

## Directors' Confirmation pursuant to para. 5.1 of Appendix II, Part B: Standard Licence Conditions, Investment Services Rules for Retail Collective Investment Schemes

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We the undersigned, are responsible for the preparation of the Interim Report of Global Funds SICAV p.l.c. as at 31 January 2018 and confirm that to the best of our knowledge:

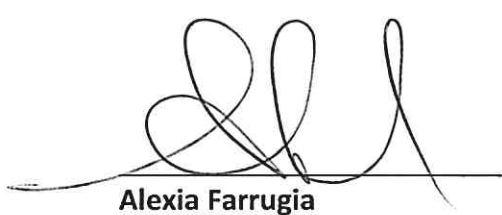
- it is complete and accurate in all material respects and conforms with the MFSA's requirements in terms of the Scheme's Licence Conditions; and
- any disclosures of the Scheme's past performance are accurate and in conformity with the MFSA's applicable requirements.

Signed today 28 of January 2019



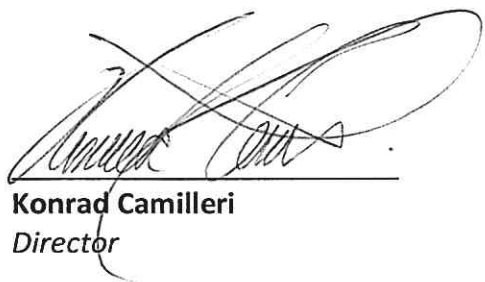
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**Tonio Fenech**  
Director



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**Alexia Farrugia**  
Director



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**Konrad Camilleri**  
Director



**Global Funds SICAV p.l.c.**  
Interim Report  
And  
Unaudited Financial Statements

**31 January 2018**



Testaferrata Street,  
Ta' Xbiex, XBX1403,  
Malta

Registration Number: SV6

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## MANAGEMENT AND ADMINISTRATION

### DIRECTORS

Dr. Tonio Fenech (Chairman)  
270, Triq San Giljan, Birkirkara, Malta  
(Chairman as from 25 May 2018)

Alexia Farrugia  
15, Triq in-Namur, L-Iklin, Malta  
(appointed on 22 May 2018)

Konrad Paul Camilleri  
26, The Palisades, Triq Guze Orlando,  
Birkirkara, Malta  
(appointed on 22 May 2018)

Anthony C. Azzopardi (Chairman)  
Apartment 6 Court 2,  
Centre Court, Triq il-Qasam, Swieqi, Malta  
(resigned on 24 November 2017)

John Ellul Vincenti  
'Il-Bejta', Mons. Debono Street, Kappara, Malta  
(resigned on 24 November 2017)

Norval Desira  
'Il-Veduta', Madliena Road, Madliena, Malta  
(resigned on 24 November 2017)

### COMPANY SECRETARY

Fenlex Corporate Services Limited  
85, St John Street, Valletta, VLT1165, Malta  
(until 24 November 2017)

ARQ Corporate Ltd.  
Ewropa Business Centre, Level 3 – 701,  
Dun Karm Street, Birkirkara, BKR9034, Malta  
(from 25 November 2017)

### MANAGER AND REGISTRAR

GlobalCapital Financial Management Limited  
Testaferrata Street, Ta' Xbiex XBX1403, Malta  
*Licensed to conduct investment services  
business for collective investment schemes by  
the Malta Financial Services Authority.*

### ADMINISTRATOR

GlobalCapital Financial Management Limited  
Testaferrata Street, Ta' Xbiex XBX1403, Malta  
*Licensed to conduct investment services  
business for collective investment schemes by  
the Malta Financial Services Authority.*

### INVESTMENT ADVISOR TO THE MANAGER

GlobalCapital Financial Management Limited  
Testaferrata Street, Ta' Xbiex XBX1403, Malta  
*Licensed to conduct investment services  
business by the Malta Financial Services  
Authority.*

### CUSTODIAN AND BANKER

Sparkasse Bank Malta p.l.c.  
101, Townsquare, ix-Xatt ta' Qui-si-Sana, Sliema  
SLM3112, Malta  
*Licensed to conduct investment services  
business by the Malta Financial Services  
Authority.*

### AUDITORS

PricewaterhouseCoopers  
78, Mill Street, Qormi QRM3101, Malta

### LEGAL ADVISORS

Fenech & Fenech Advocates  
198, Old Bakery Street, Valletta, Malta  
(until 24 November 2017)

Fenech Farrugia Fiott Legal  
Ewropa Business Centre, Level 3 – 702,  
Dun Karm Street, Birkirkara, BKR9034, Malta  
(from 25 November 2017)

## DESCRIPTION

Global Funds SICAV p.l.c. (the "**Company**") is organised under the laws of Malta as a multi-fund investment company with variable share capital (SICAV) pursuant to the Maltese Companies Act (Cap. 386). The Company was registered on the 17 September 1998 and consists of the following funds:

Global Bond Fund Plus  
Malta Privatisation & Equity Fund  
Melita International Equity Fund

These Funds are licensed by the Malta Financial Services Authority as Collective Investment Schemes under the Investment Services Act. The Funds are listed on the Official List of the Malta Stock Exchange. The Company has no employees.

The determination of the Net Asset Value of the Company's three sub-funds was suspended by the Board of Directors of the Company on the 5 May 2015 on account of the illiquidity of the Company's holdings in GlobalCapital p.l.c. shares and the Directors' inability to reasonably, promptly and accurately determine their fair value. The determination of the sub-funds' NAV and dealing remains so suspended to-date.

Following the resignation of the previous Board of Directors with the exception of Dr. Tonio Fenech, a new Board was constituted during an Extraordinary General Meeting that took place on 27 April 2018. The 31 January 2018 unaudited interim financial statements are being prepared on a going concern basis to reflect the change in circumstances.

## **MANAGER'S REPORT**

This report is being issued by the Manager with respect to the Global Funds SICAV p.l.c. This Report contains important information related to the investment strategy of the Fund. The following report reviews the Funds' performance covering the financial period from 1 August 2017 to 31 January 2018.

### **Malta Privatisation and Equity Fund**

#### *Investment Objective*

The investment objective of the Fund is to endeavour to maximize the level of total return to Investors over long term by investment in Maltese equity securities, principally by taking advantage of initial public offering (IPOs) of companies currently owned or controlled by the Government of Malta and/or private investors, as well as by investment in Maltese equity securities of companies that have been the subject of an IPO and whose equity securities are available for purchase.

#### *Fund Performance*

During the period from 1st August 2017 to 31st January 2018, the quoted share price of the Malta Privatization and Equity Fund increased by 2.7%.

