

Global Funds SICAV p.l.c.

Annual Report
And
Financial Statements

31 July 2019



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

Alexia Farrugia
15, LUAI, Triq in-Namur, L-Iklin, Malta

Konrad Paul Camilleri
26, The Palisades, Triq Guze Orlando,
Birkirkara, Malta

COMPANY SECRETARY

ARQ Corporate Ltd.
Ewropa Business Centre, Level 3 – 701,
Dun Karm Street, Birkirkara, BKR9034, Malta

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.
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SLM3112, Malta
*Licensed to conduct investment services
business by the Malta Financial Services
Authority.*

AUDITORS

PricewaterhouseCoopers
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LEGAL ADVISORS

Fenech Farrugia Fiott Legal
Ewropa Business Centre, Level 3 – 702,
Dun Karm Street, Birkirkara, BKR9034, Malta

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 suspension was lifted by the Board of Directors with effect from 6th December 2019.

The Directors intend proposing an extraordinary resolution for the voluntary liquidation and winding-up of the Company, during an Extraordinary General Meeting to be convened in the near future. In view of this, the Board of Directors no longer considers the Company to be a going concern and these financial statements have therefore been prepared using a liquidation basis of accounting.

Having identified a potential candidate for appointment as liquidator of the Company, the Board of Directors is shortly convening an Extraordinary General Meeting of the members of the Company recommending the voluntary dissolution and winding up of the Company and the appointment of a liquidator.

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 1st August 2018 to 31st July 2019.

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 investments 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 2018 to 31st July 2019 the quoted share price of the Malta Privatization and Equity Fund increased by almost 8.56%.

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 generated the following results:

Negative performers (MPEF)

Security Name	Period	Performance Price % [EUR]
Bank of Valletta PLC [EUR]	01.08.2018 – 31.07.2019	-21.43
GlobalCapital PLC [EUR]	01.08.2018 – 31.07.2019	- 16.67
HSBC Bank Malta PLC [EUR]	01.08.2018 – 31.07.2019	-15.93

The following assets have fared well over the year.

Top performers (MPEF)

Security Name	Period	Performance Price % [EUR]
GO PLC [EUR]	01.08.2018 – 31.07.2019	+ 49.85
Malta International Airport PLC [EUR]	01.08.2018 – 31.07.2019	+ 46.28
Malta Properties Co PLC [EUR]	01.08.2018 – 31.07.2019	+ 35.16

MANAGER'S REPORT – continued

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.

Fund Performance

During the period from 1st August 2018 to 31st July 2019, the quoted share price of the Global Bond Fund Plus decreased by -3.216%. Please note that the value of the NAV as of 31.07.2019 is based on unofficial calculations as the trading suspension on the SICAV is still in place.

Portfolio Activity

The fund has returned the following performance for the period under review. The holdings in the Fund's portfolio behave as shown in the tables below.

Negative performers (GBFP)

Security Name	Period	Performance % [EUR]
GlobalCapital PLC [EUR]	01.08.2018 – 31.07.2019	-16.67
International Hotel Investments MV 6 05/15/24 [EUR]	01.08.2018 – 31.07.2019	-3.20
AXINVM 6 03/06/24 [EUR]	01.08.2018 – 31.07.2019	-1.35

The following assets have fared well over the year

Top performers (GBFP)

Security Name	Period	Performance Price % [EUR]
Aberdeen Global - Select Emerging Markets Bond Fund A MInc [USD]	01.08.2018 – 31.07.2019	+ 13.85
WisdomTree AT1 CoCo Bond UCITS ETF [EUR]	01.08.2018 – 31.07.2019	+ 9.82
Amundi Floating Rate USD Corporate UCITS ETF [USD]	01.08.2018 – 31.07.2019	+ 7.84

MANAGER'S REPORT – continued

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 2018 to 31st July 2019, the quoted share price of the Melita International Equity Fund decreased by -7.292%. Please note that the value of the NAV as of 31.07.2019 is based on unofficial calculations as the trading suspension on the SICAV is still in place.

Portfolio Activity

The negative performance of the Fund is mainly related to negative results recorded by Bank of Valletta and HSBC as better indicated in the tables below.

Negative performers (MIEF)

Security Name	Period	Performance Price % [USD]
Bank of Valletta PLC [EUR]	01.08.2018 – 31.07.2019	- 25.30
HSBC Bank Malta PLC [EUR]	01.08.2018 – 31.07.2019	- 19.91
Royal Bank of Scotland Group PLC [GBP]	01.08.2018 – 31.07.2019	- 16.85

Top performers (MIEF)

Security Name	Period	Performance Price % [USD]
Malta International Airport PLC [EUR]	01.08.2018 – 31.07.2019	+ 39.05
JPMorgan Funds - Emerging Middle East equity D [USD]	01.08.2018 – 31.07.2019	+ 8.89
Kames Global Equity Income Fund [USD]	01.08.2018 – 31.07.2019	+ 5.22

Notes of the Manager

The relaunch plan of the Scheme proposed by the Manager, discussed and agreed with the Directors of the Board and presented to the Investors during numerous Informative Meetings wasn't accomplished due to the impossibility of attracting new investments.

In fact, the intention of the plan was to provide a more viable future for the Scheme and its Investors. This was predicated on the need to increase the investment in the funds.

Unfortunately, the costs associated with the subsistence of the Scheme were and still are of such an entity that the Scheme would have only become viable if substantial new investments were attracted to the Scheme.

Notwithstanding the efforts of the Manager in convincing the selected new prospective investors, none of the non-binding commitments has been confirmed by them.

This has induced the Directors to take the decision to proceed with the liquidation plan as better described in the correspondence dated 6th September 2019 exchanged between the Directors and the investors.

REPORT OF THE DIRECTORS

The Directors are hereby laying their Annual Report and Financial Statements of the Company for the year ended 31st July 2019 at this Annual General Meeting, for the shareholders' careful consideration and eventual approval.

Principal Activities

Global Funds SICAV p.l.c. is organised under the laws of Malta as a multi-class investment company with variable share capital (SICAV). The Company was registered on the 17 September 1998 and is licenced as a Collective Investment Scheme under the Investment Services Act, 1994 (Chapter 370 Laws of Malta). The Company currently consists of three Sub-Funds: the Global Bond Fund Plus, the Malta Privatisation & Equity fund and the Melita International Equity Fund (the "Funds"). The Company has no employees.

Suspension of Determination of Net Asset Value

The Board notes the suspension on the determination of the Net Asset Value (the "NAV") in respect of the Funds of the Company, which was imposed by the Directors on the 05th May 2015.

The suspension on the determination of the NAV in respect of the three Funds of the Company was lifted by the Board of Directors with effect from Friday 6th December 2019. The issue and redemption of the units in each of the Company's Funds resumed immediately, following the lifting of the suspension on the determination of the NAV, as of Friday 6th December 2019. The three options made available to the Company's Investors' (as explained further hereunder) have or are in the process of being duly honoured and executed by the Company.

Important Events Affecting the Company Since the End of the Accounting Period ended 31st July 2018

Following the financial year end, there were a number of developments that the Directors deem important events which affect the Company:

a. The viability of the proposal of a Re-Launch Plan of the Company and its Funds

During the Annual General Meeting convened on the 5th October 2018, the Fund Manager of the Company, GlobalCapital Financial Management Limited ("GCFM") had presented a plan to the investors, which primarily focused on the following items:

1. Cost reduction plan and operational efficiencies directly linked to the fund management of the Company;
2. Amalgamation of two of the Company's Funds, Global Bond Fund Plus and Melita International Equity Fund, with the aim of further reducing fees charged to the Company, improving the diversification of the Company's underlying assets and curbing market risks; and
3. New marketing and distribution plan, to be implemented by GCFM's team together with a co-distribution agreement with a local investment firm.

