HIGHFIELD FUND LTD.

Annual Report and Audited Financial Statements
For the year ended 31 December 2019

AURUM 25 YEARS

Annual Report and Audited Financial Statements Contents

Directors and Service Providers

Company and Registered Office
Highfield Fund Ltd.
Aurum House
35 Richmond Road
Hamilton HM 08
Bermuda

Directors
Dudley R Cottingham
Tina Gibbons
Adam Hopkin
Bronwyn Wright†
Anthony Stent-Torriani
Adam Sweidan
Fiona Mulhall†
Michael J Harvey

†Independent Directors

Promoter & Investment Adviser
Aurum MAM Fund Management Ltd.
Aurum House
35 Richmond Road
Hamilton HM 08
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Bermuda Administrator & Registrar
Global Fund Services Ltd.
Century House
16 Par-la-Ville Road
Hamilton HM 08
Bermuda

Depositary
Northern Trust Fiduciary Services (Ireland) Limited
George's Court
54-62 Townsend Street
Dublin 2
Ireland

Secretary
Continental Management Limited
Century House
16 Par-la-Ville Road
Hamilton HM 08
Bermuda

Administrator, Sub-Registrar and Transfer Agent
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Sponsoring Member for Bermuda Stock Exchange
Continental Sponsors Ltd.
Century House
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Auditor
KPMG
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Statutory Audit Firm
1 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland

Bermuda Legal Advisers
Conyers Dill & Pearman Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Directors' Report

The Directors have the pleasure to present the annual report and audited financial statements of Highfield Fund Ltd. (the "Company") for the year ended 31 December 2019 as set out herein in respect of matters required by the Bermuda Stock Exchange listing regulations.

At 31 December 2019 the Net Asset Value per Participating Share was US$144.55 (2018: US$134.46).

Dividends

No dividends have been declared during the year ended 31 December 2019 (2018: US$Nil) and the Directors do not recommend the payment of any dividends for the year ended 31 December 2019 (2018: US$Nil).

Connected Parties

Transactions carried out with the Company by the Administrator, Bermuda Administrator, Investment Adviser, Depositary, Directors and other connected parties ("connected parties") must be carried out as if negotiated at arm's length. Transactions must be in the best interests of the Shareholders.

The Directors are satisfied all transactions with connected parties entered into during the year were conducted at arm's length prices.

Details of related parties and related party transactions are disclosed in note 9 of the notes to the financial statements.

Market Review

The Company returned 7.50% during 2019.

Within the multi-strategy allocation, performance during 2019 was not driven by any particular material trade or theme. Discretionary equity market neutral trading strategies with sector specialist portfolio management trading teams made strong gains throughout the year as investor sentiment rebounded from the sharp sell-off in risk assets during the final quarter of 2018. Elsewhere, quant strategies performed reasonably well during 2019, particularly strategies that rely on shorter time horizon technical models. Fundamental models, however, underperformed. Fixed income relative value produced consistent but modest gains throughout the year, while commodity trading themes were also additive.

There was a notable dispersion in returns between macro funds held in the portfolio during 2019 with managers employing a wide array of strategies. Dovish central bank guidance and rate cuts in the US and Europe were the drivers of returns for developed market directional macro managers, while those with an emerging market bias were caught off-guard by the results of the Argentinian primary elections in August.

The performance of systematic funds held in the portfolio as a whole was positive despite being a tough environment for the strategy in its broadest sense. Shorter-term technical strategies performed strongly throughout the year, while strategies using alternative data detracted slightly and the performance of short-term futures was muted.

The consistency of the event driven funds held in the portfolio during 2019 was very encouraging with the strategy posting positive returns in each quarter of the year. Deal flow remains healthy despite being down from the prior year; notable returns were generated from deals in the pharmaceuticals and technology industries in the US, while smaller deals in the consumer discretionary sector in Europe were also additive.

The return of risk-on investor sentiment was, as expected, a strong tailwind for equity strategies. While the earnings outlook had fallen somewhat during the final quarter of 2018, improving trade talk rhetoric between the US and China supported a more constructive outlook on global growth. Performance was especially encouraging when compared to the average net exposure over the year.

Outlook

The sharp reversal in investor sentiment during 2019 was fueled by central banks general disinclination toward rate rises, which drove both equities and bonds up throughout the year. The impact of a global slowdown on company fundamentals has had less impact than markets had priced in towards the end of 2018. Furthermore, progress was made on the ongoing trade dispute between the US and China (and the rest of the world) with a “phase one” deal agreed in December. That said, investor sentiment can change quickly and we continue to believe that managers with flexible mind-sets and processes that can adapt to an ever-changing world will be best placed for the future. Furthermore, we remain committed to identifying managers who will provide low correlation to traditional asset classes and believe that this will result in consistent returns for investors over the long-term.

Directors' Report (Continued)

Environmental, Social and Governance ("ESG")

The Directors, as part of the wider Aurum group, believe that environmental and social issues are important to any person or entity. There is a misconception that human beings, businesses and economic systems are separate from such issues and, therefore, incorporating these aspects is vital to good governance. Details of the philosophy and the approach taken to ESG by the Directors, as part of the wider Aurum group, can be found at https://www.aurum.com/environmental-and-social/.

Covid-19

The World Health Organisation "WHO" has recently declared Covid-19 a pandemic. As this ongoing outbreak evolves over the coming weeks and months, we will continue to monitor the situation closely and will post any relevant updates on https://www.aurum.com/. Please be assured that Aurum's business continuity plans are robust and well tested.

Thanks

We thank the Shareholders for their support and look forward to further opportunities for continued growth.

For and on behalf of Highfield Fund Ltd.

