

# **ABACO FUND ICVC**

Annual Report & Accounts  
for the year ended 31st March 2011



**THEISIS UNIT TRUST MANAGEMENT LIMITED**

Authorised and regulated by the Financial Services Authority

# ABACO FUND ICVC

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# ABACO FUND ICVC

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**Authorised Corporate Director:  
Thesis Unit Trust Management Limited**

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St John's Street  
Chichester  
West Sussex PO19 1UP  
Tel: 01243 531234

*Authorised and regulated by  
The Financial Services Authority*

**Solicitors to the Authorised Corporate Director:**

Thomas Eggar LLP  
The Corn Exchange  
Baffins Lane  
Chichester  
West Sussex PO19 1GE

**Investment Advisers:**

Newton Investment Management Limited  
Mellon Financial Centre  
160 Queen Victoria Street  
London EC4A 4LA

*Authorised and regulated by  
The Financial Services Authority*

**Dealing & Registration:**

Northern Trust Global Services Limited  
P.O. Box 55736  
50 Bank Street  
Canary Wharf  
London E14 1BT

**Depositary:**

The Royal Bank of Scotland plc  
Trustee & Depositary Services  
The Broadstone  
50 South Gyle Crescent  
Edinburgh EH12 9UZ

*Authorised and regulated by  
The Financial Services Authority*

**Auditor:**

Grant Thornton UK LLP  
Chartered Accountants  
30 Finsbury Square  
London  
EC2P 2YU

**Directors:**

D.W. Tyerman  
M.J. Lally  
S.R. Mugford  
A.J. Edwards  
G.S. Dalton  
S. Noone

*Thesis Unit Trust Management Limited is owned by members of Thomas Eggar LLP, solicitors. It is, however, a separate firm regulated by The Financial Services Authority and not by the Solicitors Regulation Authority. This means that the statutory protection afforded to clients of solicitors regulated by the Solicitors Regulation Authority is not available to our clients.*

Stanhope Capital Limited  
35 Portman Square  
London WH1 6LR

*Authorised and regulated by  
The Financial Services Authority*

Telephone: 0870 870 8434  
Fax: 020 7982 3924

\* Stanhope became investment advisors on 24th March 2011. Prior to this Allianz & Bernstein were the investment advisors

# ABACO FUND ICVC

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## **Report of the Authorised Corporate Director ("ACD")**

*for the year ended 31st March 2011*

Thesis Unit Trust Management Limited is pleased to present the ACD's final report for the year ended 31st March 2011.

### **Investment Objective and Policy**

The investment objective of the Company (also referred to as the Fund) is to provide capital growth from a diversified portfolio, mainly of equities, spread across global markets. The assets in which the Company invests are principally securities and shares in collective investment schemes, but the Company may also invest in bonds, money market instruments, deposits and cash or near cash investments. No emphasis is placed on any particular economic, industrial or geographical sector.

### **Fund Review - Newton**

**\* The performance of the Abaco Fund ICVC for the year ended 31st March 2011 was +11.25% compared to a rise of +7.35% by the Newton Growth Composite benchmark over the same period**

**(source: Newton Investment Management Ltd and Datastream)**

### **Market Commentary**

One could be forgiven for imagining that someone had coated the financial markets in Teflon, such has been their ability to shrug off a plethora of negative news. Equity markets have shown remarkable resilience in the face of political, economic and natural adversity. Whilst the Eurozone Sovereign debt crisis rumbles on, unrest and conflict in the Middle East and North Africa has pushed up the price of oil, further exacerbating investors' concerns about inflation amidst rocketing food and input prices, in an environment of ultra-loose monetary policy. The tragic events in Japan and the resulting fears of nuclear contamination following the damage caused by the tsunami have further added to investors' jitters. Yet amidst this turbulent set of events, UK equities gained +8.7% (FTSE All Share) and overseas equities advanced 8.2% (FTSE World ex UK) in the reporting period. Despite investors scepticism of the authorities' ability to control inflation, bond markets returned +5.2% (FTSE Government All Stock Index). Against this backdrop, the portfolio out performed its benchmark to deliver a positive return of 11.25% (compared to 7.35%).

