



**Polar Capital Funds plc**  
**Annual Report and Audited Financial Statements**  
**for the year ended 31 December 2011**

## Contents

Investment Manager's Reports	01
Report of the Directors	19
Report of the Custodian	22
Independent Auditor's Report	23
Portfolio Statements	25
Balance Sheet	56
Profit and Loss Account	65
Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares	68
Notes to the Financial Statements	70
Statement of Significant Portfolio Movements	115
Information for Investors	120
Notice of Annual General Meeting	122
Form of Proxy	123
Fund Information	125

## Investment Manager's Reports

For the year ended 31 December 2011

### Emerging Markets Growth Fund

#### Fund Performance

Against a very weak backdrop for Emerging Markets, the Fund performed relatively well but still registered a negative return. The cash position and relatively defensive positioning of the Fund helped during a period of extreme market turbulence. From an asset allocation perspective, value was added through the underweight in India, one of the worst performing markets during the review period. However, some of this was offset by stock selection as the financial holdings lagged the benchmark. In contrast, exposure to Egypt during the revolution proved to be expensive as the market inevitably suffered badly.

Stock selection proved to be most successful in Brazil, South Africa, Taiwan and South Korea with stocks such as Telefonica Brasil, Guangdong Investment, Life Healthcare and Korea Tobacco all managing to record strong gains in a very weak year. Stock selection was less successful in both Russia and Indonesia, where both markets subtracted value during the year.

#### Market Review

Markets were very weak, as most of the concerns that we highlighted in our report six months ago came to fruition. In particular, the perceived fate of the Eurozone completely dominated market sentiment, and as concern over the fate of the peripheral nations of Greece, Portugal and Ireland spread to Italy and Spain, both of whom are considered too big to fail, markets panicked. Unfortunately Emerging Markets were unable to escape the flight to safety and suffered both from weak markets and weak currencies.

Given their proximity to the main trouble spots it was unsurprising that the Eastern European markets and Turkey were amongst the worst performers during this period, as both currencies and stock markets weakened. Russia was also weak, perhaps unsurprisingly given its high beta status, but still unjustifiably given the continued strength on the oil price and the very low debt levels in the country. More surprisingly India was also a big loser, with the Rupee suffering a dramatic fall as investors lost confidence in a government mired in scandal.

The relative winners were the ASEAN markets of Thailand, Malaysia, Indonesia and the Philippines all of which are relatively insulated from the problems in Europe. Furthermore, they have been the beneficiaries of very strong inflows into their bond markets, which drove yields down to historically low levels. Thailand also benefitted from an election that passed peacefully and which saw a convincing victory for the party of former Prime Minister, Taksin Shinawatra.

#### Fund Activity

Given our concerns over market prospects we allowed the cash position to increase ahead of the severe market falls in August and September. Much of this cash was redeployed into the market during these two months both to top up existing holdings as well as to initiate a number of new positions. Brazil suffered an extreme sell-off in August and this allowed the Fund to increase its weighting through the purchase of Ambev, the brewer, Lojas Renner, the clothing retailer and CCR, the toll road operator. We also added to the Russian holdings during this period through the acquisition of Sberbank and later in the year through the purchase of X5, the food retailer. The Fund also increased its exposure to Turkey, which had also experience a significant decline through purchases of Bizim, the food wholesaler and TAV, the operator of Istanbul and Izmir airports.

#### Market Outlook

Whilst 2011 has undoubtedly been a very tough year for Emerging Market investors there are at least some reasons to suppose that 2012 should be an improvement. Unquestionably, there are many negatives, not least the dire situation in Europe but also the prospect that deteriorating property prices in China might result in a hard landing and the expectation of further deleveraging in the West. Clearly any of these can and almost certainly will disrupt markets as the year continues, and there is virtually no possibility that any of these can be resolved conclusively. However, they are now well known and consequently, to at least some degree, factored into share prices.

A year ago our primary concern within Emerging Markets was inflation, due to elevated commodity prices and, in some cases, due to overheated economies. In addition Emerging Markets were trading close to historic high relative valuations to Developed Markets. The combination of tightening liquidity and these high valuations suggested that relative underperformance was likely. In a weak year for equity markets that translated into a year of very poor performance. The situation is now very different with Emerging Markets trading at parity with developed markets and inflation generally in retreat. On an absolute basis, a price to book ratio of less than 1.6x is attractive relative to a ten year average of around 2x and the dividend yield of 3% has only been exceeded in 15 out of the last 192 months. On the 4 previous occasions when the yield has reached this level the next 12 months has produced a positive return. This includes 2008 when a purchase in September would have resulted in a loss of over 40% during the next 2 months, but a gain of nearly 16% over 12 months.

## Investment Manager's Reports continued

For the year ended 31 December 2011

### Emerging Markets Growth Fund continued

#### Market Outlook Continued

In terms of price to earnings the market is now trading on an estimated historic multiple of around 10x, again cheap both on a historic basis and relative to Developed Markets. Earnings estimates have fallen quite dramatically towards the year-end but are still expected to register growth in the region of 10% in 2012.

Undoubtedly the biggest positive for Emerging Markets has been the fall in inflation, which has primarily been due to falling food prices as harvests recovered from the La Nina-impacted harvests of 2010. There was a reasonably clear correlation between those countries that have kept inflation within target and stock market performance during 2011. Although other factors were also influential, India and Turkey were the worst performing markets and have the highest inflation rates whilst the ASEAN markets have reflected the inverse. The one disappointment continues to be the oil price, which continues at elevated levels due, primarily, to geo-political factors rather than economics. Unfortunately with the situation in both Iran and Iraq deteriorating it seems probable that this will persist. Sadly the obvious possibility of damaging Iran through lower oil prices seems beyond the grasp on Western leaders. Nevertheless, if oil remains around current prices the annualised impact on inflation will start to diminish quite rapidly from the second quarter of the year. As a result, Emerging Markets will witness monetary easing in 2012 and, given that they are not suffering the balance sheet recession that is being witnessed in the West, this should have a positive impact.

In China, although the government wants to see property prices falling quite substantially, their core targets revolve around employment and inflation. The inflation picture has improved dramatically and this should be sustained given the retreat in commodity prices. Although this will provide scope for looser monetary policy, we expect this to come through lower reserve requirements rather than through interest rates. The government will continue to focus on "rebalancing" the economy and thus we can expect to see policies such as incentives for car purchases if the economy shows signs of slowing. Infrastructure spending will slow but from very high levels and will be focused on social housing and the environment. Thus we believe that there are sufficient levers for Chinese GDP growth to be sustained at the 8% level, and therefore avoiding a hard landing. Despite this the market is now valued at similar levels to the lows registered during the Lehman crisis.

The new year, 2012, has started with renewed enthusiasm for Emerging Markets but it is unlikely to be plain sailing given the concerns outlined above. Nevertheless, with valuations still reasonable and interest rates falling, any significant pull back should be viewed as a buying opportunity.

#### Polar Capital LLP

March 2012

## Emerging Markets Income Fund

### Fund Performance

Against a very weak backdrop for Emerging Markets, the Fund performed well but still registered a negative return. The high cash position and relatively defensive positioning of the Fund helped considerably during a period of extreme market turbulence. From an asset allocation perspective, value was added through the underweight in India, one of the worst performing markets during the review period, and through the overweight in Indonesia. However, some of this was offset by stock selection in India as the financial holdings lagged the benchmark.

Stock selection on a geographic basis was generally very good with the only exception being in Russia where there was a slight underperformance.

Elsewhere there was exceptional performance in Brazil, South Africa, Taiwan, China and South Korea with stocks such as Ambev, Souza Cruz, Guangdong Investment, Life Healthcare, The Foschini Group and Korea Tobacco all managing to record strong gains in a very weak year.

### Market Review

Markets were very weak, as most of the concerns that we highlighted in our report six months ago came to fruition. In particular, the perceived fate of the Eurozone completely dominated market sentiment, and as concern over the fate of the peripheral nations of Greece, Portugal and Ireland spread to Italy and Spain, both of whom are considered too big to fail, markets panicked. Unfortunately, Emerging Markets were unable to escape the flight to safety and suffered both from weak markets and weak currencies.

Given their proximity to the main trouble spots it was unsurprising that the Eastern European markets and Turkey were amongst the worst performers during this period, as both currencies and stock markets weakened. Russia was also weak, perhaps unsurprisingly given its high beta status, but still unjustifiably given the continued strength on the oil price and the very low debt levels in the country. More surprisingly India was also a big loser, with the Rupee suffering a dramatic fall as investors lost confidence in a government mired in scandal.

The relative winners were the ASEAN markets of Thailand, Malaysia, Indonesia and the Philippines all of which are relatively insulated from the problems in Europe. Furthermore, they have been the beneficiaries of very strong inflows into their bond markets, which drove yields down to historically low levels. Thailand also benefitted from an election that passed peacefully and which saw a convincing victory for the party of former Prime Minister, Taksin Shinawatra.

### Fund Activity

Given our concerns over market prospects we allowed the cash position to increase further, resulting in a holding of around 10% ahead of the severe market falls in August and September. Sales during this period included Turk Telecom, which had risen some 25% in the period immediately after going ex-dividend. Much of this cash was redeployed into the market during these two months both to top up existing holdings as well as to initiate a number of new positions. Given the weakness of markets, the valuations available and the fact that the Fund had a comfortable income position, these were generally "growth" names and included Sberbank in Russia, Bizim in Turkey and Localiza in Brazil as well as Growthpoint in South Africa.

### Market Outlook

Whilst 2011 has undoubtedly been a very tough year for Emerging Market investors, there are at least some reasons to suppose that 2012 should be an improvement. Unquestionably, there are many negatives, not least the dire situation in Europe but also the prospect that deteriorating property prices in China might result in a hard landing and the expectation of further deleveraging in the West. Clearly any of these can and almost certainly will disrupt markets as the year continues, and there is virtually no possibility that any of these can be resolved conclusively. However, they are now well known and consequently, to at least some degree, factored into share prices.

A year ago, our primary concern within Emerging Markets was inflation, due to elevated commodity prices and, in some cases, due to overheated economies. In addition, Emerging Markets were trading close to historic high relative valuations to Developed Markets. The combination of tightening liquidity and these high valuations suggested that relative underperformance was likely. In a weak year for equity markets that translated into a year of very poor performance. The situation is now very different with Emerging Markets trading at parity with developed markets and inflation generally in retreat. On an absolute basis, a price to book ratio of less than 1.6x is attractive relative to a ten year average of around 2x and the dividend yield of 3% has only been exceeded in 15 out of the last 192 months. On the 4 previous occasions when the yield has reached this level the next 12 months has produced a positive return. This includes 2008 when a purchase in September would have resulted in a loss of over 40% during the next 2 months, but a gain of nearly 16% over 12 months.

In terms of price to earnings the market is now trading on an estimated historic multiple of around 10x, again cheap both on a historic basis and relative to

## Investment Manager's Reports continued

For the year ended 31 December 2011

### Emerging Markets Income Fund continued

#### Market Outlook Continued

Developed Markets. Earnings estimates have fallen quite dramatically towards the year-end but are still expected to register growth in the region of 10% in 2012.

Undoubtedly, the biggest positive for Emerging Markets has been the fall in inflation, which has primarily been due to falling food prices as harvests recovered from the La Nina-impacted harvests of 2010. There was a reasonably clear correlation between those countries that have kept inflation within target and stock market performance during 2011. Although other factors were also influential, India and Turkey were the worst performing markets and have the highest inflation rates whilst the ASEAN markets have reflected the inverse. The one disappointment continues to be the oil price, which continues at elevated levels due, primarily, to geopolitical factors rather than economics. Unfortunately, with the situation in both Iran and Iraq deteriorating it seems probable that this will persist. Sadly the obvious possibility of damaging Iran through lower oil prices seems beyond the grasp on Western leaders. Nevertheless, if oil remains around current prices the annualised impact on inflation will start to diminish quite rapidly from the second quarter of the year. As a result, Emerging Markets will witness monetary easing in 2012 and, given that they are not suffering the balance sheet recession that is being witnessed in the West, this should have a positive impact.

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interest rates. The government will continue to focus on "rebalancing" the economy and thus we can expect to see policies such as incentives for car purchases if the economy shows signs of slowing. Infrastructure spending will slow but from very high levels and will be focused on social housing and the environment. Thus we believe that there are sufficient levers for Chinese GDP growth to be sustained at the 8% level, and therefore avoiding a hard landing. Despite this the market is now valued at similar levels to the lows registered during the Lehman crisis.

The new year, 2012, has started with renewed enthusiasm for Emerging Markets but it is unlikely to be plain sailing given the concerns outlined above. Nevertheless, with valuations still reasonable and interest rates falling, any significant pull back should be viewed as a buying opportunity.

#### Polar Capital LLP

March 2012

## Financial Opportunities Fund

### Fund Performance

During a period of heightened uncertainty which led to selling pressure across the sector, the Fund's NAV fell 20.4% from its launch at the beginning of May. Our bias to non-life insurance and underweight position to US and European banks helped us to outperform our benchmark index by 5.5%.

### Market Review

Central to the fall in financial stocks has been a very weak performance from European financials on concerns surrounding European sovereign risk. Many of the core concerns have not been fully resolved and continue to be approached in a piecemeal manner in view of the political constraints imposed by the monetary union. The immediate funding pressures that were very apparent towards the end of the year have now eased following the ECB's offer of unlimited 3 year funding at 1%, but it has not been provided with enough strings attached to necessitate a more dramatic restructuring/consolidation within the sector.

US banks were also affected by developments in Europe, as well as regulatory uncertainties, but saw a strong recovery in the last quarter of 2011 (which has continued into the New Year) in line with a more positive sentiment towards US economic prospects. Underlying the recovery are the stronger fundamentals of US banks relative to their European peers. Whilst revenue trends remain subdued, critically, funding is ample (in fact most banks have complained about an excess of deposits), capital levels are reasonably high and exposures to troubled European countries are limited. The more positive sentiment, in terms of US economic prospects, can only help to see a full recovery in many of our US bank holdings.

It is worth noting that Asian financials have underperformed US financials (and only slightly outperformed European financials) over the past year, which is probably a reflection of concerns over their growth outlook and possible worries over asset quality if economies were to slow down further. However, we find many of these concerns excessive and consequently believe that the sector is undervalued. In contrast to trends in other regions, Asian financials have shown little evidence of pressure on asset quality. Most banking sectors (including Chinese banks) are seeing further falls in

non-performing loans and rising levels of prudent provisioning. We accept that it may take some time for asset quality problems to appear but with low levels of gearing within the corporate, personal and government sectors it remains difficult to assume there being a significant risk of a banking crisis.

### Fund Activity

Given the continued concerns surrounding the European sovereign crisis, we retained limited exposure to core European banks with the majority of our European exposure held in Scandinavia or Eastern Europe, where bank fundamentals are far stronger than both core or southern Europe. However, the instability opened up a number of opportunities to invest in quality franchises that are not exposed to the risks associated with the periphery. One such example is Sberbank in Russia where we have continued to add to our holding. Sberbank benefits from a strong balance sheet, high levels of profitability (driven by its competitive advantage on funding) and significant growth potential as management leverage the existing franchise. Towards the end of the year we also selectively added to certain core European holdings (BNP Paribas, Deutsche Bank) on the basis of very low valuations and resilient operating trends.

We have gradually increased our US exposure since the Fund's launch (now making up approximately 30% of the total Fund) in light of relatively strong fundamentals and an improving US macro picture. A large proportion of our US holdings are in the non-life sector given their natural defensive qualities (a reflection of the fact that their outlook is not driven by the general macro cycle) but equally fundamentals for the sector are on a clear improving trend. In a year with considerable catastrophe risk, it may seem surprising to be investing in this sector, but encouragingly there is a lot of evidence of an improvement in pricing/rates which is traditionally a catalyst for a rerating of the sector. Valuations remain very low and we have continued to add to our existing holdings with recent additions to Arch Capital, ACE and WR Berkley. We also raised our exposure to US banks and added US Bancorp to the portfolio since it shows better than average loan growth prospects and remains a highly profitable and good quality franchise.

## **Investment Manager's Reports** continued For the year ended 31 December 2011

### **Financial Opportunities Fund** continued

#### **Fund Activity** continued

The sell-off in Asian financials following a re-evaluation of the global economic outlook was an opportunity for us to increase some of our holdings in the region, which we continue to believe offers the most attractive banking fundamentals globally. Reported operating trends have shown a sector in good health, with wide margins, strong loan growth (albeit with a slowdown underway) and little evidence of asset quality problems. Valuations are low on the back of a sell-off in global financials and yet their balance sheets and underlying profitability have not been stronger for many years. We have added to our Korean insurance holdings as well as our Indonesian and Malaysian banking exposure (BCA, Bank Mandiri, Public Bank) and certain interest rate sensitive stocks which are well positioned for an easing in monetary policy (Sun Hung Kai Properties, Hong Kong Exchanges).

#### **Market Outlook**

Probably the easiest approach in the current circumstances is to simply ignore global financials entirely since they are very much in the eye of the storm. However, that herd mentality fails to take account that during times of stress even stocks with little impact from current macro concerns have experienced selling pressure. There are enormous value opportunities in the sector and we would highlight non-life insurance and Asian banks in the short-term but equally expect this to evolve into US and eventually European banks once the macro outlook is easier to assess. Only one segment of the sector (European banks) is suffering from severe stress (as evidenced by fears over funding and capital adequacy) and numerous banks are actually in good health. Most investors remain very underweight financials but, as events in the New Year have shown, should sentiment change there will be a very strong recovery.

#### **Polar Capital LLP**

February 2012



## Global Insurance Fund

### Fund Performance

For 2011, the Retail Accumulation units of the Fund were +0.5% versus the benchmark MSCI World Insurance Index Net Total Return -11.6%; for the FTSE All-Share Index -3.5% (Total Return) and the S&P 500 Index +2.7% (Total Return £).

On 27 May 2011 HISCOX Insurance Portfolio Fund and Polar Global Insurance Fund were merged. From 27 May 2011 to 31 December 2011 the Retail Accumulation units of the Fund were -0.1% versus the benchmark MSCI World Insurance Index Net Total Return -12.3%; for the FTSE All-Share Index -5.9% (Total Return) and the S&P 500 Index +1.7% (Total Return £).

In what has been a turbulent year for financial markets we are pleased to have been able to deliver this positive return for shareholders. In 2011 the Fund was ranked number 1 of the 94 Financials Funds covered by Lipper.

### Market Review

In 2011 the non-life insurance sector has again demonstrated its defensive characteristics and benefited from more positive commentary on pricing. Reinsurance pricing turned upwards decisively in March, following the tragic events in Japan, and continued to improve throughout the year. US commercial insurance pricing had a flat first half but has subsequently shown month on month improvement with rate rises approaching 10% by year end. The US/Bermuda industry price to book ended the year at 91%, close to the 93% where it started. M&A activity accelerated, led by the battle for Transatlantic Holdings, and share repurchases continued at pace as managements took advantage of their cheap valuations.

However, 2011 was the costliest year ever for natural catastrophes. Munich Re estimates c.\$380bn of global economic losses were nearly two-thirds higher than in 2005, the previous record year with losses of c.\$220bn. A total of 70% of the economic losses in 2011 occurred in Asia where insurance penetration is relatively low. Consequently, the cost of insured catastrophe losses was c.\$105bn for the year exceeding 2005's record of c.\$101bn (driven by Hurricane Katrina). To put this in context the average insured natural catastrophe loss over the last 10 years (2001-2010) is \$35bn. Two of the most damaging earthquakes in recent times struck Japan and New Zealand and caused insured losses of c.\$40bn and c.\$12bn respectively. Other significant

events included devastating floods in Thailand and Australia, a record breaking tornado season in the United States and Hurricane Irene making landfall along the U.S. east coast.

### Fund Activity

After the tragic events in Japan we made some adjustments to the portfolio since we believed this event would prove to be the turning point in insurance rates following 5-6 years of declining prices. We increased our exposure to companies we expect to lead an upturn in investor sentiment. These included ACE, Chubb and Travelers (new holding in the period) which are historically bigger companies than our usual mid-cap focus. We also increased exposure to the brokers and added Marsh & McLennan, Aon and Jardine Lloyd Thompson. They are early beneficiaries of an upturn in rates.

In December we invested \$5m into a private placement for Third Point Reinsurance, a start up reinsurance company based in Bermuda. We have long-term relationships with both the insurance team who will manage the underwriting and the founding investors. This investment was opportunistic due to the people involved and we are unlikely to invest in other unlisted companies.

Other new positions taken in the period were AXIS Capital, Allied World Assurance and Topdanmark. Resolution, Flagstone Reinsurance and Amlin were sold.

### Market Outlook

We look ahead to 2012 with increasing optimism. Rates are improving both in quantum and breadth across the industry. The portfolio continues to be heavily weighted to the US and Bermuda, consequently performance may also be aided by the recent improvement in sentiment towards the Dollar. The Fund has outperformed its benchmark and broader equity markets in the last two years. This is because share prices have tracked book value growth and dividends of the companies we own. We expect this to continue. The sector re-rating is ahead of us and, with the fundamentals continuing to get better, the prospects for 2012 are most encouraging.

### Polar Capital LLP

February 2012

## Investment Manager's Reports continued

### For the year ended 31 December 2011

## Global Technology Fund

### Fund Performance

The Fund NAV declined 13.1% over the twelve-month period versus the Dow Jones World Technology Index that fell 6.4% (both in US Dollar (US\$) terms). Whilst both the Fund and the technology sector materially outperformed in the two years following the 'great recession' of 2008, returns in 2011 were disappointing, albeit in the face of considerable economic headwinds. Spiking risk aversion led to extreme levels of correlation as investors fled equities, overwhelming bottom-up fundamentally driven analysis. As a result, despite delivering strong growth against a very challenging macro backdrop, many small and mid-cap technology companies suffered significant multiple compression, especially relative to the larger-cap, supposedly 'defensive', peers. While frustrating, this 'flight to safety' was understandable given the potential for a disorderly Greek default and the potential return of Lehman style systematic risk. This can clearly be seen in the performance of the Merrill Lynch Technology 100 Index, which was down 12.3%, and the 19.2% decline in the broader MSCI Asia ex Japan Index, whilst the 'safe haven' S&P 500 Index was flat on the year (all in US\$ terms).

### Market Review

Equities made a strong start to 2011, largely due to a robust fourth quarter earnings season, with many next generation technology stocks reporting strong earnings supported by secular tailwinds, whilst several incumbents such as IBM and SAP benefitted from strong spending at year-end. Unfortunately, the Fund lagged many of its closest peers during this period because, following a strong period of performance and given the rising macro uncertainty, we had rotated the Fund to a more conservative position - with circa 65% invested in large cap stocks and an higher than normal cash position. We were also surprised that markets ground out further gains and small and mid-caps continued to outperform despite the backdrop of worsening of the Greek crisis, Chinese policy tightening, US debt ceiling concerns and uprisings in the Middle East. Eventually, however, it was the tragic Japanese tsunami and nuclear disaster which brought the rally to an abrupt end, driving a spike in risk aversion and triggering the underperformance of the technology sector – largely due to fears of widespread component shortages with the potential to impact much of the technology supply chain.

The decision by S&P to downgrade the US AAA credit rating outlook to 'negative', certainly had the potential to spark a more significant correction, but actually had limited impact other than pressuring the US Dollar (USD). Instead a strong start to first quarter

earnings season boosted equities, although technology stocks lagged due to on-going supply chain concerns (focused on domestic Japanese, automotive and PC related companies). Elsewhere, technology results remained robust with many of our core holdings such as F5 Networks, Salesforce.com, Redhat, Polycom and Netgear beating expectations. Microsoft's \$8.5bn acquisition of Skype and the successful IPO of LinkedIn further helped sentiment towards these new cycle stocks, highlighting the growing divide versus larger peers such as Cisco Systems, Hewlett Packard and Nokia each of which disappointed. The one area of clear weakness for the Fund was our Chinese exposure in general where an alleged fraud at Longtop Financial (not held at the time of discovery) and the Yahoo/ AliPay scandal (held by the Fund until August 2011) reminded investors that corporate governance in the region does not match Western standards, resulting in significant multiple compression for many of our smaller Chinese holdings.

The middle of the year marked an inflection point for investors with volatility rising sharply due to increased fears of a disorderly Greek default, augmented by deteriorating global macroeconomic data. Top down factors overwhelmed fundamentals as a result of considerable speculation surrounding the willingness and ability of periphery Eurozone countries to implement harsh austerity measures. Ten year US Treasury yields collapsed below 3% and oil prices fell as investors lost confidence in policy makers on both sides of the Atlantic, catalysed by US politicians' inability to agree on a US debt ceiling and deficit reduction plan. Whilst there were short periods of relief such as that following the passage of the initial Greek austerity measures (and the avoidance of a referendum on the issue – effectively a referendum on EU membership), there was an unsurprising rotation into more defensive sectors. Technology stocks clearly suffered as investors dusted off their financial crisis 'playbooks' looking to position for a recession and/or repeat performance of 2008/09. Small and mid-caps were particularly badly hit during this 'risk off' phase, underperforming their large-cap peers by 9% in July alone.

Given our natural bias to small and mid-cap secular growth stocks, and our structural underweight position in larger index constituents, the third quarter was a very tough period for Fund performance. Despite this, the majority of our holdings continued to report robust results. The sub-sector where we suffered most was our overweight position in communications/networking equipment, which was negatively impacted by slowing carrier capital expenditure throughout the second half – evidenced by warnings ranging from optical component suppliers through to more strategic vendors such as F5

Networks, Riverbed, Akme Packet, Ixia and Juniper. On a stock specific basis, DemandTec and Meru Networks also dragged on our performance, yet after further analysis we added to both. Whilst Meru remains in our penalty box awaiting evidence that increased investment will translate into accelerating growth, DemandTec announced in December it was to be acquired by IBM at a 50%+ premium.

The Fund also benefitted from the acquisition of Netlogic Microsystems by Broadcom during the third quarter, again at a 50%+ premium. Unfortunately, although two of our holdings being acquired was clearly positive and M&A activity appeared to be accelerating into year-end, the Fund did not benefit to the extent it has in previous years. That said, we were encouraged by the premiums paid which reflect undervaluation and/or the strategic nature of the assets. In addition, DemandTec highlights something we often discuss – the dangers of relying too heavily on price-to-earnings ratio as the primary valuation metric for smaller technology companies. Management were investing for growth with R&D at 35% of revenue resulting in close to breakeven profitability - making it appear to be one of the most expensive stocks in the portfolio on a PE basis. Instead we focused on its market leading position in retail price optimisation software, blue chip customer base, recurring SaaS business model with 65%+ gross margins, strong balance sheet and very compelling valuation on an EV/Sales basis. Through the eyes of an acquirer, such as IBM with the potential to dramatically increase revenue using its global sales platform, the business is likely to scale quickly and be highly accretive.

Although the US debt ceiling was raised at the last minute, the preceding brinkmanship was clearly the catalyst for the eventual S&P downgrade which saw the US lose its coveted AAA rating. Despite this historic development US Treasuries soared with yields falling to an intra month low of 2%. Risk assets continued to fare poorly against this backdrop, especially given the hard line stance taken by Germany over Eurobond issuance and quantitative easing by the ECB, resulting in a significant spike in periphery Eurozone CDS spreads and bond yields. Unfortunately, technology news flow was also poor with weak results from Hewlett Packard, Dell and Network Appliance (only the latter being a holding in the Fund). In addition, the sector had to overcome the sad news that Apple's talismanic CEO Steve Jobs had passed away. With investors focused on the worst case outcomes, such as a disorderly break-up of the European Union and a hard landing in China, it was unsurprising to see the VIX hitting post Lehman highs and record levels of cross correlation between assets.

Despite almost universally negative sentiment several of our team members returned from trips to visit companies with relatively upbeat data points regarding technology demand. Given the compelling bottom-up valuations and our belief this macro phase was merely an echo of the previous crisis rather than a repeat performance, we used weakness to add to our preferred holdings. Fortunately, better US economic data and a framework for the European bailout plan led to a sharp rally which gained momentum through a solid third quarter earnings season. Encouragingly a number of next generation winners such as Riverbed, F5 Networks and Citrix - several of which had disappointed in the previous quarter - reported robust earnings supporting our own channel checks. There were exceptions with Salesforce.com bookings and Network Appliance guidance disappointing investors, but the only significant area of weakness was semiconductor stocks which were in the midst of an inventory correction (the worst impacted being those exposed to more mature areas of technology such as PC and TV, but also networking/communications). Even here stock price action was encouraging with investors willing to look through current weakness, given the likelihood of a near term fundamental trough. In addition, severe flooding in Thailand negatively impacted HDD supply which had a knock on effect for PC and storage related stocks – with HDD supply likely to remain constrained throughout the first half of 2012.

After a short sharp rally, markets softened again in November, as the negative feedback loop associated with deep austerity measures against a slowing economic backdrop proved deeply unpopular with voters - resulting in the highly unusual spectacle of three Eurozone governments being toppled within a month. Fortunately, supportive commentary from the new ECB president Mario Draghi provided some support. That said, the technology sector struggled following cautious commentary regarding the macro from Oracle, which led to a material correction in software and enterprise related stocks. This negatively impacted the Fund given we are structurally overweight these groups. The most significant news was once again macro driven, with the ECB embarking on quantitative easing (QE) like monetary expansion via the Long Term Refinancing Operation (LTRO). It is only in hindsight, with final allotments reaching €89bn which was materially above expectations, that investors appreciated the widespread implications – now reflected in significant falls in both CDS spread and bond yields for some of the troubled Eurozone nations. Effectively, this decisive action appears to have taken the worst case disorderly Eurozone break up off the table (at least for now).

## Investment Manager's Reports continued

### For the year ended 31 December 2011

## Global Technology Fund continued

### Fund activity

Whilst our investment style was largely to blame for our disappointing performance in 2011, this was exacerbated by a macro view, which in hindsight was too complacent. We clearly underestimated the inability of politicians in both the Eurozone and US to act decisively (perhaps due to impending elections in many regions). As a result, whilst our initially conservative stance early in 2011 was correct, we rotated back towards our preferred holdings late during the second quarter and we were fully invested and with a more normal 50% small/mid-cap position during the worst of the correction. Since then, given our conviction in our 'new cycle' thesis remains high, we have remained largely fully invested because we see this pull back as a compelling long-term entry point. The only significant change has been a move to reduce the number of holdings in the portfolio back towards the middle of our target range (70-90 stocks), reflecting our analysis which suggests the core holdings performed well but it was some of our periphery stocks, especially those in China which dragged on our performance.

### Outlook

Whilst 2011 was clearly characterised by a 'flight to safety' and 'search for income' we expect macro concerns to fade and fundamentals to return as the dominant factor in 2012. It is almost impossible to believe that US treasuries, which were one of the best performing asset classes, can continue to outperform with yields finishing the year at 1.9%. In comparison, in the absence of a major cut to earnings expectations, equities generally look attractive with year end S&P earnings yield at 8.2% leaving equities trading on around 12x forward earnings. Since the year-end, a wider appreciation of the implications of the ECB's LTRO programme supported by a robust start to earnings season has seen markets move higher. Investors, previously paralysed by fear, finally appear to be 'climbing a wall of worry' typically associated with bull market phases.

Although earnings season is only partially complete, so far technology results and guidance have been better than expected. At the same time, macro data continues to improve, with weakness in Europe offset by continued recovery in the US economy and with a hard landing in China looking increasingly less likely. As such, we feel the outlook for the Fund and the sector in 2012 is much more encouraging than at this time last year. As we stated in our interim report, a period of consolidation is not unusual following several years of strong absolute and relative returns. It is important not

to underestimate the impact that falling stock prices, combined with strong underlying growth, can have on valuations during relatively short time periods.

Whilst IT budgets are likely to remain under pressure in the face of a prolonged period of below trend global growth, this fits well with our new cycle thesis. In our view, the pace of innovation is clearly accelerating like no other period we have experienced in our 15+ years of covering the sector. Our confidence in our core themes is firmly intact: 1) Cloud computing (including public, private and hybrid) benefitting data centre, networking and storage providers: 2) Broadband applications (including software as a services (SaaS), e-commerce, online advertising and social media): 3) Mobility (including 4G/LTE network rollouts, tablet adoption), desktop virtualisation, in-memory analytics, cyber security, Windows 8 (and ultra books), solid state drives (SSD), OLED TV, LED lighting, mobile payments (including NFC), voice recognition and many other emerging technology trends. Against this strong secular backdrop and faced with flat IT budgets, companies will be forced to adopt lower cost and more flexible disruptive new technologies and business models at the expense of incumbent providers.

In addition, we believe the relative de-rating of small and mid-cap technology stocks has likely played out, and expect to see some rotation out of larger more defensive technology stocks (such as IBM, Intel and Apple) as the economic outlook eventually improves. At this time, we would also expect the pace of M&A activity to accelerate as many larger technology companies use their 'free' cash flow to acquire strategic/disruptive assets in order to maintain the façade of growth in the face of a new technology cycle. While there will almost certainly be further echoes of the current crisis, resulting in continued volatility, we believe the technology sector looks well placed. Not only does the sector offer some downside protection in the form of exceptionally strong balance sheets (significant net cash versus the market net debt) but it also offers compelling valuations and secular growth potential which may be increasingly scarce elsewhere. If our views are correct, it may be that a stealth bull market emerges in small and mid-cap technology that is not fully captured in the performance of market capitalisation weighted indices which are weighed down by last generation companies.

### Polar Capital LLP

February 2012

## Healthcare Opportunities Fund

### Fund performance

The Fund returned 7.82% over the one year period compared to a return of 6.63% for the MSCI ACWI Healthcare Index. The healthcare sector enjoyed a strong year, driven in part by its defensive attributes although fundamental news-flow was positive for most sub-sectors. The Fund outperformed its benchmark over the period largely due to stock selection in the biotechnology and healthcare service sectors.

In terms of sub-sectors within healthcare, the strongest absolute performance came from healthcare insurance, biotechnology and healthcare services. Biotechnology benefited from a number of acquisitions, helping to drive interest in the space as well as significant clinical trial results being announced during 2011. The healthcare insurance sector continued to perform well based on the optimism for strong margins, driven by lower healthcare utilization due to high unemployment, and also the increasing potential for further outsourcing of care from Government run programs, Medicare and Medicaid. The pharmaceutical sector also performed well, as would be expected with a difficult market back-drop. In addition, the sector was buoyed by investors looking for higher yielding stocks and by several positive pipe-line events. The medical device sector and healthcare services, in particular facilities, struggled, particularly in the back half of the year, as these sub-sectors are directly linked to utilisation which in turn is highly correlated to the employment rate and consumer confidence. Large-cap medical device stocks struggled in particular due to increasing pricing pressure in both orthopaedics and cardiovascular markets. Several small and mid-cap medical device stocks performed better as they benefited from unique growth opportunities that did not suffer the same pressures as their large-cap peers.

