets in the final months of the year. Monetary and fiscal dynamics were also supportive of the rebound, as regional central banks followed in the US Federal (Fed) Reserve's slipstream with interest rate cuts, and governments announced stimulus efforts.

Japan was among the better-performing markets over the year, although trade-related worries and a stronger Yen held back stocks in the first eight months of the year. The Bank of Japan kept monetary policy steady over the 12 months but indicated that it was ready to take further action in a bid to lift inflation towards the elusive 2% target. And with the economy battling strong headwinds including weaker exports, a string of natural disasters and the October consumption-tax hike, the government approved a large stimulus package in December 2019.

In China, the period started with positive progress in the US-China trade deal discussions. Investor sentiment was boosted by stimulus measures to complement the trade developments. Soon after, Chinese equities endured volatility amid a breakdown in negotiations, before both sides agreed to a new phase-one deal which included an agreement by the US not to proceed with an escalation of existing levies, while cutting the tariffs implemented on Chinese goods. Sentiment was further supported by the prospect of further stimulus, with the People's Bank of China cutting a key lending rate.

Korea and Taiwan started the year well, benefiting from easing trade noises and a dovish Fed, before trade war jitters in May hurt performance given sensitivity towards global trade and the high exposure to technology in their respective indices. Taiwanese equities rebounded in the final quarter, driven by strong earnings by major names in its technology sector, with Korea also benefiting from the recovery in its semiconductor names. Indian equities ended the period higher after a volatile year, as the re-election of Prime Minister Modi ensured policy continuity which was welcomed by investors. The Indian market was further supported by better than expected corporate earnings for the second quarter of the fiscal year and the government's plan to reduce long-term capital gains taxes.

The fund's largest exposure is to Japan, where we continued to invest in companies with attractive valuations and long term fundamentals. New positions over the period included Square Enix Holdings Co. Ltd., Shiseido Co. Ltd. and Rohm Co. Ltd. Square Enix boasts strong core franchises and can grow sustainably as it launches games based on existing and new intellectual property. Subscription revenue, an increased focus on digital, and a potential expansion into emerging markets represent further opportunities for the company. Premium cosmetics company Shiseido is both a turnaround and a growth story. The firm's increased marketing spend, a focus on prestige brands and cuts to underperforming brands all bode well for returns. Rohm makes value added, customised semiconductor circuits, we feel the company can capitalise on automobile electrification to grow revenues and the return on capital.

Sales included Maeda Kosen Co. Ltd., Suzuki Motor Corp., and Sekisui Chemical Co. Ltd. Maeda Kosen is a manufacturer of materials for civil engineering. While we continue to believe that the company has competitive advantages in terms of its unique technology and the quality of its technical proposals, we currently prefer other opportunities. Automotive company Suzuki Motor was sold amid news that selling costs in India had been weighing on the company's profits. Sekisui Chemical was disposed of as we felt that its capital return turnaround may have peaked.

Outside Japan, we purchased a range of stocks such as Samsung Electro-Mechanics Co. Ltd. (South Korea) and CapitaLand Ltd. (Singapore). Samsung Electro-Mechanics is expected to benefit from the long term demand for its ceramic capacitors in smartphones and automotive applications, while the wider use of 5G applications in smartphones should also be a catalyst for growth. Real estate business CapitaLand Limited is looking to unlock value through the sale of non-core assets and by consolidating its industrial and logistics businesses. In the Singapore banking sector, we sold DBS Group Holdings Ltd. in order to consolidate the Fund's holding in United Overseas Bank Ltd. (Singapore). We also disposed of China Petroleum & Chemical Corp. (China) due to the company's weak earnings growth.

Asia ex-Japan markets have been supported by the Fed's dovish stance and selective stimulus measures by Chinese policymakers, while uncertainty surrounding US-China trade negotiations has swayed market sentiment. The phase-one trade deal has helped improve the atmosphere, but in the absence of a comprehensive agreement, many fundamental hurdles remain and further friction between the two countries cannot be ruled out.

In China, we believe that real activity growth will remain under pressure, with particular headwinds related to exports. Reforms in Asian markets can be transformational in unlocking growth potential, paving the way for greater macro stability and stronger structural growth.

Overall, the valuation case remains compelling, with valuation metrics below their respective historical means. Improving cashflows have underpinned strong balance sheets, enabling greater dividend growth.

Japan remains a cyclical market, and its recent performance and near term outlook have been dependent on the external environment. However, there are structural changes taking place which suggest that, over time, the country will continue to become somewhat less geared to the global cycle. Secular trends, such as improving corporate governance and labour market reforms, should continue to drive higher returns on capital and profits for Japanese companies. We therefore continue to search for competitively advantaged franchises which can sustainably generate value.

Far East Fund Comparative Tables

for the accounting period 1st January 2019 to 31st December 2019

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	Preference Shares				
	2019 US\$	2018 US\$	2017 US\$	2016	2015
Change in net assets per share					
Opening net asset value per share	3.1695	3.7695	2.8214		
Return before operating charges ¹	0.8969	(0.5069)	1.0351		
Operating charges	(0.0852)	(0.0931)	(0.0870)		
Return after operating charges	0.8117	(0.6000)	0.9481		
Distributions on preference shares	(0.0032)	—	—		
Closing net asset value per shares	3.9780	3.1695	3.7695		
after direct transaction costs ¹	(0.0018)	(0.0037)	(0.0092)		
Performance					
Return after charges	25.61%	(15.92%)	33.60%		
Other information					
Closing net asset value (US\$)	7,481,527	6,423,064	8,188,390		
Closing number of shares	1,880,705	2,026,524	2,172,267		
Operating charges	2.40%	2.53%	2.66%		
Direct transaction costs (note 13)	0.05%	0.10%	0.28%		
Ongoing Charges Figure (“OCF”) ²	2.40%	2.53%	2.66%		
Prices					
Highest offer share price (US\$)	4.2150	4.2930	3.9880	3.1700	3.4510
Lowest bid share price (US\$)	3.1260	3.1220	2.8060	2.3760	2.6120
Net distribution per share (US\$)	0.0032	—	—	—	—

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.

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

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

Far East Fund

Statement of Total Return

for the accounting period 1st January 2019 to 31st December 2019

	Notes	2019 US\$	2018 US\$
Income			
Net capital gains/(losses)	2	1,588,291	(1,226,312)
Revenue	3	177,856	184,178
Expenses	4	(152,279)	(168,534)
Net revenue before taxation		25,577	15,644
Taxation	5	(18,989)	(19,757)
Net revenue/(expense) after taxation		6,588	(4,113)
Total return before distributions		1,594,879	(1,230,425)
Distributions	6	(6,588)	464
Change in Net Assets Attributable to Preference Shareholders from investment activities		1,588,291	(1,229,961)

Balance Sheet

as at 31st December 2019

	Notes	2019 US\$	2018 US\$
Assets:			
Fixed assets:			
Investments	7	7,411,994	6,269,051
Current assets:			
Debtors	8	82,677	106,385
Cash and bank balances		85,959	163,625
Total assets		7,580,630	6,539,061
Liabilities:			
Creditors:			
Distribution payable		(6,103)	–
Other creditors	9	(20,044)	(43,405)
Total liabilities		(26,147)	(43,405)
Equity:			
Nominal shares (note 15, page 74)		(72,956)	(72,592)
Total equity		(72,956)	(72,592)
Net Assets Attributable to Preference Shareholders		7,481,527	6,423,064

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2019 to 31st December 2019

	2019 US\$	2018 US\$
Opening Net Assets Attributable to Preference Shareholders	6,423,064	8,188,390
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	10,524	100,778
Amounts payable on cancellation of shares	(540,352)	(636,143)
	(529,828)	(535,365)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	1,588,291	(1,229,961)
Closing Net Assets Attributable to Preference Shareholders	7,481,527	6,423,064

Distribution Table

for the accounting period 1st January 2019 to 31st December 2019

	Income US\$	Equalisation US\$	Distribution Payable 2019 US\$	Distribution Paid 2018 US\$
Group 1	0.0032	–	0.0032	0.0000
Group 2	0.0000	0.0032	0.0032	0.0000

Group 2 units are those purchased after 16:00 (UK time) on 31st December 2018.

