

# Contents

■ Directors, Management and Administration	1	■ Gilt and Income Fund	29 – 32
■ Report of the Directors	2	■ North American Growth Fund	33 – 38
■ Statement of Directors' Responsibilities	3	■ Far East Fund	39 – 46
■ Investment Report	4	■ UK Capital Growth Fund	47 – 52
■ Report of the Manager	5	■ Europe Fund	53 – 60
■ Auditors' Report	6	■ Aggregated Accounts	61
■ Trustee's Report	7	■ Notes to the Aggregated Accounts	62 – 65
■ Managed Fund	8 – 16	■ Comparative Tables	66
■ Worldwide Equity Fund	17 – 24	■ Performance Table to 31st December 2008	67
■ Managed Currency Fund	25 – 28	■ Further Information	68



# Directors, Management and Administration

## **Board of Directors:**

Michael Kenneth Murley  
Director of Allied Dunbar  
International Fund Managers Limited  
(Resigned 27th October 2008)

Christopher James Tunley  
Non Executive Director

Phillip Andrew Wiseman  
Director of Allied Dunbar  
International Fund Managers Limited  
(Resigned 27th October 2008)

Alastair Peter Jollans  
Director of Allied Dunbar  
International Fund Managers Limited  
(Resigned 4th April 2008)

Peter James Scott Hammonds  
Non Executive Director

Linda Muirhead  
Director of Allied Dunbar  
International Fund Managers Limited

Paul John David Quirk  
Director of Allied Dunbar  
International Fund Managers Limited

Maurizio Busti  
Director of Allied Dunbar  
International Fund Managers Limited  
(Appointed 27th October 2008)

## **Manager and Registrar:**

Allied Dunbar International Fund Managers Limited  
Registered Office:  
43-51 Athol Street  
Douglas  
Isle of Man IM99 1ET  
Registered in the Isle of Man No. 23846C  
Telephone: +44 1624 661551

## **Company Secretary:**

Paul Andrew David Nolan  
(Appointed 27th October 2008)

Phillip Andrew Wiseman  
(Resigned 27th October 2008)

## **Investment Adviser:**

Threadneedle Asset Management Limited  
60 St. Mary Axe  
London EC3A 8JQ

## **Trustee:**

BNP Paribas Trust Company (IOM) Limited  
PO Box 57  
Merchant's House  
24 North Quay  
Douglas  
Isle of Man IM99 2PG

## **Auditors:**

PricewaterhouseCoopers  
Sixty Circular Road  
Douglas  
Isle of Man IM1 1SA

## **Legal Advisers:**

Cains  
15/19 Athol Street  
Douglas  
Isle of Man IM1 1LB

## **Registered Office:**

43-51 Athol Street  
Douglas  
Isle of Man IM99 1ET  
Registered in the Isle of Man No. 24161C

# Report of the Directors

2

## Activity and Results

This Annual Report and Accounts contains the financial statements of the Company for the year ended 31st December 2008 and also an analysis of each Fund including a portfolio statement.

A review of the year, together with an assessment of the investment outlook, is set out in the Investment Report by the Investment Adviser, Threadneedle Asset Management Limited.

The Directors would like to take this opportunity to advise Shareholders that they reserve the right to treat the working days immediately before and after the statutory Christmas and New Year holidays as dealing days or otherwise. Please note that Christmas Eve is a non-dealing day.

For full information about the Funds and Distributor Status, investors are advised to consult the current Scheme Particulars of the Funds, available from Allied Dunbar International Fund Managers Limited.

As will be seen from the following accounts, the Company, at 31st December 2008, had funds under management in excess of US\$ 348 million (2007: US\$ 590 million).

The Company is an Open-Ended Investment Company with variable capital.

The Shareholders are only liable for the debts of the Company to the extent of their investment. Where the assets of a constituent part of the Scheme are insufficient to meet that constituent part's liabilities, then any liabilities that remain undischarged will revert to the Company as a whole and be allocated amongst the other constituents of the Scheme. At the year end the Directors were not aware of any existing or contingent liability which could not be discharged out of the assets of that constituent part of the Scheme.

## Share Capital

The total number of shares in issue at 31st December 2008 was as follows:

Participating Redeemable Preference Shares	287,514,172
Nominal Shares	622,559,392
Management Shares	10
	<hr/>
	910,073,574

## Directors

The Directors of the Company are set out on page 1. No Director nor any Director's spouse or child under 18 years of age has any beneficial interest, directly or indirectly, in the Company. During the year ended 31st December 2008 and on that date there was no contract of significance subsisting in which a Director of the Company is or was materially interested, except that as at 31st December 2008 all Directors (with the exception of Mr. Christopher Tunley and Mr. Peter Hammonds) were also Directors of Allied Dunbar International Fund Managers Limited which is a party to the Management Agreement and the Investment Advisory Agreement as detailed in Note 9 on page 63.

## Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office in accordance with Section 12(2) of the Companies Act 1982.

## By order of the Board

Company Secretary  
12th February 2009

# Statement of Directors' Responsibilities

## in respect of the Annual Report

## and the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Isle of Man law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the net income/(expense) and the net gains/(losses) of the property of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Financial Supervision (Authorised Collective Investment Schemes) Regulations 2005, the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in December 2005, the Isle of Man Companies Acts 1931 to 2004 and the Principal Constitutional Documents. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. In order to do so, the Directors have appointed BNP Paribas Trust Company (IOM) Limited as the Trustee of the Company's assets.

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

**By order of the Board**

**Company Secretary**  
12th February 2009

# Investment Report

## Market Overview

### Review

4

Over 2008, the US Dow Jones Industrial Average saw its worst performance since 1931 and amongst emerging markets, the MSCI China Index lost over half of its value. In the UK, the FTSE 100 suffered its worst year since the index began in 1984. The global credit crisis has exacerbated the economic downturn, with leading economies now facing recession. In October several of the world's biggest banks faced serious financial difficulties, necessitating government support. Within the UK, a number of major banks received substantial capital injections from the government via large equity purchases. Indeed, at the year end almost 60% of the share capital of Royal Bank of Scotland was in government hands. A number of other western governments made similar capital injections into leading banks in their own jurisdictions.

Alongside direct support for the banking system, there have been government fiscal stimulus packages as well as aggressive interest rate cuts from central banks, in order to reduce the risk of a deep and long-lasting recession. In the UK, the Bank of England cut rates dramatically so that as at 31st December 2008 they stood at just 2.0%, the lowest level since 1951. US interest rates are now at a record low of between 0% and 0.25% and the Federal Reserve appears to have embarked on a quantitative easing strategy, in that it is printing money to buy up mortgage-backed securities and has hinted that it may extend this to direct purchases of US Treasuries. This should push down yields on longer dated Treasuries and mortgage bonds, thereby aiding mortgage refinancing. Taken together, these measures should encourage banks to lend. An economic recovery remains dependent on the resumption of commercial bank lending to consumers and companies, with a resultant fillip to retail spending and corporate expenditure.

Over the year, corporate bonds substantially underperformed government bonds. The latter were considered safe havens from the equity market volatility and also benefited from lower inflation and falling interest rates. After such a turbulent period, corporate bonds now offer compelling value on many traditional measures. Yield spreads on corporate bonds over government securities are the widest for almost 100 years and yields are the highest in a decade.

### Outlook

We expect the economic outlook to remain challenging over the months ahead. Both consumer and business confidence are extremely weak, the former exacerbated by rising unemployment. On a more positive note, the oil price has fallen sharply from July's record high of US\$ 147 per barrel which should ease the burden of fuel bills for households and businesses. Additionally, the recent cuts in interest rates should help reduce mortgage and borrowing costs.

Despite the stimulative measures from governments and central banks, in the short term credit is likely to remain in short supply. In these circumstances, companies with strong balance sheets and cashflows continue to be well placed and are strongly represented in our equity portfolios. While economic growth in emerging markets is also slowing, it is likely to remain more robust than in developed economies.

Overall, we believe that at current levels equity valuations look attractive and patience should be rewarded on a longer-term perspective. However, in the short term equities could see further volatility given the poor economic environment. At a company level, the recession is likely to see more corporate casualties, particularly amongst consumer-facing businesses such as retailers. The UK has already witnessed the demise of Woolworths and MFI. However, this will reduce the degree of competition for the stronger companies that remain and improve their position going forward. As lower interest rates and fiscal measures filter through the economy, we would expect to see a gradual recovery.

# Report of the Manager

Allied Dunbar International Funds Limited is an Authorised Collective Investment Scheme under Section 3 of the Financial Supervision Act 1988, as amended and is an Umbrella Fund, as defined in the Financial Supervision (Authorised Collective Investment Schemes) Regulations 2005. Each constituent part, as listed in the tables below, is an Authorised Securities Scheme as defined in the Financial Supervision (Authorised Collective Investment Schemes) Regulations 2005 (except the Managed Currency Fund which is a Money Market Fund).

The aim of the Scheme is to provide an attractive, tax-efficient, investment medium for investors worldwide. Resident for tax purposes in the Isle of Man the Company does not pay UK Corporation Tax on its income or capital gains. The Manager's policy for achieving the investment objective is described for each constituent part of the Scheme on pages 8, 17, 25, 29, 33, 39, 47 and 53.

The investment activities of the Company to 31st December 2008 are described in the Investment Report by the Investment Advisers on pages 8, 17, 25, 29, 33, 39, 47 and 53.

The following amounts have been paid and/or accumulated for distribution to holders of Participating Redeemable Preference Shares in respect of the twelve months ended 31st December 2008. Where negative, the deficit has been transferred to the capital reserve.

<b>Interim Amount Paid US\$</b>	<b>Investment Class</b>	<b>XD Date</b>	<b>Amount Due/ (Deficit) US\$</b>	<b>Payment Date</b>
343,800	Managed	1.1.2009	80,265	28.2.2009
–	Worldwide Equity	1.1.2009	748	28.2.2009
20,225	Managed Currency	1.1.2009	5,752	28.2.2009
687,214	Gilt and Income	1.1.2009	407,352	28.2.2009
–	North American Growth	1.1.2009	(748,658)	28.2.2009
–	Far East	1.1.2009	10,931	28.2.2009
–	UK Capital Growth	1.1.2009	1,238,307	28.2.2009
–	Europe	1.1.2009	224,402	28.2.2009

The total number and mid market value of Participating Redeemable Preference Shares as at 1st January 2008 and 31st December 2008 were as follows:

<b>Investment Class</b>	<b>Shares in Issue</b>		<b>Mid Market Value Per Share (US\$)</b>	
	<b>1.1.2008</b>	<b>31.12.2008</b>	<b>1.1.2008</b>	<b>31.12.2008</b>
Managed	62,455,079	61,063,627	1.8085	1.2740
Worldwide Equity	36,038,389	30,190,924	2.0255	1.1570
Managed Currency	5,633,985	5,791,364	0.3797	0.3721
Gilt and Income	77,346,139	61,503,677	0.5990	0.4691
North American Growth	38,239,173	44,450,606	3.9555	2.4355
Far East	6,384,424	5,571,465	3.5700	1.9100
UK Capital Growth	71,733,008	66,498,779	1.6574	0.8516
Europe	14,404,899	12,443,730	5.5532	3.2012

The bid value of the Funds, cancellation prices and shares in issue at the end of the last three accounting periods are shown in the Comparative Tables on page 66.

The names and addresses of the Registrar, the Investment Advisers, the Trustee and the Auditors can be found on page 1.

Director  
12th February 2009

Director  
12th February 2009

Allied Dunbar International  
Fund Managers Limited  
43-51 Athol Street  
Douglas  
Isle of Man IM99 1ET

# Independent Auditors' Report to the Shareholders of Allied Dunbar International Funds Limited

6

We have audited the financial statements of Allied Dunbar International Funds Limited ("the Company") for the year ended 31st December 2008 which comprise the Aggregated Statement of Total Return, the Aggregated Statement of Change in Shareholders' Net Assets, the Aggregated Balance Sheet and the related Notes and for each of the Company's sub-funds, the Statement of Total Return, the Statement of Change in Shareholders' Net Assets, the Portfolio Statement, the Balance Sheet, the Summary of material portfolio changes, the related Notes and the Distribution Table. These financial statements have been prepared under the accounting policies set out therein.

## **Respective responsibilities of the Directors and Auditors**

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with Isle of Man law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's Shareholders as a body in accordance with Section 15 of the Isle of Man Companies Act 1982 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in December 2005, the Financial Supervision (Authorised Collective Investment Schemes) Regulations 2005, the Isle of Man Companies Acts 1931 to 2004 and the Company's Principal Constitutional Documents. We also report to you if, in our opinion, the Report of the Directors' is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' fees and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Directors, the Trustee's Report, the Investment Reports, and the Report of the Manager. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Company and each of the sub-funds at 31st December 2008 and of the net income/(expense) and the net gains/(losses) of the property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in December 2005, the Financial Supervision (Authorised Collective Investment Schemes) Regulations 2005, the Isle of Man Companies Acts 1931 to 2004 and the Company's Principal Constitutional Documents.

**PricewaterhouseCoopers**  
**Chartered Accountants**  
**Douglas**  
**Isle of Man**

12th February 2009

# Trustee's Report and Responsibilities

## **Trustee's Responsibilities**

The Trustee is required by the Financial Supervision (Authorised Collective Investment Schemes) Regulations 2005 ("The Regulations") and the Principal Constitutional Documents to:

- (a) carry out the proper instructions of the Manager;
- (b) take into custody or under their control all of the property of the scheme and hold it in trust;
- (c) take reasonable care to ensure that the methods used by the Manager in calculating prices at which units are sold and repurchased are adequate;
- (d) carry out checks which are adequate to show whether the Manager has determined prices within the limits prescribed by the Regulations; and,
- (e) report to the Shareholders in respect of each accounting period on the conduct of the Manager in managing the funds.

## **Trustee's Report**

In respect of the period 1st January 2008 to 31st December 2008, we state that in our opinion, Allied Dunbar International Fund Managers Limited (the Manager) has managed in all material respects, Allied Dunbar International Funds Limited in the above period:

- (a) in accordance with the limitations imposed upon the investment and borrowing powers of the Manager and ourselves as Trustee by the Principal Constitutional Documents, by the Scheme Particulars and by the Financial Supervision (Authorised Collective Investment Schemes) Regulations 2005; and,
- (b) otherwise in accordance with the provisions of the Principal Constitutional Documents and the Financial Supervision (Authorised Collective Investment Schemes) Regulations 2005.

For and on behalf of BNP Paribas Trust Company (IOM) Limited.  
12th February 2009

# Managed Fund

## Fund Investment Report

### Investment Policy

To invest primarily for capital growth from a balanced and managed portfolio of asset types in various economies.

### Types of Investment

Investments are held primarily in equity and fixed interest stock markets of the major economies, but also may be held indirectly through other permitted investments such as unit trusts, investment trusts and convertible securities as circumstances warrant and as permitted by the Regulations.

Exposure to individual regions or economies will generally reflect relative levels of market capitalisation. Consequently, a relatively large proportion of the Investment Fund may consist of investments in the North American market.

Limited sales and purchases of investments may be made through options and financial futures, whilst bearing in mind the investment policy of the Investment Fund and the Regulations.

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

### Portfolio Activity

2008 was an unprecedented year for world equity markets, with the US Dow Jones Industrial Average Index recording its worst performance since 1931. Commodities also had an extremely volatile year with the oil price reaching a peak of US\$ 147 per barrel in July before falling sharply to close the year at just over US\$ 40 per barrel.

The year can be divided into two periods, namely pre and post the collapse of investment bank Lehman Brothers (the largest bankruptcy filing in US history), which occurred in mid-September. Although equities had fallen sharply prior to this date, the demise of Lehman and the subsequent failure of a number of global financial institutions served as the catalyst for a dramatic fall in equity markets. As a result, the MSCI AC World Index ended the year with a loss of 42% in US Dollar terms.

Deteriorating global economic data through the year served to confirm what the market had already suspected: that the drying up of credit and the subsequent de-leveraging of companies and consumers would have a detrimental impact on global demand for products and services. As more developed economies slipped into recession in the second half of the year, the “decoupling” theory for emerging economies was proven to be a myth, as growth also slowed dramatically in these regions. The swift deterioration in global demand resulted in record prices for commodities crashing back down (with the notable exception of gold). As a result, concerns over inflation evaporated and towards the end of the year were replaced by fears of deflation. With the financial system facing meltdown, government intervention became imperative. Support programmes in the US, UK and Europe consisted not only of bailouts for certain financial institutions (funded by the taxpayer) but aggressive interest rate cuts in the fourth quarter.

Reversing their strong 2007 performance, emerging Asia and Latin American equities underperformed global markets as risk appetite fell, commodity prices collapsed and the decoupling myth was debunked. Russia, in particular, was negatively impacted by increased concerns over sovereign risk and the drop in the oil price, with the market falling 74% in US Dollar terms over 2008. Currencies also played an important role due to the extreme swings in exchange rates over the year. The strong Yen helped Japan to outperform as the market fell 27% in US Dollar terms but 42% in Yen terms. At the other extreme, the UK was the best performing developed market in local currency terms, posting a return of -30%, but in US Dollar terms it returned a dismal -49%.

The three best performing sectors were unambiguously defensive in nature, namely healthcare (-22%), consumer staples (-23%) and utilities (-29%). The profile of the worst performers was less uniform, but could be broadly defined as “cyclicals”. Unsurprisingly, financials was the worst performing sector in 2008, dropping 61% in value, and in a reversal of fortune, materials fell 50% as commodity prices retreated.

The Fund benefited from its large overweight positions in healthcare and consumer staples which were built up over the year. Equally, the sustained underweight position in financials and the Fund’s avoidance of the major company failures in this sector contributed positively to performance, particularly in the fourth quarter.

Although remaining overweight versus the index, towards the year-end we reduced the Fund’s exposure to the defensive healthcare and consumer staples sectors, given their strong relative performance. This, in turn, has resulted in a reduction in the US exposure as most of the large holdings in these sectors were US-based. We retain an emphasis on large cap stocks, irrespective of the sector, and will add companies with significant recovery potential as opportunities arise (we had already started to do this towards the end of the year). Our focus remains on backing industry winners with superior profitability versus their peers, solid balance sheets and strong management teams, whilst offering substantial value.

Turning to the bond element of the portfolio, throughout the year the Fund has been positioned to benefit from a strong absolute return from government bonds, in anticipation of a move to lower yields as investors became more pessimistic about the opportunities for economic growth and the prospects for returns from riskier asset classes. In the first half of the year this strategy worked against the Fund because inflation fears dominated market direction, pushing yields up and hurting capital values. Higher yields represented the view that the next move from leading central banks would be to increase interest rates to contain inflation expectations. During this period the Fund maintained its exposures to bonds in spite of the adverse consequences, due to our conviction that ultimately the fundamental factors that would drive markets were weakening economic activity and falling real estate values.

In the second half of the year, this turned out to be the case and bonds re-priced to take account of central banks making significant cuts in interest rates to stabilise economic activity. Bonds also benefited from a flight to quality as investors moved away from other assets in the risky and uncertain environment. In contrast to previous years, almost one third of the bond portion of the Fund was held in Japanese Yen denominated assets. Previously, the weighting has been a lot lower – the increased exposure was put in place to exploit the strengthening of the Yen that was anticipated in conditions of risk aversion.

## Managed Fund

### Statement of Total Return

for the accounting period 1st January 2008 to 31st December 2008

	Notes	2008 US\$	2007 US\$
Net (losses)/gains on investments during the period	2	(32,295,457)	11,701,351
Other gains	3	23,954	48,958
Income	4	2,629,644	2,591,525
Expenses	5	(1,953,470)	(2,261,672)
Finance costs: Interest	7	(12,097)	(10,581)
Net income before taxation		664,077	319,272
Taxation	6	(284,436)	(263,624)
Net income after taxation		379,641	55,648
<b>Total return before distribution</b>		<b>(31,891,862)</b>	<b>11,805,957</b>
Finance costs: Distribution	7	(424,402)	(160,256)
<b>Change in Net Assets attributable to Shareholders</b>		<b>(32,316,264)</b>	<b>11,645,701</b>

### Balance Sheet

as at 31st December 2008

	Notes	2008 US\$	2007 US\$
<b>Assets</b>			
<b>Portfolio of investments</b>			
		73,882,021	105,687,871
Debtors	8	820,876	1,947,834
Cash and bank balances		1,533,837	3,003,557
Total other assets		2,354,713	4,951,391
Total assets		76,236,734	110,639,262
<b>Liabilities</b>			
Creditors	9	(205,009)	(273,035)
Distribution payable on income shares		(80,265)	–
Total liabilities		(285,274)	(273,035)
<b>Net Assets attributable to Shareholders</b>		<b>75,951,460</b>	<b>110,366,227</b>
<b>Shareholders' Funds</b>			
Nominal Value – Issued Share Capital		577,985	577,985
Share Premium		70,282,013	70,036,476
Capital Reserve		5,091,462	39,751,766
		75,951,460	110,366,227

### Statement of Change in Shareholders' Net Assets

for the accounting period 1st January 2008 to 31st December 2008

	2008 US\$	2007 US\$
<b>Net Assets at the start of the period</b>	110,366,227	103,984,164
Movement due to sales and repurchases of shares:		
Amounts received on creation of shares	3,114,684	5,389,902
Less: Amounts paid on cancellation of shares	(5,214,393)	(10,653,570)
	(2,099,709)	(5,263,668)
Change in Net Assets attributable to Shareholders (see above)	(32,316,264)	11,645,701
Unclaimed distributions	1,206	30
<b>Net Assets at the end of the period</b>	<b>75,951,460</b>	<b>110,366,227</b>

### Distribution Table

for the accounting period 1st January 2008 to 30th June 2008

	Income US\$	Equalisation US\$	Distribution Payable 2008 US\$	Distribution Paid 2007 US\$
Group 1	0.0056	–	0.0056	0.0025
Group 2	0.0034	0.0022	0.0056	0.0025

Group 2 units are those purchased after 16:00 (UK time) on 31st December 2007

for the accounting period 1st July 2008 to 31st December 2008

	Income US\$	Equalisation US\$	Distribution Payable 2008 US\$	Distribution Paid 2007 US\$
Group 1	0.0013	–	0.0013	–
Group 2	0.0011	0.0002	0.0013	–

Group 2 units are those purchased after 16:00 (UK time) on 30th June 2008

## Managed Fund Portfolio statement

as at 31st December 2008

10

Holding	Investment	Value US\$	% of Net Asset Value	Holding	Investment	Value US\$	% of Net Asset Value
<b>AUSTRALIA (1.88%, December 2007 – 2.24%)</b>				<b>Oil &amp; Gas (0.41%, December 2007 – 0.00%)</b>			
	Engineering & Machinery (0.00%, December 2007 – 0.40%)			8,500	Shawcor	117,367	0.16
	Government Bonds (0.43%, December 2007 – 0.31%)			5,648	Ultra Petroleum	191,185	0.25
445,000	New South Wales Treasury Corporation 5.5% 01/03/2017	323,440	0.43		<b>Total Canada</b>	<b>975,057</b>	<b>1.28</b>
14,734	Insurance (0.35%, December 2007 – 0.00%) QBE Insurance Group	263,749	0.35	<b>CAYMAN ISLANDS (0.00%, December 2007 – 0.22%)</b>			
10,400	Mining (0.29%, December 2007 – 0.63%) BHP Billiton	220,643	0.29	<b>General Retailers (0.00%, December 2007 – 0.22%)</b>			
26,267	Pharmaceuticals & Biotechnology (0.81%, December 2007 – 0.90%) CSL	617,765	0.81	<b>CHINA (0.43%, December 2007 – 0.00%)</b>			
	<b>Total Australia</b>	<b>1,425,597</b>	<b>1.88</b>	614,000	Banks (0.43%, December 2007 – 0.00%) Industrial & Commercial Bank of China	323,254	0.43
<b>AUSTRIA (1.38%, December 2007 – 0.00%)</b>					<b>Total China</b>	<b>323,254</b>	<b>0.43</b>
	Government Bonds (1.38%, December 2007 – 0.00%)			<b>DENMARK (0.72%, December 2007 – 0.42%)</b>			
725,000	Republic of Austria 4.35% 15/03/2019	1,051,751	1.38		Electronic & Electrical Equipment (0.72%, December 2007 – 0.42%) Vestas Wind System	550,171	0.72
	<b>Total Austria</b>	<b>1,051,751</b>	<b>1.38</b>		<b>Total Denmark</b>	<b>550,171</b>	<b>0.72</b>
<b>BELGIUM (0.71%, December 2007 – 1.78%)</b>				<b>FINLAND (1.55%, December 2007 – 1.58%)</b>			
	Government Bonds (0.71%, December 2007 – 1.78%)			605,000	Government Bonds (1.14%, December 2007 – 0.77%) Finnish Government 3.875% 15/09/2017	863,077	1.14
375,000	Belgium Kingdom 4% 28/03/2014	536,563	0.71	15,007	Information Technology Hardware (0.30%, December 2007 – 0.81%) Nokia	231,291	0.30
	<b>Total Belgium</b>	<b>536,563</b>	<b>0.71</b>	48,866	Mining (0.11%, December 2007 – 0.00%) Talvivaara Mining	83,591	0.11
<b>BERMUDA (1.76%, December 2007 – 2.26%)</b>					<b>Total Finland</b>	<b>1,177,959</b>	<b>1.55</b>
	Forestry & Paper (0.00%, December 2007 – 0.19%)			<b>FRANCE (3.96%, December 2007 – 3.33%)</b>			
39,600	General Retailers (0.30%, December 2007 – 0.53%) Esprit Holdings	224,323	0.30		Automobiles & Parts (0.00%, December 2007 – 0.30%)		
	Household Goods & Textiles (0.00%, December 2007 – 0.35%)				Banks (0.00%, December 2007 – 0.62%)		
7,900	Insurance (0.62%, December 2007 – 0.70%) Partner Re	472,815	0.62	325,000	Government Bonds (2.86%, December 2007 – 2.41%) Government of France 3.75% 12/01/2013	469,757	0.62
242,419	Real Estate (0.35%, December 2007 – 0.49) Great Eagle Holdings	269,017	0.35	750,000	Government of France 4% 25/04/2015	1,113,983	1.46
11,492	Support Services (0.49%, December 2007 – 0.00%) Accenture	372,111	0.49	400,000	Government of France 4.25% 25/10/2018	593,173	0.78
	<b>Total Bermuda</b>	<b>1,338,266</b>	<b>1.76</b>	8,300	Oil & Gas (0.59%, December 2007 – 0.00%) Total	448,416	0.59
<b>BRAZIL (0.59%, December 2007 – 2.27%)</b>				13,889	Telecommunication Services (0.51%, December 2007 – 0.00%) France Telecom	384,922	0.51
	Chemicals (0.00%, December 2007 – 0.33%)				<b>Total France</b>	<b>3,010,251</b>	<b>3.96</b>
	Forestry & Paper (0.00%, December 2007 – 0.45%)			<b>GERMANY (12.28%, December 2007 – 12.73%)</b>			
	Mining (0.00%, December 2007 – 0.46%)				Aerospace & Defence (0.49%, December 2007 – 0.50%) MTU Aero Engines Holding	369,737	0.49
18,600	Oil & Gas (0.59%, December 2007 – 1.03%) Petrol Brasileiros	446,958	0.59		Automobiles & Parts (0.00%, December 2007 – 1.31%)		
	<b>Total Brazil</b>	<b>446,958</b>	<b>0.59</b>	4,579	Chemicals (0.97%, December 2007 – 0.43%) K+S	254,125	0.33
<b>CANADA (1.28%, December 2007 – 0.69%)</b>				5,857	Linde	486,722	0.64
	Government Agency (0.29%, December 2007 – 0.00%)			200,000	Corporate Bonds (2.33%, December 2007 – 0.74%) KFW 4% 15/10/2013	212,067	0.28
20,000,000	Province of Ontario 1.875% 25/01/2010	221,958	0.29	400,000	KFW 4.375% 04/07/2018	576,821	0.76
2,365	Information Technology Hardware (0.12%, December 2007 – 0.29%) Research In Motion	94,103	0.12	90,000,000	Landwirtschaftliche Rentenbank 1.375% 25/04/2013	979,563	1.29
9,855	Mining (0.46%, December 2007 – 0.40%) Barrick Gold	350,444	0.46	10,452	Electronic & Electrical Equipment (1.01%, December 2007 – 0.86%) Siemens	764,516	1.01