In biotechnology, the stand-out performers were Pharmasset, Alexion, Lexicon and Biogen Idec. Companies developing hepatitis C drugs have enjoyed significant outperformance over the last 2 to 3 years, as the new drugs could potentially lead to a paradigm shift in how the disease is treated. Pharmasset, a leader in the space, was a significant contributor to Fund performance following its proposed acquisition by Gilead in November. Alexion continued its high growth trajectory and also produced positive clinical data, as did Lexicon Pharmaceuticals. Biogen Idec

was also an outperformer, following very positive news on its new multiple sclerosis drug. Within healthcare insurance, the Fund benefited from holdings in UnitedHealth, Humana and Amerigroup. UnitedHealth continued to surpass expectations in terms of earnings throughout the year, whereas Humana and Amerigroup rallied due to expansion of opportunities in managing U.S. government healthcare programs. In healthcare services, HMS holdings continued to deliver strong growth and also announced a significant acquisition, which should be highly accretive. The company focuses on reducing payment errors for healthcare insurance programs, both for state healthcare plans and commercial insurance companies. In medical devices, Zoll Medical and Intuitive Surgical were highlights, as were Valeant and Bristol-Myers Squibb in the pharmaceutical sector. The negative factors hurting performance over the year were due to the Fund's lower exposure to large-cap stocks, in particular the large-cap pharmaceutical sector, and underperformance from biotechnology stocks with negative clinical data, such as Endocyte and Targacept.

### Market Review

The year, 2011, was a challenging year for stock markets, driven by a number of issues but obviously the situation in Europe dominated events. The sovereign debt crisis in the second half of the year caused extreme volatility, making the investment environment extremely challenging.

The first sign of an economic slowdown, which helped to exacerbate European concerns, was the peak in leading economic indicators in February. Following this data-point, future economic releases started to suggest a slowdown in the US, eventually raising fears of a recession. Soon data for Europe suggested sluggish activity, followed by significant concerns in Emerging Markets and particularly China over first inflation and then economic growth. The negative view of China worsened due to investor fear over the state of the property market in the country.

The main focus though remained fears over the economic crisis in Europe. Numerous summits were held by European political leaders in an attempt to devise a solution that might appease sovereign debt investors. The situation in Greece was already negative entering 2011 but continued getting worse.

## Investment Manager's Reports continued

For the year ended 31 December 2011

### Healthcare Opportunities Fund continued

#### Market Review continued

The fear of contagion was justified as the misery continued for Ireland and Portugal, but then more critically Italy and Spain became embroiled with severe sell-offs in their respective debt markets, the 10 year Italian bond reaching a yield of over 7% on several occasions. Politicians and the European Central Bank achieved very little in terms of boosting confidence, with investors demanding quantitative easing and the Euro experiencing increasing weakness moving into the year end. In terms of assets, the winners for the year included US and UK Government debt, gold and defensive equities, with healthcare therefore benefiting from this trend. Volatility remained extreme into year end with investor sentiment finishing quite clearly in the negative zone.

#### Fund Activity

The exposure of the Fund to general public utilisation of healthcare was increased at the beginning of the year as the economic outlook in the US was more promising, as was the employment situation. The weightings in services and devices were increased, and reduced in the pharmaceutical sector. Due to a bearish outlook for emerging markets all direct exposure was sold out of the Fund, and no exposure was added for the whole year. Gradually, as it became clearer by the half year stage that general public utilisation of healthcare was not going to improve, and if anything decline, a shift was made with a reduction in exposure to medical devices, in particular large-cap stocks in this sub-sector. In addition, all stocks in the life sciences tools and equipment sub-sector were sold, largely due to their sensitivity to economic growth. The weighting in large-cap pharmaceuticals and large-cap biotechnology stocks was increased dramatically.

During the third and fourth quarter, the cash weighting of the Fund was increased to lower the beta and volatility of the Fund during the uncertain periods created by the ongoing crisis in Europe. All positions in Europe were sold, apart from holdings in the UK, due to the concern that the Euro might collapse as a result of the building macro-economic pressures.

The exposure to growth stocks was increased due to their lack of sensitivity to economic growth. This was most relevant to the biotechnology, specialty pharmaceutical, device and service sub-sectors, and the small and mid cap holdings of the Fund.

The increased weighting in large-cap pharmaceutical stocks, albeit lower than the

benchmark, was a positive as both US and European stocks were very strong over the period. Fundamentals improved over the year with significant news-flow driving interest in the stocks as investors appeared to be focusing on the growth profile of these companies post 2012 when the growth outlook should be much brighter.

#### Market Outlook

With slowing headline inflation, leading economic indicators in the US started to improve towards the end of 2011 and should continue to do so over the next few months. This should help offer an improved equity market in the first half of 2012, and should favour a more cyclical bias in the portfolio as opposed to the more defensive one that was in place during the second half of 2011. With an improving economic outlook, growth in employment and improving consumer confidence should occur, which would boost the performance of medical device and certain healthcare service sub-sectors. As stated earlier, these two sectors are highly correlated with medical utilisation in the US which in turn is affected by employment and consumer confidence. Hence, if evidence of a cyclical upswing continues to grow, the outlook for these healthcare sub-sectors that lagged in 2011, and equities in general should be much more bullish.

In Europe and Emerging Markets, leading indicators are also improving which should drive a more positive outlook despite the structural issues. In Europe the problems are obvious, but with the European Central Bank essentially printing money and politicians working to outline some kind of future plan, starting with Greece, then a cyclical upswing could also generate a more positive outlook for European equities, again in the short-term. Emerging Market equities will also respond to a more positive cyclical outlook, particularly in Asia. For China, over-investment and the prospects for the property market are likely structural problems which must be dealt with in the future. At some point in 2012 economic growth will likely slow which will bring the structural issues in Europe and China to the forefront again.

Fundamentally, the healthcare sector is in solid shape despite fiscal pressures around the world. Growth opportunities remain, although as ever individual stock specifics matter the most. The pharmaceutical sector is benefitting from an improvement in research and development success rates of late, and the biotechnology sector appears to be thriving, driven by recent clinical data and acquisitions. The healthcare service sub-sector offers a diverse

range of opportunities in terms of growth, the most positive being accountable care, healthcare insurance, management of the dual eligible population, healthcare IT, senior living, distribution and pharmacy benefit management. The outlook for the medical device sector is tougher, with the best positioned companies at the small and mid-cap end of the spectrum.

The most significant event for the year is likely to be the US election. If President Obama retains his position then healthcare reform, due to launch in 2014, likely remains in place, which should offer a broad positive driver for healthcare stocks with the increase in the number of Americans due to receive healthcare insurance. If the Republicans prove capable of selecting an electable candidate for president, and that person goes on to win, depending on control of the House and Senate, they are likely to attempt to re-engineer healthcare reform. The impact of this would be an obvious negative for those that stand to benefit the most from healthcare reform, such as hospitals and other facility operators. The positive would be a reversal of the pressures on many healthcare sub-sectors from the taxes and reimbursement changes that were put in place to fund healthcare reform. Also, if the Republicans do take control, there would likely be increased opportunities for the private sector to take-over the provision of healthcare in the US.

### **Polar Capital LLP**

March 2012

## Investment Manager's Reports continued

For the year ended 31 December 2011

### Japan Fund

#### Fund Performance

The Polar Capital Japan Fund had a good 2011, outperforming the Topix index by more than 5% leaving our annualised outperformance since inception (Oct 2001) at 5%. The relative performance that we generated against the benchmark was all garnered in the first half of the year as the second half witnessed a very disappointing period for Japanese equities. Good stock selection at the small/mid-cap level and our decision to have no exposure to the Utility sector had a major bearing on our performance. In the latter part of the year the turbulence in Europe began to be reflected in cyclical stocks, in which we were somewhat overweight. The Topix Index ended the year down 18.94% whilst the Polar Capital Japan Fund fell 13.56%.

#### Market Review

The market began 2011 optimistically. The US economy was perceived to be recovering and corporate profitability remained buoyant. In 2011, corporate Japan was marked by three key events. Firstly, a tragic earthquake/tsunami in March resulted in a widespread nuclear disaster. Secondly, severe floods in Thailand that disrupted production and supply chains, and finally, the persistent Yen strength, exacerbated by the European crisis, provided significant headwinds to exporters. Whilst the beginning of the year had promised so much the headwinds proved too tough for a fragile demand/supply situation in the market. The earthquake and resulting tsunami that struck Japan in March changed everything. The Topix Index fell sharply but a co-ordinated response by the Japanese authorities and concerted Yen selling by economic allies arrested what was looking like a complete meltdown. The market rallied hard towards the end of March.

The second quarter was dominated by the fallout from the Fukushima nuclear disaster and concerns that Japan would be subjected to severe power shortages. Towards the end of the quarter, concerns regarding the sustainability of the US economic recovery began to emerge and European fiscal deficit worries began to take an even larger toll on investor sentiment across the globe.

Markets in the third and fourth quarters were driven by the European sovereign crisis and the threat of global economies heading into recession. Cyclical areas of the market were severely punished. Towards the end of the year there were some positive moves by the European authorities to ease the liquidity situation of European banks, but the markets did not get the monetisation and fiscal union they required as a step towards solving the European sovereign crisis.

The five top performing sectors in 2011 were Rubber products, Food, Retail Trade, Fishery, and Mining. The worst performing sectors were Securities, Marine Transportation, Electric Power and Gas, Other Products and Iron & Steel.

#### Fund Activity

Portfolio turnover increased noticeably following the earthquake in March. Initially, we focused on adding to existing positions in probable beneficiaries from the rebuilding efforts. However, following the sharp rally in the second half of March, we began to rotate the portfolio into companies with high earnings visibility and also targeted opportunities in the auto sector which was heavily impacted by short term supply chain issues. By mid-June, with the Topix Index approaching 800 index level, we rotated once more given valuation support. Winning mid-cap positions were sold as they approached our fair values. The proceeds from sales were reinvested predominantly into lagging mega-cap names. Therefore, portfolio strategy changed considerably towards the end of June with a pronounced move away from defensive and high visible earnings stocks to more economically sensitive and higher beta names. In the second half of the year, portfolio turnover was considerably lower with the bias towards cyclicals retained on valuation grounds.

#### Market Outlook

Looking forward, it is clear that Europe remains the biggest swing factor for the global economies. The sovereign debt and banking crisis in Europe have still not been addressed properly, and, in our view, the overall consequences of deleveraging will prove to be deflationary. The long-term trajectory for the leading western economies is slower economic growth than in the past. Secular headwinds are very strong, and the experience of Japan and deleveraging can be most instructive, but cyclical tailwinds should not be ignored as the US economy has displayed strong momentum in the fourth quarter.



It is our view that the current momentum could remain longer than is generally expected. As the year progresses there is a major battle to be won regarding a reduction in the budget deficit and the Japanese economy remains very much at the mercy of global headwinds. There is some added support from fiscal measures taken after the Great East Japan earthquake. With the market trading on 13x forward earnings, over 70% of the market trading below book value and a dividend yield in excess of 2.6% there seems to be little downside. A catalyst could come from a concerted effort by the Japanese authorities to drive the Yen down against the US Dollar and the Euro, as a Yen depreciation of 10% could boost corporate profits by 5-6%.

Corporate Japan remains cash rich and we are focussing on companies that can grow earnings in a difficult economic climate whilst remain cash-flow positive. As ever, we are focussing on low PER stocks, companies that have high quality balance sheets and trade on low price-to-book multiples. We are still somewhat overweight in cyclical areas but are reluctant to sell them here as defensive areas of the market are looking technically overbought. A rally in markets could change that stance and we would be looking to add to quality secular/defensive areas of the market after any sustained move up in oversold and undervalued cyclicals.

## **Polar Capital LLP**

February 2012

## Investment Manager's Reports continued

For the year ended 31 December 2011

### North American Fund

#### Market Review and Performance

This review focuses on the period from the Fund launch, 15 November, until year end. The USD Institutional share class of the Fund increased by 1.0% over this period, marginally ahead of the MSCI North American Index's returns of 0.3%. Initially the market was weak during the period, because of the well documented concerns over the fate of the Euro before rallying on the back of a coordinated move by a number of central banks around the world to boost liquidity. In addition, and of more direct relevance to the US economy, the market was helped towards the end of the year by some further decent US economic data pointing to growing manufacturing and construction activity and an improvement in employment. From a corporate perspective, the final quarter of 2011 delivered a fairly mixed set of operating results and the slowest profit growth for the S&P 500 Index since 2009, in part because of the weak environment for consumer and business confidence that inflicted the second half of the year, but also because of the natural maturation of the profit cycle.

#### Positioning and Activity

Reflecting our philosophy and process, the initial portfolio has both quality and value characteristics, though is more skewed to the former than the latter. This skew is partly a reflection of our view that the profit cycle is petering out, but more importantly that from a bottom-up perspective we can find quality franchises with sustainable and stable growth prospects and generous capital return policies that are trading at very reasonable valuations. Examples of such stocks that feature prominently in the portfolio include; the auto-parts retailer, Advance Auto Parts; media companies, Time Warner and CBS; drug distributor, McKesson; Philip Morris International and IBM.

On the whole, the portfolio's quality bias means it is acting reasonably defensively. However, we have also found attractive investment opportunities in more cyclical areas of the market and the portfolio has a sizeable position in the industrials sector. Companies such as Wesco, an industrial distribution business, Hubbell, a manufacturer of lighting and electrical products, and CSX, a rail company, are well positioned to take advantage of recovery in the domestic industrial economy. They are also attractively valued when one considers that some of their end markets have yet to see much of a recovery.

Unsurprisingly, we have made few changes to the portfolio since the recent launch. The only new addition to the portfolio during the period was Coca Cola, one of the best franchises in the world. The equity is not cheap at face value, trading at around

16x 2012 earnings, but in our view is attractively valued given its bullet-proof business and financial characteristics. We can see potential for a relatively stable low double-digit long-term annual return from the underlying business through a combination of high single digit cash-flow per share growth and nearly a three percent dividend yield. It very much can be seen as an excellent company at a reasonable valuation.

#### Outlook

Over the next 3-5 years we expect below long-term trend economic growth because of the necessary deleveraging that must take place in the economy. We also expect shorter cycles than in recent history and more risks to the downside than upside when it comes to economic growth – with the most obvious in the near-term being the unpredictable 'external' risk of any ramifications from changes to the currently unsustainable structure of the Eurozone.

The good news is that there is some decent momentum in the US economy and, despite the structural issue of deleveraging, there are significant parts of the economy that are still operating at below mid cycle levels of output. Such areas should act as tail winds to economic growth, which is especially important when one considers overall longer-term reversion to the mean in activity levels. Most notably, housing and commercial construction activity is at multi-decade lows. It is difficult to call when activity will start to show marked improvement, but there has been some improving housing data of late and construction activity should be significantly above current levels in three-five years time - a positive for the economy. Other parts of the economy such as business investment and auto demand are also at levels that will likely improve over the medium-term.

Furthermore, there are some tentative signs of a longer-term North American manufacturing recovery, driven in part by an improved relative cost position with the Far East, favourable legislation and lower energy feedstock costs caused by the boom in gas shale drilling. In addition, the technological advances in hydrocarbon drilling has not only resulted in booming production of natural gas but also a potential boom in oil production, with some commentators forecasting the US to reach 'energy independence' over the course of this decade. Such a renaissance in these industries is part of the necessary long-term global rebalancing that has to take place. Importantly, it serves as a reminder that not all rebalancing is bad, rather it can provide some excellent longer-term investment opportunities.

More positively, and arguably more significantly from an investment perspective, we feel there is very good

value to be had in the North American equity market. At the end of 2011 the market was trading at around 13x (trailing) 2011 earnings. Within the market there are plenty of attractively valued, well run and financially strong businesses that can grow cash flows, even in an anaemic economic environment, and that are returning these cash flows to shareholders. An illustration of this fact is that out of the top twenty stocks in the portfolio at the end of the reporting period, the median stock had a historic free cash flow yield of 7% and returned nearly 5% of its market cap to shareholders over the last twelve months through dividends and share buybacks. Should the global economy exhibit low growth, we would still expect these companies to deliver attractive rates of growth in cash flow per share. We are also, on a very selective basis, finding some more cyclical businesses in certain industries trading at very reasonable multiples of below mid-cycle cash flows.

We are confident that our disciplined focus on quality and value should enable us to take advantage of investment opportunities in an uncertain macro environment and help us achieve our goal of delivering attractive returns to investors over the longer-term.

## **Polar Capital LLP**

March 2012

## Investment Manager's Reports continued

### For the year ended 31 December 2011

## UK Absolute Return Fund

### Fund Performance

The Fund had a frustrating year against a difficult market backdrop returning -13.9%. This compares with the fall in the FTSE-All-Share Index of 6.7%. Our style of contrarian value investing just didn't work as investors preferred the safety of classic defensive sectors such as tobacco and healthcare. Whilst we had some successes on our short book, specifically Homeserve (-35%), the performance of our long book was very disappointing with particularly poor returns from our core long positions in Lloyds Bank (-60%), Petropavlovsk (-46%) and TNT (-35% since the demerger in May). In addition, hedging tail risk proved to be a costly expense given the heightened volatility and the generally range bound nature of markets.

### Market Review

Macro news flow was the dominant theme in 2011. The beginning of the year saw a sharp rise in commodities prices, specifically oil, in-part fuelled by the 'Arab spring'. This was then followed by the terrible tsunami in Japan and the resultant impact on the global supply chain. Political squabbling in the US over its fiscal issues almost led to a technical default. Concerns over the Chinese economy were also a cause for consternation. The ongoing issues affecting the Eurozone spread to the core, specifically Italy, leading to fears of a possible banking collapse. Equity markets, as a result of these issues, suffered from bouts of heightened volatility culminating in a sharp sell off from late July/early August reaching their lows in September/October.

As a result of these macro uncertainties, increased fiscal austerity and reduced expectations for global growth, yields on government bonds fell sharply. Within equity markets there was a marked outperformance of defensive sectors, specifically tobacco, food and beverage and pharmaceutical stocks, at the expense of financials, especially banks, which also suffered from a continued aggressive regulatory backdrop. Cyclical sectors, such as miners, also came under pressure as a consequence of reduced growth expectations and a weakening consumer.

As we moved into the final quarter of the year the headline level of equity markets began to recover, helped by better than expected economic statistics from the US, the early stages of fiscal easing in China in response to an easing of inflationary pressures and co-ordinated central bank intervention to provide dollar loans to banks. The most significant piece of (positive) news, which initially received a muted response from markets, was the action taken by the ECB to provide unlimited liquidity to the banks via a 3 year Long Term Refinance Operation (LTRO), together with an easing of

collateral rules. This was a particularly important event as it has significantly reduced tail risk.

### Fund Activity

Despite the challenging market backdrop and short-term poor performance of the Fund, the Fund's strategy has largely remained unchanged. The largest bets remain in the financials, mining, media and construction sectors. As we wrote in the half year review, we believe that it is important to keep a level head during periods of heightened uncertainty, a sense of perspective and most importantly to look where the share price trades in relation to its intrinsic worth. This ultimately means having to accept from time to time shorter term periods of increased volatility when it comes to the Fund's returns together with the potential for unrealised losses. A good example is the Fund's holding in Wolseley, a stock we have owned since November 2009, which has either risen or fallen by more than 10% in 10 out of the last 24 months, but has returned more than 70% over this period.

### Outlook

Whilst significant risks remain, we believe a lot of these are discounted in both relative and absolute terms. Obviously, if global economic growth was to disappoint meaningfully then further downside in markets is possible. In addition, there is a risk of increasing geopolitical tensions over Iran. China will also be a major focus and we will remain alert to any impact this could have both positively and negatively on the portfolio, specifically in relation to our investments in the mining space. Politics will remain very much on the agenda in 2012 with a presidential election in France in late April/early May and the potentially more significant US presidential election in November.

### Polar Capital LLP

February 2012

# Report of the Directors

## For the year ended 31 December 2011

The Directors of Polar Capital Funds plc (the "Company") have pleasure in submitting their Annual Report and Audited Financial Statements for the year ended 31 December 2011 to the Members.

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Company's Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by The Institute of Chartered Accountants in Ireland.

The Company's Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

In preparing those Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; 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 are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Acts 1963 to 2009 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011. They are also responsible for safeguarding the assets of the Company. In this regard, they have entrusted the assets of the Company to a Custodian for safe-keeping.

They have general responsibility for taking such steps as are reasonably open to them to prevent and detect fraud and other irregularities.

The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts.

### Basis of Presentation

The format and certain wordings of the Financial Statements has been adapted from those contained in the Companies (Amendment) Act, 1986 and FRS 3 "Reporting Financial Performance" so that, in the opinion of the Directors, they more appropriately reflect the nature of the Company's business as an investment fund.

### Directors' Statement on Proper Books of Account

The Directors believe that they have complied with the requirements of section 202 of the Companies Act, 1990 with regard to books of account by employing personnel with appropriate expertise and by providing adequate resources to the finance function. The books of account of the Company are maintained by Northern Trust Fund Administration Services (Ireland) Limited (the "Administrator"), at Georges Court, 54 - 62 Townsend Street, Dublin 2, Ireland.

### Activities and Business Review

Polar Capital Funds plc is an open-ended investment company with variable capital organised under the laws of Ireland. The Company was incorporated on 28 September 2001. A detailed review of the Company's activities for the year ended 31 December 2011 is included in the Investment Manager's Reports.

### Risk Management Objectives and Policies

The principal risks and uncertainties faced by the Company are the investment risks associated with the portfolio of investments held for the account of each Sub-Fund and the operational risks associated with their management and administration. A more detailed analysis of some of the risks facing the Company is included in Note 10 of the Notes to the Financial Statements.

### Directors' Interests in Shares of the Company

Neither the Directors nor the Secretary had an interest in the share capital of the Company at any time during the year.

### Transactions Involving Directors

Other than as disclosed in Note 8 to the Financial Statements, there were no contracts or agreements of any significance in relation to the business of the Company in which the Directors had any interest, as defined in the Companies Act, 1990, at any time during the period.

## Report of the Directors continued

### For the year ended 31 December 2011

#### Corporate Governance Statement

The Company is subject to corporate governance practices imposed by:

- (i) The Memorandum and Articles of Association of the Company;
- (ii) The Companies Acts, 1963 to 2009;
- (iii) The European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 and the associated series of UCITS Notices and Guidance Notes issued by the Central Bank of Ireland ; and
- (iv) The Irish Stock Exchange ("ISE") Code of Listing Requirements and Procedures, copies of which are all available for inspection at the Company's registered office at George's Court, 54 – 62 Townsend Street, Dublin 2.
- (v) Channel Islands Stock Exchange ("CISX") Listing;

The Irish Funds Industry Association recently issued a Corporate Governance Code for funds which the Company intends to adopt. The Company is currently considering what measures it needs to address to ensure that it complies with the requirements of the Code. As there is a transitional period of 12 months from 1 January 2012, the impact of the Code will be reflected in the financial statements for the year ended 31 December 2012.

The Directors are responsible for establishing and maintaining adequate internal control and risk management systems in relation to the financial reporting process of the Company. Such systems are designed to manage, rather than eliminate, the risk of error or fraud in achieving the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has procedures in place to ensure all relevant accounting records are properly maintained and are readily available, including production of annual and half-yearly financial statements. The annual and half-yearly financial statements of the Company are required to be approved by the Directors of the Company and filed with the Central Bank of Ireland and the Irish Stock Exchange.

The accounting information given in the annual financial statements is required to be audited by an independent auditor who reports annually to the Members of the Company on the audit process and their findings. The auditor's report on the financial statements, including any qualifications, is reproduced in full in the annual report of the Company.

The Directors of the Company meet regularly to review the business and affairs of the Company and they will also discuss and evaluate significant accounting and reporting issues as the need arises.

The convening and conduct of Shareholders' meetings are governed by Company law and the Memorandum and Articles of Association. Shareholders together holding 5 per cent or more in aggregate of the shares of the Company in issue may at any time request that the Directors convene a meeting of Shareholders to consider any matters that may be proposed by the Shareholders requesting the meeting.

A meeting of Shareholders held in accordance with the provisions of the Memorandum and Articles of Association may by a 75% majority of those voting approve a change to the Memorandum and Articles of Association or a proposal to wind up the Company. A simple majority vote is required for most other proposals, including proposals to determine that the Directors shall retire, or to terminate any of its Sub-Funds, and any material change in the investment objective and policies or the investment restrictions set out in the Prospectus issued by the Company.

Twenty one days notice at least of every meeting shall be given to Shareholders in the manner provided in the Memorandum and Articles of Association. At any meeting any matter put to a vote shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or by one or more Shareholders present in person or by proxy and holding or representing one-twentieth of the number of shares for the time being in issue. Unless a poll is so demanded, a declaration by the Chairman that a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

If a poll is duly demanded, it shall be taken in such manner as the Chairman may direct and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

The minimum required number of Directors is two, which is also the minimum number of directors required for a meeting to take place. Currently there are six non-executive Directors, five of whom are independent of the investment manager. The Directors are listed on page 125.

The business of the Company is managed by the Directors, who are responsible for the Company's overall

direction and strategy, including review of investment management performance, administration of the Company's funds and compliance with the Company's regulatory requirements. Custody of the Company's assets are overseen by an independent custodian, Northern Trust Fiduciary Services (Ireland) Limited.

The Board meets at least four times a year to review the operations of the Company, to address matters of strategic importance and to receive reports from the Administrator, Custodian and the Investment Manager. However, a Director may call a meeting of Directors at any time.

Questions arising at any meeting of the Directors are generally decided by consensus, but majority voting can be used if necessary to reach a decision. If there are an equal number of votes for or against a resolution the Chairman of the meeting can effectively decide the matter by exercising a second or casting vote.

Each of the Directors attended at least one of the Board meetings held during the financial year ended 31 December 2011.

## Results

The results of operations for the year are set out in the Profit and Loss Account.

## Significant Events during the Year

On 21 January 2011 the Emerging Markets Income Fund was launched.

On 3 May 2011 the Financial Opportunities Fund was launched.

On 27 May 2011 the Global Insurance Fund was launched.

On 14 November 2011 the North American Fund was launched

On 30 December 2011 a new Prospectus was issued which included the following amendments:

- Consolidation of all Supplements and addenda issued to date.
- Updated performance fee wording for certain share classes of Japan Fund, Global Technology Fund and the Healthcare Opportunities Fund as detailed below:
  - (i) Japan Fund: Class A US Dollar, Class A Sterling and Class A Japanese Yen
  - (ii) Global Technology Fund: Class A US Dollar, Class A Sterling and Class A Euro
  - (iii) Healthcare Opportunities Fund: Class A US Dollar, Class A Sterling and Class A Euro

All performance fee payments shall be subject to the restriction that in paying a performance fee, the amount of performance fee included in the Net Asset Value per JPY Share (in respect of the Japan Fund)/US Dollar Share (in respect of the Global Technology Fund and Healthcare Opportunities Fund) at the relevant Payment Date shall be the smaller of 10% of the out performance of the Index or 10% of the appreciation in the Net Asset Value per JPY Share (in respect of the Japan Fund)/US Dollar Share (in respect of the Global Technology Fund and Healthcare Opportunities Fund) over the relevant Net Asset Value per Share on the last day that a performance fee was paid (the "Net Asset Value High Water Mark"). There will be a carrying forward of any unutilised performance fee.

- Change of Index for Japan Fund (from the TOPIX Index to the TOPIX Total Return Index) effective 1 January 2012.
- Change of name from Polar Capital Global Insurance Fund to Global Insurance Fund.
- Termination of unissued Classes in Global Insurance Fund.

## Subsequent Events

The European Market Neutral Fund was launched on 15 February 2012. On 30 March 2012 the Asian Financials Fund and the Financials Income sub funds of the UCITS Polar Capital Financial Funds plc were merged into the Company as two new sub funds were established to receive the assets transferred.

There have been no other events subsequent to the year end, which, in the opinion of the Directors of the Company, may have had an impact on the Financial Statements for the year ended 31 December 2011.

## Future Developments

The Company will continue to act as an investment vehicle as set out in its Prospectus.

## Auditor

In accordance with Section 160 (2) of the Companies Act, 1963, KPMG, Chartered Accountants, have indicated their willingness to continue in office.

On behalf of the Board

**Jonathan Quigley**

Director

11 April 2012

**David Hammond**

Director

## Report of the Custodian to the Members

### For the year ended 31 December 2011

We have enquired into the conduct of Polar Capital Funds plc (“the Company”) for the year ended 31 December 2011, in our capacity as Custodian to the Company.

This report including the opinion has been prepared solely for the shareholders in the Company as a body, in accordance with the Central Bank of Ireland’s UCITS Notice 4, 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.

#### Responsibilities of the Custodian

Our duties and responsibilities are outlined in the Central Bank of Ireland’s UCITS Notice 4. One of those duties is to enquire into the conduct of the Company in each annual accounting period and report thereon to the shareholders.

Our report shall state whether, in our opinion, the Company has been managed in that period in accordance with the provisions of the Company’s Memorandum and Articles of Association and the “UCITS Regulations”. It is the overall responsibility of the Company to comply with these provisions. If the Company has not so complied, we as Custodian must state why this is the case and outline the steps which we have taken to rectify the situation.

#### Basis of Custodian Opinion

The Custodian conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties as outlined in UCITS Notice 4 and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the Company’s constitutional documentation and the appropriate regulations.

#### Opinion

In our opinion, the Company has been managed during the year, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Memorandum & Articles of Association and by the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, the UCITS Regulations and
- (ii) otherwise in accordance with the provisions of the Memorandum & Articles of Association and the UCITS Regulations.

#### Northern Trust Fiduciary Services (Ireland) Limited

George’s Court  
54-62 Townsend Street  
Dublin 2

11 April 2012



# Independent Auditor's Report to the Members of Polar Capital Funds plc

For the year ended 31 December 2011

We have audited the English language version of the Financial Statements of Polar Capital Funds' Plc (the "Company") for the year ended 31 December 2011 which comprise the Balance Sheet, Profit and Loss Account and Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares, with the related notes and the Portfolio Statements. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditors

The Directors' responsibility for preparing the Financial Statements in accordance with applicable law and accounting standards issued by the Accounting Standards Board and promulgated by The Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities on page 19.

Our responsibility is to audit the Financial Statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Companies Acts, 1963 to 2009 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011. We also report to you whether in our opinion proper books of account have been kept by the Company and whether the information given in the Report of the Directors is consistent with the Financial Statements.

In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company's Financial Statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the English language version of the other information contained in the Annual Report, and consider whether it is consistent with the audited Financial Statements. The other information comprises only the Report of the Directors, the Report of the Custodian and the Investment Manager's Reports. 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 an assessment of the significant estimates and judgments 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.

# Independent Auditor's Report to the Members of Polar Capital Funds plc continued

For the year ended 31 December 2011

## Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Company's affairs as at 31 December 2011 and of its results of operations for the year then ended;
- the Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011.

## Other Matters

We have obtained all the information and explanations we considered necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Company. The Financial Statements are in agreement with the books of account.

In our opinion, the information given in the Report of the Directors is consistent with the Financial Statements.

## Ivor Conlon

for and on behalf of

**KPMG**

Chartered Accountants

Statutory Audit Firm

1 Harbourmaster Place

IFSC

Dublin 1

11 April 2012

## Portfolio Statement

As at 31 December 2011

### Emerging Markets Growth Fund

#### Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Nominal Holding	Fair Value US\$	% of Net Assets
<b>Brazil (2010: 17.25%)</b>				
Banco do Brasil	BRL	8,000	101,649	1.38
CCR	BRL	16,000	104,822	1.42
Cetip Sa-Balcao Organizado	BRL	8,300	119,922	1.63
Cia de Bebidas das Americas	BRL	2,500	90,202	1.23
Itau Unibanco ADR	USD	7,000	129,920	1.76
Localiza	BRL	7,733	106,133	1.44
Lojas Renner	BRL	4,000	103,815	1.41
Marcopolo	BRL	27,000	102,630	1.39
Telefonica Brasil ADR	USD	4,700	128,451	1.74
			987,544	13.40
<b>China (2010: 5.28%)</b>				
China Blue Chemical	HKD	162,100	122,724	1.67
China Communications Construction	HKD	159,000	124,267	1.69
China Pacific Insurance Group	HKD	36,800	104,715	1.42
China Shenhua Energy	HKD	24,500	106,308	1.44
Industrial & Commercial Bank of China	HKD	180,000	106,842	1.45
			564,856	7.67
<b>Cyprus (2010: 1.81%)</b>				
Eurasia Drilling GDR	USD	4,000	94,000	1.28
Globaltrans Investment GDR	USD	7,300	100,375	1.36
			194,375	2.64
<b>Egypt (2010: 3.38%)</b>				
Commercial International Bank	EGP	17,000	52,713	0.72
Juhayna Food Industries	EGP	100,000	64,337	0.87
			117,050	1.59
<b>Hong Kong (2010: 8.16%)</b>				
China Mobile	HKD	11,900	116,294	1.58
Guangdong Investment	HKD	218,000	132,205	1.79
Digital China Holdings	HKD	70,500	109,291	1.48
Kunlun Energy	HKD	84,000	119,620	1.62
PAX Global Technology	HKD	351,213	75,971	1.03
Shanghai Industrial	HKD	40,000	110,988	1.51
			664,369	9.01
<b>India (2010: 1.16%)</b>				
		–	–	–
<b>Indonesia (2010: 2.16%)</b>				
Indofood Sukses Makmur	IDR	140,000	80,287	1.09

## Portfolio Statement continued

As at 31 December 2011

### Emerging Markets Growth Fund continued

#### Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Nominal Holding	Fair Value US\$	% of Net Assets
<b>Malaysia (2010: 5.35%)</b>				
Gamuda	MYR	89,000	95,177	1.29
IJM	MYR	45,000	80,205	1.09
Kencana Petroleum	MYR	126,000	118,050	1.60
Parkson	MYR	59,000	105,344	1.43
Tenaga Nasional	MYR	30,706	57,150	0.78
			455,926	6.19
<b>Mexico (2010: 4.04%)</b>				
Fomento Economico Mexicano	MXN	21,000	145,996	1.98
Grupo Televisa	MXN	29,000	122,044	1.66
			268,040	3.64
<b>Qatar (2010: 0.00%)</b>				
Qatar National Bank	QAR	3,000	125,227	1.70
<b>Russia (2010: 4.92%)</b>				
Cherkizovo Group GDR	USD	4,500	49,500	0.67
Gazprom ADR	USD	10,000	106,810	1.45
Lukoil ADR	USD	1,800	95,760	1.30
Mechel	USD	6,250	48,437	0.66
Sberbank of Russia ADR	USD	10,000	99,400	1.35
Sistema GDR	USD	5,100	85,731	1.16
X5 Retail GDR	USD	3,700	84,508	1.15
			570,146	7.74
<b>Singapore (2010: 1.34%)</b>				
Wilmar International	SGD	24,000	92,546	1.26
<b>South Africa (2010: 11.48%)</b>				
Adcock Ingram	ZAR	12,000	91,783	1.25
Aspen Pharmacare	ZAR	8,000	95,801	1.30
Foschini Group	ZAR	10,000	130,044	1.76
Life Healthcare Group	ZAR	50,000	127,827	1.73
Naspers	ZAR	2,200	96,244	1.31
Shoprites	ZAR	8,000	134,962	1.83
Tiger Brands	ZAR	4,000	124,300	1.69
			800,961	10.87
<b>South Korea (2010: 10.54%)</b>				
Hyundai Department Store	KRW	670	94,800	1.29
KB Financial Group	KRW	2,900	91,380	1.24
KT&G	KRW	1,822	128,742	1.75
MegaStudy	KRW	928	88,611	1.20
Meritz Fire & Marine Insurance	KRW	10,221	104,694	1.42
NHN	KRW	696	127,479	1.73
Samsung Electronics	KRW	160	146,944	1.99
			782,650	10.62

## Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Nominal Holding	Fair Value US\$	% of Net Assets
<b>Taiwan (2010: 8.49%)</b>				
Chunghwa Telecom ADR	USD	3,580	119,142	1.62
First Financial	TWD	164,079	96,186	1.30
Giant Manufacturing	TWD	29,000	112,058	1.52
Hon Hai Precision Industry	TWD	41,000	112,253	1.52
Taiwan Cement	TWD	86,000	99,409	1.35
Taiwan Fertilizer	TWD	35,700	83,122	1.13
Taiwan Semiconductor Manufacturing	TWD	37,000	92,625	1.26
			714,795	9.70
<b>Thailand (2010: 1.34%)</b>				
Kasikornbank	THB	30,000	118,384	1.61
<b>Turkey (2010: 1.97%)</b>				
Bizim Toptan Satis Magazalari	TRY	8,000	79,636	1.08
TAV Havalimanlari	TRY	12,000	51,213	0.69
			130,849	1.77
<b>United Kingdom (2010: 1.59%)</b>				
		–	–	–
<b>United States (2010: 2.17%)</b>				
NII	USD	3,500	74,550	1.01
<b>Total Equities (2010: 92.43%)</b>			6,742,555	91.51
<b>Warrants</b>				
<b>Luxembourg (2010: 0.00%)</b>				
Merrill Lynch - Rural Electrification	USD	26,000	75,275	1.02
Merrill Lynch - Yes Bank	USD	21,000	94,353	1.28
			169,628	2.30
<b>Total Warrants (2010: 0.0%)</b>			169,628	2.30
<b>Total transferable securities (2010: 92.43%)</b>			6,912,183	93.81
<b>Total financial assets at fair value through profit or loss</b>			6,912,183	93.81
Cash at bank			430,878	5.85
Other net assets			24,908	0.34
<b>Total net assets attributable to holders of redeemable participating shares</b>			7,367,969	100.00

**Portfolio Statement** continued  
 As at 31 December 2011

**Emerging Markets Growth Fund** continued

All securities are transferable and are admitted to an official stock exchange or dealt on a regulated market at year end.

