HIGHFIELD FUND LTD.

Annual Report and Audited Financial Statements
For the year ended 31 December 2018

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
Christopher C Morris (resigned on 16 May 2018)
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
Bermuda

Bermuda Administrator & Registrar
(resigned as secretary on 14 November 2018)
Global Fund Services Ltd.
Century House
16 Par-la-Ville Road
Hamilton HM 08
Bermuda

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

Secretary
(appointed on 14 November 2018)
Continental Management Limited
Century House
16 Par-la-Ville Road
Hamilton HM 08
Bermuda

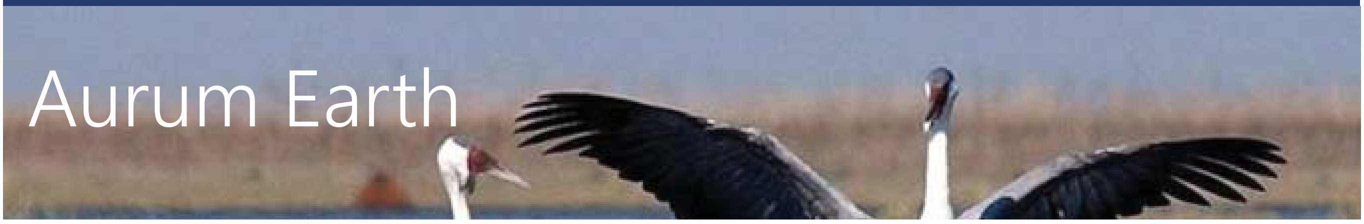
Administrator, Sub-Registrar and Transfer Agent
Northern Trust International Fund Administration Services (Ireland) Limited
George's Court
54-62 Townsend Street
Dublin 2
Ireland

Sponsoring Member for Bermuda Stock Exchange
Continental Sponsors Ltd.
Century House
16 Par-la-Ville Road
Hamilton HM 08
Bermuda

Auditor
KPMG
Chartered Accountants
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

ESG Impact Report



Aurum Earth

Aurum Impact Investment Solution

Aurum's impact investment solution, which launched in 2002, aims to deliver returns that go beyond financial returns. The fund provides investors with an opportunity to both make investment returns and make a difference.

The advisory fee generated from the fund supports a number of charities, principally Synchronicity Earth, a registered charity that supports the conservation of biodiversity, ecosystems and species at risk around the world.

Outcome

- Aurum contributes to Synchronicity Earth's operating expenses, which creates stability for the charity and ensures that other donations can be directed to activity that will have an impact.

Impact

- Aurum's impact investment solution has generated approximately $8.5 million for over 70 organisations in nearly 40 countries.

Registration Portfolios

In 2015 the Synchronicity Earth Regeneration Portfolio was created in collaboration with Aurum. It is an initiative to create strategic funding partnerships between corporates and environmental non-government organisations ("NGOs") in order to regenerate natural habitats. The portfolios provide a scalable solution that can be adopted by anyone looking to engage in environmental philanthropy.

The first strategic funding partnership that Aurum supported, and continues to support, was Hutan, a Sabah-based NGO that was established in 1998 to restore highly degraded and fragmented forest patches in Malaysian Borneo.

Outcome

- Covered the costs of two full time staff and vital equipment for Hutan. Contributed to Hutan's reforestation efforts at three sites.

Impact

In 2018:

- AFML's funding covered the costs of essential equipment and planting of 2,200 native tree seedlings, with two to three years of ongoing maintenance until the seedlings can be left to fend for themselves.
- The funding also paid for installation and monitoring of three hornbill nest boxes. Some key species of tree germinate more successfully once they have passed through the digestive system of hornbills and this new strategy will re-introduce the natural seed distribution process for these species into the new areas of forest.
- Hutan offers local women the opportunity to join the reforestation team for paid 'internships'. Some of these women may become part of the team.
- Local communities, particularly women, are empowered to actively manage their natural environment and resources.

ESG Impact Report (Continued)

Driving Industry Change

The hedge fund industry deals with complexity and risk every day. Fundamental to its success are analysis of data and the need to understand the impact of trends and systemic change. By extending this approach to environmental impact, the industry is ideally placed to both understand the problems and be part of the solution.

Aurum has a goal to mobilise the hedge fund industry to have a net positive environmental impact.

To achieve this Aurum aims to promote articles written about the Regeneration Portfolio using social media and industry publications, and engage with participants in the hedge fund industry to support participation in regeneration portfolios.