## Managed Fund

### Portfolio statement (continued)

as at 31st December 2008

Holding	Investment	Value US\$	% of Net Asset Value	Holding	Investment	Value US\$	% of Net Asset Value
	<b>Government Agency</b> <b>(1.16%, December 2007 – 0.92%)</b>				<b>Utilities – Other</b> <b>(0.30%, December 2007 – 0.00%)</b>		
80,000,000	Kredit für Wiederaufbau 1.35% 20/01/2014	880,335	1.16	45,000	Tokyo Gas	225,198	0.30
	<b>Government Bonds</b> <b>(4.31%, December 2007 – 4.56%)</b>				<b>Total Japan</b>	<b>5,524,002</b>	<b>7.27</b>
700,000	Bundesobligation 3.5% 12/04/2013	1,016,258	1.34	<b>LUXEMBOURG (2.64%, December 2007 – 1.60%)</b>			
850,000	Bundesrepublik of Deutschland 3.25% 04/07/2015	1,221,528	1.61		<b>Supranational Bonds</b> <b>(2.64%, December 2007 – 1.60%)</b>		
700,000	Bundesrepublik of Deutschland 3.75% 04/01/2017	1,030,316	1.36	250,000	Eurofima 5% 03/04/2017	281,325	0.37
	<b>Insurance</b> <b>(0.77%, December 2007 – 0.77%)</b>			135,000,000	European Investment Bank 1.4% 20/06/2017	1,443,600	1.90
5,664	Allianz	588,571	0.77	25,000,000	Inter-American Development Bank 1.9% 08/07/2009	276,758	0.37
	<b>Speciality &amp; Other Finance</b> <b>(0.00%, December 2007 – 0.93%)</b>				<b>Total Luxembourg</b>	<b>2,001,683</b>	<b>2.64</b>
	<b>Telecommunication Services</b> <b>(0.26%, December 2007 – 0.00%)</b>			<b>MEXICO (0.38%, December 2007 – 0.52%)</b>			
13,570	Deutsche Telekom	202,172	0.26		<b>Telecommunication Services</b> <b>(0.38%, December 2007 – 0.52%)</b>		
	<b>Utilities – Other</b> <b>(0.98%, December 2007 – 1.71%)</b>			9,561	America Movil	292,089	0.38
8,043	E.ON	317,607	0.42		<b>Total Mexico</b>	<b>292,089</b>	<b>0.38</b>
4,888	RWE NVP	428,730	0.56	<b>NETHERLANDS (1.18%, December 2007 – 1.16%)</b>			
	<b>Total Germany</b>	<b>9,329,068</b>	<b>12.28</b>		<b>Corporate Bonds</b> <b>(0.17%, December 2007 – 0.12%)</b>		
<b>HONG KONG (0.62%, December 2007 – 1.56%)</b>				100,000	Rabobank Nederland 3.375% 18/01/2016	131,916	0.17
	<b>Leisure Entertainment &amp; Hotels</b> <b>(0.18%, December 2007 – 0.00%)</b>				<b>Government Bonds</b> <b>(0.69%, December 2007 – 0.00%)</b>		
182,000	Hong Kong & Shanghai Hotels	136,916	0.18	350,000	Netherlands Government 5% 15/07/2012	522,801	0.69
	<b>Real Estate</b> <b>(0.44%, December 2007 – 0.94%)</b>				<b>Information Technology Hardware</b> <b>(0.00%, December 2007 – 0.31%)</b>		
40,000	Sun Hung Kai Properties	333,432	0.44		<b>Oil &amp; Gas</b> <b>(0.32%, December 2007 – 0.73%)</b>		
	<b>Telecommunication Services</b> <b>(0.00%, December 2007 – 0.62%)</b>			5,046	Fugro	143,524	0.19
	<b>Total Hong Kong</b>	<b>470,348</b>	<b>0.62</b>	2,231	Schlumberger	94,371	0.13
<b>JAPAN (7.27%, December 2007 – 6.25%)</b>					<b>Total Netherlands</b>	<b>892,612</b>	<b>1.18</b>
	<b>Automobiles &amp; Parts</b> <b>(0.48%, December 2007 – 0.42%)</b>			<b>NORWAY (0.38%, December 2007 – 0.24%)</b>			
17,500	Honda Motor	367,670	0.48		<b>Corporate Bonds</b> <b>(0.38%, December 2007 – 0.24%)</b>		
	<b>Banks</b> <b>(0.34%, December 2007 – 0.95%)</b>			250,000	Eksportfinans 5.5% 26/06/2017	287,700	0.38
42,700	Mitsubishi UFJ Financial Group	258,403	0.34		<b>Total Norway</b>	<b>287,700</b>	<b>0.38</b>
	<b>Construction &amp; Building Materials</b> <b>(0.00%, December 2007 – 0.77%)</b>			<b>PORTUGAL (0.28%, December 2007 – 0.63%)</b>			
	<b>Corporate Bonds</b> <b>(0.37%, December 2007 – 0.00%)</b>				<b>Oil &amp; Gas</b> <b>(0.28%, December 2007 – 0.63%)</b>		
25,000,000	Japan Finance Corporation 1.55% 21/02/2012	280,230	0.37	21,051	Galp Energia	209,864	0.28
	<b>Electronic &amp; Electrical Equipment</b> <b>(0.20%, December 2007 – 0.50%)</b>				<b>Total Portugal</b>	<b>209,864</b>	<b>0.28</b>
5,050	Canon	153,081	0.20	<b>REPUBLIC OF IRELAND (0.00%, December 2007 – 0.31%)</b>			
	<b>Engineering &amp; Machinery</b> <b>(0.24%, December 2007 – 0.73%)</b>				<b>Banks</b> <b>(0.00%, December 2007 – 0.31%)</b>		
38,000	Amada	180,115	0.24	<b>RUSSIAN FEDERATION (0.13%, December 2007 – 0.36%)</b>			
	<b>Government Agency</b> <b>(1.69%, December 2007 – 0.95%)</b>				<b>Telecommunication Services</b> <b>(0.13%, December 2007 – 0.36%)</b>		
85,000,000	Development Bank of Japan 1.75% 21/06/2010	948,755	1.25	3,655	Mobile Telesystems ADR	96,053	0.13
30,000,000	Development Bank of Japan 2.3% 19/03/2026	335,714	0.44		<b>Total Russian Federation</b>	<b>96,053</b>	<b>0.13</b>
	<b>Real Estate</b> <b>(1.24%, December 2007 – 0.27%)</b>			<b>SINGAPORE (0.71%, December 2007 – 0.00%)</b>			
6,610	Goldcrest	160,660	0.21		<b>Banks</b> <b>(0.71%, December 2007 – 0.00%)</b>		
49,000	Mitsubishi Estate	781,559	1.03	79,000	DBS Group Holdings	459,628	0.60
	<b>Software &amp; Computer Services</b> <b>(0.93%, December 2007 – 0.92%)</b>			39,500	DBS Group Holdings Rights	81,979	0.11
1,900	Nintendo	704,751	0.93		<b>Total Singapore</b>	<b>541,607</b>	<b>0.71</b>
	<b>Speciality &amp; Other Finance</b> <b>(1.06%, December 2007 – 0.37%)</b>			<b>SOUTH AFRICA (0.00%, December 2007 – 0.40%)</b>			
218	Sony Financial Holdings	807,407	1.06		<b>Electronic &amp; Electrical Equipment</b> <b>(0.00%, December 2007 – 0.20%)</b>		
	<b>Telecommunication Services</b> <b>(0.42%, December 2007 – 0.37%)</b>				<b>General Retailers</b> <b>(0.00%, December 2007 – 0.20%)</b>		
46	KDDI	320,459	0.42				

## Managed Fund

### Portfolio statement (continued)

as at 31st December 2008

12

Holding	Investment	Value US\$	% of Net Asset Value	Holding	Investment	Value US\$	% of Net Asset Value
<b>SOUTH KOREA (0.32%, December 2007 – 0.60%)</b>				<b>General Retailers (0.35%, December 2007 – 0.68%)</b>			
	<b>Banks (0.00%, December 2007 – 0.60%)</b>			88,550	Home Retail Group	266,037	0.35
	<b>Information Technology Hardware (0.32%, December 2007 – 0.00%)</b>			<b>Government Bonds (1.68%, December 2007 – 2.19%)</b>			
687	Samsung Electronics	244,063	0.32	295,000	UK Treasury 4.25% 07/12/2055	483,643	0.64
				100,000	UK Treasury 4.75% 07/09/2015	159,332	0.21
	<b>Total South Korea</b>	<b>244,063</b>	<b>0.32</b>	300,000	UK Treasury 8% 07/06/2021	630,315	0.83
<b>SPAIN (1.33%, December 2007 – 0.71%)</b>				<b>Information Technology Hardware (0.00%, December 2007 – 0.35%)</b>			
	<b>Electronic &amp; Electrical Equipment (0.20%, December 2007 – 0.00%)</b>			<b>Life Assurance (0.53%, December 2007 – 0.00%)</b>			
8,702	Gamesa	153,570	0.20	67,639	Prudential	403,509	0.53
	<b>General Retailers (0.58%, December 2007 – 0.71%)</b>			<b>Mining (0.53%, December 2007 – 1.43%)</b>			
10,000	Inditex	435,013	0.58	18,000	Anglo American	400,029	0.53
	<b>Telecommunication Services (0.55%, December 2007 – 0.00%)</b>			<b>Oil &amp; Gas (1.67%, December 2007 – 2.43%)</b>			
19,000	Telefonica	417,879	0.55	35,736	BG Group	491,359	0.65
	<b>Total Spain</b>	<b>1,006,462</b>	<b>1.33</b>	35,800	BP	270,435	0.35
				54,009	Tullow Oil	508,528	0.67
<b>SWEDEN (1.27%, December 2007 – 1.46%)</b>				<b>Software &amp; Computer Services (0.32%, December 2007 – 0.28%)</b>			
	<b>Corporate Bonds (0.95%, December 2007 – 0.61%)</b>			17,700	Autonomy	241,970	0.32
650,000	AB Svensk Exportkredit 5.125% 01/03/2017	720,850	0.95	<b>Telecommunication Services (1.24%, December 2007 – 0.78%)</b>			
	<b>Engineering &amp; Machinery (0.00%, December 2007 – 0.33%)</b>			471,124	Vodafone Group	941,026	1.24
	<b>Forestry &amp; Paper (0.00%, December 2007 – 0.29%)</b>			<b>Tobacco (0.00%, December 2007 – 0.75%)</b>			
	<b>Government Bonds (0.32%, December 2007 – 0.23%)</b>			<b>Total United Kingdom</b>			
1,530,000	Swedish Government 5% 01/12/2020	241,721	0.32			<b>6,009,461</b>	<b>7.91</b>
	<b>Total Sweden</b>	<b>962,571</b>	<b>1.27</b>	<b>UNITED STATES OF AMERICA (41.54%, December 2007 – 36.46%)</b>			
<b>SWITZERLAND (4.61%, December 2007 – 3.48%)</b>				<b>Aerospace &amp; Defence (0.63%, December 2007 – 0.99%)</b>			
	<b>Chemicals (0.51%, December 2007 – 0.77%)</b>			5,700	FLIR Systems	177,042	0.23
2,040	Syngenta	383,934	0.51	5,282	General Dynamics	302,447	0.40
	<b>Food Producers &amp; Processors (1.58%, December 2007 – 1.28%)</b>			<b>Banks (1.42%, December 2007 – 1.11%)</b>			
30,800	Nestle	1,203,896	1.58	20,100	JP Morgan Chase	622,698	0.82
	<b>Health (0.29%, December 2007 – 0.00%)</b>			23,705	Keycorp	200,781	0.26
3,764	Sonova Holding	223,694	0.29	32,174	Synovus Financial	260,931	0.34
	<b>Oil &amp; Gas (0.00%, December 2007 – 0.56%)</b>			<b>Beverages (1.94%, December 2007 – 0.92%)</b>			
	<b>Pharmaceuticals &amp; Biotechnology (2.23%, December 2007 – 0.87%)</b>			15,898	Coca-Cola	720,020	0.95
15,086	Novartis	747,015	0.98	13,709	PepsiCo	755,503	0.99
6,200	Roche Holdings	946,651	1.25	<b>Chemicals (0.77%, December 2007 – 0.00%)</b>			
	<b>Total Switzerland</b>	<b>3,505,190</b>	<b>4.61</b>	3,965	Monsanto	276,162	0.36
				5,210	Praxair	308,484	0.41
<b>TAIWAN (0.17%, December 2007 – 1.14%)</b>				<b>Corporate Bonds (3.45%, December 2007 – 1.69%)</b>			
	<b>Electronic &amp; Electrical Equipment (0.00%, December 2007 – 0.29%)</b>			150,000,000	General Electric 1.45% 10/11/2011	1,424,603	1.88
	<b>Information Technology Hardware (0.17%, December 2007 – 0.85%)</b>			110,000,000	Toyota Motor Credit 0.55% 30/06/2010	1,189,363	1.57
112,861	Asustek Computer	125,869	0.17	<b>Diversified Industrials (0.80%, December 2007 – 1.02%)</b>			
	<b>Total Taiwan</b>	<b>125,869</b>	<b>0.17</b>	13,900	Philip Morris International	609,793	0.80
<b>UNITED KINGDOM (7.91%, December 2007 – 11.36%)</b>				<b>Electricity (0.00%, December 2007 – 1.42%)</b>			
	<b>Banks (0.54%, December 2007 – 0.53%)</b>			<b>Electronic &amp; Electrical Equipment (0.38%, December 2007 – 0.00%)</b>			
43,200	HSBC	411,102	0.54	4,234	Mettler-Toledo International	285,753	0.38
	<b>Corporate Bonds (0.00%, December 2007 – 0.80%)</b>			<b>Engineering &amp; Machinery (0.55%, December 2007 – 1.10%)</b>			
	<b>Electricity (0.40%, December 2007 – 0.34%)</b>			12,400	Thermo Fisher Scientific	420,980	0.55
89,121	International Power	307,788	0.40	<b>Food &amp; Drug Retailers (0.81%, December 2007 – 0.00%)</b>			
	<b>Food &amp; Drug Retailers (0.65%, December 2007 – 0.80%)</b>			21,500	CVS Caremark	612,535	0.81
95,800	Tesco	494,388	0.65	8,073	Plum Creek Timber	275,047	0.36
				<b>General Retailers (2.54%, December 2007 – 1.76%)</b>			
				16,342	Ebay	231,730	0.30
				16,434	Lowes	358,919	0.47
				4,341	McDonald's	268,534	0.35
				19,360	Wal-mart Stores	1,077,189	1.42

**Managed Fund**  
**Portfolio statement (continued)**

as at 31st December 2008

Holding	Investment	Value US\$	% of Net Asset Value	Holding	Investment	Value US\$	% of Net Asset Value
	<b>Government Agency (0.38%, December 2007 – 0.47%)</b>				<b>Transport (0.99%, December 2007 – 0.57%)</b>		
250,000	Federal Home Loan Mortgage Corporation 5% 18/04/2017	285,875	0.38	9,350	Norfolk Southern	433,466	0.57
				6,647	Union Pacific	316,530	0.42
	<b>Government Bonds (6.21%, December 2007 – 6.05%)</b>				<b>Total United States of America</b>	<b>31,547,552</b>	<b>41.54</b>
925,000	US Treasury 1.25% 30/11/2010	934,828	1.23		<b>Total Value of Investments</b>	<b>73,882,021</b>	<b>97.28</b>
225,000	US Treasury 2% 30/11/2013	231,750	0.30		<b>Net Other Assets (December 2007 – 4.24%)</b>	<b>2,069,439</b>	<b>2.72</b>
325,000	US Treasury 2.75% 31/10/2013	346,125	0.46		<b>Net Assets</b>	<b>75,951,460</b>	<b>100.00</b>
750,000	US Treasury 3.375% 31/07/2013	822,305	1.08				
230,000	US Treasury 4.375% 15/02/2038	311,371	0.41				
500,000	US Treasury 4.875% 31/05/2011	549,805	0.72				
75,000	US Treasury 5.5% 15/08/2028	103,793	0.14				
175,000	US Treasury 8.125% 15/08/2019	261,133	0.34				
750,000	US Treasury 8.125% 15/08/2021	1,160,625	1.53				
	<b>Health (1.27%, December 2007 – 1.54%)</b>						
7,244	Laboratory Corporation of America Holdings	462,674	0.61		Equity	48,425,195	65.54
6,891	St Jude Medical	225,336	0.30		Fixed Interest	25,456,826	34.46
6,500	WellPoint Health Networks	272,870	0.36		<b>Total Value of Investments</b>	<b>73,882,021</b>	<b>100.00</b>
	<b>Information Technology Hardware (1.03%, December 2007 – 1.18%)</b>						
27,100	Cisco Systems	446,337	0.59				
9,255	Qualcomm	332,440	0.44				
	<b>Insurance (1.77%, December 2007 – 0.53%)</b>						
9,413	Aon	432,998	0.57				
20,400	The Travelers Companies	909,228	1.20				
	<b>Media &amp; Photography (1.45%, December 2007 – 0.54%)</b>						
49,900	Comcast	823,849	1.08				
12,447	The Walt Disney Company	282,920	0.37				
	<b>Mining (0.28%, December 2007 – 1.22%)</b>						
13,236	Arch Coal	213,761	0.28				
	<b>Oil &amp; Gas (2.41%, December 2007 – 2.35%)</b>						
8,950	Devon Energy	594,996	0.78				
3,164	Diamond Offshore Drilling	184,145	0.24				
4,800	EnSCO International	133,056	0.18				
6,654	Exxon Mobil	528,394	0.70				
17,945	Valero Energy	386,535	0.51				
	<b>Personal Care &amp; Household Products (1.17%, December 2007 – 0.90%)</b>						
14,466	Procter & Gamble	890,527	1.17				
	<b>Pharmaceuticals &amp; Biotechnology (4.13%, December 2007 – 2.92%)</b>						
9,416	Genzyme	628,989	0.83				
6,312	Gilead Sciences	324,058	0.43				
16,225	Johnson & Johnson	964,414	1.27				
50,900	Pfizer	903,475	1.19				
18,242	Schering-Plough	309,567	0.41				
	<b>Software &amp; Computer Services (4.56%, December 2007 – 4.18%)</b>						
10,000	Adobe Systems	213,500	0.28				
1,240	Google	384,239	0.51				
9,810	IBM	825,610	1.09				
9,097	McAfee	311,845	0.41				
48,000	Microsoft	935,040	1.23				
43,900	Oracle	788,444	1.04				
	<b>Speciality &amp; Other Finance (0.19%, December 2007 – 0.52%)</b>						
1,700	Goldman Sachs Group	143,905	0.19				
	<b>Steel &amp; Other Metals (0.27%, December 2007 – 0.00%)</b>						
8,031	Cliffs Natural Resources	208,324	0.27				
	<b>Support Services (0.51%, December 2007 – 1.43%)</b>						
16,125	Republic Services	387,484	0.51				
	<b>Telecommunication Services (1.27%, December 2007 – 0.73%)</b>						
33,700	AT & T	962,472	1.27				
	<b>Tobacco (0.00%, December 2007 – 0.83%)</b>						

**ANALYSIS OF INVESTMENTS BY ASSET CLASS**

Equity	48,425,195	65.54
Fixed Interest	25,456,826	34.46
<b>Total Value of Investments</b>	<b>73,882,021</b>	<b>100.00</b>

The calculation of the % Net Asset Value may not add up due to rounding.

## Managed Fund

### Summary of material portfolio changes

for the accounting period 1st January 2008 to 31st December 2008

The total cost of purchases during the period was US\$ 95,424,729 and proceeds received from sales/maturities were US\$ 94,938,752. The details of the Top 20 purchases and sales/maturities are detailed below:

Purchases	Cost US\$	Sales/Maturities	Proceeds US\$
Bundesrepublik of Deutschland 3.75% 04/01/2017	2,271,050	Bundesrepublik of Deutschland 4% 04/01/2018	2,272,188
Bundesrepublik of Deutschland 4% 04/01/2018	2,238,488	Bundesobligation 4% 13/04/2012	2,145,991
Bundesobligation 3.5% 12/04/2013	2,143,632	Belgium Kingdom 4% 28/03/2017	1,759,778
Bundesobligation 4.25% 12/10/2012	1,701,312	US Treasury 4.875% 31/10/2008	1,587,526
Government of France 3.75% 12/01/2013	1,577,071	Bundesobligation 4.25% 12/10/2012	1,521,657
US Treasury 3.375% 31/07/2013	1,369,498	UK Treasury 4% 07/03/2009	1,450,163
US Treasury 3.5% 31/05/2013	1,361,343	US Treasury 3.5% 31/05/2013	1,406,250
Republic of Austria 4.35% 15/03/2019	1,359,759	US Treasury 2% 30/09/2010	1,286,022
US Treasury 2.375% 31/08/2010	1,291,290	US Treasury 2.375% 31/08/2010	1,284,214
US Treasury 2% 30/09/2010	1,273,805	Exxon Mobil	1,254,219
Lloyds TSB Group	1,153,568	Government of France 3.75% 12/01/2013	1,197,790
Exxon Mobil	1,143,068	Altria Group	1,179,353
JP Morgan Chase	1,130,562	Government of France 4% 25/04/2013	1,144,165
Belgium Kingdom 4% 28/03/2014	1,126,484	US Treasury 8.125% 15/05/2021	1,138,563
US Treasury 8.125% 15/08/2021	1,103,555	Bundesrepublik of Deutschland 3.75% 04/01/2017	1,087,718
Barrick Gold	1,078,555	Bundesobligation 3.5% 12/04/2013	1,083,826
The Travelers Companies	1,052,521	US Treasury 4.25% 30/09/2012	1,082,906
DBS Group Holdings	1,048,352	China Mobile	1,003,887
Mitsubishi Estate	1,045,699	Bundesrepublik of Deutschland 4.25% 04/07/2017	998,640
Netherlands Government 5% 15/07/2012	1,044,282	Bundesobligation 3.25% 17/04/2009	973,617

A full detailed listing of portfolio changes is available from the Manager upon request.

## Managed Fund

### Notes to the financial statements

for the accounting period 1st January 2008 to 31st December 2008

#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Accounts on page 62.

#### 2 NET (LOSSES)/GAINS ON INVESTMENTS

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

	2008 US\$	2007 US\$
Non-derivative securities	(32,291,826)	11,701,351
Forward currency contracts	(3,631)	–
Net (losses)/gains on investments	<u>(32,295,457)</u>	<u>11,701,351</u>

#### 3 OTHER GAINS

	2008 US\$	2007 US\$
Other currency gains	23,954	48,958
Total other gains	<u>23,954</u>	<u>48,958</u>

#### 4 INCOME

	2008 US\$	2007 US\$
UK dividends	309,119	204,496
Overseas dividends	1,279,994	1,199,375
Interest on debt securities	985,037	1,096,543
Bank interest	55,470	91,037
Miscellaneous income	24	74
Total income	<u>2,629,644</u>	<u>2,591,525</u>

#### 5 EXPENSES

	2008 US\$	2007 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(1,817,578)	(2,121,787)
Registration expenses	(16,010)	(19,246)
Directors' periodic charge	(3,196)	(2,664)
	<u>(1,836,784)</u>	<u>(2,143,697)</u>
Payable to the Trustees, associates of the Trustee and agents of either of them:		
Trustee's fees	(24,383)	(25,831)
Safe custody fees	(13,206)	(21,692)
Transaction charges	(44,760)	(41,558)
	<u>(82,349)</u>	<u>(89,081)</u>
Other expenses:		
Legal fee	(4,466)	–
Audit fee	(12,276)	(11,193)
Miscellaneous expenses	–	(103)
Publication charges	(17,595)	(16,775)
Exchange losses	–	(823)
	<u>(34,337)</u>	<u>(28,894)</u>
Total expenses	<u>(1,953,470)</u>	<u>(2,261,672)</u>

#### 6 TAXATION

	2008 US\$	2007 US\$
Analysis of charge in period:		
Overseas tax	(253,524)	(242,178)
UK income tax	(30,912)	(21,446)
Total taxation	<u>(284,436)</u>	<u>(263,624)</u>

#### 7 FINANCE COSTS

##### Distribution and Interest

The distributions take account of income received on the creation of shares and income deducted on the cancellation of shares, and comprises:

	2008 US\$	2007 US\$
Interim	343,800	157,193
Final	80,265	–
	<u>424,065</u>	<u>157,193</u>
Add: Income deducted on cancellation of shares	3,952	3,079
Deduct: Income received on creation of shares	(3,615)	(16)
Net distribution for the period	<u>424,402</u>	<u>160,256</u>
Interest	<u>12,097</u>	<u>10,581</u>
Total finance costs	<u>436,499</u>	<u>170,837</u>

Details of the distribution per share are set out in the table on page 9.

#### 8 DEBTORS

	2008 US\$	2007 US\$
Amounts receivable for issue of shares	–	795,776
Sales awaiting settlement	–	227,411
Receivable from the Manager – Nominal Shares	425,326	421,847
Accrued income	395,550	502,800
Total debtors	<u>820,876</u>	<u>1,947,834</u>

#### 9 CREDITORS

	2008 US\$	2007 US\$
Purchases awaiting settlement	(57,080)	(70,512)
Accrued expenses	(28,182)	(25,376)
Amounts payable to the Manager	(119,747)	(177,147)
Total creditors	<u>(205,009)</u>	<u>(273,035)</u>

#### 10 RELATED PARTY TRANSACTIONS

Allied Dunbar International Fund Managers Limited is a related party and acts as principal in respect of all transactions of shares in the Fund.

The aggregate monies received through creations and paid on cancellations are disclosed in the Statement of Change in Shareholders' Net Assets. The amounts due to/from Allied Dunbar International Fund Managers Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts paid to Allied Dunbar International Fund Managers Limited in respect of Fund administration and registrar services are disclosed in Note 5. A balance of US\$ 117,663 (2007 – US\$ 175,526) in respect of annual management charge, and US\$ 1,001 (2007 – US\$ 1,504) in respect of registration fees is due at the end of the accounting period.

Amounts paid to BNP Paribas Trust Company (IOM) Limited, a related party, in respect of trustee services and safe custody charges are disclosed in Note 5. A balance of US\$ 2,987 (2007 – US\$ 4,742) in respect of safe custody charges and US\$ 1,597 (2007 – US\$ 2,133) in respect of trustee services are due at the end of the accounting period.

The Fund receives and pays interest on deposits held with BNP Paribas Securities Services Custody Bank Limited as disclosed in Notes 4 and 7.

Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The Manager, or associate of the Manager acted as principal in all investment transactions.

## Managed Fund

### Notes to the financial statements (continued)

for the accounting period 1st January 2008 to 31st December 2008

#### 11 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 63.

##### Currency exposures

A substantial proportion of the Net Assets of the Fund are denominated in currencies other than US Dollar, which is the base currency in which the Fund is managed. This has the effect that the Balance Sheet and Statement of Total Return can be significantly affected by currency movements.

Currency 2008	Net foreign currency assets		
	Monetary exposure US\$	Non-monetary exposure US\$	Total US\$
Australian Dollar	460,604	1,425,597	1,886,201
Canadian Dollar	1,446	117,367	118,813
Danish Krone	32	550,171	550,203
Euro	267,836	14,964,602	15,232,438
Hong Kong Dollar	201	1,286,942	1,287,143
Japanese Yen	35,770	11,940,182	11,975,952
Korean Won	(57,081)	244,063	186,982
Malaysian Ringitt	2,410	–	2,410
Norwegian Krone	1,987	–	1,987
Singapore Dollar	14,373	541,607	555,980
South African Rand	9,822	–	9,822
Swedish Krona	965	241,721	242,686
Swiss Franc	324	3,505,190	3,505,514
Taiwanese Dollar	38,144	125,869	164,013
UK Sterling	166,019	6,093,052	6,259,071
<b>Currency 2007</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Australian Dollar	332,592	2,471,956	2,804,548
Brazilian Real	2,433	–	2,433
Canadian Dollar	3,775	438,321	442,096
Danish Krone	816	464,522	465,338
Euro	512,139	21,906,411	22,418,550
Hong Kong Dollar	2,180	3,694,358	3,696,538
Japanese Yen	35,635	12,790,578	12,826,213
Korean Won	–	662,775	662,775
Malaysian Ringitt	2,515	–	2,515
New Zealand Dollar	19,018	–	19,018
Norwegian Krone	2,571	–	2,571
Singapore Dollar	3,433	–	3,433
South African Rand	188,438	437,604	626,042
Swedish Krona	89,378	942,366	1,031,744
Swiss Franc	57	3,843,948	3,844,005
Taiwanese Dollar	292,260	1,254,879	1,547,139
UK Sterling	489,592	11,652,954	12,142,546

##### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and financial liabilities at 31st December 2008 was:

Currency 2008	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
	US\$	US\$	US\$	US\$
Australian Dollar	454,895	323,440	1,107,866	1,886,201
Canadian Dollar	1,446	–	117,367	118,813
Danish Krone	32	–	550,171	550,203
Euro	51,262	9,127,944	6,053,232	15,232,438
Hong Kong Dollar	201	–	1,286,942	1,287,143
Japanese Yen	526	7,980,881	3,994,545	11,975,952
Korean Won	–	–	244,063	244,063
Malaysian Ringitt	2,410	–	–	2,410
Norwegian Krone	1,987	–	–	1,987
Singapore Dollar	14,373	–	541,607	555,980
South African Rand	9,822	–	–	9,822
Swedish Krona	187	241,721	778	242,686
Swiss Franc	324	–	3,505,190	3,505,514
Taiwanese Dollar	38,144	–	125,869	164,013
UK Sterling	128,669	1,273,291	4,857,111	6,259,071
US Dollar	829,558	6,509,552	26,861,328	34,200,438
<b>Currency 2007</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Australian Dollar	325,776	341,368	2,137,404	2,804,548
Brazilian Real	–	–	72,944	72,944
Canadian Dollar	3,775	–	438,321	442,096
Danish Krone	816	–	464,522	465,338
Euro	226,411	10,638,705	11,553,434	22,418,550
Hong Kong Dollar	2,180	–	3,694,358	3,696,538
Japanese Yen	1,369	6,946,675	5,878,169	12,826,213
Korean Won	–	–	662,775	662,775
Malaysian Ringitt	2,515	–	–	2,515
New Zealand Dollar	19,018	–	–	19,018
Norwegian Krone	2,571	–	–	2,571
Singapore Dollar	3,433	–	–	3,433
South African Rand	188,438	–	437,604	626,042
Swedish Krona	88,425	250,491	692,828	1,031,744
Swiss Franc	57	–	3,843,948	3,844,005
Taiwanese Dollar	292,260	–	1,254,879	1,547,139
UK Sterling	452,527	2,419,472	9,270,547	12,142,546
US Dollar	1,393,986	8,591,584	38,045,677	48,031,247

Currency 2008	Floating rate financial liabilities	Financial liabilities not carrying interest	Total	
	US\$	US\$	US\$	
Korean Won	–	(57,081)	(57,081)	
US Dollar	–	(228,193)	(228,193)	
<b>Currency 2007</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	
Brazilian Real	–	(70,511)	(70,511)	
US Dollar	–	(202,524)	(202,524)	
<b>Currency</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Australian Dollar	6%	6%	8.17 years	9.17 years
Euro	4%	4%	11.87 years	13.81 years
Japanese Yen	1%	1%	4.38 years	5.43 years
Swedish Krona	5%	5%	11.93 years	12.93 years
UK Sterling	6%	4%	26.27 years	13.08 years
US Dollar	4%	5%	7.41 years	8.69 years

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

##### Fair value of financial assets and financial liabilities

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

#### 12 CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or commitments.

#### 13 STOCKBROKING COMMISSION

The average rate of stockbroking commission for those transactions where commission is paid is 9 basis points.

#### 14 PORTFOLIO TRANSACTION COSTS

	2008 US\$	2007 US\$
Analysis of total purchase costs		
Purchases in period before transaction costs	95,364,814	117,385,162
Commissions	29,294	45,003
Taxes	29,734	38,695
Fees	887	359
Total purchase costs	59,915	84,057
Gross purchases total	95,424,729	117,469,219
Analysis of total sale costs		
Gross sales before transaction costs	94,983,655	123,846,473
Commissions	(37,486)	(47,671)
Taxes	(5,833)	(3,294)
Fees	(1,584)	(11,755)
Total sale costs	(44,903)	(62,720)
Total sales net of transaction costs	94,938,752	123,783,753

# Worldwide Equity Fund

## Fund Investment Report

### Investment Policy

To invest primarily for capital growth in a portfolio of international equities.

### Types of Investment

Investments are made principally for prospects of capital growth in international stocks, generally in shares of leading companies, but also indirectly may be made through other types of permitted investments such as unit trusts, investment trusts, convertible securities, traded options, warrants, fixed interest securities and other media as circumstances warrant and as permitted by the Regulations.

Exposure to individual regions or economies will generally reflect relative levels of market capitalisation. Consequently, a relatively large proportion of the Investment Fund may consist of investments in the North American market.

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

### Portfolio Activity

2008 was an unprecedented year for world equity markets, with the US Dow Jones Industrial Average Index recording its worst performance since 1931. Commodities also had an extremely volatile year with the oil price reaching a peak of US\$ 147 per barrel in July before falling sharply to close the year at just over US\$ 40 per barrel.

The year can be divided into two periods, namely pre and post the collapse of investment bank Lehman Brothers (the largest bankruptcy filing in US history), which occurred in mid-September. Although equities had fallen sharply prior to this date, the demise of Lehman and the subsequent failure of a number of global financial institutions served as the catalyst for a dramatic fall in equity markets. As a result, the MSCI AC World Index ended the year with a loss of 42% in US Dollar terms.

Deteriorating global economic data through the year served to confirm what the market had already suspected: that the drying up of credit and the subsequent de-leveraging of companies and consumers would have a detrimental impact on global demand for products and services. As more developed economies slipped into recession in the second half of the year, the “decoupling” theory for emerging economies was proven to be a myth, as growth also slowed dramatically in these regions. The swift deterioration in global demand resulted in record prices for commodities crashing back down (with the notable exception of gold). As a result, concerns over inflation evaporated and towards the end of the year were replaced by fears of deflation. With the financial system facing meltdown, government intervention became imperative. Support programmes in the US, UK and Europe consisted not only of bailouts for certain financial institutions (funded by the taxpayer) but aggressive interest rate cuts in the fourth quarter.

Reversing their strong 2007 performance, emerging Asia and Latin American equities underperformed global markets as risk appetite fell, commodity prices collapsed and the decoupling myth was debunked. Russia, in particular, was negatively impacted by increased concerns over sovereign risk and the drop in the oil price, with the market falling 74% in US Dollar terms over 2008. Currencies also played an important role due to the extreme swings in exchange rates over the year. The strong Yen helped Japan to outperform as the market fell 27% in US Dollar terms but 42% in Yen terms. At the other extreme, the UK was the best performing developed market in local currency terms, posting a return of -30%, but in US Dollar terms it returned a dismal -49%.

The three best performing sectors were unambiguously defensive in nature, namely healthcare (-22%), consumer staples (-23%) and utilities (-29%). The profile of the worst performers was less uniform, but could be broadly defined as “cyclical”. Unsurprisingly, financials was the worst performing sector in 2008, dropping 61% in value, and in a reversal of fortune, materials fell 50% as commodity prices retreated.

The Fund benefited from its large overweight positions in healthcare and consumer staples which were built up over the year. Equally, the sustained underweight position in financials and the Fund’s avoidance of the major company failures in this sector contributed positively to performance, particularly in the fourth quarter.