Portfolio classification	31 December 2011 % of Total Asset Value	31 December 2010 % of Total Asset Value
Transferable securities	93.54	91.56
Other assets	6.46	8.44
	100.00	100.00

## Emerging Markets Income Fund

### Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Nominal Holding	Fair Value US\$	% of Net Assets
<b>Brazil</b>				
AES Tiete	BRL	26,000	374,684	1.64
Banco do Brasil	BRL	27,000	343,064	1.50
CCR	BRL	57,500	376,706	1.64
Cetip Sa-Balcao Organizado	BRL	25,000	361,212	1.58
Cia de Bebidas das Americas	BRL	11,031	398,009	1.74
Cia Energetica de Minas Gerais ADR	USD	22,000	391,380	1.71
Estacio Participacoes	BRL	33,000	318,279	1.39
Localiza	BRL	23,000	315,668	1.38
Marcopolo	BRL	79,000	300,287	1.31
Souza Cruz	BRL	28,000	343,911	1.50
Sul America	BRL	45,000	364,294	1.59
Telefonica Brasil ADR	USD	14,000	382,620	1.67
			4,270,114	18.65
<b>China</b>				
China Blue Chemical	HKD	399,900	302,759	1.32
China Life Insurance	HKD	128,000	316,432	1.38
China Shenhua Energy	HKD	76,000	329,771	1.44
Industrial & Commercial Bank of China	HKD	613,000	363,857	1.59
Jiangsu Expressway	HKD	366,000	336,943	1.47
Soho China	HKD	494,000	328,841	1.44
			1,978,603	8.64
<b>Cyprus</b>				
Eurasia Drilling GDR	USD	14,000	329,000	1.44
Globaltrans Investment GDR	USD	19,700	270,875	1.18
			599,875	2.62
<b>Egypt</b>				
Commercial International Bank	EGP	10,000	31,008	0.13
<b>Hong Kong</b>				
China Mobile	HKD	38,500	376,246	1.64
Digital China Holdings	HKD	233,500	361,978	1.58
Guangdong Investment	HKD	516,000	312,925	1.37
Shanghai Industrial	HKD	131,000	363,486	1.58
VTech Holdings	HKD	32,600	326,562	1.43
			1,741,197	7.60
<b>Indonesia</b>				
Jasa Marga	IDR	746,000	345,542	1.51
Perusahaan Gas Negara	IDR	948,000	331,944	1.45
United Tractors	IDR	128,393	373,108	1.63
			1,050,594	4.59

## Portfolio Statement continued

As at 31 December 2011

### Emerging Markets Income Fund continued

#### Financial assets at fair value through profit or loss

Transferable securities		Nominal	Fair Value	% of Net
Equities	Currency	Holding	US\$	Assets
<b>Malaysia</b>				
Gamuda	MYR	274,000	293,016	1.28
IJM	MYR	146,300	260,755	1.14
UMW Holdings	MYR	113,000	249,527	1.09
			803,298	3.51
<b>Mexico</b>				
Grupo Aeroportuario del Sureste	MXN	60,000	337,720	1.48
Grupo Modelo	MXN	55,000	348,752	1.52
Kimberly-Clark de Mexico	MXN	65,000	350,539	1.53
			1,037,011	4.53
<b>Philippines</b>				
Philippine Long Distance Telephone	PHP	2,905	168,385	0.74
<b>Poland</b>				
Powszechny Zaklad Ubezpieczen	PLN	3,200	287,948	1.26
Telekomunikacja Polska	PLN	45,000	225,789	0.98
			513,737	2.24
<b>Qatar</b>				
Commercial Bank of Qatar	QAR	9,000	375,680	1.64
<b>Russia</b>				
Gazprom ADR	USD	30,000	320,430	1.40
Lukoil ADR	USD	4,800	255,360	1.12
Mechel	USD	11,250	87,187	0.38
Mobile Telesystems ADR	USD	19,000	278,920	1.22
Sberbank of Russia ADR	USD	30,000	298,200	1.30
			1,240,097	5.42
<b>South Africa</b>				
African Bank Investments	ZAR	83,000	352,627	1.54
Aveng	ZAR	75,000	306,562	1.34
Coronation Fund Managers	ZAR	120,000	337,404	1.47
Foschini Group	ZAR	28,000	364,124	1.59
Growthpoint Properties	ZAR	130,000	302,882	1.32
Life Healthcare Group	ZAR	133,000	340,020	1.49
Shoprites	ZAR	24,000	404,885	1.77
			2,408,504	10.52
<b>South Korea</b>				
Kangwon Land	KRW	12,700	299,861	1.31
KT	KRW	10,600	328,030	1.43
KT&G	KRW	4,500	317,969	1.39
Meritz Fire & Marine Insurance	KRW	31,999	327,768	1.43
NHN	KRW	1,500	274,740	1.20
Samsung Electronics	KRW	410	376,545	1.64
			1,924,913	8.40



## Financial assets at fair value through profit or loss

Transferable securities Equitiess	Currency	Nominal Holding	Fair Value US\$	% of Net Assets
<b>Taiwan</b>				
Chunghwa Telecom ADR	USD	9,700	322,816	1.41
Delta Electronics	TWD	110,000	261,567	1.14
Fubon Financial Holding	TWD	249,491	264,084	1.15
Giant Manufacturing	TWD	91,000	351,630	1.54
Highwealth Construction	TWD	120,000	172,397	0.75
Taiwan Cement	TWD	283,000	327,124	1.43
Taiwan Semiconductor Manufacturing	TWD	121,000	302,910	1.32
			2,002,528	8.74
<b>Thailand</b>				
Kasikornbank	THB	49,900	196,911	0.86
Thai Tap Water Supply	THB	1,760,000	281,712	1.23
			478,623	2.09
<b>Turkey</b>				
Bizim Toptan Satis Magazalari	TRY	21,000	209,044	0.91
TAV Havalimanlari Holding	TRY	26,000	110,960	0.49
			320,004	1.40
<b>Total Equities</b>			20,944,171	91.46
<b>Warrants</b>				
<b>Luxembourg</b>				
Merrill Lynch - Rural Electrification	USD	92,000	266,358	1.16
Merrill Lynch - Yes Bank	USD	62,000	278,566	1.22
			544,924	2.38
<b>Total Warrants</b>			544,924	2.38
<b>Total transferable securities</b>			21,489,095	93.84
<b>Total financial assets at fair value through profit or loss</b>			21,489,095	93.84
Cash at bank			1,480,923	6.47
Other net liabilities			(70,108)	(0.31)
<b>Total net assets attributable to holders of redeemable participating shares</b>			22,899,910	100.00

All securities are transferable and are admitted to an official stock exchange or dealt on a regulated market at year end.

Portfolio classification	31 December 2011 % of Total Asset Value
Transferable securities	93.09
Other assets	6.91
	100.00

## Portfolio Statement continued

As at 31 December 2011

### Financial Opportunities Fund

#### Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Holdings	Fair Value US\$	% of Net Assets
<b>Bermuda</b>				
Arch Capital Group	USD	12,243	455,807	3.54
PartnerRe	USD	4,134	265,444	2.06
			721,251	5.60
<b>Brazil</b>				
Brasil Insurance Participacoes e Administracao	BRL	13,600	123,951	0.96
Itau Unibanco	USD	5,300	98,368	0.77
			222,319	1.73
<b>Czech Republic</b>				
Komerčni Banka	CZK	1,390	235,614	1.83
<b>Finland</b>				
Sampo	EUR	5,392	134,183	1.04
<b>France</b>				
BNP Paribas	EUR	3,050	120,166	0.93
<b>Germany</b>				
Deutsche Bank	EUR	3,300	126,096	0.98
Muenchener Rueckversicherungs	EUR	2,541	312,641	2.42
			438,737	3.40
<b>Hong Kong</b>				
AIA	HKD	46,000	143,628	1.11
Dah Sing Financial Holdings	HKD	56,900	170,335	1.32
Hang Seng Bank	HKD	5,400	64,070	0.50
Hong Kong Exchanges and Clearing	HKD	12,950	206,924	1.61
			584,957	4.54
<b>India</b>				
HDFC Bank ADR	USD	5,050	132,714	1.03
<b>Indonesia</b>				
Bank Central Asia	IDR	145,500	128,370	0.99
Bank Mandiri	IDR	280,000	208,437	1.62
Bank Rakyat Indonesia Persero	IDR	344,500	256,452	1.99
			593,259	4.60
<b>Malaysia</b>				
Public Bank	MYR	49,000	204,038	1.58
<b>Netherlands</b>				
ING Groep	EUR	26,000	187,660	1.46
<b>Norway</b>				
DnB NOR	NOK	38,356	376,301	2.92

## Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Holdings	Fair Value US\$	% of Net Assets
<b>Pakistan</b>				
MCB Bank	PKR	82,000	122,758	0.95
<b>Philippines</b>				
Ayala Land	PHP	335,300	115,908	0.90
Security Bank	PHP	207,900	461,974	3.58
			577,882	4.48
<b>Poland</b>				
Bank Handlowy w Warszawie	PLN	7,425	146,816	1.14
Bank Pekao	PLN	3,660	150,495	1.17
			297,311	2.31
<b>South Korea</b>				
Dongbu Insurance	KRW	7,607	352,616	2.74
KB Financial Group	KRW	5,790	182,445	1.41
Samsung Life Insurance	KRW	3,670	257,728	2.00
Shinhan Financial Group	KRW	4,338	149,683	1.16
			942,472	7.31
<b>Russia</b>				
Sberbank of Russia	USD	173,821	391,097	3.03
<b>Singapore</b>				
CapitaMall Trust Reits	SGD	111,100	145,660	1.13
<b>Sweden</b>				
Swedbank	SEK	30,323	394,337	3.06
<b>Switzerland</b>				
ACE	USD	6,044	423,805	3.29
UBS	CHF	26,556	317,502	2.46
			741,307	5.75
<b>Taiwan</b>				
Fubon Financial	TWD	245,000	259,330	2.01
<b>Thailand</b>				
Bangkok Life Assurance	THB	69,200	101,443	0.79
Kasikornbank	THB	73,900	285,762	2.22
Siam Commercial Bank	THB	61,200	223,074	1.73
			610,279	4.74
<b>Turkey</b>				
Finansbank	TRY	26,292	59,862	0.46

## Portfolio Statement continued

As at 31 December 2011

### Financial Opportunities Fund continued

#### Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Holdings	Fair Value US\$	% of Net Assets
<b>United Kingdom</b>				
City of London Investment Group	GBP	22,875	115,138	0.89
HSBC	GBP	52,123	397,772	3.08
International Personal Finance	GBP	75,264	200,600	1.56
Jardine Lloyd Thompson Group	GBP	18,497	198,205	1.54
Jupiter Fund Management	GBP	53,744	181,330	1.41
			1,093,045	8.48
<b>United States</b>				
Bank of New York Mellon	USD	14,212	282,961	2.20
Berkshire Hathaway	USD	4,715	359,755	2.79
Citigroup	USD	9,790	257,575	2.00
First Republic Bank	USD	8,429	258,012	2.00
JPMorgan Chase & Co	USD	10,079	335,127	2.60
Marsh & McLennan Cos	USD	6,870	217,229	1.68
PNC Financial Services Group	USD	6,345	365,916	2.84
Progressive	USD	7,400	144,374	1.12
US Bancorp	USD	2,670	72,224	0.56
Wells Fargo	USD	8,056	222,023	1.72
WR Berkley	USD	8,754	301,050	2.34
			2,816,246	21.85
<b>Total Equities</b>			12,402,785	96.22
<b>Warrants</b>				
<b>Luxembourg</b>				
Merrill Lynch - Housing Development Finance	USD	13,673	167,884	1.30
<b>Total transferable securities</b>			12,570,669	97.52
<b>Total financial assets at fair value through profit or loss</b>			12,570,669	97.52
Cash at bank			401,391	3.12
Other net liabilities			(82,227)	(0.64)
<b>Total net assets attributable to holders of redeemable participating shares</b>			12,889,833	100.00

All securities are transferable and are admitted to an official stock exchange or dealt on a regulated market at year end.

<b>Portfolio classification</b>	<b>31 December 2011 % of Total Asset Value</b>
Transferable securities	96.74
Other assets	3.26
	100.00

## Portfolio Statement continued

As at 31 December 2011

### Financial Opportunities Fund continued

#### Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Holdings	Fair Value GBP £	% of Net Assets
<b>Bermuda</b>				
Alterra Capital Holdings	USD	500,000	7,602,470	3.57
Arch Capital Group	USD	625,000	14,972,491	7.03
Axis Capital Holdings	USD	260,000	5,346,889	2.51
Lancashire Holdings	GBP	525,000	3,803,625	1.78
PartnerRe	USD	230,000	9,502,799	4.46
RenaissanceRe	USD	125,000	5,981,758	2.81
Third Point Reinsurance	USD	500,000	3,217,296	1.51
			50,427,328	23.67
<b>Denmark</b>				
Topdanmark	DKK	15,000	1,508,806	0.71
<b>Finland</b>				
Sampo	EUR	412,500	6,605,291	3.10
<b>Germany</b>				
Muenchener Rueckversicherungs	EUR	85,000	6,729,480	3.16
<b>Ireland</b>				
FBD Holdings	EUR	540,000	2,931,257	1.37
<b>Switzerland</b>				
ACE	USD	310,000	13,987,001	6.56
Allied World Assurance Holdings	USD	90,000	3,644,360	1.71
Baloise Holding	CHF	50,000	2,215,740	1.04
			19,847,101	9.31
<b>United Kingdom</b>				
Admiral Group	GBP	275,000	2,343,000	1.10
Jardine Lloyd Thompson Group	GBP	500,000	3,447,500	1.62
Novae Group	GBP	1,250,000	4,209,375	1.97
Personal Group Holdings	GBP	513,507	1,345,388	0.63
			11,345,263	5.32
<b>United States</b>				
Alleghany	USD	25,000	4,589,312	2.15
Aon	USD	85,000	2,559,681	1.20
Berkshire Hathaway	USD	255,000	12,519,464	5.88
Chubb	USD	160,000	7,126,439	3.35
Employers Holdings	USD	375,000	4,365,066	2.05
HCC Insurance Holdings	USD	350,000	6,193,295	2.91
Markel	USD	25,500	6,803,992	3.19
Marsh & McLennan	USD	400,000	8,138,472	3.82
Old Republic International	USD	550,000	3,280,677	1.54
ProAssurance	USD	130,000	6,676,919	3.13
Progressive	USD	450,000	5,649,250	2.65

## Financial assets at fair value through profit or loss

<b>Transferable securities Equities</b>	<b>Currency</b>	<b>Holdings</b>	<b>Fair Value GBP £</b>	<b>% of Net Assets</b>
<b>United States</b> continued				
Reinsurance Group of America	USD	210,000	7,060,356	3.31
RLI	USD	75,000	3,516,183	1.65
Transatlantic Holdings	USD	287,500	10,124,750	4.75
Travelers	USD	125,000	4,759,185	2.23
WR Berkley	USD	505,000	11,174,924	5.25
			104,537,965	49.06
<b>Total Equities</b>			203,932,491	95.70
<b>Total transferable securities</b>			203,932,491	95.70
<b>Total financial assets at fair value through profit or loss</b>			203,932,491	95.70
Cash at bank			9,496,912	4.46
Other net liabilities			(338,676)	(0.16)
<b>Total net assets attributable to holders of redeemable participating shares</b>			213,090,727	100.00

Except for Third Point Reinsurance, all securities are transferable and are admitted to an official stock exchange or dealt on a regulated market during at year end.

<b>Portfolio classification</b>	<b>31 December 2011 % of Total Asset Value</b>
Transferable securities	95.55
Other assets	4.45
	100.00

## Portfolio Statement continued

As at 31 December 2011

### Global Technology Fund

#### Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Holdings	Fair Value GBP £	% of Net Assets
<b>Bermuda (2010: 0.00%)</b>				
Marvell Technology	USD	405,071	5,610,233	1.07
<b>Canada (2010: 1.77%)</b>				
Redknee Solutions	CAD	2,951,850	2,782,987	0.53
<b>China (2010: 4.01%)</b>				
AsialInfo Holdings	USD	379,925	2,944,419	0.56
AutoNavi ADR	USD	379,800	3,809,394	0.73
Baidu ADR	USD	35,250	4,105,568	0.78
Camelot Information Systems ADR	USD	966,308	2,753,978	0.53
Kingdee International Software	HKD	10,542,000	2,836,863	0.54
Lenovo Group	HKD	5,837,200	3,893,170	0.74
Sina	USD	52,550	2,732,600	0.52
Tencent Holdings	HKD	244,600	4,916,187	0.94
VanceInfo Technologies ADR	USD	386,493	3,505,491	0.67
			31,497,670	6.01
<b>Finland (2010: 0.00%)</b>				
Nokia	EUR	702,400	3,439,387	0.66
<b>France (2010: 0.00%)</b>				
Ingenico	EUR	126,700	4,588,869	0.88
<b>Germany (2010: 2.31%)</b>				
Adva Optical Networking	EUR	866,746	4,078,728	0.78
Dialog Semiconductor	EUR	260,747	4,258,188	0.81
SAP	EUR	123,200	6,533,226	1.25
			14,870,142	2.84
<b>Hong Kong (2010: 2.04%)</b>				
ASM Pacific Technology	HKD	357,300	4,009,308	0.77
<b>India (2010: 1.34%)</b>				
Infosys Technologies ADR	USD	70,596	3,627,222	0.69
<b>Israel (2010: 3.67%)</b>				
Ceragon Networks	USD	459,842	3,540,783	0.67
Check Point Software Technologies	USD	97,650	5,130,531	0.98
Nice Systems ADR	USD	171,659	5,913,653	1.13
Radware	USD	225,845	6,605,966	1.26
			21,190,933	4.04



## Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Holdings	Fair Value GBP £	% of Net Assets
<b>Japan (2010: 0.67%)</b>				
Fanuc	JPY	24,550	3,758,760	0.72
Keyence	JPY	15,710	3,789,675	0.72
			7,548,435	1.44
<b>Netherlands (2010: 0.93%)</b>				
ASML	EUR	112,079	4,724,962	0.90
<b>South Korea (2010: 3.82%)</b>				
Samsung Electronics	KRW	16,235	14,910,269	2.84
<b>Sweden (2010: 1.16%)</b>				
Telefonaktiebolaget LM Ericsson	SEK	679,990	6,983,107	1.33
<b>Taiwan (2010: 1.85%)</b>				
Taiwan Semiconductor Manufacturing	TWD	3,438,900	8,608,891	1.64
<b>United Kingdom (2010: 1.62%)</b>				
ARM	GBP	600,056	5,520,679	1.05
SDL	GBP	416,936	4,308,936	0.82
			9,829,615	1.87
<b>United States (2010: 66.18%)</b>				
Acme Packet	USD	100,000	3,091,000	0.59
Adobe Systems	USD	165,942	4,691,180	0.89
Altera	USD	136,545	5,065,820	0.97
Apple	USD	91,495	37,055,475	7.07
Ariba	USD	142,501	4,001,428	0.76
Aruba Networks	USD	220,417	4,082,123	0.78
BMC Software	USD	145,632	4,773,817	0.91
Broadcom	USD	116,150	3,410,164	0.65
BroadSoft	USD	142,404	4,300,601	0.82
Citrix Systems	USD	87,825	5,332,734	1.02
Cognizant Technology Solutions	USD	104,466	6,718,208	1.28
Coherent	USD	90,305	4,720,242	0.90
CommVault Systems	USD	86,200	3,682,464	0.70
ComScore	USD	324,956	6,889,067	1.31
Concur Technologies	USD	91,600	4,652,364	0.89
DemandTec	USD	737,647	9,714,811	1.85
eBay	USD	155,100	4,704,183	0.90
EMC	USD	296,319	6,382,711	1.22
F5 Networks	USD	61,452	6,521,286	1.24
Fortinet	USD	238,914	5,210,714	0.99
Fusion-IO	USD	168,386	4,074,941	0.78

## Portfolio Statement continued

As at 31 December 2011

### Global Technology Fund continued

#### Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Nominal Holdings	Fair Value GBP £	% of Net Assets
<b>United States</b> continued				
Google	USD	51,224	33,085,582	6.31
Informatica	USD	135,202	4,993,010	0.95
Intel	USD	492,828	11,951,079	2.28
Intuit	USD	80,950	4,257,161	0.81
Ixia	USD	470,897	4,949,127	0.94
Juniper Networks	USD	368,061	7,512,125	1.43
LAM Research	USD	121,346	4,492,229	0.86
Lattice Semiconductor	USD	915,812	5,439,923	1.04
LinkedIn	USD	48,900	3,081,189	0.59
Meru Networks	USD	901,816	3,724,500	0.71
Microsoft	USD	811,668	21,070,901	4.02
Nanometrics	USD	333,528	6,143,586	1.17
National Instruments	USD	195,307	5,068,217	0.97
NetApp	USD	198,750	7,208,663	1.38
Netgear	USD	157,466	5,286,134	1.01
Netscout Systems	USD	174,466	3,070,602	0.59
Opnet Technologies	USD	105,064	3,852,697	0.73
Oracle	USD	630,398	16,169,709	3.08
Pegasystems	USD	164,613	4,839,622	0.92
Polycom	USD	302,564	4,931,793	0.94
QLIK Technologies	USD	149,250	3,611,850	0.69
Qualcomm	USD	271,187	14,833,929	2.83
Red Hat	USD	81,263	3,355,349	0.64
Riverbed Technology	USD	171,588	4,032,318	0.77
Salesforce.com	USD	50,062	5,079,291	0.97
SanDisk	USD	143,926	7,082,598	1.35
SciQuest	USD	280,385	4,001,094	0.76
Semtech	USD	170,050	4,220,641	0.81
ShoreTel	USD	869,161	5,545,247	1.06
Silicon Image	USD	757,835	3,561,825	0.68
Sourcefire	USD	118,900	3,849,982	0.73
Sycamore Networks	USD	217,942	3,901,162	0.75
Teradata	USD	96,225	4,667,875	0.89
Tibco Software	USD	248,853	5,950,075	1.14
VeriFone Systems	USD	176,496	6,269,138	1.20
			380,165,556	72.52
<b>Total equities (2010: 91.37%)</b>			524,387,586	100.03
<b>Total transferable securities (2010: 91.37%)</b>			524,387,586	100.03

	<b>Fair Value US\$</b>	<b>% of Net Assets</b>
<b>Total financial assets at fair value through profit or loss (2010: 91.37%)</b>	524,387,586	100.03
Cash at bank	2,692,912	0.51
Other net liabilities	(2,847,998)	(0.54)
<b>Total net assets attributable to holders of redeemable participating shares</b>	524,232,500	100.00

All securities are transferable and are admitted to an official stock exchange or dealt on a regulated market at year end.

<b>Portfolio classification</b>	<b>31 December 2011 % of Total Asset Value</b>	<b>31 December 2010 % of Total Asset Value</b>
Transferable securities	99.47	89.94
Other assets	0.53	10.06
	100.00	100.00

## Portfolio Statement continued

As at 31 December 2011

### Healthcare Opportunities Fund

#### Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Holdings	Fair Value GBP £	% of Net Assets
<b>Brazil (2010: 0.97%)</b>	BRL	–	–	–
<b>Canada (2010: 2.41%)</b>	USD	–	–	–
<b>Denmark (2010: 0.00%)</b>				
Novo Nordisk	DKK	30,000	3,458,304	2.51
<b>France (2010: 3.43%)</b>	EUR	–	–	–
<b>Ireland (2010: 0.00%)</b>				
Elan	USD	192,655	2,647,080	1.92
Shire	GBP	80,000	2,788,677	2.02
			5,435,757	3.94
<b>India (2010: 1.79%)</b>	INR	–	–	–
<b>Israel (2010: 3.38%)</b>				
Teva Pharmaceutical Industries	USD	100,000	4,036,000	2.93
<b>Japan (2010: 4.72%)</b>				
Asahi Intecc	JPY	95,790	2,172,518	1.58
Nichi-iko Pharmaceutical	JPY	85,721	2,018,800	1.46
			4,191,318	3.04
<b>Sweden (2010: 0.73%)</b>	SEK	–	–	–
<b>Switzerland (2010: 6.75%)</b>				
Roche Holding	CHF	30,000	5,107,475	3.70
<b>United Kingdom (2010: 6.58%)</b>				
GlaxoSmithKline	GBP	245,000	5,602,803	4.06
Synergy Health	GBP	160,000	2,104,873	1.53
			7,707,676	5.59
<b>United States (2010: 58.49%)</b>				
Abbott Laboratories	USD	113,000	6,353,990	4.61
Advisory Board	USD	20,000	1,484,200	1.08
Air Methods	USD	27,041	2,283,612	1.66
Alexion Pharmaceuticals	USD	42,000	3,003,000	2.18
Allergan	USD	32,000	2,807,680	2.04
Amerigroup	USD	35,000	2,067,800	1.50
Ariad Pharmaceuticals	USD	200,000	2,450,000	1.78
Biogen Idec	USD	30,500	3,356,525	2.43
BioMarin Pharmaceutical	USD	77,739	2,672,667	1.94

## Financial assets at fair value through profit or loss

<b>Transferable securities Equities</b>	<b>Currency</b>	<b>Holdings</b>	<b>Fair Value GBP £</b>	<b>% of Net Assets</b>
<b>United States</b> continued				
Cardinal Health	USD	64,000	2,599,040	1.88
Celgene	USD	40,000	2,704,000	1.96
Cerner	USD	40,000	2,450,000	1.78
Clovis Oncology	USD	100,000	1,409,000	1.02
CVS Caremark	USD	105,000	4,281,900	3.11
Cyberonics	USD	78,824	2,640,604	1.92
Dynavax Technologies	USD	326,710	1,084,677	0.79
Eli Lilly & Co	USD	82,000	3,407,920	2.47
Endo Pharmaceuticals Holdings	USD	60,000	2,071,800	1.50
Endologix	USD	125,762	1,443,748	1.05
Gilead Sciences	USD	90,000	3,683,700	2.67
HMS Holdings	USD	70,000	2,238,600	1.62
Humana	USD	32,000	2,803,520	2.03
Insulet	USD	117,143	2,205,803	1.60
Intuitive Surgical	USD	7,000	3,241,070	2.35
Jazz Pharmaceuticals	USD	60,000	2,317,800	1.68
Medivation	USD	50,000	2,305,500	1.67
Mednax	USD	30,317	2,183,127	1.58
Medtronic	USD	75,000	2,868,750	2.08
Merck & Co	USD	195,000	7,351,500	5.33
Mettler-Toledo International	USD	18,686	2,760,109	2.00
NuVasive	USD	34,973	440,310	0.32
Onyx Pharmaceuticals	USD	32,600	1,432,770	1.04
Pfizer	USD	410,000	8,872,400	6.43
Threshold Pharmaceuticals	USD	303,300	370,026	0.27
UnitedHealth Group	USD	70,000	3,547,600	2.57
Zoll Medical	USD	40,100	2,533,518	1.84
			101,728,266	73.78
<b>Total Equities (2010: 91:05%)</b>			131,664,796	95.49
<b>Warrants (2010: 0.00%)</b>				
Threshold Pharmacy Warrants	USD	83,769	–	–
<b>Total transferable securities (2010:91.05%)</b>			131,664,796	95.49
<b>Total financial assets at fair value through profit or loss</b>			131,664,796	95.49
Cash at bank			6,611,459	4.79
Other net liabilities			(389,249)	(0.28)
<b>Total net assets attributable to holders of redeemable participating shares</b>			137,887,006	100.00

## Portfolio Statement continued

As at 31 December 2011

### Healthcare Opportunities Fund continued

All securities are transferable and are admitted to an official stock exchange or dealt on a regulated market at year end.