#### *Portfolio Activity*

The Fund registered a marginal portfolio activity for the year under review. The Fund's allocations in corporate bonds, Maltese Government Stocks and equity market have been realigned towards a more conservative duration approach during the Financial Year with the aim of reducing risks derived from longer dated bonds. The Fund seeks to remain strategically oriented towards a wide range of asset classes with the aim of producing a better diversification grade. The security selection was a key component of the Fund's performance.

### **Global Bond Fund Plus**

#### *Investment Objective*

The investment objective of the Fund is to endeavour to maximize the level of total return to Investors over long term, whilst minimizing the volatility of the portfolio and having regard to attaining a desirable level of liquidity, principally through investment in regulated collective schemes investing primarily in bonds and other debt securities issued in or outside Malta. The proportion of the Fund's investments in such collective investment schemes shall not fall below 50% of the Fund's Net Asset Value unless, in the opinion of the investment Advisor, market and economic conditions warrant otherwise in the interest of the Shareholders.

#### *Fund Performance*

During the period from 1st August 2017 to 31st January 2018, the quoted share price of the Global Bond Fund Plus increased by 0.4%.

## **MANAGER'S REPORT – continued**

### *Portfolio Activity*

The fund has returned a positive return for the period under review. The main concern of the Manager is for the continued poor performance of some holdings in the Fund's portfolio, which returned an average (-5%) over the period. The principal detractors being Aberdeen Emerging Markets Bond- USD (- 6.38%), GlobalCapital p.l.c. (- 9.13%) followed by Aberdeen Euro High Yield Bond Fund – EURO (- 3.22%) and Aberdeen Emerging Markets Bond – GBP (- 2.92%).

The Manager has also been patient with this listed fund for an extended period in the hope that the Manager of these Fund would take meaningful action to improve the performance of the underlying portfolio. The best performers in the period under review are IHGMV 6 (EURO) (+2%) and AXINVM 6 (0.91%).

## **Melita International Equity Fund**

### *Investment Objective*

The investment objective of the Fund is to endeavour to achieve long term capital growth by investing in equity markets world-wide principally through the medium of collective investment schemes that give access to these markets. The proportion of the Fund's investments in such collective investment schemes shall not fall below 50% of the Fund's Net Asset Value unless, in the opinion of the investment Advisor, market and economic conditions warrant otherwise in the interest of the Shareholders.

### *Fund Performance*

During the period from 1st August 2017 to 31st January 2018, the quoted share price of the Melita International Equity Fund decreased by (-3 %).

### *Portfolio Activity*

The Fund generated a negative due by the negative results recorded by Bank of Valletta and HSBC. In the period between The Manager started slightly reducing the holdings to the local equities.



Unaudited Statements of Financial Position  
as at 31 January 2018

	Global Funds SICAV p.l.c. Combined Statement		Global Bond Fund Plus		Malta Privatisation & Equity Fund		Melita International Equity Fund	
	31.01.2018	31.07.2017	31.01.2018	31.07.2017	31.01.2018	31.07.2017	31.01.2018	31.07.2017
	€	€	€	€	€	€	USD	USD
<b>ASSETS</b>								
Financial assets at fair value through profit or loss	3,899,334	3,896,785	937,633	949,031	2,656,650	2,656,714	380,003	341,301
Accrued income	2,803	2,204	2,700	2,101	103	103	-	-
Other receivables and prepayments	10	10	-	-	10	10	-	-
Cash and cash equivalents	322,443	350,667	258,862	269,869	14,799	53,654	25,073	31,831
<b>Total assets</b>	<b>4,224,590</b>	<b>4,249,666</b>	<b>1,199,196</b>	<b>1,221,001</b>	<b>2,671,562</b>	<b>2,710,481</b>	<b>405,076</b>	<b>373,132</b>
<b>EQUITY</b>								
Capital and reserves attributable to equity holders	4,322,036	4,357,829	1,166,629	1,186,787	2,588,335	2,627,327	388,158	360,420
Currency translation reserve	(255,473)	(236,370)	-	-	-	-	-	-
<b>Total equity</b>	<b>4,066,563</b>	<b>4,121,459</b>	<b>1,166,629</b>	<b>1,186,787</b>	<b>2,588,335</b>	<b>2,627,327</b>	<b>388,158</b>	<b>360,420</b>
<b>LIABILITIES</b>								
Accrued expenses	158,027	128,207	32,567	34,214	83,227	83,154	16,918	12,712
<b>Total liabilities</b>	<b>158,027</b>	<b>128,207</b>	<b>32,567</b>	<b>34,214</b>	<b>83,227</b>	<b>83,154</b>	<b>16,918</b>	<b>12,712</b>
<b>Total equity &amp; liabilities</b>	<b>4,224,590</b>	<b>4,249,666</b>	<b>1,199,196</b>	<b>1,221,001</b>	<b>2,671,562</b>	<b>2,710,481</b>	<b>405,076</b>	<b>373,132</b>
<b>Salient statistics</b>								
Shares in issue as at 31 January 2018			358,888,480		1,452,592,455		632,642,400	
Accumulator								
Net asset value as at 31 January 2018			€		€		USD	
Net asset value as at 31 July 2017			1,166,629		2,588,335		388,158	
Net asset value as at 31 July 2016			1,186,787		2,627,327		360,420	
Net asset value as at 31 July 2015			1,177,716		2,639,169		314,703	
Net asset value as at 31 July 2015			1,231,024		2,802,297		392,181	
Net asset value per share as at 31 January 2018 – Accumulator			3.2507		1.7818		0.6136	
Net asset value per share as at 31 July 2017 – Accumulator			3.3068		1.8087		0.5697	
Net asset value per share as at 31 July 2016 – Accumulator			3.2816		1.8169		0.4974	
Net asset value per share as at 31 July 2015 – Accumulator			3.4301		1.9292		0.6199	

**Unaudited Statements of Changes in Equity**  
for the six month period ended 31 January 2018

	Global Funds SICAV p.l.c. Combined Statement		Global Bond Fund Plus	Malta Privatisation & Equity Fund	Malta International Equity Fund
Capital and reserves attributable to equity holders	€	€	€	€	USD
At 31 July 2016	4,318,801	(218,732)	1,177,716	2,639,169	314,703
<b>Comprehensive income:</b>	39,028	-	9,071	(11,842)	45,717
Profit/(Loss) for the year	-	(17,638)	-	-	-
Other comprehensive income:	39,028	(17,638)	9,071	(11,842)	45,717
Currency translation differences arising on aggregation					
<b>Total comprehensive income</b>	4,357,829	(236,370)	1,186,787	2,627,327	360,420
At 31 July 2017	(35,793)	-	(20,158)	(38,992)	27,738
<b>Comprehensive income:</b>	-	(19,103)	-	-	-
(Loss)/Profit for the period	(35,793)	(19,103)	(20,158)	(38,992)	27,738
Other comprehensive income:					
Currency translation differences arising on aggregation					
<b>Total comprehensive income</b>	4,322,036	(255,473)	1,166,629	2,588,335	388,158