Outcome

In 2018:

- Aurum wrote an article discussing how the hedge fund industry could be a positive force for environmental change, which was published in HFM Week.
- Representatives of Aurum held meetings with individual hedge fund managers to promote the Regeneration Portfolio.
- Along with representatives from Synchronicity Earth, Aurum presented at the Albourne annual conference on how hedge funds can help to diffuse the environmental time bomb.

Impact

In 2018:

- A Chicago-based hedge fund continued funding a strategic funding partnership in Tanzania, which supports communities to plant native forestry and agroforestry.
- A London-based hedge fund manager continued funding a Regeneration project in Ecuador, which supports a forest reserve in an area of rich biodiversity and is beginning reforestation to link the reserve to nearby protected areas.
- Two hedge funds, one US-based and one UK-based, began providing annual unrestricted funding to Synchronicity Earth, which supports strategic programmatic work on overlooked and underfunded conservation issues.

ESG Impact Report (Continued)

Strategic Conservation

Created in 1948, IUCN (International Union for Conservation of Nature) has evolved into the world's largest and most diverse environmental network. It harnesses the experience, resources and reach of its 1,300 Member organisations and the input of some 13,000 experts. IUCN is the global authority on the status of the natural world and the measures needed to safeguard it. IUCN provides public, private and non-governmental organisations with the knowledge and tools that enable human progress, economic development and nature conservation to take place together. The IUCN has the ability to convene diverse stakeholders and provide the latest science, objective recommendations and on-the-ground expertise, driving its mission of informing and empowering conservation efforts worldwide. It also serves as an official agency monitoring progress towards biodiversity-related targets.

Aurum has been providing funding to assist in covering the core costs of the IUCN since 2012.

Outcome

- Funding for the core costs of the IUCN is crucial for delivery of a range of activities, from maintenance of the Red List of Threatened Species to championing nature's role in achieving the Sustainable Development Goals.
- Core funding allows the organisation to remain strategic and deliver its mission to 'Influence, encourage and assist societies throughout the world to conserve the integrity and diversity of nature and to ensure that any use of natural resources is equitable and ecologically sustainable'.

Impact

In 2018:

- IUCN Red List assessments continued to grow, in line with the objective of reaching 160,000 species by 2020.
- Specific, community-centred species conservation action plans were developed, targeting endangered and vulnerable species, their habitats and the communities living in them.
- Country and regional level action plans were supported and implemented to increase resilience and adaptation to climate change, sustainable livelihoods and food security.

Oceans

It is vital to protect our oceans now in order to ensure their long-term environmental health, and provide sustainable resources for future generations.

With this in mind, Aurum has sought opportunities to engage with and support initiatives focusing on this important area.

Outcome

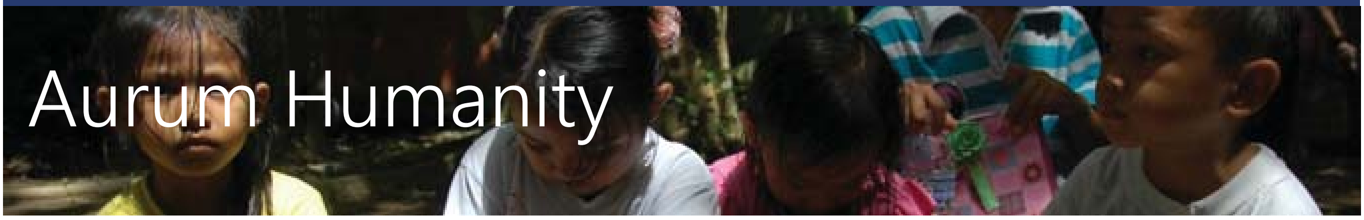
In 2018:

- Aurum sponsored the first Ocean Risk Summit, which had an objective to engage a range of political, scientific, economic, environmental, technological, risk and legal regulatory leaders (in particular, finance ministers, chief finance officers and chief risk officers) to discuss the causes and impacts of, and possible solutions, to the rapid negative changes taking place in our oceans.

Impact

- Development of an Ocean Risk Index, a project that Ocean Unite is supporting AXA XL in developing in collaboration with the Economist Intelligence Unit. The index will define, value and track key ocean risk factors.

ESG Impact Report (Continued)



Aurum Humanity

One to One Children's Fund

Founded in 2001, One to One Children's Fund has established a significant reputation in the spheres of HIV and post-conflict trauma, by developing innovative and sustainable models to fill core gaps in care for vulnerable children. It aims to rebuild and transform lives by first identifying the greatest risks facing children and adolescents and then working with partners to pilot and deliver cost-effective interventions in healthcare, psychosocial services and education. Children and adolescents affected by HIV and AIDS, disability, disease and trauma are empowered to help them realise their full potential and lead healthy, fulfilling lives. Aurum has supported One to One Children's Fund since its inception.