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

Far East Fund Portfolio Statement

as at 31st December 2019

Investment	Currency	Holding	Market Value US\$	% of Net Assets	Investment	Currency	Holding	Market Value US\$	% of Net Assets
Collective Investment Schemes 2.49% (2.58%)									
Threadneedle Financial Services Ltd.#	USD	2,098	186,570	2.49					
Collective Investment Schemes total									
			186,570	2.49					
Equities 96.58% (95.02%)									
Australia 10.18% (10.26%)									
Aristocrat Leisure Ltd.	AUD	2,294	54,283	0.73					
Australia & New Zealand Banking Group Ltd.	AUD	4,264	73,719	0.99					
BHP Group Ltd.	AUD	6,608	180,699	2.42					
CSL Ltd.	AUD	777	150,584	2.01					
Lendlease Group	AUD	7,132	88,216	1.18					
Macquarie Group Ltd.	AUD	1,054	102,074	1.36					
Transurban Group	AUD	6,872	71,961	0.96					
Treasury Wine Estates Ltd.	AUD	3,506	40,015	0.53					
			761,551	10.18					
Cayman Islands 11.07% (8.00%)									
Alibaba Group Holding Ltd., ADR	USD	1,515	321,680	4.30					
ANTA Sports Products Ltd.	HKD	4,000	35,811	0.48					
China Resources Land Ltd.	HKD	14,000	69,723	0.93					
New Oriental Education & Technology Group, Inc., ADR	USD	537	65,594	0.88					
Sands China Ltd.	HKD	13,200	70,483	0.94					
Tencent Holdings Ltd.	HKD	5,500	265,158	3.54					
			828,449	11.07					
China 6.22% (6.44%)									
Anhui Conch Cement Co. Ltd. 'H'	HKD	11,500	83,842	1.12					
China Construction Bank Corp. 'H'	HKD	139,000	120,073	1.60					
China Merchants Bank Co. Ltd. 'H'	HKD	19,500	100,243	1.34					
CRRC Corp. Ltd. 'H'	HKD	35,000	25,472	0.34					
Ping An Insurance Group Co. of China Ltd. 'H'	HKD	11,500	135,949	1.82					
			465,579	6.22					
Hong Kong 9.13% (9.54%)									
AIA Group Ltd.	HKD	19,000	199,491	2.67					
China Mobile Ltd.	HKD	6,000	50,406	0.67					
CNOOC Ltd.	HKD	58,000	96,334	1.29					
CSPC Pharmaceutical Group Ltd.	HKD	18,000	42,927	0.57					
Galaxy Entertainment Group Ltd.	HKD	12,000	88,335	1.18					
Hong Kong Exchanges & Clearing Ltd.	HKD	2,226	72,230	0.97					
Sun Hung Kai Properties Ltd.	HKD	5,000	76,500	1.02					
Technic Industries Co. Ltd.	HKD	7,000	57,099	0.76					
			683,322	9.13					
India 2.18% (2.35%)									
HDFC Bank Ltd., ADR	USD	1,510	95,024	1.27					
Reliance Industries Ltd., GDR	USD	1,610	68,264	0.91					
			163,288	2.18					
Indonesia 1.95% (2.67%)									
Bank Rakyat Indonesia Persero Tbk. PT	IDR	272,500	86,474	1.16					
Telekomunikasi Indonesia Persero Tbk. PT	IDR	206,300	59,068	0.79					
			145,542	1.95					
Japan 35.15% (37.66%)									
Amano Corp.	JPY	400	12,258	0.16					
Asahi Group Holdings Ltd.	JPY	500	22,923	0.31					
Asahi Intecc Co. Ltd.	JPY	600	17,641	0.24					
Bridgestone Corp.	JPY	500	18,727	0.25					
Comtore Corp.	JPY	2,000	43,251	0.58					
Dai-ichi Life Holdings, Inc.	JPY	3,000	50,134	0.67					
Daiichi Sankyo Co. Ltd.	JPY	1,000	66,515	0.89					
Daikin Industries Ltd.	JPY	500	71,065	0.95					
Disco Corp.	JPY	100	23,825	0.32					
Elecom Co. Ltd.	JPY	1,000	40,628	0.54					
Freee KK	JPY	500	14,747	0.20					
Hoya Corp.	JPY	900	86,507	1.16					
Industrial & Infrastructure Fund Investment Corp., REIT	JPY	17	25,859	0.34					
ITOCHU Corp.	JPY	3,500	81,616	1.09					
Itochu Techno-Solutions Corp.	JPY	900	25,467	0.34					
JCU Corp.	JPY	900	26,751	0.36					
Justsystems Corp.	JPY	500	28,159	0.38					
Kao Corp.	JPY	1,000	83,051	1.11					
Katitas Co. Ltd.	JPY	800	35,447	0.47					
Keyence Corp.	JPY	400	141,642	1.89					
Kinden Corp.	JPY	3,200	50,031	0.67					
Koito Manufacturing Co. Ltd.	JPY	700	32,788	0.44					
Koshidaka Holdings Co. Ltd.	JPY	1,300	19,715	0.26					
Lasertec Corp.	JPY	800	40,932	0.55					
METAWATER Co. Ltd.	JPY	1,200	48,147	0.64					
Mitsubishi Corp.	JPY	2,500	66,705	0.89					
Mitsubishi UFJ Financial Group, Inc.	JPY	6,800	37,114	0.50					
Murata Manufacturing Co. Ltd.	JPY	900	55,863	0.75					
Nakanishi, Inc.	JPY	1,000	19,141	0.26					
Nidec Corp.	JPY	300	41,411	0.55					
Nihon M&A Center, Inc.	JPY	1,500	51,970	0.69					
Nintendo Co. Ltd.	JPY	200	80,925	1.08					
Nippon Telegraph & Telephone Corp.	JPY	3,000	76,099	1.02					
Obic Co. Ltd.	JPY	200	27,147	0.36					
ORIX Corp.	JPY	1,600	26,665	0.36					
PALTCAC Corp.	JPY	400	19,214	0.26					
PeptiDream, Inc.	JPY	500	25,721	0.34					
Pigeon Corp.	JPY	700	25,863	0.35					
Qol Holdings Co. Ltd.	JPY	1,400	19,686	0.26					
Rakus, Inc.	JPY	484	16,680	0.22					
Recruit Holdings Co. Ltd.	JPY	1,800	67,880	0.91					
Rohm Co. Ltd.	JPY	600	48,478	0.65					
Shin-Etsu Chemical Co. Ltd.	JPY	500	55,467	0.74					
Shinko Electric Industries Co. Ltd.	JPY	2,100	24,929	0.33					
Shiseido Co. Ltd.	JPY	800	57,283	0.77					
Shoei Co. Ltd.	JPY	400	19,030	0.25					
SMC Corp.	JPY	100	46,269	0.62					
SoftBank Group Corp.	JPY	600	26,254	0.35					
Solasto Corp.	JPY	2,200	25,975	0.35					
Sony Corp.	JPY	1,900	129,280	1.73					
Square Enix Holdings Co. Ltd.	JPY	800	39,901	0.53					
Sumitomo Mitsui Financial Group, Inc.	JPY	700	26,005	0.35					
Takeda Pharmaceutical Co. Ltd.	JPY	2,000	79,711	1.06					
Takuma Co. Ltd.	JPY	3,100	37,399	0.50					
Tokio Marine Holdings, Inc.	JPY	1,200	67,560	0.90					
Tokyo Electron Ltd.	JPY	100	22,012	0.29					
Toyota Motor Corp.	JPY	1,900	134,858	1.80					
ValueCommerce Co. Ltd.	JPY	1,100	23,727	0.32					
			2,630,048	35.15					
Jersey 0.58% (0.00%)									
Ancor plc, CDI	AUD	3,971	43,452	0.58					
			43,452	0.58					
Luxembourg 0.00% (0.37%)									
Malaysia 0.35% (0.43%)									
Malayan Banking Bhd.	MYR	12,393	26,159	0.35					
			26,159	0.35					
Philippines 1.56% (1.21%)									
Ayala Land, Inc.	PHP	61,660	55,303	0.74					
Metropolitan Bank & Trust Co.	PHP	47,107	61,519	0.82					
			116,822	1.56					
Singapore 2.07% (2.97%)									
CapitaLand Ltd.	SGD	23,100	64,247	0.86					
United Overseas Bank Ltd.	SGD	4,600	90,173	1.21					
			154,420	2.07					
South Korea 7.36% (6.43%)									
KB Financial Group, Inc.	KRW	1,668	68,805	0.92					
Samsung Electro-Mechanics Co. Ltd.	KRW	795	86,118	1.15					
Samsung Electronics Co. Ltd.	KRW	6,772	327,467	4.38					
Samsung SDI Co. Ltd.	KRW	334	68,164	0.91					
			550,554	7.36					
Taiwan 7.68% (5.84%)									
Chroma ATE, Inc.	TWD	9,000	43,496	0.58					
E.Sun Financial Holding Co. Ltd.	TWD	66,730	62,054	0.83					
Largan Precision Co. Ltd.	TWD	250	41,538	0.56					
MediaTek, Inc.	TWD	8,000	118,257	1.58					
Taiwan Semiconductor Manufacturing Co. Ltd.	TWD	28,000	308,908	4.13					
			574,253	7.68					

Far East Fund
Portfolio Statement (continued)

as at 31st December 2019

Investment	Currency	Holding	Market Value US\$	% of Net Assets
Equities 96.58% (95.02%) (continued)				
Thailand 1.10% (0.85%)				
Kasikornbank PCL, NVDR	THB	9,600	48,573	0.65
Thai Oil PCL	THB	14,300	33,412	0.45
			81,985	1.10
Equities total			7,225,424	96.58
Total Value of Investments			7,411,994	99.07
Net Other Assets (2018: 2.40%)			69,533	0.93
Net assets attributable to Preference Shareholders			7,481,527	100.00

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.

The comparative percentage figures in brackets are as at 31st December 2018.

Security traded on another regulated market.

Far East Fund

Notes to the Financial Statements

for the accounting period 1st January 2019 to 31st December 2019

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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 70.

2 NET CAPITAL GAINS/(LOSSES)

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

	2019	2018
	US\$	US\$
Non-derivative securities	1,608,021	(1,197,560)
Forward currency derivative contracts	370	(1,281)
Other currency losses	(1,330)	(1,169)
Transaction charges	(18,770)	(26,302)
Net capital gains/(losses)	<u>1,588,291</u>	<u>(1,226,312)</u>

Gains/(Losses) from non-derivatives securities include realised gains of US\$ 21,955 (2018: US\$ 351,061) and change in unrealised gains of US\$ 1,586,066 (2018: US\$ 1,548,621 – unrealised losses).

Forward currency derivative contracts include realised gains of US\$ 370 (2018: US\$ 1,277 – realised losses) and change in unrealised losses of US\$ Nil (2018: US\$ 4).

3 REVENUE

	2019	2018
	US\$	US\$
Overseas dividends	176,634	183,321
Bank interest	1,222	857
Total revenue	<u>177,856</u>	<u>184,178</u>

4 EXPENSES

	2019	2018
	US\$	US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(142,771)	(150,543)
Registration expenses	(1,828)	(2,047)
Directors' fees	(700)	(608)
	<u>(145,299)</u>	<u>(153,198)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	3,415	(3,696)
Safe custody fees	(3,672)	(3,893)
Interest payable	(180)	(78)
	<u>(437)</u>	<u>(7,667)</u>
Other expenses:		
Audit fee	(2,442)	(2,876)
Regulatory and professional fees	(3,464)	(3,558)
Miscellaneous expenses	–	158
Publication charges	(637)	(1,393)
	<u>(6,543)</u>	<u>(7,669)</u>
Total expenses	<u>(152,279)</u>	<u>(168,534)</u>

5 TAXATION

	2019	2018
	US\$	US\$
Analysis of charge in period:		
Overseas tax suffered	(18,989)	(19,757)
Total overseas taxation	<u>(18,989)</u>	<u>(19,757)</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:

	2019	2018
	US\$	US\$
Final	(6,103)	–
	<u>(6,103)</u>	<u>–</u>
Revenue deducted on cancellation of shares	(485)	443
Revenue received on creation of shares	–	21
Distributions for the year	<u>(6,588)</u>	<u>464</u>

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

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.

	2019	2018
	Assets	Assets
	US\$	US\$
Level 1: Quoted prices	7,411,994	6,269,051
Level 2: Observable market data	–	–
Level 3: Unobservable data	–	–
Total value	<u>7,411,994</u>	<u>6,269,051</u>

8 DEBTORS

	2019	2018
	US\$	US\$
Sales awaiting settlement	–	16,400
Accrued rebates	–	7,286
Accrued revenue	9,333	9,727
Receivable from Manager – Nominal shares	72,956	72,592
Overseas tax recoverable	388	380
Total debtors	<u>82,677</u>	<u>106,385</u>

9 OTHER CREDITORS

	2019	2018
	US\$	US\$
Amounts payable for cancellation of shares	(1,090)	–
Purchases awaiting settlement	–	(18,428)
Accrued expenses	(6,389)	(12,831)
Amounts payable to the Manager	(12,565)	(12,146)
Total creditors	<u>(20,044)</u>	<u>(43,405)</u>

10 RELATED PARTY TRANSACTIONS

Charles Taylor International Fund Managers (IOM) Limited (Fund Manager) provides services to the company under the terms of a management agreement (page 71, note 10) and acts as principal in respect of all transactions of shares in the Fund.

The Fund manager owns the management shares of the company and has common directors with the company namely Jeffrey Boysie McPherson More, Anthony Adam King and Darren Mark Kelly who have waived their rights to directors fees. Directors fees is payable to each of the two non-executive directors of the company.

The total director fees expense for the year was US\$ 700 (2018: US\$ 608) with US\$ 208 (2018: US\$ 119) outstanding at year end.

Amounts paid to the Fund manager in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 12,210 (December 2018: US\$ 10,887) in respect of the annual management charge, and US\$ 147 (December 2018: US\$ 161) in respect of registration expenses is due at the end of the accounting period and is included within amounts payable to the Manager.

At the balance sheet date Preference Shareholders from within the Charles Taylor Group, of which the Fund is a related party, hold 475,173 (2018: 539,457) 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.

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	2,026,524	3,019	(148,837)	1,880,706

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2018: US\$ Nil).

Far East Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

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 2019 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
Purchases (excluding in-specie and corporate action activity):						
Equity	1,718,955	1,068	253	1,720,276	0.06	0.01
	<u>1,718,955</u>	<u>1,068</u>	<u>253</u>	<u>1,720,276</u>		
Sales:						
Sales (excluding in-specie and corporate action activity):						
Equity	2,187,460	(1,194)	(896)	2,185,370	(0.05)	(0.04)
	<u>2,187,460</u>	<u>(1,194)</u>	<u>(896)</u>	<u>2,185,370</u>		
Total		<u>2,262</u>	<u>1,149</u>			
Percentage of Fund average net assets		<u>0.03%</u>	<u>0.02%</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 2018 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
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>		
Sales:						
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>			

Far East Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

13 DIRECT TRANSACTION COSTS (continued)

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.18% (2018: 0.23%). 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 71.

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.

Currency risk sensitivity

As at 31 December 2019 the Fund was exposed to currency risk through the assets and liabilities denominated in foreign currencies.

If the exchange rates at 31 December 2019 between US\$ and all other currencies had strengthened by 5% (2018: 5%), with all other variables held constant, this would have decreased the net assets attributable to preference shareholders by US\$ 334,251 (2018: US\$ 288,392).