A significant investor in the Company, GlobalCapital Life Insurance Limited, had confirmed its continued commitment to further invest in the Company, in view of its future opportunities. In addition, it had also been communicated by GCFM during the same meeting, that there were other local and international investors who expressed their interest in investing in the Company.

Later during the year, as further noted in item d. below, the manager communicated that these options no longer seemed feasible. GlobalCapital Life Insurance Limited submitted a request for the redemption of its shares in the Funds of the Company. This re-launch plan is no longer being pursued as of the date of publication of these financial statements.

REPORT OF THE DIRECTORS - continued

Important Events Affecting the Company Since the End of the Accounting Period ended 31st July 2018 - continued

b. Options made Available to the Investors' of the Company

During an Investors' Information Meeting convened on the 23rd April 2019, the following options were communicated to the Investors, in the context of lifting the suspension on the NAV determination in respect of the Company's Funds:

- Option 1 – Retention of the investment held in the Funds of the Company;
- Option 2 – Redemption of the investment for cash; or
- Option 3 – Transfer of the investment to Merrill SICAV plc (the “**Migration Option**”).

The Board of Directors had numerous exchanges and meetings with the representative from the Malta Financial Services Authority, GCFM's representatives, together with the fund manager of Merrill SICAV plc, for the purpose of making the above-noted options viable and sustainable alternatives for all of the Company's investors.

c. Sale of GlobalCapital plc Shares

The Directors note that, for reasons beyond their control, the Migration Option was made conditional on the sale of GlobalCapital p.l.c. ordinary shares, in the aggregate amount of 636,392 which are held by the Company's Funds, as follows:

- Malta Privatisation and Equity Fund – 551,214 shares in GlobalCapital p.l.c.; and
- Global Bond Fund Plus – 85,178 shares in GlobalCapital p.l.c.

The Board of Directors appointed Calamatta Cuschieri Investment Services Limited, as the Company's independent stockbroker, for the sale of ordinary shares held in GlobalCapital plc. This was also deemed necessary to ensure that the Company's investors are presented with multiple options and that there is sufficient liquidity to honour requests for redemptions in cash. The Board instructed Messers Calamatta to proceed with the execution of the sale of ordinary shares held in GlobalCapital p.l.c. at the best market price obtainable and to have the execution concluded by not later than 16th August 2019. Further to the negotiations conducted on behalf of the Company by Messrs Calamatta, in their capacity as independent stockbroker, the sale of GlobalCapital p.l.c. ordinary shares held by the Company's Funds was concluded on the 14th August 2019.

d. Investors' Information Meeting – September 2019

In a letter dated 6th September 2019 sent to the Company's investors, the Board of Directors invited said investors to elect one of the three options made available during the Investors' Information Meeting held on the 23rd April 2019. Investors were requested to make their choice by not later than 11th October 2019. The Board convened an Investors' Information Meeting on the 18th September 2019 during which the three options were further explained. During that meeting, the Board noted that a few minutes prior to the initiation of the Information Meeting, the Directors received a communication from GCFM's representatives suggesting that Option 1 made available to the investors, that is retaining their investment held in the Company's Funds in view of the proposed re-launch plan, was no longer viable in the point of view of the current manager who had originally suggested this option. The manager's position was further clarified to another letter to investors dated 1st October 2019.

REPORT OF THE DIRECTORS - continued

Important Events Affecting the Company Since the End of the Accounting Period ended 31st July 2018 - continued

e. Exercise for Options Made Available to investors and Request for Redemption in Specie

In making their choice of one of the three options given in the letter dated 6th September 2019, investors who replied to the Company's invitation to exercise one of the options given, opted for a redemption in cash or the Migration Option. The Board further notes that, pursuant to a letter dated 22nd October 2019, a significant investor in the Company, GlobalCapital Life Insurance Limited, communicated its desire to redeem its investment and requested that this be settled in specie. Following due deliberation, having also considered the relevant provisions set out under the Company's constitutive documents and prospectus, the Board noted that such an option was possible for this significant investor who held more than 5% of the assets of the fund, and acceded to the request for redemption in specie, upon the condition that this investor incurs the same costs as those incurred by all investors of the Company on the basis of the recommendation put forward by the Directors, as per paragraph f. hereunder.

f. Recommendation for the Voluntary Liquidation and Winding-Up of the Company

In view of the fact that the prospective investments announced by GCFM's representatives during the Annual General Meeting convened on the 5th October 2018 did not materialise and taking into consideration the Company's significant cost ratio as a result of the substantial redemptions that have been requested, including the redemption request of a significant investor, it is evident that the Company's ability to continue as a going concern is severely impaired. The Board of Directors intend on proposing an extraordinary resolution for the voluntary liquidation and winding-up of the Company, during an Extraordinary General Meeting to be convened in the near future. Given this situation the Company's financial statements have been prepared using a liquidation basis of accounting which requires that liquidation costs be immediately factored into the NAVs of the Company's Funds. These costs were included in the NAV published upon the lifting of the suspension and an accrual has been taken into consideration in the preparation of these financial statements pending ratification of the extraordinary resolution being presented to investors.

In view of the above, the Company requested the MFSA for an extension to the deadline for the submission of financial statements, which extension was granted until the 31st December 2019.

Review of Business

Shareholders' funds as at 31st July 2019 stood at €4.2 million resulting in an increase of 5% from that registered as at 31st July 2018, which stood at €4 million.

Compliance with Standard Licence Conditions

The Board of Directors is aware of the following breaches of the Standard Licence Conditions, namely:

- Standard Licence Condition 10.7 of the Investment Services Rules for Retail Collective Investment Schemes, arising from the delay the submission of the interim financial statements for the period ending 31st January 2019 with the Malta Financial Services Authority.
- SLC 10.7 of the Investment Services Rules for Retail Collective Investment Schemes, arising from the delay in the submission of audited annual financial statements for the periods ending 31st July 2019 with the Malta Financial Services Authority; and
- Two individual overexposures in the Company's Sub-Fund, Melita International Equity Fund, as follows:
 - i. A cash overexposure to Sparkasse Bank Malta plc, exceeding the 30% threshold as from 24th September 2018, which breach has not been rectified as at the date of this Report; and

REPORT OF THE DIRECTORS - continued

Compliance with Standard Licence Conditions - continued

- II. An overexposure to JPMorgan Funds SICAV - JPMorgan Emerging Middle East Equity Fund D (Acc.) (ISIN LU0117896257), exceeding the 25% threshold as from 30th April 2018, which breach was rectified on the 30th April 2019.

The Board of Directors is working with the Fund Manager to ensure timely rectification of said breaches.

The Board of directors is aware of the following inadvertent breaches of the Standard Licence Conditions, which have been rectified as at the date of this Report, namely:

- The suspension on the determination of the Net Asset Value and on dealings imposed by the Board of Directors by virtue of Article 12 of the Prospectus of the Company on the 5th May 2015 is no longer considered temporary in nature;
- An overexposure of 0.53% of NAV, in one of the Company's Sub-Funds, the Malta Privatisation and Equity Fund, which became present due to positive market movement in the price of Malta International Airport shares; and
- An overexposure of 0.51% of NAV, in in one of the Company's Sub-Funds, The Global Bond Fund Plus, which became present due to positive market movement in the price of Aberdeen Global Select Emerging Markets Bond Fund A-1.

Results and Dividends

The results of the year under review can be found on the Statements of Comprehensive Income on page 28.

No dividends are being recommended by the Board of Directors for the year under review.

Directors

The current Directors of the Company are listed on page 2.

Statement of Directors' responsibilities for the financial statements

The Directors are required by the Companies Act, 1995 (Chapter 386 Laws of Malta) to prepare financial statements, which give a true and fair view of the state of affairs of the Company as at the end of each financial period and of the profit and loss for that period.

In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- selecting and applying appropriate accounting policies;
- make accounting estimates that are reasonable in the circumstances; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

REPORT OF THE DIRECTORS - continued

Statement of Directors' responsibilities for the financial statements - continued

The Directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, 1995 (Chapter 386 Laws of Malta). The Directors 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.