Outcome

- Aurum's support has allowed One to One Children's Fund to focus on core gaps in care for some of the world's most vulnerable children, providing support to children and their families.

Impact

- Anti-retroviral treatment and support: implemented the first treatment programme for children. Established PATA, a network organisation of 400 HIV clinics and hospitals, sharing knowledge and disseminating best practice; PATA's expert patient concept was selected as one of the Rockefeller Foundation's top 100 innovations for the 21st Century.
- Enable: a programme delivering home-based healthcare for children, their mothers, pregnant women and families suffering HIV, malnutrition and other diseases, contributing to drastically reduced infant mortality. Supporting more than 500 pregnant women so far, in a region where 30% of mothers are HIV+, the most recent results from the project include 0% transmission of HIV from mother to child so far. 9,000 community members have benefited from the service.
- Young people and HIV: working with health clinics and schools to empower HIV+ young people to manage their treatment and combat stigma, and to empower peer supporters to address pressing issues affecting young people such as HIV, sexual health, puberty and gender-based violence.
- Post-conflict Kosovo: counselling support to over 10,000 vulnerable children and families. Established four day care centres for children with disabilities that now operate independently, helping 3,000 children every year.
- Young refugee support: established partnerships to expand psychosocial support for young refugees in Greece and in the UK, developing counselling and arts-based models for this important unmet need within refugee communities.

ESG Impact Report (Continued)

SACCA ASBL (The Streets Ahead Children's Centre Association)

SACCA is a local NGO registered in Rwanda which works to protect and rehabilitate children who have been living on the street, as well as preventing them from reaching the streets in the first place.

SACCA's work has three elements:

- Provision of ongoing support to children within rehabilitation centres
- A reintegration programme
- An independent living programme Community

Outcome

- In 2018 Aurum representatives led a delegation of donors and potential donors to Rwanda to evaluate the work that they are supporting.

Impact

- Graduates of SACCA's educational programmes have received a rich educational experience and have gone on to find full-time employment.
- Those who complete SACCA's programme have a significantly enhanced life and livelihood as a consequence of SACCA's intervention. This sets an example in the community, and has led to referrals from their friends, colleagues and relations seeking new life skills from SACCA.
- Many of the smallholders with whom SACCA works, as part of the independent living programme, have gone on to rent larger fields and establish their own cooperatives with other local farmers. The knock-on benefits include being able to send their children to school and pay labourers a higher price for their work.

The Aurum Team

Aurum encourages group employees to support charities that are important to them and to use their skills and efforts to make a difference.

Outcome

- Aurum runs a programme that matches each group employee's fundraising up to £500 per year.

Impact

- Aurum employees have volunteered 29 days to support the following charities in 2018:
  - Action Homeless Concern
  - Age UK Charity Shop
  - Art for All: Kids' Club
  - Barnardo's Charity Shop
  - Be Enriched: Castle Canteen (community canteen)
  - Dress for Success (help to empower unemployed women)
  - F&C Volunteers (older people's lunch club)
  - The Felix Project (fighting food poverty)
  - Hammersmith & Fulham Food Bank
  - Share Horticulture (horticultural projects for disabled people)
  - Share Community (training workshops for disabled people)
  - Salopian Gardens
  - Tower Hamlets Cemetery Park

ESG Impact Report (Continued)

United Nations Principles for Responsible Investment ("PRI")

Aurum became a signatory to the United Nations Principles for Responsible Investment in 2014. The PRI works to understand the investment implications of ESG factors and to support its signatories in incorporating these factors into their investment and ownership decisions. It acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately the environment and society as a whole. An alignment of Aurum's interests with its clients' interests is at the heart of any investment decision. Aurum believes that considering various aspects of ESG is an essential component to good investment decision-making.

Outcome

- For Aurum's first submission in 2014 we were awarded a B. We are pleased to report that in 2015 we received an A rating, which we have maintained each year since.
- As an allocator to hedge funds, Aurum has insight at an industry level as well as a role in influencing hedge funds. In 2018 Aurum was represented in the PRI's Hedge Fund Working Groups, which were tasked with developing hedge fund industry guides for the incorporation of ESG factors in the investment decision-making process according to different strategies.

Impact

In 2018:

- Aurum participated in PRI's hedge fund working group calls and meetings
- Aurum gave input into the PRI proposed hedge fund module for the 2019 reporting framework.

Operational Due Diligence (ODD)

Aurum's ODD process is designed to highlight issues that could exclude a fund based on ESG criteria.