A weakening of the US\$ compared to other currencies would have resulted in an equal and opposite effect on the financial statements, assuming that all other variables remained constant.

Net foreign currency assets	Monetary exposure	Non-monetary exposure	Total
Currency 2019	US\$	US\$	US\$
Australian Dollar	1,156	805,003	806,159
Euro	19	–	19
Hong Kong Dollar	–	1,590,076	1,590,076
Indonesian Rupiah	–	145,542	145,542
Japanese Yen	1,871	2,630,048	2,631,919
Korean Won	4,566	550,554	555,120
Malaysian Ringitt	6	26,159	26,165
New Zealand Dollar	2	–	2
Philippine Peso	–	116,822	116,822
Singapore Dollar	169	154,420	154,589
Taiwanese Dollar	2,231	574,253	576,484
Thai Bhat	125	81,985	82,110
UK Sterling	10	–	10
US Dollar	59,378	737,132	796,510
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

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 2019 and 31st December 2018 was:

Currency 2019	Floating rate financial assets	Financial assets not carrying interest	Total
	US\$	US\$	US\$
Australian Dollar	79	806,080	806,159
Euro	19	–	19
Hong Kong Dollar	–	1,590,076	1,590,076
Indonesian Rupiah	–	145,542	145,542
Japanese Yen	6	2,631,913	2,631,919
Korean Won	18	555,102	555,120
Malaysian Ringitt	6	26,159	26,165
New Zealand Dollar	2	–	2
Philippine Peso	–	116,822	116,822
Singapore Dollar	169	154,420	154,589
Taiwanese Dollar	–	576,484	576,484
Thai Bhat	125	81,985	82,110
UK Sterling	10	–	10
US Dollar	85,525	737,132	822,657
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 2019		Financial liabilities not carrying interest	Total
US Dollar		US\$ (26,147)	US\$ (26,147)
Currency 2018		US\$	US\$
Japanese Yen		(18,428)	(18,428)
US Dollar		(24,977)	(24,977)

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.

Other price risk sensitivity

As at 31 December 2019 the Fund was exposed to other market price risk due to its investments in equities and collective investment schemes. The percentage of the net assets held in these investments are disclosed in the Portfolio Statement of the Fund. The sensitivity analysis assumes a change in the market price of equities and exchange traded funds while holding all other variables constant. In practice all other variables are unlikely to remain constant, and changes in some of the variables may be correlated.

As at 31 December 2019, had the fair value of equity securities and collective investment schemes increased/(decreased) by 5% (2018: 5%), with all other variables held constant, the net assets attributable to preference shareholders would have increased/(decreased) by US\$ 370,600 (2018: US\$ 313,453).

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 2019 the FTSE All Share Index produced a return of +19.2% in Sterling terms. By comparison, the Fund achieved a total gross return of +23.9% over the same period.

Review

United Kingdom (UK) equities advanced over 2019, thanks to optimism around the US China trade negotiations, and as key central banks, led by the US Federal Reserve (Fed), turned more accommodative. The UK market was further buoyed by several overseas takeover bids for firms such as Merlin Entertainments plc (Consumer Discretionary), Cobham plc (Industrials), London Stock Exchange plc (Financials) and Greene King plc (Consumer Discretionary).

However, the positive sentiment was periodically punctured by concerns that the global economy could be slowing. Jitters around Brexit and the US China trade war waxed and waned over the period, but receded on the whole.

In the UK, political uncertainty rose when Boris Johnson took over from Theresa May as prime minister in the summer, owing to his pledge to achieve Brexit by the extended deadline of 31 October 2019 “no matter what”. The Pound Sterling and domestically focused stocks sold off in response.

Despite Prime Minister Johnson’s controversial attempts to frustrate them, members of Parliament (MPs) effectively legislated in September against a no deal exit, which fuelled a recovery in currency and equities. Markets rallied further in October, as Prime Minister Johnson managed to renegotiate the withdrawal agreement with the European Union (EU) and as the Article 50 deadline was extended further. With an imminent no deal Brexit off the table, MPs finally agreed to his demands for an early general election in December 2019. The market rally accelerated due to the prospect and subsequent reality that the Conservative Party could secure an outright majority in the election – an outcome that was perceived to pave the way for an orderly Brexit and eliminate the risk of a hard left government.

In terms of the UK economy, the labour market remained resilient with employment figures remaining at near record highs. Consumer spending was also strong, but business investment was hurt by the political uncertainty. Meanwhile, the manufacturing sector was plagued by the US China trade war. At the time of writing, the latest Gross Domestic Product (GDP) figures showed that on an annual basis, growth was 0.8% in the three months to October – the weakest reading since 2010.

New additions over the review period included budget airline easyJet plc (Industrials), catering and concessions provider SSP Group plc (Consumer Discretionary) and Berkeley Group Holdings plc (Consumer Discretionary).

We feel that easyJet is a well run business with a robust brand and a flexible, healthy balance sheet. The airline is strengthening its position in several key airport hubs and improving its fleet, while disposing of old aircraft and retaining deferral options on new deliveries. In our view, these measures should position the company well to deliver long term economic returns.

SSP Group plc has been hurt by the negative sentiment around the future of global air passenger traffic, given the company’s exposure to airport concessions. Nevertheless, new contract momentum remains strong and there is significant scope for margin expansion as the start up costs associated with the concessions business subside.

For Berkeley Group, we believe that as competitors move out of the London land buying market, the firm’s unique position will enable it to accumulate sites at great prices, which should boost profits. We also expect Berkeley to retain its strong focus on balancing asset growth and cash returns.

We received shares in M&G plc (Financials) following its demerger from Prudential plc (Financials). We subsequently scaled up the position in M&G to a more meaningful holding due to its extremely attractive valuation proposition.

Over the review period, we also topped up existing holdings such as Associated British Foods plc (Consumer Staples), InterContinental Hotels Group plc (Consumer Discretionary) and Weir Group plc (Industrials). Associated British Foods’ diverse range of subsidiaries is backed by a strong balance sheet and an impressive management team focused on long term value creation. InterContinental Hotels remains disproportionately cheap relative to its global peers, while ongoing efficiencies and cost savings should continue to drive margin improvements across the UK business. We regard Weir Group plc as a high quality franchise that is also trading at an attractive valuation discount relative to its rivals. The firm is diversifying its revenues away from oil and gas by increasing its exposure to the minerals sector.

We profitably sold Merlin Entertainments plc (Consumer Discretionary) ahead of the firm’s takeover, as well as Daily Mail and General Trust plc Class A (Communication Services) and Headlam Group plc (Consumer Discretionary). We realised some gains in stocks which outperformed over the year, such as London Stock Exchange Group plc (Financials) CRH plc (Materials), Smith & Nephew plc (Healthcare) and Rentokil Initial plc (Industrials). We also reduced exposure to Imperial Brands plc (Consumer Staples), we prefer other defensive stocks.

Looking ahead, we feel that the reduced political uncertainty in the UK should lead to an overdue re evaluation of UK equities, where relative valuations are at multi decade lows.

Although the post election ‘sugar rush’ unfolded much as anticipated, we are looking past the noise towards opportunities created by a more sustained reappraisal of UK listed companies. Even a neutralisation of the record underweights run by global asset allocators should drive a broad uplift across the market. After all, it is not just landlocked UK domestic companies that have been adversely affected by negative sentiment. Many UK listed stocks of internationally exposed firms are also trading at attractive valuations and remain heavily discounted relative to those of their international peers.

We will continue to focus on company fundamentals and use volatile markets to top up and buy favoured stocks in order to deliver solid, risk adjusted returns.

UK Capital Growth Fund Comparative Tables

for the accounting period 1st January 2019 to 31st December 2019

	Preference Shares		
	2019	2018	2017
	£	£	£
Change in net assets per share			
Opening net asset value per share	<u>1.0906</u>	<u>1.2792</u>	<u>1.1782</u>
Return before operating charges ¹	0.2626	(0.1447)	0.1425
Operating charges	(0.0253)	(0.0264)	(0.0263)
Return after operating charges	<u>0.2373</u>	<u>(0.1711)</u>	<u>0.1162</u>
Distributions on preference shares	(0.0221)	(0.0175)	(0.0152)
Closing net asset value per shares	<u>1.3058</u>	<u>1.0906</u>	<u>1.2792</u>
after direct transaction costs ¹	(0.0013)	(0.0012)	(0.0018)

Performance

Return after charges	21.76%	(13.38%)	9.86%
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Other information

Closing net asset value (£)	38,150,017	32,460,981	40,090,293
Closing number of shares	29,215,744	29,763,552	31,339,928
Operating charges	2.06%	2.10%	2.09%
Direct transaction costs (note 13)	0.11%	0.10%	0.14%
Ongoing Charges Figure (“OCF”) ²	2.06%	2.10%	2.09%

Prices

	2019	2018	2017	2016	2015
Highest offer share price (£)	1.4170	1.4110	1.3740	1.2750	1.2020
Lowest bid share price (£)	1.0800	1.0760	1.1710	0.9444	0.9980
Net distribution per share (£)	0.0221	0.0175	0.0152	0.0146	0.0124

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.

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

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

UK Capital Growth Fund

Statement of Total Return

for the accounting period 1st January 2019 to 31st December 2019

	Notes	2019 US\$	Restated* 2018 US\$
Income			
Net capital gains/(losses)	2	8,093,291	(7,683,177)
Revenue	3	1,776,291	1,766,203
Expenses	4	(927,213)	(1,049,140)
Net revenue before taxation		849,078	717,063
Taxation	5	(3,786)	(11,950)
Net revenue after taxation		845,292	705,113
Total return before distribution		8,938,583	(6,978,064)
Distributions	6	(845,292)	(705,113)
Change in Net Assets Attributable to Preference Shareholders from investment activities		8,093,291	(7,683,177)

Balance Sheet

as at 31st December 2019

	Notes	2019 US\$	2018 US\$
Assets:			
Fixed assets:			
Investments	7	50,094,853	42,003,320
Current assets:			
Debtors	8	547,945	532,261
Cash and bank balances		1,259,114	7,088
Total assets		51,901,912	42,542,669
Liabilities:			
Creditors:			
Distribution payable		(854,412)	(665,099)
Other creditors	9	(126,047)	(135,147)
Total liabilities		(980,459)	(800,246)
Equity:			
Nominal shares (note 15, page 74)		(398,242)	(396,872)
Total equity		(398,242)	(396,872)
Net Assets Attributable to Preference Shareholders		50,523,211	41,345,551

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2019 to 31st December 2019

	2019 US\$	Restated* 2018 US\$
Opening Net Assets Attributable to Preference Shareholders	41,345,551	54,238,157 ⁽¹⁾
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	3,193,565	2,408,452
Amounts payable on cancellation of shares	(4,023,542)	(4,912,382)
	(829,977)	(2,503,930)
Difference on currency conversion	1,914,346	(2,706,523)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	8,093,291	(7,683,177)
Unclaimed distributions	–	1,024
Closing Net Assets Attributable to Preference Shareholders	50,523,211	41,345,551

Distribution Table

for the accounting period 1st January 2019 to 31st December 2019

	Income £	Equalisation £	Distribution Payable 2019 £	Distribution Paid 2018 £
Group 1	0.0221	–	0.0221	0.0175
Group 2	0.0137	0.0084	0.0221	0.0175

Group 2 units are those purchased after 16:00 (UK time) on 31st December 2018.

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

*Please refer to the prior year adjustment note on page 60.