Although remaining overweight versus the index, towards the year-end we reduced the Fund’s exposure to the defensive healthcare and consumer staples sectors, given their strong relative performance. This, in turn, has resulted in a reduction in the US exposure as most of the large holdings in these sectors were US-based. We retain an emphasis on large cap stocks, irrespective of the sector, and will add companies with significant recovery potential as opportunities arise (we had already started to do this towards the end of the year). Our focus remains on backing industry winners with superior profitability versus their peers, solid balance sheets and strong management teams, whilst offering substantial value.

## Worldwide Equity Fund

18

### Statement of Total Return

for the accounting period 1st January 2008 to 31st December 2008

	Notes	2008 US\$	2007 US\$
Net (losses)/gains on investments during the period	2	(27,004,718)	9,738,053
Other (losses)/gains	3	(71,145)	64,221
Income	4	1,320,757	1,370,298
Expenses	5	(1,107,356)	(1,543,381)
Finance costs: Interest	7	(14,503)	(16,617)
Net income/(expenses) before taxation		198,898	(189,700)
Taxation	6	(238,685)	(250,764)
Net expenses after taxation		(39,787)	(440,464)
<b>Total return before distribution</b>		<b>(27,115,650)</b>	<b>9,361,810</b>
Finance costs: Distribution/Equalisation	7	(4,643)	(20)
<b>Change in Net Assets attributable to Shareholders</b>		<b>(27,120,293)</b>	<b>9,361,790</b>

### Balance Sheet

as at 31st December 2008

	Notes	2008 US\$	2007 US\$
<b>Assets</b>			
<b>Portfolio of investments</b>		<b>33,275,561</b>	<b>69,380,614</b>
Debtors	8	209,714	418,618
Cash and bank balances		708,922	1,613,970
Total other assets		918,636	2,032,588
Total assets		<b>34,194,197</b>	<b>71,413,202</b>
<b>Liabilities</b>			
Creditors	9	(87,078)	(229,659)
Bank overdrafts		(9,395)	–
Distribution payable on income shares		(748)	–
Total liabilities		(97,221)	(229,659)
<b>Net Assets attributable to Shareholders</b>		<b>34,096,976</b>	<b>71,183,543</b>
<b>Shareholders' Funds</b>			
Nominal Value – Issued Share Capital		241,996	241,996
Share Premium		35,431,355	43,339,283
Capital Reserve		(1,576,375)	27,602,264
		<b>34,096,976</b>	<b>71,183,543</b>

### Statement of Change in Shareholders' Net Assets

for the accounting period 1st January 2008 to 31st December 2008

	2008 US\$	2007 US\$
<b>Net Assets at the start of the period</b>	<b>71,183,543</b>	<b>72,829,322</b>
Movement due to sales and repurchases of shares:		
Amounts received on creation of shares	1,901,750	1,533,560
Less: Amounts paid on cancellation of shares	(11,868,053)	(12,541,129)
	(9,966,303)	(11,007,569)
Change in Net Assets attributable to Shareholders (see above)	(27,120,293)	9,361,790
Unclaimed distributions	29	–
<b>Net Assets at the end of the period</b>	<b>34,096,976</b>	<b>71,183,543</b>

### Distribution Table

The distribution value of US\$ 748 for the accounting period 1st January 2008 to 31st December 2008 has been credited to the Capital account in line with regulation 184 of the Financial Supervision (Authorised Collective Investment Schemes) Regulations 2005.

## Worldwide Equity Fund

### Portfolio statement

as at 31st December 2008

Holding	Investment	Value US\$	% of Net Asset Value	Holding	Investment	Value US\$	% of Net Asset Value
<b>AUSTRALIA (2.23%, December 2007 – 2.75%)</b>				<b>FINLAND (0.65%, December 2007 – 1.17%)</b>			
	Engineering & Machinery (0.00%, December 2007 – 0.57%)				Information Technology Hardware (0.47%, December 2007 – 1.17%)		
	Insurance (0.55%, December 2007 – 0.00%)			10,411	Nokia	160,456	0.47
10,471	QBE Insurance Group	187,438	0.55		Mining (0.18%, December 2007 – 0.00%)		
	Mining (0.44%, December 2007 – 0.91%)			35,711	Talvivaara Mining	61,088	0.18
7,100	BHP Billiton	150,631	0.44		<b>Total Finland</b>	<b>221,544</b>	<b>0.65</b>
	Pharmaceuticals & Biotechnology (1.24%, December 2007 – 1.27%)			<b>FRANCE (1.68%, December 2007 – 1.34%)</b>			
17,949	CSL	422,137	1.24		Automobiles & Parts (0.00%, December 2007 – 0.51%)		
	<b>Total Australia</b>	<b>760,206</b>	<b>2.23</b>		Banks (0.00%, December 2007 – 0.83%)		
<b>BERMUDA (2.69%, December 2007 – 3.21%)</b>					Oil & Gas (0.90%, December 2007 – 0.00%)		
	Forestry & Paper (0.00%, December 2007 – 0.35%)			5,700	Total	307,948	0.90
	General Retailers (0.45%, December 2007 – 0.72%)				Telecommunication Services (0.78%, December 2007 – 0.00%)		
27,000	Esprit Holdings	152,948	0.45	9,621	France Telecom	266,638	0.78
	Household Goods & Textiles (0.00%, December 2007 – 0.48%)				<b>Total France</b>	<b>574,586</b>	<b>1.68</b>
	Insurance (0.95%, December 2007 – 0.99%)			<b>GERMANY (6.87%, December 2007 – 9.34%)</b>			
5,400	Partner Re	323,190	0.95		Aerospace & Defence (0.73%, December 2007 – 0.68%)		
	Real Estate (0.55%, December 2007 – 0.67%)			9,201	MTU Aero Engines Holding	250,144	0.73
171,321	Great Eagle Holdings	190,118	0.55		Automobiles & Parts (0.00%, December 2007 – 1.84%)		
	Support Services (0.74%, December 2007 – 0.00%)				Chemicals (1.50%, December 2007 – 0.83%)		
7,800	Accenture	252,564	0.74	3,129	K+S	173,653	0.51
	<b>Total Bermuda</b>	<b>918,820</b>	<b>2.69</b>	4,040	Linde	335,728	0.99
<b>BRAZIL (0.91%, December 2007 – 3.17%)</b>					Electronic & Electrical Equipment (1.53%, December 2007 – 1.21%)		
	Chemicals (0.00%, December 2007 – 0.46%)			7,139	Siemens	522,185	1.53
	Forestry & Paper (0.00%, December 2007 – 0.62%)				Insurance (1.18%, December 2007 – 1.07%)		
	Mining (0.00%, December 2007 – 0.65%)			3,865	Allianz	401,629	1.18
	Oil & Gas (0.91%, December 2007 – 1.44%)				Speciality & Other Finance (0.00%, December 2007 – 1.29%)		
12,900	Petrol Brasileiros	309,987	0.91		Telecommunication Services (0.41%, December 2007 – 0.00%)		
	<b>Total Brazil</b>	<b>309,987</b>	<b>0.91</b>	9,481	Deutsche Telekom	141,252	0.41
<b>CANADA (1.54%, December 2007 – 0.83%)</b>					Utilities – Other (1.52%, December 2007 – 2.42%)		
	Information Technology Hardware (0.20%, December 2007 – 0.40%)			5,493	E.ON	216,911	0.64
1,731	Research In Motion	68,876	0.20	3,436	RWE NVP	301,374	0.88
	Mining (0.71%, December 2007 – 0.43%)				<b>Total Germany</b>	<b>2,342,876</b>	<b>6.87</b>
6,800	Barrick Gold	241,808	0.71	<b>HONG KONG (0.94%, December 2007 – 2.15%)</b>			
	Oil & Gas (0.63%, December 2007 – 0.00%)				Leisure Entertainment & Hotels (0.28%, December 2007 – 0.00%)		
6,000	Shawcor	82,847	0.24	125,000	Hong Kong & Shanghai Hotels	94,036	0.28
3,930	Ultra Petroleum	133,031	0.39		Real Estate (0.66%, December 2007 – 1.29%)		
	<b>Total Canada</b>	<b>526,562</b>	<b>1.54</b>	27,000	Sun Hung Kai Properties	225,067	0.66
<b>CAYMAN ISLANDS (0.00%, December 2007 – 0.30%)</b>					Telecommunication Services (0.00%, December 2007 – 0.86%)		
	General Retailers (0.00%, December 2007 – 0.30%)				<b>Total Hong Kong</b>	<b>319,103</b>	<b>0.94</b>
<b>CHINA (0.65%, December 2007 – 0.00%)</b>				<b>JAPAN (8.05%, December 2007 – 7.43%)</b>			
	Banks (0.65%, December 2007 – 0.00%)				Automobiles & Parts (0.74%, December 2007 – 0.59%)		
419,000	Industrial & Commercial Bank of China	220,592	0.65	12,000	Honda Motor	252,116	0.74
	<b>Total China</b>	<b>220,592</b>	<b>0.65</b>		Banks (0.52%, December 2007 – 1.31%)		
<b>DENMARK (1.10%, December 2007 – 0.58%)</b>					Construction & Building Materials (0.00%, December 2007 – 1.05%)		
	Electronic & Electrical Equipment (1.10%, December 2007 – 0.58%)			29,200	Mitsubishi UFJ Financial Group	176,706	0.52
6,656	Vestas Wind System	375,738	1.10		Electronic & Electrical Equipment (0.31%, December 2007 – 0.70%)		
	<b>Total Denmark</b>	<b>375,738</b>	<b>1.10</b>	3,500	Canon	106,096	0.31
					Engineering & Machinery (0.38%, December 2007 – 1.07%)		
				27,000	Amada	127,976	0.38
					Real Estate (1.93%, December 2007 – 0.42%)		
				4,710	Goldcrest	114,479	0.34
				34,000	Mitsubishi Estate	542,306	1.59

## Worldwide Equity Fund

### Portfolio statement (continued)

as at 31st December 2008

Holding	Investment	Value US\$	% of Net Asset Value	Holding	Investment	Value US\$	% of Net Asset Value
	<b>Software &amp; Computer Services</b> (1.41%, December 2007 – 1.26%)				<b>Telecommunication Services</b> (0.84%, December 2007 – 0.00%)		
1,300	Nintendo	482,198	1.41	13,000	Telefonica	285,917	0.84
	<b>Speciality &amp; Other Finance</b> (1.64%, December 2007 – 0.52%)				<b>Total Spain</b>	<b>687,594</b>	<b>2.02</b>
151	Sony Financial Holdings	559,259	1.64				
	<b>Telecommunication Services</b> (0.67%, December 2007 – 0.51%)				<b>SWEDEN (0.00%, December 2007 – 0.88%)</b>		
33	KDDI	229,894	0.67		<b>Engineering &amp; Machinery</b> (0.00%, December 2007 – 0.47%)		
	<b>Utilities – Other</b> (0.45%, December 2007 – 0.00%)				<b>Forestry &amp; Paper</b> (0.00%, December 2007 – 0.41%)		
31,000	Tokyo Gas	155,137	0.45		<b>SWITZERLAND (7.03%, December 2007 – 4.82%)</b>		
	<b>Total Japan</b>	<b>2,746,167</b>	<b>8.05</b>		<b>Chemicals</b> (0.78%, December 2007 – 1.05%)		
	<b>MEXICO (0.59%, December 2007 – 0.72%)</b>			1,413	Syngenta	265,930	0.78
	<b>Telecommunication Services</b> (0.59%, December 2007 – 0.72%)			21,000	Nestle	820,838	2.41
6,534	America Movil	199,614	0.59		<b>Health</b> (0.45%, December 2007 – 0.00%)		
	<b>Total Mexico</b>	<b>199,614</b>	<b>0.59</b>	2,607	Sonova Holding	154,934	0.45
	<b>NETHERLANDS (0.51%, December 2007 – 1.44%)</b>				<b>Oil &amp; Gas</b> (0.00%, December 2007 – 0.79%)		
	<b>Information Technology Hardware</b> (0.00%, December 2007 – 0.43%)				<b>Pharmaceuticals &amp; Biotechnology</b> (3.39%, December 2007 – 1.19%)		
	<b>Oil &amp; Gas</b> (0.51%, December 2007 – 1.01%)			10,296	Novartis	509,828	1.50
3,692	Fugro	105,012	0.31	4,231	Roche Holdings	646,013	1.89
1,622	Schlumberger	68,611	0.20		<b>Total Switzerland</b>	<b>2,397,543</b>	<b>7.03</b>
	<b>Total Netherlands</b>	<b>173,623</b>	<b>0.51</b>				
	<b>PORTUGAL (0.43%, December 2007 – 0.90%)</b>				<b>TAIWAN (0.26%, December 2007 – 1.54%)</b>		
	<b>Oil &amp; Gas</b> (0.43%, December 2007 – 0.90%)				<b>Electronic &amp; Electrical Equipment</b> (0.00%, December 2007 – 0.46%)		
14,589	Galp Energia	145,443	0.43		<b>Information Technology Hardware</b> (0.26%, December 2007 – 1.08%)		
	<b>Total Portugal</b>	<b>145,443</b>	<b>0.43</b>	79,969	Asustek Computer	89,186	0.26
	<b>REPUBLIC OF IRELAND (0.00%, December 2007 – 0.43%)</b>				<b>Total Taiwan</b>	<b>89,186</b>	<b>0.26</b>
	<b>Banks</b> (0.00%, December 2007 – 0.43%)				<b>UNITED KINGDOM (9.54%, December 2007 – 12.04%)</b>		
	<b>RUSSIAN FEDERATION (0.20%, December 2007 – 0.49%)</b>				<b>Banks</b> (0.82%, December 2007 – 0.89%)		
	<b>Telecommunication Services</b> (0.20%, December 2007 – 0.49%)			29,500	HSBC	280,729	0.82
2,601	Mobile Telesystems ADR	68,354	0.20		<b>Electricity</b> (0.62%, December 2007 – 0.48%)		
	<b>Total Russian Federation</b>	<b>68,354</b>	<b>0.20</b>	60,866	International Power	210,206	0.62
	<b>SINGAPORE (1.11%, December 2007 – 0.00%)</b>				<b>Food &amp; Drug Retailers</b> (0.99%, December 2007 – 1.14%)		
	<b>Banks</b> (1.11%, December 2007 – 0.00%)			65,400	Tesco	337,505	0.99
55,000	DBS Group Holdings	319,994	0.94		<b>General Retailers</b> (0.53%, December 2007 – 0.95%)		
27,500	DBS Group Holdings Rights	57,074	0.17	60,500	Home Retail Group	181,765	0.53
	<b>Total Singapore</b>	<b>377,068</b>	<b>1.11</b>		<b>Information Technology Hardware</b> (0.00%, December 2007 – 0.49%)		
	<b>SOUTH AFRICA (0.00%, December 2007 – 0.54%)</b>			46,877	Prudential	279,651	0.82
	<b>Electronic &amp; Electrical Equipment</b> (0.00%, December 2007 – 0.27%)				<b>Mining</b> (0.82%, December 2007 – 1.98%)		
	<b>General Retailers</b> (0.00%, December 2007 – 0.27%)			12,500	Anglo American	277,797	0.82
	<b>SOUTH KOREA (0.49%, December 2007 – 0.82%)</b>				<b>Oil &amp; Gas</b> (2.57%, December 2007 – 3.59%)		
	<b>Banks</b> (0.00%, December 2007 – 0.82%)			24,767	BG Group	340,539	1.00
	<b>Information Technology Hardware</b> (0.49%, December 2007 – 0.00%)			24,500	BP	185,075	0.54
469	Samsung Electronics	166,616	0.49	37,399	Tullow Oil	352,135	1.03
	<b>Total South Korea</b>	<b>166,616</b>	<b>0.49</b>		<b>Software &amp; Computer Services</b> (0.48%, December 2007 – 0.39%)		
	<b>SPAIN (2.02%, December 2007 – 0.99%)</b>			12,000	Autonomy	164,048	0.48
	<b>Electronic &amp; Electrical Equipment</b> (0.31%, December 2007 – 0.00%)				<b>Telecommunication Services</b> (1.89%, December 2007 – 1.08%)		
5,999	Gamesa	105,868	0.31	321,861	Vodafone Group	642,887	1.89
	<b>General Retailers</b> (0.87%, December 2007 – 0.99%)				<b>Tobacco</b> (0.00%, December 2007 – 1.05%)		
6,800	Inditex	295,809	0.87		<b>Total United Kingdom</b>	<b>3,252,337</b>	<b>9.54</b>
	<b>UNITED STATES OF AMERICA (48.10%, December 2007 – 39.59%)</b>				<b>Aerospace &amp; Defence</b> (0.97%, December 2007 – 1.39%)		
	<b>Aerospace &amp; Defence</b> (0.97%, December 2007 – 1.39%)			3,900	FLIR Systems	121,134	0.36
	<b>Telecommunication Services</b> (0.84%, December 2007 – 0.00%)			3,609	General Dynamics	206,651	0.61

## Worldwide Equity Fund

### Portfolio statement (continued)

as at 31st December 2008

Holding	Investment	Value US\$	% of Net Asset Value	Holding	Investment	Value US\$	% of Net Asset Value
	<b>Banks</b> (2.21%, December 2007 – 1.51%)				<b>Speciality &amp; Other Finance</b> (0.30%, December 2007 – 0.72%)		
13,800	JP Morgan Chase	427,524	1.25	1,200	Goldman Sachs Group	101,580	0.30
16,755	Keycorp	141,915	0.42		<b>Steel &amp; Other Metals</b> (0.42%, December 2007 – 0.00%)		
22,809	Synovus Financial	184,981	0.54	5,566	Cliffs Natural Resources	144,382	0.42
	<b>Beverages</b> (2.98%, December 2007 – 1.28%)				<b>Support Services</b> (0.78%, December 2007 – 2.01%)		
11,050	Coca-Cola	500,455	1.47	11,023	Republic Services	264,883	0.78
9,368	PepsiCo	516,270	1.51		<b>Telecommunication Services</b> (1.92%, December 2007 – 1.04%)		
	<b>Chemicals</b> (1.17%, December 2007 – 0.00%)			22,950	AT & T	655,452	1.92
2,710	Monsanto	188,752	0.55		<b>Tobacco</b> (0.00%, December 2007 – 1.13%)		
3,555	Praxair	210,492	0.62		<b>Transport</b> (1.51%, December 2007 – 0.79%)		
	<b>Diversified Industrials</b> (1.22%, December 2007 – 1.44%)			6,500	Norfolk Southern	301,340	0.88
9,500	Philip Morris International	416,765	1.22	4,536	Union Pacific	216,004	0.63
	<b>Electricity</b> (0.00%, December 2007 – 1.98%)				<b>Total United States of America</b>	<b>16,402,002</b>	<b>48.10</b>
	<b>Electronic &amp; Electrical Equipment</b> (0.57%, December 2007 – 0.00%)				<b>Total Value of Investments</b>	<b>33,275,561</b>	<b>97.59</b>
2,894	Mettler-Toledo International	195,316	0.57		<b>Net Other Assets (December 2007 – 2.53%)</b>	<b>821,415</b>	<b>2.41</b>
	<b>Engineering &amp; Machinery</b> (0.85%, December 2007 – 1.55%)				<b>Net Assets</b>	<b>34,096,976</b>	<b>100.00</b>
8,500	Thermo Fisher Scientific	288,575	0.85				
	<b>Food &amp; Drug Retailers</b> (1.23%, December 2007 – 0.00%)						
14,700	CVS Caremark	418,803	1.23				
	<b>Forestry &amp; Paper</b> (0.55%, December 2007 – 0.68%)						
5,509	Plum Creek Timber	187,692	0.55				
	<b>General Retailers</b> (3.89%, December 2007 – 2.44%)						
11,167	Ebay	158,348	0.46				
11,215	Lowe's	244,936	0.72				
3,008	McDonald's	186,075	0.55				
13,222	Wal-mart Stores	735,672	2.16				
	<b>Health</b> (1.92%, December 2007 – 2.31%)						
4,927	Laboratory Corporation of America Holdings	314,687	0.92				
4,833	St Jude Medical	158,039	0.46				
4,426	WellPoint Health Networks	185,803	0.54				
	<b>Information Technology Hardware</b> (1.56%, December 2007 – 1.65%)						
18,500	Cisco Systems	304,695	0.89				
6,316	Qualcomm	226,871	0.67				
	<b>Insurance</b> (2.69%, December 2007 – 0.74%)						
6,429	Aon	295,734	0.87				
13,900	The Travelers Companies	619,523	1.82				
	<b>Media &amp; Photography</b> (2.25%, December 2007 – 0.75%)						
34,600	Comcast	571,246	1.68				
8,506	The Walt Disney Company	193,341	0.57				
	<b>Mining</b> (0.43%, December 2007 – 1.70%)						
9,045	Arch Coal	146,077	0.43				
	<b>Oil &amp; Gas</b> (3.68%, December 2007 – 3.23%)						
6,100	Devon Energy	405,528	1.19				
2,162	Diamond Offshore Drilling	125,828	0.37				
3,400	EnSCO International	94,248	0.28				
4,612	Exxon Mobil	366,239	1.07				
12,262	Valero Energy	264,123	0.77				
	<b>Personal Care &amp; Household Products</b> (1.78%, December 2007 – 1.25%)						
9,885	Procter & Gamble	608,521	1.78				
	<b>Pharmaceuticals &amp; Biotechnology</b> (6.30%, December 2007 – 4.05%)						
6,526	Genzyme	435,937	1.28				
4,313	Gilead Sciences	221,429	0.65				
11,087	Johnson & Johnson	659,011	1.93				
34,709	Pfizer	616,085	1.81				
12,577	Schering-Plough	213,432	0.63				
	<b>Software &amp; Computer Services</b> (6.92%, December 2007 – 5.95%)						
6,800	Adobe Systems	145,180	0.43				
850	Google	263,390	0.77				
6,702	IBM	564,040	1.65				
6,215	McAfee	213,050	0.62				
32,800	Microsoft	638,944	1.87				
29,900	Oracle	537,004	1.58				

The calculation of the % Net Asset Value may not add up due to rounding.

## Worldwide Equity Fund

### Summary of material portfolio changes

for the accounting period 1st January 2008 to 31st December 2008

The total cost of purchases during the year was US\$ 41,722,519 and proceeds received from sales were US\$ 50,822,856. The details of the Top 20 purchases and sales are detailed below:

<b>Purchases</b>	<b>Cost US\$</b>	<b>Sales</b>	<b>Proceeds US\$</b>
Lloyds TSB Group	916,141	Exxon Mobil	1,062,823
Exxon Mobil	858,967	Altria Group	989,898
Barrick Gold	824,917	BG Group	929,302
JP Morgan Chase	814,086	United Technologies	874,570
The Travelers Companies	782,070	China Mobile	872,596
DBS Group Holdings	754,657	Xstrata	769,094
Mitsubishi Estate	748,255	Bank of America	694,747
HSBC	739,696	America Movil	694,148
Novartis	720,834	Mitsubishi UFJ Financial Group	691,421
America Movil	678,137	HTC	645,994
Coca-Cola	640,404	Imperial Tobacco	643,253
Prudential	625,609	Petrol Brasileiros	619,460
Philip Morris International	617,529	Nestle	614,583
Gamesa	613,488	Freeport McMoRan Copper & Gold	581,185
Total	609,529	Deutsche Börse	566,563
Goldman Sachs Group	608,318	Johnson & Johnson	554,406
Telefonica	601,323	Shinhan Financial Group	525,868
Linde	552,191	Merck	523,544
Accenture	525,316	Bayer	518,097
CVS Caremark	494,338	Schlumberger	516,209

A full detailed listing of portfolio changes is available from the Manager upon request.

## Worldwide Equity Fund

### Notes to the financial statements

for the accounting period 1st January 2008 to 31st December 2008

#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Accounts on page 62.

#### 2 NET (LOSSES)/GAINS ON INVESTMENTS

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

	2008 US\$	2007 US\$
Non-derivative securities	(27,004,718)	9,738,053
Net (losses)/gains on investments	<u>(27,004,718)</u>	<u>9,738,053</u>

#### 3 OTHER (LOSSES)/GAINS

	2008 US\$	2007 US\$
Other currency (losses)/gains	(71,145)	64,221
Total other (losses)/gains	<u>(71,145)</u>	<u>64,221</u>

#### 4 INCOME

	2008 US\$	2007 US\$
UK dividends	254,859	192,551
Overseas dividends	1,046,341	1,133,303
Bank interest	19,536	44,358
Miscellaneous income	21	86
Total income	<u>1,320,757</u>	<u>1,370,298</u>

#### 5 EXPENSES

	2008 US\$	2007 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(1,010,893)	(1,444,274)
Registration expenses	(5,950)	(7,084)
Directors' periodic charge	(1,843)	(1,814)
	<u>(1,018,686)</u>	<u>(1,453,172)</u>
Payable to the Trustees, associates of the Trustee and agents of either of them:		
Trustee's fees	(13,280)	(17,580)
Safe custody fees	(9,251)	(17,899)
Transaction charges	(44,432)	(35,297)
	<u>(66,963)</u>	<u>(70,776)</u>
Other expenses:		
Legal fee	(4,466)	–
Audit fee	(7,085)	(7,108)
Miscellaneous expenses	(1)	(69)
Publication charges	(10,155)	(11,413)
Exchange losses	–	(843)
	<u>(21,707)</u>	<u>(19,433)</u>
Total expenses	<u>(1,107,356)</u>	<u>(1,543,381)</u>

#### 6 TAXATION

	2008 US\$	2007 US\$
Analysis of charge in period:		
Overseas tax	(211,214)	(230,514)
UK income tax	(27,471)	(20,250)
Total taxation	<u>(238,685)</u>	<u>(250,764)</u>

#### 7 FINANCE COSTS

Distribution/Equalisation and Interest

The distributions take account of income received on the creation of shares and income deducted on the cancellation of shares, and comprises:

	2008 US\$	2007 US\$
Final	748	–
	<u>748</u>	<u>–</u>
Add: Income deducted on cancellation of shares	5,310	20
Deduct: Income received on creation of shares	(1,415)	–
Net distribution/equalisation for the period	<u>4,643</u>	<u>20</u>
Interest	14,503	16,617
Total finance costs	<u>19,146</u>	<u>16,637</u>

#### 8 DEBTORS

	2008 US\$	2007 US\$
Sales awaiting settlement	–	206,622
Receivable from the Manager – Nominal Shares	166,517	151,898
Accrued income	43,197	60,098
Total debtors	<u>209,714</u>	<u>418,618</u>

#### 9 CREDITORS

	2008 US\$	2007 US\$
Amounts payable for cancellation of shares	(14,170)	(29,346)
Purchases awaiting settlement	–	(66,700)
Accrued expenses	(18,835)	(18,129)
Amounts payable to the Manager	(54,073)	(115,484)
Total creditors	<u>(87,078)</u>	<u>(229,659)</u>

#### 10 RELATED PARTY TRANSACTIONS

Allied Dunbar International Fund Managers Limited is a related party and acts as principal in respect of all transactions of shares in the Fund.

The aggregate monies received through creations and paid on cancellations are disclosed in the Statement of Change in Shareholders' Net Assets. The amounts due to/from Allied Dunbar International Fund Managers Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts paid to Allied Dunbar International Fund Managers Limited in respect of Fund administration and registrar services are disclosed in Note 5. A balance of US\$ 52,953 (2007 – US\$ 114,697) in respect of annual management charge, and US\$ 370 (2007 – US\$ 559) in respect of registration fees is due at the end of the accounting period.

Amounts paid to BNP Paribas Trust Company (IOM) Limited, a related party, in respect of trustee services and safe custody charges are disclosed in Note 5. A balance of US\$ 2,074 (2007 – US\$ 3,739) in respect of safe custody charges and US\$ 719 (2007 – US\$ 1,394) in respect of trustee services are due at the end of the accounting period.

The Fund receives and pays interest on deposits held with BNP Paribas Securities Services Custody Bank Limited as disclosed in Notes 4 and 7.

Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The Manager, or associate of the Manager acted as principal in all investment transactions.

#### 11 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 63.

##### Currency exposures

A substantial proportion of the Net Assets of the Fund are denominated in currencies other than US Dollar, which is the base currency in which the Fund is managed. This has the effect that the Balance Sheet and Statement of Total Return can be significantly affected by currency movements.

	Net foreign currency assets		
	Monetary exposure US\$	Non- monetary exposure US\$	Total US\$
<b>Currency 2008</b>			
Australian Dollar	315,063	760,207	1,075,270
Canadian Dollar	136	82,848	82,984
Danish Krone	88	375,738	375,826
Euro	(9,395)	4,015,966	4,006,571
Hong Kong Dollar	61	882,760	882,821
Japanese Yen	3,856	2,746,168	2,750,024
Korean Won	–	166,617	166,617
Mexican Peso	117	–	117
New Zealand Dollar	582	–	582
Norwegian Krone	5,748	–	5,748
Singapore Dollar	24,787	377,068	401,855
South African Rand	198	–	198
Swedish Krona	1,145	–	1,145
Swiss Franc	642	2,397,543	2,398,185
Taiwanese Dollar	60,555	89,186	149,741
UK Sterling	16,966	3,313,424	3,330,390
<b>Currency 2007</b>			
Australian Dollar	140,051	1,957,682	2,097,733
Brazilian Real	2,301	–	2,301
Canadian Dollar	7,274	304,919	312,193
Danish Krone	1,923	415,909	417,832
Euro	81,632	10,390,006	10,471,638
Hong Kong Dollar	3,106	3,329,010	3,332,116
Japanese Yen	9,688	5,287,374	5,297,062
Korean Won	–	585,472	585,472
Mexican Peso	18,932	–	18,932
New Zealand Dollar	765	–	765
Norwegian Krone	7,437	–	7,437
Singapore Dollar	590	–	590
South African Rand	167,576	383,750	551,326
Swedish Krona	81,910	626,831	708,741
Swiss Franc	3,487	3,427,681	3,431,168
Taiwanese Dollar	232,867	1,093,104	1,325,971
UK Sterling	438,368	8,570,080	9,008,448

## Worldwide Equity Fund

### Notes to the financial statements (continued)

for the accounting period 1st January 2008 to 31st December 2008

#### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and financial liabilities at 31st December 2008 was:

Currency 2008	Floating rate financial assets US\$	Fixed rate financial assets US\$	Financial assets not carrying interest US\$	Total US\$
Australian Dollar	315,063	–	760,207	1,075,270
Canadian Dollar	136	–	82,848	82,984
Danish Krone	88	–	375,738	375,826
Euro	–	–	4,015,966	4,015,966
Hong Kong Dollar	61	–	882,760	882,821
Japanese Yen	525	–	2,749,499	2,750,024
Korean Won	–	–	166,617	166,617
Mexican Peso	117	–	–	117
New Zealand Dollar	582	–	–	582
Norwegian Krone	5,748	–	–	5,748
Singapore Dollar	24,787	–	377,068	401,855
South African Rand	198	–	–	198
Swedish Krona	1,145	–	–	1,145
Swiss Franc	642	–	2,397,543	2,398,185
Taiwanese Dollar	60,555	–	89,186	149,741
UK Sterling	3,114	–	3,327,276	3,330,390
US Dollar	296,161	–	18,260,567	18,556,728
<b>Currency 2007</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Australian Dollar	140,051	–	1,957,682	2,097,733
Brazilian Real	–	–	69,001	69,001
Canadian Dollar	7,274	–	304,919	312,193
Danish Krone	1,923	–	415,909	417,832
Euro	75,751	–	10,395,887	10,471,638
Hong Kong Dollar	3,106	–	3,329,010	3,332,116
Japanese Yen	167	–	5,296,895	5,297,062
Korean Won	–	–	585,472	585,472
Mexican Peso	18,932	–	–	18,932
New Zealand Dollar	765	–	–	765
Norwegian Krone	7,437	–	–	7,437
Singapore Dollar	590	–	–	590
South African Rand	167,576	–	383,750	551,326
Swedish Krona	81,910	–	626,831	708,741
Swiss Franc	3,487	–	3,427,681	3,431,168
Taiwanese Dollar	232,867	–	1,093,104	1,325,971
UK Sterling	427,793	–	8,580,655	9,008,448
US Dollar	444,340	–	33,332,437	33,776,777
Currency 2008	Floating rate financial liabilities US\$	Financial liabilities not carrying interest US\$	Total US\$	
Euro	(9,395)	–	(9,395)	
US Dollar	–	(87,826)	(87,826)	
<b>Currency 2007</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	
Brazilian Real	–	(66,700)	(66,700)	
US Dollar	–	(162,959)	(162,959)	

There are no material amounts of non interest-bearing financial assets, other than equities, which do not have maturity dates.