**Unaudited Statements of Comprehensive Income**  
for the six month period ended 31 January 2018

	Global Funds SICAV p.l.c. Combined Statement		Global Bond Fund Plus		Malta Privatisation & Equity Fund		Melita International Equity Fund	
	31.01.2018	31.01.2017	31.01.2018	31.01.2017	31.01.2018	31.01.2017	31.01.2018	31.01.2017
	€	€	€	€	€	€	USD	USD
<b>Income</b>								
Interest from loans and receivables	1,704	1,704	1,287	1,287	417	417	-	-
Dividend income	24,263	49,296	17,031	21,303	6,728	26,935	599	1,154
Other net fair value movements on financial assets at fair value through profit or loss	34,887	145,302	(11,399)	10,840	10,309	115,396	42,721	20,792
Management fee rebates	-	5,910	-	5,910	-	-	-	-
	<u>60,854</u>	<u>202,212</u>	<u>6,919</u>	<u>39,340</u>	<u>17,454</u>	<u>142,748</u>	<u>43,320</u>	<u>21,946</u>
<b>Expenses</b>								
Management and advisory fees	(31,798)	(32,322)	(8,949)	(8,975)	(16,487)	(16,785)	(7,555)	(7,156)
Registrar fees	(2,085)	(2,109)	(597)	(598)	(1,305)	(1,343)	(218)	(183)
Custodian fees	(5,677)	(5,731)	(1,500)	(1,500)	(2,660)	(2,744)	(1,801)	(1,622)
Transaction costs	(382)	(564)	(165)	(271)	(207)	(152)	(12)	(153)
Directors' remuneration	(3,707)	(8,100)	(1,077)	(2,061)	(2,352)	(5,968)	(329)	(78)
Professional fees	(40,183)	(31,886)	(11,671)	(9,105)	(25,505)	(20,435)	(3,570)	(2,558)
General administrative costs	(10,284)	24,860	(3,118)	9,724	(5,575)	(5,644)	(1,887)	22,660
	<u>(94,116)</u>	<u>(55,852)</u>	<u>(27,077)</u>	<u>(12,786)</u>	<u>(54,091)</u>	<u>(53,071)</u>	<u>(15,372)</u>	<u>10,910</u>
<b>Operating (loss)/profit</b>	<b>(33,262)</b>	<b>146,360</b>	<b>(20,158)</b>	<b>26,554</b>	<b>(36,637)</b>	<b>89,677</b>	<b>27,948</b>	<b>32,856</b>
Tax expense	(2,531)	(8,599)	-	-	(2,355)	(8,228)	(210)	(404)
<b>Total comprehensive (loss)/income</b>	<b>(35,793)</b>	<b>137,761</b>	<b>(20,158)</b>	<b>26,554</b>	<b>(38,992)</b>	<b>(81,449)</b>	<b>27,738</b>	<b>32,452</b>

**Unaudited Statements of Cash Flows**  
for the six month period ended 31 January 2018

	Global Funds SICAV p.l.c. Combined Statement		Global Bond Fund Plus		Malta Privatisation & Equity Fund		Melita International Equity Fund	
	31.01.2018	31.01.2017	31.01.2018	31.01.2017	31.01.2018	31.01.2017	31.01.2018	31.01.2017
	€	€	€	€	€	€	USD	USD
<b>Cash flows from operating activities</b>								
Interest received	1,131	1,133	714	716	417	417	-	-
Dividend income received	24,236	54,112	17,004	26,118	6,728	26,935	599	1,154
Operating expenses paid	(64,296)	(62,187)	(28,725)	(18,930)	(54,018)	(35,007)	(11,166)	(12,763)
Tax paid	(2,531)	(8,599)	-	-	(2,355)	(8,228)	(210)	(404)
Proceeds from sale of investments	13,759	18,954	-	12,340	10,374	1,500	4,019	5,775
<b>Net cash (used in)/generated from operating activities</b>	<b>(27,701)</b>	<b>3,413</b>	<b>(11,007)</b>	<b>28,623</b>	<b>(38,854)</b>	<b>(14,381)</b>	<b>(6,758)</b>	<b>(6,238)</b>
<b>Movements in cash and cash equivalents</b>	<b>(27,701)</b>	<b>3,413</b>	<b>(11,007)</b>	<b>20,244</b>	<b>(38,854)</b>	<b>(14,381)</b>	<b>(6,758)</b>	<b>(6,238)</b>
Cash and cash equivalents at beginning of period	350,667	341,220	269,869	241,246	53,653	58,585	31,831	45,996
Effect of exchange rate changes	(523)	865	-	-	-	-	-	-
<b>Cash and cash equivalents at end of period (note 3)</b>	<b>322,443</b>	<b>345,498</b>	<b>258,862</b>	<b>261,490</b>	<b>14,799</b>	<b>44,204</b>	<b>25,073</b>	<b>39,758</b>

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

### 1. GENERAL

Global Funds SICAV p.l.c. ("the Company") is an open-ended investment company and was incorporated as a public company with limited liability in Malta on 17 September 1998. The Company's Funds are licensed by the Malta Financial Services Authority as Collective Investment Schemes under the Investment Services Act. The shares of all the Funds are listed on the Official List of the Malta Stock Exchange.

### 2. ACCOUNTING POLICIES

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

#### 2.1 BASIS OF PREPARATION

These unaudited condensed financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' and are consistent with the accounting policies used in the preparation of the 2017 audited financial statements. They have also been prepared in accordance with the requirements of the Malta Financial Services Authority's Investment Services Rules for Retail Collective Investment Schemes. These unaudited financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The comparative amounts reflect the position of the Company as included in the audited financial statements for the year ended 31 July 2017 and the results for the period ended 31 January 2017.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires Directors to exercise their judgement in the process of applying its accounting policies.

As at 31 January 2018, the Company had three sub-funds: the Global Bond Fund Plus, the Malta Privatisation & Equity Fund and the Melita International Equity Fund. Each participating share which the Company issues is allocated to a class representing a particular Fund. The Company maintains a separate account for each Fund, to which the proceeds are credited, and against which the expenses allocated are charged. Upon redemption, shareholders are entitled only to their proportion of the net assets held in the account relating to the Fund in which their participating shares are designated.

Separate Statements of Financial Position, Statements of Changes in Equity, Statements of Comprehensive Income and Statements of Cash Flows have accordingly been prepared for each Fund. All references to net assets throughout this document refer to net assets attributable to shareholders.