Portfolio classification	31 December 2011 % of Total Asset Value	31 December 2010 % of Total Asset Value
Transferable securities	95.11	90.37
Other assets	4.89	9.63
	100.00	100.00

## Japan Fund

### Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Holdings	Fair Value GBP £	% of Net Assets
<b>Basic Materials (2010: 9.98%)</b>				
Adeka	JPY	1,050,000	793,800,000	1.06
Aica Kogyo	JPY	731,500	761,491,500	1.01
Air Water	JPY	1,403,000	1,374,940,000	1.83
C Uyemura	JPY	162,800	490,028,000	0.65
Godo Steel	JPY	3,581,000	683,971,000	0.91
Kyoei Steel	JPY	597,300	853,541,700	1.14
Nihon Parkerizing	JPY	636,000	587,664,000	0.78
Nissan Chemical Industries	JPY	1,435,000	1,069,075,000	1.42
Nitto Denko	JPY	750,000	2,065,500,000	2.75
Sakai Chemical Industry	JPY	2,587,000	737,295,000	0.98
Tokyo Ohka Kogyo	JPY	434,300	664,913,300	0.89
			10,082,219,500	13.42
<b>Communications (2010: 1.70%)</b>				
Asahi Broadcasting	JPY	1,000,000	395,000,000	0.53
<b>Consumer, Cyclical (2010: 29.11%)</b>				
Accordia Golf	JPY	23,386	1,295,584,400	1.73
Aoyama Trading	JPY	628,200	908,377,200	1.21
H2O Retailing	JPY	1,410,000	827,670,000	1.10
Hajime Construction	JPY	575,000	909,650,000	1.21
Honda Motor	JPY	1,400,000	3,287,200,000	4.38
Komeri	JPY	610,000	1,449,360,000	1.93
Mitsui-Soko	JPY	2,792,000	809,680,000	1.08
NGK Spark Plug	JPY	1,045,000	997,975,000	1.33
Nippon Seiki	JPY	738,000	616,230,000	0.82
Noritake	JPY	1,887,000	434,010,000	0.58
Noritz	JPY	570,000	799,710,000	1.06
Sega Sammy	JPY	518,300	861,932,900	1.15
Sekisui Chemical	JPY	2,609,000	1,656,715,000	2.21
Shimachu	JPY	488,700	862,555,500	1.15
Shinmaywa Industries	JPY	1,848,000	571,032,000	0.76
Sumitomo Electric Industries	JPY	2,000,200	1,676,167,600	2.23
Takamatsu	JPY	407,300	496,498,700	0.66
Toei	JPY	1,759,000	642,035,000	0.86
Tokai Rika	JPY	818,000	964,422,000	1.28
TS Tech	JPY	945,000	1,151,955,000	1.53
Xebio	JPY	568,600	1,041,106,600	1.39
			22,259,866,900	29.65

## Portfolio Statement continued

As at 31 December 2011

### Japan Fund continued

#### Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Holdings	Fair Value GBP £	% of Net Assets
<b>Consumer, Non-cyclical (2010: 10.99%)</b>				
Asahi Intecc	JPY	343,200	598,884,000	0.80
Astellas Pharma	JPY	550,200	1,722,126,000	2.29
Hogy Medical	JPY	289,000	940,695,000	1.25
Nippon Shinyaku	JPY	731,000	695,181,000	0.93
Paramount Bed	JPY	217,500	509,385,000	0.68
Pola Orbis Holdings	JPY	870,000	1,809,600,000	2.41
			6,275,871,000	8.36
<b>Energy (2010: 4.03%)</b>				
<b>Financial (2010: 17.14%)</b>				
Daibiru	JPY	884,100	427,904,400	0.57
Jafco	JPY	1,198,400	1,693,339,200	2.26
Mitsubishi UFJ Financial	JPY	11,800,000	3,858,600,000	5.14
Mitsubishi UFJ Lease & Finance	JPY	394,140	1,202,127,000	1.60
MS&AD Insurance Group Holdings	JPY	1,452,700	2,071,550,200	2.76
Seven Bank	JPY	8,747,000	1,320,797,000	1.76
Sumitomo Mitsui Financial	JPY	1,950,000	4,180,800,000	5.57
Toho Real Estate	JPY	236,300	93,811,100	0.12
			14,848,928,900	19.78
<b>Industrial (2010: 25.43%)</b>				
Amada	JPY	2,059,000	1,004,792,000	1.34
Amano	JPY	379,100	260,062,600	0.35
Fuji Seal International	JPY	608,400	845,676,000	1.13
Fujifilm	JPY	2,180,000	3,974,140,000	5.29
Funai Electric	JPY	489,100	905,324,100	1.21
Futaba	JPY	243,600	299,140,800	0.40
Hi-Lex	JPY	700,000	837,900,000	1.12
Hisaka Works	JPY	918,000	776,628,000	1.03
Hitachi Koki	JPY	1,240,400	726,874,400	0.97
JS	JPY	955,000	1,408,625,000	1.88
Kandenko	JPY	2,618,000	976,514,000	1.30
Kinki Sharyo	JPY	985,000	241,325,000	0.32
Kyocera	JPY	345,000	2,135,550,000	2.84
Mabuchi Motor	JPY	215,100	689,395,500	0.92
NGK Insulators	JPY	1,750,000	1,599,500,000	2.13
Nichias	JPY	1,868,000	795,768,000	1.06
Nichiha	JPY	1,324,400	1,096,603,200	1.46
Nippon Signal	JPY	1,425,300	651,362,100	0.87
Nippon Thompson	JPY	2,327,000	1,040,169,000	1.39
Nitta	JPY	520,000	751,920,000	1.00
Ryobi	JPY	3,500,000	987,000,000	1.31



## Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Holdings	Fair Value JPY	% of Net Assets
<b>Industrial</b> continued				
Sanki Engineering	JPY	1,105,000	443,105,000	0.59
Sankyu	JPY	2,900,000	843,900,000	1.12
Tenma	JPY	188,000	129,344,000	0.17
West Japan Railway	JPY	640,000	2,140,800,000	2.85
Yamatake	JPY	497,900	833,484,600	1.11
			26,394,903,300	35.16
<b>Technology (2010: 2.17%)</b>				
Mimasu Semiconductor Industry	JPY	904,600	580,753,200	0.77
NSD	JPY	1,500,000	906,000,000	1.21
			1,486,753,200	1.98
<b>Total equities (2010: 100.55%)</b>			81,743,542,800	108.88
<b>Total transferable securities (2010: 100.55%)</b>			81,743,542,800	108.88

## OTC Financial derivative instruments

### Open forward foreign currency contracts

Transactions Currency sold	Currency bought	Currency rate	Maturity date	Unrealised bought	% of Net Assets
USD 1,759,180	JPY	77.580	24/01/2012	409,608	0.00
GBP 114,749	JPY	122.490	24/01/2012	337,990	0.00
GBP 101,902	JPY	121.950	24/01/2012	245,091	0.00
USD 399,105	JPY	77.730	24/01/2012	152,815	0.00
GBP 42,883	JPY	122.490	24/01/2012	126,311	0.00
GBP 39,785	JPY	122.330	24/01/2012	110,816	0.00
GBP 43,542	JPY	121.950	24/01/2012	104,726	0.00
EUR 56,974	JPY	101.894	04/01/2012	102,246	0.00
EUR 25,536	JPY	102.060	24/01/2012	50,647	0.00
GBP 12,957	JPY	122.420	24/01/2012	37,257	0.00
USD 43,264	JPY	78.105	24/01/2012	32,795	0.00
EUR 15,029	JPY	102.060	24/01/2012	29,808	0.00
USD 33,810	JPY	77.830	24/01/2012	16,328	0.00
GBP 3,990	JPY	121.998	04/01/2012	9,524	0.00
USD 9,828	JPY	78.020	24/01/2012	6,615	0.00
USD 12,922	JPY	77.730	24/01/2012	4,947	0.00
JPY 2,121,582	GBP	119.445	24/01/2012	1,799	0.00
EUR 18,796	JPY	100.160	24/01/2012	1,558	0.00
<b>Total unrealised gain on open foreign currency contracts (2010: 0.00%)</b>				1,780,881	0.00
<b>Total financial assets at fair value through profit or loss (2010: 100.55%)</b>				81,745,323,681	108.88

## Portfolio Statement continued

As at 31 December 2011

### Japan Fund continued

#### Financial liabilities at fair value through profit or loss Open forward foreign currency contracts

Transactions Currency sold	Currency bought	Currency rate	Maturity date	Unrealised loss JPY ¥	% of Net Assets
JPY 986,275	USD	77.580	24/01/2012	(2,960)	0.00
JPY 1,989,644	EUR	100.330	24/01/2012	(5,016)	0.00
JPY 1,342,213	GBP	122.420	24/01/2012	(31,527)	0.00
GBP 411,450	JPY	119.445	24/01/2012	(41,661)	0.00
JPY 4,404,135	EUR	101.825	24/01/2012	(75,617)	0.00
JPY 5,330,189	EUR	101.980	24/01/2012	(99,480)	0.00
JPY 8,529,832	EUR	101.990	24/01/2012	(160,019)	0.00
JPY 27,896,060	USD	78.105	24/01/2012	(270,738)	0.00
JPY 18,576,055	GBP	122.330	24/01/2012	(422,966)	0.00
JPY 1,523,754,054	EUR	101.650	24/01/2012	(23,583,140)	(0.03)
JPY 2,371,173,483	EUR	101.650	24/01/2012	(36,698,648)	(0.05)
JPY 8,445,305,594	USD	77.725	24/01/2012	(41,060,354)	(0.05)
JPY 24,742,458,214	GBP	121.600	24/01/2012	(418,132,700)	(0.56)
<b>Total unrealised loss on open foreign currency contracts (2010: 1.43%)</b>				(520,584,826)	(0.69)
<b>Total financial liabilities at fair value through profit or loss (2010: 1.43%)</b>				(520,584,826)	(0.69)
<b>Total financial assets and liabilities at fair value through profit or loss</b>				81,224,738,855	108.19
Bank overdraft				(5,146,068,299)	(6.86)
Other net liabilities				(1,001,207,530)	(1.33)
<b>Total net assets attributable to holders of redeemable participating shares</b>				75,077,463,026	100.00

All securities are transferable and are admitted to an official stock exchange or dealt on a regulated market at year end.

The counterparty for all over the counter financial derivative instruments is Northern Trust (Guernsey) Limited.

	31 December 2011 % of Total Asset	31 December 2010 % of Total Asset
<b>Portfolio classification</b>	<b>Value</b>	<b>Value</b>
Transferable securities	100.40	99.82
OTC financial derivative instruments	(0.64)	(1.42)
Other assets	0.24	1.60
	100.00	100.00

## North American Fund

### Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Nominal Holdings	Fair Value US\$	% of Net Assets
<b>Bermuda</b>				
Arch Capital	USD	27,456	1,022,187	1.20
<b>Canada</b>				
Canadian Oil Sands	CAD	77,500	1,769,580	2.08
Fairfax Financial	CAD	3,300	1,416,286	1.67
MacDonald Dettwiler & Associates	CAD	26,545	1,227,600	1.44
TMX Group	CAD	20,300	831,139	0.98
			5,244,605	6.17
<b>Ireland</b>				
Covidien	USD	37,507	1,688,190	1.99
Willis Group	USD	27,668	1,073,518	1.26
			2,761,708	3.25
<b>Switzerland</b>				
ACE	USD	15,691	1,100,253	1.29
Tyco International	USD	40,069	1,871,623	2.20
			2,971,876	3.49
<b>United States</b>				
Advance Auto Parts	USD	35,953	2,503,407	2.94
Altria Group	USD	49,916	1,480,009	1.74
Amphenol	USD	33,079	1,501,456	1.77
Apple	USD	9,011	3,649,455	4.29
AutoZone	USD	3,800	1,234,886	1.45
Berkshire Hathaway	USD	26,062	1,988,531	2.34
Blackstone Group	USD	95,477	1,337,633	1.57
CBS	USD	84,366	2,289,693	2.69
Coca-Cola	USD	28,190	1,972,454	2.32
Colgate-Palmolive	USD	15,142	1,398,969	1.65
CSX	USD	62,144	1,308,753	1.54
Danaher	USD	28,929	1,360,820	1.60
eBay	USD	40,398	1,225,271	1.44
Flowserve	USD	21,854	2,170,539	2.55
Google	USD	3,731	2,409,853	2.84
Helmerich & Payne	USD	25,245	1,473,298	1.73
Henry Schein	USD	21,251	1,369,202	1.61
Hubbell	USD	20,774	1,388,950	1.63
IBM	USD	13,277	2,441,375	2.87
Interpublic of Cos	USD	97,854	952,119	1.12
Jones Lang LaSalle	USD	17,824	1,091,898	1.28
JPMorgan Chase	USD	64,215	2,135,149	2.51

## Portfolio Statement continued

As at 31 December 2011

### North American Fund continued

#### Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Nominal Holdings	Fair Value US\$	% of Net Assets
<b>United States continued</b>				
Laboratory of America	USD	19,524	1,678,478	1.97
Lowe's Cos	USD	63,193	1,603,838	1.89
McDonald's	USD	20,212	2,027,870	2.39
McKesson	USD	22,264	1,734,588	2.04
Oracle	USD	76,154	1,953,350	2.30
Philip Morris International	USD	38,805	3,045,416	3.58
Procter & Gamble	USD	43,497	2,901,685	3.41
Roper Industries	USD	21,409	1,859,800	2.19
TD Ameritrade	USD	57,001	892,066	1.05
Time Warner	USD	63,756	2,304,142	2.71
Travelers Cos	USD	12,051	713,058	0.84
United Technologies	USD	23,499	1,717,542	2.02
UnitedHealth Group	USD	29,946	1,517,663	1.80
Viacom	USD	35,187	1,597,842	1.88
Visa	USD	19,521	1,981,967	2.33
Waste Connections	USD	47,833	1,585,187	1.86
WESCO International	USD	25,123	1,331,770	1.57
			69,129,982	81.31
<b>Total Equities</b>			81,130,358	95.42
<b>Total transferable securities</b>			81,130,358	95.42

#### OTC Financial derivative instruments

##### Open forward foreign currency contracts

Transactions Currency sold	Currency bought	Currency rate	Maturity date	Unrealised gain	% of Net Assets
USD 27,651	GBP	1.5406	24/01/2012	238	0.00
GBP 4,077	USD	0.6382	03/01/2012	52	0.00
<b>Total unrealised gain on open foreign currency contracts</b>				290	0.00
<b>Total financial assets at fair value through profit or loss</b>				81,130,648	95.42

**Financial liabilities at fair value through profit or loss**  
**Open forward foreign currency contracts**

Transactions Currency sold	Currency bought	Currency rate	Maturity date	Unrealised loss	% of Net Assets
USD 3,846	EUR	1.3076	24/01/2012	(28)	0.00
USD 9,992	GBP	1.5657	24/01/2012	(76)	0.00
USD 86,458	GBP	1.5657	24/01/2012	(654)	0.00
USD 9,313,531	GBP	1.5651	24/01/2012	(66,937)	(0.08)
<b>Total unrealised loss on open foreign currency contracts</b>				(67,695)	(0.08)
<b>Total financial liabilities at fair value through profit or loss</b>				(67,695)	(0.08)

	Fair Value US\$	% of Net Assets
<b>Total financial assets and liabilities at fair value through profit or loss</b>	81,062,953	95.34
Cash at bank	4,009,673	4.72
Other net liabilities	(51,693)	(0.06)
<b>Total net assets attributable to holders of redeemable participating shares</b>	85,020,933	100.00

All securities are transferable and are admitted to an official stock exchange or dealt on a regulated market at year end.

The counterparty for all over the counter financial derivative instruments is Northern Trust (Guernsey) Limited.

	<b>31 December 2011 % of Total Asset Value</b>
<b>Portfolio classification</b>	
Transferable securities	95.16
OTC financial derivative instruments	(0.08)
Other assets	4.92
	100.00

## Portfolio Statement continued

As at 31 December 2011

### UK Absolute Return Fund

#### Financial assets at fair value through profit or loss

Transferable securities Equities	Currency	Nominal Holdings	Fair Value GBP £	% of Net Assets
<b>Germany (2010: 0.00%)</b>				
Deutsche Boerse	EUR	14,621	492,487	2.34
Muenchener Rueckversicherungs	EUR	8,299	654,297	3.11
			1,146,784	5.45
<b>Netherlands (2010: 2.97%)</b>				
TNT Express	EUR	74,227	358,107	1.70
<b>Switzerland (2010: 5.55%)</b>				
Wolseley	GBP	49,298	1,045,118	4.97
Xstrata	GBP	35,160	339,681	1.62
			1,384,799	6.59
<b>United Kingdom (2010: 29.93%)</b>				
APR Energy	GBP	21,500	212,850	1.01
Ark Therapeutics	GBP	933,840	29,771	0.14
Carphone Warehouse Group	GBP	175,195	541,353	2.58
Centrica	GBP	273,000	782,964	3.72
Colt Group	GBP	407,188	372,414	1.77
Daily Mail & General	GBP	109,856	436,348	2.08
EnQuest	GBP	842,410	772,069	3.67
GKN	GBP	198,343	362,769	1.73
ITV	GBP	1,329,329	893,974	4.25
Johnson Matthey	GBP	13,654	251,097	1.20
Kingfisher	GBP	255,000	635,970	3.02
Lloyds Banking	GBP	1,546,790	394,974	1.88
Pendragon	GBP	577,220	43,869	0.21
Petropavlovsk	GBP	79,509	492,956	2.34
Reed Elsevier	GBP	110,175	569,605	2.71
RPC	GBP	97,000	342,847	1.63
Shanks	GBP	616,790	561,587	2.67
St James's Place	GBP	103,929	340,471	1.62
Tanfield	GBP	657,878	256,572	1.22
Taylor Wimpey	GBP	870,000	325,358	1.55
			8,619,818	41.00
<b>Total equities (2010: 38.45%)</b>			11,509,508	54.74
<b>Total transferable securities (2010: 38.45%)</b>			11,509,508	54.74

<b>OTC financial derivative instruments</b>		<b>No. of</b>	<b>Unrealised</b>	<b>% of</b>
<b>Contracts for difference</b>	<b>Currency</b>	<b>Contracts</b>	<b>Gain GBP £</b>	<b>Net Assets</b>
<b>United Kingdom (2010: 3.64%)</b>				
Barclays	GBP	254,777	14,019	0.07
BG Group	GBP	42,000	11,609	0.05
BP	GBP	257,865	43,615	0.21
Capita Group	GBP	(186,742)	96,369	0.46
Diageo	GBP	36,160	26,253	0.12
Dominos Pizza	GBP	(67,400)	42,521	0.20
Dunelm	GBP	(53,000)	8,819	0.04
GKN	GBP	60,000	7,877	0.04
Hargreaves Lansdown	GBP	(84,265)	122,402	0.58
HSBC	GBP	(88,000)	8,193	0.04
Kingfisher	GBP	34,052	9,487	0.05
Marks & Spencer	GBP	(134,000)	24,908	0.12
Mecom	GBP	125,000	63,306	0.30
Provident Financial	GBP	(42,724)	11,517	0.05
Stobart	GBP	(179,749)	17,315	0.08
Taylor Wimpey	GBP	430,000	34,951	0.17
WPP	GBP	72,000	13,822	0.07
<b>Total unrealised gain on contracts for difference (2010: 3.64%)</b>			<b>556,983</b>	<b>2.65</b>

<b>Equity Options</b>		<b>Nominal</b>	<b>Fair Value</b>	<b>% of</b>
		<b>Holding</b>	<b>GBP £</b>	<b>Net Assets</b>
<b>Germany (2010: 0.13%)</b>				
		–	–	
<b>United Kingdom (2010: 0.89%)</b>				
FTSE 100 Index 5200 Put 20/01/2012	GBP	75	17,625	0.08
Lloyds TSB 48 Call 16/03/2012	GBP	2,500	–	0.00
<b>Total Equity Options (2010: 1.02%)</b>			<b>17,625</b>	<b>0.08</b>

#### **Open forward foreign currency contracts**

<b>Transactions</b>	<b>Currency</b>	<b>Currency</b>	<b>Unrealised</b>	<b>% of</b>
<b>Currency sold</b>	<b>bought</b>	<b>rate</b>	<b>Gain GBP £</b>	<b>Net Assets</b>
GBP 2,237,652	EUR	0.83580	3,484	0.02
GBP 5,688	USD	0.6385	76	0.00
GBP 7,448	EUR	0.8358	12	0.00
<b>Total unrealised gain on open forward foreign currency contracts (2010: 0.33%)</b>			<b>3,572</b>	<b>0.02</b>
<b>Total unrealised gain on OTC financial derivative instruments (2010: 4.99%)</b>			<b>578,180</b>	<b>2.75</b>
<b>Total financial assets at fair value through profit or loss (2010: 43.44%)</b>			<b>12,087,688</b>	<b>57.49</b>

## Portfolio Statement continued

As at 31 December 2011

### UK Absolute Return Fund continued

#### Total financial liabilities at fair value through profit or loss

OTC financial derivative instruments Contracts for difference	Currency	No. of Contracts	Unrealised Loss GBP £	% of Net Assets
<b>Spain (2010: (0.02%))</b>	EUR	–	–	–
<b>United Kingdom (2010: (3.41%))</b>				
Anglo American	GBP	32,446	(128,533)	(0.61)
Aviva	GBP	196,651	(176,286)	(0.84)
AZ Electronic Materials	GBP	(10,904)	(955)	0.00
British Amer Tobacco	GBP	(25,888)	(85,405)	(0.41)
BT Group	GBP	(235,000)	(6,801)	(0.03)
Daily Mail & General	GBP	4,321	(1,800)	(0.01)
Genus	GBP	(12,297)	(44,868)	(0.21)
Henderson Group	GBP	234,874	(115,938)	(0.55)
International Consolidated Airlines	GBP	280,449	(184,257)	(0.88)
Intertek	GBP	(13,500)	(32,651)	(0.16)
Johnson Matthey	GBP	5,182	(939)	0.00
Lloyds TSB Group	GBP	1,112,000	(29,715)	(0.14)
Paragon Group	GBP	250,000	(15,840)	(0.08)
Pendragon	GBP	1,462,191	(216,744)	(1.03)
Rotork	GBP	(15,200)	(60,979)	(0.29)
Schroder	GBP	58,823	(227,581)	(1.08)
Segro Reits	GBP	202,000	(77,872)	(0.37)
Smith Group	GBP	47,265	(158,841)	(0.76)
Spirax-Sarco	GBP	(13,000)	(140)	0.00
St James's Place	GBP	36,004	(1,340)	(0.01)
Trinity Mirror	GBP	414,285	(103,938)	(0.49)
Xstrata	GBP	34,000	(17,585)	(0.08)
<b>Total unrealised loss on contracts for difference (2010: 3.43%)</b>			(1,689,008)	(8.03)

#### Futures

##### United Kingdom (2010: 0.00%)

FTSE 100 Fut 16/03/2012	GBP	(107)	(162,827)	(0.78)
<b>Total futures (2010: 0.00%)</b>			(162,827)	(0.78)



<b>Equity Index Swaps</b>	<b>Currency</b>	<b>Nominal Holding</b>	<b>Fair Value GBP£</b>	<b>% of Net Assets</b>
<b>Europe (2010: (7.98%))</b>	EUR	–	–	–
<b>United Kingdom (2010: (8.12%))</b>				
EIS FTSE Mid Cap 250 Index Swap	GBP	(350)	(3,528,074)	(16.78)
<b>Total Equity Index swaps (2010: (16.10%))</b>			(3,528,074)	(16.78)
<b>Total unrealised loss on open forward foreign currency contracts (2010: 0.01%)</b>			–	–
<b>Total financial liabilities at fair value through the profit &amp; loss (2010: 19.54%)</b>			(5,379,909)	(25.59)
<b>Total financial assets and liabilities at fair value through profit or loss</b>			6,707,779	31.90
Cash at bank			14,530,468	69.11
Other net liabilities			(213,905)	(1.01)
<b>Total net assets attributable to holders of redeemable participating shares</b>			21,024,342	100.00

All securities are transferable and all admitted to an official stock exchange or dealt on a regulated market at year end.

The counterparty for all over the counter financial derivative instruments is Morgan Stanley.

<b>Portfolio classification</b>	<b>31 December 2011 % of Total Asset Value</b>	<b>31 December 2010 % of Total Asset Value</b>
Transferable securities	54.14	37.96
OTC financial derivative instruments	(22.59)	(14.37)
Other assets	68.45	76.41
	100.00	100.00

## Balance Sheet

As at 31 December 2011

	Notes	Emerging Markets Growth Fund 31 December 2011 US\$	Emerging Markets Income Fund <sup>A</sup> 31 December 2011 US\$	Financial Opportunities Fund <sup>B</sup> 31 December 2011 US\$	Global Insurance Fund <sup>C</sup> 31 December 2011 GBP£	Global Technology Fund 31 December 2011 US\$
<b>Assets</b>						
Transferable securities	10	6,912,183	21,489,095	12,570,669	203,932,491	524,387,586
Financial derivative instruments	10	–	–	–	–	–
Dividends and interest receivable		16,570	58,784	6,621	129,049	63,352
Amounts receivable on sale of securities		–	–	26	–	–
Amounts receivable on sale of redeemable participating shares		16,537	47,562	–	87,949	39,922
Sundry debtors		13,118	8,990	15,631	16,257	7,518
Cash at bank		430,878	1,480,923	401,391	9,496,912	2,692,912
<b>Total Assets</b>		<b>7,389,286</b>	<b>23,085,354</b>	<b>12,994,338</b>	<b>213,662,658</b>	<b>527,191,290</b>
<b>Liabilities</b>						
Financial derivative instruments	10	–	–	–	–	–
Bank overdraft	4	–	–	–	–	–
Amounts payable on redemption of redeemable participating shares		–	–	–	(40,376)	(1,900,984)
Amounts payable on purchase of securities		–	–	–	–	–
Investment management fee payable		(7,420)	(22,352)	(11,362)	(260,188)	(743,935)
Performance fee payable		–	(136,718)	(71,766)	(159,809)	–
Sundry creditors		(13,897)	(26,374)	(21,377)	(111,558)	(313,871)
<b>Total liabilities (excluding net assets attributable to holders of redeemable participating shares)</b>		<b>(21,317)</b>	<b>(185,444)</b>	<b>(104,505)</b>	<b>(571,931)</b>	<b>(2,958,790)</b>
<b>Net assets attributable to holders of redeemable participating shares</b>		<b>7,367,969</b>	<b>22,899,910</b>	<b>12,889,833</b>	<b>213,090,727</b>	<b>524,232,500</b>

	Notes	Healthcare Opportunities Fund 31 December 2011 US\$	Japan Fund 31 December 2011 JPY ¥	North American Fund <sup>P</sup> 31 December 2011 US\$	UK Absolute Return Fund 31 December 2011 GBP£	Total 31 December 2011 US\$
<b>Assets</b>						
Transferable securities	10	131,664,796	81,743,542,800	81,130,358	11,509,508	2,167,657,673
Financial derivative instruments	10	–	1,780,881	290	578,180	917,092
Dividends and interest receivable		100,865	89,338,218	67,422	20,718	1,699,747
Amounts receivable on sale of securities		–	–	–	–	26
Amounts receivable on sale of redeemable participating shares		49,939	93,905,822	87,748	–	1,591,311
Sundry debtors		996	662,298	27,601	193	107,843
Cash at bank		6,611,459	–	4,009,673	14,530,468	52,770,254
<b>Total Assets</b>		<b>138,428,055</b>	<b>81,929,230,019</b>	<b>85,323,092</b>	<b>26,639,067</b>	<b>2,224,743,946</b>
<b>Liabilities</b>						
Financial derivative instruments	10	–	(520,584,826)	(67,695)	(5,379,909)	(15,112,368)
Bank overdraft	4	–	(5,146,068,299)	–	–	(66,508,152)
Amounts payable on redemption of redeemable participating shares		(49,411)	(711,800,624)	(84,239)	(193,439)	(11,595,442)
Amounts payable on purchase of securities		–	–	–	–	–
Investment management fee payable		(142,943)	(98,407,537)	(41,065)	(22,432)	(2,677,795)
Performance fee payable		(272,231)	(324,203,901)	(52,766)	–	(4,970,558)
Sundry creditors		(76,464)	(50,701,806)	(56,394)	(18,945)	(1,365,390)
<b>Total liabilities (excluding net assets attributable to holders of redeemable participating shares)</b>		<b>(541,049)</b>	<b>(6,851,766,993)</b>	<b>(302,159)</b>	<b>(5,614,725)</b>	<b>(102,229,705)</b>
<b>Net assets attributable to holders of redeemable participating shares</b>		<b>137,887,006</b>	<b>75,077,463,026</b>	<b>85,020,933</b>	<b>21,024,342</b>	<b>2,122,514,241</b>

## Balance Sheet continued

As at 31 December 2011

	Note	Emerging Markets Growth Fund 31 December 2011 Shares	Emerging Markets Income Fund <sup>A</sup> 31 December 2011 Shares	Financial Opportunities Fund <sup>B</sup> 31 December 2011 Shares	Global Insurance Fund <sup>C</sup> 31 December 2011 Shares	Global Technology Fund 31 December 2011 Shares
<b>Number of redeemable participating shares outstanding</b>	9					
Class A Japanese yen		n/a	n/a	n/a	n/a	n/a
Class A US dollar		n/a	n/a	n/a	n/a	3,198,764
Class A Sterling		n/a	n/a	n/a	n/a	796,828
Class A Sterling Distributing		n/a	n/a	n/a	46,777,227	n/a
Class A Euro		n/a	n/a	n/a	n/a	2,449
Class B Sterling Accumulating		n/a	n/a	n/a	6,323,093	n/a
Class E Sterling Distributing		n/a	n/a	n/a	25,929,825	n/a
Class F Sterling Accumulating		n/a	n/a	n/a	17,686,189	n/a
Class I US dollar		1,000	n/a	10	n/a	9,265,537
Class I US dollar Accumulating		n/a	1,000	n/a	15,028	n/a
Class I US dollar Distributing		n/a	1,017	n/a	30	n/a
Class I Sterling		97,361	n/a	1,430,097	n/a	16,749,181
Class I Sterling Accumulating		n/a	475,436	n/a	3,394,045	n/a
Class I Sterling Distributing		n/a	1,513,004	n/a	1,067,645	n/a
Class I Euro		1,302	n/a	15	n/a	298,023
Class I Euro Accumulating		n/a	1,340	n/a	40	n/a
Class I Euro Distributing		n/a	1,363	n/a	44	n/a
Class I Japanese Yen		n/a	n/a	n/a	n/a	n/a
Class R US dollar		1,000	n/a	1,367	n/a	5,042,344
Class R US dollar Accumulating		n/a	1,000	n/a	33,129	n/a
Class R US dollar Distributing		n/a	1,017	n/a	30	n/a
Class R Sterling		757,359	n/a	179,437	n/a	2,105,931
Class R Sterling Accumulating		n/a	2,283	n/a	70,935	n/a
Class R Sterling Distributing		n/a	555,490	n/a	1,941,435	n/a
Class R Euro		1,302	n/a	15	n/a	83,563
Class R Euro Accumulating		n/a	1,340	n/a	40	n/a
Class R Euro Distributing		n/a	1,363	n/a	44	n/a
Class R Japanese Yen		n/a	n/a	n/a	n/a	n/a
Class S US dollar		n/a	n/a	n/a	n/a	n/a
Class S Sterling		n/a	n/a	n/a	n/a	n/a
Class S Euro		n/a	n/a	n/a	n/a	n/a
Class I Hedged US dollar		n/a	n/a	n/a	n/a	n/a
Class R Hedged US dollar		n/a	n/a	n/a	n/a	n/a
Class I Hedged Euro		n/a	n/a	n/a	n/a	n/a
Class R Hedged Euro		n/a	n/a	n/a	n/a	n/a
Class S Hedged Euro		n/a	n/a	n/a	n/a	n/a
Class I Hedged Sterling		n/a	n/a	n/a	n/a	n/a
Class R Hedged Sterling		n/a	n/a	n/a	n/a	n/a
Class S Hedged Sterling		n/a	n/a	n/a	n/a	n/a

	Note	Healthcare Opportunities Fund 31 December 2011 Shares	Japan Fund 31 December 2011 Shares	North American Fund <sup>c</sup> 31 December 2011 Shares	UK Absolute Return Fund 31 December 2011 Shares
<b>Number of redeemable participating shares outstanding</b>	9				
Class A Japanese yen		n/a	1,741,870	n/a	n/a
Class A US dollar		328,796	4,822,903	n/a	n/a
Class A Sterling		1,366,882	2,674,855	n/a	n/a
Class A Sterling Distributing		n/a	n/a	n/a	n/a
Class A Euro		36,905	n/a	n/a	n/a
Class B Sterling Accumulating		n/a	n/a	n/a	n/a
Class E Sterling Distributing		n/a	n/a	n/a	n/a
Class F Sterling Accumulating		n/a	n/a	n/a	n/a
Class I US dollar		1,085,173	5,320,613	10	n/a
Class I US dollar Accumulating		n/a	n/a	n/a	n/a
Class I US dollar Distributing		n/a	n/a	n/a	n/a
Class I Sterling		6,754,282	1,518,266	55,317	1,868,345
Class I Sterling Accumulating		n/a	n/a	n/a	n/a
Class I Sterling Distributing		n/a	n/a	n/a	n/a
Class I Euro		122,731	1,181,537	14	1,007
Class I Euro Accumulating		n/a	n/a	n/a	n/a
Class I Euro Distributing		n/a	n/a	n/a	n/a
Class I Japanese yen		n/a	13,674,726	n/a	n/a
Class R US dollar		128,696	359,649	1,610	n/a
Class R US dollar Accumulating		n/a	n/a	n/a	n/a
Class R US dollar Distributing		n/a	n/a	n/a	n/a
Class R Sterling		187,809	63,290	4,881	69,334
Class R Sterling Accumulating		n/a	n/a	n/a	n/a
Class R Sterling Distributing		n/a	n/a	n/a	n/a
Class R Euro		8,203	4,365	14	n/a
Class R Euro Accumulating		n/a	n/a	n/a	n/a
Class R Euro Distributing		n/a	n/a	n/a	n/a
Class R Japanese yen		n/a	3,233,198	n/a	n/a
Class S US dollar		n/a	n/a	2,360,229	n/a
Class S Sterling		n/a	n/a	5,043,001	n/a
Class S Euro		n/a	n/a	14	n/a
Class I Hedged US dollar		n/a	7,091,610	n/a	10
Class R Hedged US dollar		n/a	3,920,395	n/a	1,000
Class I Hedged Euro		n/a	1,898,136	100	281,301
Class R Hedged Euro		n/a	3,011,668	100	1,000
Class S Hedged Euro		n/a	n/a	100	n/a
Class I Hedged Sterling		n/a	10,773,458	21,555	n/a
Class R Hedged Sterling		n/a	10,221,617	15,550	n/a
Class S Hedged Sterling		n/a	n/a	574,288	n/a

## Balance Sheet continued

As at 31 December 2011

	Emerging Markets Growth Fund 31 December 2011	Emerging Markets Income Fund <sup>A</sup> 31 December 2011	Financial Opportunities Fund <sup>B</sup> 31 December 2011	Global Insurance Fund <sup>C</sup> 31 December 2011	Global Technology Fund 31 December 2011
<b>Net asset value per redeemable participating share</b>					
Class A Japanese yen	n/a	n/a	n/a	n/a	n/a
Class A US dollar	n/a	n/a	n/a	n/a	\$15.52
Class A Sterling	n/a	n/a	n/a	n/a	£9.98
Class A Sterling Distributing	n/a	n/a	n/a	£2.01	n/a
Class A Euro	n/a	n/a	n/a	n/a	€11.96
Class B Sterling Accumulating	n/a	n/a	n/a	£2.20	n/a
Class E Sterling Distributing	n/a	n/a	n/a	£2.01	n/a
Class F Sterling Accumulating	n/a	n/a	n/a	£2.23	n/a
Class I US dollar	\$8.62	n/a	\$8.01	n/a	\$13.82
Class I US dollar Accumulating	n/a	\$9.08	n/a	\$3.39	n/a
Class I US dollar Distributing	n/a	\$8.94	n/a	\$3.08	n/a
Class I Sterling	£5.55	n/a	£5.15	n/a	£8.89
Class I Sterling Accumulating	n/a	£5.84	n/a	£2.18	n/a
Class I Sterling Distributing	n/a	£5.75	n/a	£1.98	n/a
Class I Euro	€6.64	n/a	€6.17	n/a	€10.64
Class I Euro Accumulating	n/a	€7.00	n/a	€2.61	n/a
Class I Euro Distributing	n/a	€6.89	n/a	€2.38	n/a
Class I Japanese yen	n/a	n/a	n/a	n/a	n/a
Class R US dollar	\$8.57	n/a	\$7.96	n/a	\$13.64
Class R US dollar Accumulating	n/a	\$9.04	n/a	\$3.34	n/a
Class R US dollar Distributing	n/a	\$8.91	n/a	\$3.07	n/a
Class R Sterling	£5.51	n/a	£5.12	n/a	£8.77
Class R Sterling Accumulating	n/a	£5.82	n/a	£2.15	n/a
Class R Sterling Distributing	n/a	£5.74	n/a	£1.97	n/a
Class R Euro	€6.60	n/a	€6.13	n/a	€10.50
Class R Euro Accumulating	n/a	€6.97	n/a	€2.58	n/a
Class R Euro Distributing	n/a	€6.87	n/a	€2.36	n/a
Class R Japanese yen	n/a	n/a	n/a	n/a	n/a
Class S US dollar	n/a	n/a	n/a	n/a	n/a
Class S Sterling	n/a	n/a	n/a	n/a	n/a
Class S Euro	n/a	n/a	n/a	n/a	n/a
Class I Hedged US dollar	n/a	n/a	n/a	n/a	n/a
Class R Hedged US dollar	n/a	n/a	n/a	n/a	n/a
Class I Hedged Euro	n/a	n/a	n/a	n/a	n/a
Class R Hedged Euro	n/a	n/a	n/a	n/a	n/a
Class S Hedged Euro	n/a	n/a	n/a	n/a	n/a
Class I Hedged Sterling	n/a	n/a	n/a	n/a	n/a
Class R Hedged Sterling	n/a	n/a	n/a	n/a	n/a
Class S Hedged Sterling	n/a	n/a	n/a	n/a	n/a

	Healthcare Opportunities Fund 31 December 2011	Japan Fund 31 December 2011	North American Fund <sup>P</sup> 31 December 2011	UK Absolute Return Fund 31 December 2011
<b>Net asset value per redeemable participating share</b>				
Class A Japanese yen	n/a	¥1,321.49	n/a	n/a
Class A US dollar	\$10.07	\$17.08	n/a	n/a
Class A Sterling	£6.48	£11.05	n/a	n/a
Class A Sterling Distributing	n/a	n/a	n/a	n/a
Class A Euro	€7.76	n/a	n/a	n/a
Class B Sterling Accumulating	n/a	n/a	n/a	n/a
Class E Sterling Distributing	n/a	n/a	n/a	n/a
Class F Sterling Accumulating	n/a	n/a	n/a	n/a
Class I US dollar	\$14.54	\$13.02	\$10.10	n/a
Class I US dollar Accumulating	n/a	n/a	n/a	n/a
Class I US dollar Distributing	n/a	n/a	n/a	n/a
Class I Sterling	£9.36	£8.43	£6.50	£9.68
Class I Sterling Accumulating	n/a	n/a	n/a	n/a
Class I Sterling Distributing	n/a	n/a	n/a	n/a
Class I Euro	€11.20	€10.07	€7.78	€11.56
Class I Euro Accumulating	n/a	n/a	n/a	n/a
Class I Euro Distributing	n/a	n/a	n/a	n/a
Class I Japanese yen	n/a	¥1,007.75	n/a	n/a
Class R US dollar	\$14.38	\$12.89	\$10.09	n/a
Class R US dollar Accumulating	n/a	n/a	n/a	n/a
Class R US dollar Distributing	n/a	n/a	n/a	n/a
Class R Sterling	£9.25	£8.34	£6.49	£9.53
Class R Sterling Accumulating	n/a	n/a	n/a	n/a
Class R Sterling Distributing	n/a	n/a	n/a	n/a
Class R Euro	€11.08	€9.96	€7.77	n/a
Class R Euro Accumulating	n/a	n/a	n/a	n/a
Class R Euro Distributing	n/a	n/a	n/a	n/a
Class R Japanese yen	n/a	¥996.99	n/a	n/a
Class S US dollar	n/a	n/a	\$10.10	n/a
Class S Sterling	n/a	n/a	£6.50	n/a
Class S Euro	n/a	n/a	€7.78	n/a
Class I Hedged US dollar	n/a	\$9.99	n/a	\$9.61
Class R Hedged US dollar	n/a	\$9.88	n/a	\$8.98
Class I Hedged Euro	n/a	€8.08	€10.08	€9.59
Class R Hedged Euro	n/a	€8.01	€10.07	€8.98
Class S Hedged Euro	n/a	n/a	€10.08	n/a
Class I Hedged Sterling	n/a	£10.00	£10.09	n/a
Class R Hedged Sterling	n/a	£9.84	£10.09	n/a
Class S Hedged Sterling	n/a	n/a	£10.10	n/a

## **Balance Sheet** continued

**As at 31 December 2011**

<sup>A</sup> The Polar Capital Emerging Markets Income Fund launched 21 January 2011

<sup>B</sup> The Polar Capital Financial Opportunities Fund launched 3 May 2011

<sup>C</sup> The Polar Capital Global Insurance Fund launched 27 May 2011

<sup>D</sup> The Polar Capital North American Fund launched 14 November 2011

The Financial Statements were approved by the Board of Directors of Polar Capital Funds plc on 11 April 2012 and signed on its behalf by:

**Jonathan Quigley**  
Director

**David Hammond**  
Director



## Balance Sheet

As at 31 December 2010

	Notes	Emerging Markets Growth Fund <sup>A</sup> 31 December 2010 US\$	Global Technology Fund 31 December 2010 US\$	Healthcare Opportunities Fund 31 December 2010 US\$	Japan Fund 31 December 2010 JPY ¥	UK Absolute Return Fund 31 December 2010 GBP£	Total 31 December 2010 US\$
<b>Assets</b>							
Transferable securities	10	6,652,220	430,725,548	67,400,791	53,889,622,100	45,531,844	1,235,654,282
Financial derivative instruments	10	–	–	–	571,925	5,904,771	9,176,525
Dividends and interest receivable		7,199	–	87,547	75,126,051	163,549	1,269,045
Amounts receivable on sale of securities		–	–	714,361	82,619,999	–	1,726,489
Amounts receivable on sale of redeemable participating shares		6,640	958,888	10,883	193,974,582	70,700	3,462,467
Sundry debtors		1,999	12,168	884	1,813,382	4,644	44,477
Cash at bank		597,502	47,218,460	6,366,035	513,081,382	91,411,973	202,421,101
<b>Total Assets</b>		<b>7,265,560</b>	<b>478,915,064</b>	<b>74,580,501</b>	<b>54,756,809,421</b>	<b>143,087,481</b>	<b>1,453,754,386</b>
<b>Liabilities</b>							
Financial derivative instruments	10	–	–	–	(768,039,000)	(23,139,419)	(45,341,987)
Bank overdraft	4	–	–	–	–	–	–
Amounts payable on redemption of redeemable participating shares		–	(141,893)	–	(12,558,176)	(389,703)	(900,905)
Amounts payable on purchase of securities		(28,945)	–	(359,745)	(130,236,734)	–	(1,984,142)
Investment management fee payable		(8,361)	(800,294)	(113,551)	(40,790,187)	(138,248)	(1,636,587)
Performance fee payable		–	(6,308,037)	(26,841)	(135,813,501)	(919,046)	(9,425,835)
Sundry creditors		(31,281)	(266,204)	(56,856)	(75,359,615)	(78,123)	(1,398,843)
<b>Total liabilities (excluding net assets attributable to holders of redeemable participating shares)</b>		<b>(68,587)</b>	<b>(7,516,428)</b>	<b>(556,993)</b>	<b>(1,162,797,213)</b>	<b>(24,664,539)</b>	<b>(60,688,299)</b>
<b>Net assets attributable to holders of redeemable participating shares</b>		<b>7,196,973</b>	<b>471,398,636</b>	<b>74,023,508</b>	<b>53,594,012,208</b>	<b>118,422,942</b>	<b>1,393,066,087</b>

<sup>A</sup>The Polar Capital Emerging Markets Growth Fund launched 1 December 2010.