Director
18 March 2020

Portfolio Statement
as at 31 December 2019

Sector Analysis	2019 Base Cost (US$)	2019 Fair Value (US$)	2019 % of Total Net Assets	2018 Base Cost (US$)	2018 Fair Value (US$)	2018 % of Total Net Assets
Multi-Strategy	28,248,308	32,399,840	45.50%	22,083,147	25,344,162	37.80%
Fund 1	10,000,000	11,042,585	15.51%	7,000,000	6,679,620	9.96%
Fund 2	7,375,466	7,575,034	10.64%	–	–	–
Fund 3	5,719,276	7,404,943	10.40%	5,357,691	7,231,195	10.79%
Fund 4	2,645,853	3,261,454	4.58%	2,614,916	2,938,906	4.38%
Fund 5	2,507,713	3,115,824	4.37%	2,507,713	2,777,190	4.14%
Fund 6	–	–	–	4,602,827	5,717,251	8.53%
Macro	18,219,721	22,162,973	31.12%	13,057,917	16,690,419	24.90%
Fund 7	5,000,000	6,296,834	8.84%	5,000,000	6,148,526	9.17%
Fund 8	2,915,027	4,605,087	6.47%	2,915,027	4,073,737	6.08%
Fund 9	3,033,507	3,052,062	4.28%	–	–	–
Fund 10	3,000,000	3,046,500	4.28%	–	–	–
Fund 11	3,000,000	2,829,482	3.97%	2,000,000	1,982,672	2.96%
Fund 12	1,271,187	2,333,008	3.28%	1,271,187	2,472,689	3.69%
Fund 13	–	–	–	1,871,703	2,012,795	3.00%
Systematic	9,798,023	12,333,872	17.32%	11,987,725	16,536,608	24.67%
Fund 14	3,714,431	5,775,758	8.11%	3,859,682	5,749,119	8.58%
Fund 15	2,000,000	2,093,798	2.94%	2,000,000	2,000,000	2.98%
Fund 16	2,000,000	2,051,772	2.88%	–	–	–
Fund 17	1,302,402	1,234,991	1.74%	–	–	–
Fund 18	781,190	1,177,553	1.65%	1,108,007	1,270,518	1.90%
Fund 19	–	–	–	3,534,412	6,334,551	9.45%
Fund 20	–	–	–	1,485,624	1,182,420	1.76%
Event Driven	6,000,000	6,977,139	9.80%	5,859,065	6,601,900	9.85%
Fund 21	3,000,000	3,730,513	5.24%	3,000,000	3,365,349	5.02%
Fund 22	3,000,000	3,246,626	4.56%	–	–	–
Fund 23	–	–	–	2,859,065	3,236,551	4.83%
Equity Strategies	2,427,740	3,818,011	5.36%	5,751,181	6,563,496	9.79%
Fund 24	2,427,740	3,818,011	5.36%	1,427,740	2,032,761	3.03%
Fund 25	–	–	–	3,000,000	2,975,130	4.44%
Fund 26	–	–	–	1,323,441	1,555,605	2.32%
Total Investments	64,693,792	77,691,835	109.10%	58,739,035	71,736,585	107.01%
Other assets		1,507,174	2.12%		2,323,261	3.47%
Total Assets		79,199,009	111.22%		74,059,846	110.48%
Other liabilities		(7,990,247)	(11.22%)		(7,025,149)	(10.48%)
Total Net Assets		71,208,762	100.00%		67,034,697	100.00%

Independent Auditor's Report to the Shareholders of Highfield Fund Ltd.

1 Report on the audit of the financial statements

Opinion

We have audited the financial statements of Highfield Fund Ltd. (the "Company") for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income for the year ended 31 December 2019, the Statement of Financial Position as at 31 December 2019, the Statement of Cash Flows for the year then ended, and related notes, including the summary of significant accounting policies set out in note 2.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

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 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 that are relevant to our audit of the financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Valuation of financial assets

Refer to the accounting policy in note 2 and to note 10 'Financial instruments and risk exposure' to the financial statements.

The key audit matter

Valuation of financial assets

The investment portfolio at 31 December 2019 comprised of investments in other funds. The valuation of these assets held in the investment portfolio is the key driver of the Company's net asset value and performance for the year. While the nature of the Company's investments do not require a significant level of judgement because the underlying values of these funds are observable, due to their significance in the context of the financial statements as a whole, financial assets was identified as a risk of material misstatement which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

How the matter was addressed in our audit

Our audit procedures included, but were not limited to:

- *Documented the processes in place to record investment transactions and to value the investments, including assessing the design and implementation of the controls relevant to the valuation of investments;*
- *Obtained external confirmation of the valuation of the investments in funds from their respective underlying fund administrators or managers; and*
- *Assessed whether the underlying funds' net asset value was an appropriate approximation of fair value.*

We noted no material exceptions arising from our audit procedures.

Other information

The Directors are responsible for preparation of other information accompanying the financial statements. The other information comprises the Directors and Service Providers, the Directors' Report and the Portfolio Statement as at 31 December 2019, but does not include the financial statements and related notes, and our Auditor's Report thereon.

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

Independent Auditor's Report to the Shareholders of Highfield Fund Ltd. (Continued)

1 Report on the audit of the financial statements (continued)

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether that information is materially inconsistent with the financial statements or our knowledge obtained in the course of our audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

2 Respective responsibilities and restrictions on use

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Further details relating to our work as auditor is set out in the Scope of Responsibilities Statement contained in the appendix of this report, which is to be read as an integral part of our report.

Our report is made solely to the Company's Shareholders, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the Shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibilities to anyone other than the Company's Shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

The Engagement Partner on the audit resulting in this independent Auditor's Report is Mrs. D. Barrett.

KPMG

KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland

Date: 18 March 2020

Independent Auditor's Report to the Shareholders of Highfield Fund Ltd. (Continued)

Appendix to the Independent Auditor's Report

Further information regarding the scope of our responsibilities as Auditor

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Statement of Comprehensive Income
for the year ended 31 December 2019

	note	2019 US$	2018 US$
Gains from financial assets at fair value through profit or loss			
Net gain on investments	2, 10	6,534,737	3,705,363
Other income			
Interest income	2	–	252
Total revenue		6,534,737	3,705,615
Operating expenses			
Investment Adviser fees	3, 9	699,866	646,587
Incentive fees	3, 9	588,305	336,637
Directors' fees	9	30,000	30,000
Administrator fees	4, 9	29,484	44,653
Other operating expenses	9	19,239	20,396
Depositary fees	5, 9	18,904	22,697
Audit fees		7,537	7,505
Total operating expenses		1,393,335	1,108,475
Operating profit before finance cost		5,141,402	2,597,140
Finance costs	7	123,120	169,043
Total finance costs		123,120	169,043
Change in net assets attributable to holders of Participating Shares resulting from operations		5,018,282	2,428,097