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - continued

### 1. ACCOUNTING POLICIES - continued

#### 2.1 BASIS OF PREPARATION – continued

The Statements of Financial Position present assets and liabilities in increasing order of liquidity and does not distinguish between current and non-current items. Financial assets at fair value through profit or loss are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in accordance to the Investment Advisor's recommendations. All other assets and liabilities are expected to be realised within one year.

*Standards, interpretations and amendments to published standards effective 1 August 2017.*

a) *Standards and amendments to existing standards effective 1 August 2017*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 August 2016 that would be expected to have a material impact on the Fund.

b) *New standards, amendments and interpretations effective after 1 August 2017 and which have not been early adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 August 2017, and have not been applied in preparing these financial statements.

The company's directors are of the opinion that with the exception of IFRS 9 Financial Instruments, there are no requirements that will have a possible significant impact on the Company's financial statements in the year of initial application. IFRS 9 Financial Instruments issued in July 2014 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard supersedes all previous versions of IFRS 9. The standard introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single, forward-looking 'expected loss' impairment model that will require more timely recognition of expected credit losses.

IFRS 9 introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. The effective date for IFRS 9 is 1 January 2018.

#### 2.2 FOREIGN EXCHANGE TRANSLATION

The Company's designated currency is Euro, which is the presentation currency used for the Combined Statements. Exchange rate differences arising on the translation of the Shareholders' Funds at the beginning of the period not denominated in Euro are taken to the Combined Statement of Changes in Equity and are shown within 'currency translation differences arising on aggregation'.

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - continued

### 2. ACCOUNTING POLICIES - continued

#### 2.2 FOREIGN EXCHANGE TRANSLATION - continued

The Funds' functional currency is the currency of denomination of each Fund as stipulated in the Prospectus. Transactions carried out in currencies other than the base currency of each Fund, are translated at exchange rates ruling at the transaction dates. Assets and liabilities designated in currencies other than the base currency are translated into the base currency at exchange rates ruling at the Company's reporting date. All resulting differences are taken to the Statements of Comprehensive Income.

Translation differences on financial assets held at fair value through profit or loss are reported as part of 'other net fair value movements on financial assets at fair value through profit or loss'.

#### 2.3 FINANCIAL ASSETS

##### (a) Classification

The Fund classifies its investments in financial assets into the following categories: financial assets at fair value through profit or loss, and loans and other receivables. The classification is dependent on the purpose for which the investments were acquired. The Directors determine the appropriate classification of investments at the time of purchase and re-evaluate such designation at the reporting date.

- (i) Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy.
- (ii) Other receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Other receivables consist of accrued income, other receivables and cash and cash equivalents.

##### (b) Recognition, de-recognition and measurement

Regular purchases and sales of investments are recognised on the trade date, the date on which the Fund commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' are presented in the Statement of Comprehensive Income within 'other net fair value movements on financial assets at fair value through profit or loss' in the year in which they arise.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the reporting date. The quoted market price used for financial instruments held by the Company is the current market close price.

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - continued

### 2. ACCOUNTING POLICIES - continued

#### 2.3 FINANCIAL ASSETS - continued

##### *Valuation of investments in other funds*

The Fund's investments in other funds (Investee Funds) are subject to the terms and conditions of the respective Investee Fund's offering documentation. The investments in Investee Funds are primarily valued based on the latest available redemption price of such units for each Investee Fund, as determined by the administrator of such Investee Fund. The Fund reviews the details of the reported information obtained from the Investee Funds and considers: (i) the liquidity of the Investee Fund or its underlying investments, (ii) the value date of the net asset value (NAV) provided, (iii) any restrictions on redemptions, and (iv) the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the Investee Fund's advisors. If necessary, the Fund makes adjustments to the NAV of various Investee Funds to obtain the best estimate of fair value. Other net fair value movements on financial asset at fair value through profit or loss in the Statement of Comprehensive Income includes the change in fair value of each Investee Fund.

#### 2.4 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### 2.5 OTHER RECEIVABLES AND PAYABLES

Other receivables and payables represent amounts receivable and payable respectively, for transactions contracted for but not yet delivered by the end of the period.

These amounts are initially recognised at fair value and subsequently measured at amortised cost less any provision for impairment for other receivables. A provision for impairment of amounts due is established when there is objective evidence that the fund will not be able to collect all amounts due. These are recognised within the Statements of Comprehensive Income.

#### 2.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents 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 liabilities in the Statements of Financial Position.

#### 2.7 ACCRUED EXPENSES

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

#### 2.8 REDEEMABLE SHARES

The Fund issues redeemable shares, which are redeemable at the holder's option and are classified as equity in accordance with the IAS 32 (amendment) that meet the definition of a financial liability to be classified as equity where certain strict criteria are met.

Should the redeemable shares' terms or conditions change such that they do not comply with the strict criteria contained in the Amendment, the redeemable shares would be reclassified to financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognised in equity.



## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - continued

### 2. ACCOUNTING POLICIES - continued

#### 2.8 REDEEMABLE SHARES - continued

Redeemable shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's trading net asset value calculated in accordance with the Fund's regulations. Redeemable shares are issued and redeemed at the holders' option at prices based on the Fund's net asset value per share at the time of issue or redemption.

In accordance with the provision of the Fund's regulations investment positions are valued based on the last traded market price for the purpose of determining the net asset value per share for subscriptions and redemptions.

#### 2.9 INCOME RECOGNITION

All distributions from financial assets included in the Statements of Comprehensive Income are recognised on the date on which the stock is quoted ex-dividend up to the Company's year-end. Interest income from financial assets not classified as fair value through profit or loss is recognised using the effective interest method. Other gains or losses, including interest income, arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the Statements of Comprehensive Income within "other net fair value movements on financial assets at fair value through profit or loss" in the year in which they arise.

#### 2.10 TRANSACTION COSTS

Transaction costs are costs incurred to acquire financial assets at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the Statements of Comprehensive Income as an expense.

### 3. CASH AND CASH EQUIVALENTS

The period-end cash and cash equivalents comprise bank balances held at call and bank overdraft balances as follows:

	31.01.2018	% of net assets	31.07.2017	% of net assets
Global Bond Fund Plus	€258,862	22.19	€269,869	22.74
Malta Privatisation & Equity Fund	€14,799	0.57	€53,656	2.04
Melita International Equity Fund	USD25,073	6.46	USD31,831	8.83

All bank balances as at 31 January 2018 were held with Sparkasse bank Malta p.l.c.