The financial statements of Global Funds SICAV p.l.c. for the year ended 31 July 2019 are included in the Annual Report 2019 which is published in hard-copy printed form and may be made available on the Manager's website.

On behalf of the Board



Tonio Fenech
Chairman



Alexia Farrugia
Director

19 December 2019



Independent auditor's report

To the Shareholders of Global Funds SICAV p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- Global Funds SICAV p.l.c.'s financial statements give a true and fair view of the company's financial position as at 31 July 2019, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the directors.

What we have audited

Global Funds SICAV p.l.c.'s financial statements, set out on pages 26 to 49, comprise:

- the statements of financial position as at 31 July 2019;
- the statements of changes in equity for the year then ended;
- the statements of comprehensive income for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

Independent auditor's report – continued

To the Shareholders of Global Funds SICAV p.l.c.

Basis for opinion - continued

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the Company, in the period from 1 August 2018 to 31 July 2019, are disclosed in Note 8 to the financial statements.

Emphasis of Matter

We draw attention to Note 2 to these financial statements, which refers to the intention of the directors of Global Funds SICAV p.l.c. to liquidate the remaining assets of the company subsequent to the balance sheet date, subject to approval from the company's shareholders. These financial statements have therefore been prepared using a liquidation basis of accounting. Our opinion is not modified in respect of this matter.

Our audit approach

Overview



Overall materiality: 1% of net asset value (“NAV”) for each of the company’s sub-funds.

- The company is an open-ended collective investment scheme organised as a multi-fund limited liability investment company with variable share capital and with three segregated sub-funds, each constituting a patrimony separate from each other. It engages GlobalCapital Financial Management Limited (the “Manager”) to manage certain duties and responsibilities with regards to the day-to-day management of the Company.
 - The Company’s accounting is delegated to the Administrator, GlobalCapital Financial Management Limited, who maintains its own accounting records and controls and reports to the Manager and the Directors.
 - We tailored the scope of our audit taking into account the types of investments held by the sub-funds, the involvement of the third parties referred to above, the accounting processes and controls and the industry in which the company operates.
-
- Effectiveness of internal controls



Independent auditor's report - continued

To the Shareholders of Global Funds SICAV p.l.c.

Our audit approach - continued

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall materiality and how we determined it</i>	1% of NAV for each of the sub-funds of the company.
<i>Rationale for the materiality benchmark applied</i>	We have applied this benchmark as we consider it to be one of the principal considerations for principal users in assessing the financial performance of the company and the sub-funds. We chose 1% based on professional judgement, noting that it is also within the range of commonly accepted asset-related thresholds that we consider acceptable. We also believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the directors that we would report to them misstatements identified during our audit above 0.1% of each of the sub-funds' NAV as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.



Independent auditor's report - continued

To the Shareholders of Global Funds SICAV p.l.c.

Our audit approach - continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p><i>Effectiveness of internal controls</i></p> <p>As reported last year, there had been several resignations of important staff members at GlobalCapital Financial Management Limited (GCFM). This increases the risk of error due to the potential impact on the functioning of controls and record keeping of the company.</p> <p>The Company is particularly subject to the risk of management override of controls because of limited segregation of duties both within the company and at the level of the various service providers, such as the transfer agent, the finance department and the investment manager, all of which are related parties.</p>	<p>As a result of the increased audit risk we performed additional audit procedures designed to identify and mitigate the related risks and incorporated a greater emphasis on substantive testing and completeness of transactions and balances. These procedures included:</p> <ul style="list-style-type: none">• Applying a higher level of professional scepticism and placed more reliance on substantive work;• Detailed discussions with management and the Board of Directors throughout the audit;• Thorough review of agreements in place, Board minutes and correspondence with the Malta Financial Services Authority during and after the financial year;• Obtaining independent external confirmations in relation to the existence of the underlying investments held by the custodian;• Tracing any trades in investments which took place during the year;• Review of key accounting estimates;• Ensuring that no creations and redemptions took place during the year;• Testing on expenses incurred during the financial year; and• Testing the reasonableness of liquidation costs accrued for. <p>Control deficiencies will be communicated formally to the Board by way of a management letter.</p>



Independent auditor's report - continued

To the Shareholders of Global Funds SICAV p.l.c.

Other information

The directors are responsible for the other information. The other information comprises the management and administration section, description, manager's report, report of the directors, portfolio statements, statements of changes in the composition of portfolios and information about the scheme section (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

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.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.



Independent auditor's report - continued

To the Shareholders of Global Funds SICAV p.l.c.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), 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.

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.



Independent auditor's report - continued

To the Shareholders of Global Funds SICAV p.l.c.

Auditor's responsibilities for the audit of the financial statements - continued

- 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.



Independent auditor's report - continued

To the Shareholders of Global Funds SICAV p.l.c.

Appointment

We were first appointed as auditors of the Company on for the financial period ended 31 July 1999. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 21 years.

PricewaterhouseCoopers

78, Mill Street
Qormi
Malta

A handwritten signature in blue ink, appearing to read 'Simon Flynn', is written over a faint, light blue grid background.

Simon Flynn
Partner

19 December 2019

The Directors
Global Funds SICAV p.l.c.
Testaferrata Street,
TA' XBIEX XBX1403
Malta

18th December 2019

Custodian's Report

As Custodian to *Global Bond Fund Plus*, *The Malta Privatisation & Equity Fund* and the *Melita International Equity Fund* ("the sub-funds"), sub-funds of the GLOBAL FUNDS SICAV P.L.C. ("the Scheme"), we hereby confirm having enquired into the conduct of the Scheme in relation to the above mentioned sub-funds for the period **01st August 2018** until **31st July 2019** and confirm that during this period:

I. The sub-funds were managed in accordance with the limitations imposed on the investment and borrowing powers of the respective sub-fund by its constitutional documents and by the Malta Financial Services Authority with the exception of the following:

- On the 5th May 2015, the company gave notification of its decision to suspend the determination of the net asset value in respect of all sub-funds within the Scheme. As at the end of the period under review, the suspension had not been lifted and thus no longer considered as temporary in nature.
- Reference is made to Global Funds SICAV plc. Prospectus dated 01st March 2010, Melita International Equity Fund, (ii) and (xi) of the Investment Restrictions Section where it states that:
 1. *"(ii) The Fund may invest up to 20% of its NAV in any one open-ended collective investment Scheme (or sub-fund) having no track record or having a track record of less than 3 years, provided that the Fund may invest up to 25% of its NAV in any one open-ended collective investment scheme (or sub-fund) having a track record of at least 3 years. "*

During the period the sub-fund exceeded the above mentioned threshold resulting in an overexposure to JPMorgan Funds SICAV - JPMorgan Emerging Middle East Equity Fund D (Acc.) (ISIN LU0117896257).

The above listed over-exposure has been rectified by the 30th April 2019.

2. *"(xi) No more than 10% of the Net Asset Value of the Fund shall be kept on deposit with any one body, except in the case of a bank licensed under the Banking Act 1994 or a bank outside Malta approved by the MFSA, in which case this 10% limit is increased to 30% of the Fund's NAV."*

As from 24th September 2019, the Custodian noted that the sub-fund exceeded the above mentioned threshold resulting in an overexposure to Sparkasse Bank Malta plc.

As at the end of the reporting period 31st July 2019, the breach has not been rectified.

II. And in accordance with the provisions of the constitutional documents and the Scheme's licence conditions with the exception of the following outstanding requirements:

- Based on *Investment Services Rules for Retail Collective Investment Schemes, Part B – Standard Licenced Conditions 10.7*, "The Scheme shall submit half-yearly and annual reports to the MFSA, [...] within two and four months respectively of the end of the period concerned." Insofar as the Custodian is aware, there has been a delay with the submission of the interim financial statements for the period ending 31st January 2019 as well as the financial year end statements for the period ending 31st July 2019.