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

#### Fair value of financial assets and financial liabilities

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

#### 12 CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or commitments.

#### 13 STOCKBROKING COMMISSION

The average rate of stockbroking commission for those transactions where commission is paid is 13 basis points.

#### 14 PORTFOLIO TRANSACTION COSTS

	2008 US\$	2007 US\$
Analysis of total purchase costs		
Purchases in period before transaction costs	41,680,127	49,528,121
Commissions	21,581	39,105
Taxes	20,121	33,681
Fees	690	254
Total purchase costs	42,392	73,040
Gross purchases total	41,722,519	49,601,161
Analysis of total sale costs		
Gross sales before transaction costs	50,860,961	62,358,687
Commissions	(31,734)	(44,370)
Taxes	(5,006)	(3,020)
Fees	(1,365)	(11,104)
Total sale costs	(38,105)	(58,494)
Total sales net of transaction costs	50,822,856	62,300,193

# Managed Currency Fund

## Fund Investment Report

### Investment Policy

To invest in a portfolio of short term fixed interest investments.

### Types of Investment

The majority of the Fund is invested in short dated bonds and interest bearing time deposits, and is earning the higher rates of interest not normally available to the individual investor. Investments may be made in all forms of money market instrument which are normally held to maturity, and in any currency where the projected return over the life of investment is attractive. The Fund will normally have a bias towards US Dollar denominated assets.

Limited sales and purchases of currencies may be made through options and the forward and financial futures markets, whilst bearing in mind the investment policy of the Fund, the Fund size and the Regulations.

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

### Portfolio Activity

Throughout the reporting period the portfolio was invested entirely in US Dollar deposits. The fund underperformed the index over the year. Most of the underperformance came in the final quarter of 2008, due to the agreed strategy of placing all money market funds in overnight deposits only.

US interest rates were cut very sharply over the year. Early January saw an emergency cut of 0.75%, which marked a watershed in the Federal Reserve's thinking about the US economy. Specifically, it followed a sharp rise in the US unemployment rate, which heralded a significant economic slowdown. There was a subsequent cut of 0.50% later that month, followed by a further reduction of 0.75% on 18th March. The Federal Reserve cut official rates again at the end of April from 2.25% to 2% as they continued their efforts to kick-start the faltering economy and ease liquidity problems in the short-term money markets

During the second half of the reporting period the US Federal Reserve continued to cut rates aggressively in response to the sharp downturn in the economy, exacerbated by the severe credit squeeze, and the problems in the financial sector. Official rates were cut by 0.5 percentage points on two occasions in October, bringing them down to 1%. On 16th December rates were lowered further to a historic low of 0-0.25%.

## Managed Currency Fund

### Statement of Total Return

for the accounting period 1st January 2008 to 31st December 2008

	Notes	2008 US\$	2007 US\$
Other losses	2	(32)	–
Income	3	49,023	108,335
Expenses	4	(25,754)	(26,591)
Finance costs: Interest	5	(1,438)	(2,627)
Net income before taxation		21,831	79,117
Taxation		–	–
Net income after taxation		21,831	79,117
<b>Total return before distribution</b>		<b>21,799</b>	<b>79,117</b>
Finance costs: Distribution	5	(25,250)	(82,922)
<b>Change in Net Assets attributable to Shareholders</b>		<b>(3,451)</b>	<b>(3,805)</b>

### Balance Sheet

as at 31st December 2008

	Notes	2008 US\$	2007 US\$
<b>Assets</b>			
<b>Portfolio of investments</b>			
		–	–
Debtors	6	49,327	52,751
Cash and bank balances		2,103,350	2,083,629
Total other assets		2,152,677	2,136,380
Total assets		2,152,677	2,136,380
<b>Liabilities</b>			
Creditors	7	(2,373)	(2,201)
Distribution payable on income shares		(5,752)	(42,667)
Total liabilities		(8,125)	(44,868)
<b>Net Assets attributable to Shareholders</b>		<b>2,144,552</b>	<b>2,091,512</b>
<b>Shareholders' Funds</b>			
Nominal Value – Issued Share Capital		63,802	63,802
Share Premium		2,040,224	1,963,764
Capital Reserve		40,526	63,946
		2,144,552	2,091,512

### Statement of Change in Shareholders' Net Assets

for the accounting period 1st January 2008 to 31st December 2008

	2008 US\$	2007 US\$
<b>Net Assets at the start of the period</b>	2,091,512	2,314,143
Movement due to sales and repurchases of shares:		
Amounts received on creation of shares	309,467	354,956
Less: Amounts paid on cancellation of shares	(252,977)	(573,782)
	56,490	(218,826)
Change in Net Assets attributable to Shareholders (see above)	(3,451)	(3,805)
Unclaimed distributions	1	–
<b>Net Assets at the end of the period</b>	<b>2,144,552</b>	<b>2,091,512</b>

### Distribution Table

for the accounting period 1st January 2008 to 30th June 2008

	Income US\$	Equalisation US\$	Distribution Payable 2008 US\$	Distribution Paid 2007 US\$
Group 1	0.0035	–	0.0035	0.0072
Group 2	0.0006	0.0029	0.0035	0.0072

Group 2 units are those purchased after 16:00 (UK time) on 31st December 2007

for the accounting period 1st July 2008 to 31st December 2008

	Income US\$	Equalisation US\$	Distribution Payable 2008 US\$	Distribution Paid 2007 US\$
Group 1	0.0010	–	0.0010	0.0076
Group 2	–	0.0010	0.0010	0.0076

Group 2 units are those purchased after 16:00 (UK time) on 30th June 2008

## Managed Currency Fund Portfolio statement

as at 31st December 2008

Investment	Value US\$	% of Net Asset Value
<b>Cash Deposits and Net Liquid Assets – 100%</b> <b>(December 2007 – 100%)</b>		
Lloyds Bank US\$ Deposit	298,377	13.91
Rabobank US\$ Deposit	292,733	13.65
HBOS Treasury US\$ Deposit	200,466	9.35
Bank of Ireland US\$ Deposit	200,379	9.34
HSBC US\$ Deposit	200,374	9.34
Royal Bank of Scotland US\$ Deposit	200,188	9.34
Nationwide Building Society US\$ Deposit	200,000	9.33
Union Bank of Switzerland US\$ Deposit	200,000	9.33
National Australia US\$ Deposit	170,143	7.93
Cash	140,690	6.56
<b>Total Value of Cash Deposits</b>	<b>2,103,350</b>	<b>98.08</b>
<b>Net Other Assets</b> <b>(December 2007 – 0.38%)</b>		
	<b>41,202</b>	<b>1.92</b>
<b>Net Assets</b>	<b>2,144,552</b>	<b>100.00</b>

27

## Managed Currency Fund Summary of material portfolio changes

for the accounting period 1st January 2008 to 31st December 2008

The total cost of purchases during the year was US\$ 1,185,125, and proceeds received from sales were US\$ 1,280,276. The details of all purchases and sales are shown below:

Purchases	Cost US\$	Sales	Proceeds US\$
Bank of Ireland US\$ Deposit	200,379	BNP Paribas US\$ Deposit	337,526
HSBC US\$ Deposit	200,375	Dexia Bank US\$ Deposit	307,787
Royal Bank of Scotland US\$ Deposit	200,188	Royal Bank of Canada US\$ Deposit	278,741
Nationwide Building Society US\$ Deposit	200,000	Bank of Montreal US\$ Deposit	266,542
Union Bank of Switzerland US\$ Deposit	200,000	HBOS Treasury US\$ Deposit	89,680
National Australia US\$ Deposit	170,143		
Lloyds Bank US\$ Deposit	7,224		
Rabobank US\$ Deposit	6,816		

## Managed Currency Fund

### Notes to the financial statements

for the accounting period 1st January 2008 to 31st December 2008

#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Accounts on page 62.

#### 2 OTHER LOSSES

	2008 US\$	2007 US\$
Other currency losses	(32)	–
Total other losses	(32)	–

#### 3 INCOME

	2008 US\$	2007 US\$
Interest on short term investments	47,435	105,470
Bank interest	1,588	2,863
Miscellaneous income	–	2
Total income	49,023	108,335

#### 4 EXPENSES

	2008 US\$	2007 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(20,518)	(21,033)
Registration expenses	(553)	(657)
Directors' periodic charge	(72)	(51)
	(21,143)	(21,741)
Payable to the Trustees, associates of the Trustee and agents of either of them:		
Trustee's fees	(530)	(495)
Transaction charges	(3,419)	(3,805)
	(3,949)	(4,300)
Other expenses:		
Audit fee	(272)	(151)
Miscellaneous expenses	–	(78)
Publication charges	(390)	(321)
	(662)	(550)
Total expenses	(25,754)	(26,591)

#### 5 FINANCE COSTS

##### Distribution and Interest

The distributions take account of income received on the creation of shares and income deducted on the cancellation of shares, and comprises:

	2008 US\$	2007 US\$
Interim	20,225	40,967
Final	5,752	42,667
	25,977	83,634
Add: Income deducted on cancellation of shares	1,456	4,990
Deduct: Income received on creation of shares	(2,183)	(5,702)
Net distribution for the period	25,250	82,922
Interest	1,438	2,627
Total finance costs	26,688	85,549

Details of the distribution per share are set out in the table on page 26.

#### 6 DEBTORS

	2008 US\$	2007 US\$
Receivable from the Manager – Nominal Shares	49,325	49,718
Accrued income	2	3,033
Total debtors	49,327	52,751

#### 7 CREDITORS

	2008 US\$	2007 US\$
Accrued expenses	(577)	(426)
Amounts payable to the Manager	(1,796)	(1,775)
Total creditors	(2,373)	(2,201)

#### 8 RELATED PARTY TRANSACTIONS

Allied Dunbar International Fund Managers Limited is a related party and acts as principal in respect of all transactions of shares in the Fund.

The aggregate monies received through creations and paid on cancellations are disclosed in the Statement of Change in Shareholders' Net Assets. The amounts due to/from Allied Dunbar International Fund Managers Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 6 and 7.

Amounts paid to Allied Dunbar International Fund Managers Limited in respect of Fund administration and registrar services are disclosed in Note 4. A balance of US\$ 1,722 (2007 – US\$ 1,710) in respect of annual management charge, and US\$ 36 (2007 – US\$ 53) in respect of registration fees is due at the end of the accounting period.

Amounts paid to BNP Paribas Trust Company (IOM) Limited, a related party, in respect of trustee services are disclosed in Note 4. A balance of US\$ 46 (2007 – US\$ 41) in respect of trustee services are due at the end of the accounting period.

The Fund receives and pays interest on deposits held with BNP Paribas Securities Services Custody Bank Limited as disclosed in Notes 3 and 5.

Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The Manager, or associate of the Manager acted as principal in all investment transactions.

#### 9 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 63.

##### Currency exposures

A small proportion of the Net Assets of the Fund are denominated in currencies other than US Dollar, which is the base currency in which the Fund is managed. This has the effect that the Balance Sheet and Statement of Total Return can be affected by currency movements.

	Net foreign currency assets		
	Monetary exposure US\$	Non-monetary exposure US\$	Total US\$
<b>Currency 2008</b>			
Euro	29	–	29
UK Sterling	74	–	74
<b>Currency 2007</b>			
Euro	31	–	31
UK Sterling	247	–	247

##### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and financial liabilities at 31st December 2008 was:

	Floating rate financial assets US\$	Fixed rate financial assets US\$	Financial assets not carrying interest US\$	Total US\$
<b>Currency 2008</b>				
Euro	29	–	–	29
UK Sterling	74	–	–	74
US Dollar	140,586	1,962,661	49,327	2,152,574
<b>Currency 2007</b>				
Euro	31	–	–	31
UK Sterling	247	–	–	247
US Dollar	25,540	2,057,811	52,751	2,136,102

	Floating rate financial liabilities US\$	Financial liabilities not carrying interest US\$	Total US\$
<b>Currency 2008</b>			
US Dollar	–	(8,125)	(8,125)
<b>Currency 2007</b>			
US Dollar	–	(44,868)	(44,868)

There are no material amounts of non interest-bearing financial assets, other than equities, which do not have maturity dates.

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

##### Fair value of financial assets and financial liabilities

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

#### 10 CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or commitments.

#### 11 STOCKBROKING COMMISSION

The average rate of stockbroking commission for those transactions where commission is paid is Nil basis points.

#### 12 PORTFOLIO TRANSACTION COSTS

The purchases and sales are not subject to portfolio transaction costs.

# Gilt and Income Fund

## Fund Investment Report

### Investment Policy

To achieve a high total return with limited capital risk from a portfolio of sterling-denominated fixed interest investments and money market assets.

### Types of Investment

All assets are sterling-denominated. Investments are primarily in Eurosterling Bonds and those UK Government Securities (gilt-edged stock) which can pay income free of UK withholding tax to the Fund, and in bank deposits. As market conditions justify, investments may be made in other appropriate assets as permitted by the Regulations.

Limited sales and purchases of fixed interest securities may be made through options and financial futures, whilst bearing in mind the investment policy of the Fund and the Regulations.

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

### Portfolio Activity

The FTSE UK All Stocks Gilt Index delivered a total return of 12.8% in 2008. As in 2007, there was a clear distinction between the first and second halves of the year. The first half of 2008 saw negative returns on investments in the gilt market as yields rose and prices fell in reaction to rising inflation. The oil price reached a record high of US\$ 147 per barrel in July, having started the year at just over US\$ 90 per barrel. Rising commodity prices knocked earlier expectations that inflation would remain under control and at this point increases in official interest rates were expected. The Fund was not positioned to benefit from this scenario and struggled as a result.

From the summer onwards, the environment changed dramatically as it became clear that the commodity-driven surge in inflation was a red-herring and that the fundamental issue for the economy would be dealing with the unwinding of leverage (borrowing) and the associated fall in asset prices. The single most important trigger for the acceleration of this process was the failure of US investment bank Lehman Brothers in September. The change in expectations for the future health of the economy as a result of this event, and the knock-on effects, caused gilt yields to fall sharply and prices to increase dramatically. The market moved to reflect the need for much lower interest rates and placed a high value on the safety of government bonds, given the uncertainty associated with other asset classes.

The Fund was well positioned to exploit the rise in bond prices that characterised the economy's move into recession, allowing performance versus the gilt index to improve, so that the Fund delivered a return in excess of the index.

## Gilt and Income Fund

### Statement of Total Return

for the accounting period 1st January 2008 to 31st December 2008

	Notes	2008 US\$	2007 US\$
Net (losses)/gains on investments during the period	2	(10,109,392)	903,695
Income	3	1,339,753	2,082,923
Expenses	4	(388,882)	(555,530)
Finance costs: Interest	5	(10,652)	(2,949)
Net income before taxation		940,219	1,524,444
Taxation		–	–
Net income after taxation		940,219	1,524,444
<b>Total return before distribution</b>		<b>(9,169,173)</b>	<b>2,428,139</b>
Finance costs: Distribution	5	(1,136,609)	(1,539,740)
<b>Change in Net Assets attributable to Shareholders</b>		<b>(10,305,782)</b>	<b>888,399</b>

### Balance Sheet

as at 31st December 2008

	Notes	2008 US\$	2007 US\$
<b>Assets</b>			
<b>Portfolio of investments</b>			
Debtors	6	721,825	938,282
Cash and bank balances		509,132	319,700
Total other assets		1,230,957	1,257,982
<b>Total assets</b>		<b>28,575,368</b>	<b>45,616,973</b>
<b>Liabilities</b>			
Creditors	7	(37,587)	(55,685)
Distribution payable on income shares		(407,352)	(829,406)
<b>Total liabilities</b>		<b>(444,939)</b>	<b>(885,091)</b>
<b>Net Assets attributable to Shareholders</b>		<b>28,130,429</b>	<b>44,731,882</b>
<b>Shareholders' Funds</b>			
Nominal Value – Issued Share Capital		619,054	619,054
Share Premium		32,176,685	38,744,479
Capital Reserve		(4,665,310)	5,368,349
		28,130,429	44,731,882

### Statement of Change in Shareholders' Net Assets

for the accounting period 1st January 2008 to 31st December 2008

	2008 US\$	2007 US\$
<b>Net Assets at the start of the period</b>	44,731,882	41,434,745
Movement due to sales and repurchases of shares:		
Amounts received on creation of shares	2,876,358	8,919,737
Less: Amounts paid on cancellation of shares	(9,173,853)	(6,510,999)
	(6,297,495)	2,408,738
Change in Net Assets attributable to Shareholders (see above)	(10,305,782)	888,399
Unclaimed distributions	1,824	–
<b>Net Assets at the end of the period</b>	<b>28,130,429</b>	<b>44,731,882</b>

### Distribution Table

for the accounting period 1st January 2008 to 30th June 2008

	Income £	Equalisation £	Distribution Payable 2008 £	Distribution Paid 2007 £
Group 1	0.0048	–	0.0048	0.0051
Group 2	0.0026	0.0022	0.0048	0.0051

Group 2 units are those purchased after 16:00 (UK time) on 31st December 2007

for the accounting period 1st July 2008 to 31st December 2008

	Income £	Equalisation £	Distribution Payable 2008 £	Distribution Paid 2007 £
Group 1	0.0046	–	0.0046	0.0054
Group 2	0.0036	0.0010	0.0046	0.0054

Group 2 units are those purchased after 16:00 (UK time) on 30th June 2008

## Gilt and Income Fund

### Portfolio statement

as at 31st December 2008

Holding	Investment	Value US\$	% of Net Asset Value
<b>UNITED KINGDOM (97.21%, December 2007 – 99.17%)</b>			
<b>Government Bonds (97.21%, December 2007 – 99.17%)</b>			
900,000	UK Treasury 0% 09/03/2009	1,289,454	4.58
550,000	UK Treasury 4% 07/09/2016	844,783	3.00
820,000	UK Treasury 4.25% 07/03/2036	1,271,989	4.52
705,000	UK Treasury 4.25% 07/06/2032	1,066,643	3.79
638,000	UK Treasury 4.25% 07/12/2027	947,940	3.37
555,000	UK Treasury 4.25% 07/12/2046	879,987	3.13
660,000	UK Treasury 4.25% 07/12/2055	1,082,049	3.85
1,135,000	UK Treasury 4.5% 07/12/2042	1,855,005	6.60
740,000	UK Treasury 4.75% 07/03/2020	1,185,549	4.22
470,000	UK Treasury 4.75% 07/09/2015	748,863	2.66
705,000	UK Treasury 4.75% 07/12/2030	1,123,497	3.99
720,000	UK Treasury 4.75% 07/12/2038	1,231,340	4.38
3,750,000	UK Treasury 5% 07/03/2012	5,840,204	20.76
1,335,000	UK Treasury 5% 07/03/2018	2,224,539	7.91
1,395,000	UK Treasury 5% 07/03/2025	2,271,016	8.07
1,305,000	UK Treasury 5% 07/09/2014	2,094,860	7.45
660,000	UK Treasury 8% 07/06/2021	1,386,693	4.93
<b>Total United Kingdom</b>		<b>27,344,411</b>	<b>97.21</b>
<b>Total Value of Investments</b>		<b>27,344,411</b>	<b>97.21</b>
<b>Net Other Assets (December 2007 – 0.83%)</b>		<b>786,018</b>	<b>2.79</b>
<b>Net Assets</b>		<b>28,130,429</b>	<b>100.00</b>
<b>Credit Ratings AAA</b>		<b>27,344,411</b>	<b>100.00</b>

The calculation of the % Net Asset Value may not add up due to rounding.

## Gilt and Income Fund

### Summary of material portfolio changes

for the accounting period 1st January 2008 to 31st December 2008

The total cost of purchases during the year was US\$ 104,495,606 and proceeds received from sales/maturities were US\$ 111,313,666. The details of the Top 20 purchases and sales/maturities are detailed below:

Purchases	Cost US\$	Sales/Maturities	Proceeds US\$
UK Treasury 5% 07/09/2014	9,516,407	UK Treasury 5% 07/09/2014	11,716,381
UK Treasury 4% 07/03/2009	8,575,379	UK Treasury 4.75% 07/09/2015	10,277,460
UK Treasury 5% 07/03/2012	7,203,228	UK Treasury 8.75% 25/08/2017	9,678,168
UK Treasury 4.75% 07/03/2020	6,211,513	UK Treasury 4% 07/03/2009	9,548,870
UK Treasury 5.25% 07/06/2012	5,818,973	UK Treasury 4.25% 07/12/2027	7,863,118
UK Treasury 4.75% 07/09/2015	5,620,227	UK Treasury 4.75% 07/03/2020	6,241,835
UK Treasury 4.75% 07/12/2030	5,620,125	UK Treasury 5.25% 07/06/2012	5,887,719
UK Treasury 5% 07/03/2018	4,979,471	UK Treasury 4.25% 07/03/2011	5,152,182
UK Treasury 8.75% 25/08/2017	4,891,347	UK Treasury 4.5% 07/03/2013	5,039,703
UK Treasury 4.5% 07/03/2013	4,880,655	UK Treasury 4.75% 07/12/2030	4,545,035
UK Treasury 0% 09/03/2009	4,011,180	UK Treasury 4.25% 07/12/2046	4,163,679
UK Treasury 0% 03/11/2008	3,723,829	UK Treasury 0% 03/11/2008	3,767,405
UK Treasury 5% 07/03/2025	3,705,548	UK Treasury 4.75% 06/07/2010	3,213,702
UK Treasury 4.5% 07/12/2042	3,347,721	UK Treasury 5% 07/03/2018	3,025,390
UK Treasury 4.25% 07/12/2046	3,324,125	UK Treasury 4.75% 07/12/2038	2,834,146
UK Treasury 4% 07/06/2010	3,198,157	UK Treasury 0% 09/03/2009	2,717,388
UK Treasury 8% 07/06/2021	3,176,631	UK Treasury 4.25% 07/12/2055	2,334,211
UK Treasury 4.75% 07/12/2038	3,070,815	UK Treasury 8% 07/06/2021	1,940,437
UK Treasury 4.25% 07/03/2011	2,813,076	UK Treasury 4% 07/09/2016	1,932,587
UK Treasury 4% 07/09/2016	2,670,308	UK Treasury 5.75% 07/12/2009	1,929,255

A full detailed listing of portfolio changes is available from the Manager upon request.

## Gilt and Income Fund

### Notes to the financial statements

for the accounting period 1st January 2008 to 31st December 2008

32

#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Accounts on page 62.

#### 2 NET (LOSSES)/GAINS ON INVESTMENTS

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

	2008 US\$	2007 US\$
Non-derivative securities	2,132,911	141,330
Difference on currency conversion	(12,242,303)	762,365
Net (losses)/gains on investments	<u>(10,109,392)</u>	<u>903,695</u>

#### 3 INCOME

	2008 US\$	2007 US\$
Interest on debt securities	1,318,495	2,066,624
Bank interest	21,258	16,293
Miscellaneous income	-	6
Total income	<u>1,339,753</u>	<u>2,082,923</u>

#### 4 EXPENSES

	2008 US\$	2007 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(361,781)	(519,033)
Registration expenses	(2,677)	(4,159)
Directors' periodic charge	(998)	(1,024)
	<u>(365,456)</u>	<u>(524,216)</u>
Payable to the Trustees, associates of the Trustee and agents of either of them:		
Trustee's fees	(7,464)	(9,766)
Safe custody fees	(1,111)	(1,892)
Transaction charges	(5,616)	(9,707)
	<u>(14,191)</u>	<u>(21,365)</u>
Other expenses:		
Audit fee	(3,795)	(3,462)
Miscellaneous expenses	-	(36)
Publication charges	(5,440)	(6,451)
	<u>(9,235)</u>	<u>(9,949)</u>
Total expenses	<u>(388,882)</u>	<u>(555,530)</u>

#### 5 FINANCE COSTS

Distribution and Interest  
The distributions take account of income received on the creation of shares and income deducted on the cancellation of shares, and comprises:

	2008 US\$	2007 US\$
Interim	687,214	705,180
Final	407,352	829,406
	<u>1,094,566</u>	<u>1,534,586</u>
Add: Income deducted on cancellation of shares	53,350	65,589
Deduct: Income received on creation of shares	(11,307)	(60,435)
Net distribution for the period	<u>1,136,609</u>	<u>1,539,740</u>
Interest	<u>10,652</u>	<u>2,949</u>
Total finance costs	<u>1,147,261</u>	<u>1,542,689</u>

Details of the distribution per share are set out in the table on page 30.

#### 6 DEBTORS

	2008 US\$	2007 US\$
Receivable from the Manager – Nominal Shares	465,294	425,689
Accrued income	256,531	512,593
Total debtors	<u>721,825</u>	<u>938,282</u>

#### 7 CREDITORS

	2008 US\$	2007 US\$
Accrued expenses	(8,758)	(9,235)
Amounts payable to the Manager	(28,829)	(46,450)
Total creditors	<u>(37,587)</u>	<u>(55,685)</u>

#### 8 RELATED PARTY TRANSACTIONS

Allied Dunbar International Fund Managers Limited is a related party and acts as principal in respect of all transactions of shares in the Fund.

The aggregate monies received through creations and paid on cancellations are disclosed in the Statement of Change in Shareholders' Net Assets. The amounts due to/from Allied Dunbar International Fund Managers Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 6 and 7.

Amounts paid to Allied Dunbar International Fund Managers Limited in respect of Fund administration and registrar services are disclosed in Note 4. A balance of US\$ 28,187 (2007 – US\$ 45,997) in respect of annual management charge, and US\$ 214 (2007 – US\$ 330) in respect of registration fees is due at the end of the accounting period.

Amounts paid to BNP Paribas Trust Company (IOM) Limited, a related party, in respect of trustee services and safe custody charges are disclosed in Note 4. A balance of US\$ 260 (2007 – US\$ 438) in respect of safe custody charges and US\$ 597 (2007 – US\$ 872) in respect of trustee services are due at the end of the accounting period.

The Fund receives and pays interest on deposits held with BNP Paribas Securities Services Custody Bank Limited as disclosed in Notes 3 and 5.

Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The Manager, or associate of the Manager acted as principal in all investment transactions.

#### 9 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 63.

##### Currency exposures

There are no material assets denominated in currencies other than Sterling, which is the base currency in which the Fund is managed.

##### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and financial liabilities at 31st December 2008 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
<b>Currency 2008</b>	US\$	US\$	US\$	US\$
UK Sterling	509,132	27,344,411	721,825	28,575,368
<b>Currency 2007</b>	US\$	US\$	US\$	US\$
UK Sterling	319,700	44,358,991	938,282	45,616,973
	Floating rate financial liabilities	Fixed rate liabilities not carrying interest	Financial liabilities not carrying interest	Total
<b>Currency 2008</b>	US\$	US\$	US\$	US\$
UK Sterling	-	(444,939)	(444,939)	(444,939)
<b>Currency 2007</b>	US\$	US\$	US\$	US\$
UK Sterling	-	(885,091)	(885,091)	(885,091)
	Fixed rate financial assets Weighted average interest rate	Fixed rate financial assets Weighted average period for which rate is fixed		
<b>Currency</b>	2008	2007	2008	2007
UK Sterling	5%	5%	15.90 years	15.13 years

There are no material amounts of non interest-bearing financial assets.

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

##### Fair value of financial assets and financial liabilities

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

#### 10 CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or commitments.

#### 11 STOCKBROKING COMMISSION

The average rate of stockbroking commission for those transactions where commission is paid is Nil basis points.

#### 12 PORTFOLIO TRANSACTION COSTS

The purchases and sales are not subject to portfolio transaction costs.

# North American Growth Fund

## Fund Investment Report

### Investment Policy

To invest primarily for capital growth in a portfolio of equities based in North America.

### Types of Investment

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

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

### Portfolio Activity

The US equity market, as measured by the S&P 500 Index, posted a return of -37.0% over 2008 in US Dollar terms. The market was weak throughout the year, punctuated by occasional rallies, with October seeing the worst monthly returns. The Fund's performance was virtually in line with the index over the year, although it outperformed in the difficult market conditions seen in the final quarter, helped by its defensive positions such as the overweight exposure to consumer staples.

Investor concerns initially centred around the sub-prime crisis and resultant "credit crunch", although as the year progressed worries over the impact on economic growth in 2009 surfaced, and expectations for company profits and levels of corporate failures deteriorated. The US, along with most of the world, is now in recession and economic growth and corporate profits are likely to decline in 2009.

In the early part of 2008, commodity prices were very firm, led by oil which rose from just over US\$ 90 per barrel to a peak of US\$ 147 per barrel in July, and this led to some worries over inflation or stagflation. However, demand is now declining and the subsequent fall in commodity prices (oil ended the year at just over US\$ 40 per barrel) opened up the way for drastic reductions in interest rates. The Fed Funds rate fell from 4.25% to 0-0.25% over the course of 2008, although a flight to quality led to a major rally in the US Dollar towards the end of the year. Assistance to the financial sector became more and more aggressive after the collapse of US investment banks Bear Stearns and then Lehman Brothers, and further support packages are likely with the advent of the Obama presidency in early 2009.

Against this backdrop, the Fund has invested in defensive stocks with strong balance sheets that are likely to survive the current difficult environment and emerge in a stronger position as competitors flounder or fail. Over the period, we increased the Fund's exposure to the pharmaceutical sector, buying good value stocks such as Pfizer. We also reduced the oil exposure when it became clear that the oil price was peaking. Elsewhere, we maintained a limited exposure to financials, concentrating on strong companies such as JP Morgan Chase.

## North American Growth Fund

### Statement of Total Return

for the accounting period 1st January 2008 to 31st December 2008

	Notes	2008 US\$	2007 US\$
Net (losses)/gains on investments during the period	2	(57,207,838)	17,086,199
Other losses	3	(56,452)	(54,229)
Income	4	2,358,509	2,092,161
Expenses	5	(2,472,581)	(2,993,077)
Finance costs: Interest	7	(1,381)	(36,131)
Net expenses before taxation		(115,453)	(937,047)
Taxation	6	(647,153)	(606,475)
Net expenses after taxation		(762,606)	(1,543,522)
<b>Total return before distribution</b>		<b>(58,026,896)</b>	<b>15,488,448</b>
<b>Change in Net Assets attributable to Shareholders</b>		<b>(58,026,896)</b>	<b>15,488,448</b>

### Balance Sheet

as at 31st December 2008

	Notes	2008 US\$	2007 US\$
<b>Assets</b>			
<b>Portfolio of investments</b>			
		99,143,560	147,560,568
Debtors	8	146,093	121,014
Cash and bank balances		6,349,086	7,362
Total other assets		6,495,179	128,376
<b>Total assets</b>		<b>105,638,739</b>	<b>147,688,944</b>
<b>Liabilities</b>			
Creditors	9	(201,756)	(337,080)
Bank overdrafts		–	(326)
Total liabilities		(201,756)	(337,406)
<b>Net Assets attributable to Shareholders</b>		<b>105,436,983</b>	<b>147,351,538</b>
<b>Shareholders' Funds</b>			
Nominal Value – Issued Share Capital		118,696	118,696
Share Premium		137,864,229	117,516,845
Capital Reserve		(32,545,942)	29,715,997
		105,436,983	147,351,538

### Statement of Change in Shareholders' Net Assets

for the accounting period 1st January 2008 to 31st December 2008

	2008 US\$	2007 US\$
<b>Net Assets at the start of the period</b>	147,351,538	143,474,998
Movement due to sales and repurchases of shares:		
Amounts received on creation of shares	24,033,282	2,755,005
Less: Amounts paid on cancellation of shares	(7,920,941)	(14,366,913)
	16,112,341	(11,611,908)
Change in Net Assets attributable to Shareholders (see above)	(58,026,896)	15,488,448
<b>Net Assets at the end of the period</b>	<b>105,436,983</b>	<b>147,351,538</b>

### Distribution Table

There is no distribution for the accounting period 1st January 2008 to 31st December 2008, as expenses exceed income (2007: Nil).