⁽¹⁾ Opening Net Assets Attributable to Preference Shareholders for 2018 has not been restated

UK Capital Growth Fund Portfolio Statement

as at 31st December 2019

Investment	Currency	Holding	Market Value US\$	% of Net Assets	Investment	Currency	Holding	Market Value US\$	% of Net Assets
Equities 99.15% (101.59%)					Diversified Financial Services 1.18% (0.00%)				
Communication Services 6.38% (6.98%)					M&G plc				
Diversified Telecommunication Services 2.16% (3.07%)					GBP				
BT Group plc	GBP	427,324	1,089,053	2.16	189,801	595,721	1.18		
			1,089,053	2.16		595,721	1.18		
Media 4.22% (3.91%)					Insurance 6.01% (6.48%)				
Euromoney Institutional					Legal & General Group plc				
Investor plc	GBP	8,527	147,029	0.29	240,497	965,047	1.91		
Informa plc	GBP	87,680	995,125	1.97	85,207	1,631,698	3.23		
ITV plc	GBP	496,132	991,477	1.96	58,734	439,787	0.87		
			2,133,631	4.22		3,036,532	6.01		
			3,222,684	6.38		8,913,704	17.64		
Communication Services total					Financials total				
Consumer Discretionary 12.39% (10.71%)					Health Care 6.64% (6.62%)				
Distributors 0.83% (1.12%)					Health Care Equipment & Supplies 1.68% (2.03%)				
Inchcape plc	GBP	44,913	419,926	0.83	Smith & Nephew plc	GBP	34,940	847,473	1.68
			419,926	0.83			847,473	1.68	
Hotels, Restaurants & Leisure 8.96% (8.11%)					Pharmaceuticals 4.96% (4.59%)				
Carnival plc	GBP	17,706	853,060	1.69	GlaxoSmithKline plc	GBP	106,513	2,508,864	4.96
Compass Group plc	GBP	37,190	930,860	1.84			2,508,864	4.96	
InterContinental Hotels Group plc	GBP	16,343	1,126,545	2.23			3,356,337	6.64	
SSP Group plc	GBP	73,108	629,324	1.24	Health Care total				
Whitbread plc	GBP	15,404	988,583	1.96					
			4,528,372	8.96	Industrials 16.61% (16.58%)				
Household Durables 1.59% (0.80%)					Aerospace & Defense 1.45% (2.45%)				
Berkeley Group Holdings plc	GBP	6,671	429,273	0.85	Cobham plc	GBP	156,495	340,410	0.67
Crest Nicholson Holdings plc	GBP	64,896	370,761	0.74	Rolls-Royce Holdings plc	GBP	42,912	388,260	0.77
			800,034	1.59	Rolls-Royce International Ltd.				
Textiles, Apparel & Luxury Goods 1.01% (0.68%)					Preference 'C'				
Burberry Group plc	GBP	17,524	511,727	1.01	2,415,276	3,198	0.01		
			511,727	1.01		731,868	1.45		
			6,260,059	12.39	Air Freight & Logistics 0.49% (0.71%)				
Consumer Discretionary total					Royal Mail plc				
					82,917	248,499	0.49		
Consumer Staples 18.35% (19.96%)					Airlines 1.31% (0.00%)				
Beverages 3.44% (3.77%)					easyJet plc				
Diageo plc	GBP	41,012	1,738,030	3.44	35,157	663,007	1.31		
			1,738,030	3.44		663,007	1.31		
Food & Staples Retailing 2.21% (1.89%)					Commercial Services & Supplies 1.69% (1.73%)				
Tesco plc	GBP	331,137	1,118,263	2.21	Aggreko plc	GBP	28,212	311,076	0.62
			1,118,263	2.21	Rentokil Initial plc	GBP	90,074	540,254	1.07
Food Products 1.98% (0.88%)					Electrical Equipment 1.01% (1.62%)				
Associated British Foods plc	GBP	29,108	1,001,107	1.98	Melrose Industries plc	GBP	159,990	508,723	1.01
			1,001,107	1.98			508,723	1.01	
Household Products 3.01% (3.20%)					Industrial Conglomerates 1.42% (1.33%)				
Reckitt Benckiser Group plc	GBP	18,713	1,518,653	3.01	Smiths Group plc	GBP	32,216	718,899	1.42
			1,518,653	3.01			718,899	1.42	
Personal Products 2.66% (3.33%)					Machinery 2.89% (2.42%)				
Unilever plc	GBP	23,305	1,342,717	2.66	Rotork plc	GBP	111,314	490,160	0.97
			1,342,717	2.66	Weir Group plc (The)	GBP	48,646	972,148	1.92
Tobacco 5.05% (6.89%)					Professional Services 3.00% (3.12%)				
British American Tobacco plc	GBP	40,199	1,720,345	3.40	RELX plc	GBP	60,070	1,515,475	3.00
Imperial Brands plc	GBP	33,604	831,757	1.65			1,515,475	3.00	
			2,552,102	5.05	Road & Rail 0.70% (0.64%)				
			9,270,872	18.35	Stagecoach Group plc				
Consumer Staples total					167,737				
						354,090	0.70		
Energy 5.62% (7.45%)					Trading Companies & Distributors 2.65% (2.56%)				
Energy Equipment & Services 1.82% (2.36%)					Ferguson plc				
Hunting plc	GBP	65,204	360,432	0.71	8,253	748,684	1.48		
John Wood Group plc	GBP	105,814	558,428	1.11	Howden Joinery Group plc	GBP	66,185	589,364	1.17
			918,860	1.82		1,338,048	2.65		
Oil, Gas & Consumable Fuels 3.80% (5.09%)					Industrials total				
Royal Dutch Shell plc 'B'	GBP	64,687	1,918,511	3.80			8,392,247	16.61	
			1,918,511	3.80	Information Technology 2.70% (2.99%)				
			2,837,371	5.62	IT Services 0.85% (0.99%)				
Financials 17.64% (17.06%)					FDM Group Holdings plc				
Banks 3.96% (4.31%)					GBP				
Barclays plc	GBP	431,272	1,026,007	2.03	31,504	431,402	0.85		
Standard Chartered plc	GBP	103,498	976,455	1.93		431,402	0.85		
			2,002,462	3.96	Software 1.85% (2.00%)				
Capital Markets 6.49% (6.27%)					Sage Group plc (The)				
Intermediate Capital Group plc	GBP	41,489	884,616	1.75	94,183	933,475	1.85		
London Stock Exchange Group plc	GBP	10,210	1,044,123	2.07		933,475	1.85		
Schroders plc, (Non-Voting)	GBP	13,643	453,503	0.90	Information Technology total				
St James's Place plc	GBP	58,273	896,747	1.77			1,364,877	2.70	
			3,278,989	6.49	Materials 9.59% (9.79%)				
					Chemicals 2.58% (2.26%)				
Construction Materials 2.57% (2.64%)					Elementis plc				
Breedon Group plc#	GBP	505,085	555,186	1.10	115,889	274,721	0.54		
CRH plc	GBP	18,417	741,706	1.47	25,970	1,029,378	2.04		
			1,296,892	2.57		1,304,099	2.58		

UK Capital Growth Fund Portfolio Statement (continued)

as at 31st December 2019

Investment	Currency	Holding	Market Value US\$	% of Net Assets
Equities 99.15% (101.59%) (continued)				
Materials 9.59% (9.79%) (continued)				
Containers & Packaging 1.20% (1.16%)				
DS Smith plc	GBP	119,428	607,500	1.20
			607,500	1.20
Metals & Mining 3.24% (3.73%)				
Rio Tinto plc	GBP	27,411	1,634,462	3.24
			1,634,462	3.24
Materials total			4,842,953	9.59
Real Estate 3.23% (3.45%)				
Equity Real Estate Investment Trusts (REITs)				
1.77% (2.15%)				
Derwent London plc	GBP	9,110	483,792	0.96
Land Securities Group plc	GBP	31,477	412,608	0.81
			896,400	1.77
Real Estate Management & Development				
1.46% (1.30%)				
Grainger plc	GBP	178,110	737,349	1.46
			737,349	1.46
Real Estate total			1,633,749	3.23
Equities total			50,094,853	99.15
Total Value of Investments			50,094,853	99.15
Net Other assets (2018: (1.59%) Net Other Liabilities)			428,358	0.85
Net Assets attributable to Preference Shareholders			50,523,211	100.00

All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.

The comparative percentage figures in brackets are as at 31st December 2018.

Security traded on another regulated market.

UK Capital Growth Fund

Notes to the Financial Statements

for the accounting period 1st January 2019 to 31st December 2019

58

1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 70.

2 NET CAPITAL GAINS/(LOSSES)

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

	2019 US\$	Restated 2018 US\$
Non-derivative securities	8,112,055	(7,666,575)
Other currency losses	(505)	(149)
Transaction charges	(18,259)	(16,453)
Net capital gains/(losses)	<u>8,093,291</u>	<u>(7,683,177)</u>

Gains/(losses) from non-derivatives securities include realised gains of US\$ 1,764,865 (2018: US\$ 3,517,321) and change in unrealised gains of US\$ 6,347,190 (2018: US\$ 11,183,896 – unrealised losses).

3 REVENUE

	2019 US\$	Restated 2018 US\$
Overseas dividends	1,728,920	1,706,930
Bank interest	576	31
Scrip dividends	16,844	22,136
Miscellaneous revenue	29,951	37,106
Total revenue	<u>1,776,291</u>	<u>1,766,203</u>

4 EXPENSES

	2019 US\$	Restated 2018 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(915,497)	(992,194)
Registration expenses	(1,632)	(1,776)
Directors' fees	(4,648)	(2,775)
	<u>(921,777)</u>	<u>(996,745)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	22,192	(24,319)
Safe custody fees	(3,680)	(4,033)
Interest payable	(1,410)	(2,050)
	<u>17,102</u>	<u>(30,402)</u>
Other expenses:		
Audit fee	(15,329)	(14,760)
Regulatory and professional fees	(3,134)	(1,513)
Miscellaneous expenses	–	974
Publication charges	(4,075)	(6,694)
	<u>(22,538)</u>	<u>(21,993)</u>
Total expenses	<u>(927,213)</u>	<u>(1,049,140)</u>

5 TAXATION

	2019 US\$	Restated 2018 US\$
Analysis of charge in period:		
Overseas tax suffered	(3,786)	(11,950)
Total overseas taxation	<u>(3,786)</u>	<u>(11,950)</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:

	2019 US\$	Restated 2018 US\$
Final	(823,697)	(697,174)
	<u>(823,697)</u>	<u>(697,174)</u>
Revenue deducted on cancellation of shares	(45,257)	(26,311)
Revenue received on creation of shares	23,662	18,372
Distributions for the year	<u>(845,292)</u>	<u>(705,113)</u>

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

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.

	2019 Assets US\$	2018 Assets US\$
Level 1: Quoted prices	50,091,655	41,999,878
Level 2: Observable market data	–	–
Level 3: Unobservable data	3,198	3,442
Total value	<u>50,094,853</u>	<u>42,003,320</u>

8 DEBTORS

	2019 US\$	2018 US\$
Accrued revenue	149,703	135,389
Receivable from Manager – Nominal shares	398,242	396,872
Total debtors	<u>547,945</u>	<u>532,261</u>

9 OTHER CREDITORS

	2019 US\$	2018 US\$
Amounts payable for cancellation of shares	(18,908)	–
Accrued expenses	(21,573)	(62,864)
Amounts payable to the Manager	(85,566)	(72,283)
Total creditors	<u>(126,047)</u>	<u>(135,147)</u>

10 RELATED PARTY TRANSACTIONS

Charles Taylor International Fund Managers (IOM) Limited (Fund Manager) provides services to the company under the terms of a management agreement (page 71, note 10) and acts as principal in respect of all transactions of shares in the Fund.

The Fund manager owns the management shares of the company and has common directors with the company namely Jeffrey Boysie McPherson More, Anthony Adam King and Darren Mark Kelly who have waived their rights to directors fees. Directors fees is payable to each of the two non-executive directors of the company.