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 31 December 2019

	note	2019 US$	2018 US$
Assets			
Financial assets at fair value through profit or loss			
Investments at fair value	2, 11	77,691,835	71,736,585
Financial assets at amortised cost			
Securities sold receivable		1,505,751	2,321,315
Other receivables and prepaid expenses		1,423	1,946
Total assets		79,199,009	74,059,846
Liabilities			
Financial liabilities at amortised cost			
Bank overdraft	2, 7	6,730,023	6,835,054
Subscriptions to shares not yet allotted		957,000	100,000
Incentive fee payable	3, 9	209,361	–
Investment Adviser fees payable	3, 9	59,572	55,919
Other payables	9	20,211	18,088
Audit fees payable		7,624	7,299
Administrator fees payable	4, 9	2,781	4,516
Directors fees payable	9	2,500	2,500
Depositary fees payable	5, 9	1,175	1,773
Total liabilities (excluding amounts attributable to holders of Participating Shares)	10	7,990,247	7,025,149
Net assets attributable to holders of Participating and Sponsor Shares	6	71,208,762	67,034,697
Net assets attributable to holders of Participating Shares	6	71,208,760	67,034,695
Equity			
Net assets attributable to holders of Sponsor Shares	6	2	2
Total Equity		2	2

These financial statements were approved by the Directors on 18 March 2020 and signed on their behalf by:

Director
18 March 2020

Director
18 March 2020

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2019

	2019 US$	2018 US$
Cash flows from operating activities		
Change in net assets attributable to holders of Participating Shares resulting from operations	5,018,282	2,428,097
Adjustment for		
Change in financial assets at fair value through profit or loss	(5,955,250)	(14,156,751)
Finance costs	123,120	169,043
Interest income	–	(252)
Changes in operating assets and liabilities		
Decrease/(increase) in receivables	815,493	(13,448)
Increase in payables	211,897	1,382
Interest received	594	404
Net cash inflow/(outflow) from operating activities	214,136	(11,571,525)
Cash flows from financing activities		
Finance costs	(121,888)	(151,207)
Subscriptions for shares	7,379,700	4,095,000
Redemption of shares	(7,366,917)	(1,120,116)
Net cash (outflow)/inflow from financing activities	(109,105)	2,823,627
Net increase/(decrease) in cash and cash equivalents	105,031	(8,747,898)
Cash and cash equivalents at the beginning of the year	(6,835,054)	1,912,844
Cash and cash equivalents at the end of the year	(6,730,023)	(6,835,054)

The accompanying notes form part of these financial statements.

1. General

Highfield Fund Ltd. (the “Company”) was incorporated in Bermuda on 19 February 2010 under the Bermuda Companies Act 1981 as amended and acts as an investment company. The Company is listed on the Bermuda stock exchange.

The Company’s investment objective is to achieve long-term capital growth by investing either directly or indirectly through selected funds or investment managers, in a strategically determined mix of global fixed income securities, equity securities, derivative securities, currencies and other investment assets with an emphasis on long-term growth.

The Company may from time to time hold investments in collective investment schemes ("Investee Funds") that are advised by Aurum MAM Fund Management Ltd. (the "Investment Adviser") and Investee Funds advised or managed by Aurum Fund Management Ltd., and these Investee Funds are referred to as “MAM Funds”, "Aurum Funds" and "other Aurum Funds".

The audited financial statements were approved by the Board of Directors on 18 March 2020.

2. Significant Accounting Policies

The significant accounting policies which have been applied are set out below.

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of Preparation

The financial statements have been prepared on a historical cost basis except for financial instruments classified at fair value through profit or loss that have been measured at fair value.

The financial statements have been prepared on a going concern basis.

The functional currency of the Company is the US dollar as the Directors have determined that this reflects the Company's primary economic environment. The presentation currency of the financial statements is also the US dollar. All amounts have been rounded to the nearest US dollar.

New Standards and Interpretations Applicable to Future Reporting Periods

A number of standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted. The Company has not early adopted them in preparing these financial statements, however, it is expected that they will have minimal effect on its financial statements.

The Directors have considered all the upcoming IASB standards and do not consider any to be of material relevance to the financial statements of the Company.

Financial Assets and Financial Liabilities

Recognition and initial measurement

Purchases and sales of investments are recognised on the trade date, the date on which the Company commits to purchase or sell the investment. Receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement of financial assets and financial liabilities

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost, at fair value through other comprehensive income (“FVTOCI”) or at FVTPL.

The Company classifies its investments based on the contractual cash flow characteristics of the financial assets and the Company's business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as a FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- The contractual cash terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. Significant Accounting Policies (Continued)

Financial Assets and Financial Liabilities (continued)

Classification and subsequent measurement of financial assets and financial liabilities (continued)

Financial Assets (continued)

A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets: and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are classified as measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company's investment objective is achieved through capital appreciation arising from an actively managed portfolio of Investee Funds involving Investee Funds being purchased and sold based on an evaluation of their performance on a fair value basis. Each Investee Funds' objective is to provide a capital return rather than cash flow generation. This results in the Company's business model bifurcating between Investee Funds held and Other Financial Assets:

- Investee Funds held are classified as 'Investments at fair value' on the Statement of Financial Position because their performance is evaluated on a fair value basis.
- Other Financial Assets are included within 'Financial assets at amortised cost' on the Statement of Financial Position because the Company has classified them as 'Held to collect' in accordance with IFRS 9. Other Financial Assets include Investee Funds sold where the Company awaits receipt of cash proceeds from sale, cash paid to Investee Funds where the Company awaits receipt of units and other operating receivables and prepaid expenses.

Financial Assets at FVTPL

The Company holds Investee Funds at a fair value of US$77,691,835 at 31 December 2019 (2018: US$71,736,585). These securities are mandatorily classified as FVTPL, as the contractual cash flows are not solely principal and interest and therefore, are measured at FVTPL.

As such, the Company classifies all of its investment portfolio as financial assets at FVTPL.