## North American Growth Fund

### Portfolio statement

as at 31st December 2008

Holding	Investment	Value US\$	% of Net Asset Value	Holding	Investment	Value US\$	% of Net Asset Value
<b>BERMUDA (5.00%, December 2007 – 3.74%)</b>				<b>Insurance (3.59%, December 2007 – 1.97%)</b>			
	<b>Construction &amp; Building Materials (0.00%, December 2007 – 0.84%)</b>			35,664	Aon	1,640,544	1.56
	<b>Health (1.91%, December 2007 – 0.00%)</b>			180	Berkshire Hathaway	540,182	0.51
56,619	Covidien	2,014,504	1.91	35,909	The Travelers Companies	1,600,464	1.52
	<b>Insurance (1.17%, December 2007 – 1.08%)</b>			45,738	<b>Life Assurance (1.51%, December 2007 – 1.20%)</b>		
16,111	Everest Re Group	1,231,525	1.17		MetLife	1,595,341	1.51
	<b>Media &amp; Photography (0.90%, December 2007 – 0.86%)</b>			92,738	<b>Media &amp; Photography (3.52%, December 2007 – 0.73%)</b>		
52,420	VistaPrint	947,754	0.90	97,717	Comcast	1,531,104	1.45
	<b>Support Services (1.02%, December 2007 – 0.96%)</b>				Directv Group	2,182,998	2.07
33,424	Accenture	1,082,269	1.02		<b>Mining (0.00%, December 2007 – 0.95%)</b>		
	<b>Total Bermuda</b>	<b>5,276,052</b>	<b>5.00</b>		<b>Oil &amp; Gas (10.50%, December 2007 – 10.61%)</b>		
<b>CANADA (0.64%, December 2007 – 2.56%)</b>				14,059	Chevron Texaco	1,031,790	0.98
	<b>Information Technology Hardware (0.00%, December 2007 – 1.10%)</b>			27,053	Conoco Phillips	1,401,345	1.33
	<b>Mining (0.00%, December 2007 – 1.46%)</b>			17,783	Devon Energy	1,182,214	1.12
	<b>Oil &amp; Gas (0.64%, December 2007 – 0.00%)</b>			6,369	Diamond Offshore Drilling	370,676	0.35
19,991	Ultra Petroleum	676,695	0.64	66,000	Exxon Mobil	5,241,060	4.97
	<b>Total Canada</b>	<b>676,695</b>	<b>0.64</b>	23,455	Occidental Petroleum	1,401,905	1.33
				9,343	Transocean	442,111	0.42
<b>UNITED STATES OF AMERICA (88.39%, December 2007 – 93.84%)</b>				24,451	<b>Packaging (0.63%, December 2007 – 0.00%)</b>		
	<b>Aerospace &amp; Defence (0.00%, December 2007 – 4.30%)</b>				Owens-Illinois	666,290	0.63
	<b>Banks (6.50%, December 2007 – 4.63%)</b>			10,134	<b>Personal Care &amp; Household Products (2.66%, December 2007 – 2.46%)</b>		
106,939	Bank of America	1,399,832	1.33	36,913	Kimberly Clark	528,083	0.50
69,081	JP Morgan Chase	2,140,129	2.03		Procter & Gamble	2,272,364	2.16
51,401	Synovus Financial	416,862	0.40		<b>Pharmaceuticals &amp; Biotechnology (11.62%, December 2007 – 6.83%)</b>		
50,908	US Bancorp	1,242,664	1.18	20,685	Genzyme	1,381,758	1.31
57,479	Wells Fargo	1,641,600	1.56	50,279	Gilead Sciences	2,581,324	2.45
	<b>Beverages (4.50%, December 2007 – 4.42%)</b>			49,330	Johnson & Johnson	2,932,175	2.78
55,076	Coca-Cola	2,494,392	2.37	31,816	Merck	951,298	0.90
40,754	PepsiCo	2,245,953	2.13	248,324	Pfizer	4,407,751	4.18
	<b>Chemicals (1.45%, December 2007 – 1.37%)</b>				<b>Software &amp; Computer Services (9.25%, December 2007 – 11.82%)</b>		
9,604	Monsanto	668,919	0.63	71,729	CA	1,320,531	1.25
14,664	Praxair	868,256	0.82	23,341	Fiserv	847,512	0.80
	<b>Diversified Industrials (3.01%, December 2007 – 3.12%)</b>			3,275	Google	1,014,824	0.96
84,305	General Electric	1,349,723	1.28	25,866	IBM	2,176,883	2.07
41,614	Philip Morris International	1,825,606	1.73	109,116	Microsoft	2,125,580	2.02
	<b>Electricity (0.50%, December 2007 – 1.61%)</b>			126,338	Oracle	2,269,031	2.15
12,684	Wisconsin Energy	525,498	0.50		<b>Speciality &amp; Other Finance (1.54%, December 2007 – 4.13%)</b>		
	<b>Electronic &amp; Electrical Equipment (0.00%, December 2007 – 0.11%)</b>			30,526	American Express	555,878	0.53
	<b>Engineering &amp; Machinery (2.05%, December 2007 – 4.27%)</b>			79,544	TD Ameritrade Holding	1,065,094	1.01
63,730	Thermo Fisher Scientific	2,163,634	2.05		<b>Steel &amp; Other Metals (0.00%, December 2007 – 0.63%)</b>		
	<b>Food &amp; Drug Retailers (2.91%, December 2007 – 0.00%)</b>				<b>Support Services (4.39%, December 2007 – 6.80%)</b>		
51,743	CVS Caremark	1,474,158	1.40	19,933	Apollo Group	1,549,990	1.47
61,711	Kroger	1,593,995	1.51	31,166	Auto Data Process	1,223,266	1.16
	<b>General Retailers (5.09%, December 2007 – 5.71%)</b>			30,776	Corrections	507,804	0.48
24,643	Bed Bath & Beyond	634,804	0.60	13,188	Pittston Brinks	356,472	0.34
21,691	Ebay	307,578	0.29	41,228	Republic Services	990,709	0.94
79,649	Wal-mart Stores	4,431,670	4.20		<b>Telecommunication Services (3.28%, December 2007 – 2.76%)</b>		
	<b>Health (1.67%, December 2007 – 1.95%)</b>			105,213	AT & T	3,004,883	2.85
27,479	Laboratory Corporation of America Holdings	1,755,084	1.67	17,507	Leap Wireless International	448,179	0.43
	<b>Information Technology Hardware (6.31%, December 2007 – 7.32%)</b>				<b>Tobacco (1.13%, December 2007 – 2.14%)</b>		
36,084	American Tower	1,055,457	1.00	79,093	Altria Group	1,195,886	1.13
99,292	Cisco Systems	1,635,339	1.55		<b>Transport (0.78%, December 2007 – 0.99%)</b>		
71,228	Intel	1,059,160	1.00	17,183	Union Pacific	818,255	0.78
90,332	Micron Technology	232,153	0.22		<b>Utilities – Other (0.00%, December 2007 – 1.01%)</b>		
61,382	Network Appliance	861,803	0.82		<b>Total United States of America</b>	<b>93,190,813</b>	<b>88.39</b>
50,473	Qualcomm	1,812,990	1.72		<b>Total Value of Investments</b>	<b>99,143,560</b>	<b>94.03</b>
					<b>Net Other Assets/(Liabilities) (December 2007 – (0.14%))</b>	<b>6,293,423</b>	<b>5.97</b>
					<b>Net Assets</b>	<b>105,436,983</b>	<b>100.00</b>

The calculation of the % Net Asset Value may not add up due to rounding.

**North American Growth Fund**  
**Summary of material portfolio changes**

for the accounting period 1st January 2008 to 31st December 2008

The total cost of purchases during the year was US\$ 124,059,304 and proceeds received from sales were US\$ 115,268,474. The details of the Top 20 purchases and sales are detailed below:

<b>Purchases</b>	<b>Cost US\$</b>	<b>Sales</b>	<b>Proceeds US\$</b>
Bank of America	3,914,784	Altria Group	4,851,217
Pfizer	3,150,248	Bank of America	3,995,069
Wal-mart Stores	2,764,640	Research In Motion	2,987,037
Exxon Mobil	2,627,672	Apple Computer	2,655,828
McGraw-Hill	2,549,450	Electronic Arts	2,647,769
Owens-Illinois	2,545,501	Exelon	2,456,529
MetLife	2,503,270	Exxon Mobil	2,414,616
Gilead Sciences	2,445,690	MetLife	2,394,302
Covidien	2,442,536	United Technologies	2,384,136
US Bancorp	2,288,987	PepsiCo	2,176,310
Altria Group	2,167,175	Barrick Gold	2,154,022
Philip Morris International	2,121,986	Avon Products	2,081,822
Qualcomm	2,091,903	GameStop	2,006,045
Research In Motion	2,079,246	BJ Services	1,884,683
Praxair	2,078,367	Boeing	1,792,324
Ultra Petroleum	2,047,264	L3 Communications	1,776,314
Macy's	2,017,319	Merck	1,761,508
PepsiCo	1,978,681	Kansas City Southern	1,752,672
Laboratory Corporation of America Holdings	1,961,573	Macy's	1,722,611
CVS Caremark	1,942,640	Diamond Offshore Drilling	1,681,615

A full detailed listing of portfolio changes is available from the Manager upon request.

## North American Growth Fund

### Notes to the financial statements

for the accounting period 1st January 2008 to 31st December 2008

#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Accounts on page 62.

#### 2 NET (LOSSES)/GAINS ON INVESTMENTS

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

	2008 US\$	2007 US\$
Non-derivative securities	(57,207,838)	17,086,199
Net (losses)/gains on investments	<u>(57,207,838)</u>	<u>17,086,199</u>

#### 3 OTHER LOSSES

	2008 US\$	2007 US\$
Other currency losses	(56,452)	(54,229)
Total other losses	<u>(56,452)</u>	<u>(54,229)</u>

#### 4 INCOME

	2008 US\$	2007 US\$
Overseas dividends	2,294,329	2,039,215
Bank interest	64,089	52,946
Miscellaneous income	91	–
Total income	<u>2,358,509</u>	<u>2,092,161</u>

#### 5 EXPENSES

	2008 US\$	2007 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(2,373,488)	(2,886,683)
Registration expenses	(4,785)	(6,034)
Directors' periodic charge	(4,244)	(3,625)
	<u>(2,382,517)</u>	<u>(2,896,342)</u>
Payable to the Trustees, associates of the Trustee and agents of either of them:		
Trustee's fees	(31,688)	(35,145)
Safe custody fees	(5,300)	(6,734)
Transaction charges	(13,950)	(17,174)
	<u>(50,938)</u>	<u>(59,053)</u>
Other expenses:		
Audit fee	(16,079)	(14,726)
Miscellaneous expenses	–	(135)
Publication charges	(23,046)	(22,821)
Exchange losses	(1)	–
	<u>(39,126)</u>	<u>(37,682)</u>
Total expenses	<u>(2,472,581)</u>	<u>(2,993,077)</u>

#### 6 TAXATION

	2008 US\$	2007 US\$
Analysis of charge in period:		
Overseas tax	(647,153)	(606,475)
Total taxation	<u>(647,153)</u>	<u>(606,475)</u>

#### 7 FINANCE COSTS

	2008 US\$	2007 US\$
Interest	1,381	36,131
Total finance costs	<u>1,381</u>	<u>36,131</u>

#### 8 DEBTORS

	2008 US\$	2007 US\$
Receivable from the Manager – Nominal Shares	7,570	23,098
Accrued income	138,523	97,916
Total debtors	<u>146,093</u>	<u>121,014</u>

#### 9 CREDITORS

	2008 US\$	2007 US\$
Amounts payable for cancellation of shares	(1,475)	(69,254)
Accrued expenses	(34,575)	(28,426)
Amounts payable to the Manager	(165,706)	(239,400)
Total creditors	<u>(201,756)</u>	<u>(337,080)</u>

#### 10 RELATED PARTY TRANSACTIONS

Allied Dunbar International Fund Managers Limited is a related party and acts as principal in respect of all transactions of shares in the Fund.

The aggregate monies received through creations and paid on cancellations are disclosed in the Statement of Change in Shareholders' Net Assets. The amounts due to/from Allied Dunbar International Fund Managers Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts paid to Allied Dunbar International Fund Managers Limited in respect of Fund administration and registrar services are disclosed in Note 5. A balance of US\$ 163,449 (2007 – US\$ 238,343) in respect of annual management charge, and US\$ 301 (2007 – US\$ 470) in respect of registration fees is due at the end of the accounting period.

Amounts paid to BNP Paribas Trust Company (IOM) Limited, a related party, in respect of trustee services and safe custody charges are disclosed in Note 5. A balance of US\$ 1,149 (2007 – US\$ 1,569) in respect of safe custody charges and US\$ 2,219 (2007 – US\$ 2,896) in respect of trustee services are due at the end of the accounting period.

The Fund receives and pays interest on deposits held with BNP Paribas Securities Services Custody Bank Limited as disclosed in Notes 4 and 7.

Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The Manager, or associate of the Manager acted as principal in all investment transactions.

## North American Growth Fund

### Notes to the financial statements (continued)

for the accounting period 1st January 2008 to 31st December 2008

#### 11 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 63.

##### Currency exposures

A small proportion of the Net Assets of the Fund are denominated in currencies other than US Dollar, which is the base currency in which the Fund is managed. This has the effect that the Balance Sheet and Statement of Total Return can be affected by currency movements.

Net foreign currency assets			
	Monetary exposure	Non-monetary exposure	Total
Currency 2008	US\$	US\$	US\$
Canadian Dollar	405	–	405
UK Sterling	4,794	–	4,794
Currency 2007	US\$	US\$	US\$
Canadian Dollar	673	2,149,628	2,150,301
UK Sterling	6,689	–	6,689

##### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and financial liabilities at 31st December 2008 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
Currency 2008	US\$	US\$	US\$	US\$
Canadian Dollar	405	–	–	405
UK Sterling	4,794	–	–	4,794
US Dollar	6,343,887	–	99,289,653	105,633,540
Currency 2007	US\$	US\$	US\$	US\$
Canadian Dollar	673	–	2,149,628	2,150,301
UK Sterling	6,689	–	–	6,689
US Dollar	–	–	145,531,954	145,531,954
	Floating rate financial liabilities	Financial liabilities not carrying interest	Total	
Currency 2008	US\$	US\$	US\$	
US Dollar	–	(201,756)	(201,756)	
Currency 2007	US\$	US\$	US\$	
US Dollar	(326)	(337,080)	(337,406)	

There are no material amounts of non interest-bearing financial assets, other than equities, which do not have maturity dates.

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

##### Fair value of financial assets and financial liabilities

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

#### 12 CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or commitments.

#### 13 STOCKBROKING COMMISSION

The average rate of stockbroking commission for those transactions where commission is paid is 20 basis points.

#### 14 PORTFOLIO TRANSACTION COSTS

	2008 US\$	2007 US\$
Analysis of total purchase costs		
Purchases in period before transaction costs	123,958,775	80,044,046
Commissions	100,529	81,810
Total purchase costs	100,529	81,810
Gross purchases total	124,059,304	80,125,856
Analysis of total sale costs		
Gross sales before transaction costs	115,365,235	92,533,329
Commissions	(96,150)	(87,589)
Taxes	(611)	(1,606)
Total sale costs	(96,761)	(89,195)
Total sales net of transaction costs	115,268,474	92,444,134

# Far East Fund

## Fund Investment Report

### Investment Policy

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

### Types of Investment

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

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

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

### Portfolio Activity

Over the past year, the MSCI Asia Pacific Index fell 41.6% in US Dollar terms. The Fund underperformed the index over the period. Early in the year, within the Japanese portion of the portfolio the underweight exposure to consumer staples proved unhelpful, while in Asia ex-Japan the initial overweighting in Hong Kong and China detracted from returns. Towards the end of 2008, the underweight position in Japanese mid-cap stocks hindered performance as they significantly outperformed. Regarding the performance of individual markets in 2008, Japan fell 29.1%, China was down 50.8%, Australia lost 50%, Korea fell 55.1% and Hong Kong was down 51.2% (MSCI indices in US Dollar terms).

The performance figures highlight how Japan has outperformed its neighbours during 2008. Asian markets saw profit taking on the huge outperformance in 2007, as well as the reduction in risk appetite. However, although Japan outperformed the region in US Dollar terms, this was largely due to the strength of the Yen which achieved a kind of "safe haven" status due to Japan's relatively smaller direct exposure to the global credit crisis. In local currency terms the Japanese market did fall over 40%, due to the ongoing impact of weak global demand on all its economy-driving export sectors.

Over the reporting period the best performing sectors in Japan were paper (directly benefiting from a strong currency) and defensive areas such as utilities, railways, and pharmaceuticals. The worst performing sectors were all the exporters such as glass stocks (for construction, auto and TV flat panel use) and autos.

Within the rest of Asia, the best performing sectors were utilities and telecoms, as investors sought safe haven stocks with visible earnings and cash flow characteristics. The worst performing sectors were industrials, where there were concerns over a margin squeeze and the weak demand outlook, and energy, as the oil price fell dramatically.

During the year, the Fund's weighting in Japan was increased, and the market has proved more defensive than other Asian markets. The outlook for Japan is dominated by the prospects for a recovery in global growth. Whilst this is clearly some way off, the market would undoubtedly respond to an improvement in economic lead indicators. In the meantime, a weaker exchange rate would also be considered extremely helpful to the underlying profitability of the export sector. Until this occurs caution is likely to prevail, although the market looks cheap on a variety of valuation parameters excluding the short-term earnings outlook. Volatility may remain quite high as global policymakers adopt an increasingly aggressive approach towards the objective of global deflation.

In terms of the outlook for Asia ex-Japan, while there is evidence that the Asian economies have slowed considerably from their high base, economic growth in the larger economies, such as China and India, is still expected to remain relatively resilient compared with developed markets. Economic growth should be supported by a series of large fiscal stimuli as well as monetary measures announced by governments across the region. Falling commodity prices have reduced inflationary pressures that were overshadowing markets earlier in the year, which gives greater scope for monetary policy flexibility. Following significant earnings downgrades in the latter stages of 2008, particularly in areas exposed to the global economy, Asian earnings expectations are now looking more realistic in the current economic environment. However, the key to the performance of Asian stock markets depends on global risk appetite. Once this starts to rebuild, investors will be able to refocus on the relatively attractive fundamentals on offer in the region.

## Far East Fund

### Statement of Total Return

for the accounting period 1st January 2008 to 31st December 2008

	Notes	2008 US\$	2007 US\$
Net (losses)/gains on investments during the period	2	(9,521,513)	3,909,327
Other losses	3	(17,411)	(1,591)
Income	4	398,566	374,756
Expenses	5	(369,422)	(533,982)
Finance costs: Interest	7	(19,665)	(25,716)
Net income/(expenses) before taxation		9,479	(184,942)
Taxation	6	(27,151)	(30,657)
Net expenses after taxation		(17,672)	(215,599)
<b>Total return before distribution</b>		<b>(9,556,596)</b>	<b>3,692,137</b>
Finance costs: Distribution	7	(12,625)	–
<b>Change in Net Assets attributable to Shareholders</b>		<b>(9,569,221)</b>	<b>3,692,137</b>

### Balance Sheet

as at 31st December 2008

	Notes	2008 US\$	2007 US\$
<b>Assets</b>			
<b>Portfolio of investments</b>			
		10,303,914	22,353,325
Debtors	8	89,724	181,295
Cash and bank balances		65,809	262,687
Total other assets		155,533	443,982
<b>Total assets</b>		<b>10,459,447</b>	<b>22,797,307</b>
<b>Liabilities</b>			
Creditors	9	(26,117)	(86,962)
Bank overdrafts		(32,592)	(504,040)
Distribution payable on income shares		(10,931)	–
<b>Total liabilities</b>		<b>(69,640)</b>	<b>(591,002)</b>
<b>Net Assets attributable to Shareholders</b>		<b>10,389,807</b>	<b>22,206,305</b>
<b>Shareholders' Funds</b>			
Nominal Value – Issued Share Capital		77,658	77,658
Share Premium		12,369,505	14,229,163
Capital Reserve		(2,057,356)	7,899,484
		<b>10,389,807</b>	<b>22,206,305</b>

### Statement of Change in Shareholders' Net Assets

for the accounting period 1st January 2008 to 31st December 2008

	2008 US\$	2007 US\$
<b>Net Assets at the start of the period</b>	22,206,305	23,258,871
Movement due to sales and repurchases of shares:		
Amounts received on creation of shares	154,428	1,730,812
Less: Amounts paid on cancellation of shares	(2,401,705)	(6,475,515)
	(2,247,277)	(4,744,703)
Change in Net Assets attributable to Shareholders (see above)	(9,569,221)	3,692,137
<b>Net Assets at the end of the period</b>	<b>10,389,807</b>	<b>22,206,305</b>

### Distribution Table

for the accounting period 1st January 2008 to 31st December 2008

Income US\$	Equalisation US\$	Distribution Payable 2008 US\$	Distribution Paid 2007 US\$
0.0020	–	0.0020	–

## Far East Fund

### Portfolio statement

as at 31st December 2008

Holding	Investment	Value US\$	% of Net Asset Value	Holding	Investment	Value US\$	% of Net Asset Value
<b>AUSTRALIA (14.19%, December 2007 – 13.71%)</b>				<b>Oil &amp; Gas (0.14%, December 2007 – 0.00%)</b>			
	<b>Banks (0.50%, December 2007 – 0.52%)</b>			124,000	Honghua Group	14,721	0.14
4,843	Australia & New Zealand Bank Group	51,610	0.50	<b>Personal Care &amp; Household Products (0.00%, December 2007 – 0.04%)</b>			
	<b>Construction &amp; Building Materials (0.00%, December 2007 – 0.38%)</b>			<b>Real Estate (0.65%, December 2007 – 0.09%)</b>			
	<b>Engineering &amp; Machinery (0.06%, December 2007 – 0.54%)</b>			129,793	Agile Property Holdings	67,662	0.65
49,404	Boart Longyear	6,896	0.06	<b>Software &amp; Computer Services (0.00%, December 2007 – 0.21%)</b>			
	<b>Food &amp; Drug Retailers (2.17%, December 2007 – 1.62%)</b>			<b>Total Cayman Islands</b>			
12,122	Woolworths	225,114	2.17			<b>450,944</b>	<b>4.34</b>
	<b>Insurance (2.54%, December 2007 – 1.93%)</b>			<b>CHINA (2.51%, December 2007 – 3.80%)</b>			
14,748	QBE Insurance Group	264,000	2.54	<b>Banks (0.54%, December 2007 – 0.56%)</b>			
	<b>Mining (5.41%, December 2007 – 6.55%)</b>			30,472	China Merchants Bank	56,385	0.54
15,987	BHP Billiton	339,175	3.26	<b>Construction &amp; Building Materials (0.91%, December 2007 – 1.02%)</b>			
7,431	Newcrest Mining	171,137	1.65	13,496	China National Materials	8,098	0.08
19,653	OZ Minerals	7,475	0.07	58,000	China Railways Construction	86,218	0.83
1,694	Rio Tinto	44,912	0.43	<b>Food &amp; Drug Retailers (0.00%, December 2007 – 0.41%)</b>			
	<b>Pharmaceuticals &amp; Biotechnology (1.61%, December 2007 – 0.89%)</b>			<b>Health (0.88%, December 2007 – 0.62%)</b>			
7,103	CSL	167,053	1.61	60,000	Shandong Wiegao Group Medical	91,049	0.88
	<b>Speciality &amp; Other Finance (0.50%, December 2007 – 0.78%)</b>			<b>Life Assurance (0.00%, December 2007 – 0.65%)</b>			
2,579	Macquarie Group	51,853	0.50	<b>Mining (0.18%, December 2007 – 0.54%)</b>			
	<b>Support Services (0.53%, December 2007 – 0.50%)</b>			26,000	Yanzhou Coal Mining Company	19,056	0.18
10,316	Computershare	55,291	0.53	<b>Total China</b>			
	<b>Telecommunication Services (0.87%, December 2007 – 0.00%)</b>					<b>260,806</b>	<b>2.51</b>
33,819	Telstra	90,159	0.87	<b>HONG KONG (3.99%, December 2007 – 5.16%)</b>			
	<b>Total Australia</b>	<b>1,474,675</b>	<b>14.19</b>	<b>Banks (0.00%, December 2007 – 0.60%)</b>			
				<b>Diversified Industrials (0.38%, December 2007 – 0.00%)</b>			
<b>BERMUDA (4.81%, December 2007 – 6.80%)</b>				8,000	Hutchison Whampoa	40,053	0.38
	<b>General Retailers (1.79%, December 2007 – 1.32%)</b>			<b>Oil &amp; Gas (0.86%, December 2007 – 0.00%)</b>			
19,500	Esprit Holdings	110,462	1.06	96,000	CNOOC	89,562	0.86
63,000	Ports Design	75,847	0.73	<b>Real Estate (1.34%, December 2007 – 2.17%)</b>			
	<b>Household Goods &amp; Textiles (0.92%, December 2007 – 1.02%)</b>			64,250	China Overseas Land	89,207	0.86
56,000	Li & Fung	95,962	0.92	48,000	Sino Land	49,550	0.48
	<b>Information Technology Hardware (1.20%, December 2007 – 1.03%)</b>			<b>Speciality &amp; Other Finance (0.00%, December 2007 – 1.27%)</b>			
190,000	Huabao International Holding	124,547	1.20	<b>Telecommunication Services (0.92%, December 2007 – 0.76%)</b>			
	<b>Investment Companies (0.36%, December 2007 – 1.33%)</b>			9,500	China Mobile	95,371	0.92
1,550,000	Rexcapital Financial Holdings	37,202	0.36	<b>Transport (0.49%, December 2007 – 0.36%)</b>			
	<b>Real Estate (0.54%, December 2007 – 1.12%)</b>			22,000	MTR	50,872	0.49
158,000	Midland Holdings	56,067	0.54	<b>Total Hong Kong</b>			
	<b>Support Services (0.00%, December 2007 – 0.98%)</b>					<b>414,615</b>	<b>3.99</b>
	<b>Total Bermuda</b>	<b>500,087</b>	<b>4.81</b>	<b>INDIA (2.82%, December 2007 – 5.29%)</b>			
<b>CAYMAN ISLANDS (4.34%, December 2007 – 7.02%)</b>				<b>Collective Investment Schemes (2.82%, December 2007 – 5.29%)</b>			
	<b>Electronic &amp; Electrical Equipment (0.00%, December 2007 – 0.59%)</b>			9,513	Threadneedle India Fund	293,267	2.82
	<b>Food Producers &amp; Processors (0.00%, December 2007 – 0.59%)</b>			<b>Total India</b>			
	<b>General Retailers (3.41%, December 2007 – 4.14%)</b>					<b>293,267</b>	<b>2.82</b>
84,000	Lifestyle International Holdings	84,003	0.81	<b>INDONESIA (0.53%, December 2007 – 1.09%)</b>			
3,172	New Oriental Education ADR	173,952	1.68	<b>Banks (0.40%, December 2007 – 0.91%)</b>			
85,000	Parkson Retail Group	95,971	0.92	101,500	Bank Rakyat Indonesia	41,709	0.40
	<b>Household Goods &amp; Textiles (0.00%, December 2007 – 0.94%)</b>			<b>Mining (0.13%, December 2007 – 0.00%)</b>			
	<b>Media &amp; Photography (0.14%, December 2007 – 0.42%)</b>			161,000	Bumi Resources	13,086	0.13
1,610	Focus Media Holding ADR	14,635	0.14	<b>Telecommunication Services (0.00%, December 2007 – 0.18%)</b>			
				<b>Total Indonesia</b>			
						<b>54,795</b>	<b>0.53</b>