The total director fees expense for the year was US\$ 4,648 (2018: US\$ 2,775) with US\$ 1,063 (2018: US\$ 607) outstanding at year end.

Amounts paid to the Fund manager in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 84,012 (December 2018: US\$ 71,365) in respect of the annual management charge, and US\$ 146 (December 2018: US\$ 139) in respect of registration expenses is due at the end of the accounting period and is included within amounts payable to the Manager.

At the balance sheet date Preference Shareholders from within the Charles Taylor Group, of which the Fund is a related party, hold 23,495,292 (2018: 23,940,608) 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.

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	29,763,552	2,055,058	(2,602,866)	29,215,744

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date. (2018: US\$ Nil).

UK Capital Growth Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

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 2019 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
Purchases (excluding in-specie and corporate action activity):						
Equity	8,985,317	4,177	45,004	9,034,498	0.05	0.50
	<u>8,985,317</u>	<u>4,177</u>	<u>45,004</u>	<u>9,034,498</u>		
Sales:						
Sales (excluding in-specie and corporate action activity):						
Equity	10,960,686	(4,166)	(255)	10,956,265	(0.04)	(0.00)
	<u>10,960,686</u>	<u>(4,166)</u>	<u>(255)</u>	<u>10,956,265</u>		
Total		<u>8,343</u>	<u>45,259</u>			
Percentage of Fund average net assets		<u>0.02%</u>	<u>0.09%</u>			

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

	Principal US\$	Commission US\$	Taxes US\$	Total Cost US\$	Year to 31st December 2018 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
Purchases (excluding in-specie and corporate action activity):						
Equity	9,013,236	4,378	42,615	9,060,229	0.05	0.47
	<u>9,013,236</u>	<u>4,378</u>	<u>42,615</u>	<u>9,060,229</u>		
Sales:						
Sales (excluding in-specie and corporate action activity):						
Equity	11,258,141	(3,834)	(250)	11,254,057	(0.03)	(0.00)
	<u>11,258,141</u>	<u>(3,834)</u>	<u>(250)</u>	<u>11,254,057</u>		
Total		<u>8,212</u>	<u>42,865</u>			
Percentage of Fund average net assets		<u>0.02%</u>	<u>0.08%</u>			

UK Capital Growth Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

13 DIRECT TRANSACTION COSTS (continued)

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.11% (2018: 0.20%). This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

14 FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 71.

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.

Currency risk sensitivity

As at 31 December 2019 the Fund was exposed to currency risk through the assets and liabilities denominated in foreign currencies.

If the exchange rates at 31 December 2019 between US\$ and all other currencies had strengthened by 5% (2018: 5%), with all other variables held constant, this would have decreased the net assets attributable to preference shareholders by US\$ 2,526,161 (2018: US\$ 2,067,278).

A weakening of the US\$ compared to other currencies would have resulted in an equal and opposite effect on the financial statements, assuming that all other variables remained constant.

	Monetary exposure	Non-monetary exposure	Total
Net foreign currency assets			
Currency 2019	US\$	US\$	US\$
Euro	21,156	–	21,156
UK Sterling	407,202	50,094,853	50,502,055
Currency 2018	US\$	US\$	US\$
Euro	5,001	–	5,001
UK Sterling	(662,770)	42,003,320	41,340,550

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 2019 and 31st December 2018 was:

	Floating rate financial assets	Financial assets not carrying interest	Total
Currency 2019	US\$	US\$	US\$
Euro	21,156	–	21,156
UK Sterling	1,237,958	50,244,556	51,482,514
Currency 2018	US\$	US\$	US\$
Euro	5,001	–	5,001
UK Sterling	2,087	42,138,709	42,140,796

	Floating rate financial liabilities	Financial liabilities not carrying interest	Total
Currency 2019	US\$	US\$	US\$
UK Sterling	–	(980,459)	(980,459)
Currency 2018	US\$	US\$	US\$
UK Sterling	–	(800,246)	(800,246)

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.

Other price risk sensitivity

As at 31 December 2019 the Fund was exposed to other market price risk due to its investments in equities. The percentage of the net assets held in these investments are disclosed in the Portfolio Statement of the Fund. The sensitivity analysis assumes a change in the market price of equities and exchange traded funds while holding all other variables constant. In practice all other variables are unlikely to remain constant, and changes in some of the variables may be correlated.

As at 31 December 2019, had the fair value of equity securities increased/(decreased) by 5% (2018: 5%), with all other variables held constant, the net assets attributable to preference shareholders would have increased/(decreased) by US\$ 2,504,743 (2018: US\$ 2,100,166).

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.

15 PRIOR YEAR ADJUSTMENT

The 2018 corresponding figures in the Statement of Total Return, Statement of Change in Net Assets Attributable to Preference Shareholders and related notes for the Fund, have been restated to reflect the change in accounting policy used in translating these statements from functional currency to presentation currency. These statements were previously translated at the closing exchange rate ruling at the year end and are now translated at the average exchange rate for the accounting period in accordance with FRS 102.

The Net Asset Values (NAVs) of the Fund for dealing purposes is stated in functional currency. There has been no impact on NAV as a result of the change in accounting policy.

Impact on Statement of Total Return

	31st December 2018 Actual	Adjustments	31st December 2018 Restated
	US\$	US\$	US\$
Income			
Net capital losses	(7,329,700)	(353,477)	(7,683,177)
Revenue	1,684,945	81,258	1,766,203
Expenses	(1,000,871)	(48,269)	(1,049,140)
Net revenue before taxation	684,074	32,989	717,063
Taxation	(11,400)	(550)	(11,950)
Net expense after taxation	672,674	32,439	705,113
Total return before distribution	(6,657,026)	(321,038)	(6,978,064)
Distributions	(672,674)	(32,439)	(705,113)
Reduction in Net Assets Attributable to Preference Shareholders from investment activities	(7,329,700)	(353,477)	(7,683,177)

Statement of Change in Net Assets Attributable to Preference Shareholders

	31st December 2018 Actual	Adjustments	31st December 2018 Restated
	US\$	US\$	US\$
Opening Net Assets Attributable to Preference Shareholders	54,238,157	–	54,238,157
Movement due to sales and repurchases of shares:			
Amounts receivable on issue of shares	2,297,646	110,806	2,408,452
Amounts payable on cancellation of shares	(4,686,379)	(226,003)	(4,912,382)
	(2,388,733)	(115,197)	(2,503,930)
Difference on currency conversion	(3,175,150)	468,627	(2,706,523)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(7,329,700)	(353,477)	(7,683,177)
Unclaimed distributions	977	47	1,024
Closing Net Assets Attributable to Preference Shareholders	41,345,551	–	41,345,551

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 gross total return of +35.0%, which was ahead of the FTSE World Europe ex UK Index, which returned +27.6% in Euro terms.

Review

European markets delivered strong gains during the year, despite bouts of volatility. Defensive and cyclical stocks gyrated in and out of favour as risk appetite ebbed and flowed. Within the portfolio's benchmark index, Greece, Switzerland and the Netherlands led the outperformers, while industrials, technology and consumer discretionary delivered the best returns. Laggards included communication services and energy.

2019 started on an upbeat note. European markets rose along with their United States (US) counterparts, buoyed by some encouraging economic data and corporate results. Gross domestic product (GDP) growth for the first quarter of 2019 was higher than expected in the US and the Eurozone. The Eurozone's composite purchasing managers' index (PMI) indicated modest expansion, fuelled by momentum in the service sector, but manufacturing readings were disappointing.

Later in the year, signs of a global economic slowdown multiplied. In the US, second quarter GDP data showed that a fall in business investment was steeper than prior estimates. The German economy shrank, and business confidence slumped. Third quarter GDP growth was subdued at 0.2% for the Eurozone region, and Germany's economy only narrowly avoided recession. Protests in France against proposed pension reforms disrupted transport and public services.

In September, the European Central Bank (ECB) announced stimulus measures to spur growth. These included lowering interest rates further into negative territory, restarting its bond purchase programme, and outlining more generous terms for long term cheap financing for banks. The ECB president also emphasised the need for fiscal stimulus. In the US, the Federal Reserve (Fed) cut rates three times over the review period.

Eurozone inflation strengthened towards the end of the year, a sign that the region's economy may be stabilising after a downturn. A key measure of global manufacturing activity returned to expansionary territory in November, and December's widely watched ZEW index of German economic sentiment was stronger than predicted.

A trade war between the US and China heavily influenced sentiment during the year, although markets were reassured when some products were exempted from tariffs and it was announced that phase one of a US China trade agreement is due to be signed in February 2020.

Brexit deadlines were postponed as the United Kingdom (UK) and the European Union (EU) failed to agree withdrawal terms. A new prime minister, Boris Johnson, negotiated a revised deal with the EU and then called a general election to strengthen his hand in parliament. The ruling Conservatives won a decisive victory, and members of parliament subsequently approved the deal. As a result, the country left the EU on 31st January 2020.

Political tension was elevated in the US, where President Donald Trump faced an impeachment inquiry. In Italy, the Democratic Party and the Five Star Movement agreed to form a new coalition government, avoiding a snap election, while Spain's fourth general election in as many years resulted in a fragile left wing coalition.

We opened several new positions including Nestlé S.A. (Switzerland) and Novartis AG (Switzerland). Food group Nestlé S.A. is under new management and its portfolio is being revamped, with a focus on areas with higher returns and margins. Novartis AG is strong in cancer drugs, and has an attractive yield. The disposal of the consumer healthcare segment and eyewear business Alcon AG realised good value.

Sales included telecom mast specialists Cellnex Telecom S.A. (Spain) and Infrastrutture Wireless Italiane S.p.A (Italy) following a period of good returns.

Loose monetary policy aims to stimulate economic growth and, if effective, this should revive corporate profitability. Weakness is mainly evident in European manufacturing, the consumer sector remains reasonably buoyant.

The UK election result makes Brexit likely, although terms have yet to be negotiated and there will be uncertainty while this takes place. In Spain, the new left wing coalition is tenuous.

Tensions with Iran and over global trade are unhelpful but any positive resolution is likely to boost market sentiment. While global growth has been downgraded, fiscal stimulus in China is expected to help, and the US is likely to ensure recession is avoided in the run up to the 2020 elections.

Our main focus in managing this portfolio is on stock selection, informed by macroeconomic 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 2019 to 31st December 2019

	Preference Shares			2016	2015
	2019	2018	2017		
	EUR	EUR	EUR		
Change in net assets per share					
Opening net asset value per share	4.4673	5.0803	4.6317		
Return before operating charges ¹	1.5257	(0.5023)	0.5593		
Operating charges	(0.1165)	(0.1107)	(0.1103)		
Return after operating charges	1.4092	(0.6130)	0.4490		
Distributions on preference shares	–	–	(0.0004)		
Closing net asset value per shares	5.8765	4.4673	5.0803		
after direct transaction costs ¹	(0.0106)	(0.0045)	(0.0089)		
Performance					
Return after charges	31.54%	(12.07%)	9.69%		
Other information					
Closing net asset value (EUR)	24,089,710	19,737,485	24,883,129		
Closing number of shares	4,099,360	4,418,235	4,897,933		
Operating charges	2.20%	2.19%	2.22%		
Direct transaction costs (note 13)	0.20%	0.09%	0.18%		
Ongoing Charges Figure (“OCF”) ²	2.20%	2.19%	2.22%		
Prices	2019	2018	2017	2016	2015
Highest offer share price (EUR)	6.2530	5.6120	5.5760	5.3170	5.7000
Lowest bid share price (EUR)	4.4070	4.3440	4.5940	4.1560	4.1920
Net distribution per share (EUR)	–	–	0.0004	0.0071	–

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.