Financial Assets at Amortised Cost

These include securities sold receivable and other receivables and prepaid expenses which are held for collection. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. At each reporting date, the Company shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses, or shorter if the receivable is expected to settle in less than 12 months.

Significant increase in credit risk is defined by the Board of Directors as any contractual payment which is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due.

Financial Liabilities

The Company classifies its financial liabilities other than derivatives, as measured at amortised cost. Derivatives, if any, not designated in a qualifying hedge relationship are mandatorily classified at FVTPL.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to set off the recognised amounts and it intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

For the year ended 31 December 2019, and 31 December 2018, there were no financial assets or liabilities subject to enforceable master netting arrangements or similar agreements which would require disclosure.

2. Significant Accounting Policies (Continued)

Financial Assets and Financial Liabilities (continued)

Derecognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, they expire or they are surrendered. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or it expires.

Participating Shares

Under IFRS, Participating Shares redeemable at the shareholder's option are classified as financial liabilities and the format of the Statement of Financial Position reflects this in accordance with IAS 32 “Financial Instruments: Presentation”. The net assets attributable to holders of Participating Shares are stated at the present value of the redemption amount on the reporting date without discounting, which are measured at amortised cost.

Sponsor Shares

Sponsor Shares are classified as equity based on the substance of the contractual arrangements between the Company and the Sponsor Shareholder and in accordance with the definition of equity instruments under IAS 32. The Sponsor Shareholder's equity is stated at original cost.

Translation of Foreign Currencies

Transactions in currencies other than US dollar are recorded at the rate prevailing on the date of the transaction. At each reporting date, non US dollar denominated monetary items and assets and liabilities measured at fair value are retranslated at the rate prevailing on the reporting date. Foreign currency exchange differences related to investments at fair value through profit or loss are included in Net gain on investments. All other differences are reflected in net profit for the year.

Net Gain on Investments

Net gain on investments includes all realised and unrealised fair value changes and foreign exchange differences, but excludes interest.

Net realised gain on investments is calculated using the average cost method.

Interest Income

Interest income is recognised in the Statement of Comprehensive Income for all interest bearing instruments on an effective interest rate yield basis.

Cash and Cash Equivalents and Bank Overdraft

Cash and cash equivalents comprise cash balances held at banks. Bank overdrafts are repayable on demand. In the Statement of Cash Flows, cash and cash equivalents are shown net of any short term overdrafts which are repayable on demand, and form an integral part of the Company's cash management.

Expenses

All expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

Significant Accounting Judgements and Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the year. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which an estimate is revised. The areas of estimates which have the most significant effect on the amounts recognised in the financial statements are valuation of investments and involvement with unconsolidated structured entities which are disclosed within note 10 ‘Financial Instruments and Risk Exposure’ and note 11 ‘Fair Value Measurement’.

2. Significant Accounting Policies (Continued)

Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; restricted activities, a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, insufficient equity to permit the structured entity to finance its activities without subordinated financial support and financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

The Company may invest in entities whose objectives range from achieving medium to long term capital growth. The investments are managed by related and unrelated asset managers and apply various investment strategies to accomplish their respective investment management objectives. The investments finance their operations by issuing redeemable shares and interests which are puttable at the holder's option and entitle the holder to a proportional stake in the respective investment's net assets. Where the Directors consider that the investment displays some of the features and attributes of a structured entity to varying degrees, they will present disclosures related to structured entities for all investments, where obtainable, as they consider these disclosures may be of relevance to investors.

3. Investment Adviser and Incentive Fees

The Company pays the Investment Adviser an annual percentage fee (the "Investment Adviser Fee") calculated at 1/12 of 1.00% of the Gross Asset Value of the Company as at the relevant month end and a performance related fee in respect of the Company where certain performance criteria have been met (the "Incentive Fee"). Both the Investment Adviser Fee and Incentive Fee are calculated monthly and paid monthly in arrears.

The Investment Adviser Fee and Incentive Fee are calculated based on a percentage of the Gross Asset Value of the Company as at the relevant month end. The Gross Asset Value means the value of the assets of the Company at a valuation point less the liabilities and accrued expenses of the Company other than liabilities that relate to Investment Adviser Fees, Incentive Fees, Administrator Fees, Depositary Fees, Directors' Fees, Audit Fees, Formation Expenses and Sundry Expenses each as incurred with respect to the valuation period ending on such valuation point.

The Incentive Fee is equal to the number of Participating Shares in the Company multiplied by 10% of the amount by which the Gross Asset Value per Participating Share on a valuation day exceeds the higher of:

(i) The Base Value: the Net Asset Value per Participating Share on the Base Date. The Base Date is the last valuation day in the immediately preceding calendar year; or
(ii) The High Water Mark: the Net Asset Value per Participating Share on the last valuation day upon which an Incentive Fee was crystallised.

In order to avoid double charging, where the Company invests into other Aurum Funds, or MAM Funds, such investment will be made into a class of shares that does not attract Investment Advisory or Incentive Fees. Where such a class is not available those fees payable by the other Aurum Fund, or MAM Fund, will be rebated to the Company in proportion to its holding.

4. Administrator Fees

Expenses and amounts due to the Administrator and the Bermuda Administrator are referred to collectively as “Administrator Fees”.

The Administrator is entitled to a monthly fee which, subject to a minimum of US$3,600 per month, will be no greater than 1/12 of 0.06% (2018: 0.085%) of the Net Asset Value of the Company and may be subject to reduction if the total Administrator Fees for all other Aurum Funds exceed specified limits. In so far as the Company invests in other Aurum Funds, no fees will be payable by the Company on the amount so invested but the monthly minimum will remain applicable. Such fees are payable to the Administrator monthly in arrears. The Bermuda Administrator is entitled to an annual fee of US$1,500 that is payable semi-annually in arrears.

Where the Company invests into other Aurum Funds the amount so invested is removed from the Net assets attributable to holders of Participating Shares of the Company when calculating the Administrator Fees.

5. Depositary Fees

The Depositary is entitled to a monthly fee which, subject to a minimum of US$1,000 per month, will be no greater than 1/12 of 0.04% of the Net Asset Value of the Company and may be subject to reduction if the total Depositary Fees for all other Aurum Funds exceed specified limits. In so far as the Company invests in other Aurum Funds, no fees will be payable by the Company on the amount so invested but the monthly minimum will remain applicable. Such fees are payable to the Depositary monthly in arrears.