The modest headline returns in the reporting period marked some fairly significant swings in Asian and Emerging Market equities. The last quarter of the reporting period began badly for the latter with global investors reallocating capital from emerging markets to developed markets based on a combination of valuation grounds, increased risk aversion caused by geopolitical tensions and concerns over regional policy initiatives to dampen inflation (given that the cost of food represents a much larger percentage of disposable incomes in the developing world). Nevertheless, whilst we had taken some profits in 2010, our analysis and Global Realignment theme helped maintain our confidence in our exposure to these markets and the portfolio benefited from the strong reversal of this trend in March.

The renewed strength in Asian and Emerging markets was one factor that helped the performance of the Fund during the year. The underweight exposure to fixed interest securities, where the fund is predominantly invested in corporate bonds including the high yield segment, was another. However, the biggest contributor to performance was the strong returns from some of the technology stocks held, playing our "Networked World" theme, with Ariba increasing 151%. The holding was trimmed during the year on the back of this strong performance. The weighting in technology was maintained by the purchase of EMC, a global IT company which provides systems software (including security) and services for the management of business data and is in the forefront of "cloud computing". Accenture and eBay were also strong performers.

Given the rise in the price of oil, it is no surprise that the oil and gas sector was also a key contributor to the Fund's performance. There were strong returns from Statoil, Suncor Energy (which was sold and the proceeds switched into Weatherford International, an oil services provider), Inpex (a Japanese Oil and Gas producer) and Transocean. The latter was sold having recovered strongly from the sell off in the share price triggered by the BP Macondo oil rig disaster in April 2010. A small weighting in Lukoil was purchased to augment the oil and gas exposure. Despite many years passing since the events surrounding Yukos, investors concerns about corporate governance continue to linger and have resulted in Russian Oil stocks effectively trading at a 'Russian discount'. We believe the stock looks sufficiently inexpensive to be attractive given it is a beneficiary of rising oil prices stemming from the troubles in the Middle East and North Africa.

# ABACO FUND ICVC

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## **Report of the Authorised Corporate Director ("ACD")**

*for the year ended 31st March 2011 (continued)*

Foreign investors had been increasingly dipping their toes in the Japanese market prior to the earthquake and tsunami. The experience of the previous Kobe earthquake demonstrated to the world the resilience of the Japanese people in the face of such terrible circumstances and the Japanese market has recovered most of the ground it lost during the initial knee jerk reaction of investors as they watched events unfold. Whilst the concerns about supply chains remain (as existing inventories are utilised), it became apparent that many quality companies were trading at depressed prices. Under the circumstances both Toyota Motor Corp and Hitachi Construction Machinery were purchased. The latter develops and manufactures construction machinery including hydraulic excavators, wheel loaders and bulldozers.

We have already noted the surprising resilience that equity markets have demonstrated of late. The question is what conclusions one should draw from this? One could argue that the current tendency for risk assets to shrug off an increasingly ugly backdrop amply illustrates the palliative properties of ultra loose monetary policies. Investors have, quite rationally, come to expect that whatever crisis emerges, policymakers will be able to put in place a safety net in the form of more ingenious forms of cheap money and/or taxpayer-funded bailouts. Paradoxically, in the bizarre world of highly distorted financial markets, bad news can be perceived as good news if it means more stimulus and therefore higher asset prices in the short term. In the current environment we continue to see a better risk-reward in selected equities than in bonds. Given the economic backdrop we retain healthy positions in commodity and real asset plays such as oil, basic materials and agricultural related stocks. We complement this with a combination of stable growth and more cyclical equities that stand to benefit from our global themes and continue to identify many compelling investment opportunities in an uncertain world.

Newton  
19th April 2011

## **Fund Review - Stanhope**

Although Stanhope are investment advisors, they only became so on 24th March and will not be issuing a fund review for this set of report and accounts.