Paul Mifsud
Managing Director

o.b.o.
Sparkasse Bank Malta plc.
101, Townsquare
Ix-Xatt ta' Qui-Si-Sana,
Sliema SLM3112,
Malta



Anna Mironova
Manager – Securities & Custody

Statements of Financial Position
as at 31 July 2019

	Global Funds SICAV p.l.c. Combined Statement		Global Bond Fund Plus		Malta Privatisation & Equity Fund		Melita International Equity Fund	
	31.07.2019	31.07.2018	31.07.2019	31.07.2018	31.07.2019	31.07.2018	31.07.2019	31.07.2018
	€	€	€	€	€	€	USD	USD
ASSETS								
Financial assets at fair value through profit or loss (note 4)	3,750,936	3,859,208	928,323	909,128	2,599,122	2,642,064	249,215	361,488
Accrued income	1,060	1,933	1,060	1,829	-	103	-	-
Other receivables and prepayments	15,350	10	-	-	15,350	10	-	-
Cash and cash equivalents (note 11)	703,406	393,791	232,145	276,005	324,780	68,838	110,406	24,566
Total assets	4,470,752	4,254,942	1,161,528	1,186,962	2,939,252	2,711,015	359,621	386,054
EQUITY								
Capital and reserves attributable to equity holders	4,429,656	4,237,237	1,108,587	1,127,278	2,790,942	2,570,901	344,701	354,856
Currency translation reserve	(221,004)	(236,691)	-	-	-	-	-	-
Total equity	4,208,652	4,000,546	1,108,587	1,127,278	2,790,942	2,570,901	344,701	354,856
LIABILITIES								
Accrued expenses (note 5)	262,100	254,396	52,941	59,684	148,310	140,114	14,920	31,198
Total liabilities	262,100	254,396	52,941	59,684	148,310	140,114	14,920	31,198
Total equity & liabilities	4,470,752	4,254,942	1,161,528	1,186,962	2,939,252	2,711,015	359,621	386,054
Salient statistics								
Shares in issue as at 31 July 2019 (note 6)	358,888.480		1,452,592.455		632,642.400			
Accumulator			€		€		USD	
Net asset value as at 31 July 2019	1,108,587		2,790,942		344,701		344,701	
Net asset value as at 31 July 2018	1,127,278		2,570,901		354,856		354,856	
Net asset value as at 31 July 2017	1,186,787		2,627,327		360,420		360,420	
Net asset value per share as at 31 July 2019 – Accumulator (note 7)	3.0889		1.9213		0.5449		0.5449	
Net asset value per share as at 31 July 2018 – Accumulator	3.1410		1.7699		0.5609		0.5609	
Net asset value per share as at 31 July 2017 – Accumulator	3.3068		1.8087		0.5697		0.5697	

These financial statements on pages 26 to 49 were authorised for issue by the Board of Directors on 19 December 2019 and were signed on its behalf by:

Tonio Fenech
Director

Alexia Farrugia
Director

Statements of Changes in Equity
for the year ended 31 July 2019

	Global Funds SICAV p.l.c. Combined Statement				Total	Capital and reserves attributable to equity holders	USD
	€	€	€	€			
At 31 July 2017	4,357,829	(236,370)	1,186,787	4,121,459	2,627,327	360,420	
Comprehensive income:							
Loss for the year	(120,592)	-	(59,509)	(120,592)	(56,426)	(5,564)	
Other comprehensive income:							
Currency translation differences arising on aggregation	-	(321)	-	(321)	-	-	
Total comprehensive income	(120,592)	(321)	(59,509)	(120,913)	(56,426)	(5,564)	
At 31 July 2018	4,237,237	(236,691)	1,127,278	4,000,546	2,570,901	354,856	
Comprehensive income:							
Profit/(loss) for the year	192,419	-	(18,691)	192,419	220,041	(10,155)	
Other comprehensive income:							
Currency translation differences arising on aggregation	-	15,687	-	15,687	-	-	
Total comprehensive income	192,419	15,687	(18,691)	208,106	220,041	(10,155)	
At 31 July 2019	4,429,656	(221,004)	1,108,587	4,208,652	2,790,942	344,701	

Statements of Comprehensive Income
for the year ended 31 July 2019

	Global Funds SICAV p.l.c. Combined Statement		Global Bond Fund Plus		Malta Privatisation & Equity Fund		Melita International Equity Fund	
	31.07.2019	31.07.2018	31.07.2019	31.07.2018	31.07.2019	31.07.2018	31.07.2019	31.07.2018
	€	€	€	€	€	€	USD	USD
Income								
Interest from loans and receivables	1,984	3,409	1,254	2,574	730	835	-	-
Dividend income	188,135	127,286	35,881	33,950	150,769	87,526	1,689	6,942
Other net fair value movements on financial assets at fair value through profit or loss	300,539	(27,286)	12,560	(39,903)	284,021	(4,277)	4,499	20,187
	490,658	103,409	49,695	(3,379)	435,520	84,084	6,188	27,129
Expenses								
Management and advisory fees (notes 8a and 8b)	(29,079)	(62,627)	(8,060)	(17,485)	(14,863)	(32,567)	(7,000)	(15,026)
Registrar fees (note 8c)	(2,858)	(4,123)	(768)	(1,166)	(1,858)	(2,592)	(264)	(436)
Custodian fees (note 8d)	(11,615)	(11,342)	(3,000)	(3,000)	(5,588)	(5,336)	(3,442)	(3,592)
Transaction costs	(4,911)	(1,058)	(884)	(374)	(3,617)	(654)	(466)	(36)
Directors' remuneration	(34,998)	(16,067)	(9,518)	(4,574)	(22,943)	(10,297)	(2,884)	(1,429)
Professional fees	(201,641)	(79,662)	(54,375)	(22,863)	(132,813)	(50,804)	(16,435)	(7,164)
General administrative costs	30,304	(22,058)	8,219	(6,668)	9,164	(12,052)	14,694	(3,987)
	(254,798)	(196,937)	(68,386)	(56,130)	(172,518)	(114,302)	(15,797)	(31,670)
Operating profit/(loss)	235,860	(93,528)	(18,691)	(59,509)	263,002	(30,218)	(9,609)	(4,541)
Tax expense (note 9)	(43,441)	(27,064)	-	-	(42,961)	(26,208)	(546)	(1,023)
Total comprehensive income/(loss)	192,419	(120,592)	(18,691)	(59,509)	220,041	(56,426)	(10,155)	(5,564)

Statements of Cash Flows
for the year ended 31 July 2019

	Global Funds SICAV p.l.c. Combined Statement		Global Bond Fund Plus		Malta Privatisation & Equity Fund		Melita International Equity Fund	
	31.07.2019	31.07.2018	31.07.2019	31.07.2018	31.07.2019	31.07.2018	31.07.2019	31.07.2018
	€	€	€	€	€	€	USD	USD
Cash flows from operating activities								
Interest received	2,680	3,409	1,847	2,574	833	835	-	-
Dividend income received	188,321	127,557	36,057	34,222	150,779	87,526	1,689	6,942
Operating expenses paid	(247,163)	(70,760)	(75,187)	(30,660)	(164,322)	(57,342)	(32,066)	(13,184)
Tax paid	(43,441)	(27,064)	-	-	(42,961)	(26,208)	(546)	(1,023)
Purchase of Investments	(105,704)	-	(105,704)	-	-	-	-	-
Proceeds from sale of investments	513,426	10,374	99,127	-	311,613	10,374	116,763	-
Net cash generated from operating activities	308,119	43,516	(43,860)	6,136	255,942	15,185	85,840	(7,265)
Movements in cash and cash equivalents								
Cash and cash equivalents at beginning of year	308,119	43,516	(43,860)	6,136	255,942	15,185	85,840	(7,265)
Effect of exchange rate changes	393,791	350,667	276,005	269,869	68,838	53,653	24,566	31,831
	1,496	(392)	-	-	-	-	-	-
Cash and cash equivalents at end of year (note 11)	703,406	393,791	232,145	276,005	324,780	68,838	110,406	24,566

NOTES TO THE 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 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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted for use in the European Union, and comply with the Maltese Companies Act (Cap. 386). 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 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.