In addition to a monthly fee, the Depositary will be entitled to a transaction fee of no greater than US$150 for each purchase and each sale of an Investee Fund that is also payable monthly in arrears.

Where the Company invests into other Aurum Funds the amount so invested is removed from the Net assets attributable to holders of Participating Shares of the Company when calculating the Depositary Fees.

6. Share Capital

	December 2019 US$	December 2018 US$
Authorised share capital of US$0.002 par value per share		
1,000 Sponsor Shares (presented as equity in accordance with IAS 32)	2	2
4,999,000 Participating Shares (presented as a liability in accordance with IAS 32)	9,998	9,998
Authorised share capital	10,000	10,000

All of the Sponsor Shares have been issued to and are beneficially owned by the Investment Adviser.

The Sponsor Shares carry the right to attend and vote at all general meetings of the Company without restriction and are entitled to one vote for every Sponsor Share. The Sponsor Shares do not carry the right to participate in the assets of the Company in a winding up, except to the extent of repayment of par value paid in cash, nor in any dividends or other distribution of the Company so long as any Participating Shares are in issue.

The Participating Shares carry the right to notice of, and to attend, all general meetings of the Company but not to vote except in certain circumstances that may seek to alter the Participating Shareholder's rights or entitlements, in which event one Participating Share carries the right to one vote and a fraction of a Participating Share carries the right to a fraction of one vote. The Participating Shares are entitled to receive, to the exclusion of the Sponsor Shares, any dividends which may be declared by the Board of the Company and, upon the winding up of the Company, their par value and any surplus remaining after paying to the holders of the Sponsor Shares the par value of the Sponsor Shares (to the extent actually paid up in cash). The Sponsor Shares have the general voting powers of the Company and the holders of Participating Shares are entitled to receive notice of and attend all general meetings of the members.

	Number of Participating Shares	
	2019	**2018**
Opening as at 1 January	498,536.51	476,072.52
Issued during the year	46,990.51	30,999.49
Redeemed during the year	(52,913.43)	(8,535.50)
Closing as at 31 December	492,613.59	498,536.51

Statement of Changes in Sponsor and Participating Shares

	Sponsor Shares US$	Participating Shares US$	Share Premium and Return allocated to Participating Shareholders US$	Total US$
Balance at 1 January 2019	2	995	67,033,700	67,034,697
Change in net assets attributable to holders of Participating Shares resulting from operations			5,018,282	5,018,282
Subscriptions during the year		94	6,522,606	6,522,700
Redemptions during the year		(106)	(7,366,811)	(7,366,917)
Balance at 31 December 2019	2	983	71,207,777	71,208,762
Balance at 1 January 2018	2	950	61,607,764	61,608,716
Change in net assets attributable to holders of Participating Shares resulting from operations			2,428,097	2,428,097
Subscriptions during the year		62	4,117,938	4,118,000
Redemptions during the year		(17)	(1,120,099)	(1,120,116)
Balance at 31 December 2018	2	995	67,033,700	67,034,697

The capital of the Company is represented by the net assets attributable to holders of Participating Shares. The amount of net assets attributable to holders of Participating Shares can change significantly on a monthly basis, as the Company is subject to monthly subscriptions and redemptions at the discretion of shareholders, as well as changes resulting from the Company's performance. The objective when managing capital is to safeguard the ability to continue as a going concern in order to provide returns for shareholders and maintain a strong capital base to support the development of the investment activities.

6. Share Capital (Continued)

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

- Monitor the level of monthly subscriptions and redemptions relative to the assets it expects to be able to liquidate within the month.
- Redeem and issue new Participating Shares in accordance with the constitutional documents.

The Board of Directors monitor capital on the basis of the value of net assets attributable to Participating Shareholders.

7. Bank Overdraft

The Company has an ongoing credit facility with The Northern Trust Company, an affiliate of the Administrator that is secured over the portfolio of the Company. The Northern Trust Company is entitled to an annual fee (the "Facility Fee") of 0.45% of the US$8,000,000 maximum facility made available to the Company and interest ("Interest Charges") at an annual rate of 1.5% above the Northern Trust base rate of 0.25% (2018: 1.00%) on any overdrawn balances. The Facility Fee is payable quarterly in advance and US$36,000 (2018: US$33,750) was incurred by the Company during the year and is included in the Statement of Comprehensive Income within Finance costs. The Interest Charges are incurred daily and are included in the Statement of Comprehensive Income within Finance costs.

8. Net Asset Value per Participating Share

The Net Asset Value per Participating Share is calculated by dividing the net assets attributable to holders of Participating Shares in the Statement of Financial Position by the number of Participating Shares in issue at the year end.

	December 2019 US$	December 2018 US$
Net Asset Value per Participating Share		
Net assets attributable to holders of Participating Shares (US$)	71,208,760	67,034,695
Issued Participating Shares (number of shares)	492,613.59	498,536.51
Net Asset Value per Participating Share (US$)	144.55	134.46

9. Related Parties

In accordance with IAS 24 “Related Party Disclosures” the related parties of the Company are outlined below. Some parties, who are connected as a result of key contracts, also have significant proximity to the operations of the Company and so are also outlined below in order to comply with the substance of IAS 24.

The Company’s related and connected parties include the Directors, the Administrator and its affiliates, the Bermuda Administrator, the Investment Adviser and the Depositary. Principal amounts incurred during the year, and amounts due as at the Statement of Financial Position date, are clearly identified in the financial statements. Other amounts are outlined below.

Key Management Personnel

Mrs T Gibbons is a Director of the Investment Adviser. Mr M J Harvey and Mr A Hopkin are Directors of Continental Management Limited, the Secretary, Directors of Continental Sponsors Ltd., the sponsoring broker on the Bermuda Stock Exchange, and Directors of, and directly and indirectly hold shares in, Aurum Fund Management Ltd. Mr A Sweidan is a Director of the Investment Adviser and hold shares directly and indirectly in Aurum Fund Management Ltd. Mr M J Harvey is a Director of Global Fund Services Ltd., the Bermuda Administrator. Mr D R Cottingham is a Director of, and directly and indirectly holds shares in, the Investment Adviser. Mr. A J Stent-Torriani is a director of the Investment Adviser and is a Director and Shareholder of Monaco Asset Management S.A.M.