### 4. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Under the terms of an agreement dated 17 September 1998, the Manager appointed GlobalCapital Financial Management Limited (GCFM) as Investment Advisor to the Company. By an agreement dated 28 February 2000, the Manager substituted GlobalCapital Financial Management Limited with GlobalCapital Fund Advisors Limited as Advisor to the Company.

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - continued**

**4. RELATED PARTIES - continued**

Following the merger between GlobalCapital Fund Advisors Limited with GlobalCapital Financial Management Limited on the 22 July 2010, GlobalCapital Fund Advisors Limited has now ceased to exist and GlobalCapital Financial Management Limited has taken over the responsibility as advisor.

The advisory fees and performance fees due for the reporting year are disclosed in the Statements of Comprehensive Income.

The registrar fees due payable to GCFM for the reporting period are disclosed in the Statements of Comprehensive Income.

During the six month period ended 31 January 2018, sales of local investment securities for all the Funds were transacted through GlobalCapital Financial Management Limited.

The commissions payable to GlobalCapital Financial Management Limited amounted to €NIL (2017: €NIL) for Global Bond Fund Plus.

The following financial assets were held with GlobalCapital p.l.c.:

	<b>2018</b>	<b>2017</b>
Global Bond Fund Plus	<b>€25,553</b>	€25,553
Malta Privatisation & Equity Fund	<b>€165,364</b>	€165,364

The following shares were held in the sub-funds by companies forming part of GlobalCapital p.l.c.:

	<b>Shares 2018</b>	<b>2018 % of total shares</b>	<b>Shares 2017</b>	<b>2017 % of total shares</b>
Global Bond Fund Plus	<b>68,904.016</b>	<b>19.20</b>	68,904.016	19.20
Malta Privatisation & Equity Fund	<b>349,465.354</b>	<b>24.06</b>	349,465.354	24.06
Melita International Equity Fund	<b>372,347.190</b>	<b>58.86</b>	372,347.190	58.86

The following shares were held through GlobalCapital Financial Management Limited as nominees:

	<b>Shares 2018</b>	<b>2018 % of total shares</b>	<b>Shares 2017</b>	<b>2017 % of total shares</b>
Global Bond Fund Plus	<b>157,832.037</b>	<b>43.98</b>	157,832.037	43.98
Malta Privatisation & Equity Fund	<b>196,985.074</b>	<b>13.56</b>	196,985.074	13.56
Melita International Equity Fund	<b>138,552.005</b>	<b>21.90</b>	138,552.005	21.90

**Portfolio Statements**  
as at 31 January 2018

	<b>Market Value</b>	<b>% of net assets</b>
	<b>31.01.2018</b>	
<b>Global Bond Fund Plus</b>	<b>€</b>	
<b>Quoted Local Equity</b>		
GlobalCapital p.l.c.	<b>32,368</b>	2.77
<b>Quoted Local Corporate Bond</b>		
4.80% Bank of Valletta Notes 2018	<b>30,000</b>	2.57
6.00% AX Investments p.l.c. 2024	<b>13,875</b>	1.19
6.00% Island Hotels Group Holdings p.l.c 2024	<b>6,849</b>	0.59
<b>Foreign Collective Investment Schemes</b>		
Aberdeen Global Select Emerging Markets Bond Fund – A1	<b>275,185</b>	23.59
Aberdeen Global Select Euro High Yield Bond Fund – A1	<b>296,404</b>	25.41
Aberdeen Global Select Euro High Yield Bond Fund – D1	<b>282,952</b>	24.25
<b>Malta Privatisation &amp; Equity Fund</b>	<b>€</b>	
<b>Quoted Local Equities</b>		
Bank of Valletta p.l.c.	<b>320,039</b>	12.36
GlobalCapital p.l.c.	<b>209,461</b>	8.09
GO p.l.c.	<b>352,000</b>	13.60
Malta Properties Company p.l.c.	<b>51,500</b>	1.99
Grand Harbour Marina p.l.c.	<b>145,282</b>	5.61
HSBC Bank Malta p.l.c.	<b>45,251</b>	1.75
International Hotel Investments p.l.c.	<b>153,800</b>	5.94
Lombard Bank Malta p.l.c.	<b>506,069</b>	19.55
Malta International Airport p.l.c.	<b>582,617</b>	22.51
Mapfre Middlesea p.l.c.	<b>267,425</b>	10.33
<b>Quoted Local Corporate Bond</b>		
5.35% BOV Bond 2019	<b>15,921</b>	0.62
<b>Quoted Foreign Equity</b>		
Royal Bank of Scotland	<b>7,285</b>	0.29
<b>Melita International Equity Fund</b>	<b>USD</b>	
<b>Quoted Local Equities</b>		
Bank of Valletta p.l.c.	<b>10,205</b>	2.63
HSBC Bank Malta p.l.c.	<b>16,426</b>	4.23
Lombard Bank Malta p.l.c.	<b>16,497</b>	4.25
Malta International Airport p.l.c.	<b>21,189</b>	5.46
<b>Quoted Foreign Equity</b>		
Royal Bank of Scotland	<b>3,482</b>	0.90
<b>Foreign Collective Investment Schemes</b>		
JP Morgan Emerging Middle East Equity D (acc) Fund	<b>89,225</b>	22.99
Raiffeisen Eastern European Equities Fund	<b>111,669</b>	28.77
Kames Global Equity Fund	<b>75,198</b>	19.37
BGF Global Small Cap Fund – A2	<b>36,112</b>	9.30

## Statement of Changes in the Composition of the Portfolios

The composition of the portfolio, detailed in Portfolio Statements on page 16, in comparison with the Portfolio Statements as at 31 July 2017 stood as follows:

	<b>% of net assets 31.01.2018</b>	<b>% of net assets 31.07.2017</b>
<b>Global Bond Fund Plus</b>		
Quoted Local Equities	<b>2.77</b>	2.15
Quoted Local Corporate Bonds	<b>4.35</b>	4.32
Foreign Collective Investment Schemes	<b>73.25</b>	73.49
<b>Malta Privatisation &amp; Equity Fund</b>		
Quoted Local Equities	<b>101.74</b>	100.28
Quoted Local Corporate Bonds	<b>0.62</b>	0.61
Quoted Foreign Equities	<b>0.28</b>	0.23
<b>Melita International Equity Fund</b>		
Quoted Local Equities	<b>16.57</b>	17.36
Quoted Foreign Equity	<b>0.90</b>	0.76
Foreign Collective Investment Schemes	<b>80.43</b>	76.58

## INFORMATION ABOUT THE SCHEME

### 1. Authorisation

The Company is licensed by the Malta Financial Services Authority as a Collective Investment Scheme pursuant to Section 6 of the Investment Services Act, 1994.