**Far East Fund**  
**Portfolio statement (continued)**

as at 31st December 2008

Holding	Investment	Value US\$	% of Net Asset Value	Holding	Investment	Value US\$	% of Net Asset Value
<b>JAPAN (54.07%, December 2007 – 41.36%)</b>				<b>Oil &amp; Gas (0.19%, December 2007 – 1.33%)</b>			
	<b>Automobiles &amp; Parts (4.20%, December 2007 – 3.91%)</b>			4,000	Nippon Oil	19,709	0.19
3,800	Bridgestone	55,375	0.53	<b>Pharmaceuticals &amp; Biotechnology (4.15%, December 2007 – 1.96%)</b>			
5,400	Honda Motor	113,452	1.09	1,800	Ono Pharmaceutical	92,262	0.89
8,400	Toyota Motor	268,519	2.58	2,200	Santen Pharmaceutical	65,719	0.63
	<b>Banks (4.47%, December 2007 – 4.21%)</b>			6,000	Shionogi	150,794	1.45
9,000	Fukuoka Financial Group	38,095	0.37	2,400	Takeda Chemical Industries	122,222	1.18
36,500	Mitsubishi UFJ Financial Group	220,883	2.13	<b>Real Estate (1.84%, December 2007 – 1.34%)</b>			
40	Mizuho Financial Group	113,624	1.09	600	Daito Trust Construction	30,820	0.30
22	Sumitomo Mitsui Financial Group	91,182	0.88	5,000	Mitsubishi Estate	79,751	0.77
	<b>Beverages (1.64%, December 2007 – 0.50%)</b>			5,000	Mitsui Fudosan	80,467	0.77
7,100	Asahi Breweries	119,742	1.15	<b>Software &amp; Computer Services (2.78%, December 2007 – 1.07%)</b>			
4,000	Kirin Holdings	51,499	0.49	1,100	Konami	27,403	0.26
	<b>Chemicals (2.09%, December 2007 – 1.73%)</b>			400	Nintendo	148,369	1.43
4,000	Mitsubishi Gas Chemical	15,873	0.15	6	NTT Data	23,545	0.23
3,400	Shin Etsu Chemical	152,160	1.46	400	Oracle	17,063	0.16
7,000	Sumitomo Chemical	23,148	0.22	1,000	Trend Micro	33,951	0.33
10,000	UBE Industries	27,227	0.26	95	Yahoo	38,222	0.37
	<b>Construction &amp; Building Materials (1.89%, December 2007 – 3.28%)</b>			<b>Speciality &amp; Other Finance (2.03%, December 2007 – 1.73%)</b>			
2,000	Daiwa House Industry	19,048	0.18	7,000	Daiwa Securities Group	40,509	0.39
3,000	Nippon Sheet Glass	9,590	0.09	1,000	Jafco	24,857	0.24
3,000	Obayashi	17,526	0.17	7,500	Nomura Holdings	60,020	0.58
15,000	Sekisui Chemical	91,931	0.88	470	Orix	25,748	0.25
7,000	Sekisui House	59,722	0.57	16	Sony Financial Holdings	59,259	0.57
	<b>Diversified Industrials (1.90%, December 2007 – 1.93%)</b>			<b>Steel &amp; Other Metals (1.68%, December 2007 – 1.16%)</b>			
4,700	Mitsubishi	64,138	0.62	3,100	JFE Holdings	79,790	0.77
10,000	Mitsui	99,317	0.96	21,000	Kobe Steel	37,269	0.36
3,900	Sumitomo	33,532	0.32	24,000	Sumitomo Metal Industries	57,143	0.55
	<b>Electricity (2.65%, December 2007 – 0.50%)</b>			<b>Support Services (1.04%, December 2007 – 0.00%)</b>			
4,900	Chubu Electric Power	146,914	1.41	1,900	Secom	95,293	0.92
4,500	Kansai Electric Power	128,968	1.24	1,000	Yamato Holdings	12,709	0.12
	<b>Electronic &amp; Electrical Equipment (4.57%, December 2007 – 5.48%)</b>			<b>Telecommunication Services (4.17%, December 2007 – 2.39%)</b>			
4,100	Canon	124,284	1.20	17	KDDI	118,430	1.14
1,000	Fanuc	69,224	0.67	28	Nippon Telegraph & Telephone	144,444	1.39
5,000	Hoya	84,766	0.82	88	NTT Docomo	170,432	1.64
200	Keyence	39,991	0.38	<b>Tobacco (0.90%, December 2007 – 0.00%)</b>			
2,000	Makita	43,100	0.41	29	Japan Tobacco	93,694	0.90
800	Murata Manufacturing	30,776	0.30	<b>Transport (2.50%, December 2007 – 1.58%)</b>			
4,000	Nippon Electric Glass	20,414	0.20	8	Central Japan Railway Company	68,519	0.66
5,000	Ricoh	61,508	0.59	16	East Japan Railway	121,517	1.17
	<b>Engineering &amp; Machinery (1.26%, December 2007 – 1.51%)</b>			5,000	Nippon Yusen	29,927	0.29
5,300	Komatsu	65,315	0.63	8,000	Tokyu	39,418	0.38
8,000	Mitsubishi Heavy Industries	34,744	0.33	<b>Utilities – Other (1.93%, December 2007 – 0.95%)</b>			
8,000	Sumitomo Heavy Industries	30,864	0.30	40,000	Tokyo Gas	200,176	1.93
	<b>Food &amp; Drug Retailers (2.87%, December 2007 – 1.18%)</b>			<b>Total Japan</b>			
2,900	Familymart	124,350	1.20			<b>5,617,492</b>	<b>54.07</b>
5,200	Seven & I Holdings	173,104	1.67	<b>MALAYSIA (0.27%, December 2007 – 2.22%)</b>			
	<b>Food Producers &amp; Processors (0.21%, December 2007 – 0.00%)</b>			<b>Banks (0.00%, December 2007 – 0.36%)</b>			
2,000	Ajinomoto	21,385	0.21	<b>Diversified Industrials (0.00%, December 2007 – 0.68%)</b>			
	<b>General Retailers (0.00%, December 2007 – 0.97%)</b>			<b>Engineering &amp; Machinery (0.27%, December 2007 – 0.00%)</b>			
	<b>Household Goods &amp; Textiles (0.00%, December 2007 – 0.69%)</b>			245,625	KNM Group	28,478	0.27
	<b>Information Technology Hardware (1.44%, December 2007 – 0.00%)</b>			<b>Food Producers &amp; Processors (0.00%, December 2007 – 0.85%)</b>			
21,000	Hitachi	79,861	0.77	25	IOI	26	–
7,000	Mitsubishi Electric	42,593	0.41	<b>Investment Companies (0.00%, December 2007 – 0.33%)</b>			
800	Tokyo Electron	27,160	0.26	<b>Total Malaysia</b>			
	<b>Insurance (1.16%, December 2007 – 0.00%)</b>					<b>28,504</b>	<b>0.27</b>
5,000	Sompo Japan Insurance	35,273	0.34	<b>PAKISTAN (0.14%, December 2007 – 0.27%)</b>			
3,000	Tokio Marine Holdings	84,987	0.82	<b>Banks (0.14%, December 2007 – 0.27%)</b>			
	<b>Leisure Entertainment &amp; Hotels (0.00%, December 2007 – 1.19%)</b>			9,528	MCB Bank	15,041	0.14
	<b>Life Assurance (0.51%, December 2007 – 0.77%)</b>			<b>Total Pakistan</b>			
1,300	T & D Holdings	52,877	0.51			<b>15,041</b>	<b>0.14</b>

**Far East Fund**  
**Portfolio statement (continued)**

as at 31st December 2008

Holding	Investment	Value US\$	% of Net Asset Value	Holding	Investment	Value US\$	% of Net Asset Value
<b>PHILIPPINES (0.80%, December 2007 – 1.07%)</b>				<b>THAILAND (0.37%, December 2007 – 0.00%)</b>			
	<b>General Retailers (0.00%, December 2007 – 0.30%)</b>				<b>Mining (0.37%, December 2007 – 0.00%)</b>		
	<b>Diversified Industrials (0.26%, December 2007 – 0.00%)</b>			5,900	Banpu Public Company	38,583	0.37
6,033	Ayala	26,463	0.26		<b>Total Thailand</b>	<b>38,583</b>	<b>0.37</b>
	<b>Telecommunication Services (0.54%, December 2007 – 0.77%)</b>			<b>UNITED KINGDOM (0.44%, December 2007 – 0.45%)</b>			
1,270	Philippine Long Distance	56,242	0.54		<b>Banks (0.44%, December 2007 – 0.45%)</b>		
	<b>Total Philippines</b>	<b>82,705</b>	<b>0.80</b>	3,681	Standard Chartered	45,506	0.44
<b>SINGAPORE (2.53%, December 2007 – 3.21%)</b>					<b>Total United Kingdom</b>	<b>45,506</b>	<b>0.44</b>
	<b>Banks (1.03%, December 2007 – 0.74%)</b>			<b>Total Value of Investments</b>			
12,000	United Overseas Bank	107,092	1.03			<b>10,303,914</b>	<b>99.17</b>
	<b>Engineering &amp; Machinery (1.50%, December 2007 – 1.91%)</b>			<b>Net Other Assets/(Liabilities) (December 2007 – (0.66%))</b>			
38,000	Keppel	113,829	1.10			<b>85,893</b>	<b>0.83</b>
21,789	Wilmar International	41,905	0.40	<b>Net Assets</b>			
	<b>Real Estate (0.00%, December 2007 – 0.36%)</b>					<b>10,389,807</b>	<b>100.00</b>
	<b>Transport (0.00%, December 2007 – 0.20%)</b>			The calculation of the % Net Asset Value may not add up due to rounding.			
	<b>Total Singapore</b>	<b>262,826</b>	<b>2.53</b>				
<b>SOUTH KOREA (3.80%, December 2007 – 5.16%)</b>							
	<b>Banks (0.00%, December 2007 – 1.24%)</b>						
	<b>Engineering &amp; Machinery (0.00%, December 2007 – 1.92%)</b>						
	<b>General Retailers (0.41%, December 2007 – 0.48%)</b>						
843	Hyundai Department Store	42,100	0.41				
	<b>Information Technology Hardware (1.69%, December 2007 – 0.00%)</b>						
608	LG Electronics	35,776	0.34				
396	Samsung Electronics	140,683	1.35				
	<b>Software &amp; Computer Services (0.37%, December 2007 – 0.41%)</b>						
380	NHN	38,763	0.37				
	<b>Speciality &amp; Other Finance (0.37%, December 2007 – 0.00%)</b>						
1,630	Shinhan Financial Group	38,070	0.37				
	<b>Steel &amp; Other Metals (0.96%, December 2007 – 1.11%)</b>						
332	Posco	99,247	0.96				
	<b>Total South Korea</b>	<b>394,639</b>	<b>3.80</b>				
<b>TAIWAN (3.56%, December 2007 – 4.05%)</b>							
	<b>Construction &amp; Building Materials (0.62%, December 2007 – 0.00%)</b>						
78,780	Taiwan Cement	64,311	0.62				
	<b>Electronic &amp; Electrical Equipment (0.53%, December 2007 – 2.71%)</b>						
28,265	Hon Hai Precision Industry	55,068	0.53				
	<b>Household Goods &amp; Textiles (0.73%, December 2007 – 0.32%)</b>						
119,340	Far East Textile	76,054	0.73				
	<b>Information Technology Hardware (0.47%, December 2007 – 1.02%)</b>						
43,682	Asustek Computer	48,717	0.47				
	<b>Real Estate (0.34%, December 2007 – 0.00%)</b>						
43,717	Chong Hong Construction	35,423	0.34				
	<b>Speciality &amp; Other Finance (0.32%, December 2007 – 0.00%)</b>						
75,000	Yuanta Financial Holding	33,344	0.32				
	<b>Telecommunication Services (0.55%, December 2007 – 0.00%)</b>						
36,300	Chunghwa Telecom	56,512	0.55				
	<b>Total Taiwan</b>	<b>369,429</b>	<b>3.56</b>				

## Far East Fund

### Summary of material portfolio changes

for the accounting period 1st January 2008 to 31st December 2008

The total cost of purchases during the year was US\$ 6,433,890 and proceeds received from sales were US\$ 8,962,159. The details of the Top 20 purchases and sales are detailed below:

<b>Purchases</b>	<b>Cost US\$</b>	<b>Sales</b>	<b>Proceeds US\$</b>
Samsung Electronics	271,004	Threadneedle India Fund	270,000
CNOOC	185,504	KDDI	219,402
NTT Docomo	173,923	Sharp	202,839
Far East Textile	167,429	Hyundai Heavy Industries	200,601
Hitachi	153,777	Chroma Ate	198,044
Takeda Chemical Industries	136,792	T & D Holdings	165,987
Shionogi	133,732	BHP Billiton	165,155
Japan Tobacco	127,393	China Shenhua Energy	160,721
Tokio Marine Holdings	125,566	Asahi Glass	158,960
Sony Financial Holdings	121,913	Daito Trust Construction	155,950
Central Japan Railway Company	117,992	Hong Kong Exchange	154,531
Taiwan Cement	116,784	Shinhan Financial Group	153,383
Telstra	116,775	Sumitomo Warehouse	150,837
Familymart	113,715	China Overseas Land	145,823
Mitsubishi Estate	113,478	Murata Manufacturing	142,113
Kansai Electric Power	111,635	Nippon Mining Holdings	139,687
Sony	107,931	Nippon Electric Glass	139,388
Bumi Resources	106,803	Sundrug	137,273
Sumitomo Chemical	105,274	Kyocera	133,333
Mitsubishi Electric	100,288	Mitsui Fudosan	132,950

A full detailed listing of portfolio changes is available from the Manager upon request.

## Far East Fund

### Notes to the financial statements

for the accounting period 1st January 2008 to 31st December 2008

#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Accounts on page 62.

#### 2 NET (LOSSES)/GAINS ON INVESTMENTS

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

	2008 US\$	2007 US\$
Non-derivative securities	(9,521,513)	3,909,327
Net (losses)/gains on investments	<u>(9,521,513)</u>	<u>3,909,327</u>

#### 3 OTHER LOSSES

	2008 US\$	2007 US\$
Other currency losses	(17,411)	(1,591)
Total other losses	<u>(17,411)</u>	<u>(1,591)</u>

#### 4 INCOME

	2008 US\$	2007 US\$
UK dividends	2,389	2,207
Overseas dividends	394,893	370,344
Bank interest	1,284	2,205
Total income	<u>398,566</u>	<u>374,756</u>

#### 5 EXPENSES

	2008 US\$	2007 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(305,058)	(452,906)
Registration expenses	(6,745)	(8,212)
Directors' periodic charge	(530)	(572)
	<u>(312,333)</u>	<u>(461,690)</u>
Payable to the Trustees, associates of the Trustee and agents of either of them:		
Trustee's fees	(3,824)	(5,539)
Safe custody fees	(13,341)	(19,736)
Transaction charges	(30,296)	(41,227)
	<u>(47,461)</u>	<u>(66,502)</u>
Other expenses:		
Legal fee	(4,466)	–
Audit fee	(2,061)	(2,173)
Miscellaneous expenses	(147)	(21)
Publication charges	(2,954)	(3,596)
	<u>(9,628)</u>	<u>(5,790)</u>
Total expenses	<u>(369,422)</u>	<u>(533,982)</u>

#### 6 TAXATION

	2008 US\$	2007 US\$
Analysis of charge in period:		
Overseas tax	(26,912)	(30,436)
UK income tax	(239)	(221)
Total taxation	<u>(27,151)</u>	<u>(30,657)</u>

#### 7 FINANCE COSTS

Distribution and Interest

The distributions take account of income received on the creation of shares and income deducted on the cancellation of shares, and comprises:

	2008 US\$	2007 US\$
Final	10,931	–
	<u>10,931</u>	<u>–</u>
Add: Income deducted on cancellation of shares	1,697	–
Deduct: Income received on creation of shares	(3)	–
Net distribution for the period	<u>12,625</u>	<u>–</u>
Interest	19,665	25,716
Total finance costs	<u>32,290</u>	<u>25,716</u>

Details of the distribution per share are set out in the table on page 40.

#### 8 DEBTORS

	2008 US\$	2007 US\$
Sales awaiting settlement	–	99,246
Receivable from the Manager – Nominal Shares	63,730	61,697
Accrued income	25,994	20,352
Total debtors	<u>89,724</u>	<u>181,295</u>

#### 9 CREDITORS

	2008 US\$	2007 US\$
Amounts payable for cancellation of shares	–	(40,600)
Accrued expenses	(9,432)	(9,880)
Amounts payable to the Manager	(16,685)	(36,482)
Total creditors	<u>(26,117)</u>	<u>(86,962)</u>

#### 10 RELATED PARTY TRANSACTIONS

Allied Dunbar International Fund Managers Limited is a related party and acts as principal in respect of all transactions of shares in the Fund.

The aggregate monies received through creations and paid on cancellations are disclosed in the Statement of Change in Shareholders' Net Assets. The amounts due to/from Allied Dunbar International Fund Managers Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts paid to Allied Dunbar International Fund Managers Limited in respect of Fund administration and registrar services are disclosed in Note 5. A balance of US\$ 16,046 (2007 – US\$ 35,772) in respect of annual management charge, and US\$ 422 (2007 – US\$ 638) in respect of registration fees is due at the end of the accounting period.

Amounts paid to BNP Paribas Trust Company (IOM) Limited, a related party, in respect of trustee services and safe custody charges are disclosed in Note 5. A balance of US\$ 3,143 (2007 – US\$ 4,011) in respect of safe custody charges and US\$ 218 (2007 – US\$ 435) in respect of trustee services are due at the end of the accounting period.

The Fund receives and pays interest on deposits held with BNP Paribas Securities Services Custody Bank Limited as disclosed in Notes 4 and 7.

Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The Manager, or associate of the Manager acted as principal in all investment transactions.

## Far East Fund

### Notes to the financial statements (continued)

for the accounting period 1st January 2008 to 31st December 2008

#### 11 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 63.

##### Currency exposures

A substantial proportion of the Net Assets of the Fund are denominated in currencies other than US Dollar, which is the base currency in which the Fund is managed. This has the effect that the Balance Sheet and Statement of Total Return can be significantly affected by currency movements.

Net foreign currency assets			
	Monetary exposure	Non-monetary exposure	Total
	US\$	US\$	US\$
<b>Currency 2008</b>			
Australian Dollar	482	1,474,675	1,475,157
Hong Kong Dollar	1,007	1,437,865	1,438,872
Indonesian Rupiah	–	54,795	54,795
Japanese Yen	45,681	5,617,492	5,663,173
Korean Won	–	394,639	394,639
Malaysian Ringitt	5,340	28,504	33,844
New Zealand Dollar	101	–	101
Pakistan Rupee	–	15,041	15,041
Philippine Peso	–	82,705	82,705
Singapore Dollar	10,435	262,826	273,261
Taiwanese Dollar	7,009	369,429	376,438
Thai Bhat	107	38,583	38,690
UK Sterling	2,309	45,506	47,815
<b>Currency 2007</b>	US\$	US\$	US\$
Australian Dollar	(3,921)	3,043,246	3,039,325
Hong Kong Dollar	(7,791)	4,713,125	4,705,334
Indonesian Rupiah	–	241,890	241,890
Japanese Yen	(32,237)	9,183,721	9,151,484
Korean Won	99,246	1,145,656	1,244,902
Malaysian Ringitt	5,573	493,751	499,324
New Zealand Dollar	133	–	133
Philippine Peso	165	238,336	238,501
Singapore Dollar	3,612	713,202	716,814
Taiwanese Dollar	248,491	899,526	1,148,017
Thai Baht	110	–	110
UK Sterling	4,768	99,903	104,671

##### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and financial liabilities at 31st December 2008 was:

	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
	US\$	US\$	US\$	US\$
<b>Currency 2008</b>				
Australian Dollar	482	–	1,474,675	1,475,157
Hong Kong Dollar	1,007	–	1,437,865	1,438,872
Indonesian Rupiah	–	–	54,795	54,795
Japanese Yen	39,019	–	5,624,154	5,663,173
Korean Won	–	–	394,639	394,639
Malaysian Ringitt	5,340	–	28,504	33,844
New Zealand Dollar	101	–	–	101
Pakistan Rupee	–	–	15,041	15,041
Philippine Peso	–	–	82,705	82,705
Singapore Dollar	10,435	–	262,826	273,261
Taiwanese Dollar	7,009	–	369,429	376,438
Thai Bhat	107	–	38,583	38,690
UK Sterling	2,309	–	45,506	47,815
US Dollar	–	–	564,916	564,916
<b>Currency 2007</b>	US\$	US\$	US\$	US\$
Australian Dollar	–	–	3,043,246	3,043,246
Hong Kong Dollar	–	–	4,713,125	4,713,125
Indonesian Rupiah	–	–	241,890	241,890
Japanese Yen	–	–	9,190,320	9,190,320
Korean Won	–	–	1,244,902	1,244,902
Malaysian Ringitt	5,573	–	493,751	499,324
New Zealand Dollar	133	–	–	133
Philippine Peso	–	–	238,501	238,501
Singapore Dollar	3,612	–	713,202	716,814
Taiwanese Dollar	248,491	–	899,526	1,148,017
Thai Bhat	110	–	–	110
UK Sterling	4,768	–	99,903	104,671
US Dollar	–	–	1,656,254	1,656,254

	Floating rate financial liabilities	Financial liabilities not carrying interest	Total
	US\$	US\$	US\$
<b>Currency 2008</b>			
US Dollar	(32,592)	(37,048)	(69,640)
<b>Currency 2007</b>	US\$	US\$	US\$
Australian Dollar	(3,921)	–	(3,921)
Hong Kong Dollar	(7,791)	–	(7,791)
Japanese Yen	(38,836)	–	(38,836)
US Dollar	(453,492)	(86,962)	(540,454)

There are no material amounts of non interest-bearing financial assets, other than equities, which do not have maturity dates.

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

##### Fair value of financial assets and financial liabilities

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

#### 12 CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or commitments.

#### 13 STOCKBROKING COMMISSION

The average rate of stockbroking commission for those transactions where commission is paid is 14 basis points.

#### 14 PORTFOLIO TRANSACTION COSTS

	2008	2007
	US\$	US\$
Analysis of total purchase costs		
Purchases in period before transaction costs	6,426,729	14,239,036
Commissions	6,840	16,177
Taxes	255	725
Fees	66	221
Total purchase costs	7,161	17,123
Gross purchases total	6,433,890	14,256,159
Analysis of total sale costs		
Gross sales before transaction costs	8,974,767	19,336,063
Commissions	(9,191)	(24,617)
Taxes	(2,137)	(3,324)
Fees	(1,280)	(3,565)
Total sale costs	(12,608)	(30,506)
Total sales net of transaction costs	8,962,159	19,305,557

# UK Capital Growth Fund

## Fund Investment Report

### Investment Policy

To invest primarily for capital growth from a portfolio of equities based in the United Kingdom.

### Types of Investment

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

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

### Portfolio Activity

The UK equity market endured a relentless decline in 2008, with the FTSE All-Share Index posting a return of -29.9%, its worst fall since 1973. The Fund ended the year ahead of the index, following its outperformance in 2007 and 2006. Amongst the factors contributing positively to performance was a cautious stance towards the banking sector.

As the year progressed, it became increasingly clear that what had started out as a problem in the US sub-prime housing market in 2007 had spread to all parts of the global economy. The transmission mechanism was the seizing up of the global banking system. Only as banks slowly revealed the scale of their losses on complex debt instruments did people realise that the banking industry had increased leverage towards the top of the economic cycle and was dangerously undercapitalised as a result. As banks refused to lend to each other, rights issues became a necessity with Royal Bank of Scotland (RBS) attempting to raise a record breaking £14bn during the summer.

Investors started the year with a more cautious view on the US economy and this soon spread to the UK as economic growth stalled in the second quarter before contracting in the third quarter. The rate of growth in China also appears to have peaked at the time of the Beijing Olympics in August and as a result commodity prices, which had surged during the first half of 2008, fell dramatically. Oil, which started the year at just over US\$ 90 per barrel, peaked at US\$ 147 per barrel in July before collapsing to around US\$ 40 per barrel. These falls provoked a volte-face by the market on inflationary concerns, as almost overnight it went from worrying about inflation to deflation.

However, the year's seminal event occurred mid-September in the US when the investment bank Lehman Brothers went under and AIG, the world's largest insurance group, was effectively nationalised. Confidence almost completely evaporated and as economic growth prospects collapsed, the UK government was forced to effectively part-nationalise both RBS and the newly merged Lloyds TSB Group/HBOS. Indeed, at several points during the period the world's financial system came very close to total collapse.

In addition to starting to recapitalise the banking system, Western governments and central banks slashed interest rates by record amounts. US rates were cut to a range of 0-0.25% and UK rates fell to 2% as at 31st December 2008, the lowest level since 1951. These were truly epic events. In addition, towards the year-end it became evident that the world economy was heading for a global recession in 2009 and was in worse shape than it had been since the 1930s. It became clear that monetary policy alone (the control of the price of money) would be insufficient to stimulate demand and that fiscal policy (or Keynesianism – the creation by governments of additional economic demand) would be necessary. Thus, governments announced stimulus packages and also reviewed plans for 'quantitative easing' – put simply, the printing of money – as even reducing the cost of money to below zero in real terms looked unlikely to stimulate lending sufficiently.

This all stemmed from the fact that excess leverage (borrowing) was present in all parts of the economic system. Whilst it was common knowledge that Western consumers and private equity companies were over-leveraged, the degree of over-leverage by hedge funds, governments and companies was much less appreciated. Simultaneous concerted de-leveraging by all (except governments) inevitably had a disastrous impact on asset prices.

We anticipated this development two years ago when we recognised that re-leveraging was obscuring the lack of genuine 'debt-adjusted' growth in world GDP, increasing the risk that when financing terms became less favourable, economic growth prospects could appear less attractive. However, the scale and speed of this process were both greater than we imagined. Nevertheless, the move to position the Fund more defensively in the second quarter of 2007 meant that it was in a slightly better position to withstand the turbulence seen in 2008.

Activity during the year was modest as the Fund's defensive stance was maintained. The main change in positioning occurred in the third quarter when the Fund moved from overweight to underweight in mining as commodity prices reacted negatively to deteriorating global growth prospects. Hence, the Fund sold its Lonmin holding to Xstrata when the latter made its takeover bid. Positions in BP and Rio Tinto were also reduced. Additionally, British Energy received a bid approach. Some of these proceeds were re-invested in HSBC (the strong getting stronger) and Next (in anticipation of the larger than expected interest rate cuts).

At the year-end food retailers, support services and pharmaceuticals were the sectors where the Fund was most overweight against its benchmark, whilst general financials, mining and beverages remained the largest underweight sectors relative to the FTSE All-Share Index. The largest five stock positions relative to the index were Vodafone Group, GlaxoSmithKline, Morrison (W) Supermarkets, Pennon Group and Tesco, all defensive stocks, which we believe is appropriate given the difficult outlook for 2009.

## UK Capital Growth Fund

### Statement of Total Return

for the accounting period 1st January 2008 to 31st December 2008

	Notes	2008 US\$	2007 US\$
Net (losses)/gains on investments during the period	2	(54,761,839)	12,883,247
Income	3	2,933,372	4,200,274
Expenses	4	(1,371,576)	(2,529,703)
Finance costs: Interest	6	(8,013)	(26,912)
Net income before taxation		1,553,783	1,643,659
Taxation	5	(293,124)	(422,379)
Net income after taxation		1,260,659	1,221,280
<b>Total return before distribution</b>		<b>(53,501,180)</b>	<b>14,104,527</b>
Finance costs: Distribution	6	(1,269,859)	(1,238,692)
<b>Change in Net Assets attributable to Shareholders</b>		<b>(54,771,039)</b>	<b>12,865,835</b>

### Balance Sheet

as at 31st December 2008

	Notes	2008 US\$	2007 US\$
<b>Assets</b>			
<b>Portfolio of investments</b>			
		53,399,392	113,430,441
Debtors	7	563,397	591,848
Cash and bank balances		1,388,946	1,929,428
Total other assets		1,952,343	2,521,276
Total assets		55,351,735	115,951,717
<b>Liabilities</b>			
Creditors	8	(151,570)	(268,230)
Distribution payable on income shares		(1,238,307)	(1,070,720)
Total liabilities		(1,389,877)	(1,338,950)
<b>Net Assets attributable to Shareholders</b>		<b>53,961,858</b>	<b>114,612,767</b>
<b>Shareholders' Funds</b>			
Nominal Value – Issued Share Capital		471,281	471,281
Share Premium		60,399,549	64,660,650
Capital Reserve		(6,908,972)	49,480,836
		53,961,858	114,612,767

### Statement of Change in Shareholders' Net Assets

for the accounting period 1st January 2008 to 31st December 2008

	2008 US\$	2007 US\$
<b>Net Assets at the start of the period</b>	114,612,767	125,970,453
Movement due to sales and repurchases of shares:		
Amounts received on creation of shares	3,901,057	1,895,843
Less: Amounts paid on cancellation of shares	(9,781,098)	(26,119,364)
	(5,880,041)	(24,223,521)
Change in Net Assets attributable to Shareholders (see above)	(54,771,039)	12,865,835
Unclaimed distributions	171	–
<b>Net Assets at the end of the period</b>	<b>53,961,858</b>	<b>114,612,767</b>

### Distribution Table

for the accounting period 1st January 2008 to 31st December 2008

	Income £	Equalisation £	Distribution Payable 2008 £	Distribution Paid 2007 £
Group 1	0.0130	–	0.0130	0.0075
Group 2	0.0032	0.0098	0.0130	0.0075

Group 2 units are those purchased after 16:00 (UK time) on 31st December 2007

## UK Capital Growth Fund

### Portfolio statement

as at 31st December 2008

Holding	Investment	Value US\$	% of Net Asset Value	Holding	Investment	Value US\$	% of Net Asset Value
<b>UNITED KINGDOM (98.96%, December 2007 – 98.97%)</b>				<b>Real Estate (0.13%, December 2007 – 0.27%)</b>			
	<b>Aerospace &amp; Defence (3.78%, December 2007 – 3.14%)</b>			40,000	St. Modwen Properties	67,563	0.13
192,500	BAE Systems	1,034,928	1.92	<b>Software &amp; Computer Services (0.66%, December 2007 – 1.09%)</b>			
15,500	Chemring Group	432,479	0.80	25,000	Autonomy	341,766	0.63
45,000	Smiths Group	571,514	1.06	103,000	Blinkx	17,768	0.03
<b>Banks (9.07%, December 2007 – 12.29%)</b>				<b>Speciality &amp; Other Finance (0.77%, December 2007 – 0.35%)</b>			
415,000	HSBC	3,949,243	7.32	215,000	Begbies Traynor Group	414,144	0.77
76,456	Standard Chartered	945,187	1.75	<b>Support Services (3.62%, December 2007 – 3.20%)</b>			
<b>Beverages (1.02%, December 2007 – 2.96%)</b>				165,000	Ashtead Group	101,398	0.19
40,000	Diageo	549,125	1.02	75,000	Babcock International Group	511,301	0.95
<b>Chemicals (0.00%, December 2007 – 0.65%)</b>				32,051	De La Rue	416,272	0.77
<b>Construction &amp; Building Materials (2.12%, December 2007 – 1.18%)</b>				405,000	Rentokil Initial	254,707	0.47
80,000	Balfour Beatty	378,638	0.70	175,000	RPS Group	352,188	0.65
50,000	Bovis Homes Group	287,680	0.53	50,000	Serco Group	320,742	0.59
87,750	Wolseley	482,173	0.89	<b>Telecommunication Services (7.79%, December 2007 – 7.88%)</b>			
<b>Diversified Industrials (0.36%, December 2007 – 0.70%)</b>				2,105,000	Vodafone Group	4,204,539	7.79
100,000	Gooch & Housego	194,063	0.36	<b>Tobacco (5.90%, December 2007 – 4.90%)</b>			
<b>Electricity (1.69%, December 2007 – 2.75%)</b>				80,000	British American Tobacco	2,064,250	3.83
52,500	Scottish & Southern Energy	910,153	1.69	42,500	Imperial Tobacco Group	1,116,794	2.07
<b>Electronic &amp; Electrical Equipment (0.00%, December 2007 – 0.67%)</b>				<b>Transport (0.63%, December 2007 – 1.51%)</b>			
<b>Engineering &amp; Machinery (0.00%, December 2007 – 0.63%)</b>				37,000	FirstGroup	225,515	0.42
<b>Food &amp; Drug Retailers (6.10%, December 2007 – 4.92%)</b>				22,500	James Fisher & Sons	113,527	0.21
82,500	J Sainsbury	389,580	0.72	<b>Utilities – Other (5.32%, December 2007 – 3.97%)</b>			
247,500	Morrison (W) Supermarkets	990,851	1.84	199,375	Centrica	757,345	1.40
370,000	Tesco	1,909,431	3.54	87,500	National Grid	860,344	1.59
<b>Food Producers &amp; Processors (3.00%, December 2007 – 0.50%)</b>				155,000	Northumbrian Water Group	525,838	0.97
25,000	Associated British Foods	259,289	0.48	102,500	Pennon Group	733,035	1.36
60,000	Unilever	1,361,888	2.52	<b>Total United Kingdom</b>			
<b>General Retailers (1.28%, December 2007 – 0.47%)</b>						<b>53,399,392</b>	<b>98.96</b>
230,000	HMV Group	357,075	0.66	<b>Total Value of Investments</b>			
21,527	Next	332,969	0.62			<b>53,399,392</b>	<b>98.96</b>
<b>Insurance (1.81%, December 2007 – 0.81%)</b>				<b>Net Other Assets (December 2007 – 1.03%)</b>			
67,500	Hiscox	328,936	0.61			<b>562,466</b>	<b>1.04</b>
327,125	RSA Insurance Group	649,404	1.20	<b>Net Assets</b>			
<b>Leisure Entertainment &amp; Hotels (0.62%, December 2007 – 1.31%)</b>						<b>53,961,858</b>	<b>100.00</b>
70,000	Fuller Smith & Turner	332,063	0.62	The calculation of the % Net Asset Value may not add up due to rounding.			
<b>Life Assurance (2.39%, December 2007 – 2.72%)</b>							
195,000	Chesnara	367,209	0.68				
575,000	Legal & General	627,361	1.16				
50,000	Prudential	298,281	0.55				
<b>Media &amp; Photography (2.22%, December 2007 – 1.48%)</b>							
82,500	Pearson	759,593	1.41				
60,000	Reed Elsevier	434,269	0.81				
<b>Mining (3.86%, December 2007 – 10.88%)</b>							
37,500	Anglo American	833,391	1.54				
17,500	BHP Billiton	322,755	0.60				
27,500	Rio Tinto	583,086	1.08				
72,500	UK Coal	105,000	0.20				
25,500	Xstrata	234,600	0.44				
<b>Oil &amp; Gas (20.00%, December 2007 – 19.82%)</b>							
95,000	BG Group	1,306,220	2.42				
495,000	BP	3,739,260	6.93				
80,000	Hunting	480,700	0.89				
212,500	Royal Dutch Shell	5,266,280	9.76				
<b>Personal Care &amp; Household Products (3.65%, December 2007 – 3.19%)</b>							
37,500	Reckitt Benckiser Group	1,380,539	2.56				
82,500	SSL International	585,557	1.09				
<b>Pharmaceuticals &amp; Biotechnology (11.17%, December 2007 – 4.73%)</b>							
55,750	AstraZeneca	2,248,746	4.17				
205,000	GlaxoSmithKline	3,780,840	7.00				

**UK Capital Growth Fund**  
**Summary of material portfolio changes**

for the accounting period 1st January 2008 to 31st December 2008

The total cost of purchases during the year was US\$ 25,265,255 and proceeds received from sales were US\$ 30,863,089. The details of the Top 20 purchases and sales are detailed below:

<b>Purchases</b>	<b>Cost US\$</b>	<b>Sales</b>	<b>Proceeds US\$</b>
Rio Tinto	3,243,446	Rio Tinto	3,079,070
AstraZeneca	1,405,095	BG Group	1,469,391
GlaxoSmithKline	1,326,975	BP	1,347,893
Unilever	1,288,717	HBOS	1,323,512
Royal Dutch Shell	1,136,965	Diageo	1,114,383
Legal & General	1,135,277	Barclays	956,204
Barclays	1,065,967	Legal & General	877,583
Centrica	1,063,196	Lloyds TSB Group	785,337
HSBC	934,833	Lonmin	737,694
HBOS	921,396	Royal Dutch Shell	723,933
Royal Bank of Scotland	727,200	EMAP	721,117
Northumbria Water Group	595,494	Royal Bank of Scotland	715,934
Rentokil Initial	576,885	Centrica	676,110
Prudential	524,827	Standard Chartered	659,505
Lloyds TSB Group	513,363	National Grid	636,309
Smiths Group	506,309	Spectris	608,665
Wolseley	495,850	Xstrata	603,001
British Energy	462,572	BT Group	601,014
Vodafone Group	451,776	Shire	586,303
HMV Group	418,104	Autonomy	579,058

A full detailed listing of portfolio changes is available from the Manager upon request.