Aurum Fund Management Ltd. is also the sponsor, adviser and investment manager to a number of other investment companies and the Directors of the Company and Aurum Fund Management Ltd. may serve as Directors of such Companies. The Investment Adviser owns all of the Sponsor Shares of the Company, and is itself owned 50% each by Aurum Fund Management Ltd. and Monaco Asset Management. S.A.M.

9. Related Parties (Continued)

Other Key Contracts

During the year, the Company had dealings with other Aurum Funds and funds in which the Investment Adviser had a significant interest by reason of the direct and indirect ownership of the Sponsor Shares therein. The dealings were conducted in order to balance the portfolio of investments, and those dealings may be identified as follows:

	2019 US$	2018 US$
Sales of investments to such other funds	7,836,562	5,552,768
Purchases of investments from such other funds	5,316,493	6,431,835

At the end of the year, there were no amounts due to or from such other funds (31 December 2018: US$Nil).

Participating shares held in other Aurum Funds and an Investee Fund managed by Monaco Asset Management S.A.M. are as follows:

	Units	Fair Value 2019 US$	Units	Fair Value 2018 US$
Aurum Affinity Fund	7,375.47	7,575,034	–	–
Aurum Artisan Fund	9,963.10	11,042,585	7,000.00	6,679,620
Io Macro Fund Limited	49,055.30	6,296,834	50,000.00	6,148,526

The Company was issued the above shares in Aurum Affinity Fund in exchange for an in-specie transfer of shares of an Investee Fund to Aurum Affinity Fund. This transfer occurred at 1 October 2019 for a total fair value of US$7,375,466 using the net asset value per share reported by the administrator of that Investee Fund at that date.

The above figures exclude subscriptions and redemptions between the Company and both the Investee Fund and other Aurum Funds and amounts due between them and amounts due to the Investment Adviser which are shown in the body of the financial statements.

Each transaction entered into with the other Aurum Funds and the Investee Fund were carried out at the Net Asset Value per Share at the applicable time of the transaction, as reported by the Administrator.

During the year, the Company received services from related and connected parties over and above the principal services identified separately in the financial statements. Expenses incurred are included within 'Other operating expenses' on the Statement of Comprehensive Income while amounts outstanding are included within 'Other payables' on the Statement of Financial Position:

	Other operating expenses		Other payables	
	2019 US$	2018 US$	2019 US$	2018 US$
Continental Management Limited	4,000	1,950	–	–
Continental Sponsors Ltd.	1,500	1,500	–	–
The Administrator	3,600	3,600	450	300

Banking facilities are supplied by an affiliate of the Administrator, as outlined on page 16. Facility Fees and Interest Charges in relation to the bank overdraft are included in the Statement of Comprehensive Income recorded within 'Finance Costs' while interest received on positive cash balances is recorded within 'Interest income'.

10. Financial Instruments and Risk Exposure

The Company, in the normal course of business, enters into investment transactions in financial instruments through investments in Investee Funds. Financial instruments include investments, other receivables and prepaid expenses, securities sold receivable, subscriptions to shares not yet allotted, bank overdrafts, accrued expenses and Participating Shares presented as financial liabilities.

Investments in Investee Funds are recorded at the net asset value per share as reported by the administrators of the Investee Funds at the measurement date which the Directors believe to best represent fair value. Where administrators are unable to provide net asset value per share the Directors make their own assessment of fair value based on available information. In determining fair value the Directors take into consideration, where applicable, the impact of suspension of redemptions, liquidation proceedings, investments in side pockets and any other significant factors.

At 31 December 2019, and 31 December 2018, there were no instances wherein the Administrator was unable to provide the net asset value per share or that the Directors considered it necessary to make any adjustment to the net asset value per share provided in order to arrive at fair value.

10. Financial Instruments and Risk Exposure (Continued)

Asset allocation is determined by the Directors who manage the distribution of the assets to achieve the investment objectives set out in note 1 'General'. Divergence from target asset allocations and the composition of the portfolio is monitored by the Directors.

The Company is limited by the Prospectus as to the percentage of assets that may be invested into any one investment in order to diversify risk. The holding of such instruments results in exposure to market risk, credit risk and liquidity risk.

Market Risk

Market risk is the risk that the market price of the financial instrument will fluctuate due to changes in foreign exchange rates, market interest rates, market factors specific to the security or its issuer or factors affecting all securities traded in the market. All investments are recognised at fair value, and all changes in market conditions directly affect net income.

The Company's market risk is managed by the Company within a rigorous risk management framework including diversification of the investment portfolio. The risk management policy includes initial and subsequent due diligence reviews of all underlying investments of entities included within the portfolio. As a result, the paramount market risk factor for the Company is price risk whereas any analysis of interest risk and currency risk becomes immaterial within that context.

Market Risk – interest risk; the Investee Funds do not pay interest, and as a result are subject to limited risk due to fluctuations in the prevailing levels of market interest rates on these investments. The Company may be subject to interest risk in relation to any cash balances held and overdraft facilities utilised. The Directors consider this risk to be immaterial because the strategy of the Company is to remain as close to fully invested in Investee Funds as may be possible during the normal course of business and any overdraft balances will only be utilised for favourable investment opportunities for a limited period of time. Any interest rate risk sensitivity analysis would be immaterial and therefore is not permitted.

Market Risk – currency risk; the risk that the value of a financial instrument may fluctuate due to changes in the price of one currency against another.

The Investee Funds in which the Company invests are denominated in US dollars, therefore, there is no direct exposure to currency risk. Those Investee Funds have full discretion as to the currencies in whose shares they invest are denominated. However, performance fluctuations are manifested in the price of the Investee Fund meaning any currency risk sensitivity analysis would be immaterial and is therefore not performed.

Market Risk – Other Price Risk

Other price risk is the risk that the value of an investment may fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment or all factors affecting all instruments traded in the market.