ESG issues are incorporated into the investment decision-making process when Aurum considers prospective investments and when monitoring existing investments. The core focus of this assessment is on corporate governance. Aurum requires manager personnel and fund directors to have adequate skills and background knowledge. Amongst other things, internal processes, control measures, risk tools, incentive systems and policies on proxy voting and conflicts of interests are reviewed. Additionally, close relationships with managers facilitate constructive dialogue around the topic of ESG.

Outcome

- Independent ODD team advising the board
- ESG considerations incorporated into both new investment and annual monitoring report templates

Impact

- Only funds with robust corporate governance structures are allocated to. Funds with inadequate frameworks are required to improve them before any potential investment
- Ongoing dialogue with managers regarding ESG issues

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 2018 as set out herein in respect of matters required by the Bermuda Stock Exchange listing regulations. The Company delisted from the Irish Stock Exchange on 8 August 2018.

At 31 December 2018 the Net Asset Value per Participating Share was US$134.46 (2017: US$129.41).

Dividends

No dividends have been declared during the year ended 31 December 2018 (2017: US$Nil) and the Directors do not recommend the payment of any dividends for the year ended 31 December 2018 (2017: US$Nil).

Connected Parties

Transactions carried out with the Company by the Administrator, Bermuda Administrator, Investment Adviser, Custodian, 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 recorded a gain of 3.90% for 2018 with most months being positive. Multi-strategy, macro, event driven allocations and systematic allocations were all positive for the year while equities strategies marginally detracted.

Within the multi-strategy allocation, performance was not driven by any particular material trade or theme; rather, discretionary equity market neutral trading strategies with sector specialist portfolio management trading teams made strong gains during the first three quarters of the year. This all came to a dramatic end in October as US equities sold off sharply following continuing trade tensions between the US and China which led to, what appeared to be, a de-risking in the US which spread across the globe. This created a cascade effect in November where moves were highly unusual and extreme relative to those seen historically. Elsewhere, quant strategies performed reasonably well during 2018, 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.

The performance of systematic funds held in the portfolio was encouraging overall in what has been a tough environment for the strategy in its broadest sense. Strong gains were made from shorter-term technical strategies, which were positive throughout the year, while short term futures strategies started to pick up during the final quarter of the year. However, losses from pattern recognition trading strategies in sector ETFs were notable detractors.

There was a dispersion in returns between macro funds held in the portfolio during 2018 with managers employing a wide array of strategies. Performance was generated from a range of different geopolitical and market events and the strategy as a whole proved to be a positive diversifier to returns in the fourth quarter. Managers with a bearish outlook on the US capitalised as equities sold off aggressively in October.

The consistency of the event driven funds held in the portfolio during 2018 was very encouraging with the strategy posting positive returns in each quarter of the year. US tax reforms encouraged companies to repatriate even more cash back to the US while an apparent relaxation on anti-trust issues following the overruling of the Department of Justice objection to a deal in the media sector paved the way for an acceleration of vertically integrated mergers.

The allocation to equities detracted slightly from performance with losses driven primarily from the equity sell-off during the fourth quarter. After the initial sell-off in October the subsequent deleveraging and rotation from momentum to value proved a significant headwind in November.

Directors' Report (Continued)

Outlook

Reflecting on the events of 2018 as a whole, it is little wonder that few investors have managed to capitalise on any one theme. The sharp change in investor sentiment during the fourth quarter caught many off guard as the best performing strategy over the last few years, "buy the dip", ended in dramatic fashion and the repeated headlines in August of "the S&P reaching all-time highs" now seem like a distant memory. That said, much of the investment community expressed apprehension and nervousness for much of the year, though Trump's tax cuts proved a significant tailwind to corporate earnings into quarter 3 buoying equity markets. With the benefit of hindsight, this seemed to blind investors to the ongoing trade dispute between the US and China (and the rest of the world), the beginning of the global central bank balance sheet unwind and increased fears of a global economic slowdown following weak economic data from both China and the Eurozone. The Directors 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, the Directors remain committed to identifying managers who will provide low correlation to traditional asset classes and believe that this will result in consistent returns for shareholders over the long-term.

Britain's expected exit from the European Union ("Brexit") remains surrounded in uncertainty and uncertainty can carry an element of risk. The Directors have considered the geographical variables encompassing the mix of the Company's investments, the focus of the Company's operations and the shareholders. Such consideration has led to the Directors being satisfied that the potential impacts of Brexit will not have a material impact on the Company.