## UK Capital Growth Fund

### Notes to the financial statements

for the accounting period 1st January 2008 to 31st December 2008

#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Accounts on page 62.

#### 2 NET (LOSSES)/GAINS ON INVESTMENTS

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

	2008 US\$	2007 US\$
Non-derivative securities	(22,905,609)	10,707,623
Difference on currency conversion	(31,856,230)	2,175,624
Net (losses)/gains on investments	<u>(54,761,839)</u>	<u>12,883,247</u>

#### 3 INCOME

	2008 US\$	2007 US\$
UK dividends	2,883,921	4,144,923
Bank interest	47,726	55,267
Underwriting commission	1,725	–
Miscellaneous income	–	84
Total income	<u>2,933,372</u>	<u>4,200,274</u>

#### 4 EXPENSES

	2008 US\$	2007 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(1,314,477)	(2,436,563)
Registration expenses	(4,340)	(6,691)
Directors' periodic charge	(2,297)	(3,085)
	<u>(1,321,114)</u>	<u>(2,446,339)</u>
Payable to the Trustees, associates of the Trustee and agents of either of them:		
Trustee's fees	(17,320)	(29,367)
Safe custody fees	(2,491)	(5,993)
Transaction charges	(9,199)	(17,412)
	<u>(29,010)</u>	<u>(52,772)</u>
Other expenses:		
Audit fee	(8,776)	(11,091)
Miscellaneous expenses	(97)	(119)
Publication charges	(12,579)	(19,382)
	<u>(21,452)</u>	<u>(30,592)</u>
Total expenses	<u>(1,371,576)</u>	<u>(2,529,703)</u>

#### 5 TAXATION

	2008 US\$	2007 US\$
Analysis of charge in period:		
United Kingdom income tax	(293,124)	(422,379)
Total taxation	<u>(293,124)</u>	<u>(422,379)</u>

#### 6 FINANCE COSTS

##### Distribution and Interest

The distributions take account of income received on the creation of shares and income deducted on the cancellation of shares, and comprises:

	2008 US\$	2007 US\$
Final	1,238,307	1,070,720
	<u>1,238,307</u>	<u>1,070,720</u>
Add: Income deducted on cancellation of shares	97,494	175,770
Deduct: Income received on creation of shares	(65,942)	(7,798)
Net distribution for the period	<u>1,269,859</u>	<u>1,238,692</u>
Interest	<u>8,013</u>	<u>26,912</u>
Total finance costs	<u>1,277,872</u>	<u>1,265,604</u>

Details of the distribution per share are set out in the table on page 48.

#### 7 DEBTORS

	2008 US\$	2007 US\$
Receivable from the Manager – Nominal Shares	305,034	291,949
Accrued income	<u>258,363</u>	<u>299,899</u>
Total debtors	<u>563,397</u>	<u>591,848</u>

#### 8 CREDITORS

	2008 US\$	2007 US\$
Amounts payable for cancellation of shares	(36,534)	(49,224)
Purchases awaiting settlement	(1,718)	–
Accrued expenses	(26,111)	(32,322)
Amounts payable to the Manager	<u>(87,207)</u>	<u>(186,684)</u>
Total creditors	<u>(151,570)</u>	<u>(268,230)</u>

#### 9 RELATED PARTY TRANSACTIONS

Allied Dunbar International Fund Managers Limited is a related party and acts as principal in respect of all transactions of shares in the Fund.

The aggregate monies received through creations and paid on cancellations are disclosed in the Statement of Change in Shareholders' Net Assets. The amounts due to/from Allied Dunbar International Fund Managers Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 7 and 8.

Amounts paid to Allied Dunbar International Fund Managers Limited in respect of Fund administration and registrar services are disclosed in Note 4. A balance of US\$ 85,605 (2007 – US\$ 185,352) in respect of annual management charge, and US\$ 347 (2007 – US\$ 530) in respect of registration fees is due at the end of the accounting period.

Amounts paid to BNP Paribas Trust Company (IOM) Limited, a related party, in respect of trustee services and safe custody charges are disclosed in Note 4. A balance of US\$ 563 (2007 – US\$ 1,161) in respect of safe custody charges and US\$ 1,162 (2007 – US\$ 2,252) in respect of trustee services are due at the end of the accounting period.

The Fund receives and pays interest on deposits held with BNP Paribas Securities Services Custody Bank Limited as disclosed in Notes 3 and 6.

Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The Manager, or associate of the Manager acted as principal in all investment transactions.

## UK Capital Growth Fund

### Notes to the financial statements (continued)

for the accounting period 1st January 2008 to 31st December 2008

#### 10 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 63.

##### Currency exposures

There are no material assets denominated in currencies other than Sterling, which is the base currency in which the Fund is managed.

##### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and financial liabilities at 31st December 2008 was:

	Floating rate financial assets US\$	Fixed rate financial assets US\$	Financial assets not carrying interest US\$	Total US\$
<b>Currency 2008</b>				
UK Sterling	1,388,946	–	53,962,789	55,351,735
<b>Currency 2007</b>	US\$	US\$	US\$	US\$
UK Sterling	1,929,428	–	114,022,289	115,951,717
	Floating rate financial liabilities US\$	Financial liabilities not carrying interest US\$	Total US\$	
<b>Currency 2008</b>				
UK Sterling	–	(1,389,877)	(1,389,877)	
<b>Currency 2007</b>		US\$	US\$	US\$
UK Sterling	–	(1,338,950)	(1,338,950)	

There are no material amounts of non interest-bearing financial assets, other than equities, which do not have maturity dates.

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

##### Fair value of financial assets and financial liabilities

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

#### 11 CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or commitments.

#### 12 STOCKBROKING COMMISSION

The average rate of stockbroking commission for those transactions where commission is paid is 7 basis points.

#### 13 PORTFOLIO TRANSACTION COSTS

	2008 US\$	2007 US\$
Analysis of total purchase costs		
Purchases in period before transaction costs	25,125,858	36,724,975
Commissions	20,406	33,025
Taxes	118,991	176,468
Total purchase costs	139,397	209,493
Gross purchases total	25,265,255	36,934,468
Analysis of total sale costs		
Gross sales before transaction costs	30,836,775	62,177,106
Commissions	26,123	(54,671)
Taxes	191	(438)
Total sale costs	26,314	(55,109)
Total sales net of transaction costs	30,863,089	62,121,997

# Europe Fund

## Fund Investment Report

### Investment Policy

To invest primarily for capital growth from a portfolio of European equities.

### Types of Investment

Investments are made principally for prospects of capital growth in Continental European stocks, generally in shares of leading European companies, but also may be made indirectly through other types of permitted investment such as unit trusts, investment trusts, convertible securities, traded options, warrants, fixed interest securities and other media as circumstances warrant and as permitted by the Regulations.

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

### Portfolio Activity

Over 2008, European equity markets, as measured by the FTSE Europe ex-UK Index, posted a return of -42.3% in Euro terms and -24.0% in Sterling terms. Markets were weak throughout the year, punctuated by occasional rallies, with October seeing the worst monthly returns. The Fund outperformed the index over the year, helped by its positive stance towards defensive sectors such as pharmaceuticals.

Initially, investor concerns centred on the financial problems which originated in the US. However, as the year progressed, worries over the impact on economic growth in 2009 surfaced, and expectations for company profits and levels of corporate failures deteriorated. Europe, together with most of the world, is now in recession and economic growth and corporate profits are likely to decline in 2009, with much of the impact coming from financial and consumer-sensitive sectors.

In the early part of 2008, commodity prices were very firm, led by oil which rose from US\$ 90 per barrel to a peak of US\$ 147 per barrel in July, and this led to some worries over inflation or stagflation. However, since then demand has been declining and the subsequent fall in commodity prices (oil ended the year at just over US\$ 40 per barrel) opened up the way for significant, if tardy, reductions in interest rates. The European Central Bank cut official interest rates from 4.0% to 2.5% over the year.

Against this backdrop, the Fund has invested in defensive stocks with strong balance sheets that are likely to survive the current difficult environment and emerge in a stronger position as competitors flounder or fail. We increased the Fund's exposure to the pharmaceutical sector (focusing on the larger capitalisation, more secure stocks such as Roche Holdings) and reduced the oil exposure when it became clear that the oil price was peaking. We maintained a limited position in financials, mainly holding the better quality banks such as Credit Suisse Group and insurance companies such as Münchener Rückversicherung, which will be beneficiaries of price increases. Major positions in food manufacturers and food retailers have been successful for the Fund as these have benefited from food price inflation but are also resistant to recessionary pressures.

## Europe Fund

54

### Statement of Total Return

for the accounting period 1st January 2008 to 31st December 2008

	Notes	2008 US\$	2007 US\$
Net (losses)/gains on investments during the period	2	(30,923,491)	10,283,280
Other losses	3	(68,210)	(28,824)
Income	4	1,759,806	1,892,283
Expenses	5	(1,168,258)	(1,881,167)
Finance costs: Interest	7	(5,319)	(34,742)
Net income/(expenses) before taxation		586,229	(23,626)
Taxation	6	(394,649)	(421,950)
Net income/(expenses) after taxation		191,580	(445,576)
<b>Total return before distribution</b>		<b>(30,800,121)</b>	<b>9,808,880</b>
Finance costs: Distribution/Equalisation	7	(252,021)	(8,497)
<b>Change in Net Assets attributable to Shareholders</b>		<b>(31,052,142)</b>	<b>9,800,383</b>

### Balance Sheet

as at 31st December 2008

	Notes	2008 US\$	2007 US\$
<b>Assets</b>			
<b>Portfolio of investments</b>			
		38,057,578	76,755,896
Debtors	8	73,613	68,710
Cash and bank balances		744,407	1,285,460
Total other assets		818,020	1,354,170
<b>Total assets</b>		<b>38,875,598</b>	<b>78,110,066</b>
<b>Liabilities</b>			
Creditors	9	(100,531)	(166,238)
Distribution payable on income shares		(224,404)	–
Total liabilities		(324,935)	(166,238)
<b>Net Assets attributable to Shareholders</b>		<b>38,550,663</b>	<b>77,943,828</b>
<b>Shareholders' Funds</b>			
Nominal Value – Issued Share Capital		104,722	104,722
Share Premium		35,727,792	40,845,717
Capital Reserve		2,718,149	36,993,389
		38,550,663	77,943,828

### Statement of Change in Shareholders' Net Assets

for the accounting period 1st January 2008 to 31st December 2008

	2008 US\$	2007 US\$
<b>Net Assets at the start of the period</b>	77,943,828	81,742,930
Movement due to sales and repurchases of shares:		
Amounts received on creation of shares	428,695	1,544,536
Less: Amounts paid on cancellation of shares	(8,780,893)	(15,144,272)
	(8,352,198)	(13,599,736)
Change in Net Assets attributable to Shareholders (see above)	(31,052,142)	9,800,383
Unclaimed distributions	–	251
Compensation	11,175	–
<b>Net Assets at the end of the period</b>	<b>38,550,663</b>	<b>77,943,828</b>

### Distribution Table

for the accounting period 1st January 2008 to 31st December 2008

	Income €	Equalisation €	Distribution Payable 2008 €	Distribution Paid 2007 €
Group 1	0.0130	–	0.0130	–
Group 2	–	0.0130	0.0130	–

Group 2 units are those purchased after 16:00 (UK time) on 31st December 2007

## Europe Fund

### Portfolio statement

as at 31st December 2008

Holding	Investment	Value US\$	% of Net Asset Value	Holding	Investment	Value US\$	% of Net Asset Value
<b>AUSTRIA (0.00%, December 2007 – 1.15%)</b>				<b>Engineering &amp; Machinery (0.00%, December 2007 – 0.58%)</b>			
	Electricity (0.00%, December 2007 – 1.15%)			<b>Food Producers &amp; Processors (0.00%, December 2007 – 2.24%)</b>			
<b>BELGIUM (3.48%, December 2007 – 3.39%)</b>				<b>Health (2.03%, December 2007 – 1.75%)</b>			
	Beverages (0.00%, December 2007 – 1.88%)			16,818	Essilor International	783,447	2.03
	Chemicals (1.60%, December 2007 – 0.67%)			<b>Insurance (1.06%, December 2007 – 0.89%)</b>			
32,184	Umicore	617,577	1.60	18,635	AXA	409,723	1.06
	Food & Drug Retailers (1.88%, December 2007 – 0.84%)			<b>Media &amp; Photography (2.85%, December 2007 – 0.00%)</b>			
3,398	Colruyt	722,740	1.88	33,956	Vivendi	1,096,888	2.85
	<b>Total Belgium</b>	<b>1,340,317</b>	<b>3.48</b>	<b>Oil &amp; Gas (3.93%, December 2007 – 3.91%)</b>			
<b>CYPRUS (0.00%, December 2007 – 0.92%)</b>				28,027	Total	1,514,190	3.93
	Banks (0.00%, December 2007 – 0.92%)			<b>Software &amp; Computer Services (0.00%, December 2007 – 0.52%)</b>			
<b>CZECH REPUBLIC (0.00%, December 2007 – 1.37%)</b>				<b>Telecommunication Services (2.13%, December 2007 – 1.16%)</b>			
	Electronic & Electrical Equipment (0.00%, December 2007 – 1.37%)			29,584	France Telecom	819,899	2.13
<b>DENMARK (1.89%, December 2007 – 1.97%)</b>				<b>Utilities – Other (0.00%, December 2007 – 2.14%)</b>			
	Chemicals (0.00%, December 2007 – 1.02%)			<b>Total France</b>			
	Pharmaceuticals & Biotechnology (1.89%, December 2007 – 0.00%)					<b>8,794,062</b>	<b>22.81</b>
9,390	Novozymes	727,435	1.89	<b>GERMANY (18.30%, December 2007 – 15.19%)</b>			
	Transport (0.00%, December 2007 – 0.95%)			<b>Automobiles &amp; Parts (0.00%, December 2007 – 0.98%)</b>			
	<b>Total Denmark</b>	<b>727,435</b>	<b>1.89</b>	<b>Chemicals (3.77%, December 2007 – 2.20%)</b>			
<b>FINLAND (0.95%, December 2007 – 4.02%)</b>				11,022	Bayer	632,206	1.64
	Engineering & Machinery (0.00%, December 2007 – 1.16%)			9,895	Linde	822,286	2.13
	Information Technology Hardware (0.00%, December 2007 – 2.86%)			<b>Electronic &amp; Electrical Equipment (1.38%, December 2007 – 0.88%)</b>			
	Insurance (0.95%, December 2007 – 0.00%)			11,372	Wincor Nixdorf	532,278	1.38
20,043	Sampo Oyj	368,463	0.95	<b>Engineering &amp; Machinery (0.58%, December 2007 – 1.49%)</b>			
	<b>Total Finland</b>	<b>368,463</b>	<b>0.95</b>	4,162	MAN	223,759	0.58
<b>FRANCE (22.81%, December 2007 – 19.56%)</b>				<b>Health (2.90%, December 2007 – 1.02%)</b>			
	Banks (3.53%, December 2007 – 2.87%)			6,421	Fresenius Medical Care	296,975	0.77
16,812	BNP Paribas	702,867	1.82	34,649	Rhoen-Klinikum	821,234	2.13
13,169	Societe Generale	658,261	1.71	<b>Insurance (6.80%, December 2007 – 0.00%)</b>			
	Beverages (0.00%, December 2007 – 0.89%)			12,648	Allianz	1,314,312	3.41
	Chemicals (3.26%, December 2007 – 0.00%)			8,482	Münchener Rückversicherung	1,307,266	3.39
13,840	Air Liquide	1,257,733	3.26	<b>Speciality &amp; Other Finance (1.86%, December 2007 – 0.00%)</b>			
	Electricity (0.00%, December 2007 – 2.20%)			10,200	Deutsche Börse	717,619	1.86
	Electronic & Electrical Equipment (4.02%, December 2007 – 0.41%)			<b>Telecommunication Services (1.01%, December 2007 – 1.79%)</b>			
9,754	Alstom	568,481	1.47	26,078	Deutsche Telekom	388,523	1.01
13,352	Schneider Electric	982,573	2.55	<b>Utilities – Other (0.00%, December 2007 – 6.83%)</b>			
				<b>Total Germany</b>			
						<b>7,056,458</b>	<b>18.30</b>
<b>GREECE (0.00%, December 2007 – 2.50%)</b>				<b>Banks (0.00%, December 2007 – 2.50%)</b>			

## Europe Fund

### Portfolio statement (continued)

as at 31st December 2008

56

Holding	Investment	Value US\$	% of Net Asset Value	Holding	Investment	Value US\$	% of Net Asset Value
<b>ITALY (0.81%, December 2007 – 0.95%)</b>				<b>Leisure Entertainment &amp; Hotels (2.06%, December 2007 – 0.00%)</b>			
	<b>Banks (0.81%, December 2007 – 0.00%)</b>			190,941	Ryanair Holdings	795,359	2.06
91,396	Intesa Sanpaolo	312,814	0.81		<b>Life Assurance (0.30%, December 2007 – 0.00%)</b>		
	<b>Oil &amp; Gas (0.00%, December 2007 – 0.95%)</b>			52,946	Irish Life & Permanent	115,419	0.30
	<b>Total Italy</b>	<b>312,814</b>	<b>0.81</b>	105,582	<b>Support Services (0.88%, December 2007 – 0.00%)</b>	337,912	0.88
					Grafton		
<b>LUXEMBOURG (1.62%, December 2007 – 0.00%)</b>				<b>Transport (0.00%, December 2007 – 0.66%)</b>			
	<b>Steel &amp; Other Metals (1.62%, December 2007 – 0.00%)</b>				<b>Total Republic of Ireland</b>	<b>2,539,541</b>	<b>6.59</b>
26,390	Arcelor Mittal	626,582	1.62	<b>SPAIN (6.36%, December 2007 – 10.03%)</b>			
	<b>Total Luxembourg</b>	<b>626,582</b>	<b>1.62</b>		<b>Banks (2.73%, December 2007 – 2.20%)</b>		
<b>NETHERLANDS (9.68%, December 2007 – 4.25%)</b>				87,457	Banco Bilbao Vizcaya Argentaria	1,051,611	2.73
	<b>Beverages (1.18%, December 2007 – 0.00%)</b>				<b>Construction &amp; Building Materials (0.00%, December 2007 – 1.07%)</b>		
14,954	Heineken	454,720	1.18		<b>General Retailers (2.38%, December 2007 – 1.75%)</b>		
	<b>Chemicals (2.59%, December 2007 – 0.00%)</b>			21,095	Inditex	917,662	2.38
24,379	Akzo Nobel	996,544	2.59		<b>Investment Companies (1.25%, December 2007 – 1.16%)</b>		
	<b>Food &amp; Drug Retailers (1.57%, December 2007 – 0.00%)</b>			18,862	Bolsas & Mercados Espanoles	481,629	1.25
49,703	Koninklijke Ahold	606,617	1.57		<b>Telecommunication Services (0.00%, December 2007 – 3.85%)</b>		
	<b>Health (1.04%, December 2007 – 0.00%)</b>				<b>Total Spain</b>	<b>2,450,902</b>	<b>6.36</b>
23,374	Qiagen	398,867	1.04	<b>SWEDEN (1.38%, December 2007 – 4.84%)</b>			
	<b>Information Technology Hardware (0.00%, December 2007 – 1.66%)</b>				<b>Banks (0.00%, December 2007 – 0.82%)</b>		
	<b>Media &amp; Photography (0.95%, December 2007 – 0.00%)</b>				<b>Engineering &amp; Machinery (1.38%, December 2007 – 0.24%)</b>		
31,417	Reed Elsevier	367,299	0.95	62,983	Atlas Copco	530,978	1.38
	<b>Oil &amp; Gas (0.55%, December 2007 – 0.00%)</b>				<b>General Retailers (0.00%, December 2007 – 1.24%)</b>		
7,441	Fugro	211,646	0.55		<b>Telecommunication Services (0.00%, December 2007 – 2.54%)</b>		
	<b>Telecommunication Services (1.80%, December 2007 – 2.59%)</b>				<b>Total Sweden</b>	<b>530,978</b>	<b>1.38</b>
48,199	Koninklijke KPN	694,669	1.80	<b>SWITZERLAND (23.05%, December 2007 – 21.99%)</b>			
	<b>Total Netherlands</b>	<b>3,730,362</b>	<b>9.68</b>		<b>Banks (2.62%, December 2007 – 1.68%)</b>		
<b>NORWAY (0.00%, December 2007 – 3.03%)</b>				37,748	Credit Suisse Group	1,010,845	2.62
	<b>Banks (0.00%, December 2007 – 0.74%)</b>				<b>Chemicals (1.68%, December 2007 – 3.96%)</b>		
	<b>Oil &amp; Gas (0.00%, December 2007 – 2.29%)</b>			7,079	Lonza Group Registered	648,851	1.68
<b>PORTUGAL (1.31%, December 2007 – 0.69%)</b>					<b>Diversified Industrials (1.78%, December 2007 – 0.00%)</b>		
	<b>Food &amp; Drug Retailers (0.87%, December 2007 – 0.69%)</b>			814	Sika	685,296	1.78
61,091	Jeronimo Martins	336,752	0.87		<b>Engineering &amp; Machinery (1.67%, December 2007 – 0.62%)</b>		
	<b>Oil &amp; Gas (0.44%, December 2007 – 0.00%)</b>			43,955	ABB	643,047	1.67
16,814	Galp Energia	167,625	0.44		<b>Food &amp; Drug Retailers (1.35%, December 2007 – 0.00%)</b>		
	<b>Total Portugal</b>	<b>504,377</b>	<b>1.31</b>	16,228	Aryzta	518,246	1.35
<b>REPUBLIC OF IRELAND (6.59%, December 2007 – 2.63%)</b>					<b>Food Producers &amp; Processors (5.11%, December 2007 – 4.95%)</b>		
	<b>Banks (0.47%, December 2007 – 0.00%)</b>			50,419	Nestle	1,970,759	5.11
154,458	Bank of Ireland	182,294	0.47		<b>General Retailers (0.00%, December 2007 – 1.58%)</b>		
	<b>Construction &amp; Building Materials (2.88%, December 2007 – 0.93%)</b>						
44,355	CRH	1,108,557	2.88				
	<b>Food Producers &amp; Processors (0.00%, December 2007 – 1.04%)</b>						

**Europe Fund**  
**Portfolio statement (continued)**

as at 31st December 2008

Holding	Investment	Value US\$	% of Net Asset Value
	<b>Insurance</b> (2.85%, December 2007 – 0.00%)		
23,784	Swiss Reinsurance	1,098,161	2.85
	<b>Pharmaceuticals &amp; Biotechnology</b> (5.37%, December 2007 – 8.31%)		
5,126	Actelion	286,095	0.74
11,682	Roche Holdings	1,783,677	4.63
	<b>Support Services</b> (0.62%, December 2007 – 0.89%)		
232	SGS	239,788	0.62
	<b>Total Switzerland</b>	<b>8,884,765</b>	<b>23.05</b>
<b>UNITED STATES OF AMERICA (0.49%, December 2007 – 0.00%)</b>			
	<b>Health</b> (0.49%, December 2007 – 0.00%)		
1,520	Synthes	190,522	0.49
	<b>Total United States of America</b>	<b>190,522</b>	<b>0.49</b>
<b>Total Value of Investments</b>		<b>38,057,578</b>	<b>98.72</b>
<b>Net Other Assets</b> (December 2007 – 1.52%)		<b>493,085</b>	<b>1.28</b>
<b>Net Assets</b>		<b>38,550,663</b>	<b>100.00</b>

The calculation of the % Net Asset Value may not add up due to rounding.

## Europe Fund

### Summary of material portfolio changes

for the accounting period 1st January 2008 to 31st December 2008

The total cost of purchases during the year was US\$ 85,748,719 and proceeds received from sales were US\$ 93,583,088. The details of the Top 20 purchases and sales are detailed below:

<b>Purchases</b>	<b>Cost US\$</b>	<b>Sales</b>	<b>Proceeds US\$</b>
Allianz	5,106,773	Novartis	3,737,837
Banco Bilbao Vizcaya Argentaria	3,180,215	Allianz	3,030,731
AXA	2,786,523	Total	2,923,988
Swiss Reinsurance	2,671,469	E.ON	2,815,845
Societe Generale	2,528,975	Groupe Danone	2,710,816
Credit Suisse Group	2,467,501	Banco Bilbao Vizcaya Argentaria	2,317,659
Total	2,177,099	AXA	2,172,300
BNP Paribas	2,169,699	Telefonica	2,106,983
Münchener Rückversicherung	2,095,977	Statoil	1,976,010
Commerzbank	1,747,337	Koninklijke KPN	1,950,639
Bank of Ireland	1,730,803	Teliasonera AB	1,887,126
UBS	1,696,772	RWE NVP	1,871,336
Siemens	1,696,313	Inditex	1,804,509
Novartis	1,660,577	BNP Paribas	1,801,835
Air Liquide	1,549,477	Credit Suisse Group	1,738,240
Sanofi Aventis	1,545,594	Societe Generale	1,694,292
Groupe Danone	1,510,902	Nokia	1,654,236
Inditex	1,495,853	Roche Holdings	1,602,712
Arcelor Mittal	1,356,067	Syngenta	1,538,324
CRH	1,330,660	Siemens	1,487,647

A full detailed listing of portfolio changes is available from the Manager upon request.

## Europe Fund

### Notes to the financial statements

for the accounting period 1st January 2008 to 31st December 2008

#### 1 ACCOUNTING POLICIES

The accounting policies for the Fund are the same as those disclosed in the Aggregated Accounts on page 62.

#### 2 NET (LOSSES)/GAINS ON INVESTMENTS

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

	2008 US\$	2007 US\$
Non-derivative securities	(27,016,597)	1,398,853
Difference on currency conversion	(3,906,894)	8,884,427
Net (losses)/gains on investments	<u>(30,923,491)</u>	<u>10,283,280</u>

#### 3 OTHER LOSSES

	2008 US\$	2007 US\$
Other currency losses	(68,210)	(28,824)
Total other losses	<u>(68,210)</u>	<u>(28,824)</u>

#### 4 INCOME

	2008 US\$	2007 US\$
Overseas dividends	1,714,614	1,845,320
Bank interest	44,530	46,446
Miscellaneous income	662	517
Total income	<u>1,759,806</u>	<u>1,892,283</u>

#### 5 EXPENSES

	2008 US\$	2007 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(1,053,626)	(1,717,033)
Registration expenses	(5,286)	(7,299)
Directors' periodic charge	(1,820)	(2,164)
	<u>(1,060,732)</u>	<u>(1,726,496)</u>
Payable to the Trustees, associates of the Trustee and agents of either of them:		
Trustee's fees	(13,915)	(20,834)
Safe custody fees	(15,995)	(22,565)
Transaction charges	(60,442)	(89,631)
	<u>(90,352)</u>	<u>(133,030)</u>
Other expenses:		
Audit fee	(7,058)	(7,924)
Miscellaneous expenses	-	(129)
Publication charges	(10,116)	(13,588)
	<u>(17,174)</u>	<u>(21,641)</u>
Total expenses	<u>(1,168,258)</u>	<u>(1,881,167)</u>

#### 6 TAXATION

	2008 US\$	2007 US\$
Analysis of charge in period:		
Overseas tax	(394,649)	(421,950)
Total taxation	<u>(394,649)</u>	<u>(421,950)</u>

#### 7 FINANCE COSTS

Distribution/Equalisation and Interest

The distributions take account of income received on the creation of shares and income deducted on the cancellation of shares, and comprises:

	2008 US\$	2007 US\$
Final	224,402	-
	<u>224,402</u>	<u>-</u>
Add: Income deducted on cancellation of shares	30,046	9,577
Deduct: Income received on creation of shares	(2,427)	(1,080)
Net distribution/equalisation for the period	<u>252,021</u>	<u>8,497</u>
Interest	5,319	34,742
Total finance costs	<u>257,340</u>	<u>43,239</u>

Details of the distribution per share are set out in the table on page 54.

#### 8 DEBTORS

	2008 US\$	2007 US\$
Receivable from the Manager – Nominal Shares	73,613	68,710
Total debtors	<u>73,613</u>	<u>68,710</u>

#### 9 CREDITORS

	2008 US\$	2007 US\$
Amounts payable for cancellation of shares	(10,410)	(9,971)
Accrued expenses	(27,488)	(29,313)
Amounts payable to the Manager	(62,633)	(126,954)
Total creditors	<u>(100,531)</u>	<u>(166,238)</u>

#### 10 RELATED PARTY TRANSACTIONS

Allied Dunbar International Fund Managers Limited is a related party and acts as principal in respect of all transactions of shares in the Fund.

The aggregate monies received through creations and paid on cancellations are disclosed in the Statement of Change in Shareholders' Net Assets. The amounts due to/from Allied Dunbar International Fund Managers Limited in respect of share transactions at the end of the accounting period are disclosed in Notes 8 and 9.

Amounts paid to Allied Dunbar International Fund Managers Limited in respect of Fund administration and registrar services are disclosed in Note 5. A balance of US\$ 61,271 (2007 – US\$ 125,956) in respect of annual management charge, and US\$ 343 (2007 – US\$ 527) in respect of registration fees is due at the end of the accounting period.

Amounts paid to BNP Paribas Trust Company (IOM) Limited, a related party, in respect of trustee services and safe custody charges are disclosed in Note 5. A balance of US\$ 3,050 (2007 – US\$ 6,175) in respect of safe custody charges and US\$ 832 (2007 – US\$ 1,531) in respect of trustee services are due at the end of the accounting period.

The Fund receives and pays interest on deposits held with BNP Paribas Securities Services Custody Bank Limited as disclosed in Notes 4 and 7.

Cash and bank balances at the end of the accounting period are disclosed in the Balance Sheet.

The Manager, or associate of the Manager acted as principal in all investment transactions.

## Europe Fund

### Notes to the financial statements (continued)

for the accounting period 1st January 2008 to 31st December 2008

#### 11 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The analysis and tables provided below refer to the narrative disclosure on derivatives and other financial instrument risks on page 63.

##### Currency exposures

A substantial proportion of the Net Assets of the Fund are denominated in currencies other than Euro, which is the base currency in which the Fund is managed. This has the effect that the Balance Sheet and Statement of Total Return can be significantly affected by currency movements.