As referred in the Directors' report, the Directors intend proposing an extraordinary resolution for the voluntary liquidation and winding-up of the Company, during an Extraordinary General Meeting to be convened in the near future. This is due to the fact that the number of redemptions following the lifting of the suspension was substantial and thus it is evident that given the resultant significant cost ratio, the Company's ability to continue as a going concern is severely impaired. As a result, the financial statements are being drawn up on a basis other than that of a going concern. The Directors have made an estimate of the cost that the Company will incur, net of income earned, until it is liquidated. They have also ensured that the liquidator will be in a position to dispose of all investments at their carrying value. The liquidation costs have been included under professional fees.

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 (note 3 – Critical accounting estimates and judgements).

As at 31 July 2019, 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.

The Statements of Financial Position present assets and liabilities in increasing order of liquidity and do 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. ACCOUNTING POLICIES - continued

2.1 BASIS OF PREPARATION - continued

Standards, interpretations and amendments to published standards effective 1 August 2018.

a) Standards and amendments to existing standards effective 1 August 2018

IFRS 9, "Financial instruments", effective for annual year beginning on or after 1 January 2018, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. IFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments as outlined in note 2.3. The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning 1 August 2018 that have a material effect on the financial statement of the Fund.

b) New standards, amendments and interpretations effective after 1 August 2018 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 2018, and have not been applied in preparing these financial statements. None of these are expected to have a material impact on the financial statements of the Fund.

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 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 FINANCIAL STATEMENTS - continued

2. ACCOUNTING POLICIES - continued

2.3 FINANCIAL ASSETS - continued

(c) 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 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and based on experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS1.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Global Bond Fund Plus	Fair value 2019	% of net assets	Fair value 2018	% of net assets
	€		€	
Quoted Local Equities	21,295	1.92	25,553	2.27
Quoted Local Corporate Bonds	20,534	1.85	50,946	4.52
Foreign Collective Investment Schemes	886,494	79.97	832,629	73.86
	928,323	83.74	909,128	80.65

Malta Privatisation & Equity Fund	Fair value 2019	% of net assets	Fair value 2018	% of net assets
	€		€	
Quoted Local Equities	2,593,820	92.94	2,619,858	101.90
Quoted Local Corporate Bonds	-	-	15,834	0.62
Quoted Foreign Equities	5,302	0.19	6,372	0.25
	2,599,122	93.13	2,642,064	102.77

Melita International Equity Fund	Fair value 2019	% of net assets	Fair value 2018	% of net assets
	USD		USD	
Quoted Local Equities	63,254	18.36	62,161	17.52
Quoted Foreign Equities	2,253	0.65	2,869	0.81
Foreign Collective Investment Schemes	183,708	53.29	296,458	83.54
	249,215	72.30	361,488	101.87

5. ACCRUED EXPENSES

	Global Bond Fund Plus		Malta Privatisation & Equity Fund		Melita International Equity Fund	
	2019	2018	2019	2018	2019	2018
	€	€	€	€	USD	USD
Accrued expenses						
Management and advisory fees	7,082	14,484	17,933	26,947	2,132	12,394
Registrar fees	692	1,884	1,752	2,730	208	2,015
Custodian fees	357	357	481	437	286	292
Performance fees	-	189	-	-	-	337
Legal and secretarial fees	27,438	13,379	69,482	38,401	7,409	-
Liquidation costs	13,150	-	33,300	-	3,961	-
Other accrued expenses	4,222	29,391	25,362	71,599	924	16,160
	52,941	59,684	148,310	140,114	14,920	31,198

NOTES TO THE FINANCIAL STATEMENTS - continued

6. SHARE CAPITAL

The Fund's capital is represented by the redeemable shares of the unit holders with no par value and with each carrying one vote.

All shares may be issued and redeemed at prices based on the Fund's net asset value in accordance with its Articles of Association.

a) Authorised share capital

	2019 Shares	2018 Shares
Authorised shares	<u>500,000,000</u>	<u>500,000,000</u>

b) Issued and fully paid

	Global Bond Fund Plus	
	2019 Shares	2018 Shares
Shares in issue at beginning and end of year	<u>358,888.480</u>	<u>358,888.480</u>

	Malta Privatisation & Equity Fund	
	2019 Shares	2018 Shares
Shares in issue at beginning and end of year	<u>1,452,592.455</u>	<u>1,452,592.455</u>

	Melita International Equity Fund	
	2019 Shares	2018 Shares
Shares in issue at beginning and end of year	<u>632,642.400</u>	<u>632,642.400</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

6. SHARE CAPITAL - continued

Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable shares. Once suspension of net asset value has been lifted, the amount of net assets attributable to holders of redeemable shares can change significantly on a daily basis, as most of the sub-funds are subject to daily subscriptions and redemptions at the discretion of shareholders.

In order to maintain or adjust the capital structure, the Fund'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 within 7 days and adjust the amount of distributions the Fund pays to redeemable shareholders.
- Redeem and issue new shares in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Manager monitors capital on the basis of the value of net assets attributable to redeemable shareholders.

The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of shares.

The relevant movements are shown above and in the Statements of Changes in Equity. In accordance with the objectives outlined in the prospectus and the risk management policies in note 12, the Company endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowing or disposal of listed securities where necessary.

7. NET ASSET VALUE

The consideration received or paid for units issued or re-purchased respectively is based on the value of the Funds' net asset value per redeemable share at the date of the transaction. The Funds' net asset value per redeemable unit is calculated by dividing the Funds' net assets with the total number of outstanding units in issue.

In accordance with the provisions of the Funds' regulations, investment positions are valued based on the average traded weighted price for the purpose of determining the trading net asset value per share for subscriptions and redemptions for the prior day. The investment prices within the statement of financial position are in accordance with accounting policy 3 as at 31 July 2019. This creates a difference between the pricing NAV and the financial reporting NAV which is not material for the Fund.

NOTES TO THE FINANCIAL STATEMENTS - continued

8. FEES

(a) Management fees

The Manager receives a management fee of 1.05% (exclusive of advisory fees) per annum of the net asset value of the Global Bond Fund Plus, 0.80% (exclusive of advisory fees) per annum of the net asset value of the Malta Privatisation & Equity Fund and 0.60% (exclusive of advisory fees) per annum of the net asset value of the Melita International Equity Fund subject to a minimum of USD 10,000 per annum. For the year under review, the above mentioned fees were discounted by 30%.

(b) Advisory fees

Following the merger between GlobalCapital Fund Advisors Limited with GlobalCapital Financial Management Limited on 22 July 2010, the Investment Advisor, GlobalCapital Financial Management Limited, receives an advisory fee of 0.45% per annum of the net asset value of the Global Bond Fund Plus and the Malta Privatisation & Equity Fund, and 1.15% per annum of the net asset value of the Melita International Equity Fund. For the year under review, the above mentioned fees were fully waived.

(c) Registrar fees

The Manager receives for its services as Registrar of the Company a fee of 0.10% per annum of the net asset value of each Fund. For the year under review, the above mentioned fees were discounted by 30%.

(d) Custodian fees

The Custodian receives a custody fee of 0.2% calculated as a percentage per annum of the value of the investments of each Fund, subject to a minimum annual fee of €3,000.

(e) Performance fees

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, payable by the Company with respect to the Fund concerned, as follows:

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 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

8. FEES - continued

(e) Performance fees - continued

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.

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;
- b. in so far as the Melita International Equity Fund is concerned, the Morgan Stanley Capital International (MSCI) World Local Index.