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
14 March 2019

Portfolio Statement
as at 31 December 2018

Sector Analysis	2018 Cost (US$)	2018 Fair Value (US$)	2018 % of Total Net Assets	2017 Cost (US$)	2017 Fair Value (US$)	2017 % of Total Net Assets
Multi Strategy	22,083,147	25,344,162	37.80%	13,071,189	16,863,626	27.37%
Fund 1	5,357,691	7,231,195	10.79%	4,037,126	6,068,377	9.85%
Fund 2	7,000,000	6,679,620	9.96%	–	–	–
Fund 3	4,602,827	5,717,251	8.53%	2,602,827	3,467,327	5.63%
Fund 4	2,614,916	2,938,906	4.38%	1,367,440	1,419,968	2.30%
Fund 5	2,507,713	2,777,190	4.14%	2,507,713	2,637,362	4.28%
Fund 6	–	–	–	2,556,083	3,270,592	5.31%
Macro	13,057,917	16,690,419	24.90%	14,557,916	16,430,993	26.67%
Fund 7	5,000,000	6,148,526	9.17%	5,000,000	4,914,764	7.98%
Fund 8	2,915,027	4,073,737	6.08%	2,915,027	3,888,559	6.31%
Fund 9	1,271,187	2,472,689	3.69%	1,271,187	2,119,486	3.44%
Fund 10	1,871,703	2,012,795	3.00%	1,871,702	2,030,293	3.29%
Fund 11	2,000,000	1,982,672	2.96%	2,000,000	2,075,325	3.37%
Fund 12	–	–	–	1,500,000	1,402,566	2.28%
Systematic	11,987,725	16,536,608	24.67%	12,807,867	16,594,837	26.94%
Fund 13	3,534,412	6,334,551	9.45%	3,582,847	5,189,728	8.42%
Fund 14	3,859,682	5,749,119	8.58%	3,859,682	5,352,652	8.69%
Fund 15	2,000,000	2,000,000	2.98%	–	–	–
Fund 16	1,108,007	1,270,518	1.90%	540,968	511,024	0.83%
Fund 17	1,485,624	1,182,420	1.76%	2,074,370	2,913,077	4.73%
Fund 18	–	–	–	1,750,000	1,651,157	2.68%
Fund 19	–	–	–	1,000,000	977,199	1.59%
Event Driven	5,859,065	6,601,900	9.85%	3,859,065	3,985,468	6.47%
Fund 20	3,000,000	3,365,349	5.02%	1,000,000	1,011,274	1.64%
Fund 21	2,859,065	3,236,551	4.83%	2,859,065	2,974,194	4.83%
Equity Strategies	5,751,181	6,563,496	9.79%	2,751,181	3,704,910	6.01%
Fund 22	3,000,000	2,975,130	4.44%	–	–	–
Fund 23	1,427,740	2,032,761	3.03%	1,427,740	2,004,570	3.25%
Fund 24	1,323,441	1,555,605	2.32%	1,323,441	1,700,340	2.76%
Total Investments	58,739,035	71,736,585	107.01%	47,047,218	57,579,834	93.46%
Other assets		2,323,261	3.47%		4,222,809	6.85%
Total Assets		74,059,846	110.48%		61,802,643	100.31%
Other liabilities		(7,025,149)	(10.48%)		(193,927)	(0.31%)
Total Net Assets		67,034,697	100.00%		61,608,716	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 2018, which comprise the Statement of Comprehensive Income for the year ended 31 December 2018, the Statement of Financial Position as at 31 December 2018, 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 2018 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 2018 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 Environmental, Social and Governance Statement, the Directors' Report and the Portfolio Statement as at 31 December 2018, 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.

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.

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

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: 14 March 2019

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 2018

	note	2018 US$	2017 US$
Gains from financial assets at fair value through profit or loss			
Net gain on investments	2, 10	3,705,363	4,480,978
Other income			
Interest income	2	252	–
Total revenue		3,705,615	4,480,978
Operating expenses			
Investment Adviser fees	3, 9	646,587	551,289
Incentive fees	3, 9	336,637	440,056
Administrator fees	4, 9	44,653	43,535
Directors' fees	9	30,000	30,000
Custodian fees	5, 9	22,697	23,756
Other operating expenses		20,396	20,430
Audit fees		7,505	7,821
Total operating expenses		1,108,475	1,116,887
Operating profit before finance cost		2,597,140	3,364,091
Finance costs	7	169,043	49,728
Total finance costs		169,043	49,728
Change in net assets attributable to holders of Participating Shares resulting from operations		2,428,097	3,314,363