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

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

Europe Fund

Statement of Total Return

for the accounting period 1st January 2019 to 31st December 2019

		2019	Restated* 2018
	Notes	US\$	US\$
Income			
Net capital gains/(losses)	2	6,826,305	(3,234,556)
Revenue	3	600,094	757,942
Expenses	4	(500,832)	(580,139)
Net revenue before taxation		99,262	177,803
Taxation	5	(147,697)	(190,225)
Net expense after taxation		(48,435)	(12,422)
Total return before distribution		6,777,870	(3,246,978)
Distributions	6	(1,078)	(3,584)
Change in Net Assets Attributable to Preference Shareholders from investment activities		6,776,792	(3,250,562)

Balance Sheet

as at 31st December 2019

		2019	2018
	Notes	US\$	US\$
Assets:			
Fixed assets:			
Investments	7	26,869,214	22,446,684
Current assets:			
Debtors	8	117,314	103,583
Cash and bank balances		208,841	186,353
Total assets		27,195,369	22,736,620
Liabilities:			
Creditors:			
Bank overdrafts		-	(836)
Other creditors	9	(63,569)	(75,650)
Total liabilities		(63,569)	(76,486)
Equity:			
Nominal shares (note 15, page 74)		(94,474)	(93,676)
Total equity		(94,474)	(93,676)
Net Assets Attributable to Preference Shareholders		27,037,326	22,566,458

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2019 to 31st December 2019

		2019	Restated* 2018
		US\$	US\$
Opening Net Assets Attributable to Preference Shareholders		22,566,458	29,883,891 ⁽¹⁾
Movement due to sales and repurchases of shares:			
Amounts receivable on issue of shares		105,759	191,640
Amounts payable on cancellation of shares		(2,010,162)	(3,017,947)
		(1,904,403)	(2,826,307)
Difference on currency conversion		(401,521)	(1,240,564)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)		6,776,792	(3,250,562)
Closing Net Assets Attributable to Preference Shareholders		27,037,326	22,566,458

Distribution Table

for the accounting period 1st January 2019 to 31st December 2019

There is no distribution for the accounting period 1st January 2019 to 31st December 2019, as expenses exceeded revenue (December 2018: € Nil).

The notes on pages 65 to 68 form an integral part of the financial statements.

*Please refer to the prior year adjustment note on page 68.

⁽¹⁾ Opening Net Assets Attributable to Preference Shareholders for 2018 has not been restated.

Europe Fund Portfolio Statement

as at 31st December 2019

Investment	Currency	Holding	Market Value US\$	% of Net Assets	Investment	Currency	Holding	Market Value US\$	% of Net Assets
Equities 99.38% (99.47%)					United Kingdom 2.63% (5.59%)				
Belgium 2.72% (1.54%)					RELX plc				
KBC Group NV	EUR	9,784	735,079	2.72	Royal Dutch Shell plc 'A'	EUR	20,800	521,996	1.93
			735,079	2.72			6,454	189,532	0.70
								711,528	2.63
Denmark 4.79% (6.96%)					Equities total				
DSV PANALPINA A/S	DKK	4,312	497,907	1.84				26,869,214	99.38
Novo Nordisk A/S 'B'	DKK	13,691	797,134	2.95	Total Value of Investments			26,869,214	99.38
			1,295,041	4.79	Net other assets (2018: 0.53%)			168,112	0.62
Finland 4.83% (3.58%)					Net Assets attributable to Preference Shareholders				
Neste OYJ	EUR	3,875	134,780	0.50				27,037,326	100.00
Sampo OYJ 'A'	EUR	13,963	610,405	2.26					
UPM-Kymmene OYJ	EUR	16,150	560,278	2.07					
			1,305,463	4.83					
France 27.63% (29.43%)					All holdings are ordinary shares or stock units and admitted to an official stock exchange unless otherwise stated.				
Air Liquide SA	EUR	5,743	812,482	3.01	The comparative percentage figures in brackets are as at 31st December 2018.				
Amundi SA	EUR	7,914	617,768	2.28					
BNP Paribas SA	EUR	6,827	404,802	1.50					
Dassault Systemes SE	EUR	1,328	218,432	0.81					
Edenred	EUR	5,220	269,267	1.00					
Legrand SA	EUR	2,281	185,864	0.69					
L'Oreal SA	EUR	914	270,308	1.00					
LVMH Moet Hennessy Louis									
Vuitton SE	EUR	1,864	866,539	3.20					
Nexity SA	EUR	3,241	162,745	0.60					
Orpea	EUR	2,150	275,090	1.02					
Pernod Ricard SA	EUR	1,390	248,677	0.92					
Sanofi	EUR	1,932	194,289	0.72					
Schneider Electric SE	EUR	7,594	779,873	2.88					
Teleperformance	EUR	2,461	598,829	2.21					
TOTAL SA	EUR	13,796	761,352	2.82					
Ubisoft Entertainment SA	EUR	6,086	419,950	1.55					
Vinci SA	EUR	3,475	385,262	1.42					
			7,471,529	27.63					
Germany 10.82% (16.95%)									
adidas AG	EUR	1,682	548,409	2.03					
Allianz SE	EUR	3,805	934,616	3.46					
BASF SE	EUR	3,809	287,327	1.06					
Brenntag AG	EUR	5,295	288,765	1.07					
Deutsche Boerse AG	EUR	2,782	438,542	1.62					
Knorr-Bremse AG	EUR	2,932	298,242	1.10					
SAP SE	EUR	970	130,708	0.48					
			2,926,609	10.82					
Ireland 5.78% (3.53%)									
CRH plc	EUR	14,655	579,963	2.15					
Kingspan Group plc	EUR	4,890	297,743	1.10					
Linde plc	EUR	1,600	341,736	1.26					
Smurfit Kappa Group plc	EUR	8,980	343,485	1.27					
			1,562,927	5.78					
Italy 3.42% (4.54%)									
FincoBank Banca Finco									
SpA	EUR	17,657	211,849	0.78					
Pirelli & C SpA	EUR	82,077	475,155	1.76					
UniCredit SpA	EUR	16,256	237,551	0.88					
			924,555	3.42					
Netherlands 11.54% (11.68%)									
Airbus SE	EUR	3,441	503,919	1.86					
ASML Holding NV	EUR	3,447	1,018,648	3.77					
ING Groep NV	EUR	63,352	759,815	2.81					
Prosus NV	EUR	7,657	571,753	2.11					
Unilever NV	EUR	2,223	127,819	0.47					
Wolters Kluwer NV	EUR	1,907	139,165	0.52					
			3,121,119	11.54					
Norway 2.46% (1.33%)									
DNB ASA	NOK	35,588	663,875	2.46					
			663,875	2.46					
Spain 0.60% (5.24%)									
Grifols SA	EUR	4,608	162,551	0.60					
			162,551	0.60					
Sweden 6.47% (6.55%)									
Assa Abloy AB 'B'	SEK	11,434	267,299	0.99					
Atlas Copco AB 'A'	SEK	12,589	502,381	1.86					
Epiroc AB 'A'	SEK	23,523	287,898	1.07					
Sandvik AB	SEK	35,491	690,714	2.55					
			1,748,292	6.47					
Switzerland 15.69% (2.55%)									
Nestle SA	CHF	11,184	1,210,036	4.48					
Novartis AG	CHF	8,488	805,372	2.98					
Partners Group Holding AG	CHF	719	658,827	2.44					
Roche Holding AG	CHF	2,704	876,716	3.24					
Sika AG	CHF	3,673	689,695	2.55					
			4,240,646	15.69					

Europe Fund

Notes to the Financial Statements

for the accounting period 1st January 2019 to 31st December 2019

1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Financial Statements on page 70.

2 NET CAPITAL GAINS/(LOSSES)

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

	2019	Restated 2018
	US\$	US\$
Non-derivative securities	6,860,646	(3,194,849)
Forward currency derivative contracts	37	(19)
Other currency gains/(losses)	6,062	(10,370)
Transaction charges	(40,440)	(29,318)
Net capital gains/(losses)	<u>6,826,305</u>	<u>(3,234,556)</u>

Gains/(losses) from non-derivatives securities include realised gains of US\$ 3,261,568 (2018: US\$ 265,936) and change in unrealised gains of US\$ 3,599,078 (2018: US\$ 3,460,785 unrealised losses).

Forward currency derivative contracts include realised gains of US\$ 37 (2018: US\$ 19 realised losses).

3 REVENUE

	2019	Restated 2018
	US\$	US\$
Overseas dividends	600,031	757,853
Bank interest	63	89
Total revenue	<u>600,094</u>	<u>757,942</u>

4 EXPENSES

	2019	Restated 2018
	US\$	US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(491,994)	(543,266)
Registration expenses	(1,457)	(1,679)
Directors' fees	(2,528)	(1,701)
	<u>(495,979)</u>	<u>(546,646)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	14,055	(13,346)
Safe custody fees	(5,292)	(5,785)
Interest payable	(671)	(1,306)
	<u>8,092</u>	<u>(20,437)</u>
Other expenses:		
Audit fee	(8,820)	(8,804)
Regulatory and professional fees	(1,713)	(859)
Miscellaneous expenses	-	602
Publication charges	(2,412)	(3,995)
	<u>(12,945)</u>	<u>(13,056)</u>
Total expenses	<u>(500,832)</u>	<u>(580,139)</u>

5 TAXATION

	2019	Restated 2018
	US\$	US\$
Analysis of charge in period:		
Overseas tax suffered	(147,697)	(190,225)
Total overseas taxation	<u>(147,697)</u>	<u>(190,225)</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:

	2019	Restated 2018
	US\$	US\$
Revenue deducted on cancellation of shares	(1,207)	(3,728)
Revenue received on creation of shares	129	144
Distributions for the year	<u>(1,078)</u>	<u>(3,584)</u>

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

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.

	2019	2018
	Assets	Assets
	US\$	US\$
Level 1: Quoted prices	26,869,214	22,446,684
Level 2: Observable market data	-	-
Level 3: Unobservable data	-	-
Total value	<u>26,869,214</u>	<u>22,446,684</u>

8 DEBTORS

	2019	2018
	US\$	US\$
Sales awaiting settlement	22,840	-
Accrued revenue	-	9,907
Receivable from Manager – Nominal shares	94,474	93,676
Total debtors	<u>117,314</u>	<u>103,583</u>

9 OTHER CREDITORS

	2019	2018
	US\$	US\$
Amounts payable for cancellation of shares	(6,277)	-
Accrued expenses	(11,971)	(36,750)
Amounts payable to the Manager	(45,321)	(38,900)
Total creditors	<u>(63,569)</u>	<u>(75,650)</u>

10 RELATED PARTY TRANSACTIONS

Charles Taylor International Fund Managers (IOM) Limited (Fund Manager) provides services to the company under the terms of a management agreement (page 71, note 10) and acts as principal in respect of all transactions of shares in the Fund.

The Fund manager owns the management shares of the company and has common directors with the company namely Jeffrey Boysie McPherson More, Anthony Adam King and Darren Mark Kelly who have waived their rights to directors fees. Directors fees is payable to each of the two non-executive directors of the company.

The total director fees expense for the year was US\$ 2,528 (2018: US\$ 1,701) with US\$ 645 (2018: US\$ 363) outstanding at year end.

Amounts paid to the Fund manager in respect of fund administration and registrar services are disclosed in Note 4. A balance of US\$ 16,001 (December 2018: US\$ 15,218) in respect of the annual management charge, and US\$ 71 (December 2018: US\$ 73) in respect of registration expenses is due at the end of the accounting period and is included within amounts payable to the Manager.

At the balance sheet date Preference Shareholders from within the Charles Taylor Group, of which the Fund is a related party, hold 16,953,631 (2018: 18,075,782) 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.

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	4,418,235	18,539	(337,413)	4,099,361

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at the balance sheet date (2018: US\$ Nil).