## Balance Sheet continued

As at 31 December 2010

	Note	Emerging Markets Growth Fund <sup>A</sup> 31 December 2010 Shares	Global Technology Fund 31 December 2010 Shares	Healthcare Opportunities Fund 31 December 2010 Shares	Japan Fund 31 December 2010 Shares	UK Absolute Return Fund <sup>B</sup> 31 December 2010 Shares
<b>Number of redeemable participating shares outstanding</b>	9					
Class A Japanese Yen		n/a	n/a	n/a	1,695,083	n/a
Class A US dollar		n/a	2,791,146	208,390	4,804,544	n/a
Class A Sterling		n/a	752,111	3,848,515	3,080,582	n/a
Class A Euro		n/a	1,286	33,800	n/a	n/a
Class I US dollar		1,000	2,640,464	581,775	3,891,313	54,582
Class I Sterling		69,736	10,435,072	1,962,818	140,755	6,889,768
Class I Euro		1,302	526,527	30,206	194,995	1,007
Class I Japanese Yen		n/a	n/a	n/a	7,034,367	n/a
Class R US dollar		1,000	11,581,225	25,851	240,950	–
Class R Sterling		628,212	703,962	60,309	11,324	1,137,012
Class R Euro		1,302	3,546	5,213	147,335	13,790
Class R Japanese Yen		n/a	n/a	n/a	4,955,009	n/a
Class I Hedged US dollar		n/a	n/a	n/a	2,773,561	1,262,877
Class R Hedged US dollar		n/a	n/a	n/a	1,439,591	1,000
Class I Hedged Euro		n/a	n/a	n/a	8,233	1,918,193
Class R Hedged Euro		n/a	n/a	n/a	131,146	1,000
Class I Hedged Sterling		n/a	n/a	n/a	3,295,690	n/a
Class R Hedged Sterling		n/a	n/a	n/a	7,358,443	n/a
<b>Net asset value per redeemable participating share</b>						
Class A Japanese Yen		n/a	n/a	n/a	¥1,528.78	n/a
Class A US dollar		n/a	\$17.86	\$9.34	\$18.73	n/a
Class A Sterling		n/a	£11.41	£5.98	£12.14	n/a
Class A Euro		n/a	€13.32	€6.96	n/a	n/a
Class I US dollar		\$10.25	\$15.83	\$13.41	\$14.31	\$17.46
Class I Sterling		£6.55	£10.11	£8.57	£9.27	£11.24
Class I Euro		€7.64	€11.80	€10.00	€10.80	€13.05
Class I Japanese Yen		n/a	n/a	n/a	¥1,168.03	n/a
Class R US dollar		\$10.24	\$15.69	\$13.33	\$14.19	–
Class R Sterling		£6.54	£10.02	£8.51	£9.20	£11.13
Class R Euro		€7.64	€11.70	€9.93	€10.71	€12.91
Class R Japanese Yen		n/a	n/a	n/a	¥1,158.43	n/a
Class I Hedged US dollar		n/a	n/a	n/a	\$11.62	\$11.08
Class R Hedged US dollar		n/a	n/a	n/a	\$11.54	\$10.50
Class I Hedged Euro		n/a	n/a	n/a	€9.35	€11.18
Class R Hedged Euro		n/a	n/a	n/a	€9.32	€10.50
Class I Hedged Sterling		n/a	n/a	n/a	£11.62	n/a
Class R Hedged Sterling		n/a	n/a	n/a	£11.48	n/a

<sup>A</sup> The Polar Capital Emerging Markets Growth Fund launched 1 December 2010.

<sup>B</sup> With effect from 28 May 2010 EUR Class A Shares, GBP Class A Shares and USD Class A Shares were re-named Class R EUR Shares, Class R GBP Shares and Class R USD Shares respectively.

The accompanying notes form an integral part of these Financial Statements

## Profit and Loss Account

As at 31 December 2011

	Notes	Emerging Markets Growth Fund 31 December 2011 US\$	Emerging Markets Income Fund <sup>A</sup> 31 December 2011 US\$	Financial Opportunities Fund <sup>B</sup> 31 December 2011 US\$	Global Insurance Fund <sup>C</sup> 31 December 2011 GBP£	Global Technology Fund 31 December 2011 US\$
<b>Investment income</b>						
Investment income		174,996	632,288	114,063	2,226,493	3,566,299
Net realised and unrealised (loss)/gain on investments	16	(1,258,650)	(1,606,833)	(1,625,579)	5,973,057	(107,049,093)
Income equalisation		12	196,269	–	2,869	–
<b>Net investment (loss)/income</b>		<b>(1,083,642)</b>	<b>(778,276)</b>	<b>(1,511,516)</b>	<b>8,202,419</b>	<b>(103,482,794)</b>
<b>Expenses</b>						
Investment management fees	3	(107,317)	(154,503)	(64,917)	(1,005,354)	(7,328,152)
Administration fees	3	(41,885)	(39,865)	(27,732)	(173,552)	(1,016,278)
General expenses		(67,639)	(64,857)	(33,370)	(107,823)	(397,403)
Performance fee	3	–	(136,718)	(71,766)	(159,823)	–
Custodian's fees	3	(15,838)	(16,239)	(10,122)	(59,554)	(395,342)
Legal fees		176	(3,116)	(639)	(11,332)	(78,580)
Directors' fees		(17,628)	(763)	(8,168)	(16,816)	(69,896)
Auditor's fees		(331)	(1,028)	(578)	(9,563)	(23,526)
Transaction costs		–	–	–	–	–
Withholding tax		(15,130)	(49,571)	(15,061)	(336,418)	(795,721)
<b>Operating expenses</b>		<b>(265,592)</b>	<b>(466,660)</b>	<b>(232,353)</b>	<b>(1,880,235)</b>	<b>(10,104,898)</b>
<b>Net (expense)/income from operations before finance costs</b>		<b>(1,349,234)</b>	<b>(1,244,936)</b>	<b>(1,743,869)</b>	<b>6,322,184</b>	<b>(113,587,692)</b>
<b>Finance costs</b>						
Bank interest		(597)	(5,507)	(3,241)	(19,873)	(80,924)
Distributions to holders of redeemable participating shares	14	–	(172,133)	–	(595,635)	–
<b>Total finance costs</b>		<b>(597)</b>	<b>(177,640)</b>	<b>(3,241)</b>	<b>(615,508)</b>	<b>(80,924)</b>
<b>Change in net assets attributable to holders of redeemable participating shares</b>		<b>(1,349,831)</b>	<b>(1,422,576)</b>	<b>(1,747,110)</b>	<b>5,706,676</b>	<b>(113,668,616)</b>

## Profit and Loss Account continued

As at 31 December 2011

	Notes	Healthcare Opportunities Fund 31 December 2011 US\$	Japan Fund 31 December 2011 JPY ¥	North American Fund <sup>P</sup> 31 December 2011 US\$	UK Absolute Return Fund 31 December 2011 GBP£	Total 31 December 2011 US\$
<b>Investment income</b>						
Investment income		1,711,815	1,760,850,520	159,631	525,024	32,863,777
Net realised and unrealised (loss)/gain on investments	16	3,673,263	(16,306,326,412)	2,495,808	(9,464,656)	(315,551,137)
Income equalisation		12,065	37,616,296	36	–	684,920
<b>Net investment (loss)/income</b>		<b>5,397,143</b>	<b>(14,507,859,596)</b>	<b>2,655,475</b>	<b>(8,939,632)</b>	<b>(282,002,440)</b>
<b>Expenses</b>						
Investment management fees	3	(1,356,717)	(871,367,412)	(52,128)	(589,628)	(22,554,032)
Administration fees	3	(216,179)	(121,424,334)	(16,868)	(103,220)	(3,326,098)
General expenses		(125,845)	(56,290,875)	(15,678)	(63,383)	(1,685,605)
Performance fee	3	(272,231)	(390,786,369)	(52,812)	–	(5,692,684)
Custodian's fees	3	(70,596)	(37,238,525)	(5,921)	(27,921)	(1,121,549)
Legal fees		(14,106)	(8,908,752)	(1,947)	(6,121)	(237,973)
Directors' fees		(32,203)	(9,421,349)	(4,597)	(11,972)	(297,627)
Auditor's fees		(6,188)	(3,369,284)	(3,816)	(944)	(94,590)
Transaction costs		–	–	–	(173,261)	(277,880)
Withholding tax		(420,181)	(123,259,538)	(44,607)	(126,234)	(3,628,705)
<b>Operating expenses</b>		<b>(2,514,246)</b>	<b>(1,622,066,438)</b>	<b>(198,374)</b>	<b>(1,102,684)</b>	<b>(38,916,743)</b>
<b>Net (expense)/income from operations before finance costs</b>		<b>2,882,897</b>	<b>(16,129,926,034)</b>	<b>2,457,101</b>	<b>(10,042,316)</b>	<b>(320,919,183)</b>
<b>Finance costs</b>						
Bank interest		(23,730)	(24,451,799)	(6,018)	(49,603)	(538,218)
Distributions to holders of redeemable participating shares	14	–	–	–	–	(1,127,427)
<b>Total finance costs</b>		<b>(23,730)</b>	<b>(24,451,799)</b>	<b>(6,018)</b>	<b>(49,603)</b>	<b>(1,665,645)</b>
<b>Change in net assets attributable to holders of redeemable participating shares</b>		<b>2,859,167</b>	<b>(16,154,377,833)</b>	<b>2,451,083</b>	<b>(10,091,919)</b>	<b>(322,584,828)</b>

<sup>A</sup> The Polar Capital Emerging Markets Income Fund launched 21 January 2011

<sup>B</sup> The Polar Capital Financial Opportunities Fund launched 3 May 2011

<sup>C</sup> The Polar Capital Global Insurance Fund launched 27 May 2011

<sup>D</sup> The Polar Capital North American Fund launched 14 November 2011

Gains and losses arose solely from continuing operations. There were no gains or losses other than those dealt with in the Profit and Loss Account.

The Financial Statements were approved by the Board of Directors of Polar Capital Funds plc on 11 April 2012 and signed on its behalf by:

**Jonathan Quigley**  
Directors

**David Hammond**  
Directors

The accompanying notes form an integral part of these Financial Statements.

## Profit and Loss Account

As at 31 December 2010

		Emerging Markets Growth Fund <sup>A</sup>	Global Technology Fund	Healthcare Opportunities Fund	Japan Fund	UK Absolute Return Fund	Total
	Notes	31 December 2010 US\$	31 December 2010 US\$	31 December 2010 US\$	31 December 2010 JPY ¥	31 December 2010 GBP£	31 December 2010 US\$
<b>Investment income</b>							
Investment income		13,308	1,527,008	1,063,567	959,479,300	1,037,129	15,134,072
Net realised and unrealised gain/(loss) on investments	16	194,756	108,259,224	3,248,006	(1,164,472,354)	7,358,896	109,813,347
Income equalisation		–	312	(20,207)	9,813,351	47,371	165,080
<b>Net investment income/(loss)</b>		<b>208,064</b>	<b>109,786,544</b>	<b>4,291,366</b>	<b>(195,179,703)</b>	<b>8,443,396</b>	<b>125,112,499</b>
<b>Expenses</b>							
Investment management fees 3		(8,361)	(3,685,637)	(935,249)	(613,451,814)	(1,284,661)	(13,601,173)
Administration fees	3	(3,567)	(581,307)	(176,269)	(94,685,037)	(256,287)	(2,235,584)
General expenses		(8,957)	(267,632)	(124,832)	(25,514,587)	(408,868)	(1,323,912)
Performance fee	3	–	(6,308,036)	(26,841)	(140,155,654)	(919,007)	(9,351,416)
Custodian's fees	3	(1,223)	(242,533)	(61,187)	(42,758,405)	(86,767)	(926,008)
Legal fees		(3,000)	(48,705)	(13,378)	(7,330,621)	(20,719)	(180,591)
Directors' fees		(1,907)	(64,752)	(9,585)	(8,784,552)	(21,185)	(209,031)
Auditor's fees		(10,478)	(22,525)	(668)	(3,406,730)	(3,250)	(77,492)
Transaction costs		–	–	–	–	(496,951)	(768,044)
Withholding tax		(559)	(328,969)	(253,062)	(67,163,552)	(160,811)	(1,596,036)
<b>Operating expenses</b>		<b>(38,052)</b>	<b>(11,550,096)</b>	<b>(1,601,071)</b>	<b>(1,003,250,952)</b>	<b>(3,658,506)</b>	<b>(30,269,287)</b>
<b>Net income/(expense) from operations before finance costs</b>		<b>170,012</b>	<b>98,236,448</b>	<b>2,690,295</b>	<b>(1,198,430,655)</b>	<b>4,784,890</b>	<b>94,843,212</b>
<b>Finance costs</b>							
Bank interest		(313)	(34,611)	(25,495)	(18,126,691)	(7,769)	(278,867)
Distributions to holders of redeemable participating shares	14	–	–	–	–	–	–
<b>Total finance costs</b>		<b>(313)</b>	<b>(34,611)</b>	<b>(25,495)</b>	<b>(18,126,691)</b>	<b>(7,769)</b>	<b>(278,867)</b>
<b>Change in net assets attributable to holders of redeemable participating shares</b>		<b>169,699</b>	<b>98,201,837</b>	<b>2,664,800</b>	<b>(1,216,557,346)</b>	<b>4,777,121</b>	<b>94,564,345</b>

<sup>A</sup>The Emerging Markets Growth Fund launched 1 December 2010.

## Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares

For the year ended 31 December 2011

	Emerging Markets Growth Fund 31 December 2011 US\$	Emerging Markets Income Fund <sup>A</sup> 31 December 2011 US\$	Financial Opportunities Fund <sup>B</sup> 31 December 2011 US\$	Global Insurance Fund <sup>C</sup> 31 December 2011 GBP£	Global Technology Fund 31 December 2011 US\$
<b>Net assets attributable to holders of redeemable participating shares at the beginning of the year</b>	7,196,973	–	–	–	471,398,636
Issue of redeemable shares during the year	1,683,268	25,029,191	22,272,281	239,471,243	490,903,870
FX gain on consolidation	–	–	–	–	–
Redemption of redeemable shares during the year	(162,441)	(706,705)	(7,635,338)	(32,087,192)	(324,401,390)
Change in net assets attributable to holders of redeemable participating shares	(1,349,831)	(1,422,576)	(1,747,110)	5,706,676	(113,668,616)
<b>Net assets attributable to holders of redeemable participating shares at the end of the year</b>	7,367,969	22,899,910	12,889,833	213,090,727	524,232,500

	Healthcare Opportunities Fund 31 December 2011 US\$	Japan Fund 31 December 2011 JPY ¥	North American Fund <sup>D</sup> 31 December 2011 US\$	UK Absolute Return Fund 31 December 2011 GBP	Total 31 December 2011 US\$
<b>Net assets attributable to holders of redeemable participating shares at the beginning of the year</b>	74,023,508	53,594,012,208	–	118,422,942	1,393,066,087
Issue of redeemable shares during the year	99,599,379	65,920,079,836	82,999,789	23,009,339	1,970,497,767
FX gain on consolidation	–	–	–	–	36,686,619
Redemption of redeemable shares during the year	(38,595,048)	(28,282,251,185)	(429,939)	(110,316,020)	(955,151,404)
Change in net assets attributable to holders of redeemable participating shares	2,859,167	(16,154,377,833)	2,451,083	(10,091,919)	(322,584,828)
<b>Net assets attributable to holders of redeemable participating shares at the end of the year</b>	137,887,006	75,077,463,026	85,020,933	21,024,342	2,122,514,241

<sup>A</sup> The Polar Capital Emerging Markets Income Fund launched 21 January 2011

<sup>B</sup> The Polar Capital Financial Opportunities Fund launched 3 May 2011

<sup>C</sup> The Polar Capital Global Insurance Fund launched 27 May 2011

<sup>D</sup> The Polar Capital North American Fund launched 14 November 2011

The accompanying notes form an integral part of these Financial Statements

## Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares

For the year ended 31 December 2010

	Emerging Markets Growth Fund <sup>A</sup>	Global Technology Fund	Healthcare Opportunities Fund	Japan Fund	UK Absolute Return Fund	Total
	31 December 2010 US\$	31 December 2010 US\$	31 December 2010 US\$	31 December 2010 JPY ¥	31 December 2010 GBP	31 December 2010 US\$
<b>Net assets attributable to holders of redeemable participating shares at the beginning of the year</b>	–	163,037,700	70,811,038	30,817,554,745	94,689,993	719,274,708
Issue of redeemable shares during the year	7,028,813	332,876,027	41,725,072	41,691,495,877	92,510,394	999,420,981
FX gain on consolidation	–	–	–	–	–	58,945,490
Redemption of redeemable shares during the year	(1,539)	(122,716,928)	(41,177,402)	(17,698,481,068)	(73,554,566)	(479,139,437)
Change in net assets attributable to holders of redeemable participating shares	169,699	98,201,837	2,664,800	(1,216,557,346)	4,777,121	94,564,345
<b>Net assets attributable to holders of redeemable participating shares at the end of the year</b>	7,196,973	471,398,636	74,023,508	53,594,012,208	118,422,942	1,393,066,087

<sup>A</sup>The Polar Capital Emerging Markets Growth Fund launched 1 December 2010.

The accompanying notes form an integral part of these Financial Statements

## Notes to the Financial Statements

For the year ended 31 December 2011

### 1. Organisation and nature of business

Polar Capital Funds plc (the "Company") is an open-ended investment company with variable capital and segregated liability between its sub-funds (the "Funds"), organised under the laws of Ireland. The Company has been authorised by the Central Bank of Ireland ("Central Bank") as an Undertaking for Collective Investment In Transferable Securities ("UCITS") pursuant to the UCITS Regulations, 2011. The redeemable participating shares of the Funds are listed on the Irish Stock Exchange with a secondary listing on the Channel Islands Stock Exchange. The Company is structured as an umbrella fund in that different sub-funds thereof may be established with the prior approval of the Central Bank.

Shares in the following Funds are available:

	Date of first issue of share class	Investment management fee	Performance fee
Emerging Markets Growth Fund	01/12/2010	1.0% to 1.5%	10%
Emerging Markets Income Fund	21/01/2011	1.0% to 1.5%	10%
Financial Opportunities Fund	03/05/2011	1.0% to 1.5%	10%
Global Insurance Fund	27/05/2011	0.75% to 1.25%	0% to 10%
Global Technology Fund	22/10/2001	1.0% to 1.5%	10%
Healthcare Opportunities Fund	03/12/2007	1.0% to 1.5%	10%
Japan Fund	22/10/2001	1.0% to 1.5%	10%
North American Fund	14/11/2011	0.60% to 1.35%	10%
UK Absolute Return Fund	28/10/2008	1.0% to 1.5%	20%

### 2. Principal Accounting Policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below.

#### A. Basis of preparation

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in Ireland, and Irish statute comprising the Companies Acts, 1963 to 2009 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011. Accounting standards generally accepted in Ireland in preparing Financial Statements giving a true and fair view are those published and issued by the Accounting Standards Board.

The format and certain wordings of the Financial Statements has been adapted from those contained in the Companies (Amendment) Act, 1986 and FRS 3 "Reporting Financial Performance" so that, in the opinion of the Directors, they more appropriately reflect the nature of the Company's business as an investment fund.

The principal accounting policies applied in the preparation of these Financial Statements are set out below.

The Company has availed of the exemption available to open-ended investment funds under FRS 1 not to prepare a Cash Flow Statement.

The Financial Statements have been prepared on a fair value basis for financial assets and financial liabilities designated at fair value through profit or loss and derivative financial instruments in accordance with the relevant accounting standards. All other assets and liabilities are stated at amortised cost or redemption amount (redeemable participating shares).

#### B. Foreign exchange translation

##### (i) Presentational currency

Items included in the Company's Financial Statements are measured using the currency of the primary economic environment in which it operates (the 'presentational currency'). The presentation currency for Polar Capital Funds plc is US Dollar ("US\$"). The functional currency for each fund is driven by the investment policy of each fund. This is US\$ for all funds with exception Global Insurance Fund, Japan Fund and UK Absolute Return Fund.



## (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account.

<b>Fund</b>	<b>Functional Currency</b>
Polar Capital Emerging Markets Growth Fund	US\$
Polar Capital Emerging Markets Income Fund <sup>A</sup>	US\$
Polar Capital Financial Opportunities Fund <sup>B</sup>	US\$
Polar Capital Global Insurance Fund <sup>C</sup>	GBP£
Polar Capital Global Technology Fund	US\$
Polar Capital Healthcare Opportunities Fund	US\$
Polar Capital Japan Fund	JPY ¥
Polar Capital North American Fund <sup>D</sup>	US\$
Polar Capital UK Absolute Return Fund	GBP£

<sup>A</sup> Polar Emerging Markets Income Fund was launched on 21 January 2011.

<sup>B</sup> Polar Financial Opportunities Fund was launched on 3 May 2011.

<sup>C</sup> Polar Global Insurance Fund was launched on 27 May 2011.

<sup>D</sup> Polar North American Fund was launched on 14 November 2011.

For the purposes of aggregation, the amounts in the financial statements for the UK Absolute Return Fund, the Japan Fund and Global Insurance Fund have been translated to US\$ at the exchange rate ruling at the year end. This method of translation has no effect on the net asset value per share attributable to the UK Absolute Return Fund, the Japan Fund and the Global Insurance Fund. The foreign exchange gain arising from the retranslation of net assets at the start of the year is shown in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares. The foreign currency translation adjustment of US\$ 36,686,619 (2010: US\$ 58,945,490) included in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares is due to the movement in exchange rates between 1 January 2011 and 31 December 2011 and the rate difference arising on the translation of the Profit and Loss Account and the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares at average rates.

Proceeds from subscriptions and amounts paid on redemption of redeemable preference shares are translated at average rates, which approximate the rates prevailing at the dates of the transactions.

## C. Investments at fair value

### (i) Classification

In accordance with FRS 25 Financial Instruments Disclosure and Presentation and FRS 26 Financial Instruments: Recognition and Measurement the Company has classified its investments into the financial assets at fair value through profit or loss category.

This category has two sub-categories: financial assets and liabilities held for trading, and those designated by management at fair value through profit or loss at inception. Financial assets or liabilities held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the short term. Derivatives are also categorised as held for trading, as the Company does not designate any derivatives as hedges in a hedging relationship for valuation purposes.

### (ii) Recognition and derecognition

Purchases and sales of investments are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

## Notes to the Financial Statements continued

For the year ended 31 December 2011

### 2. Principal Accounting Policies continued

#### C. Investments at fair value continued

##### (iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Profit and Loss Account. Other financial assets are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate method. Financial liabilities arising from the redeemable participating shares issued by the sub-fund are carried at the redemption amount representing the investors' right to a residual interest in the sub-fund's assets.

#### Gains and losses on investments

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the Profit and Loss Account in the period in which they arise.

Investment transactions are accounted for on a trade date basis. Profits and losses on the disposal of investments are calculated by reference to the net proceeds received on disposal and the cost attributable to those investments based on the first in first out basis and are included in the Profit and Loss Account.

##### (iv) Fair value measurement principles

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the Balance Sheet date. Financial assets are priced at bid price, while financial liabilities are priced at asking prices.

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

#### Contracts for Difference and Swaps

Contracts for difference and equity swaps are agreements between the Company and third parties, which allow the Company to acquire an exposure to the price movement of specific securities without actually purchasing the securities. The changes in contract values are recorded as unrealised gains or losses and the Company recognizes a realised gain or loss when the contract is closed. Unrealised gains and losses on contracts for difference are recognized in the Profit and Loss Account.

#### Futures

A futures contract is an agreement between two parties to buy or sell a security, index or currency at a specific price or rate at a future date. Upon entering into a futures contract, the Company is required to deposit with a broker an amount of cash or cash equivalents equal to a certain percentage of the contract amount. This is known as "initial cash margin". Subsequent payments ("variation margin") are made or received by the Company each day, depending upon the daily fluctuation in the value of the contract. The daily changes in contract value are recorded as unrealised gains or losses and the Company recognizes a realised gain or loss when the contract is closed. Unrealised gains and losses on futures contracts are recognized in the Profit and Loss Account.

#### Forwards

A forward currency contract involves an obligation to purchase or sell a specific currency at a future date at a price set at the time the contract is made. Forward foreign exchange contracts will be valued by reference to the forward price at which a new forward contract of the same size and maturity could be undertaken at the valuation date. The unrealised gain or loss on open forward currency contracts is calculated as the difference

between the contract rate and this forward price and recognised in the Profit and Loss account. Where a forward contract is purchased to hedge the currency risk of a specific class which is issued in a currency other than the measurement currency of the Company, all gains or losses on that contract are allocated to that class.

#### **Options**

As part of the Company's investment strategy, it enters into options which are recognized in the balance sheet at fair value. Premiums received on written call and put options are recorded as a liability and the premiums paid on acquired call and put options are recorded initially as an asset. Subsequently, realised and unrealised gains and losses on options are recognized in the Profit and Loss Account.

#### **Income from investments**

Income arising on investments is accounted for on an ex-dividend basis. Bank interest income or expenses is accrued on the basis of the actual amounts credited or debited to the accounts.

#### **Cash**

Cash and other liquid assets are valued at their face value with interest accrued, where applicable.

#### **Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognised initially at amortised cost plus transaction costs that are directly attributable to their acquisition.

#### **Offsetting financial instruments**

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

#### **Redeemable participating Shares**

Redeemable participating shares are redeemable at the shareholder's option and are classified as financial liabilities in accordance with FRS 25, Financial Instruments: Presentation. Distributions on these redeemable participating shares are recognised in the Profit and Loss Account as finance costs.

Redeemable participating shares can be put back to the Company at any time for cash equal to a proportionate share of the Company's net asset value. The redeemable participating shares are carried at the present value of the redemption amount that is payable at the Balance Sheet date if the shareholders exercised their rights to put the shares back to the Company.

#### **D. Distribution Policy**

The share classes of the Fund have been approved by HM Revenue and Customs as Reporting Funds in accordance with the Offshore Funds (Tax) Regulations 2009. The Directors intend to continue the distribution policy as outlined below unless otherwise specified in the relevant fund supplement. Dividends, if declared will only be paid out of the Company's net investment income return (i.e. income from dividends, interest or otherwise, less the Company's accrued expenses to be certified for the accounting period), realised and unrealised profits on the disposal/revaluation of investments and other assets less realised and unrealised losses of the Company, although the amount available for distribution in respect of certain Funds may be effectively increased by the charging of expenses to capital. Funds which can avail of this facility are identified in the relevant Fund supplement.

Dividends will normally be paid in May of each year for all of the Funds except for the Distributing Share Classes of the Emerging Market Income Fund which will be paid in July and January and for the Distributing Share Classes of the Global Insurance Fund for which dividends are to be declared at the beginning of each calendar quarter in respect of the preceding quarter, and paid by the end of the month in which they are declared. Any dividend paid on a redeemable participating share that is not claimed will not earn interest and, if not claimed within six years of its declaration, shall be forfeited for the benefit of the Company.

## Notes to the Financial Statements continued

For the year ended 31 December 2011

### 2. Principal Accounting Policies continued

#### E. Operating Expenses

The Company is responsible for all normal operating expenses including investment management fees, custodian fees, performance fees, administrative fee, audit fees, stamp and accruals other duties and charges incurred on the acquisition and realisation of investments. These are accounted for on an accruals basis.

The Investment Manager, Polar Capital LLP, ("the Investment Manager") meets all other operating expenses incurred by it in connection with its services.

### 3. Fees and Expenses

The Investment Manager is entitled to receive an investment management fee and a performance fee together with any extraordinary out of pocket expenses. The investment management fee is accrued daily and is payable monthly in arrears. Please see note 1 for a breakdown of investment management and performance fee Rates for each of the share classes in each Fund.

Investment management fees are calculated before deduction for any accrued performance fees. An initial payment of the investment management fee based on the most recently published Net Asset Value will be made on the last day of each month, with an adjustment being made where necessary, on the last day of the next month.

In general, the performance fee is calculated separately for each class of shares in a Fund and is equal to a percentage of the amount by which the increase in the Net Asset Value (prior to the provision for a performance fee) during the relevant performance period exceeds the increase in the Indexed Net Asset Value (the specific established index that the respective fund is aiming to track) over the same period. However, the precise method of calculation may differ in each case. Full details are set out in the Prospectus supplement for each Fund. The performance fee is payable annually on 31st December where there is a performance fee payable.

The Administrator, Northern Trust Fund Administration Services (Ireland) Limited (the "Administrator") is entitled to receive a fee of 0.20% per annum of the first US\$70 million of each Fund (adjusted so as to not include any deduction for performance fees deemed to have accrued) and 0.16% of all amounts in excess of US\$70 million of the net asset value of each Fund subject to a monthly minimum fee of US\$3,500 per Fund. The Administrator shall also be entitled to be paid a fee of US\$5,000 for providing Money Laundering Reporting Officer services to the Company and to be repaid out of the assets of the Company all its reasonable out-of-pocket expenses.

The Custodian, Northern Trust Fiduciary Services (Ireland) Limited (the "Custodian"), is entitled to an annual fee of 0.05% of the Net Asset Value of the Company payable monthly in arrears, subject to a minimum monthly fee of US\$1,200 per fund. In addition, the Custodian shall be entitled to a transaction fee of GBP£35 for each transaction conducted.

The Austrian Paying Agent, Meindl Bank, is entitled to receive an annual fee of €3,000 and is entitled to receive reimbursement of agreed costs incurred in transmitting dividends, redemption proceeds and documentation to Shareholders in Austria.

The German Paying and Information Agent, Deutsche Bank AG, is entitled to receive an annual fee of €18,000, a proportional handling fee per new sub-fund and agreed costs in transmitting dividends, redemption proceeds and documentation to Shareholders in Germany.

The French paying and information agent, BNP Paribas Securities Services, is entitled to receive an annual fee of €7,000, a proportional handling fee per new sub-fund and agreed costs in transmitting dividends, redemption proceeds and documentation to Shareholders in France.

BNP Paribas Securities Services also acts as the Swiss Representative and Swiss Paying Agent and were for this year ended 31 December 2011 entitled to receive the following fees:

- (i) an annual fee of CHF 12,000;
- (ii) an annual fee per Fund of the Company of CHF 1,500;
- (iii) an annual sub-distribution fee (where applicable) of CHF 1,500 per sub distributor.