### 2. Income

No distributions are made in either of the sub-funds. Instead, all income is accumulated within the price of the shares, and therefore no equalisation is required.

### 3. Current Taxation

The tax regime for collective investment schemes is based on the classification of funds into prescribed or non-prescribed funds in terms of the conditions set out in the Collective Investment Schemes (Investment Income) Regulations, 2001. In general, a prescribed fund is defined as a resident fund, which has declared that the value of its assets situated in Malta amount to at least eighty-five percent of the value of the total assets of the fund. On the basis that the Malta Privatisation & Equity Fund is currently classified as a prescribed fund for income tax purposes, it is subject to Maltese tax on its investment income as defined in the Income Tax Act at a rate of 10% or 15% depending on the nature of the income. No tax on capital gains should be incurred by resident investors upon the disposal of units in such fund.

The Global Bond Fund Plus and the Melita International Equity Fund are currently classified as non-prescribed funds for income tax purposes and therefore these funds would not be subject to tax on their income or gains but resident investors therein may be subject to a 15% final withholding tax on capital gains realised on redemptions of units. However, the investor may request the Company not to effect the deduction of the said 15% withholding tax in which case the investor would be required to declare the gains in his income tax return and will be subject to tax at the normal rates of tax.

In case of the Company's foreign investments, any capital gains, dividends, interest and other gains or profits may be subject to tax imposed by the country of origin concerned and such taxes may not be recoverable by the Company or by its shareholders. This could, inter alia, be the case for the Global Bond Fund Plus and the Melita International Equity Fund.

### 4. Up-front Charges and other Fees

	Initial charge	Management Fee as a % per annum of the Net Asset Value of each Fund	Custody Fee as a % per annum of the Value of Investments of each Fund	Registrar Fee as a % per annum of the Net Asset Value of each Fund
<b>Global Bond Fund Plus</b>	A spread between the Offer Price and the Bid Price of up to 5%, currently discounted to 3%	1.5 % ( <i>inclusive of the Investment Advisory Fee</i> )	0.2%, subject to a minimum of €3,000	0.1%
<b>Malta Privatisation &amp; Equity Fund</b>	A spread between the Offer Price and the Bid Price of up to 4%, currently discounted to 3%	1.25 % ( <i>inclusive of the Investment Advisory Fee</i> )	0.2%, subject to a minimum of €3,000	0.1%
<b>Melita International Equity Fund</b>	An initial charge of up to 5%, currently set at 5% on the amount invested	0.60% * + 1.15% **	0.2%, subject to a minimum of €3,000	0.1%

## INFORMATION ABOUT THE SCHEME - continued

### 4. Up-front Charges and other Fees - continued

\* This part of the Management Fee is retained by the Manager, and is subject, in the aggregate, to a minimum fee payable to the Manager of USD10,000 with respect to Melita International Equity Fund only.

\*\*This part of the Management Fee is payable by the Manager to the Investment Advisor as an Investment Advisory Fee.

#### *Performance fees*

With effect from 1 October 2007, the Performance Fee payable to the Investment Advisor has been amended in accordance with the Investment Services Act (Performance Fees) Regulations, (Legal Notice 239 of 2006).

The Investment Advisor shall, in addition to the Investment Advisory Fee received from the Manager, be entitled to a fee based on the performance of each Fund (the "**Performance Fee**"), payable by the Company with respect to the Fund concerned, as follows:

(i) The Performance Fee in respect of the Malta Privatisation & Equity Fund and the Melita International Equity Fund shall become payable to the Investment Advisor in the event that the relevant Fund outperforms the Relevant Index (as defined below) for that Fund in any one Financial Year. The Performance Fee shall be equal to 25% of the return made by the Fund concerned over the Relevant Index for that Fund in any one Financial Year. This Performance Fee will be paid quarterly to the Investment Advisor within three (3) months from the end of the quarter to which it relates.

At the end of each Financial Year, the Performance Fee properly due for that Financial Year with respect to the relevant Fund shall be determined on the basis of the actual performance of the Fund concerned during that Financial Year on the basis of the audited financial statements of the Company. If, at the end of the Financial Year, it results that the Investment Advisor has received an overpayment of the fee with reference to the relevant Fund, such amount as has been overpaid shall be repaid to the Fund concerned within three (3) months from the date of determination of the Performance Fee properly due to the Investment Advisor with respect to that Fund. In the event that after determination of the Performance Fee properly due and payable to the Investment Advisor with respect to the Fund concerned it results that the Investment Advisor has received an underpayment of such fee, then the Fund concerned shall pay the difference of such underpayment within three (3) months from the date of the determination of the Performance Fee properly due to the Investment Advisor with respect to that Fund.

The Performance Fee payable will be calculated as at the annual accounting reference date each year by taking the increase in the Net Asset Value per Share for the relevant Fund during that Financial Year as on the last Dealing Day of that annual accounting period (before deduction of the Performance Fee) and comparing this with the Relevant Index for that Fund for that period. The Performance Fee payable will be equal to 25% of the amount by which the increase in the Net Asset Value per Share of the relevant Fund has outperformed the Relevant Index for that Fund, multiplied by the average number of Shares in issue in that Fund, taken at each valuation point, during that annual accounting period.

Provided that if a Fund has underperformed the Relevant Index in any preceding Financial Year such under performance shall be recouped before a Performance Fee shall become payable in any subsequent Financial Year with respect to that Fund. Provided further that no Performance Fee will be paid in any Financial Year if the Net Asset Value per Share of the Fund concerned is below that Fund's Initial Offer Price at the end of that Financial Year.

## INFORMATION ABOUT THE SCHEME - continued

### 4. Up-front Charges and other Fees - continued

#### *Performance fees - continued*

The **Relevant Index** for the purpose of the payment of the Performance Fee is:

- (a) in so far as the Malta Privatisation & Equity Fund is concerned, the MSE Index (as defined below);
- (b) in so far as the Melita International Equity Fund is concerned, the Morgan Stanley Capital International (MSCI) World Local Index (as defined below).

**"MSE Index"** means the index maintained and produced by the Malta Stock Exchange as the official equity index of the Malta Stock Exchange (as displayed on either of the Malta Stock Exchange website ([www.borzamalta.com.mt](http://www.borzamalta.com.mt)) or the relevant page of the Bloomberg screen with the code *MALTEX Index*) as of close of business on the latest day immediately preceding each Dealing Day (or, if the said rate is not available at such time or on such day, as of the latest available time and day. If both of the MSE and Bloomberg codes are replaced or if both these services cease to be available, the Investment Advisor shall notify the Manager and the Company of such other Bloomberg code or of such other service displaying the appropriate index, if available).