Europe Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

66

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 2019 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
Purchases (excluding in-specie and corporate action activity):						
Equity	20,298,100	13,424	22,788	20,334,312	0.07	0.11
Corporate action purchase activity:						
Equity	120,730	–	–	120,730	0.00	0.00
	<u>20,418,830</u>	<u>13,424</u>	<u>22,788</u>	<u>20,455,042</u>		
Sales:						
Sales (excluding in-specie and corporate action activity):						
Equity	22,508,363	(14,628)	(29)	22,493,706	(0.06)	(0.00)
	<u>22,508,363</u>	<u>(14,628)</u>	<u>(29)</u>	<u>22,493,706</u>		
Total		<u>28,052</u>	<u>22,817</u>			
Percentage of Fund average net assets		<u>0.11%</u>	<u>0.09%</u>			

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

	Principal US\$	Commission US\$	Taxes US\$	Total Cost US\$	Accounting period to 31st December 2018 Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases:						
Purchases (excluding in-specie and corporate action activity):						
Equity	11,328,953	7,370	9,261	11,345,584	0.07	0.08
	<u>11,328,953</u>	<u>7,370</u>	<u>9,261</u>	<u>11,345,584</u>		
Sales:						
Sales (excluding in-specie and corporate action activity):						
Equity	14,317,289	(9,378)	(13)	14,307,898	(0.07)	(0.00)
	<u>14,317,289</u>	<u>(9,378)</u>	<u>(13)</u>	<u>14,307,898</u>		
Total		<u>16,748</u>	<u>9,274</u>			
Percentage of Fund average net assets		<u>0.06%</u>	<u>0.03%</u>			

Europe Fund

Notes to the Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

13 DIRECT TRANSACTION COSTS (continued)

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.17% (2018: 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 71.

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.

Currency risk sensitivity

As at 31 December 2019 the Fund was exposed to currency risk through the assets and liabilities denominated in foreign currencies.

If the exchange rates at 31 December 2019 between US\$ and all other currencies had strengthened by 5% (2018: 5%), with all other variables held constant, this would have decreased the net assets attributable to preference shareholders by US\$ 1,351,866 (2018: US\$ 1,128,323).

A weakening of the US\$ compared to other currencies would have resulted in an equal and opposite effect on the financial statements, assuming that all other variables remained constant.

Net foreign currency assets	Monetary exposure	Non-monetary exposure	Total
Currency 2019	US\$	US\$	US\$
Czech Koruna	24	–	24
Danish Krone	136	1,295,041	1,295,177
Euro	(63,398)	18,921,360	18,857,962
Hungarian Forint	12	–	12
Norwegian Krone	4	663,875	663,879
Swedish Krona	4	1,748,292	1,748,296
Swiss Franc	29	4,240,646	4,240,675
UK Sterling	231,294	–	231,294
US Dollar	7	–	7
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

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 2019 and 31st December 2018 was:

Currency 2019	Floating rate financial assets	Financial assets not carrying interest	Total
	US\$	US\$	US\$
Czech Koruna	24	–	24
Danish Krone	136	1,295,041	1,295,177
Euro	(22,669)	18,944,200	18,921,531
Hungarian Forint	12	–	12
Norwegian Krone	4	663,875	663,879
Swedish Krona	4	1,748,292	1,748,296
Swiss Franc	29	4,240,646	4,240,675
UK Sterling	231,294	–	231,294
US Dollar	7	–	7
Currency 2018	US\$	US\$	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

Currency 2019	Floating rate financial liabilities	Financial liabilities not carrying interest	Total
	US\$	US\$	US\$
Euro	–	(63,569)	(63,569)
Currency 2018	US\$	US\$	US\$
Euro	(836)	(75,650)	(76,486)

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.

Other price risk sensitivity

As at 31 December 2019 the Fund was exposed to other market price risk due to its investments in equities. The percentage of the net assets held in these investments are disclosed in the Portfolio Statement of the Fund. The sensitivity analysis assumes a change in the market price of equities and exchange traded funds while holding all other variables constant. In practice all other variables are unlikely to remain constant, and changes in some of the variables may be correlated.

As at 31 December 2019, had the fair value of equity securities increased/ (decreased) by 5% (2018: 5%), with all other variables held constant, the net assets attributable to preference shareholders would have increased/ (decreased) by US\$ 1,343,461 (2018: US\$ 1,122,334).

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

Notes to the Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

15 PRIOR YEAR ADJUSTMENT

The 2018 corresponding figures in the Statement of Total Return, Statement of Change in Net Assets Attributable to Preference Shareholders and related notes for the Fund, have been restated to reflect the change in accounting policy used in translating these statements from functional currency to presentation currency. These statements were previously translated at the closing exchange rate ruling at the year end and are now translated at the average exchange rate for the accounting period in accordance with FRS 102.

The Net Asset Values (NAVs) of the Fund for dealing purposes is stated in functional currency. There has been no impact on NAV as a result of the change in accounting policy.

Impact on Statement of Total Return

	31st December 2018 Actual US\$	Adjustments US\$	31st December 2018 Restated US\$
Income			
Net capital losses	(3,131,453)	(103,103)	(3,234,556)
Revenue	733,782	24,160	757,942
Expenses	(561,647)	(18,492)	(580,139)
Net revenue before taxation	172,135	5,668	177,803
Taxation	(184,162)	(6,063)	(190,225)
Net expense after taxation	(12,027)	(395)	(12,422)
Total return before distribution	(3,143,480)	(103,498)	(3,246,978)
Distributions	(3,469)	(115)	(3,584)
Reduction in Net Assets Attributable to Preference Shareholders from investment activities	(3,146,949)	(103,613)	(3,250,562)

Statement of Change in Net Assets Attributable to Preference Shareholders

	31st December 2018 Actual US\$	Adjustments US\$	31st December 2018 Restated US\$
Opening Net Assets Attributable to Preference Shareholders	29,883,891	–	29,883,891
Movement due to sales and repurchases of shares:			
Amounts receivable on issue of shares	185,531	6,109	191,640
Amounts payable on cancellation of shares	(2,921,750)	(96,197)	(3,017,947)
	(2,736,219)	(90,088)	(2,826,307)
Difference on currency conversion	(1,434,265)	193,701	(1,240,564)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(3,146,949)	(103,613)	(3,250,562)
Change in Closing Net Assets Attributable to Preference Shareholders	22,566,458	–	22,566,458

Aggregated Financial Statements

for Charles Taylor

International Funds (IOM) Limited

(Formerly Allied Dunbar International Funds Limited)

Statement of Total Return

for the accounting period 1st January 2019 to 31st December 2019

		2019	Restated* 2018
	Notes	US\$	US\$
Income			
Net capital gains/(losses)	2	38,579,892	(19,626,754)
Revenue	3	4,071,833	4,357,916
Expenses	4	(3,313,124)	(3,855,774)
Net revenue before taxation		758,709	502,142
Taxation	5	(437,111)	(477,604)
Net revenue after taxation		321,598	24,538
Total return before distribution		38,901,490	(19,602,216)
Distributions	6	(835,912)	(671,384)
Change in Net Assets Attributable to Preference Shareholders from investment activities		38,065,578	(20,273,600)

Statement of Change in Net Assets Attributable to Preference Shareholders

for the accounting period 1st January 2019 to 31st December 2019

		2019	Restated* 2018
		US\$	US\$
Opening Net Assets Attributable to Preference Shareholders		160,101,058	203,960,403 ⁽¹⁾
Movement due to sales and repurchases of shares:			
Amounts receivable on issue of shares		4,008,765	5,103,305
Amounts payable on cancellation of shares		(14,824,922)	(23,838,822)
		(10,816,157)	(18,735,517)
Difference on currency conversion		2,084,094	(4,851,451)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)		38,065,578	(20,273,600)
Unclaimed distributions		–	1,223
Closing Net Assets Attributable to Preference Shareholders		189,434,573	160,101,058

Balance Sheet

as at 31st December 2019

		2019	2018
	Notes	US\$	US\$
Assets:			
Fixed assets:			
Investments	7	186,862,408	158,966,466
Current assets:			
Debtors	8	2,438,931	2,448,605
Cash and bank balances		3,726,934	2,166,106
Total assets		193,028,273	163,581,177
Liabilities:			
Creditors:			
Bank overdrafts		–	(836)
Distribution payable		(862,918)	(667,811)
Other creditors	9	(638,926)	(731,085)
Total liabilities		(1,501,844)	(1,399,732)
Equity:			
Management shares	15	(10)	(10)
Nominal shares (note 15, page 73)	15	(2,091,846)	(2,080,377)
Total equity		(2,091,856)	(2,080,387)
Net Assets Attributable to Preference Shareholders		189,434,573	160,101,058

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 70 to 74 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 Charles Taylor International Funds (IOM) Limited and signed on its behalf by:

Director	Director
27th February 2020	27th February 2020

*Please refer to the prior year adjustment note on page 72.

⁽¹⁾ Opening Net Assets Attributable to Preference Shareholders for 2018 has not been restated.

Notes to the Aggregated Financial Statements for Charles Taylor International Funds (IOM) Limited

(Formerly Allied Dunbar International Funds Limited)

Notes to the Financial Statements

for the accounting period 1st January 2019 to 31st December 2019

GENERAL INFORMATION

Charles Taylor International Funds (IOM) Limited (formerly Allied Dunbar International Funds Limited) is an Open-Ended Investment Company with variable capital, incorporated as a limited liability company (Company No. 024161C) and resident in the Isle of Man. The address of the registered office is St George's Court, Upper Church Street, Douglas, Isle of Man IM1 1EE.

1 ACCOUNTING POLICIES

(1) Basis of accounting

The Aggregated Financial Statements have been prepared on a going concern basis, under the historical cost basis, except for investments that have been measured at fair value, and in accordance with the Statement of Recommended Practice for UK Authorised Funds ("SORP") issued by The Investment Management Association ("the IMA"), 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 2019 was US\$ 256,283 (31st December 2018: US\$ 262,558).

(2) Aggregation

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

(3) Recognition of revenue

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

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

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

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

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

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

(4) Expenses (including management expenses)

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

(5) Valuation of Investments

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

(6) Exchange Rates

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

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

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

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

(7) Taxation

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

(8) Equalisation

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

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

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

(9) Distributions

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

(10) Financial instruments

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

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

2 NET CAPITAL GAINS/(LOSSES)

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

	2019 US\$	Restated 2018 US\$
Non-derivative securities	38,718,404	(19,455,130)
Forward currency derivative contracts	(3,085)	(1,439)
Other currency gains/(losses)	2,984	(35,676)
Transaction charges	(138,411)	(134,509)
Net capital gains/(losses)	<u>38,579,892</u>	<u>(19,626,754)</u>

3 REVENUE

	2019 US\$	Restated 2018 US\$
Overseas dividends	3,668,397	3,903,519
Bank interest	26,847	10,630
Interest on debt securities	329,794	384,525
Scrip dividends	16,844	22,136
Miscellaneous income	29,951	37,106
Total revenue	<u>4,071,833</u>	<u>4,357,916</u>

4 EXPENSES

	2019 US\$	Restated 2018 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(3,352,520)	(3,627,069)
Registration expenses	(13,065)	(14,668)
Directors' fees	(17,805)	(9,048)
	<u>(3,383,390)</u>	<u>(3,650,785)</u>
Payable to the Fiduciary Custodian, associates of the Fiduciary Custodian and agents of either of them:		
Fiduciary Custodian's fees	195,200	(91,836)
Safe custody fees	(22,828)	(25,174)
Interest payable	(4,753)	(6,308)
	<u>167,619</u>	<u>(123,318)</u>
Other expenses:		
Audit fee	(60,461)	(57,661)
Regulatory and professional fees	(20,899)	(7,874)
Publication charges	(15,993)	(26,275)
Miscellaneous expenses	-	10,139
	<u>(97,353)</u>	<u>(81,671)</u>
Total expenses	<u>(3,313,124)</u>	<u>(3,855,774)</u>

Charles Taylor International Funds (IOM) Limited
(Formerly Allied Dunbar International Funds Limited)
Notes to the Aggregated Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

5 TAXATION

	2019 US\$	Restated 2018 US\$
Analysis of charge in period:		
Overseas tax suffered	(437,111)	(477,604)
Total overseas taxation	<u>(437,111)</u>	<u>(477,604)</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:

	2019 US\$	Restated 2018 US\$
Interim	(3,650)	(1,004)
Final	(832,203)	(699,886)
	(835,853)	(700,890)
Revenue deducted on cancellation of shares	(20,713)	20,522
Revenue received on creation of shares	20,654	8,984
Distributions for the year	<u>(835,912)</u>	<u>(671,384)</u>

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

	2019 US\$	2018 US\$
Sales awaiting settlement	22,840	40,120
Accrued rebates	-	7,286
Receivable from Manager - Nominal and management shares	2,091,856	2,080,387
Overseas tax recoverable	1,154	1,146
Accrued revenue	323,013	319,666
Prepaid expenses	68	-
Total debtors	<u>2,438,931</u>	<u>2,448,605</u>

9 OTHER CREDITORS

	2019 US\$	2018 US\$
Amounts payable for cancellation of shares	(239,953)	-
Purchases awaiting settlement	-	(66,008)
Accrued expenses	(88,855)	(361,492)
Amounts payable to the Manager	(310,118)	(303,585)
Total creditors	<u>(638,926)</u>	<u>(731,085)</u>

10 MATERIAL CONTRACTS AND RELATED PARTY CONTRACTS

Management and Investment Manager Agreements

The following contracts which are 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 and has common directors. 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.