The Austrian, German, French, Sweden and Swiss paying agents are also entitled to receive reimbursement of any reasonable out of pocket expenses incurred by them in the performance of their duties.

#### **Auditors remuneration**

The remuneration for all work carried out by the statutory auditors in respect of the financial year is as follow:

	<b>2011</b>	<b>2010</b>
	<b>US\$</b>	<b>US\$</b>
Statutory audit fee	94,590	77,492
Other assurance services	–	–
Tax advisory services	–	–
Other non audit services	–	–
	<b>94,590</b>	<b>77,492</b>

#### **4. Bank Overdraft**

The Company has an overdraft facility with Northern Trust (Guernsey) Limited for liquidity purposes. The assets of the Company are held as collateral for the overdraft when it is utilised. As at the year end the combined overdraft for all Funds was US\$66,508,152 (2010: US\$Nil).

#### **5. Soft Commission**

There are no soft commission arrangements in place between the Investment Manager and the brokers with whom trades are transacted on behalf of the Company. All transactions are placed and executed on the basis that best execution is achieved, while part of the commission payable may be allocated to research services.

## Notes to the Financial Statements continued

### For the year ended 31 December 2011

#### 6. Exchange Rates

The exchange rates used at 31 December 2011 were as follows:

<b>Exchange Rate</b>	<b>31 December 2011 to US\$</b>	<b>Exchange Rate</b>	<b>31 December 2010 to US\$</b>
Brazilian real	1.8653	Brazilian real	1.6600
Canadian dollar	1.0183	Canadian dollar	0.9937
Czech koruna	19.6453	Egyptian pound	5.8050
Danish krone	5.7254	Euro	0.7454
Egyptian pound	6.0308	Hong Kong dollar	7.7737
Euro	0.7703	Indonesian rupiah	9010.0000
Hong Kong dollar	7.7666	Indian rupee	44.7150
Indonesian rupiah	9067.5000	Japanese yen	81.1050
Japanese yen	76.9400	Korean won	1134.9000
Korean won	1152.0000	Malaysian \$	3.0835
Malaysian \$	3.1700	Mexican peso	12.3340
Mexican peso	13.9554	Norwegian krone	5.8125
Norwegian krone	5.9680	Singapore \$	1.2811
Pakistani rupee	89.9100	South Africa rands	6.6158
Philippine peso	43.8550	Sterling	0.6387
Polish zloty	3.4340	Swedish krone	6.7229
Qatari riyal	3.6414	Swiss franc	0.9321
Singapore \$	1.2967	Taiwan dollar	29.1565
South Africa rands	8.0734	Thai bahts	30.1450
Sterling	0.6435	Turkish lira	1.5390
Swedish krone	6.8553		
Swiss franc	0.9351		
Taiwan dollar	30.2790		
Thai bahts	31.5500		
Turkish lira	1.8886		

  

<b>Exchange Rate</b>	<b>to GBP£</b>	<b>Exchange Rate</b>	<b>to GBP£</b>
Danish krone	8.8978	Euro	1.1602
Euro	1.1949	Norwegian krone	9.0596
Norwegian krone	9.2924	United States dollar	1.5529
United States dollar	1.5459	Swedish krone	10.4129
Swedish krone	10.6582	Swiss franc	1.4526
Swiss franc	1.4532		

  

<b>Exchange Rate</b>	<b>to JPY¥</b>	<b>Exchange Rate</b>	<b>to JPY¥</b>
Euro	100.1000	Euro	108.1557
Sterling	119.6140	Sterling	125.9755
United States dollar	77.3750	United States dollar	81.6300

All exchange rates are official rates and come from quoted sources.

## 7. Taxation

The Company is an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997. Therefore, the Company will not be liable to tax in respect of its income and gains, other than on the occurrence of a gain on "chargeable event". Generally, a "chargeable event" arises on any distribution, redemption, repurchase, cancellation or transfer of shares on the ending of a "Relevant Period". A "Relevant Period" is an eight year period beginning with the acquisition of the shares by the Shareholder and also each subsequent period of eight years, beginning immediately after the preceding Relevant Period. A gain on a chargeable event does not arise in respect of:

- (i) Any transactions in relation to shares held in a recognised clearing system as designated by order of the Revenue Commissioners of Ireland;
- (ii) An exchange of shares arising on a qualified amalgamation or reconstruction of the Company with another fund;
- (iii) Certain exchanges of shares between spouses and former spouses;
- (iv) An exchange by a Shareholder, effected by way of an arm's length bargain where no payment is made to the Shareholder of Shares in the Company for other Shares in the Company;
- (v) Shareholders who are neither Irish Resident nor Irish Ordinary Resident for tax purposes at the time of the chargeable event and who have provided the Company with a relevant declaration to that effect;
- (vi) Certain exempted Irish tax resident Shareholders who have provided the Company with the necessary signed statutory declarations.

In the absence of an appropriate declaration, the Company will be liable to deduct Irish tax on the occurrence of such an event.

There were no chargeable events during the period under review.

Capital gains, dividends and interest received may be subject to withholding taxes imposed by the country of origin and such taxes may not be recoverable by the Company or its shareholders. In accordance with FRS 16 Current tax, dividends and bank interest are reported gross of withholding tax.

## 8. Related party disclosure

The Company operates under an investment management agreement with the Investment Manager.

All fees in relation to the Investment Manager, including any performance fees, are disclosed separately in the Profit and Loss Account. US\$ 7,648,353 (31 December 2010: US\$ 11,062,422) was due to the Investment Manager at 31 December 2011 which includes both investment management and performance fees.

Certain Directors hold shares in or are also Directors of the ultimate holding company of the Investment Manager or may be in a position to exert significant influence over the holders of such shares.

Jonathan Quigley is a Director and employee of the Administrator. David Hammond is a Director and employee of Bridge Consulting, which provides governance and monitoring services to the Board of the Company. James Cayzer-Colvin is a Director of the holding company of the Investment Manager.

## Notes to the Financial Statements continued

For the year ended 31 December 2011

### 9. Shareholder's Funds

On incorporation, the authorised share capital of the Company was US\$40,000 divided into 40,000 Subscriber Shares of a par value of US\$1 each and 500,000,000,000 redeemable participating shares of no par value. There are 7 Subscriber Shares currently in issue which are held by the Investment Manager and nominees of the Investment Manager. These subscriber shares do not participate in any of the Company's funds and are not included as part of the net asset value of the Company as the Directors consider this treatment is most appropriate, given the nature of the Company as an investment fund.

	31 December 2011 Shares Number USD Class I	31 December 2011 Shares Number GBP Class I	31 December 2011 Shares Number EUR Class I
<b>Emerging Markets Growth Fund</b>			
Shares in issue at 1 January 2011 <sup>A</sup>	1,000	69,736	1,302
Shares issued during the year	–	34,175	–
Shares redeemed during year	–	(6,550)	–
<b>Shares in issue at 31 December 2011</b>	1,000	97,361	1,302
Shares in issue at 31 December 2010	1,000	69,736	1,302

	31 December 2011 Shares Number USD Class R	31 December 2011 Shares Number GBP Class R	31 December 2011 Shares Number EUR Class R
<b>Emerging Markets Growth Fund</b>			
Shares in issue at 1 January 2011 <sup>A</sup>	1,000	628,212	1,302
Shares issued during the year	–	140,465	–
Shares redeemed during year	–	(11,318)	–
<b>Shares in issue at 31 December 2011</b>	1,000	757,359	1,302
Shares in issue at 31 December 2010	1,000	628,212	1,302

	31 December 2011 Shares Number USD Class I Accumulation	31 December 2011 Shares Number GBP Class I Accumulation	31 December 2011 Shares Number EUR Class I Accumulation
<b>Emerging Markets Income Fund</b>			
Shares in issue at 1 January 2011 <sup>B</sup>	–	–	–
Shares issued during the period	1,000	475,436	1,340
Shares redeemed during period	–	–	–
<b>Shares in issue at 31 December 2011</b>	1,000	475,436	1,340



	<b>31 December 2011 Shares Number USD Class I Distribution</b>	<b>31 December 2011 Shares Number GBP Class I Distribution</b>	<b>31 December 2011 Shares Number EUR Class I Distribution</b>
<b>Emerging Markets Income Fund</b>			
Shares in issue at 1 January 2011 <sup>B</sup>	–	–	–
Shares issued during the period	1,017	1,537,393	1,363
Shares redeemed during period	–	(24,389)	–
<b>Shares in issue at 31 December 2011</b>	<b>1,017</b>	<b>1,513,004</b>	<b>1,363</b>

	<b>31 December 2011 Shares Number USD Class R Accumulation</b>	<b>31 December 2011 Shares Number GBP Class R Accumulation</b>	<b>31 December 2011 Shares Number EUR Class R Accumulation</b>
<b>Emerging Markets Income Fund</b>			
Shares in issue at 1 January 2011 <sup>B</sup>	–	–	–
Shares issued during the period	1,000	2,283	1,340
Shares redeemed during period	–	–	–
<b>Shares in issue at 31 December 2011</b>	<b>1,000</b>	<b>2,283</b>	<b>1,340</b>

	<b>31 December 2011 Shares Number USD Class R Distribution</b>	<b>31 December 2011 Shares Number GBP Class R Distribution</b>	<b>31 December 2011 Shares Number EUR Class R Distribution</b>
<b>Emerging Markets Income Fund</b>			
Shares in issue at 1 January 2011 <sup>B</sup>	–	–	–
Shares issued during the period	1,017	605,851	1,363
Shares redeemed during period	–	(50,361)	–
<b>Shares in issue at 31 December 2011</b>	<b>1,017</b>	<b>555,490</b>	<b>1,363</b>

	<b>31 December 2011 Shares Number USD Class I</b>	<b>31 December 2011 Shares Number GBP Class I</b>	<b>31 December 2011 Shares Number EUR Class I</b>
<b>Financial Opportunities Fund</b>			
Shares in issue at 1 January 2011 <sup>C</sup>	–	–	–
Shares issued during the period	930,932	1,430,097	15
Shares redeemed during period	(930,922)	–	–
<b>Shares in issue at 31 December 2011</b>	<b>10</b>	<b>1,430,097</b>	<b>15</b>

## Notes to the Financial Statements continued

For the year ended 31 December 2011

### 9. Shareholder's Funds continued

	31 December 2011 Shares Number USD Class R	31 December 2011 Shares Number GBP Class R	31 December 2011 Shares Number EUR Class R
<b>Financial Opportunities Fund</b>			
Shares in issue at 1 January 2011 <sup>C</sup>	–	–	–
Shares issued during the period	1,367	179,437	5,830
Shares redeemed during period	–	–	(5,815)
<b>Shares in issue at 31 December 2011</b>	<b>1,367</b>	<b>179,437</b>	<b>15</b>

	31 December 2011 Shares Number GBP Class A Distribution	31 December 2011 Shares Number GBP Class B Accumulation	31 December 2011 Shares Number GBP Class E Distribution	31 December 2011 Shares Number GBP Class F Accumulation
<b>Global Insurance Fund</b>				
Shares in issue at 1 January 2011 <sup>D</sup>	–	–	–	–
Shares issued during the period	48,201,874	8,010,011	35,734,687	21,367,404
Shares redeemed during period	(1,424,647)	(1,686,918)	(9,804,862)	(3,681,215)
<b>Shares in issue at 31 December 2011</b>	<b>46,777,227</b>	<b>6,323,093</b>	<b>25,929,825</b>	<b>17,686,189</b>

	31 December 2011 Shares Number USD Class I Accumulation	31 December 2011 Shares Number GBP Class I Accumulation	31 December 2011 Shares Number EUR Class I Accumulation
<b>Global Insurance Fund</b>			
Shares in issue at 1 January 2011 <sup>D</sup>	–	–	–
Shares issued during the period	15,028	3,490,195	40
Shares redeemed during period	–	(96,150)	–
<b>Shares in issue at 31 December 2011</b>	<b>15,028</b>	<b>3,394,045</b>	<b>40</b>

	31 December 2011 Shares Number USD Class I Distribution	31 December 2011 Shares Number GBP Class I Distribution	31 December 2011 Shares Number EUR Class I Distribution
<b>Global Insurance Fund</b>			
Shares in issue at 1 January 2011 <sup>D</sup>	–	–	–
Shares issued during the period	30	1,076,120	44
Shares redeemed during period	–	(8,475)	–
<b>Shares in issue at 31 December 2011</b>	<b>30</b>	<b>1,067,645</b>	<b>44</b>

	<b>31 December 2011 Shares Number USD Class R Accumulation</b>	<b>31 December 2011 Shares Number GBP Class R Accumulation</b>	<b>31 December 2011 Shares Number EUR Class R Accumulation</b>
<b>Global Insurance Fund</b>			
Shares in issue at 1 January 2011 <sup>D</sup>	–	–	–
Shares issued during the period	33,129	70,935	40
Shares redeemed during period	–	–	–
<b>Shares in issue at 31 December 2011</b>	<b>33,129</b>	<b>70,935</b>	<b>40</b>

	<b>31 December 2011 Shares Number USD Class R Distribution</b>	<b>31 December 2011 Shares Number GBP Class R Distribution</b>	<b>31 December 2011 Shares Number EUR Class R Distribution</b>
<b>Global Insurance Fund</b>			
Shares in issue at 1 January 2011 <sup>D</sup>	–	–	–
Shares issued during the period	30	1,945,248	44
Shares redeemed during period	–	(3,813)	–
<b>Shares in issue at 31 December 2011</b>	<b>30</b>	<b>1,941,435</b>	<b>44</b>

	<b>31 December 2011 Shares Number USD Class A</b>	<b>31 December 2011 Shares Number GBP Class A</b>	<b>31 December 2011 Shares Number EUR Class A</b>
<b>Global Technology Fund</b>			
Shares in issue at 1 January 2011	2,791,146	752,111	1,286
Shares issued during the year	1,412,270	355,831	1,412
Shares redeemed during year	(1,004,652)	(311,114)	(249)
<b>Shares in issue at 31 December 2011</b>	<b>3,198,764</b>	<b>796,828</b>	<b>2,449</b>
Shares in issue at 31 December 2010	2,791,146	752,111	1,286

	<b>31 December 2011 Shares Number USD Class I</b>	<b>31 December 2011 Shares Number GBP Class I</b>	<b>31 December 2011 Shares Number EUR Class I</b>
<b>Global Technology Fund</b>			
Shares in issue at 1 January 2011	2,640,464	10,435,072	526,527
Shares issued during the year	14,818,555	9,430,327	304,076
Shares redeemed during year	(8,193,482)	(3,116,218)	(532,580)
<b>Shares in issue at 31 December 2011</b>	<b>9,265,537</b>	<b>16,749,181</b>	<b>298,023</b>
Shares in issue at 31 December 2010	2,640,464	10,435,072	526,527

## Notes to the Financial Statements continued

### For the year ended 31 December 2011

#### 9. Shareholder's Funds continued

	31 December 2011 Shares Number USD Class R	31 December 2011 Shares Number GBP Class R	31 December 2011 Shares Number EUR Class R
<b>Global Technology Fund</b>			
Shares in issue at 1 January 2011	11,581,225	703,962	3,546
Shares issued during the year	1,305,151	2,666,587	179,533
Shares redeemed during year	(7,844,032)	(1,264,618)	(99,516)
<b>Shares in issue at 31 December 2011</b>	<b>5,042,344</b>	<b>2,105,931</b>	<b>83,563</b>
Shares in issue at 31 December 2010	11,581,225	703,962	3,546

	31 December 2011 Shares Number USD Class A	31 December 2011 Shares Number GBP Class A	31 December 2011 Shares Number EUR Class A
<b>Healthcare Opportunities Fund</b>			
Shares in issue at 1 January 2011	208,390	3,848,515	33,800
Shares issued during the year	160,611	392,837	3,928
Shares redeemed during year	(40,205)	(2,874,470)	(823)
<b>Shares in issue at 31 December 2011</b>	<b>328,796</b>	<b>1,366,882</b>	<b>36,905</b>
Shares in issue at 31 December 2010	208,390	3,848,515	33,800

	31 December 2011 Shares Number USD Class I	31 December 2011 Shares Number GBP Class I	31 December 2011 Shares Number EUR Class I
<b>Healthcare Opportunities Fund</b>			
Shares in issue at 1 January 2011	581,775	1,962,818	30,206
Shares issued during the year	560,111	5,338,750	107,170
Shares redeemed during year	(56,713)	(547,286)	(14,645)
<b>Shares in issue at 31 December 2011</b>	<b>1,085,173</b>	<b>6,754,282</b>	<b>122,731</b>
Shares in issue at 31 December 2010	581,775	1,962,818	30,206

	31 December 2011 Shares Number USD Class R	31 December 2011 Shares Number GBP Class R	31 December 2011 Shares Number EUR Class R
<b>Healthcare Opportunities Fund</b>			
Shares in issue at 1 January 2011	25,851	60,309	5,213
Shares issued during the year	102,845	157,510	6,030
Shares redeemed during year	–	(30,010)	(3,040)
<b>Shares in issue at 31 December 2011</b>	<b>128,696</b>	<b>187,809</b>	<b>8,203</b>
Shares in issue at 31 December 2010	25,851	60,309	5,213

<b>Japan Fund</b>	<b>31 December 2011 Shares Number JPY Class A</b>	<b>31 December 2011 Shares Number USD Class A</b>	<b>31 December 2011 Shares Number GBP Class A</b>
Shares in issue at 1 January 2011	1,695,083	4,804,544	3,080,582
Shares issued during the year	1,576,937	847,945	818,010
Shares redeemed during year	(1,530,150)	(829,586)	(1,223,737)
<b>Shares in issue at 31 December 2011</b>	<b>1,741,870</b>	<b>4,822,903</b>	<b>2,674,855</b>
Shares in issue at 31 December 2010	1,695,083	4,804,544	3,080,582

<b>Japan Fund</b>	<b>31 December 2011 Shares Number USD Class I</b>	<b>31 December 2011 Shares Number GBP Class I</b>	<b>31 December 2011 Shares Number EUR Class I</b>	<b>31 December 2011 Shares Number JPY Class I</b>
Shares in issue at 1 January 2011	3,891,313	140,755	194,995	7,034,367
Shares issued during the year	1,504,531	1,503,629	1,494,670	10,314,076
Shares redeemed during year	(75,231)	(126,118)	(508,128)	(3,673,717)
<b>Shares in issue at 31 December 2011</b>	<b>5,320,613</b>	<b>1,518,266</b>	<b>1,181,537</b>	<b>13,674,726</b>
Shares in issue at 31 December 2010	3,891,313	140,755	194,995	7,034,367

<b>Japan Fund</b>	<b>31 December 2011 Shares Number USD Class R</b>	<b>31 December 2011 Shares Number GBP Class R</b>	<b>31 December 2011 Shares Number EUR Class R</b>	<b>31 December 2011 Shares Number JPY Class R</b>
Shares in issue at 1 January 2011	240,950	11,324	147,335	4,955,009
Shares issued during the year	371,171	95,748	4,251	3,838,905
Shares redeemed during year	(252,472)	(43,782)	(147,221)	(5,560,716)
<b>Shares in issue at 31 December 2011</b>	<b>359,649</b>	<b>63,290</b>	<b>4,365</b>	<b>3,233,198</b>
Shares in issue at 31 December 2010	240,950	11,324	147,335	4,955,009

<b>Japan Fund</b>	<b>31 December 2011 Shares Number USD Class I Hedged</b>	<b>31 December 2011 Shares Number EUR Class I Hedged</b>	<b>31 December 2011 Shares Number GBP Class I Hedged</b>
Shares in issue at 1 January 2011	2,773,561	8,233	3,295,690
Shares issued during the year	6,012,313	2,920,904	10,033,545
Shares redeemed during year	(1,694,264)	(1,031,001)	(2,555,777)
<b>Shares in issue at 31 December 2011</b>	<b>7,091,610</b>	<b>1,898,136</b>	<b>10,773,458</b>
Shares in issue at 31 December 2010	2,773,561	8,233	3,295,690

## Notes to the Financial Statements continued

For the year ended 31 December 2011

### 9. Shareholder's Funds continued

	31 December 2011 Shares Number USD Class R Hedged	31 December 2011 Shares Number GBP Class R Hedged	31 December 2011 Shares Number EUR Class R Hedged
<b>Japan Fund</b>			
Shares in issue at 1 January 2011	1,439,591	7,358,443	131,146
Shares issued during the year	4,445,894	4,892,942	4,873,223
Shares redeemed during year	(1,965,090)	(2,029,768)	(1,992,701)
<b>Shares in issue at 31 December 2011</b>	<b>3,920,395</b>	<b>10,221,617</b>	<b>3,011,668</b>
Shares in issue at 31 December 2010	1,439,591	7,358,443	131,146

	31 December 2011 Shares Number USD Class I	31 December 2011 Shares Number GBP Class I	31 December 2011 Shares Number EUR Class I
<b>North American Fund</b>			
Shares in issue at 1 January 2011 <sup>E</sup>	–	–	–
Shares issued during the period	10	55,317	14
Shares redeemed during period	–	–	–
<b>Shares in issue at 31 December 2011</b>	<b>10</b>	<b>55,317</b>	<b>14</b>

	31 December 2011 Shares Number USD Class R	31 December 2011 Shares Number GBP Class R	31 December 2011 Shares Number EUR Class R
<b>North American Fund</b>			
Shares in issue at 1 January 2011 <sup>E</sup>	–	–	–
Shares issued during the period	1,610	4,881	14
Shares redeemed during period	–	–	–
<b>Shares in issue at 31 December 2011</b>	<b>1,610</b>	<b>4,881</b>	<b>14</b>

	31 December 2011 Shares Number USD Class S	31 December 2011 Shares Number GBP Class S	31 December 2011 Shares Number EUR Class S
<b>North American Fund</b>			
Shares in issue at 1 January 2011 <sup>E</sup>	–	–	–
Shares issued during the period	2,360,229	5,070,012	14
Shares redeemed during period	–	(27,011)	–
<b>Shares in issue at 31 December 2011</b>	<b>2,360,229</b>	<b>5,043,001</b>	<b>14</b>

	<b>31 December 2011 Shares Number EUR Class I Hedged</b>	<b>31 December 2011 Shares Number EUR Class R Hedged</b>	<b>31 December 2011 Shares Number EUR Class S Hedged</b>
<b>North American Fund</b>			
Shares in issue at 1 January 2011 <sup>E</sup>	–	–	–
Shares issued during the period	100	100	100
Shares redeemed during period	–	–	–
<b>Shares in issue at 31 December 2011</b>	<b>100</b>	<b>100</b>	<b>100</b>

	<b>31 December 2011 Shares Number GBP Class I Hedged</b>	<b>31 December 2011 Shares Number GBP Class R Hedged</b>	<b>31 December 2011 Shares Number GBP Class S Hedged</b>
<b>North American Fund</b>			
Shares in issue at 1 January 2011 <sup>E</sup>	–	–	–
Shares issued during the period	21,555	20,500	580,188
Shares redeemed during period	–	(4,950)	(5,900)
<b>Shares in issue at 31 December 2011</b>	<b>21,555</b>	<b>15,550</b>	<b>574,288</b>

	<b>31 December 2011 Shares Number USD Class I</b>	<b>31 December 2011 Shares Number GBP Class I</b>	<b>31 December 2011 Shares Number EUR Class I</b>
<b>UK Absolute Return Fund</b>			
Shares in issue at 1 January 2011	54,582	6,889,768	1,007
Shares issued during the year	–	1,720,556	–
Shares redeemed during year	(54,582)	(6,741,979)	–
<b>Shares in issue at 31 December 2011</b>	<b>–</b>	<b>1,868,345</b>	<b>1,007</b>
Shares in issue at 31 December 2010	54,582	6,889,768	1,007

	<b>31 December 2011 Shares Number USD Class R Hedged</b>	<b>31 December 2011 Shares Number GBP Class R</b>	<b>31 December 2011 Shares Number EUR Class R</b>
<b>UK Absolute Return Fund</b>			
Shares in issue at 1 January 2011	1,000	1,137,012	13,790
Shares issued during the year	–	250,159	4,206
Shares redeemed during year	–	(1,317,837)	(17,996)
<b>Shares in issue at 31 December 2011</b>	<b>1,000</b>	<b>69,334</b>	<b>–</b>
Shares in issue at 31 December 2010	1,000	1,137,012	13,790

## Notes to the Financial Statements continued

For the year ended 31 December 2011

### 9. Shareholder's Funds continued

	31 December 2011 Shares Number USD Class I Hedged	31 December 2011 Shares Number EUR Class I Hedged	31 December 2011 Shares Number EUR Class R Hedged
<b>UK Absolute Return Fund</b>			
Shares in issue at 1 January 2011	1,262,877	1,918,193	1,000
Shares issued during the year	26,988	162,496	–
Shares redeemed during year	(1,289,855)	(1,799,388)	–
<b>Shares in issue at 31 December 2011</b>	<b>10</b>	<b>281,301</b>	<b>1,000</b>
Shares in issue at 31 December 2010	1,262,877	1,918,193	1,000

<sup>A</sup> Emerging Markets Growth Fund was launched 1 December 2010.

<sup>B</sup> Emerging Markets Income Fund was launched on 21 January 2011.

<sup>C</sup> Financial Opportunities Fund was launched on 3 May 2011.

<sup>D</sup> Global Insurance Fund was launched on 27 May 2011.

<sup>E</sup> North American Fund was launched on 14 November 2011.

### 10. Financial Risk Management

In accordance with its investment objectives and policies, the Company holds financial instruments, which at any one time may comprise securities, cash and derivatives held in accordance with the investment objective and policies.

A review of the portfolio activity for the year is available in the Investment Manager's Reports and a detailed analysis of the investments is shown in the Portfolio Statements. Investments listed on the Portfolio Statements are stated at market value as described in Note 2.

#### Investment objective and policies

The investment objective of each of the Emerging Markets Growth and Emerging Markets Income Funds is to invest in securities of issuers that are incorporated, have their headquarters, or exercise a significant part of their economic activities in markets/countries which are, in the Investment Manager's opinion, emerging markets/developing countries.

The investment objective of the Financial Opportunities Fund is to achieve long term capital growth, and in order to achieve its objective the Fund will invest in the securities of financial sector companies and companies related to the financial sector worldwide. These companies primarily include commercial and investment banks, life and non-life insurance and reinsurance companies, asset management and brokerage companies.

The investment objective of the Global Insurance Fund is to provide an attractive total return irrespective of broader economic and financial market conditions. In order to achieve its investment objective the Fund will invest primarily in securities of insurance related companies worldwide. These companies include insurance and reinsurance companies, life assurance companies, insurance brokerage companies and other insurance related businesses including, but not limited to, insurance claims administration companies, insurance support service companies and companies that own insurance related assets.

The investment objective of the Global Technology Fund is long term capital appreciation by way of investing in a globally diversified portfolio of technology companies. Although the Fund may receive income in the form of dividends, interest and from other sources, income is not a primary consideration. The Fund will seek to invest at least two thirds of its net asset value in technology-related companies. The Fund will take a geographically diversified approach and operate within broad asset allocation ranges, but there are no specified limits on investing in any geographical region or single country.

The investment objective of the Healthcare Opportunities Fund is to achieve long term capital growth by investing in a globally diversified portfolio of healthcare companies. The Fund will seek to outperform the MSCI Global Healthcare Index whilst striving to limit the volatility of the Fund's returns. The Fund will take



a geographically diversified approach and operate within broad asset allocation ranges, but there are no specified limits on investing in any geographical region or in any sub-sector of healthcare. Non-healthcare related securities will not exceed one third of the Fund's total assets.

The investment objective of the Japan Fund is to achieve long term capital growth by investing primarily (meaning not less than two thirds of the net asset value) in securities of issuers that have their principal activities in Japan or are organised under the laws of Japan or derive a significant portion of their earnings from Japan. The Fund intends to invest up to 100% of its assets in securities listed on the Tokyo and regional Japanese exchanges that are Regulated Markets. The Fund will seek to outperform the Topix Total Return Index while striving to limit the volatility of the Fund's returns.

The investment objective of the North American Fund is to achieve long term capital appreciation. The Fund will invest in a diversified portfolio of securities of North American companies. The Investment Manager will invest in large, medium and small capitalisation companies depending on market liquidity and as it judges the available opportunities.

The investment objective of the UK Absolute Return Fund is to achieve absolute returns, regardless of the direction of the UK stock market. The Fund will invest in, or take exposure through the use of financial derivative instruments, predominantly in the equities of United Kingdom companies and, to a significantly lesser degree, European and global equities. The Fund may therefore, at any one time, be significantly invested in financial derivative instruments. No more than 5% of the Net Asset Value of the Fund will be invested in companies with a market capitalisation of less than GBP£250 million at the time of initial purchase.

## **Risks**

The following summary is not intended to be a comprehensive summary of all the risks inherent in investing in the Company and investors should refer to the prospectus for a more detailed discussion of these risks.

### **Strategy in using Financial Instruments**

The Funds are exposed to a variety of financial risks in pursuing their stated investment objectives and policies. These risks are defined in FRS 29 Financial Instruments Disclosures as including credit risk, liquidity risk and market risk (which in turn includes currency risk, interest rate risk and price risk). The Funds take exposure to certain of these risks to generate investment returns on their portfolios, although these risks can also potentially result in a reduction in the Funds' assets. The Investment Manager will use its best endeavors to minimize the potentially adverse effects of these risks on the Funds' performance where it can do so while still managing the investments of the Funds in ways that are consistent with each Fund's investment objectives and policies.

The risks, and the measures adopted by the Company for managing these risks, are detailed below.

### **Market price risk**

Market price risk is defined in FRS 29 as the risk that the fair value of a financial instrument or its future cash flows will fluctuate because of changes in market prices.

The assets of the Funds consist principally of equities, equity related securities and equity and currency derivatives used for hedging purposes.

The values of these instruments are determined by market forces and there is accordingly a risk that market prices can change in a way that is adverse to a Fund's performance.

The Directors have adopted a number of investment restrictions which are set out in the individual Fund supplements to the Company's prospectus and which limit the exposure of the Funds to adverse changes in the price of any individual financial asset. In accordance with Company policy, the Investment Manager monitors the Funds' positions on a daily basis and reports regularly to the Board of Directors. The Board reviews the information on each Fund's overall market exposure provided by the Investment Manager at its periodic meetings.

In addition, the Investment Manager manages the exposure of the portfolios to the risk of adverse changes in the general level of market prices to the extent consistent, in the judgement of the Investment Manager, with each Fund's respective investment objective.

## Notes to the Financial Statements continued

For the year ended 31 December 2011

### 10. Financial Risk Management continued

#### Financial derivative instruments

Depending on the Funds involved, the Company may invest in financial derivative instruments for both speculative and efficient portfolio management purposes, subject to the conditions and within the limits from time to time stipulated by the Central Bank under the Regulations.

The maximum risk arising from an investment in a financial instrument is determined by the fair value of the financial instruments, or in the case of certain derivative(s) the nominal value of the underlying assets, except for short positions in derivatives where the loss may potentially be unlimited.

At 31 December 2011 and 31 December 2010, the fair value of the investments for each Fund can be seen on the Portfolio Statements and subject to the comment in the previous paragraph regarding derivatives exposure, this fair value can be said to represent each Fund's overall market exposure.

At 31 December 2011, market price risks defined by FRS 29 applying to each Fund are affected by two main components: changes in market prices and currency exchange rates. FRS 29 requires a sensitivity analysis showing how the net asset values of the Funds would be affected by changes in each of these factors.

The following table is included in accordance with the requirements of FRS 29 to show the sensitivity of each Fund (for a representative share class) to changes in market prices based on a 10% price stress test on the portfolio as at 31 December 2011.

<b>As at 31 December 2011</b>		<b>NAV US\$/ share 31.12.2011</b>	<b>% Increase/ (decrease) price levels</b>	<b>Effect of change in share price on overall fund value NAV US\$/share</b>
Emerging Markets Growth Fund	US\$	8.62	10	9.43
Emerging Markets Growth Fund	US\$	8.62	(10)	(7.81)
Emerging Markets Income Fund	US\$	8.94	10	9.77
Emerging Markets Income Fund	US\$	8.94	(10)	(8.11)
Financial Opportunities Fund	US\$	8.01	10	8.78
Financial Opportunities Fund	US\$	8.01	(10)	(7.24)
Global Technology Fund	US\$	13.82	10	15.20
Global Technology Fund	US\$	13.82	(10)	(12.44)
Healthcare Opportunities Fund	US\$	14.54	10	15.92
Healthcare Opportunities Fund	US\$	14.54	(10)	(13.16)
North American Fund	US\$	10.10	10	11.06
North American Fund	US\$	10.10	(10)	(9.14)

<b>As at 31 December 2011</b>		<b>NAV ¥/share 31.12.2011</b>	<b>% Increase/ (decrease) price levels</b>	<b>Effect of change in share price on overall fund value NAV ¥/share</b>
Japan Fund	JPY ¥	1,007.75	10	1,108.53
Japan Fund	JPY ¥	1,007.75	(10)	(906.98)

<b>As at 31 December 2011</b>		<b>NAV £/share 31.12.2011</b>	<b>% Increase/ (decrease) price levels</b>	<b>Effect of change in share price on overall fund value NAV £/share</b>
Global Insurance Fund	GBP£	1.98	10	2.17
Global Insurance Fund	GBP£	1.98	(10)	(1.79)
UK Absolute Return Fund	GBP£	9.68	10	9.68
UK Absolute Return Fund	GBP£	9.68	(10)	(9.68)

<b>As at 31 December 2010</b>		<b>NAV US\$/ share 31.12.2010</b>	<b>% Increase/ (decrease) price levels</b>	<b>Effect of change in share price on overall fund value NAV US\$/share</b>
Emerging Markets Growth Fund	US\$	10.25	10	11.28
Emerging Markets Growth Fund	US\$	10.25	(10)	(9.23)
Global Technology Fund	US\$	15.83	10	17.41
Global Technology Fund	US\$	15.83	(10)	(14.25)
Healthcare Opportunities Fund	US\$	13.41	10	14.75
Healthcare Opportunities Fund	US\$	13.41	(10)	(12.07)

<b>As at 31 December 2010</b>		<b>NAV ¥/share 31.12.2010</b>	<b>% Increase/ (decrease) price levels</b>	<b>Effect of change in share price on overall fund value NAV ¥/share</b>
Japan Fund	JPY ¥	1,168.03	10	1,284.83
Japan Fund	JPY ¥	1,168.03	(10)	(1,051.23)

<b>As at 31 December 2010</b>		<b>NAV £/share 31.12.2010</b>	<b>% Increase/ (decrease) price levels</b>	<b>Effect of change in share price on overall fund value NAV £/share</b>
UK Absolute Return Fund	GBP£	11.24	10	12.36
UK Absolute Return Fund	GBP£	11.24	(10)	(10.12)

Some limitations of sensitivity analysis are;

- (i) the models are based on historical data and cannot take account of the fact that future market price movements, correlations between markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns;
- (ii) the market price risk information is a relative estimate of risk rather than a precise and accurate number;
- (iii) the market price information represents a hypothetical outcome and is not intended to be predictive; and
- (iv) future market conditions could vary significantly from those experienced in the past.