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 31 December 2018

	note	2018 US$	2017 US$
Assets			
Financial assets at fair value through profit or loss			
Investments at fair value	2, 11	71,736,585	57,579,834
Financial assets at amortised cost			
Securities sold receivable		2,321,315	387,965
Other receivables and prepaid expenses		1,946	2,011
Cash and cash equivalents	2	–	1,912,844
Securities purchased in advance		–	1,919,989
Total assets		74,059,846	61,802,643
Liabilities			
Financial liabilities at amortised cost			
Bank overdraft	2, 7	6,835,054	–
Subscriptions to shares not yet allotted		100,000	123,000
Investment Adviser fees payable	3, 9	55,919	51,395
Other payables		18,088	2,580
Audit fees payable		7,299	7,665
Administrator fees payable	4, 9	4,516	4,655
Directors fees payable	9	2,500	2,500
Custodian fees payable	5, 9	1,773	2,132
Total liabilities (excluding amounts attributable to holders of Participating Shares)	10	7,025,149	193,927
Net assets attributable to holders of Participating and Sponsor Shares	6	67,034,697	61,608,716
Net assets attributable to holders of Participating Shares	6	67,034,695	61,608,714
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 14 March 2019 and signed on their behalf by:

Director
14 March 2019

Director
14 March 2019

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2018

	2018 US$	2017 US$
Cash flows from operating activities		
Change in net assets attributable to holders of Participating Shares resulting from operations	2,428,097	3,314,363
Adjustment for		
Change in financial assets at fair value through profit or loss	(14,156,751)	(9,515,959)
Finance costs	169,043	49,728
Interest income	(252)	–
Changes in operating assets and liabilities		
Increase in receivables	(13,448)	(2,308,158)
Increase/(decrease) in payables	1,382	(29,978)
Interest received	404	–
Net cash outflow from operating activities	(11,571,525)	(8,490,004)
Cash flows from financing activities		
Finance costs	(151,207)	(51,769)
Subscriptions for shares	4,095,000	12,692,000
Redemption of shares	(1,120,116)	(1,614,602)
Net cash inflow from financing activities	2,823,627	11,025,629
Net (decrease)/increase in cash and cash equivalents	(8,747,898)	2,535,625
Cash and cash equivalents at the beginning of the year	1,912,844	(622,781)
Cash and cash equivalents at the end of the year	(6,835,054)	1,912,844

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 14 March 2019.

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").

The Company has adopted IFRS 9 "Financial Instruments" with a date of initial application of 1 January 2018.

The adoption of IFRS 9 has been applied retrospectively and did not result in a change to the classification or measurement of financial instruments, in either the current or prior period. The comparative figures for the year ended 31 December 2017 have not been restated.

Other than the above, the accounting policies have been applied consistently by the Company.

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.

New Standards and Interpretations Applicable from 1 January 2018

IFRS 9 "Financial Instruments", specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard also contains the new hedge accounting rules. The impact of IFRS 9 "Financial Instruments" on the Company is noted below in "Financial Assets - policy applicable from 1 January 2018".

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 2018 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.

2. Significant Accounting Policies (Continued)

Financial Assets and Financial Liabilities (continued)

Classification

Financial Assets - policy applicable from 1 January 2018

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.

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.

Financial Assets at Fair Value

The Company holds Investee Funds at a fair value of US$71,736,585 at 31 December 2018 (2017: US$57,579,834). On adoption of IFRS 9 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 receivables for securities sold which are held for collection, securities purchased not yet delivered to the Company, other receivables and cash and cash equivalents. 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.

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.

Classification of financial assets and liabilities – Policy applicable before 1 January 2018

- The Investee Fund investments were designated at FVTPL in accordance with IAS 39 as they are managed on a fair value basis and their performance is monitored on this basis.
- Cash and cash equivalents and bank overdrafts, balances due from brokers and other receivables were classified as loans and receivables and measured at amortised cost.
- Derivative financial instruments were held for trading and therefore measured at FVTPL.
- Other financial liabilities were classified as measured at amortised cost.

2. Significant Accounting Policies (Continued)

Financial Assets and Financial Liabilities (continued)

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 2018, and 31 December 2017, there were no financial assets or liabilities subject to enforceable master netting arrangements or similar agreements which would require disclosure.

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)

Significant Accounting Judgements and Estimates (continued)

The Board of Directors has assessed and concluded that the cash flows generated by the Investee Funds are not solely payments of principal and interest (SPPI). Based on this, the Investee Funds are mandatorily classified and measured at FVTPL.