Other price risk is mitigated by the Board of Directors constructing a diversified portfolio of investments traded on various markets. The Company does not use sensitivity analysis to measure market risk. However, if the price of the underlying Investee Funds in the portfolio rose by 1%, the fair value of the portfolio of investments would also rise by approximately 1% and vice versa.

The right of the Company to request redemption of its investments in Investee Funds ranges in frequency from weekly to semi-annually. The Company invests across a broad range of fund managers, which have been classified under the following investment strategies:

Multi-Strategy funds utilise a variety of investment strategies with the goal of generating a smooth return that is not reliant on one type of market condition to generate returns. In general the Aurum Funds and MAM funds invest in managers that are biased to our favoured strategies of systematic, macro, fixed income and equity trading but these managers may also hold some allocation to credit and arbitrage strategies.

Macro is one of the most classical hedge fund strategies. Portfolio Managers have a wide range of tools at their disposal including stocks, bonds, and derivatives, and seek to profit from movements in global interest rates, equity markets, commodity prices, and foreign exchange values. Positions tend to be thematic in nature, backed by rigorous economic research and political insight.

Systematic encompasses a range of strategies that are all researched, developed and traded using quantitative methods. This will likely involve the use of computer algorithms, automated execution systems and vast types and amounts of data.

Event driven strategies seek to exploit pricing inefficiencies in equities or bonds of companies that are created as a result of a corporate action or an expected catalyst that will change the value of the underlying securities. These corporate actions may relate to a merger, acquisition, spinout, bankruptcy or liquidation and usually adhere to a predetermined timetable of events. Activist investing also falls under event driven and is a strategy in which the manager takes an active role in an invested company to force through changes that will have an accretive effect on its valuation.

Equity strategies involve the buying and selling of listed equities based on a wide range of varying opinions, research, and forecasting techniques. The most common type is based on fundamental research based on company analysis (earnings growth etc), although the presence of automatic and quantitatively based trading styles has proliferated in recent years.

10. Financial Instruments and Risk Exposure (Continued)

Market Risk – Other Price Risk (continued)

The table below reflects the exposure of the Company in unconsolidated structured entities to the above listed strategies as at 31 December 2019:

31 December 2019

Strategy	Number of funds	Range of Net Asset Value of Investee Fund (US$m)	Weighted average of Net Asset Value of Investee Fund (US$m)	Fair value US$	% of Net Assets
Multi-Strategy	5	174-14,328	3,879	32,399,840	45.50%
Macro	6	145-5,404	2,544	22,162,973	31.12%
Systematic	5	75-3,271	733	12,333,872	17.32%
Event Driven	2	345-354	348	6,977,139	9.80%
Equity Strategies	1	5170-5170	5,170	3,818,011	5.36%
Total	19			77,691,835	109.10%
Net other liabilities				(6,483,071)	(9.10%)
Total Net Assets				71,208,762	100.00%

31 December 2018

Strategy	Number of funds	Range of Net Asset Value of Investee Fund (US$m)	Weighted average of Net Asset Value of Investee Fund (US$m)	Fair value US$	% of Net Assets
Multi-Strategy	5	205-14,220	4,858	25,344,162	37.80%
Macro	5	106-4,000	1,699	16,690,419	24.90%
Systematic	5	313-1,730	1,204	16,536,608	24.67%
Event Driven	2	213-359	285	6,601,900	9.85%
Equity Strategies	3	146-2,404	684	6,563,496	9.79%
Total	20			71,736,585	107.01%
Net other liabilities				(4,701,888)	(7.01%)
Total Net Assets				67,034,697	100.00%

The sum total of fair values shown in the above table are reflected in the audited Statement of Financial Position on page 9 as 'Investments at fair value.'

The Company's maximum exposure to loss from its interests in Investee Funds is equal to the total fair value of its investments in Investee Funds. Once the Company has disposed of its shares in an Investee Fund the Company ceases to be exposed to any risk from that Investee Fund. The Company's investment strategy entails trading in Investee Funds on a regular basis. Total purchases of Investee Funds during the year ended 31 December 2019 were US$30,691,959 (31 December 2018: US$20,953,075). Total sales of Investee Funds during the year ended 31 December 2019 were US$31,272,811 (31 December 2018: US$10,501,298). As at 31 December 2019, and 31 December 2018, there were no capital commitment obligations and no amounts due to Investee Funds for unsettled purchases.

During the year ended 31 December 2019 total net gain on investments in Investee Funds was US$6,534,737 (31 December 2018: US$3,705,363).

The Company has no commitments or intentions to provide financial support or other support to its structured entities.

As at 31 December 2019, and 31 December 2018, the Company did not hold any power over the relevant activities, or did not hold more than 50%, of any structured entity based on the latest available net assets of those structured entities.

Credit Risk and Other Price Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. Certain markets which may be traded by the Company or any Investee Funds in which the Company invests, for example the inter-bank market in currencies, the swaps market and the government securities market are "principal markets" in which they are fully subject to the risk of counterparty default.

Credit risk is managed by the Company through initial and subsequent due diligence reviews of all underlying investments, as already stated. The diversification of the investment portfolio reduces the overall credit risk to the Company.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the Statement of Financial Position date. This relates also to financial assets carried at amortised cost, as they have a short-term to maturity.

10. Financial Instruments and Risk Exposure (Continued)

Credit Risk and Other Price Risk (continued)

The carrying amounts as at year end were:

	December 2019 US$	December 2018 US$
Securities sold receivable	1,505,751	2,321,315
Other receivables and prepaid expenses	1,423	1,946
Carrying amount representing credit risk exposure	1,507,174	2,323,261

Credit risk arising on transactions with brokers relates to transactions awaiting settlement and cash collateral provided against open contracts. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The Company monitors the credit rating and financial positions of the brokers used to further mitigate the risk.

Substantially all of the assets of the Company, including cash, are held by the Depositary. Bankruptcy or insolvency of the Depositary may cause the Company's rights with respect to securities held by the Depositary to be delayed or limited. The Company monitors its risk by monitoring the credit quality of the Depositary used by the Company. The Depositary is a wholly owned subsidiary of Northern Trust Corporation. As at 31 December 2019, Northern Trust Corporation had a Long Term Rating from Standard and Poor's of A+ (31 December 2018: A+).