## Notes to the Financial Statements continued

For the year ended 31 December 2011

### 10. Financial Risk Management continued

#### Currency risk

Currency risk is defined in FRS 29 as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Each Fund is exposed to currency risk as the assets and liabilities of each Fund may be denominated in a currency other than the base currency of that Fund, which is the US dollar except for the Japan Fund in which the base currency is Japanese Yen and the UK Absolute Fund and Global Insurance Fund where the base currency is Sterling.

The fluctuations in the rate of exchange between the currency in which the asset or liability is denominated and the functional currency could result in an appreciation or depreciation in the fair value of that asset when measured in the Fund's base currency. The Investment Manager may attempt to mitigate these risks through the use of financial derivative instruments.

In accordance with Company policy, the Investment Manager monitors each Fund's currency exposure on a daily basis and reports regularly to the Board of Directors, which reviews the information provided by the Investment Manager on any significant exposures at its periodic meetings.

At 31 December 2011 each Fund's currency exposure was as follows:

	<b>Non-USD Currency Monetary Assets US\$'000</b>	<b>Non-USD Currency Monetary Liabilities US\$'000</b>	<b>Net Non-USD Currency Monetary Assets US\$'000</b>
<b>Emerging Markets Growth</b>			
Brazil Real	816	–	816
Egyptian Pound	117	–	117
Hong Kong dollar	1,229	–	1,229
Indonesian Rupiah	80	–	80
Korean won	783	–	783
Malaysian \$	456	–	456
Mexican Peso	268	–	268
Qatari rial	125	–	125
Singapore \$	93	–	93
South Africa Rands	803	–	803
Sterling	16	(10)	6
Taiwan dollar	655	–	655
Thai Bahts	118	–	118
Turkish Lira	131	–	131
	<b>5,690</b>	<b>(10)</b>	<b>5,680</b>

	<b>Non-USD Currency Monetary Assets US\$'000</b>	<b>Non-USD Currency Monetary Liabilities US\$'000</b>	<b>Net Non-USD Currency Monetary Assets US\$'000</b>
<b>Emerging Markets Income</b>			
Brazil Real	3,523	–	3,523
Egyptian Pound	31	–	31
Hong Kong dollar	3,720	–	3,720
Indonesian Rupiah	1,051	–	1,051
Korean won	1,926	–	1,926
Malaysian \$	945	–	945
Mexican Peso	1,037	–	1,037
Philippine pes	168	–	168
Polish zloty	514	–	514
Qatari rial	376	–	376
South Africa Rands	2,415	–	2,415
Sterling	48	(5)	43
Taiwan dollar	1,751	–	1,751
Thai Bahts	479	–	479
Turkish Lira	320	–	320
	18,304	(5)	18,299

	<b>Non-USD Currency Monetary Assets US\$'000</b>	<b>Non-USD Currency Monetary Liabilities US\$'000</b>	<b>Net Non-USD Currency Monetary Assets US\$'000</b>
<b>Financial Opportunities</b>			
Brazil Real	124	–	124
Czech koruna	236	–	236
Euro	881	–	881
Hong Kong dollar	585	–	585
Indonesian Rupiah	593	–	593
Korean won	942	–	942
Malaysian \$	204	–	204
Norwegian Krone	376	–	376
Pakistani rupee	123	–	123
Philippine pes	578	–	578
Polish zloty	297	–	297
Singapore \$	147	–	147
Sterling	1,098	–	1,098
Swedish kronor	394	–	394
Swiss franc	318	–	318
Taiwan dollar	480	–	480
Thai Bahts	610	–	610
Turkish Lira	60	–	60
	8,046	–	8,046

## Notes to the Financial Statements continued

For the year ended 31 December 2011

### 10. Financial Risk Management continued

#### Currency risk continued

	Non-GBP Currency Monetary Assets GBP£'000	Non-GBP Currency Monetary Liabilities GBP£'000	Net Non-GBP Currency Monetary Assets GBP£'000
<b>Global Insurance</b>			
Danish Kroner	1,509	–	1,509
Euro	16,266	–	16,266
Swiss franc	2,232	–	2,232
United States dollar	168,955	–	168,955
	188,962	–	188,962

	Non-USD Currency Monetary Assets US\$'000	Non-USD Currency Monetary Liabilities US\$'000	Net Non-USD Currency Monetary Assets US\$'000
<b>Global Technology</b>			
Canadian dollar	2,783	–	2,783
Euro	27,719	–	27,719
Hong Kong dollar	16,656	–	16,656
Japanese yen	7,548	–	7,548
Korean won	14,970	–	14,970
Sterling	9,921	(390)	9,531
Swedish kronor	6,983	–	6,983
Taiwan dollar	15,630	–	15,630
	102,210	(390)	101,820

	Non-USD Currency Monetary Assets US\$'000	Non-USD Currency Monetary Liabilities US\$'000	Net Non-USD Currency Monetary Assets US\$'000
<b>Healthcare Opportunities</b>			
Danish Kroner	3,458	–	3,458
Euro	20	–	20
Japanese yen	4,209	–	4,209
Sterling	10,686	–	10,686
Swiss franc	5,109	–	5,109
	23,482	–	23,482

	Non-JPY Currency Monetary Assets JPY ¥'000	Non-JPY Currency Monetary Liabilities JPY ¥'000	Net Non-JPY Currency Monetary Assets JPY ¥'000
<b>Japan</b>			
Euro	4,102,113	(278,419)	3,823,694
Sterling	24,371,193	(246,644)	24,124,549
United States dollar	8,517,796	(352,393)	8,165,403
	36,991,102	(877,456)	36,113,646

	<b>Non-USD Currency Monetary Assets US\$'000</b>	<b>Non-USD Currency Monetary Liabilities US\$'000</b>	<b>Net Non-USD Currency Monetary Assets US\$'000</b>
<b>North American</b>			
Canadian dollar	5,245	–	5,245
Euro	4	–	4
Sterling	9,430	(126)	9,304
	14,679	(126)	14,553

	<b>Non-GBP Currency Monetary Assets GBP£'000</b>	<b>Non-GBP Currency Monetary Liabilities GBP£'000</b>	<b>Net Non-GBP Currency Monetary Assets GBP£'000</b>
<b>UK Absolute Return</b>			
Euro	4,715	(1,283)	3,432
United States dollar	14	(126)	(112)
	4,729	(1,409)	3,320

At 31 December 2010 each Fund's currency exposure was as follows:

	<b>Non-USD Currency Monetary Assets US\$'000</b>	<b>Non-USD Currency Monetary Liabilities US\$'000</b>	<b>Net Non-USD Currency Monetary Assets US\$'000</b>
<b>Emerging Markets Growth</b>			
Brazil Real	768	–	768
Egyptian Pound	244	–	244
Hong Kong dollar	967	(18)	949
Indonesian Rupiah	155	–	155
Korean won	759	–	759
Malaysian \$	387	–	387
Mexican Peso	291	–	291
Singapore \$	97	–	97
South Africa Rands	826	–	826
Sterling	1	–	1
Taiwan dollar	548	–	548
Thai Bahts	97	–	97
Turkish Lira	141	–	141
	5,281	(18)	5,263

## Notes to the Financial Statements continued

For the year ended 31 December 2011

### 10. Financial Risk Management continued

Currency risk continued.

	Non-USD Currency Monetary Assets US\$'000	Non-USD Currency Monetary Liabilities US\$'000	Net Non-USD Currency Monetary Assets US\$'000
<b>Global Technology</b>			
Canadian dollar	3,756	–	3,756
Euro	15,366	–	15,366
Hong Kong dollar	13,349	–	13,349
Japanese yen	3,178	–	3,178
Korean won	18,009	–	18,009
Sterling	7,755	(146)	7,609
Swedish kronor	5,443	–	5,443
Taiwan dollar	12,205	–	12,205
	79,061	(146)	78,915

	Non-USD Currency Monetary Assets US\$'000	Non-USD Currency Monetary Liabilities US\$'000	Net Non-USD Currency Monetary Assets US\$'000
<b>Healthcare Opportunities</b>			
Brazil Real	719	–	719
Euro	4,624	–	4,624
Indian Rupee	1,327	–	1,327
Japanese yen	3,503	–	3,503
Sterling	5,101	(23)	5,078
Swedish kronor	540	–	540
Swiss franc	5,213	(360)	4,853
	21,027	(383)	20,644

	Non-JPY Currency Monetary Assets JPY ¥'000	Non-JPY Currency Monetary Liabilities JPY ¥'000	Net Non-JPY Currency Monetary Assets JPY ¥'000
<b>Japan</b>			
Euro	141,251	(133,479)	7,772
Sterling	15,672,482	(249,883)	15,422,599
United States dollar	4,114,641	(4,230,237)	(115,597)
	19,928,374	(4,613,599)	15,314,774



<b>UK Absolute Return</b>	<b>Non-GBP Currency Monetary Assets GBP£'000</b>	<b>Non-GBP Currency Monetary Liabilities GBP£'000</b>	<b>Net Non-GBP Currency Monetary Assets GBP£'000</b>
Euro	34,593	(9,633)	24,960
Swiss franc	–	(305)	(305)
United States dollar	21,407	(351)	21,056
	56,000	(10,289)	45,711

If the exchange rate at 31 December 2011 between the individual Funds' base currencies and all other relevant currencies had increased or decreased by 5% with all other variables held constant, this would have increased or reduced net assets attributable to holders of redeemable participating shares of the Funds as set out below:

<b>As at 31 December 2011</b>	<b>Non-USD NAV 31.12.2011 US\$'000</b>	<b>% Increase/ (decrease) in exchange rate</b>	<b>Effect of increase/ decrease US\$'000</b>
Emerging Markets Growth	5,680	5	+/- 284
Emerging Markets Income	18,299	5	+/- 915
Financial Opportunities	8,046	5	+/- 402
Global Technology	101,820	5	+/- 5,091
Healthcare Opportunities	23,482	5	+/- 1,174
North American	14,553	5	+/- 728

<b>As at 31 December 2011</b>	<b>Non-JPY ¥ NAV 31.12.2011 JPY ¥'000</b>	<b>% Increase/ (decrease) in exchange rate</b>	<b>Effect of increase/ decrease JPY ¥'000</b>
Japan	36,113,646	5	+/- 1,805,682

<b>As at 31 December 2011</b>	<b>Non-GBP £ NAV 31.12.2010 GBP£'000</b>	<b>% Increase/ (decrease) in exchange rate</b>	<b>Effect of increase/ decrease GBP£'000</b>
Global Insurance	188,962	5	+/- 9,448
UK Absolute Return	3,320	5	+/- 166

<b>As at 31 December 2010</b>	<b>Non-USD NAV 31.12.2010 US\$'000</b>	<b>% Increase/ (decrease) in exchange rate</b>	<b>Effect of increase/ decrease US\$'000</b>
Emerging Markets Growth	5,263	5	+/- 263
Global Technology	78,915	5	+/- 3,946
Healthcare Opportunities	20,644	5	+/- 1,032

## Notes to the Financial Statements continued

For the year ended 31 December 2011

### 10. Financial Risk Management continued

#### Currency risk continued

As at 31 December 2010	Non-JPY ¥ NAV 31.12.2010 JPY ¥'000	% Increase/ (decrease) in exchange rate	Effect of increase/ decrease JPY ¥'000
Japan	15,314,774	5	+/- 765,739

As at 31 December 2010	Non-GBP £ NAV 31.12.2010 GBP£'000	% Increase/ (decrease) in exchange rate	Effect of increase/ decrease GBP£'000
UK Absolute Return	45,711	5	+/- 2,286

#### Interest rate risk

The majority of each Funds financial assets' and liabilities are non-interest bearing and any excess cash and cash equivalents are invested at short term market interest rates. As a result, the Funds are not subject to significant amounts of risk due to fluctuations in the prevailing level of market interest rates.

#### Credit risk

Credit risk is defined in FRS 29 as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The majority of each Fund's financial assets are equity securities. As a result, they are not subject to significant amounts of credit risk.

Transactions in securities are generally settled or paid for on delivery, or cleared through the appropriate clearing system for the market on which the securities are traded. The risk of default is not considered to be material, as delivery of securities sold is only made once the Custodian has received confirmation of payment. Payment is also only made on a purchase once confirmation of delivery of the securities has been received by the Custodian. The trade will fail if either party fails to deliver the required confirmations.

The following are the assets for which the Company has an exposure as an unsecured creditor to either counterparty risk or the custodian which would involve a significant risk of loss in the event of a default by either.

Asset Type	Emerging Markets Growth Fund 31 December 2011 US\$	Emerging Markets Income Fund 31 December 2011 US\$	Financial Opportunities Fund 31 December 2011 US\$	Global Insurance Fund 31 December 2011 GBP£	Global Technology Fund 31 December 2011 US\$
Dividends and interest receivable	16,570	58,784	6,621	129,049	63,352
Cash & Cash Equivalents	430,878	1,480,923	401,391	9,496,912	2,692,912
Receivables	29,655	56,552	15,657	104,206	47,440
	477,103	1,596,259	423,669	9,730,167	2,803,704

Asset Type	Healthcare Opportunities Fund	Japan Fund	North American Fund	UK Absolute Return Fund	Total
	31 December 2011 US\$	31 December 2011 JPY ¥	31 December 2011 US\$	31 December 2011 GBP£	31 December 2011 US\$
Dividends and interest receivable	100,865	89,338,218	67,422	20,718	1,699,747
Cash & Cash Equivalents	6,611,459	–	4,009,673	14,530,468	52,770,254
Receivables	50,935	94,568,120	115,349	193	1,699,180
	6,763,259	183,906,338	4,192,444	14,551,379	56,169,181

Asset Type	Emerging Markets Growth Fund	Global Technology Fund	Healthcare Opportunities Fund	Japan Fund	UK Absolute Return Fund	Total
	31 December 2010 US\$	31 December 2010 US\$	31 December 2010 US\$	31 December 2010 JPY ¥	31 December 2010 GBP£	31 December 2010 US\$
Dividends and interest receivable	7,199	–	87,547	75,126,051	163,549	1,269,045
Cash & Cash Equivalents	597,502	47,218,460	6,366,035	513,081,382	91,411,973	202,421,101
Receivables	8,639	971,056	726,128	278,407,963	75,344	5,233,433
	613,340	48,189,516	7,179,710	866,615,396	91,650,866	208,923,579

At 31 December 2011 and 31 December 2010, none of the Fund's financial assets were past due or impaired.

In accordance with the Company's policy, the Investment Manager monitors each Fund's credit exposure on a daily basis and reports regularly to the Board of Directors, which reviews the information provided by the Investment Manager on significant exposures at its periodic meetings.

#### Credit Risk statement

Substantially all of the cash assets are held with the Northern Trust (Guernsey) Limited (NTGL). Cash deposited with NTGL is deposited as banker and is held on its Balance Sheet. Accordingly, in accordance with usual banking practice, NTGL's liability to the Fund in respect of such cash deposits shall be that of debtor and the Fund will rank as a general creditor of NTGL. The financial assets are held with the Custodian, Northern Trust Fiduciary Services (Ireland) Limited. These assets are held distinct and separately from the proprietary assets of the Custodian. Securities are clearly recorded to ensure they are held on behalf of the Fund. Bankruptcy or insolvency of the Custodian and or one of its agents or affiliates may cause the Fund's rights with respect to the securities held by the Custodian to be delayed or limited.

Both Northern Trust Fiduciary Services (Ireland) Limited and the Northern Trust (Guernsey) Limited are wholly owned subsidiaries of Northern Trust Corporation. As at 31 December 2011 Northern Trust Corporation had a long term rating from Standard & Poor's of A+.

## Notes to the Financial Statements continued

For the year ended 31 December 2011

### 10. Financial Risk Management continued

#### Liquidity risk

Liquidity risk is defined in FRS 29 specifically as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities as they fall due.

The Funds are exposed to daily cash redemptions of redeemable participating shares. However daily cashflows on redemptions may fluctuate due to the difficulty in being able to accurately predict the redemption patterns and behaviours of the shareholders. The Funds invest the majority of their assets in securities and other instruments that are traded on an active market and which are considered to be liquid as under normal market conditions, they can be readily disposed of in the event that cash needs to be raised to meet redemptions or to pay expenses.

In accordance with Company policy, the Investment Manager monitors the Funds' liquidity on a daily basis and reports regularly to the Board of Directors, which reviews the information provided by the Investment Manager on significant exposures at its periodic meetings.

At the 31 December 2011 and 31 December 2010 the Funds' all held liquid assets and liabilities that could be realised in less than one month, other than a number of prepaid expenses amortised over the year which are not material. The residual contractual maturities of financial liabilities held by the Funds' are all within 3 months.

#### Fair value hierarchy

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. For financial reporting purposes, the quoted market price used for financial assets held by the Funds is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When a Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies the bid or asking price to the net open position, as appropriate. If a significant movement in fair value occurs subsequent to the close of trading on the year end date, valuation techniques will be applied to determine the fair value.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques.

For instruments for which there is no active market, the Company may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The table below sets out fair value measurements using the FRS 29 fair value hierarchies:

**Financial assets and liabilities at fair value through profit or loss as at 31 December 2011**

<b>Emerging Markets Growth Fund</b>	<b>Total US\$</b>	<b>Level 1 US\$</b>	<b>Level 2 US\$</b>	<b>Level 3 US\$</b>
Equity investments	6,742,555	6,742,555	–	–
Warrants	169,628	169,628	–	–
<b>Total</b>	<b>6,912,183</b>	<b>6,912,183</b>	<b>–</b>	<b>–</b>
<b>Emerging Markets Income Fund</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Equity investments	20,944,171	20,944,171	–	–
Warrants	544,924	544,924	–	–
<b>Total</b>	<b>21,489,095</b>	<b>21,489,095</b>	<b>–</b>	<b>–</b>
<b>Financial Opportunities Fund</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Equity investments	12,402,785	12,402,785	–	–
Warrants	167,884	167,884	–	–
<b>Total</b>	<b>12,570,669</b>	<b>12,570,669</b>	<b>–</b>	<b>–</b>
<b>Global Insurance Fund</b>	<b>GBP£</b>	<b>GBP£</b>	<b>GBP£</b>	<b>GBP£</b>
Equity investments	203,932,491	200,715,195	–	3,217,296
<b>Total</b>	<b>203,932,491</b>	<b>200,715,195</b>	<b>–</b>	<b>3,217,296</b>

## Notes to the Financial Statements continued

For the year ended 31 December 2011

### 10. Financial Risk Management continued

Financial assets and liabilities at fair value through profit or loss as at 31 December 2011

<b>Global Technology Fund</b>	<b>Total US\$</b>	<b>Level 1 US\$</b>	<b>Level 2 US\$</b>	<b>Level 3 US\$</b>
Equity investments	524,387,586	524,387,586	–	–
<b>Total</b>	<b>524,387,586</b>	<b>524,387,586</b>	<b>–</b>	<b>–</b>

<b>Healthcare Opportunities Fund</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Equity investments	131,664,796	131,664,796	–	–
<b>Total</b>	<b>131,664,796</b>	<b>131,664,796</b>	<b>–</b>	<b>–</b>

<b>Japan Fund</b>	<b>JPY ¥</b>	<b>JPY ¥</b>	<b>JPY ¥</b>	<b>JPY ¥</b>
Equity investments	81,743,542,800	81,743,542,800	–	–
Forwards	(518,803,945)	–	(518,803,945)	–
<b>Total</b>	<b>81,224,738,855</b>	<b>81,743,542,800</b>	<b>(518,803,945)</b>	<b>–</b>

<b>North American Fund</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Equity investments	81,130,358	81,130,358	–	–
Forwards	(67,405)	–	(67,405)	–
<b>Total</b>	<b>81,062,953</b>	<b>81,130,358</b>	<b>(67,405)</b>	<b>–</b>

<b>UK Absolute Return Fund</b>	<b>GBP£</b>	<b>GBP£</b>	<b>GBP£</b>	<b>GBP£</b>
Equity investments	11,509,508	11,509,508	–	–
Contracts for difference	(1,132,025)	–	(1,132,025)	–
Forwards	3,572	–	3,572	–
Futures	(162,827)	(162,827)	–	–
Options	17,625	–	17,625	–
Swaps	(3,528,074)	–	(3,528,074)	–
<b>Total</b>	<b>6,707,779</b>	<b>11,346,681</b>	<b>(4,638,902)</b>	<b>–</b>

The following table presents the movement in level 3 instruments for the year ended 31 December 2011.

<b>Global Insurance Fund</b>	<b>GBP£</b>
Opening balance	–
Net Transfers In/Out	–
Purchases	3,198,772
Sales	–
Realised gain/loss during the year	18,524
Unrealised gain/loss during the year	–
Closing balance	3,217,296
Total gains or losses for the year included in the Profit and Loss Account for the year end	18,524

Financial assets and liabilities at fair value through profit or loss as at 31 December 2010

	Total US\$	Level 1 US\$	Level 2 US\$	Level 3 US\$
<b>Emerging Markets Growth Fund</b>				
Equity investments	6,652,220	6,652,220	–	–
<b>Total</b>	<b>6,652,220</b>	<b>6,652,220</b>	<b>–</b>	<b>–</b>
<b>Global Technology Fund</b>				
Equity investments	430,725,548	430,725,548	–	–
<b>Total</b>	<b>430,725,548</b>	<b>430,725,548</b>	<b>–</b>	<b>–</b>
<b>Healthcare Opportunities Fund</b>				
Equity investments	67,400,791	67,400,791	–	–
<b>Total</b>	<b>67,400,791</b>	<b>67,400,791</b>	<b>–</b>	<b>–</b>
<b>Japan Fund</b>				
	JPY ¥	JPY ¥	JPY ¥	JPY ¥
Equity investments	53,889,622,100	53,889,622,100	–	–
Forwards	(767,467,075)	–	(767,467,075)	–
<b>Total</b>	<b>53,122,155,025</b>	<b>53,889,622,100</b>	<b>(767,467,075)</b>	<b>–</b>
<b>UK Absolute Return Fund</b>				
	GBP£	GBP£	GBP£	GBP£
Equity investments	45,531,844	45,531,844	–	–
Contracts for difference	247,057	–	247,057	–
Forwards	380,055	–	380,055	–
Options	1,202,763	–	1,202,763	–
Swaps	(19,064,523)	–	(19,064,523)	–
<b>Total</b>	<b>28,297,196</b>	<b>45,531,844</b>	<b>(17,234,648)</b>	<b>–</b>

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

There is level 3 asset held by the Company as at 31 December 2011 (31 December 2010: Nil).

There is one asset held in level 3 during the period from 1 January 2011 to 31 December 2011 (1 January 2010 to 31 December 2010: Nil). In addition, there were no significant transfers between level 1 and level 2 of the fair value hierarchy during the period from 1 January 2011 to 31 December 2011 and 1 January 2010 to 31 December 2010.

The valuation techniques used by the Company are explained in the accounting policies note on pages 70–75. There has been no change to the valuation techniques used during the year.

## Notes to the Financial Statements continued

For the year ended 31 December 2011

### 11. Cross/Segregated Liability

The Company is an umbrella fund investment company with segregated liability between the Funds of the Company. Under Irish law, being the law applicable to the Company, this should result in any liabilities attributable to any Fund being borne solely by that Fund in the event of any insolvency.

### 12. Comparative Figures

	Net Asset Value Audited 31 December 2011	Net Asset Value Audited 31 December 2010	Net Asset Value Audited 31 December 2009
<b>Emerging Markets Growth Fund</b>			
Class I US dollar	\$8,620	\$10,250	n/a
Class I Sterling	£540,353	£456,771	n/a
Class I Euro	€8,646	€9,947	n/a
Class R US dollar	\$8,570	\$10,240	n/a
Class R Sterling	£4,173,048	£4,108,506	n/a
Class R Euro	€8,594	€9,947	n/a
	<b>NAV per share</b>	<b>NAV per share</b>	<b>NAV per share</b>
Class I US dollar	\$8.62	\$10.25	n/a
Class I Sterling	£5.55	£6.55	n/a
Class I Euro	€6.64	€7.64	n/a
Class R US dollar	\$8.57	\$10.24	n/a
Class R Sterling	£5.51	£6.54	n/a
Class R Euro	€6.60	€7.64	n/a



<b>Emerging Markets Income Fund</b>	<b>Net Asset Value Audited 31 December 2011</b>	<b>Net Asset Value Audited 31 December 2010</b>	<b>Net Asset Value Audited 31 December 2009</b>
Class I Euro Accumulation	€9,383	n/a	n/a
Class I Euro Distribution	€9,388	n/a	n/a
Class I Sterling Accumulation	£2,776,545	n/a	n/a
Class I Sterling Distribution	£8,699,773	n/a	n/a
Class I US dollar Accumulation	\$9,083	n/a	n/a
Class I US dollar Distribution	\$9,092	n/a	n/a
Class R Euro Accumulation	€9,343	n/a	n/a
Class R Euro Distribution	€9,356	n/a	n/a
Class R Sterling Accumulation	£13,287	n/a	n/a
Class R Sterling Distribution	£3,188,513	n/a	n/a
Class R US dollar Accumulation	\$9,040	n/a	n/a
Class R US dollar Distribution	\$9,061	n/a	n/a
	<b>NAV per share</b>	<b>NAV per share</b>	<b>NAV per share</b>
Class I Euro Accumulation	€7.00	n/a	n/a
Class I Euro Distribution	€6.89	n/a	n/a
Class I Sterling Accumulation	£5.84	n/a	n/a
Class I Sterling Distribution	£5.75	n/a	n/a
Class I US dollar Accumulation	\$9.08	n/a	n/a
Class I US dollar Distribution	\$8.94	n/a	n/a
Class R Euro Accumulation	€6.97	n/a	n/a
Class R Euro Distribution	€6.87	n/a	n/a
Class R Sterling Accumulation	£5.82	n/a	n/a
Class R Sterling Distribution	£5.74	n/a	n/a
Class R US dollar Accumulation	\$9.04	n/a	n/a
Class R US dollar Distribution	\$8.91	n/a	n/a

## Notes to the Financial Statements continued

For the year ended 31 December 2011

### 12. Comparative Figures continued

<b>Financial Opportunities Fund</b>	<b>Net Asset Value Audited 31 December 2011</b>	<b>Net Asset Value Audited 31 December 2010</b>	<b>Net Asset Value Audited 31 December 2009</b>
Class I US dollar	\$80	n/a	n/a
Class I Sterling	£7,365,000	n/a	n/a
Class I Euro	€93	n/a	n/a
Class R US dollar	\$10,881	n/a	n/a
Class R Sterling	£918,717	n/a	n/a
Class R Euro	€92	n/a	n/a
	<b>NAV per share</b>	<b>NAV per share</b>	<b>NAV per share</b>
Class I US dollar	\$8.01	n/a	n/a
Class I Sterling	£5.15	n/a	n/a
Class I Euro	€6.17	n/a	n/a
Class R US dollar	\$7.96	n/a	n/a
Class R Sterling	£5.12	n/a	n/a
Class R Euro	€6.13	n/a	n/a

	<b>Net Asset Value Audited 31 December 2011</b>	<b>Net Asset Value Audited 31 December 2010</b>	<b>Net Asset Value Audited 31 December 2009</b>
<b>Global Insurance Fund</b>			
Class A Sterling Distribution	£94,022,226	n/a	n/a
Class B Sterling Accumulation	£13,910,805	n/a	n/a
Class E Sterling Distribution	£52,118,948	n/a	n/a
Class F Sterling Accumulation	£39,440,201	n/a	n/a
Class I Euro Accumulation	€104	n/a	n/a
Class I Euro Distribution	€104	n/a	n/a
Class I Sterling Accumulation	£7,399,018	n/a	n/a
Class I Sterling Distribution	£2,112,937	n/a	n/a
Class I US dollar Accumulation	\$50,875	n/a	n/a
Class I US dollar Distribution	\$94	n/a	n/a
Class R Euro Accumulation	€104	n/a	n/a
Class R Euro Distribution	€103	n/a	n/a
Class R Sterling Accumulation	£152,510	n/a	n/a
Class R Sterling Distribution	£3,824,627	n/a	n/a
Class R US dollar Accumulation	\$110,651	n/a	n/a
Class R US dollar Distribution	\$93	n/a	n/a
	<b>NAV per share</b>	<b>NAV per share</b>	<b>NAV per share</b>
Class A Sterling Distribution	£2.01	n/a	n/a
Class B Sterling Accumulation	£2.20	n/a	n/a
Class E Sterling Distribution	£2.01	n/a	n/a
Class F Sterling Accumulation	£2.23	n/a	n/a
Class I Euro Accumulation	€2.61	n/a	n/a
Class I Euro Distribution	€2.38	n/a	n/a
Class I Sterling Accumulation	£2.18	n/a	n/a
Class I Sterling Distribution	£1.98	n/a	n/a
Class I US dollar Accumulation	\$3.39	n/a	n/a
Class I US dollar Distribution	\$3.08	n/a	n/a
Class R Euro Accumulation	€2.58	n/a	n/a
Class R Euro Distribution	€2.36	n/a	n/a
Class R Sterling Accumulation	£2.15	n/a	n/a
Class R Sterling Distribution	£1.97	n/a	n/a
Class R US dollar Accumulation	\$3.34	n/a	n/a
Class R US dollar Distribution	\$3.07	n/a	n/a

## Notes to the Financial Statements continued

For the year ended 31 December 2011

### 12. Comparative Figures continued

<b>Global Technology Fund</b>	<b>Net Asset Value Audited 31 December 2011</b>	<b>Net Asset Value Audited 31 December 2010</b>	<b>Net Asset Value Audited 31 December 2009</b>
Class A US dollar	\$49,644,817	\$49,849,868	\$26,040,733
Class A Sterling	£7,952,343	£8,581,587	£10,975,078
Class A Euro	€29,290	€17,130	€94
Class I US dollar	\$128,049,721	\$41,798,545	\$10,944,356
Class I Sterling	£148,900,219	£105,498,578	£6,080,013
Class I Euro	€3,170,965	€6,213,019	€102,795
Class R US dollar	\$68,777,572	\$181,709,420	\$98,325,466
Class R Sterling	£18,469,015	£7,053,699	£11,863
Class R Euro	€877,412	€41,488	€13,149
	<b>NAV per share</b>	<b>NAV per share</b>	<b>NAV per share</b>
Class A US Dollar	\$15.52	\$17.86	\$13.45
Class A Sterling	£9.98	£11.41	£8.33
Class A Euro	€11.96	€13.32	€9.40
Class I US dollar	\$13.82	\$15.83	\$11.75
Class I Sterling	£8.89	£10.11	£7.27
Class I Euro	€10.64	€11.80	€8.19
Class R US dollar	\$13.64	\$15.69	\$11.73
Class R Sterling	£8.77	£10.02	£7.26
Class R Euro	€10.50	€11.70	€8.18

	<b>Net Asset Value Audited 31 December 2011</b>	<b>Net Asset Value Audited 31 December 2010</b>	<b>Net Asset Value Audited 31 December 2009</b>
<b>Healthcare Opportunities Fund</b>			
Class A US dollar	\$3,310,976	\$1,946,363	\$5,445,668
Class A Sterling	£8,857,395	£23,014,120	£28,185,841
Class A Euro	€286,383	€235,248	€237,263
Class I US dollar	\$15,778,415	\$7,801,603	\$9,770,452
Class I Sterling	£63,220,080	£16,821,350	£5,331,826
Class I Euro	€1,374,587	€302,060	€273,455
Class R US dollar	\$1,850,648	\$344,594	\$520,006
Class R Sterling	£1,737,233	£513,230	£133,649
Class R Euro	€90,889	€51,765	€21,373
	<b>NAV per share</b>	<b>NAV per share</b>	<b>NAV per share</b>
Class A US Dollar	\$10.07	\$9.34	\$9.04
Class A Sterling	£6.48	£5.98	£5.61
Class A Euro	€7.76	€6.96	€6.30
Class I US dollar	\$14.54	\$13.41	\$12.93
Class I Sterling	£9.36	£8.57	£8.01
Class I Euro	€11.20	€10.00	€9.01
Class R US dollar	\$14.38	\$13.33	\$12.91
Class R Sterling	£9.25	£8.51	£7.99
Class R Euro	€11.08	€9.93	€9.00

## Notes to the Financial Statements continued

### For the year ended 31 December 2011

#### 12. Comparative Figures continued

Japan Fund	Net Asset Value Audited 31 December 2011	Net Asset Value Audited 31 December 2010	Net Asset Value Audited 31 December 2009
Class A US dollar	\$82,375,183	\$89,989,109	\$101,343,144
Class A Sterling	£29,557,148	£37,398,265	£53,674,715
Class A Japanese yen	¥2,301,863,786	¥2,591,408,989	¥3,461,135,092
Class I US dollar	\$69,274,381	\$55,684,689	\$9,243,697
Class I Sterling	£12,798,982	£1,304,799	£517,445
Class I Euro	€11,898,078	€2,105,946	n/a
Class I Japanese yen	¥13,780,705,127	¥8,216,351,687	¥2,294,370,282
Class R US dollar	\$4,635,876	\$3,419,081	\$1,100,586
Class R Sterling	£527,839	£104,181	£64,532
Class R Euro	€43,475	€1,577,958	n/a
Class R Japanese yen	¥3,223,466,074	¥5,740,031,076	¥1,685,644,713
Class I Hedged US dollar	\$70,845,184	\$32,228,779	\$4,021,152
Class R Hedged US dollar	\$38,733,503	\$16,612,880	\$2,860,139
Class I Hedged Sterling	£107,734,580	£38,295,918	£9,634,129
Class R Hedged Sterling	£100,580,711	£84,474,926	£21,987,688
Class I Hedged Euro	€15,336,939	€76,978	n/a
Class R Hedged Euro	€24,123,461	€1,222,281	n/a
	NAV per share	NAV per share	NAV per share
Class A US dollar	\$17.08	\$18.73	\$15.89
Class A Sterling	£11.05	£12.14	£10.02
Class A Japanese yen	¥1,321.49	¥1,528.78	¥1,465.53
Class I US dollar	\$13.02	\$14.31	\$12.15
Class I Sterling	£8.43	£9.27	£7.66
Class I Euro	€10.07	€10.80	n/a
Class I Japanese yen	¥1,007.75	¥1,168.03	¥1,120.84
Class R US dollar	\$12.89	\$14.19	\$12.11
Class R Sterling	£8.34	£9.20	£7.64
Class R Euro	€9.96	€10.71	n/a
Class R Japanese yen	¥996.99	¥1,158.43	¥1,117.27
Class I Hedged US dollar	\$9.99	\$11.62	\$11.19
Class R Hedged US dollar	\$9.88	\$11.54	\$11.16
Class I Hedged Sterling	£10.00	£11.62	£11.23
Class R Hedged Sterling	£9.84	£11.48	£11.14
Class I Hedged Euro	€8.08	€9.35	n/a
Class R Hedged Euro	€8.01	€9.32	n/a

	<b>Net Asset Value Audited 31 December 2011</b>	<b>Net Asset Value Audited 31 December 2010</b>	<b>Net Asset Value Audited 31 December 2009</b>
<b>North American Fund</b>			
Class I US dollar	\$101	n/a	n/a
Class I Sterling	£359,563	n/a	n/a
Class I Euro	€106	n/a	n/a
Class R US dollar	\$16,245	n/a	n/a
Class R Sterling	£31,678	n/a	n/a
Class R Euro	€106	n/a	n/a
Class S US dollar	\$23,838,317	n/a	n/a
Class S Sterling	£32,779,506	n/a	n/a
Class S Euro	€106	n/a	n/a
Class I Hedged Euro	€1,008	n/a	n/a
Class R Hedged Euro	€1,007	n/a	n/a
Class S Hedged Euro	€1,008	n/a	n/a
Class I Hedged Sterling	£217,490	n/a	n/a
Class R Hedged Sterling	£156,900	n/a	n/a
Class S Hedged Sterling	£5,800,313	n/a	n/a
	<b>NAV per share</b>	<b>NAV per share</b>	<b>NAV per share</b>
Class I US dollar	\$10.10	n/a	n/a
Class I Sterling	£6.50	n/a	n/a
Class I Euro	€7.78	n/a	n/a
Class R US dollar	\$10.09	n/a	n/a
Class R Sterling	£6.49	n/a	n/a
Class R Euro	€7.77	n/a	n/a
Class S US dollar	\$10.10	n/a	n/a
Class S Sterling	£6.50	n/a	n/a
Class S Euro	€7.78	n/a	n/a
Class I Hedged Euro	€10.08	n/a	n/a
Class R Hedged Euro	€10.07	n/a	n/a
Class S Hedged Euro	€10.08	n/a	n/a
Class I Hedged Sterling	£10.09	n/a	n/a
Class R Hedged Sterling	£10.09	n/a	n/a
Class S Hedged Sterling	£10.10	n/a	n/a

## Notes to the Financial Statements continued

### For the year ended 31 December 2011

#### 12. Comparative Figures continued

UK Absolute Return Fund	Net Asset Value Audited 31 December 2011	Net Asset Value Audited 31 December 2010	Net Asset Value Audited 31 December 2009
Class A US dollar	n/a	n/a	\$1,856,241
Class A Sterling	n/a	n/a	£15,306,991
Class A Euro	n/a	n/a	€526,641
Class I US dollar	n/a	\$953,002	\$1,096,762
Class I Sterling	£18,085,580	£77,440,992	£59,677,327
Class I Euro	€11,641	€13,141	€1,608,724
Class R US dollar	n/a	–	n/a
Class R Sterling	£660,752	£12,654,944	n/a
Class R Euro	–	€178,029	n/a
Class I Hedged US dollar	\$93	\$13,992,677	\$20,376,896
Class I Hedged Euro	€2,697,676	€21,445,398	€3,842,987
Class R Hedged US dollar	\$8,980	\$10,500	n/a
Class R Hedged Euro	€8,980	\$10,500	n/a
	<b>NAV per share</b>	<b>NAV per share</b>	<b>NAV per share</b>
Class A US dollar	n/a	n/a	\$17.47
Class A Sterling	n/a	n/a	£10.79
Class A Euro	n/a	n/a	€12.13
Class I US dollar	n/a	\$17.46	\$17.53
Class I Sterling	£9.68	£11.24	£10.83
Class I Euro	€11.56	€13.05	€12.18
Class R US dollar	n/a	n/a	n/a
Class R Sterling	£9.53	£11.13	n/a
Class R Euro	n/a	€12.91	n/a
Class I Hedged US dollar	\$9.61	\$11.08	\$10.68
Class I Hedged Euro	€9.59	€11.18	€10.77
Class R Hedged US dollar	\$8.98	\$10.50	n/a
Class R Hedged Euro	€8.98	€10.50	n/a

#### 13. Distributor Reporting Fund Status

HM Revenue and Customs in the United Kingdom has certified each of the share classes in the Funds as a distributing fund in respect of the year ended 31 December 2010 and as a reporting fund with effect from 1 January 2011.