Net foreign currency assets			
	Monetary exposure US\$	Non- monetary exposure US\$	Total US\$
<b>Currency 2008</b>			
Czech Krona	16,291	–	16,291
Danish Krone	6,187	727,435	733,622
Hungarian Forint	15,637	–	15,637
Norwegian Krone	862	–	862
Swedish Krona	58,307	530,978	589,285
Swiss Franc	101,278	8,557,043	8,658,321
UK Sterling	103,923	–	103,923
US Dollar	13,102	–	13,102
<b>Currency 2007</b>	US\$	US\$	US\$
Czech Krona	12,644	1,071,872	1,084,516
Danish Krone	513,782	1,531,935	2,045,717
Hungarian Forint	17,187	–	17,187
Norwegian Krone	2,890	2,362,195	2,365,085
Swedish Krona	224,152	3,773,070	3,997,222
Swiss Franc	5,004	17,137,708	17,142,712
UK Sterling	16,059	–	16,059
US Dollar	1,703	514,197	515,900

##### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and financial liabilities at 31st December 2008 was:

	Floating rate financial assets US\$	Fixed rate financial assets US\$	Financial assets not carrying interest US\$	Total US\$
<b>Currency 2008</b>				
Czech Krona	16,291	–	–	16,291
Danish Krone	6,187	–	727,435	733,622
Euro	428,820	–	28,315,735	28,744,555
Hungarian Forint	15,637	–	–	15,637
Norwegian Krone	862	–	–	862
Swedish Krona	58,307	–	530,978	589,285
Swiss Franc	101,278	–	8,557,043	8,658,321
UK Sterling	103,923	–	–	103,923
US Dollar	13,102	–	–	13,102
<b>Currency 2007</b>	US\$	US\$	US\$	US\$
Czech Krona	12,644	–	1,071,872	1,084,516
Danish Krone	513,782	–	1,531,935	2,045,717
Euro	492,039	–	50,433,629	50,925,668
Hungarian Forint	17,187	–	–	17,187
Norwegian Krone	2,890	–	2,362,195	2,365,085
Swedish Krona	224,152	–	3,773,070	3,997,222
Swiss Franc	5,004	–	17,137,708	17,142,712
UK Sterling	16,059	–	–	16,059
US Dollar	1,703	–	514,197	515,900
		Floating rate financial liabilities US\$	Financial liabilities not carrying interest US\$	Total US\$
<b>Currency 2008</b>				
Euro	–	–	(324,935)	(324,935)
<b>Currency 2007</b>		US\$	US\$	US\$
Euro	–	–	(166,238)	(166,238)

There are no material amounts of non interest-bearing financial assets, other than equities, which do not have maturity dates.

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

##### Fair value of financial assets and financial liabilities

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

#### 12 CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or commitments.

#### 13 STOCKBROKING COMMISSION

The average rate of stockbroking commission for those transactions where commission is paid is 41 basis points.

#### 14 PORTFOLIO TRANSACTION COSTS

	2008 US\$	2007 US\$
Analysis of total purchase costs		
Purchases in period before transaction costs	85,616,760	111,101,159
Commissions	86,821	128,751
Taxes	44,167	16,615
Fees	971	1,415
Total purchase costs	131,959	146,781
Gross purchases total	85,748,719	111,247,940
Analysis of total sale costs		
Gross sales before transaction costs	93,686,315	126,607,941
Commissions	(99,157)	(146,480)
Taxes	(2,856)	(1,771)
Fees	(1,214)	(5,027)
Total sale costs	(103,227)	(153,278)
Total sales net of transaction costs	93,583,088	126,454,663

# Aggregated Accounts

## Statement of Total Return

for the accounting period 1st January 2008 to 31st December 2008

	Notes	2008 US\$	2007 US\$
Net (losses)/gains on investments during the period	2	(221,824,248)	66,505,152
Other (losses)/gains	3	(189,296)	28,535
Income	4	12,789,430	14,712,555
Expenses	5	(8,857,299)	(12,325,103)
Finance Cost: Interest		(73,068)	(156,275)
Net income before taxation		3,859,063	2,231,177
Taxation	6	(1,885,198)	(1,995,849)
Net income after taxation		1,973,865	235,328
<b>Total return before distributions</b>		<b>(220,039,679)</b>	<b>66,769,015</b>
Finance costs: Distributions		(3,125,409)	(3,030,127)
<b>Change in Net Assets attributable to Shareholders</b>		<b>(223,165,088)</b>	<b>63,738,888</b>

## Statement of Change in Shareholders' Net Assets

for the accounting period 1st January 2008 to 31st December 2008

	2008 US\$	2007 US\$
<b>Net Assets at the start of the period</b>	<b>590,487,602</b>	<b>595,009,626</b>
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	36,719,721	24,124,351
Less: Amounts payable on cancellation of shares	(55,393,913)	(92,385,544)
	(18,674,192)	(68,261,193)
Change in Net Assets attributable to Shareholders (see above)	(223,165,088)	63,738,888
Unclaimed distributions	3,231	281
Compensation	11,175	–
<b>Net Assets at the end of the period</b>	<b>348,662,728</b>	<b>590,487,602</b>

## Balance Sheet

as at 31st December 2008

	Notes	2008 US\$	2007 US\$
<b>Assets</b>			
<b>Portfolio of investments</b>		<b>335,406,437</b>	<b>579,527,706</b>
Debtors	7	2,674,569	4,320,352
Cash and bank balances		13,403,489	10,505,793
Total other assets		16,078,058	14,826,145
<b>Total assets</b>		<b>351,484,495</b>	<b>594,353,851</b>
<b>Liabilities</b>			
Creditors	8	(812,021)	(1,419,090)
Bank overdrafts		(41,987)	(504,366)
Distribution payable on income shares		(1,967,759)	(1,942,793)
Total liabilities		(2,821,767)	(3,866,249)
<b>Net Assets attributable to Shareholders</b>		<b>348,662,728</b>	<b>590,487,602</b>
<b>Shareholders' Funds</b>			
Nominal Value – Issued Share Capital		2,275,194	2,275,194
Share Premium		386,291,352	391,336,377
Capital Reserve		(39,903,818)	196,876,031
		<b>348,662,728</b>	<b>590,487,602</b>

The Aggregated Financial Statements represent the sum of the individual Funds within the Umbrella Company. Further analysis of the Distribution and the Net Asset position can be found within the Financial Statements of the individual Funds.

The Annual Report and Accounts were approved and authorised for issue by the Board of Directors on 12th February 2009 and signed on behalf of the Directors of Allied Dunbar International Funds Limited by:

Director  
12th February 2009

Director  
12th February 2009

# Notes to the Aggregated Accounts for Allied Dunbar International Funds Limited

## Notes to the Aggregated Accounts

for the accounting period 1st January 2008 to 31st December 2008

### 1 ACCOUNTING POLICIES

- (1) Basis of accounting  
The Aggregated Accounts have been prepared on a historical cost basis, as modified by the revaluation of investments, and in accordance with applicable United Kingdom Accounting Standards and the Statement of Recommended Practice ("SORP") for Authorised Funds issued by the IMA in December 2005.
- (2) Aggregation  
The Aggregated Accounts represent the sum of the Company's individual Funds.  
Further analysis of the Distribution and the Net Asset position can be found within the Financial Statements of the individual funds.
- (3) Recognition of income  
Income is included in the Statement of Total Return as follows:  
Dividends on quoted ordinary shares and preference shares are recognised when the security is first quoted ex-dividend.  
Dividends, interest and other income receivable include any withholding taxes but exclude any other taxes.  
Special dividends are treated as a repayment of capital, unless there is sufficient evidence that they should be treated as income.  
Stock dividends are recognised as income on the basis of the market value of the shares at the date they are first quoted ex-dividend.  
Interest on debt securities and bank and short-term deposits is recognised on an accruals basis.  
In accordance with the practice followed by investment trusts and as allowed by Financial Reporting Standard 3, revaluations and realisations of investments, including those arising on translation of investments expressed in foreign currencies and bank deposits forming part of the Company's investment portfolio, are treated as transactions on capital account which, whether surpluses or deficiencies, do not form part of, and are not affected in, the income account for the period but are credited or charged to reserves.
- (4) Treatment of expenses (including management expenses)  
All expenses are included in the Statement of Total Return. Transaction charges on all funds are added back for the purpose of determining the amount available for distribution.
- (5) Basis of valuation of investments  
The investments of the Company are valued at fair value (generally bid value) at 16:00 (UK time), being the valuation point on the last working day of the accounting period.
- (6) Exchange rates  
The assets and liabilities in each sub-fund expressed in foreign currencies at the end of the accounting period are translated into each sub-funds functional currency at the exchange rates ruling at 16:00 (UK time), on that date.  
Revenue items denominated in foreign currency are translated into each sub-funds functional currency at the exchange rates ruling at the date of transaction.  
The presentation currency of the Company is US Dollars. The Assets, Liabilities and Revenue items of each sub-fund are translated into US Dollars at the exchange rate ruling at 16:00 (UK time), at the end of each accounting period.  
Foreign exchange translation adjustments arising from the translation of the sub-funds into the Company's presentation currency are included with 'Net (losses)/gains on investments'.
- (7) Taxation  
The Company is liable to Isle of Man Income Tax on profits after deduction of dividends payable. The Company intends to distribute all its net income as dividends as thus no charge to Isle of Man Income Tax is expected to accrue. The taxation charge represents overseas and UK taxes deducted at source.
- (8) Equalisation  
Equalisation is that proportion of the total distribution payment which represents a return of capital.  
The payment represents the average amount of income accrued in the price of shares at the dates of purchase, and reflects the fact that the purchase price included an element for income accrued awaiting distribution. Equalisation can only occur on the first distribution following a purchase of shares. The amount is not liable to UK Income Tax and should be deducted from the cost of the shares for Capital Gains Tax purposes.

### 2 NET (LOSSES)/GAINS ON INVESTMENTS

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

	2008 US\$	2007 US\$
Non-derivative securities	(173,815,190)	54,682,736
Forward currency contracts	(3,631)	–
Difference on currency conversion	(48,005,427)	11,822,416
Net (losses)/gains on investments	<u>(221,824,248)</u>	<u>66,505,152</u>

### 3 OTHER (LOSSES)/GAINS

	2008 US\$	2007 US\$
Other currency (losses)/gains	<u>(189,296)</u>	<u>28,535</u>
Total other (losses)/gains	<u>(189,296)</u>	<u>28,535</u>

### 4 INCOME

	2008 US\$	2007 US\$
UK dividends	3,450,288	4,544,177
Overseas dividends	6,730,171	6,587,557
Interest on debt securities	2,303,532	3,163,167
Interest on short term investments	47,435	105,470
Bank interest	255,481	311,415
Underwriting commission	1,725	–
Miscellaneous income	798	769
Total income	<u>12,789,430</u>	<u>14,712,555</u>

### 5 EXPENSES

	2008 US\$	2007 US\$
Payable to the Manager, associates of the Manager and agents of either of them:		
Annual management charge	(8,257,419)	(11,599,312)
Registration expenses	(46,346)	(59,382)
Directors' periodic charge	(15,000)	(14,999)
	<u>(8,318,765)</u>	<u>(11,673,693)</u>
Payable to the Trustees, associates of the Trustee and agents of either of them:		
Trustees' fees	(112,404)	(144,557)
Safe custody fees	(60,695)	(96,511)
Transaction charges	(212,114)	(255,811)
	<u>(385,213)</u>	<u>(496,879)</u>
Other expenses:		
Legal fee	(13,398)	–
Audit fee	(57,402)	(57,828)
Miscellaneous expenses	(245)	(690)
Publication charges	(82,275)	(94,347)
Exchange losses	(1)	(1,666)
	<u>(153,321)</u>	<u>(154,531)</u>
Total expenses	<u>(8,857,299)</u>	<u>(12,325,103)</u>

### 6 TAXATION

	2008 US\$	2007 US\$
Analysis of charge in period:		
Overseas tax	(1,533,452)	(1,531,553)
UK income tax	(351,746)	(464,296)
Total taxation	<u>(1,885,198)</u>	<u>(1,995,849)</u>

### 7 DEBTORS

	2008 US\$	2007 US\$
Amounts receivable for issue of shares	–	795,776
Sales awaiting settlement	–	533,279
Accrued income	1,118,160	1,496,691
Receivable from Manager – Nominal Shares	1,556,409	1,494,606
Total debtors	<u>2,674,569</u>	<u>4,320,352</u>

## Notes to the Aggregated Accounts (continued)

### 8 CREDITORS

	2008 US\$	2007 US\$
Amounts payable for cancellation of shares	(62,589)	(198,395)
Purchases awaiting settlement	(58,798)	(137,212)
Accrued expenses	(153,958)	(153,107)
Amounts payable to Fund Manager	(536,676)	(930,376)
Total creditors	<u>(812,021)</u>	<u>(1,419,090)</u>

### 9 MATERIAL CONTRACTS

#### Management and Trustee and Investment Advisory Agreements

The following contracts which are or may be significant have been entered into to date by the Company:

- a) Management Agreement dated 29th December 1989 (as amended) between the Company and the Manager whereby the latter has been appointed to act as the Manager in accordance with the Financial Supervision (Authorised Collective Investment Schemes) Regulations 2005. The activities of the Manager include managing the Company's business, investments and administrative affairs and distributing and promoting the distribution of its Participating Redeemable Preference Shares including by way of offer for sale, subject to the overall supervision of the Directors. The Regulations allow for the delegation of the Manager's functions.

The Manager's remuneration comes from two principal sources:

- i) The Manager is entitled to retain the amount which is the difference between the proceeds for the Participating Shares sold to the applicant and the cost to the Manager of those shares.
- ii) A management charge payable monthly at an annual rate of 1.95% of the underlying property of the Investment Fund (calculated on an offer basis) for all Investment funds except the Gilt and Income which has a rate of 1.25% and the Managed Currency Fund which has a rate of 1%.
- b) The principal activities of the Investment Adviser are the giving of investment advice and the provision of discretionary and non-discretionary Investment Management Services to Companies in the Zurich Financial Services Group. An agreement is in place dated 14th November 1995 between the Manager and the Investment Adviser to advise the Manager in relation to the investment of the property of the Funds.
- c) The Trustee Agreement dated 29th December 1989 between the Company and the Trustee whereby the Trustee has agreed to provide trustee services to the Company in accordance with the Financial Supervision (Authorised Collective Investment Schemes) Regulations 2005. The Articles of Association authorise payments to the trustee to be paid out of the property of the scheme. The Trustee's remuneration is calculated on a daily basis and paid monthly.

During the year the Trustee's fees were calculated as follows:

First £20m of the aggregate value	0.10%
Next £40m of the aggregate value	0.04%
Balance	0.01%

The Trustee's fees are subject to a minimum annual fee of £ 6,000.

### 10 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

In pursuing their investment objectives, each of the Funds may hold a number of financial instruments. These financial instruments, other than derivatives, comprise securities and other investments, cash balances, debtors and creditors that arise directly from the Funds' operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued income.

The main risks arising from financial instruments and the Manager's policies for managing these risks are stated below. These policies have been applied throughout the period under review.

These policies have been consistent for both the current and prior period to which these Financial Statements relate.

#### Market price risk

Market price risk is the risk that the value of the Funds' investment will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Funds might hold. It represents the potential loss the Funds might suffer through holding market positions in the face of price movements. The Funds' investment portfolios are exposed to market price fluctuations, which are monitored by the Manager in pursuance of their investment objectives and policies as set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the Financial Services Authorities Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security issuer.

#### Foreign currency risk

Foreign currency risk is the risk that the value of the Funds' investments will fluctuate as a result of changes in foreign currency exchange rates.

For those Funds where a portion of the investment portfolio is invested in overseas securities the balance sheet can be affected by movements in exchange rates. The Manager may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the value of investments that are priced in other currencies, other than the functional currency of the sub-fund.

#### Interest rate risk

Interest rate risk is the risk that the value of the Funds' investments will fluctuate as a result of changes in interest rates.

Some of the Funds invest in fixed and floating rate securities. The income of these Funds may be affected by changes to interest rates relevant to particular securities or as a result of the Manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The interest rate profile for the relevant Funds is shown in their notes to the Financial Statements, contained within the full accounts.

#### Liquidity risk

The assets of the Funds comprise mainly readily realisable securities. The main liability of the Funds is the redemption of any shares that investors wish to sell. Assets from a Fund may need to be sold if insufficient cash is available to finance such redemptions.

#### Credit risk

Certain transactions in securities that the Funds enter into expose them to risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Funds only buy and sell investments through brokers which have been approved by the Manager as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in broker's financial ratings are reviewed.

The value of Funds' investments will be adversely impacted in the event of the default or perceived increased credit risk of an issuer.

#### Derivatives

The Funds also enter into derivative transactions in the form of forward foreign currency contracts. The purpose of this financial instrument is efficient portfolio management. Forward currency contracts are used to manage currency risk arising from holdings of overseas securities.

The Company does not hold any derivatives as at the period end.

### 11 SHAREHOLDERS' FUNDS

Authorised Share Capital	2008 US\$	2007 US\$
Management Shares: 10 of US\$1 each	10	10
Unclassified Shares: 1,000,000,000 of US\$0.0025 each	2,500,000	2,500,000
	<u>2,500,010</u>	<u>2,500,010</u>

The Management Shares have been issued and fully paid up and are held by Allied Dunbar International Fund Managers Limited.

The Unclassified Shares are termed as such, pending issue. They may be issued as Participating Redeemable Preference Shares ('Participating Shares') or as Nominal Shares.

Participating Shares may be issued and redeemed at prices based on the value of the Net Assets of the Company attributable to the appropriate Fund as determined in accordance with its Articles of Association and the Regulations. On redemption of a Participating Share, a Nominal Share may be issued to the Manager for cash at par on the basis of one Nominal Share for each share redeemed. Nominal Shares may subsequently be converted and reissued as Participating Shares.

There are no pre-emption rights on the issue or transfer of Participating Shares in the Company.

The holders of a Participating Share of any class or a Management Share are entitled to one vote. The Management Shares do not carry any right to dividends and in the event of a winding up, rank only for the return of paid up capital.

#### Share Premium

The Share Premium Account is made up of the difference between proceeds of issue and the nominal value of the total Shares in issue.

## 11 SHAREHOLDERS' FUNDS (continued)

	No. of Shares	Aggregated Total US\$	Managed US\$	Worldwide Equity US\$
(a) <b>Management Shares of US\$ 1 each fully paid</b> Balance as at 31.12.08 and 31.12.07	<u>10</u>	<u>10</u>	<u>10</u>	
(b) <b>Nominal and Participating Redeemable Preference Shares of US\$0.0025 each fully paid</b> Balances as at 31.12.08 and 31.12.07		<u>2,275,184</u>	<u>577,975</u>	<u>241,996</u>
<b>Number of Nominal and Participating Redeemable Shares</b> Balances as at 31.12.08 and 31.12.07	<u>910,073,564</u>		<u>231,189,905</u>	<u>96,797,669</u>
<b>Share Premium</b> Balances as at 01.01.08 Premium relating to shares Issued/(Redeemed) during the year <b>Balances as at 31.12.08</b>		391,336,377 (5,045,025) <u>386,291,352</u>	70,036,476 245,537 <u>70,282,013</u>	43,339,283 (7,907,928) <u>35,431,355</u>
<b>Capital Reserve</b> <b>Realised Reserve</b> Balances as at 01.01.08 Movement for year <b>Balances as at 31.12.08</b>		448,216,132 (41,920,645) <u>406,295,487</u>	123,196,255 (7,591,329) <u>115,604,926</u>	70,004,276 (5,054,582) <u>64,949,694</u>
<b>Unrealised Reserve</b> Balances as at 01.01.08 Movement for year <b>Balances as at 31.12.08</b>		(251,340,101) (194,859,204) <u>(446,199,305)</u>	(83,444,489) (27,068,975) <u>(110,513,464)</u>	(42,402,012) (24,124,057) <u>(66,526,069)</u>
<b>Total of Capital Reserve as at 31.12.08</b>		<u>(39,903,818)</u>	<u>5,091,462</u>	<u>(1,576,375)</u>
Total of Capital Reserve as at 31.12.07		<u>196,876,031</u>	<u>39,751,766</u>	<u>27,602,264</u>

Notes to the Aggregated Accounts (continued)

Managed Currency US\$	Gilt and Income US\$	North American Growth US\$	Far East US\$	UK Capital Growth US\$	Europe US\$
<u>63,802</u>	<u>619,054</u>	<u>118,696</u>	<u>77,658</u>	<u>471,281</u>	<u>104,722</u>
<u>25,521,230</u>	<u>247,621,578</u>	<u>47,478,545</u>	<u>31,063,268</u>	<u>188,512,450</u>	<u>41,888,919</u>
1,963,764	38,744,479	117,516,845	14,229,163	64,660,650	40,845,717
<u>76,460</u>	<u>(6,567,794)</u>	<u>20,347,384</u>	<u>(1,859,658)</u>	<u>(4,261,101)</u>	<u>(5,117,925)</u>
<b><u>2,040,224</u></b>	<b><u>32,176,685</u></b>	<b><u>137,864,229</u></b>	<b><u>12,369,505</u></b>	<b><u>60,399,549</u></b>	<b><u>35,727,792</u></b>
2,820,571 (10)	2,902,789 744,946	65,220,043 (12,802,302)	35,768,834 (53,525)	61,204,747 (2,561,218)	87,098,617 (14,602,625)
<b><u>2,820,561</u></b>	<b><u>3,647,735</u></b>	<b><u>52,417,741</u></b>	<b><u>35,715,309</u></b>	<b><u>58,643,529</u></b>	<b><u>72,495,992</u></b>
(2,756,625) (23,410)	2,465,560 (10,778,605)	(35,504,046) (49,459,637)	(27,869,350) (9,903,315)	(11,723,911) (53,828,590)	(50,105,228) (19,672,615)
<b><u>(2,780,035)</u></b>	<b><u>(8,313,045)</u></b>	<b><u>(84,963,683)</u></b>	<b><u>(37,772,665)</u></b>	<b><u>(65,552,501)</u></b>	<b><u>(69,777,843)</u></b>
<b><u>40,526</u></b>	<b><u>(4,665,310)</u></b>	<b><u>(32,545,942)</u></b>	<b><u>(2,057,356)</u></b>	<b><u>(6,908,972)</u></b>	<b><u>2,718,149</u></b>
<u>63,946</u>	<u>5,368,349</u>	<u>29,715,997</u>	<u>7,899,484</u>	<u>49,480,836</u>	<u>36,993,389</u>

# Comparative Tables

	Value of property of the fund on a bid basis	*Cancellation price per share	Shares in issue	Calendar year	Net distribution per share	Highest offer share price	Lowest bid share price
<b>Managed Fund (US\$)</b>							
for the year ended 31st December 2006	103,984,164	1.5861	65,560,476	1998	0.0159	1.2155	0.9232
for the year ended 31st December 2007	110,366,227	1.7671	62,455,079	1999	0.0058	1.4307	1.0998
for the year ended 31st December 2008	75,951,460	1.2438	61,063,627	2000	0.0027	1.4988	1.1749
				2001	0.0075	1.2998	0.9708
				2002	0.0067	1.1410	0.8636
				2003	0.0061	1.2130	0.8720
				2004	0.0046	1.3480	1.0590
				2005	–	1.4690	1.2430
				2006	–	1.6690	1.3700
				2007	0.0025	1.9150	1.5470
				2008	0.0069	1.8580	1.0720
<b>Worldwide Equity Fund (US\$)</b>							
for the year ended 31st December 2006	72,829,322	1.7368	41,933,885	1998	0.0010	1.4470	1.0650
for the year ended 31st December 2007	71,183,543	1.9752	36,038,389	1999	–	1.7440	1.3070
for the year ended 31st December 2008	34,096,976	1.1294	30,190,924	2000	–	1.8060	1.3110
				2001	–	1.4810	0.9748
				2002	–	1.2410	0.8212
				2003	–	1.2030	0.7854
				2004	–	1.3700	1.0740
				2005	–	1.5620	1.2470
				2006	–	1.8310	1.4350
				2007	–	2.1830	1.6780
				2008	–	2.0830	0.9355
<b>Managed Currency Fund (US\$)</b>							
for the year ended 31st December 2006	2,314,143	0.3709	6,240,086	1998	0.0228	0.3647	0.3352
for the year ended 31st December 2007	2,091,512	0.3712	5,633,985	1999	0.0160	0.3601	0.3366
for the year ended 31st December 2008	2,144,552	0.3703	5,791,364	2000	0.0163	0.3634	0.3365
				2001	0.0080	0.3634	0.3368
				2002	0.0006	0.3589	0.3370
				2003	–	0.3806	0.3385
				2004	0.0009	0.3962	0.3569
				2005	0.0070	0.3898	0.3650
				2006	0.0147	0.3905	0.3637
				2007	0.0148	0.3905	0.3615
				2008	0.0045	0.3894	0.3621
<b>Gilt and Income Fund (£)</b>							
for the year ended 31st December 2006	21,192,718	0.2902	73,040,145	1998	0.0233	0.3396	0.2746
for the year ended 31st December 2007	22,468,736	0.2905	77,346,139	1999	0.0269	0.3371	0.2898
for the year ended 31st December 2008	19,568,995	0.3182	61,503,677	2000	0.0147	0.3212	0.2844
				2001	0.0155	0.3252	0.2856
				2002	0.0142	0.3194	0.2861
				2003	0.0127	0.3252	0.2836
				2004	0.0112	0.3112	0.2795
				2005	0.0096	0.3183	0.2835
				2006	0.0101	0.3248	0.2859
				2007	0.0105	0.3086	0.2681
				2008	0.0094	0.3980	0.2748
<b>North American Growth Fund (US\$)</b>							
for the year ended 31st December 2006	143,474,998	3.4636	41,424,250	1998	–	2.4350	1.6870
for the year ended 31st December 2007	147,351,538	3.8534	38,239,173	1999	–	4.3130	2.2960
for the year ended 31st December 2008	105,436,983	2.3720	44,450,606	2000	–	5.5400	3.5440
				2001	–	4.0400	2.4410
				2002	–	3.1490	2.0730
				2003	–	2.8880	1.9970
				2004	–	3.1850	2.6070
				2005	–	3.3670	2.8230
				2006	–	3.6840	2.9270
				2007	–	4.2580	3.3410
				2008	–	4.0650	2.0210
<b>Far East Fund (US\$)</b>							
for the year ended 31st December 2006	23,258,871	2.9529	7,876,730	1998	0.0056	2.0800	1.3730
for the year ended 31st December 2007	22,206,305	3.4782	6,384,424	1999	–	3.1167	1.5990
for the year ended 31st December 2008	10,389,807	1.8648	5,571,465	2000	–	3.2128	1.8901
				2001	–	2.1081	1.3070
				2002	–	1.6950	1.1890
				2003	–	1.8580	1.1500
				2004	–	2.1070	1.5910
				2005	–	2.7170	1.8290
				2006	–	3.1180	2.3460
				2007	–	3.9930	2.8640
				2008	0.0020	3.6930	1.5520
<b>UK Capital Growth Fund (£)</b>							
for the year ended 31st December 2006	64,367,519	0.7355	87,516,605	1998	0.0068	0.6111	0.4526
for the year ended 31st December 2007	57,569,765	0.8026	71,733,008	1999	0.0056	0.6873	0.5306
for the year ended 31st December 2008	37,538,684	0.5645	66,498,779	2000	0.0033	0.7371	0.5904
				2001	0.0064	0.6656	0.4638
				2002	0.0065	0.5845	0.4019
				2003	0.0076	0.5175	0.3599
				2004	0.0075	0.5677	0.4685
				2005	0.0063	0.6714	0.5231
				2006	0.0068	0.7909	0.6225
				2007	0.0075	0.8742	0.7234
				2008	0.0130	0.8577	0.4987
<b>Europe Fund (EUR)</b>							
for the year ended 31st December 2006	61,998,793	3.6823	16,837,093	1998	–	2.6122	1.5359
for the year ended 31st December 2007	53,321,906	3.7017	14,404,899	1999	–	3.1015	1.9777
for the year ended 31st December 2008	27,764,452	2.2312	12,443,730	2000	–	3.8475	2.7098
				2001	–	2.7350	1.9669
				2002	–	2.7340	1.6920
				2003	0.0022	2.2750	1.4750
				2004	–	2.4890	2.0860
				2005	–	3.2240	2.3430
				2006	–	3.8850	2.9030
				2007	–	4.3800	3.5520
				2008	0.0130	3.9050	1.9860

\*This calculation is based on an accounting valuation as at 31st December and may differ to the actual published daily price.

# Performance Table to 31st December 2008

Growth % per annum compound to  
31st December 2008 on an Offer to Offer basis

	2008		2007		2006		2005		2004	
	Denom-ination %	£ Equiv %	Denom-ination %	£ Equiv %	Denom-ination %	£ Equiv %	Denom-ination %	£ Equiv %	Denom-ination %	£ Equiv %
<b>Fund: Managed (US\$)</b> Fund Size: 75.95m Offer Price 31st December 2008: 1.3090 Yield %: 0.52	-29.3	-3.8	+11.6	+9.4	+14.6	+0.7	+7.1	+20.2	+12.7	+4.2
<b>Fund: Worldwide Equity (US\$)</b> Fund Size: 34.10m Offer Price 31st December 2008: 1.1890 Yield %: 0.00	-42.9	-22.3	+13.8	+11.5	+18.4	+4.1	+12.8	+26.7	+13.9	+5.3
<b>Fund: Managed Currency (US\$)</b> Fund Size: 2.14m Offer Price 31st December 2008: 0.3816 Yield %: 0.18	+0.9	+37.4	+3.8	+1.7	+3.8	-8.8	+0.5	+12.8	+2.3	-5.5
<b>Fund: Gilt and Income (£)</b> Fund Size: 19.57m Offer Price 31st December 2008: 0.3347 Yield %: 2.98	-	+12.3	-	+3.9	-	-0.3	-	+6.6	-	+4.8
<b>Fund: North American Growth (US\$)</b> Fund Size: 105.44m Offer Price 31st December 2008: 2.5030 Yield %: 0.00	-38.4	-16.2	+11.2	+9.0	+10.7	-2.7	+3.6	+16.3	+10.5	+2.1
<b>Fund: Far East (US\$)</b> Fund Size: 10.39m Offer Price 31st December 2008: 1.9670 Yield %: 0.00	-46.5	-27.2	+18.0	+15.7	+20.5	+5.8	+23.4	+38.5	+12.9	+4.4
<b>Fund: UK Capital Growth (£)</b> Fund Size: 37.54m Offer Price 31st December 2008: 0.6109 Yield %: 1.19	-	-28.1	-	+10.0	-	+18.5	-	+19.6	-	+11.3
<b>Fund: Europe (EUR)</b> Fund Size: 27.76m Offer Price 31st December 2008: 2.3720 Yield %: 0.52	-39.3	-21.1	+0.5	+9.6	+21.3	+19.0	+28.3	+24.4	+10.3	+10.4

**Total Funds under Management: US\$ 348.66m**

You should bear in mind that the value of Shares and the income from the Funds can go down as well as up. These figures, whilst illustrating past performance, should not be taken as a guide to future performance. Different financial conditions will mean that future investment performance may be better or worse.

# Further Information

68

## **Taxation**

The Company is resident in the Isle of Man and, as such, is liable to Isle of Man Income Tax on profits after deduction of dividends payable. The Company intends to distribute all its net income as dividends and thus no charge to Isle of Man Income Tax is expected to accrue.

The Company has been granted Approved Investment Company status in the Isle of Man under an Extra-Statutory Concession enabling it to pay all dividends to non-residents without deduction of tax at source.

## **Directors' fees**

Each Director is entitled to an equivalent payment in Sterling for Directors' fees of US\$ 7,500 per annum. All Directors, except the non-executive Directors, waive their rights to any Director's fees.

## **Approval of Accounts**

The Accounts were approved by the Board of Directors on 12th February 2009.