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 (i) a monthly Advisory fee of 0.083333% (equivalent to approximately 1% per annum) of the Net Asset Value of the Participating Shares of the Company as at the relevant month end; and (ii) a monthly incentive fee of 10% of the increase, if any, of the Net Asset Value of the Participating Shares of the Company as at the end of each month, over the Base Value of the Participating Shares of the Company, or if higher the Net Asset Value of the Participating Shares of the Company on the last date in respect of which an incentive fee was paid (the high water mark in respect of the Company). The Base Date is the 31 December immediately prior to the month and the Base Value is the Net Asset Value of the Participating Shares of the Company as at that date. For the purposes of this calculation it is assumed that all the Participating Shares in issue at the valuation day were in issue at the Base Date or the high water mark date as the case may be and had a Net Asset Value equal to the Net Asset Value of each Participating Share in the Company at the Base Date or the high water mark date as the case may be. These fees are calculated before all Investment Adviser, Administrators and Custodian fees, Directors' fees, audit fees, formation and sundry expenses for the month concerned have been deducted and are paid monthly in arrears. In so far as the Company invests in other Aurum Funds or MAM Funds, no fees will be payable by the Company on the amount so invested, in addition to those already charged by such Aurum Funds or MAM Funds.

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$2,000 per month, will be no greater than 1/12 of 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. Custodian Fees

The Custodian 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 Custodian 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 Custodian monthly in arrears.

In addition to a monthly fee, the Custodian 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 Custodian Fees.

6. Share Capital

	December 2018 US$	December 2017 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	
	2018	**2017**
Opening as at 1 January	476,072.52	386,856.02
Issued during the year	30,999.49	102,215.77
Redeemed during the year	(8,535.50)	(12,999.27)
Closing as at 31 December	498,536.51	476,072.52

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 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
Balance at 1 January 2017	2	772	47,041,181	47,041,955
Change in net assets attributable to holders of Participating Shares resulting from operations			3,314,363	3,314,363
Subscriptions during the year		204	12,866,796	12,867,000
Redemptions during the year		(26)	(1,614,576)	(1,614,602)
Balance at 31 December 2017	2	950	61,607,764	61,608,716

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$6,000,000 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 1.00% (2017: 0.75%) on any overdrawn balances. The Facility Fee is payable quarterly in advance and US$33,750 (2017: US$28,700) 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 2018 US$	December 2017 US$
Net Asset Value per Participating Share		
Net assets attributable to holders of Participating Shares (US$)	67,034,695	61,608,714
Issued Participating Shares (number of shares)	498,536.51	476,072.52
Net Asset Value per Participating Share (US$)	134.46	129.41

9. Related Parties

In accordance with IAS 24 “Related Party Disclosures” the related parties to the Company are outlined below.

The Company’s related parties include the Directors, the Administrator and its affiliates, the Bermuda Administrator, the Investment Adviser and the Custodian. Amounts incurred during the year and amounts due as at the Statement of Financial Position date in relation to these related parties are shown on the face of the financial statements.

Key Management Personnel

Mrs. T Gibbons is a Director of the Investment Adviser and Aurum Fund Management Ltd. Mr. D R Cottingham, Mr M J Harvey, Mr A Hopkin and Mr. A Sweidan are directors of the Investment Adviser and hold shares directly and indirectly in Aurum Fund Management Ltd. Mr. D R Cottingham, Mr M J Harvey and Mr A Hopkin are Directors of Aurum Fund Management Ltd. and Continental Management Limited, the Secretary. 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.

The Directors of the Company, the Investment Adviser and Aurum Fund Management Ltd. are also Directors of other investment 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.

At 31 December 2018, Directors and Persons so connected did not hold any Participating Shares in the Company (2017: Nil).

Other Key Contracts

As at 31 December 2018, the Company held 6,986.09 (2017: Nil) shares in another Aurum Fund, Aurum Artisan Fund, at a fair value of US$6,666,351 (2017: US$Nil). At 31 December 2018, the Company held 50,000.00 (2017: 50,000.00) shares in an Investee Fund managed by Monaco Asset Management S.A.M., Io Macro Fund Limited, at a fair value of US$6,148,526 (2017: US $4,914,764).

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 or indirect ownership of Sponsor Shares therein, the dealings were conducted in order to balance the portfolio of investments, and those dealings may be identified as follows:

9. Related Parties (Continued)

Other Key Contracts (continued)

	2018 US$	2017 US$
Sales of investments to such other funds	5,552,768	250,000
Purchases of investments from such other funds	6,431,835	1,100,000

Each transaction entered into with other Aurum Funds was carried out at the Net Asset Value per share at the applicable time of the transaction, as reported by the Administrator of such Aurum Fund.

At the end of the year, there were no amounts due to or from such other funds (31 December 2017: US$Nil).

The above figures exclude amounts due to the Investment Adviser which are shown in the body of the financial statements.

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, cash and cash equivalents, interest receivable, dividends receivable, securities sold receivable, securities purchased in advance, subscriptions receivable, subscriptions to shares not yet allotted, bank overdrafts, accrued expenses, redemptions payable 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 2018, and 31 December 2017, 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.