**"Morgan Stanley Capital International (MSCI) World Local Index"** means the index maintained and produced by Morgan Stanley Capital International Inc. as the Morgan Stanley Capital International (MSCI) World Local index (as displayed on either of the relevant page of the Bloomberg screen with the code *MSDLWI Index* or the relevant page of the Reuters screen with the code *.CIWL*) as of close of business on the latest day immediately preceding each Dealing Day (or, if the said rate is not available at such time or on such day, as of the latest available time and day. If both of the Bloomberg and Reuters codes are replaced or if both of these services cease to be available, the Investment Advisor shall notify the Manager and the Company of such other code or of such other service displaying the appropriate index, if available).

The Investment Advisory Agreement further provides that if any Relevant Index ceases to be available, or if the Investment Advisor otherwise determines that adequate and fair means do not exist for ascertaining a Relevant Index or that such index has become inappropriate as a benchmark to measure a Fund's performance, by reference to that Fund's investment objective and asset allocation, then the Investment Advisor shall notify the Manager and the Company of that fact and:

(a) within five (5) Business Days of receipt of the notification, the Investment Advisor, the Manager and the Company shall enter into negotiations for a reasonable period with a view to agreeing an alternative basis for determining the method for the calculation of the Performance Fee for the Fund concerned in line with the Investment Services Act (Performance Fees) Regulations (L.N. 239 of 2006) (the "Regulations);

(b) an alternative basis for determining such Performance Fee may include any alternative index or indices which are published in an appropriate manner or benchmark and which are considered appropriate by the Investment Advisor, the Manager and the Company to measure a Fund's performance by reference to its investment objective and asset allocation, as long as such alternative shall be in line with the Regulations and without prejudice to the Company's obligations under the Regulations.

## INFORMATION ABOUT THE SCHEME - continued

### 4. Up-front Charges and other Fees - continued

#### *Performance fees - continued*

(ii) The Performance Fee in respect of the Global Bond Fund Plus shall become payable to the Investment Advisor in the event that the Fund outperforms the Relevant Benchmark (as defined below) in any one Financial Year. The Performance Fee shall be equal to 25% of the return made by the Fund over the Relevant Benchmark in any one Financial Year. This Performance Fee will be paid quarterly to the Investment Advisor within three (3) months from the end of quarter to which it relates.

At the end of each Financial Year, the Performance Fee properly due for that Financial Year with respect to the Fund shall be determined on the basis of the actual performance of the Fund during that Financial Year on the basis of the audited financial statements of the Company. If, at the end of the Financial Year, it results that the Investment Advisor has received an overpayment of the fee with respect to the Fund, such amount as has been overpaid shall be repaid to the Fund within three (3) months from the date of determination of the Performance Fee properly due to the Investment Advisor. In the event that after determination of the Performance Fee properly due and payable to the Investment Advisor with respect to the Fund it results that the Investment Advisor has received an underpayment of such fee, then the Fund shall pay the difference of such underpayment within three (3) months from the date of the determination of the Performance Fee properly due to the Investment Advisor.

The Performance Fee payable will be calculated as at the annual accounting reference date each year by taking the increase in the Net Asset Value per Share for the Fund during that Financial Year as on the last Dealing Day of that annual accounting period (before deduction of the Performance Fee) and comparing this with the Relevant Benchmark for that period. The Performance Fee payable will be equal to 25% of the amount by which the increase in the Net Asset Value per Share for the Fund has outperformed the Relevant Benchmark, multiplied by the average number of Shares in issue in the Fund, taken at each valuation point, during that annual accounting period.

Provided that no Performance Fee in respect of the Fund shall be paid or accrued until the Net Asset Value per Share of the Fund exceeds the "water mark", that is, the highest of the previous highest Net Asset Value per Share for the Fund on which the Performance Fee was paid (if any), the Initial Offer Price, or the Relevant Benchmark. In any Financial Year shall only be payable on the increase over the "water mark".

The Relevant Benchmark for the purpose of the payment of the Performance Fee in respect of the Fund shall be the BBA 3 Month Libid Euro Rate being the British Bankers' Association London Interbank Bid Rate for EURO for a three (3) month period. This rate is based upon the British Bankers' Association LIBOR fixings (as displayed on either of the relevant page of the Bloomberg screen with the code EU0003M or the relevant page of the Reuters screen with code *LIBOR=*) and is determined by subtracting one eighth (0.125) from the British Bankers' Association 3 Month Libor Euro Rate as of 11.00a.m. GMT on each Dealing Day (or, if the said BBA 3 Month Libor Euro Rate is not available at such time or on such day, as of the latest available time and day. If both of the Bloomberg and Reuters codes are replaced or if both of these services cease to be, the Investment Advisor shall notify the Manager and the Company of such other code or of such other service displaying the appropriate index, if available).



## INFORMATION ABOUT THE SCHEME - continued

### 4. Up-front Charges and other Fees - continued

#### *Performance fees - continued*

The Investment Advisory Agreement further provides that if any Relevant Benchmark ceases to be available, or if the Investment Advisor otherwise determines that adequate and fair means do not exist for ascertaining a Relevant Benchmark or that such index has become inappropriate as a benchmark to measure the Fund's performance, by reference to the Fund's investment objective and asset allocation, then the Investment Advisor shall notify the Manager and the Company of that fact and:

(a) within five (5) Business Days of receipt of the notification, the Investment Advisor, the Manager and the Company shall enter into negotiations for a reasonable period with a view to agreeing an alternative basis for determining the method for the calculation of the Performance Fee for the Fund in line with the Investment Services Act (Performance Fees) Regulations (L.N. 239 of 2006) (the "Regulations");

(b) an alternative basis for determining such Performance Fee may include any alternative index or indices which are published in an appropriate manner or benchmark and which are considered appropriate by the Investment Advisor, the Manager and the Company to measure the Fund's performance by reference to its investment objective and asset allocation, as long as such alternative shall be in line with the Regulations and without prejudice to the Company's obligations under the Regulations.

At the end of the first Accounting Period and in the event that the Investment Advisory Agreement shall terminate otherwise than at the end of an Accounting Period, the Performance Fee payable for any period less than a quarter shall be calculated proportionately and paid within three months from the end of the first Accounting Period or the termination of the Investment Advisory Agreement (as the case may be).

If the determination of the Net Asset Value of any Fund shall be suspended pursuant to the Articles or the Laws on any Dealing Day, the Performance Fee shall be calculated by reference to the Net Asset Value of such Fund on the Dealing Day immediately preceding such suspension.

### 5. Risk Warnings

#### *Market Fluctuations*

Investments in the Funds should be regarded as a long-term investment. The Funds' investments are subject to normal market fluctuations and the risks inherent in all investments and there are no assurances that capital appreciation will occur.