The clearing and depository operations for the Company's security transactions are mainly concentrated with BNP Paribas Securities Services SCA., Jersey Branch, a subsidiary of BNP Paribas. BNP Paribas is a member of a major securities exchange, and at 31st December 2019 had a credit rating of A-1 (2018: A-1). At 31st December 2019 and 31st December 2018, substantially all cash and bank balances, sales awaiting settlement and investments are placed in custody with BNP Paribas Securities Services SCA., Jersey Branch.

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.

Capital risk management

The capital of the Company is represented by the net assets attributable to holders of redeemable preference shares. The amount of net asset attributable to holders of redeemable shares can change significantly on a daily basis, as the sub funds are subject to daily subscriptions and redemptions at the discretion of shareholders, as well as changes resulting from their performance. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Company.

In order to maintain the capital structure, the Company's policy is to perform the following:

- Monitor the level of daily subscriptions and redemptions relative to the assets it expects to be able to liquidate and adjust the amount of distributions the sub funds pay to redeemable preference shareholders.

Charles Taylor International Funds (IOM) Limited
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Notes to the Aggregated Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

11 FINANCIAL INSTRUMENTS (CONTINUED)

Capital risk management (continued)

- Redeem and issue new shares in accordance with the constitutional documents of the Company, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Board of Directors and the Manager monitor capital on the basis of the value of net assets attributable to redeemable preference shareholders.

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 (2018: US\$ Nil).

14 PRIOR YEAR ADJUSTMENT

The 2018 corresponding figures in the Statement of Total Return, Statement of Change in Net Assets Attributable to Preference Shareholders and related notes for the company, have been restated to reflect the change in accounting policy used in translating these statements from functional currency to presentation currency. These statements were previously translated at the closing exchange rate ruling at 16:00 (UK time) at the period end and are now translated at the average exchange rate for the accounting period in accordance with FRS 102.

The Net Asset Values (NAVs) of the Funds for dealing purposes is stated in functional currency. There has been no impact on NAV as a result of the change in accounting policy.

Impact on Statement of Total Return

	31st December 2018 Actual US\$	Adjustments US\$	31st December 2018 Restated US\$
Income			
Net capital losses	(19,165,518)	(461,236)	(19,626,754)
Revenue	4,242,885	115,031	4,357,916
Expenses	(3,779,260)	(76,514)	(3,855,774)
Net revenue before taxation	463,625	38,517	502,142
Taxation	(470,991)	(6,613)	(477,604)
Net expense after taxation	(7,366)	31,904	24,538
Total return before distribution	(19,172,884)	(429,332)	(19,602,216)
Distributions	(638,834)	(32,550)	(671,384)
Reduction in Net Assets Attributable to Preference Shareholders from investment activities	(19,811,718)	(461,882)	(20,273,600)

Statement of Change in Net Assets Attributable to Preference Shareholders

	31st December 2018 Actual US\$	Adjustments US\$	31st December 2018 Restated US\$
Opening Net Assets Attributable to Preference Shareholders	203,960,403	–	203,960,403
Movement due to sales and repurchases of shares:			
Amounts receivable on issue of shares	4,983,744	119,561	5,103,305
Amounts payable on cancellation of shares	(23,470,541)	(368,281)	(23,838,822)
	(18,486,797)	(248,720)	(18,735,517)
Difference on currency conversion	(5,561,997)	710,546	(4,851,451)
Change in Net Assets Attributable to Preference Shareholders from investment activities (see above)	(19,811,718)	(461,882)	(20,273,600)
Unclaimed distributions	1,167	56	1,223
Closing Net Assets Attributable to Preference Shareholders	160,101,058	–	160,101,058

15 CAPITAL AND RESERVES

Authorised Share Capital	2019 US\$	2018 US\$
Management Shares: 10 of US\$ 1 each	10	10
Unclassified Shares: 1,000,000,000 of US\$ 0.0025 each	2,500,000	2,500,000
	<u>2,500,010</u>	<u>2,500,010</u>

The Management Shares have been issued to and are held by 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.

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.

Charles Taylor International Funds (IOM) Limited
(Formerly Allied Dunbar International Funds Limited)
Notes to the Aggregated Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

15 CAPITAL AND RESERVES (continued)

	No. of Shares	Aggregated Total US\$	Managed US\$	Worldwide Equity US\$	Managed Currency US\$
Management shares					
Balance as at 01.01.19	10	10	10		
Issued during the year	–	–	–		
Redeemed during the year	–	–	–		
Balance as at 31.12.19	10	10	10		
Nominal shares \$0.0025 each					
Balance as at 01.01.19		2,080,377	544,531	216,009	59,776
Issued during the year		17,154	2,093	3,286	148
Redeemed during the year		(5,685)	(64)	(193)	(43)
Balance as at 31.12.19		2,091,846	546,560	219,102	59,881
Nominal shares – number of shares					
Balance as at 01.01.19		832,151,072	217,812,438	86,403,739	23,910,244
Issued during the year		6,861,511	837,067	1,314,353	59,299
Redeemed during the year		(2,274,344)	(25,443)	(77,378)	(17,169)
Balance as at 31.12.19		836,738,239	218,624,062	87,640,714	23,952,374
Preference Shares \$0.0025 each					
Balance as at 01.01.19		231,473	33,444	25,986	4,028
Issued during the year		5,685	64	193	43
Redeemed during the year		(17,154)	(2,093)	(3,286)	(148)
Balance as at 31.12.19		220,004	31,415	22,893	3,923
Preference Shares – number of shares					
Balance as at 01.01.19		92,587,845	13,377,477	10,393,930	1,610,986
Issued during the year		2,274,344	25,443	77,378	17,169
Redeemed during the year		(6,861,511)	(837,067)	(1,314,353)	(59,299)
Balance as at 31.12.19		88,000,678	12,565,853	9,156,955	1,568,856
Share premium					
Balance as at 01.01.19		130,526,121	23,339,525	18,223,937	577,141
Premium relating to shares (Redeemed)/issued during the year		(4,491,981)	(1,234,185)	(1,794,859)	(15,848)
Balance as at 31.12.19		126,034,140	22,105,340	16,429,078	561,293
Capital reserve					
Balance as at 01.01.19		29,343,465	5,239,703	7,723,454	(46,778)
(Increase)/decrease in the year		33,836,964	5,658,975	6,061,044	853
Balance as at 31.12.19		63,180,429	10,898,678	13,784,498	(45,925)
Net assets attributable to Preference Shareholders comprises:					
Share capital		220,004	31,415	22,893	3,923
Share premium		126,034,140	22,105,340	16,429,078	561,293
Capital reserve		63,180,429	10,898,678	13,784,498	(45,925)
Total		189,434,573	33,035,433	30,236,469	519,291

Charles Taylor International Funds (IOM) Limited
(Formerly Allied Dunbar International Funds Limited)
Notes to the Aggregated Financial Statements (continued)

for the accounting period 1st January 2019 to 31st December 2019

15 CAPITAL AND RESERVES (continued)

	Gilt and Income US\$	North American Growth US\$	Far East US\$	UK Capital Growth US\$	Europe US\$
Management shares					
Balance as at 01.01.19					
Issued during the year					
Redeemed during the year					
Balance as at 31.12.19					
Nominal shares \$0.0025 each					
Balance as at 01.01.19	548,709	148,212	72,592	396,872	93,676
Issued during the year	3,487	417	372	6,507	844
Redeemed during the year	(82)	(112)	(8)	(5,137)	(46)
Balance as at 31.12.19	552,114	148,517	72,956	398,242	94,474
Nominal shares – number of shares					
Balance as at 01.01.19	219,483,626	59,284,699	29,036,744	158,748,898	37,470,684
Issued during the year	1,394,670	167,006	148,837	2,602,866	337,413
Redeemed during the year	(32,810)	(44,928)	(3,019)	(2,055,058)	(18,539)
Balance as at 31.12.19	220,845,486	59,406,777	29,182,562	159,296,706	37,789,558
Preference Shares \$0.0025 each					
Balance as at 01.01.19	70,345	7,148	5,066	74,410	11,046
Issued during the year	82	112	8	5,137	46
Redeemed during the year	(3,487)	(417)	(372)	(6,507)	(844)
Balance as at 31.12.19	66,940	6,843	4,702	73,040	10,248
Preference Shares – number of shares					
Balance as at 01.01.19	28,137,952	2,859,189	2,026,524	29,763,552	4,418,235
Issued during the year	32,810	44,928	3,019	2,055,058	18,539
Redeemed during the year	(1,394,670)	(167,006)	(148,837)	(2,602,866)	(337,413)
Balance as at 31.12.19	26,776,092	2,737,111	1,880,706	29,215,744	4,099,361
Share premium					
Balance as at 01.01.19	14,722,006	19,741,428	4,914,796	35,588,126	13,419,162
Premium relating to shares (Redeemed)/issued during the year	(784,308)	(653,393)	(215,580)	960,268	(754,076)
Balance as at 31.12.19	13,937,698	19,088,035	4,699,216	36,548,394	12,665,086
Capital reserve					
Balance as at 01.01.19	(472,748)	577,367	1,503,201	5,683,015	9,136,251
(Increase)/decrease in the year	1,414,218	5,982,963	1,274,408	8,218,762	5,225,741
Balance as at 31.12.19	941,470	6,560,330	2,777,609	13,901,777	14,361,992
Net assets attributable to Preference Shareholders comprises:					
Share capital	66,940	6,843	4,702	73,040	10,248
Share premium	13,937,698	19,088,035	4,699,216	36,548,394	12,665,086
Capital reserve	941,470	6,560,330	2,777,609	13,901,777	14,361,992
Total	14,946,108	25,655,208	7,481,527	50,523,211	27,037,326

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% (2018: 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).

Company Name Change

The Company changed its name from Allied Dunbar International Funds Limited to Charles Taylor International Funds (IOM) Limited on 26th September 2019. There are no other material changes to the Fund as a result of the change of name and the Fund will continue to be regulated by the Isle of Man Financial Services Authority.

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 27th February 2020.

A copy of the Financial Statements is 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) or on request from the Manager.

Issued by

**Charles Taylor International
Fund**

Managers (IOM) Limited

**Licensed by the Isle of Man
Financial Services Authority**

**Registered in the Isle of Man
Number: 023846C**

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