# ABACO FUND ICVC

**Portfolio Statement**  
as at 31st March 2011

Holding	Market Value £	Percentage of total net assets %
<b>Australia 2.22% (1.97%)</b>		
3,907 National Australia Bank	64,811	0.20
16,300 Newcrest Mining	416,266	1.28
52,600 Oil Search	240,271	0.74
	<b>721,348</b>	<b>2.22</b>
<b>Belgium 0.20% (0.00%)</b>		
1,300 Delhaize	65,702	0.20
	<b>65,702</b>	<b>0.20</b>
<b>Brazil 5.20% (3.04%)</b>		
5,400 Banco do Brasil	59,391	0.18
37,190 Hypermarcas	305,743	0.94
19,200 Natura Cosméticos	338,397	1.04
19,151 Petroleo Brasileiro ADR	421,333	1.30
48,400 Rossi Residencial	252,589	0.78
20,396 Telenorte Leste ADR	223,094	0.69
4,900 Vale	88,587	0.27
	<b>1,689,134</b>	<b>5.20</b>
<b>Canada 1.64% (2.26%)</b>		
11,820 Barrick Gold	378,610	1.17
2,100 Magna International	63,519	0.20
5,612 Nexen	87,284	0.27
	<b>529,413</b>	<b>1.64</b>
<b>Cayman Islands 0.85% (0.29%)</b>		
2,090 Garmin	44,124	0.14
318,000 Shenguan	229,812	0.71
	<b>273,936</b>	<b>0.85</b>
<b>Denmark 0.04% (0.56%)</b>		
900 Danske Bank	12,488	0.04
	<b>12,488</b>	<b>0.04</b>
<b>Finland 0.67% (1.15%)</b>		
10,405 Fortum	219,256	0.67
	<b>219,256</b>	<b>0.67</b>
<b>France 2.47% (4.04%)</b>		
5,400 Bouygues	162,771	0.50
1,200 Cap Gemini	43,788	0.13
5,000 L'Oreal	364,327	1.12
2,300 Renault	79,511	0.24
2,500 Societe Generale	101,598	0.31
3,170 Vivendi	56,137	0.17
	<b>808,132</b>	<b>2.47</b>

# ABACO FUND ICVC

## Portfolio Statement

as at 31st March 2011( continued)

Holding	Market Value £	Percentage of total net assets %
<b>Germany 2.81% (6.11%)</b>		
1,400 Allianz	122,577	0.38
6,241 Bayer	301,313	0.93
5,400 E.On	102,778	0.32
9,209 Fresenius Medical	384,692	1.18
	<b>911,360</b>	<b>2.81</b>
<b>Hong Kong 1.95% (0.30%)</b>		
15,759 Esprit	44,863	0.14
255,000 Huabao International	239,874	0.74
202,400 Man Wah	162,918	0.50
357,500 Yingde Gases	185,561	0.57
	<b>633,216</b>	<b>1.95</b>
<b>India 0.65% (0.00%)</b>		
13,859 Hindalco Industries	39,534	0.12
17,150 REI Agro	130,054	0.40
5,100 Tata Steel	43,835	0.13
	<b>213,423</b>	<b>0.65</b>
<b>Ireland 1.76% (0.00%)</b>		
9,000 Accenture	306,516	0.94
33,150 Charter International	267,852	0.82
	<b>574,368</b>	<b>1.76</b>
<b>Italy 0.42% (0.81%)</b>		
62,200 Telecom Italia	59,467	0.18
37,000 Telecom Italia Di Risparmio	31,308	0.10
30,155 Unicredito	46,506	0.14
	<b>137,281</b>	<b>0.42</b>
<b>Japan 4.16% (2.95%)</b>		
3,600 Bridgestone	46,893	0.14
16,900 Hitachi Construction Machinery	263,860	0.81
79 Inpex	372,636	1.15
49 Japan Tabacco	110,052	0.34
3,500 JFE	63,648	0.20
16,900 Nissan Motor	93,276	0.29
1,020 Orix	59,357	0.18
14,000 Sharp	86,299	0.27
300 Sumco	3,759	0.01
2,000 Toshiba	6,074	0.02
9,700 Toyota Motors	242,955	0.75
	<b>1,348,809</b>	<b>4.16</b>
<b>Korea 0.90% (1.99%)</b>		
2,600 Hana Financial	69,822	0.21
1,800 KB Financial	58,537	0.18
800 LG Display	15,592	0.05
970 LG Telecom	57,429	0.18
170 Samsung Electronic	89,765	0.28
	<b>291,145</b>	<b>0.90</b>