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 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. 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 the performance fee shall only be payable on the increase over the "water mark".

The performance fee payable for the year by Global Bond Fund Plus amounted to €Nil (2018 - €Nil).

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 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.

(f) Auditor's remuneration

Fees charged by the auditor for services rendered during the financial year ended 31 July relate to:

	2019	2018
	€	€
Annual statutory audit	26,000	25,000
Taxation services	800	800
	<hr/> 26,800	<hr/> 25,800

NOTES TO THE FINANCIAL STATEMENTS - continued

9. TAX EXPENSE

The Maltese 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 as amended. 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 85% of the value of the total assets of the fund. A non-prescribed fund is a fund which does not qualify as a prescribed fund.

On the basis that the Malta Privatisation & Equity Fund is currently classified as a prescribed fund for Maltese 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 Maltese resident investors upon the disposal of units in such funds on the basis that such funds would be listed on the Malta Stock Exchange.

On the other hand the Global Bond Fund Plus and the Melita International Equity Fund are currently classified as non-prescribed funds for Maltese income tax purposes and therefore these Funds should not be subject to Maltese income tax on their income or gains derived by such funds in terms of the Income Tax Act (Cap. 123 of the Laws of Malta) other than on any income from immovable property situated in Malta (if any). However, Maltese resident investors therein may be subject to a 15% final withholding tax on capital gains realised on any redemption, liquidation or cancellation of units in these Funds. Nevertheless, the Maltese resident investor may request the Funds not to effect the deduction of the said 15% final withholding tax. In this latter case Maltese resident investors would be required to declare the gains in their income tax returns and will be subject to tax at the normal rates of tax.

Any gains or profits derived on the transfer of units in the Funds by investors who are not resident in Malta, whether in respect of units in prescribed or non-prescribed Funds should be exempt from Maltese income tax subject to the satisfaction of the applicable statutory conditions.

No distributions were made by the Funds during this financial year and therefore no Maltese tax considerations should arise in this respect.

In case of the Fund'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 Fund or by its shareholders under Maltese domestic tax law. This could, inter alia, be the case for the Global Bond Fund Plus and the Melita International Equity Fund.

10. 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.

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 and the outstanding advisory fees and performance fees are detailed in note 5. For the year under review, the above mentioned fees were discounted by 100%.

NOTES TO THE FINANCIAL STATEMENTS - continued

10. RELATED PARTIES - continued

The registrar fees due payable to GCFM for the reporting period are disclosed in the Statements of Comprehensive Income and the outstanding registrar fees are detailed in note 5.

During the year ended 31 July 2019, 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 (2018: €NIL) for Global Bond Fund Plus.

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

	2019	2018
Global Bond Fund Plus	€21,295	€25,553
Malta Privatisation & Equity Fund	€137,804	€165,364

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

	Shares 2019	2019 % of total shares	Shares 2018	2018 % of total shares
Global Bond Fund Plus	68,904.016	19.20	68,904.016	19.20
Malta Privatisation & Equity Fund	349,465.354	24.06	349,465.354	24.06
Melita International Equity Fund	372,347.190	58.86	372,347.190	58.86

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

	Shares 2019	2019 % of total shares	Shares 2018	2018 % of total shares
Global Bond Fund Plus	157,832.037	43.98	157,832.037	43.98
Malta Privatisation & Equity Fund	196,985.074	13.56	196,985.074	13.56
Melita International Equity Fund	138,552.005	21.90	138,552.005	21.90

11. CASH AND CASH EQUIVALENTS

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

	2019	% of net assets	2018	% of net assets
Global Bond Fund Plus	€232,145	20.94	€276,005	24.48
Malta Privatisation & Equity Fund	€324,780	11.64	€68,838	2.68
Melita International Equity Fund	USD110,406	32.03	USD24,566	6.92

NOTES TO THE FINANCIAL STATEMENTS - continued

12. FINANCIAL INSTRUMENTS

Risk Management

The Funds' activities expose them to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk.

Price Risk

The Funds trade in financial instruments, taking positions in traded instruments. All securities present a risk of loss of capital. The Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Funds' overall market positions are monitored on a regular basis by the Funds' Manager.

The Funds' equity and debt securities are susceptible to market price risk arising from uncertainties about future prices of securities.

The Funds are exposed to equity price risk either through their direct investment in equity securities or indirectly through the assets held by the respective underlying collective investment schemes.

The Funds' exposures are summarised in the table below, which provides an analysis on the impact of the Funds' net assets attributable to holders of redeemable shares (gross of expenses), and of a reasonable possible change in the relevant index, with all other variables held constant.

	Exposure (as a % of net assets)		Relevant index	Reasonable possible change		+/- Impact on NAV	
	2019	2018		2019	2018	2019	2018
Global Bond Fund Plus	1.92	2.27	General price	5%	5%	€1,065	€1,278
Malta Privatisation & Equity Fund	93.13	102.15	MSE Index	10%	10%	€191,296	€191,376
Melita International Equity Fund	72.30	101.87	MSCI World Local Index	10%	10%	\$31,336	\$12,289

Debt securities are affected by interest rate movements, which are covered below.

The portfolio of the Malta Privatisation and Equity Fund has a concentration towards equity securities listed on the Malta Stock Exchange. As at 31 July 2019, 72.96% (2018: 76.07%) of the net asset value of the Fund was invested in five (2018: five) equity securities. This concentration of market risk is managed by ensuring that such investments are held with reputable counterparties and by monitoring against the investment restrictions as stipulated in the Prospectus. If any of the investment restrictions is exceeded, the manager seeks to remedy the situation in the shortest time possible.

The Melita International Equity Fund portfolio's main concentration is towards two (2018: two) foreign collective investment schemes amounting to 43.50% (2018: 53.84%) of the net asset value of the Fund. In addition, the fund invests in a number of securities listed on the Malta Stock Exchange. As at 31 July 2019, 18.36% (2018: 17.452%) of the net asset value of the Fund was invested in four (2018: four) securities.

NOTES TO THE FINANCIAL STATEMENTS - continued

12. FINANCIAL INSTRUMENTS - continued

Interest Rate Risk

The Funds are exposed to interest rate risk either through directly holding interest-bearing financial assets or indirectly through interest-bearing financial assets held by the respective underlying collective investment schemes.

Assets earning interest at variable rates expose the Funds to cash flow interest rate risk, whereas assets earning interest at fixed rates expose the Funds to fair value interest rate risk. The Funds' exposure to interest rate risk is summarised in the table below.

	Assets held at fixed rates (as a % of NAV)		Assets held at variable rates (as a % of NAV)	
	2019	2018	2019	2018
Global Bond Fund Plus	1.85	4.52	20.94	24.48
Malta Privatisation & Equity Fund	-	0.62	11.64	2.68
Melita International Equity Fund	-	-	32.03	6.91

a) Global Bond Fund Plus

The above exposure of the Global Bond Fund Plus includes a direct exposure to interest rate risk through its investments held in corporate bonds, which in total amount to 1.85% (2018: 4.52%) of the Fund's net asset value.

At 31 July 2019, should interest rates have lowered/increased by 25 (2018: 25) basis points with all other variables remaining constant, the increase/decrease in net assets attributable to holders of redeemable shares for the year would amount to approximately €620 (2018: €4,150), arising from the change in market values of these corporate and sovereign bonds and changes in cash flow arising on assets held at variable rates including cash. The direct exposure in interest rate risk is managed through investment in debt securities with different maturity dates over the time bands as illustrated in the tables below. In addition, investment limits in interest-bearing securities are prescribed in the Prospectus. The Manager monitors such exposure against these limits on a regular basis.