The price of shares and the income from them (if any) can, from time to time, go down as well as up and investors may not realise the amount of their initial investment. Past performance is no guarantee of future performance. The value of the Funds, including the currencies in which they are denominated, may fall as well as rise.

#### *Erosion of Capital*

When an Investor redeems part of his/her holding, the Investor should be aware that these redemptions / payments will be made from the sale of Shares and may result in an erosion of capital.

#### *Exchange Rate Fluctuations*

Currency fluctuations between the base currency of a Fund, and,

(i) the investor's currency of reference, and

(ii) the currency of the underlying investments of that Fund,

may adversely affect the value of investments and the income derived therefrom.

## INFORMATION ABOUT THE SCHEME - continued

### 5. Risk Warnings - continued

#### *Investments on the Malta Stock Exchange*

Some of the Funds, directly or indirectly through collective investment schemes, may invest in debt securities and equity securities quoted on the Malta Stock Exchange ("the MSE"). When compared to more established markets, the MSE is a relatively new market and, accordingly, the investments that can be made thereon are limited. This may lead to an exposure to a particular security or industry sector that is higher than that normally associated with a diversified portfolio. This may expose the Funds to higher levels of volatility and may adversely affect the performance of the Funds.

Despite the fact that such securities are listed, the market in such securities may be illiquid in view that the trading volumes on emerging stock exchanges such as the MSE, are substantially less than in the world's leading stock markets. Accordingly the buying and selling of securities may be time consuming and may need to be effected at unfavourable prices.

#### *Investments in Smaller Companies*

The Funds, directly or indirectly through collective investment schemes, may invest in the securities of smaller companies. Investments in the securities of smaller companies can involve greater risk than is customarily associated with investment in larger, more established companies.

In particular, smaller companies often have limited product lines, markets or financial resources, and may be dependent for their management on one or two key individuals. This may result in investments in such companies to be more volatile than in larger companies.

#### *Investments in Companies Operating in Particular Industry Sectors*

The Funds, directly or indirectly through collective investment schemes, may invest in companies operating in particular industry sectors. Such companies are subject to a higher degree of commercial and financial risk. This may result in investments in such companies being subject to higher levels of volatility and may adversely affect the performance of the Funds investing in such companies.

#### *Investments in Unlisted Securities*

The Funds, directly or indirectly through collective investment schemes, may invest in unlisted securities. Investment in unquoted securities can be subject to risks not normally associated with quoted securities. These risks mainly relate to the illiquidity of the market.

#### *Foreign and Local Equity Investments*

The Funds, directly or indirectly through collective investment schemes, may invest in foreign and local equity securities. Investment in equities is subject to certain risks inherent in the market that are attributable to general market conditions. Furthermore, equity investment is also subject to firm specific risk that reflects the risk peculiar to an individual firm. Investors should therefore be aware that Funds that invest part or their entire portfolio directly in equities are subject to both market and firm specific risk.

#### *Investments in Sub-Investment Grade Securities*

Some of the Funds, directly or indirectly through collective investment schemes, may invest a significant part of their assets in sub-investment grade debt securities. Sub-investment grade debt securities offer a very low level of protection insofar as the honouring of principal and interest payments by the issuers thereof is concerned. The lower the rating of a sub-investment grade debt security, the lower the protection (if at all) afforded against credit default by the respective issuer. In view of the special risks associated with investment in sub-investment grade securities, an investment in Funds investing in such securities should be regarded as involving a greater degree of risk.

## INFORMATION ABOUT THE SCHEME - continued

### 5. Risk Warnings - continued

#### *Specific Risks in respect of Funds investing in Emerging Markets*

Some of the Funds, directly or indirectly through collective investment schemes, may invest a significant part of their assets in securities of issuers in emerging markets. Investments in emerging markets can be subject to risks not normally associated with more developed markets. These risks mainly relate to the instability of the economies of the countries concerned, political uncertainties and, in some cases, illiquidity of the market concerned. Such investments may also be adversely affected by higher counter-party risks, greater currency risks, higher price volatility and the effect of exchange control regulations or other governmental laws or restrictions. The supervision by governmental authorities and the legal environment of these economies may be less than adequate and some of these markets may not be subject to accounting, auditing and financial reporting standards comparable to those existing in more developed countries, thereby exposing the Funds to a greater degree of risk, including the risk of fraudulent securities. Furthermore, settlement and custody systems in emerging markets are not as well developed as those in more developed markets.

Investors should be aware that any downturn in the economies of emerging markets might adversely affect the servicing and ultimate repayment of the investments of the Funds. Additionally, market practices in relation to the settlement of securities transactions and the custody of assets in emerging markets can provide increased risk of loss to the Funds.

#### *Investments in Collective Investment Schemes*

The Funds invest in collective investment schemes that may in turn invest globally in a range of securities. As a result, these Funds are subject to the same risk factors as the underlying assets in which they invest. Some of the underlying collective investment schemes in which the Funds may be invested may be priced at intervals that are more than weekly. Accordingly, in pricing, the Manager may have to use a price that may be more than a week or fifteen days old. This could result in a higher or lower price for such investments than that which could be obtained on the day of pricing of such investments.

#### *Performance Fee*

The Performance Fees payable to the Investment Advisor may incentivise the Investment Advisor to take higher risks in the investment recommendations made by it to the Board of Directors. All investment decisions are taken by the Board of Directors or a sub-committee thereof.

The amount of Performance Fees payable to the Investment Advisor is not subject to any cap or maximum amount.

The increase in NAV which is used as a basis for the calculation of the Performance Fees may be comprised both of realised gains as well as unrealised gains as at the end of the calculation period and, as a result, Performance Fees may be paid on unrealised gains which may subsequently never be realised by the Company.

The Company does not operate an equalisation account nor any other method to ensure an equal treatment for the payment of the Performance Fees irrespective of the timing of the application for or redemption of Shares in the Company. Accordingly, Shareholders may, when purchasing and/or redeeming Shares in the Company, indirectly underpay or overpay an under-performance accrual or an over-performance accrual as the case may be.

### 6. Scheme Particulars

The above details are extracted from the latest version of the Global Funds SICAV p.l.c. Prospectus dated 1 March 2010, which is available upon request from the Manager and was current at the date of this Annual Report and Financial Statements. Persons wishing to invest in the shares should do so on the basis of the full information contained in the Prospectus.

## INFORMATION ABOUT THE SCHEME - continued

### 7. Manager's Statement

In the opinion of the Manager, the Interim Report and Unaudited Financial Statements contains all the information required to enable the investors to make an informed judgement of the results and activities of the Company for the six month period ended 31 January 2018, and does not omit any matter or development of significance.