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 the financial results.

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.

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.

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 Company invests in Investee Funds which are denominated in US dollars.

The Investee Funds in which the Company invests have full discretion as to the currencies in whose shares their investments are denominated. Consequently, performance of the Investee Funds may be subject to fluctuations in foreign currency exchange rates.

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.

10. Financial Instruments and Risk Exposure (Continued)

Market Risk – Other Price Risk (Continued)

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.

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.

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.

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.

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.

The table below reflects the exposure of the Company in unconsolidated structured entities to the above listed strategies as at 31 December 2018:

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	106-4000	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%

31 December 2017

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	169-11,930	6,354	16,863,626	27.37%
Systematic	6	234-1,646	1,246	16,594,837	26.94%
Macro	6	54-4,409	2,102	16,430,993	26.67%
Event Driven	2	329-556	387	3,985,468	6.47%
Equity Strategies	2	2,516-2,652	2,578	3,704,910	6.01%
Total	21			57,579,834	93.46%
Net other assets				4,028,882	6.54%
Total Net Assets				61,608,716	100.00%

The sum total of fair values shown in the above table are reflected in the audited Statement of Financial Position on page 13 as 'Investments at fair value.'

10. Financial Instruments and Risk Exposure (Continued)

Market Risk – Other Price Risk (Continued)

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 2018 were US$20,953,075 (31 December 2017:US$19,098,993). Total sales of Investee Funds during the year ended 31 December 2018 were US$10,501,298 (31 December 2017: US$12,144,023). As at 31 December 2018, and 31 December 2017, there were no capital commitment obligations and no amounts due to Investee Funds for unsettled purchases.

During the year ended 31 December 2018 total net gain on investments in Investee Funds was US$3,705,363 (31 December 2017: US$4,480,978).

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

As at 31 December 2018, and 31 December 2017, 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.

The carrying amounts as at year end were:

	December 2018 US$	December 2017 US$
Securities sold receivable	2,321,315	387,965
Cash and cash equivalents	–	1,912,844
Securities purchased in advance	–	1,919,989
Other receivables and prepaid expenses	1,946	2,011
Carrying amount representing credit risk exposure	2,323,261	4,222,809

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 Custodian. Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to securities held by the Custodian to be delayed or limited. The Company monitors its risk by monitoring the credit quality of the Custodian used by the Company. The Custodian is a wholly owned subsidiary of Northern Trust Corporation. As at 31 December 2018, Northern Trust Corporation had a Long Term Rating from Standard and Poor's of A+ (31 December 2017: A+).

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

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 is 1 individual investment which exceeds 10% of the net assets attributable to the holders of Participating Shares as at 31 December 2018 (31 December 2017: Nil).

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.

10. Financial Instruments and Risk Exposure (Continued)

Liquidity Risk (Continued)

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.

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 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
Investment Adviser fees payable	55,919	–	–	55,919
Administrator fees payable	4,516	–	–	4,516
Directors fees payable	2,500	–	–	2,500
Audit fees payable	–	7,299	–	7,299
Custodian fees payable	1,773	–	–	1,773
Other payables	18,088	–	–	18,088
Subscriptions to shares not yet allotted	–	–	100,000	100,000
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

As at 31 December 2017

Liabilities	< 1 month US$	1 - 3 months US$	3 months to 1 Year US$	Total US$
Investment Adviser fees payable	51,395	–	–	51,395
Administrator fees payable	4,655	–	–	4,655
Directors fees payable	2,500	–	–	2,500
Audit fees payable	–	7,665	–	7,665
Custodian fees payable	2,132	–	–	2,132
Other payables	2,580	–	–	2,580
Subscriptions to shares not yet allotted	–	–	123,000	123,000
Net assets attributable to holders of Participating Shares	–	–	61,608,714	61,608,714
Total Liabilities	63,262	7,665	61,731,714	61,802,641

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% (2017: less than 8%).

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 either using unadjusted net asset value (Level 2 valuation) or by applying a discount to the net asset value (Level 3 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. 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 2018 and 31 December 2017.

Financial assets at fair value through profit or loss at 31 December 2018	Level 1 US$	Level 2 US$	Level 3 US$	Total 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

Financial assets at fair value through profit or loss at 31 December 2017	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Investee Funds	–	57,579,834	–	57,579,834
Financial assets at fair value through profit or loss at 31 December 2017	–	57,579,834	–	57,579,834

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 25-26.

For the years ended 31 December 2018 and 31 December 2017 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.

11. Fair Value Measurement (Continued)

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 categorized 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 2018 which would require revision or disclosure in these financial statements.