	Time Bands	
	1 to 5 years	5 to 15 years
Maturities of debt securities as at 31 July 2019	€20,534	-

	Time Bands	
	1 to 5 years	5 to 15 years
Maturities of debt securities as at 31 July 2018	€30,000	€20,946

The Global Bond Fund Plus is also indirectly exposed to a level of interest rate risk through its investments in underlying collective investment schemes, which amounts to 79.97% (2018: 73.70%) of the Fund's net asset value. The strategy of the underlying collective schemes is diversified. These collective investment schemes invest in assets exposed to both fixed and floating rates of interest within different industry sectors, as well as in different regions or countries and having different maturities in order to mitigate and diversify risks arising from macroeconomic cycles, geopolitical hazards, currency exposure, and debt interest rates amongst others. During the year under review, these collective investment schemes, in fact, experienced a low yield movement and accordingly, a sensitivity analysis for interest rate risk disclosing how the net assets attributable to holders of redeemable shares for the year would have been affected by changes in interest rates that were reasonably possible at the reporting date is not deemed necessary.

NOTES TO THE FINANCIAL STATEMENTS - continued

12. FINANCIAL INSTRUMENTS - continued

Interest Rate Risk - continued

b) Malta Privatisation and Equity Fund

The Malta Privatisation and Equity Fund does not have a material exposure to interest rate risk and accordingly, a sensitivity analysis for interest rate risk disclosing how the net assets attributable to holders of redeemable shares for the year would have been affected by changes in interest rates that were reasonably possible at the reporting date is not deemed necessary.

c) Melita International Equity Fund

The Melita International Equity Fund does not have a material exposure to interest rate risk and accordingly, a sensitivity analysis for interest rate risk disclosing how the net assets attributable to holders of redeemable shares for the year would have been affected by changes in interest rates that were reasonably possible at the reporting date is not deemed necessary.

Currency fluctuations between the functional currency of the Funds and the currency of the underlying investments of the Funds, may adversely affect the value of investments and the income derived there from. Up to the reporting date, the Company did not have any hedging policy with respect to foreign exchange risk.

Currency Risk

The table below summarises the Funds' principal exposures to foreign currencies. The Malta Privatisation & Equity Fund does not have a material exposure to currency risk and has been excluded from the tables below.

As at 31 July 2019	Functional currency	EURO % of net assets	GBP % of net assets	USD % of net Assets
Global Bond Fund Plus	EURO	N/A	24.17	29.24
Melita International Equity Fund	USD	18.35	0.65	N/A
As at 31 July 2018	Functional currency	EURO % of net assets	GBP % of net assets	USD % of net Assets
Global Bond Fund Plus	EURO	N/A	24.42	23.85
Melita International Equity Fund	USD	44.57	0.81	N/A

The table below provides an analysis on the impact of the Funds' net assets attributable to holders of redeemable shares (gross of expenses), and of a reasonable possible change in exchange rates, with all other variables held constant.

	Functional currency	Exposure to currency	Reasonable possible change		+/- Impact on NAV	
				2019	2018	
Global Bond Fund Plus	EURO	USD	6%	2019	2018	2019
Global Bond Fund Plus	EURO	GBP	6%	6%	7%	€19,451
Melita International Equity Fund	USD	EURO	6%	6%	7%	€18,820
						€19,270
						\$3,795
						\$11,071

NOTES TO THE FINANCIAL STATEMENTS - continued

12. FINANCIAL INSTRUMENTS - continued

Currency Risk - continued

In accordance with the Fund's policy, the Manager monitors the Funds' currency position on a regular basis.

The Global Bond Fund Plus and Melita International Equity Fund are also exposed to an unknown level of foreign exchange risk in relation to the underlying assets of its investments in collective investment schemes. As disclosed in the interest rate risk section, the risks arising from these collective investment schemes is managed through the wide diversification of its underlying assets.

Credit Risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. Financial assets, which potentially subject the Funds to credit risk, consist principally of debt securities and cash and cash equivalents.

All financial assets are classified as fully performing assets. The Funds have no history of past default associated with their portfolio and do not hold any impaired assets as at the end of the reporting date. The Funds mainly invest in financial assets, which have an investment grade as rated by a well-known rating agency.

The following tables provide information regarding the Funds' aggregated credit risk exposure with external credit ratings.

Global Bond Fund Plus

As at 31 July 2019

	BBB+	BBB	Not rated	Carrying value €
Other receivables	-	-	100%	1,060
Cash and cash equivalents	-	-	100%	232,145
				<u>233,205</u>
Debt securities classified as fair value through profit or loss	-	-	100%	20,534
				<u>253,739</u>

As at 31 July 2018

	BBB+	BBB	Not rated	Carrying value €
Other receivables	-	-	100%	1,829
Cash and cash equivalents	-	-	100%	276,005
				<u>277,834</u>
Debt securities classified as fair value through profit or loss	-	59%	41%	50,946
				<u>328,780</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

12. FINANCIAL INSTRUMENTS - continued

Credit Risk - continued

Malta Privatisation and Equity Fund

As at 31 July 2019

	BBB+	BBB	Not rated	Carrying value €
Other receivables	-	-	100%	15,350
Cash and cash equivalents	-	-	100%	<u>324,780</u>
				340,130
Debt securities classified as fair value through profit or loss	-	-	-	<u>-</u>
				<u>340,130</u>

As at 31 July 2018

	BBB+	BBB	Not rated	Carrying value €
Other receivables	-	-	100%	113
Cash and cash equivalents	-	-	100%	<u>68,838</u>
				68,951
Debt securities classified as fair value through profit or loss	-	100%	-	<u>15,834</u>
				<u>84,785</u>

Melita International Equity Fund

As at 31 July 2019

		Not rated	Carrying value USD
Cash and cash equivalents		100%	<u>110,406</u>

As at 31 July 2018

		Not rated	Carrying value USD
Cash and cash equivalents		100%	<u>24,566</u>

The carrying amounts disclosed above represent the maximum exposure to credit risk. The Funds do not hold any collateral as security.

NOTES TO THE FINANCIAL STATEMENTS - continued

12. FINANCIAL INSTRUMENTS - continued

Credit Risk - continued

As at 31 July 2019, the Global Bond Fund Plus had 1.85% (2018: 4.52%) of the net asset value invested in debt securities. This concentration of credit risk is managed by ensuring that such assets are held with institutions that are considered to be reputable counterparties.

The Global Bond Fund Plus is also indirectly exposed to credit risk through its investments in collective investment schemes that in turn invest in bonds. These amount to 21.40% (2018: 25.54%) of its net asset value. These bonds carry a higher risk as to the issuer's ability to make payments of principal and interest since they invest predominantly in securities which do not constitute investment grade securities.

Issuers of debt securities may be highly leveraged and the issuer's ability to service its debt obligations may be adversely affected by specific issuer developments, or the issuer's inability to meet specific projected business forecasts, or the unavailability of additional financing. 48.55% (2018: 48.16%) of the net asset value of the Global Bond Fund Plus is invested in underlying collective investment schemes, which in turn have investments in emerging markets where the legal, judicial and regulatory infrastructure is still developing and there is legal uncertainty both for local market participants and their overseas counterparts.

The Investment Manager assesses the risk associated with these investments by prior financial analysis of the relevant collective investment schemes and by assessing the reputation of the relevant fund manager as part of their normal scrutiny of prospective investments.

As at 31 July 2019, bank balances held by the Global Bond Fund Plus, Melita International Equity Fund and the Malta Privatisation and Equity Fund were all held with Sparkasse Bank Malta p.l.c. This credit risk is managed by ensuring that such assets are held with institutions that are considered to be reputable and/or enjoy a high credit standing.

Generally, concentration of credit risk is also managed by ensuring adherence to the investment restrictions as stipulated in the prospectus. The Manager monitors the Funds' investment restrictions on a regular basis and if any of the investment restrictions is exceeded, the Manager seeks to remedy the situation in the shortest time possible.

All transactions in listed debt securities are settled upon delivery through clearing houses. The risk of default is considered minimal, as delivery of securities sold is only made once the clearing house has received payment. Payment is made on a purchase once the securities have been received by the clearing house. The trade will fail if either party fails to meet its obligation.