Depending on the requirements of the jurisdictions in which the investments of the Company are issued, the Depositary may generally, without affecting its potential liability, use the services of one or more sub-depositaries.

The Board of Directors analyses and controls credit concentration based on the counterparty, industry and geographical location of the financial assets that the Company holds.

There are 3 individual investments which each exceed 10% of the net assets attributable to the holders of Participating Shares as at 31 December 2019 (31 December 2018: 1).

Liquidity Risk

Liquidity risk is the risk that difficulties may be encountered in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. At various times, the markets for some securities purchased or sold by the Company may be illiquid, making purchases or sales of securities at desired prices or in desired quantities difficult or impossible.

As there is not always a recognisable market for the investments made by the Company, it may be difficult to deal in any such investments at the value recorded in the Statement of Financial Position.

The liquidity of the underlying investments of the Company is reviewed monthly based on the marketability of those investments. The diversification of the investment portfolio best reduces overall liquidity risk. No new arrangements have been employed by the Company in managing liquidity risk during the year.

Participating Shares in the Company may be redeemed at the Net Asset Value per Participating Share on the dealing day immediately following the valuation day, being the last business day of each month, on at least 90 days notice to the Administrator. The Company endeavours to pay the redemption proceeds within 30 days of the redemption date.

10. Financial Instruments and Risk Exposure (Continued)

Liquidity Risk (continued)

The table below analyses the contractual undiscounted cash flows of the Company's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date.

As at 31 December 2019

Liabilities	< 1 month US$	1 - 3 months US$	3 months to 1 year US$	Total US$
Bank Overdraft	6,730,023	–	–	6,730,023
Subscriptions to shares not yet allotted	–	–	957,000	957,000
Incentive fees payable	209,361	–	–	209,361
Investment Adviser fees payable	59,572	–	–	59,572
Other payables	20,211	–	–	20,211
Audit fees payable	–	7,624	–	7,624
Administrator fees payable	2,781	–	–	2,781
Directors fees payable	2,500	–	–	2,500
Depositary fees payable	1,175	–	–	1,175
Net assets attributable to holders of Participating Shares	–	–	71,208,760	71,208,760
Total Liabilities	7,025,623	7,624	72,165,760	79,199,007

As at 31 December 2018

Liabilities	< 1 month US$	1 - 3 months US$	3 months to 1 year US$	Total US$
Bank Overdraft	6,835,054	–	–	6,835,054
Subscriptions to shares not yet allotted	–	–	100,000	100,000
Investment Adviser fees payable	55,919	–	–	55,919
Other payables	18,088	–	–	18,088
Audit fees payable	–	7,299	–	7,299
Administrator fees payable	4,516	–	–	4,516
Directors fees payable	2,500	–	–	2,500
Depositary fees payable	1,773	–	–	1,773
Net assets attributable to holders of Participating Shares	–	–	67,034,695	67,034,695
Total Liabilities	6,917,850	7,299	67,134,695	74,059,844

Leverage

The Company may use overall leverage up to a maximum of 30% of the Company's total assets, without double counting, from time to time for general investment purposes or to facilitate redemptions.

During the year the maximum leverage utilised by the Company, measured at any one month end, was less than 11% (2018: less than 11%).

11. Fair Value Measurement

The fair value hierarchy prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

Valuation techniques shall maximise the use of observable inputs and minimise the use of unobservable inputs.

11. Fair Value Measurement (Continued)

The three levels of the fair value hierarchy under IFRS 13 “Fair Value Measurement” are as follows:

- Level 1: Quoted price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or valuation techniques for which all significant inputs are directly or indirectly observable from market data; and
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the Company. The Company considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The Company categorises Investee Funds into which the Company may invest that provide their own monthly net asset value at level 2 as not independently sourced albeit that the Company does not doubt such net asset value.

The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Company’s perceived risk of that instrument.

Financial instruments whose values are based on quoted market prices in active markets, and are therefore classified within level 1, includes all listed funds with regular independent quotes.

Financial instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2.

The fair value of investments in Investee Funds is determined using the unadjusted net asset value (Level 2 valuation). The unadjusted net asset value is used when the units in an Investee Fund are redeemable at the reportable net asset value at, or approximately at, the measurement date. If this is not the case, then the net asset value is used as a valuation input and an adjustment is applied for lack of marketability or liquidity generally based on available market information (Level 3 valuation). This adjustment is based on management judgement after considering the period of restrictions and the nature of the Investee Fund.

The following tables present the financial instruments carried on the Statement of Financial Position by level within the valuation hierarchy under IFRS 13 “Fair Value Measurement” as at 31 December 2019 and 31 December 2018.

Financial assets at fair value through profit or loss at 31 December 2019	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
Investee Funds	–	77,691,835	–	77,691,835
Financial assets at fair value through profit or loss at 31 December 2019	–	77,691,835	–	77,691,835

Financial assets at fair value through profit or loss at 31 December 2018	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
Investee Funds	–	71,736,585	–	71,736,585
Financial assets at fair value through profit or loss at 31 December 2018	–	71,736,585	–	71,736,585

There have been no transfers between levels 1, 2 or 3 assets held in either year.

Details of the Company’s Investment Portfolio's maturity profile are disclosed in the Liquidity Risk note on pages 20-21.

11. Fair Value Measurement (Continued)

For the years ended 31 December 2019 and 31 December 2018 all other assets and liabilities, other than investments at fair value, whose carrying amounts approximate fair value would have been considered to be classified within Level 2 of the fair value hierarchy.

The Company redeems and issues redeemable Participating Shares at the amount equal to the proportionate share of net assets of the Company at the time of subscription or redemption, calculated on a basis consistent with that used in the financial statements. Accordingly, the carrying amount of Net assets attributable to holders of Participating Shares approximates their fair value. The shares are categorised into Level 2 of the fair value hierarchy.

12. Taxation

The Company has received an undertaking from the Ministry of Finance of Bermuda, under the Exempted Undertakings Tax Protection Act, 1966 exempting the Company from Bermuda income, profit, capital transfer or capital taxes, should such taxes be enacted, until 31 March 2035.

13. Subsequent Events

No events have occurred in respect of the Company subsequent to 31 December 2019 which would require revision or disclosure in these financial statements.