## 14. Distributions

### 2011

In the year ended 31 December 2011 the following Funds declared and paid distributions as follows:

	<b>Date declared</b>	<b>Date of payment</b>	<b>Rate per share</b>	<b>No. of shares</b>	<b>Amount</b>	<b>Period</b>
<b>Emerging Markets Income Fund</b>						
Class R US Dollar Distribution Shares					<b>\$61,827</b>	
Class R US dollar Distribution	04/07/2011	29/07/2011	\$0.1700	1,000	\$170	20/01/2011 – 30/06/2011
Class R Sterling Distribution	04/07/2011	29/07/2011	£0.1059	361,348	£38,263	20/01/2011 – 30/06/2011
Class R Euro Distribution	04/07/2011	29/07/2011	€0.1173	1,340	€157	20/01/2011 – 30/06/2011
Class I US Dollar Distribution Shares					<b>\$110,306</b>	
Class I US dollar Distribution	04/07/2011	29/07/2011	\$0.1700	1,000	\$170	20/01/2011 – 30/06/2011
Class I Sterling Distribution	04/07/2011	29/07/2011	£0.1059	646,516	£68,459	20/01/2011 – 30/06/2011
Class I Euro Distribution	04/07/2011	29/07/2011	€0.1173	1,340	€157	20/01/2011 – 30/06/2011
<b>Total Distributions for Emerging Markets Income Fund</b>					<b>\$172,133</b>	
<b>Global Insurance Fund</b>						
Class R Sterling Distribution Shares					<b>£20,210</b>	
Class R US dollar Distribution	03/10/2011	28/10/2011	\$0.0162	30	\$0	31/05/2011 – 30/09/2011
Class R Sterling Distribution	03/10/2011	28/10/2011	£0.0104	1,942,371	£20,209	31/05/2011 – 30/09/2011
Class R Euro Distribution	03/10/2011	28/10/2011	€0.0121	44	€1	31/05/2011 – 30/09/2011
Class I Sterling Distribution Shares					<b>£4,969</b>	
Class I US dollar Distribution	03/10/2011	28/10/2011	\$0.0174	30	\$1	31/05/2011 – 30/09/2011
Class I Sterling Distribution	03/10/2011	28/10/2011	£0.0112	445,207	£4,969	31/05/2011 – 30/09/2011
Class I Euro Distribution	03/10/2011	28/10/2011	€0.0130	44	€1	31/05/2011 – 30/09/2011
Class A Sterling Distributing Shares					<b>£295,667</b>	
Class A Sterling Distribution	03/10/2011	28/10/2011	£0.0112	26,438,500	£295,667	31/05/2011 – 30/09/2011
Class E Sterling Distributing Shares					<b>£274,785</b>	
Class E Sterling Distribution	03/10/2011	28/10/2011	£0.0111	24,864,172	£274,785	31/05/2011 – 30/09/2011
Class R Hedged Sterling Distribution Shares					<b>£2</b>	
Class R Hedged Sterling Distribution	03/10/2	28/10/2011	£0.0078	250	£2	31/05/2011 – 30/09/2011
Class I Hedged Sterling Distribution Shares					<b>£2</b>	
Class I Hedged Sterling Distribution	03/10/2011	28/10/2011	£0.0078	250	£2	31/05/2011 – 30/09/2011
<b>Total Distributions for Global Insurance Fund</b>					<b>£595,635</b>	

## Notes to the Financial Statements continued

### For the year ended 31 December 2011

#### 14. Distributions continued

##### 2012

The following distributions were declared in respect of the Company on 3 January 2012 and are therefore not accrued in the financial statements for the year ended 31 December 2011:

	Date declared	Date of payment	Rate per share	No. of shares	Amount	Period
<b>Emerging Markets Income Fund</b>						
Class R US Dollar Distribution Shares					<b>\$105,995</b>	
Class R US dollar Distribution	03/01/2012	31/01/2012	\$0.1900	1,017	\$193	01/07/2011 – 31/12/2011
Class R Sterling Distribution	03/01/2012	31/01/2012	£0.1223	555,490	£67,936	01/07/2011 – 31/12/2011
Class R Euro Distribution	03/01/2012	31/01/2012	€0.1464	1,363	€199	01/07/2011 – 31/12/2011
<b>Class I US Dollar Distribution Shares</b>						
Class I US dollar Distribution	03/01/2012	31/01/2012	\$0.1900	1,017	\$193	01/07/2011 – 31/12/2011
Class I Sterling Distribution	03/01/2012	31/01/2012	£0.1223	1,513,004	£185,040	01/07/2011 – 31/12/2011
Class I Euro Distribution	03/01/2012	31/01/2012	€0.1464	1,363	€199	01/07/2011 – 31/12/2011
<b>Total Distributions for Emerging Markets Income Fund</b>					<b>£393,918</b>	
<b>Global Insurance Fund</b>						
Class R Sterling Distribution Shares					<b>£17,085</b>	
Class R US dollar Distribution	03/01/2012	31/01/2012	\$0.0137	30	\$0	01/10/2011 – 31/12/2011
Class R Sterling Distribution	03/01/2012	31/01/2012	£0.0088	1,941,435	£17,085	01/10/2011 – 31/12/2011
Class R Euro Distribution	03/01/2012	31/01/2012	€0.0105	44	€0	01/10/2011 – 31/12/2011
<b>Class I Sterling Distribution Shares</b>						
Class I US dollar Distribution	03/01/2012	31/01/2012	\$0.0137	30	\$0	01/10/2011 – 31/12/2011
Class I Sterling Distribution	03/01/2012	31/01/2012	£0.0088	1,067,645	£9,395	01/10/2011 – 31/12/2011
Class I Euro Distribution	03/01/2012	31/01/2012	€0.0105	44	€0	01/10/2011 – 31/12/2011
<b>Class A Sterling Distributing Shares</b>						
Class A Sterling Distribution	03/01/2012	31/01/2012	£0.0089	46,777,227	£416,317	01/10/2011 – 31/12/2011
<b>Class E Sterling Distributing Shares</b>						
Class E Sterling Distribution	03/01/2012	31/01/2012	£0.0089	25,929,825	£230,775	01/10/2011 - 31/12/2011
<b>Total Distributions for Global Insurance Fund</b>					<b>£673,573</b>	

##### 2010

No Distributions were made during 2010.

## 15. FSA Side Letter Policy

The Financial Securities Authority (FSA) in the United Kingdom, which regulates the Investment Manager, expects all investment managers authorised and regulated by the FSA to write to investors in the funds managed by them with details of any Side Letter that may have been entered into by the Investment Manager. The FSA considers a Side Letter to be an arrangement which can reasonably be expected to provide an investor with materially more favourable rights than other investors, such as enhanced redemption rights or the provision of portfolio information which are not generally available. The Investment Manager has confirmed to the Company that it is not aware or party to an arrangement whereby an investor has any preferential redemption terms. However in exceptional circumstances, for example where an investor seeds a new fund the Investment Manager has provided investors on the Funds' behalf with portfolio information and capacity commitments.

## 16. Gains and Losses from Financial Assets and Liabilities at fair value through Profit or Loss

The following table details the gains and losses from financial assets and liabilities at fair value through profit or loss for the year ended 2011.

	Emerging Markets Growth Fund US\$	Emerging Markets Income Fund US\$	Financial Opportunities Fund US\$	Global Insurance Fund GBP£	Global Technology Fund US\$
Net realised (loss)/gain on disposal of investments and foreign exchange	(279,182)	(125,578)	(1,132,630)	(2,514,672)	8,576,768
Net unrealised gain/(loss) on investments and foreign exchange	(979,415)	(1,481,255)	(492,949)	8,487,729	(115,625,245)
Net realised (loss)/gain on derivative financial instruments	-	-	-	-	-
Net unrealised gain/(loss) on derivative financial instruments	(53)	-	-	-	(616)
<b>Total net gain/(loss) from financial assets and liabilities at fair value through profit or loss</b>	<b>(1,258,650)</b>	<b>(1,606,833)</b>	<b>(1,625,579)</b>	<b>5,973,057</b>	<b>(107,049,093)</b>

	Healthcare Opportunities Fund US\$	Japan Fund JPY ¥	North American Fund US\$	UK Absolute Return Fund GBP£	Total US\$
Net realised (loss)/gain on disposal of investments and foreign exchange	723,079	(702,369,091)	(126,570)	3,021,855	(362,645)
Net unrealised gain/(loss) on investments and foreign exchange	2,950,041	(11,392,052,771)	2,796,350	(12,173,522)	(261,669,210)
Net realised (loss)/gain on derivative financial instruments	-	(4,428,563,826)	(105,903)	64,305	(55,563,794)
Net unrealised gain/(loss) on derivative financial instruments	143	216,659,276	(68,069)	(377,294)	2,044,512
<b>Total net gain/(loss) from financial assets and liabilities at fair value through profit or loss</b>	<b>3,673,263</b>	<b>(16,306,326,412)</b>	<b>2,495,808</b>	<b>(9,464,656)</b>	<b>(315,551,137)</b>

## Notes to the Financial Statements continued

For the year ended 31 December 2011

### 16. Gains and Losses from Financial Assets and Liabilities at fair value through Profit or Loss

The following table details the gains and losses from financial assets and liabilities at fair value through profit or loss for the year ended 2010.

	Emerging Markets Growth Fund US\$	Global Technology Fund US\$	Healthcare Opportunities Fund US\$	Japan Return Fund JPY ¥	UK Absolute Fund GBP£	Total US\$
Net realised (loss)/gain on disposal of investments and foreign exchange	(26,073)	54,953,130	3,923,108	400,083,756	(1,986,223)	60,336,894
Net unrealised gain/(loss) on investments and foreign exchange	220,793	53,311,570	(677,485)	904,849,773	8,723,066	76,641,623
Net realised (loss)/gain on derivative financial instruments	–	–	–	(1,525,825,622)	418,771	(16,730,066)
Net unrealised gain/(loss) on derivative financial instruments	36	(5,476)	2,383	(943,580,261)	203,282	(10,435,104)
<b>Total net gain/(loss) from financial assets and liabilities at fair value through profit or loss</b>	194,756	108,259,224	3,248,006	(1,164,472,354)	7,358,896	109,813,347

### 17. Subsequent Events

There have been no material events subsequent to the year end 31 December 2011 which affect the Financial Statements.

Subsequent events are disclosed in the Report of the Directors on page 19.

### 18. Portfolio changes

A complete listing of the purchases and sales during the period is available free from the Company on request.

### 19. Approval of the Financial Statements

The Financial Statements were approved by the Board on 11 April 2012.

## Statement of Significant Portfolio Movements - Unaudited

### Emerging Markets Growth Fund

Purchases	Cost		Proceeds US\$'000
	US\$'000	Sales	
Merrill Lynch – Rural Electrification	145	Vale	154
Gazprom ADR	142	Duratex	127
Localiza	140	Polaris Securities	116
China Pacific Insurance Group	139	Gafisa	113
Merrill Lynch – Yes Bank	134	ICICI Bank ADR	100
Digital China Holdings	133	ARC Capital	74
Qatar National Bank	117	Infosys Technologies ADR	71
Giant Manufacturing	114	Turkiye Halk Bankasi	67
Lojas Renner	107	JD Group	66
Mechel	104	Borneo Lumbung Energi & Metal	61
Sberbank of Russia ADR	104	Vivo Participacoes ADR	56
CCR	103	Marcopolo	55
IJM	95	Cetip Sa-Balcao Organizado	49
X5 Retail GDR	90	Anadolu Hayat Emeklilik	42
Bizim Toptan Satis Magazalari	86	Hyundai Department Store	39
Taiwan Cement	86	Huabao International	35
ICICI Bank ADR	85	Fomento Economico Mexicano	29
Cia de Bebidas das Americas	68	Tenaga Nasional	26
Shanghai Industrial	54	Foschini Group	25
TAV Havalimanlari	52	Localiza	23

### Emerging Markets Income Fund

Purchases	Cost		Proceeds US\$'000
	US\$'000	Sales	
Localiza	446	SK Telecom ADR	337
Merrill Lynch – Rural Electrification	440	Turk Telekomunikasyon	286
Shanghai Industrial	431	Want Want China Holdings	222
China Life Insurance	426	Turkiye Petrol Rafinerileri	219
Banco do Brasil	426	Kasikornbank	201
Estacio Participacoes	424	Powszechna Kasa Oszczed Bank Polski	189
Sul America	421	Kumba Iron Ore	189
Digital China Holdings	417	ICICI Bank ADR	180
Industrial & Commercial Bank of China	417	Natura Cosméticos	175
Cia Energetica de Minas Gerais ADR	414	PLUS Expressways	158
Gazprom ADR	407	Turk Traktor	155
African Bank Investments	399	Mechel ADR	150
CCR	395	Localiza	148
Kasikornbank	390	Bank of the Philippine Islands	143
Eurasia Drilling GDR	385	Commercial Bank of Qatar	121
Merrill Lynch – Yes Bank	382	Anadolu Hayat Emeklilik	83
VTech Holdings	381	Marcopolo	46
Perusahaan Gas Negara	375	Foschini Group	42
SK Telecom ADR	375	VTech Holdings	27
Aveng	375	Meritz Finance Holdings	9

## Statement of Significant Portfolio Movements - Unaudited continued

### Financial Opportunities Fund

Purchases	Cost		Proceeds US\$'000
	US\$'000	Sales	
Kasikornbank	553	Bank of China	394
HSBC	511	DBS Group Holdings	333
BNP Paribas	490	Credit Suisse	321
Sberbank of Russia	484	Lloyds TSB	319
DnB NOR	469	Industrial & Commercial Bank of China	285
Bank of China	449	China Taiping Insurance Holdings	264
Shinhan Financial Group	422	RHB Capital	259
Security Bank	419	Siam Commercial Bank	255
DBS Group Holdings	414	Bank Central Asia	242
Arch Capital Group	410	Amlin	231
Credit Suisse	410	Kasikornbank	225
ACE	404	BNP Paribas	214
Muenchener Rueckversicherungs	400	Mitsubishi UFJ Financial	214
UBS	398	Shinhan Financial Group	203
Swedbank	393	DGB Financial Group	198
Bank Central Asia	376	Barclays	198
Industrial & Commercial Bank of China	370	Oversea-Chinese Banking	195
JPMorgan Chase & Co	360	Ping An Insurance Group	178
International Personal Finance	357	Erste Group Bank	175
Dongbu Insurance	354	BOC Hong Kong	166

### Global Insurance Fund

Purchases	Cost		Proceeds GBP £'000
	GBP £'000	Sales	
Berkshire Hathaway	5,179	Platinum Underwriters Holdings	6,187
ACE	4,979	Amlin	3,939
Arch Capital Group	4,764	PartnerRe	1,960
Travelers	4,414	Resolution	1,387
Partner Reinsurance	4,172	WR Berkley	919
Sampo	4,069	Berkshire Hathaway	670
Reinsurance Group of America	3,828	Arch Capital Group	602
HCC Insurance Holdings	3,500	Jardine Lloyd Thompson Group	551
Marsh & McLennan	3,337	Transatlantic Holdings	455
Muenchener Rueckversicherungs	3,220	Marsh & McLennan	446
Allied World Assurance Holdings	3,213	Muenchener Rueckversicherungs	430
Progressive	3,213	RenaissanceRe	412
Third Point Reinsurance	3,199	CBG Group	320
WR Berkley	3,019	Admiral Group	228
Axis Capital Holdings	2,978	Axis Capital Holdings	189
Transatlantic Holdings	2,920	Reinsurance Group of America	169
Aon	2,500	Baloise Holding	150
Chubb	2,342		
Alterra Capital Holdings	2,302		
Platinum Underwriters Holdings	2,248		

## Global Technology Fund

<b>Purchases</b>	<b>Cost US\$'000</b>	<b>Sales</b>	<b>Proceeds US\$'000</b>
IBM	27,406	Apple	30,687
Google	26,516	IBM	27,084
Microsoft	23,411	Microsoft	22,570
Apple	22,801	Google	16,515
Juniper Networks	13,778	Netlogic Microsystems	15,964
VeriFone Systems	13,049	Atmel	13,525
Oracle	12,881	Oracle	11,582
Hewlett Packard	12,467	Hewlett Packard	11,305
F5 Networks	12,087	Finisar	9,687
Ixia	11,564	F5 Networks	9,385
Atmel	10,830	Qualcomm	8,853
ShoreTel	10,676	Cisco Systems	8,770
Qualcomm	10,650	BroadSoft	8,100
National Instruments	10,270	Juniper Networks	7,906
Tibco Software	9,299	Cree	7,815
Meru Networks	9,178	Akamai Technologies	7,554
Polycom	9,097	Skyworks Solutions	7,424
NetApp	8,944	3D Systems	7,164
Radware	8,762	Parametric Technology	6,630
Netlogic Microsystems	8,734	Fortinet	6,470

## Healthcare Opportunities Fund

<b>Purchases</b>	<b>Cost US\$'000</b>	<b>Sales</b>	<b>Proceeds US\$'000</b>
Roche Holding	15,156	Johnson & Johnson	14,312
Johnson & Johnson	14,195	Novartis	12,724
Abbott Laboratories	10,583	Sanofi-Aventis	11,130
GlaxoSmithKline	9,700	Roche Holding	9,648
Sanofi-Aventis	9,248	GlaxoSmithKline	8,982
Covidien	8,791	Covidien	8,266
Novartis	8,775	Amgen	8,151
Pfizer	7,788	Bristol-Myers Squibb	7,680
Amgen	7,651	Baxter International	7,129
Baxter International	7,535	Pharmasset	6,910
Express Scripts	7,341	Stryker	6,740
Gilead Sciences	7,290	Express Scripts	6,709
Stryker	6,890	Watson Pharmaceuticals	6,364
Merck & Co	6,803	Valeant Pharmaceuticals International	5,201
Vertex Pharmaceuticals	4,877	Pfizer	4,781
Intuitive Surgical	4,679	Vertex Pharmaceuticals	4,354
Amerigroup	4,578	Abbott Laboratories	4,264
Zoll Medical	4,442	Varian Medical Systems	4,232
Bristol-Myers Squibb	4,404	Fresenius Medical Care	4,105
HCA Holdings	4,120	Illumina	3,956

## Statement of Significant Portfolio Movements - Unaudited continued

### Japan Fund

Purchases	Cost		Sales	Proceeds
	¥'000	¥'000		
Mitsubishi UFJ Financial	5,026,982		Denso	2,860,791
Fujifilm	4,777,803		Nippon Telegraph & Telephone	2,598,789
Honda Motor	4,462,732		Kuraray	2,527,144
Nitto Denko	4,002,880		Inpex	2,367,472
NGK Insulators	2,971,191		Mitsui	2,351,094
Denso	2,959,929		NGK Insulators	2,274,343
Sumitomo Mitsui Financial	2,805,530		Sony	2,161,777
Sony	2,757,242		T&D Holdings	2,038,399
Nippon Telegraph & Telephone	2,735,434		Nintendo	1,914,564
Jafco	2,631,442		Mitsubishi Tanabe Pharma	1,864,489
Kyocera	2,566,035		Nitto Denko	1,805,147
Nintendo	2,410,574		Kyocera	1,760,955
Kuraray	2,358,115		Mazda Motor	1,693,640
MS&AD Insurance Group Holdings	2,057,874		Calbee	1,314,575
Accordia Golf	1,668,267		Daiwa House Industry	1,244,732
Astellas Pharma	1,655,284		Chiba Bank	1,230,163
Fujitsu	1,499,065		Kubota	1,229,082
Komeri	1,496,732		Don Quijote	1,228,948
Minebea	1,448,950		Toho	1,218,873
JS	1,448,286		JSR	1,201,255

### North American Fund

Purchases	Cost		Sales	Proceeds
	US\$'000	US\$'000		
Apple	3,414		TE Connectivity	811
Philip Morris International	3,217		Laboratoryof America	633
Procter & Gamble	2,739		Colgate-Palmolive	421
IBM	2,711		McDonald's	418
Advance Auto Parts	2,438		Philip Morris International	412
Oracle	2,334		Jones Lang LaSalle	294
McDonald's	2,283		IBM	260
Google	2,227		JPMorgan Chase	245
Laboratoryof America	2,214			
JPMorgan Chase	2,209			
Time Warner	2,151			
CBS	2,107			
Flowserve	2,106			
Coca-Cola	1,970			
Berkshire Hathaway	1,960			
Tyco International	1,847			
Visa	1,818			
Roper Industries	1,789			
McKesson	1,778			
United Technologies	1,776			



## UK Absolute Return Fund

<b>Purchases</b>	<b>Cost GBP£'000</b>	<b>Sales</b>	<b>Proceeds GBP£'000</b>
EIS FTSE Mid Cap 250 Index Swap	9,390	EIS DJ Stoxx 600 POLS04285 27/07/2011	5,568
EIS DJ Stoxx POLS04299 27/07/2011	5,814	EIS FTSE Mid Cap 250 Index Swap	4,897
EIS DJ Stoxx 600 POLS04285 27/07/2011	5,568	EIS DJ Oil&Gas sector 11/11/2011	4,589
EIS DJ Oil&Gas sector 11/11/2011	4,589	EIS DJ Euro Stoxx Chemical Index Swap 11/11/2011	4,051
EIS DJ Euro Stoxx Chemical Index Swap 11/11/2011	4,051	Carphone Warehouse Group	3,431
EIS DJ Tech Index 11/11/2011	3,425	EIS DJ Tech Index 11/11/2011	3,425
Muenchener Rueckversicherungs	3,075	EIS Philadelphia Semiconductor Index Swap 11/11/2011	2,993
EIS Philadelphia Semiconductor Index Swap 11/11/2011	2,993	Compass Group	2,976
EIS DJ Stoxx Food & Beverage Index 11/11/2011	2,137	TNT	2,721
Arcelormittal	1,804	Shanks	2,641
Siemens	1,362	Xstrata	2,524
GlaxoSmithKline	1,271	GlaxoSmithKline	2,524
EIS Customised Bank Sector SANP 11/11/2011	1,258	J Sainsbury	2,432
HSBC	1,148	ITV	2,357
St James's Place	1,121	Wolseley	2,316
Colt Group	1,041	Muenchener Rueckversicherungs	2,078
Deutsche Boerse	993	EnQuest	2,030
Lvmh Moet-Hennessy Louis	972	Johnson Matthey	1,735
Deutsche Boerse	779	Arcelormittal	1,661
FTSE 100 Index 5800 Put 21/01/2011	423	Lvmh Moet-Hennessy Louis	1,169

## Information for Investors

### Information for Investors in Federal Republic of Germany - Unaudited

The Prospectus, the simplified Prospectus, the Memorandum and Articles of Association of the Company and the annual and semi-annual reports of the Company and a complete listing of the purchases and sales during the period, each in paper form, as well as the Net Asset Value per Share, issue and redemption prices and any switching prices are available and may be obtained free of charge at the office of the German Paying and Information Agent.

### Information for Investors in Switzerland - Unaudited

The Company have appointed BNP Paribas Securities Services Paris, Succursale de Zurich, Switzerland as representative and paying agent for Switzerland. For redeemable participating shares distributed in Switzerland, the performance place is at BNP Paribas Securities Services' address. Investors, can obtain free of charge, the prospectus, the simplified prospectus (both also available for potential investors), and the last annual and interim reports, in German and a list of the purchases and sales made on behalf of the Company, from the representative at the above address. Official publications for the Company are made in L'Agefi and the Swiss Official Trade Gazette.

Following a directive of the Swiss Funds Association dated 27 July 2004, the Company is required to supply performance data in conformity with the said directive. This data can be found under each of the Fund reports.

Please note that all references to a specific index are for comparative purposes only.

Past performance is no indication of current or future performance. The value of an investment can fall as well as rise as a result of market fluctuations and investors may not get back the amount originally invested. The performance data does not take account of the commissions and costs incurred on the issue and redemption of redeemable participating shares.

Investors should contact the Swiss representative at the above address should they require additional information, e.g. on performance including the composition of the relevant indices where applicable.

## Total Expense Ratio & Portfolio Turnover Rate – Unaudited

Pursuant to a guideline from the Swiss Funds Association dated January 2006, the Company is required to publish a Total Expense Ratio (TER) for the year ended 31 December 2011.

The TERs for each Fund for the last three years are as follows:

Name of Fund	TER (excluding performance fee) in % 31 December 2011	TER (including performance fee) in % 31 December 2011	TER (excluding performance fee) in % 31 December 2010	TER (including performance fee) in % 31 December 2010	TER (excluding performance fee) in % 31 December 2009	TER (including performance fee) in % 31 December 2009
Emerging Market Growth Fund	3.35	3.35	6.4	6.4	n/a	n/a
Emerging Market Income Fund	1.99	2.98	n/a	n/a	n/a	n/a
Financial Opportunities Fund	2.35	3.51	n/a	n/a	n/a	n/a
Global Insurance Fund	1.34	1.50	n/a	n/a	n/a	n/a
Global Technology Fund	1.50	1.50	1.85	4.02	2.15	2.76
Healthcare Opportunities Fund	1.55	1.78	1.78	1.82	2.19	2.19
Japan Fund	1.63	2.01	1.72	2.05	2.29	2.32
North American Fund	1.21	1.84	n/a	n/a	n/a	n/a
UK Absolute Return Fund	1.43	1.43	1.49	2.26	1.68	2.49

The Portfolio Turnover numbers for each Fund for the last three years are as follows;

Name of Fund	PTR in % 31 December 2011	PTR in % 31 December 2010	PTR in % 31 December 2009
Emerging Market Growth Fund	0.32	0.66	n/a
Emerging Market Income Fund	0.22	n/a	n/a
Financial Opportunities Fund	0.23	n/a	n/a
Global Insurance Fund	0.18	n/a	n/a
Global Technology Fund	0.76	1.34	0.57
Healthcare Opportunities Fund	3.64	2.12	3.39
Japan Fund	0.38	0.51	1.24
North American Fund	0.18	n/a	n/a
UK Absolute Return Fund	0.37	0.45	0.42

# Notice of Annual General Meeting

**To: The Shareholders of Polar Capital Funds plc (the "Company"):**

NOTICE is hereby given that the Annual General Meeting of the Shareholders of the Company will be held at George's Court, 54-62 Townsend Street, Dublin 2 on Friday, 15 June 2012 at 10.00 a.m.

## AGENDA

### 1. Report and Accounts

To receive the Annual Report and Audited Financial Statements for the year ended 31 December 2011.

### 2. Re-appointment of Auditors

To re-appoint KPMG as the Auditors of the Company.

### 3. Auditors' Remuneration

To authorise the Directors to fix the Auditors' remuneration.

## By Order of the Board



For and on behalf of Northern Trust  
International Fund Administration Services (Ireland) Limited as Secretary

Dated this the 2 April 2012

### Registered Office:

George's Court  
54-62 Townsend Street  
Dublin 2

## NOTE

Every member entitled to attend, speak and vote at the above meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A body corporate may appoint an authorised person to attend, speak and vote on its behalf. A proxy or an authorised representative need not be a member of the company.

## Form of Proxy

I/We,

of

being Members of the above Company hereby appoint

or failing him/her, the Chairman of the Meeting, or failing him/her, Ms. Lynda Ellis or Ms. Aideen Colgan or Ms. Margaret Bergin of Northern Trust International Fund Administration Services (Ireland) Limited as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 15 June 2012 at 10.00 a.m. and at any adjournment thereof.

Please indicate with an X in the spaces below how you wish your vote(s) to be cast. Unless otherwise instructed, the proxy will vote as he/she thinks fit.

<b>Resolution</b>	<b>For</b>	<b>Against</b>
1. To receive the Annual Report and Audited Annual Financial Statements for the year ended 31 December 2011	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-appoint KPMG as the Auditors of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To authorise the Directors to fix the Auditors' remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed

Date

### **Please return to:**

#### **Northern Trust International Fund Administration**

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

### **Attention:**

**Lynda Ellis**

## Form of Proxy continued

### NOTES:

1. This instrument of proxy, to be valid, must be sent by post so as to arrive, or be lodged, at the address printed below before the commencement of the meeting.
2. In the case of a corporate shareholder, this instrument may be either under its Common Seal or under the hand of an officer or attorney authorised in that behalf.
3. If you wish to appoint a proxy other than the Chairman of the meeting, please insert his/her name and address and delete "the Chairman of the meeting"
4. If this instrument is signed and returned without any indication of how the person appointed proxy shall vote, he will exercise his discretion as to how he votes and whether or not he abstains from voting.
5. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority should be determined by the order in which the names stand in the register of members in respect of the joint holding.
6. The address to which the proxy forms should be returned is:

Northern Trust International Fund Administration  
Services Ireland (Ireland) Limited  
George's Court  
54-62 Townsend Street  
Dublin 2  
Ireland

### Attention:

Lynda Ellis

7. Proxy forms may be returned in the first instance by fax to +353 1 434 5273 but the original should be forwarded by mail to the address shown at 6 above.

## Fund Information

### Directors (all non-executive):

James Cayzer-Colvin  
Charles Scott <sup>A</sup>  
David Hammond <sup>A</sup>  
Jonathan Quigley <sup>A</sup>  
Robert Bovet <sup>A</sup>  
Ronan Daly <sup>A</sup>

<sup>A</sup> Directors independent of the Investment Manager.

### Promoter, Investment Manager and Global Distributor:

**Polar Capital LLP**  
4 Matthew Parker Street  
London SW1H 9NP  
United Kingdom

### Administrator, Registrar, Transfer Agent and Secretary:

**Northern Trust Fund Administration Services**  
(Ireland) Limited  
George's Court  
54-62 Townsend Street  
Dublin 2  
Ireland

### Legal Advisers: (as to Irish law)

**Dillon Eustace**  
33 Sir John Rogerson's Quay  
Dublin 2  
Ireland

### Sponsoring Broker:

**Davy Stockbroker**  
Davy House  
49 Dawson Street  
Dublin 2  
Ireland

### Swiss Paying Agent/Representative:

**BNP Paribas Securities Services**  
Paris  
Zurich Branch, Selnaustrasse 16, 8022 Zurich  
Switzerland

### French Paying Agent:

**BNP Paribas Securities Services**  
66 Rue de la Victoire  
75009 Paris  
France

### Registered Office:

**George's Court**  
54-62 Townsend Street  
Dublin 2  
Ireland

### Company Registration Number:

348391

### Custodian:

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

### Independent Auditor:

**KPMG**  
Chartered Accountants  
1 Harbourmaster Place  
International Financial Services Centre  
Dublin 1  
Ireland

### Swedish Paying Agent:

**SEB Merchant Banking**  
Sergels Tog 2, ST H1  
10640 Stockholm  
Sweden

### German Paying and Information Agents:

**Deutsche Bank AG**  
Taunusanlage 12,  
60325  
Frankfurt am Main  
Germany

### Austrian Paying Agent:

**Meinl Bank AG**  
Bauernmarkt 2  
1014 Vienna  
Austria

### Governance and Monitoring Services:

**Bridge Consulting Limited**  
33 Sir John Rogerson's Quay  
Dublin 2  
Ireland

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