Liquidity Risk

The Funds' listed securities are considered to be readily realisable as they are listed on recognised stock exchanges. The Funds have the ability to borrow to meet short term liquidity requirements.

In respect of securities listed on the Malta Stock Exchange, despite the fact that such securities are listed, the market in such securities may be illiquid in view of the fact that the trading volumes on the Malta Stock Exchange, which is a relatively small market when compared to more established markets, are limited.

The Global Bond Fund Plus is also exposed to an unknown level of liquidity risk in view of its underlying collective investment schemes which have investments in high yield bonds and/or securities in emerging markets. As disclosed in the interest rate risk section, risks arising from these collective investment schemes is managed through the wide diversification of its underlying assets.

NOTES TO THE FINANCIAL STATEMENTS - continued

12. FINANCIAL INSTRUMENTS - continued

Liquidity Risk - continued

The Manager monitors the Funds' liquidity position on a regular basis. Redeemable shares are redeemed on demand at the holder's option. All other liabilities are due within less than one year.

Fair values

The fair value of publicly traded investments classified as financial assets through profit or loss is based on quoted market prices at the reporting date. At 31 July 2019 and 2018, the carrying amount of the Funds' financial assets approximated their fair values.

Fair value estimation

The Company adopted the amendment to IFRS 7, effective 1 January 2009. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's assets that are measured at fair value at 31 July 2019:

	Level 1	Level 2	Level 3	Total
Global Bond Fund Plus	€	€	€	€
Assets				
Fair value through profit or loss				
- equity securities	-	21,295	-	21,295
- debt securities	-	20,534	-	20,534
- collective investment schemes	-	886,494	-	886,494
	-	928,323	-	928,323
Malta Privatisation and Equity Fund	€	€	€	€
Assets				
Fair value through profit or loss				
- equity securities	1,487,865	1,111,257	-	2,599,122
- debt securities	-	-	-	-
	1,487,865	1,111,257	-	2,599,122
Melita International Equity Fund	USD	USD	USD	USD
Assets				
Fair value through profit or loss				
- equity securities	50,838	14,669	-	65,507
- collective investment schemes	-	183,708	-	183,708
	50,838	198,377	-	249,215

NOTES TO THE FINANCIAL STATEMENTS - continued

12. FINANCIAL INSTRUMENTS - continued

Fair value estimation - continued

The following table presents the Company's assets that are measured at fair value at 31 July 2018:

	Level 1	Level 2	Level 3	Total
Global Bond Fund Plus	€	€	€	€
Assets				
Fair value through profit or loss				
- equity securities	-	25,553	-	25,553
- debt securities	30,000	20,946	-	50,946
- collective investment schemes	-	832,629	-	832,629
	<u>30,000</u>	<u>879,128</u>	<u>-</u>	<u>909,128</u>
Malta Privatisation and Equity Fund	€	€	€	€
Assets				
Fair value through profit or loss				
- equity securities	2,023,027	603,203	-	2,626,230
- debt securities	15,834	-	-	15,834
	<u>2,038,861</u>	<u>603,203</u>	<u>-</u>	<u>2,642,064</u>
Melita International Equity Fund	USD	USD	USD	USD
Assets				
Fair value through profit or loss				
- equity securities	65,030	-	-	65,030
- collective investment schemes	-	296,458	-	296,458
	<u>65,030</u>	<u>296,458</u>	<u>-</u>	<u>361,488</u>

There were no transfers between levels for the years ended 31 July 2018 and 31 July 2019.

Portfolio Statements
as at 31 July 2019

	Market Value 31.07.2019	% of net assets
Global Bond Fund Plus	€	
Quoted Local Equity		
GlobalCapital p.l.c.	21,295	1.92
Quoted Local Corporate Bond		
6.00% AX Investments p.l.c. 2024	13,750	1.24
6.00% International Hotel Investments plc 2024	6,784	0.61
Foreign Collective Investment Schemes		
Aberdeen Global Select Emerging Markets Bond Fund – A1	270,252	24.38
Aberdeen Global Select Euro High Yield Bond Fund – A1	237,184	21.40
Aberdeen Global Select Euro High Yield Bond Fund – D1	267,985	24.17
WisdomTree AT1 CoCo Bond ETF	57,136	5.15
Amundi FRN USD Corporate UCITS ETF	53,937	4.87
Malta Privatisation & Equity Fund	€	
Quoted Local Equities		
Bank of Valletta p.l.c.	205,700	7.37
GlobalCapital p.l.c.	137,804	4.94
GO p.l.c.	456,000	16.34
Malta Properties Company p.l.c.	49,875	1.79
Grand Harbour Marina p.l.c.	141,458	5.07
HSBC Bank Malta p.l.c.	38,641	1.38
International Hotel Investments p.l.c.	189,847	6.80
Lombard Bank Malta p.l.c.	501,469	17.97
Malta International Airport p.l.c.	542,500	19.44
Mapfre Middlesea p.l.c.	330,526	11.84
Quoted Foreign Equity		
Royal Bank of Scotland	5,302	0.19
Melita International Equity Fund	USD	
Quoted Local Equities		
Bank of Valletta p.l.c.	6,067	1.76
HSBC Bank Malta p.l.c.	12,473	3.62
Lombard Bank Malta p.l.c.	14,669	4.26
Malta International Airport p.l.c.	30,045	8.72
Quoted Foreign Equity		
Royal Bank of Scotland	2,253	0.65
Foreign Collective Investment Schemes		
JP Morgan Emerging Middle East Equity D (acc) Fund	76,080	22.07
Kames Global Equity Fund	73,848	21.42
BGF Global Small Cap Fund – A2	33,780	9.80

Statement of Changes in the Composition of the Portfolios

The composition of the portfolio, detailed in Portfolio Statements on page 50, in comparison with the Portfolio Statements as at 31 July 2018 stood as follows:

	% of net assets 31.07.2019	% of net assets 31.07.2018
Global Bond Fund Plus		
Quoted Local Equities	1.92	2.27
Quoted Local Corporate Bonds	1.85	4.52
Foreign Collective Investment Schemes	79.97	73.86
Malta Privatisation & Equity Fund		
Quoted Local Equities	92.94	101.90
Quoted Local Corporate Bonds	-	0.62
Quoted Foreign Equities	0.19	0.25
Melita International Equity Fund		
Quoted Local Equities	18.36	17.52
Quoted Foreign Equity	0.65	0.81
Foreign Collective Investment Schemes	53.29	83.54

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

For the year under review, management fees have been discounted by 30%.

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) 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 Annual Report and 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 year ended 31 July 2019, and does not omit any matter or development of significance.

8. Voluntary dissolution and winding-up

As stated in the Report of the Directors at pages 13 and 14, the Board of Directors intends to propose an extraordinary resolution for the voluntary liquidation and winding-up of the Company, during an Extraordinary General Meeting to be convened in the near future. The Board, has identified Mazars Malta as a potential candidate for appointment as liquidator of the Company. Both the approval of the Malta Financial Services Authority on the proposal of the voluntary liquidation and the appointment of Mazars Malta as liquidator are still pending. Once MFSA approval is obtained, the Board of Directors will be convening an Extraordinary General Meeting of the members of the Company recommending the voluntary dissolution and winding up of the Company and the appointment of Mazars Malta as liquidator.

In their engagement proposal presented to the Board of Directors of the Company Mazars Malta have estimated their work will entail an aggregate of around 40 hours and they estimated a fee of approximately to €8,000 (excl. VAT, costs and disbursements, as well as any fees in connection with the appointment of stockbrokers and public auctioneers as may be required). Any time over the estimate will be charged at 200 per hour.

The fee covers the liquidation process which also includes a review of the present accounting systems, procedures and internal controls, preparation of financial statements, discussion of financial statements and presentation to management of the work that was carried out, highlighting any significant issues that were encountered during the audit.