# ABACO FUND ICVC

## Portfolio Statement

as at 31st March 2011(continued)

Holding	Market Value £	Percentage of total net assets %
<b>Netherlands 0.57% (0.20%)</b>		
17,345 ING Groep	137,088	0.42
1,300 Koninklijke	49,945	0.15
	<b>187,033</b>	<b>0.57</b>
<b>Norway 1.04% (0.00%)</b>		
19,745 Statoil ASA	<b>338,300</b>	<b>1.04</b>
<b>Portugal 0.10% (0.00%)</b>		
13,000 EDP	<b>31,537</b>	<b>0.10</b>
<b>Russia 1.07% (0.26%)</b>		
6,600 Gazprom	132,324	0.41
4,828 Lukoil	213,788	0.66
	<b>346,112</b>	<b>1.07</b>
<b>Singapore 0.55% (1.26%)</b>		
169,000 Noble	<b>178,358</b>	<b>0.55</b>
<b>South Africa 1.32% (0.00%)</b>		
34,150 MTN	<b>427,655</b>	<b>1.32</b>
<b>Spain 0.00% (1.17%)</b>		
<b>Switzerland 4.31% (2.14%)</b>		
12,000 Novartis	407,709	1.25
4,455 Roche	398,082	1.22
1,600 Syngenta AG	322,580	0.99
1,436 TE Connectivity	30,915	0.10
17,750 Weatherford International	244,234	0.75
	<b>1,403,520</b>	<b>4.31</b>
<b>Taiwan 1.19% (1.01%)</b>		
87,000 Advanced Semiconductor Engineering	58,470	0.18
123,320 AU Optronics	66,590	0.20
35,000 Taiwan Semiconductor Manufacturing	262,981	0.81
	<b>388,041</b>	<b>1.19</b>
<b>Thailand 1.20% (0.86%)</b>		
110,100 Bangkok Bank	<b>390,259</b>	<b>1.20</b>
<b>Turkey 0.09% (0.43%)</b>		
15,300 Turkiye Garanti Bankasi	<b>30,550</b>	<b>0.09</b>



# ABACO FUND ICVC

## Portfolio Statement

as at 31st March 2011(continued)

Holding	Market Value £	Percentage of total net assets %
<b>United Kingdom 27.33% (26.02%)</b>		
62,500 Amlin	238,563	0.73
14,950 Anglo American	481,540	1.48
23,850 Associated British Foods	237,188	0.73
5,300 AstraZeneca	153,303	0.47
15,600 BAE Systems	51,152	0.16
9,350 Barclays	26,278	0.08
20,118 BG	314,444	0.97
31,680 BH Global	336,758	1.04
26,431 BHP Billiton	653,242	2.01
86,990 BP	394,674	1.21
15,550 British American Tobacco	391,938	1.21
169,261 Cable & Wireless Worldwide	89,708	0.28
127,000 Centrica	419,608	1.29
98,619 Cobham	227,317	0.70
53,000 GlaxoSmithKline	633,350	1.95
55,000 HSBC	354,805	1.09
53,381 ICAP	282,919	0.87
2,800 Imperial Tobacco	54,236	0.17
48,000 Jardine Lloyd Thompson	332,880	1.02
43,689 Prudential	314,561	0.97
2,000 Rio Tinto	87,630	0.27
5,600 Royal Dutch Shell 'A'	127,150	0.39
36,893 Royal Dutch Shell 'B'	835,811	2.57
36,700 Scottish & Southern	463,888	1.43
19,687 Standard Chartered	321,095	0.99
63,000 Tesco	243,653	0.75
423,100 Vodafone	753,541	2.32
95,908 Wigmore***	-	-
4,080 Xstrata	59,507	0.18
	<b>8,880,739</b>	<b>27.33</b>
<b>United States 17.40% (22.13%)</b>		
25,500 Altria	413,629	1.27
730 Apple	158,190	0.49
13,822 Ariba	288,372	0.89
4,000 BB&T	68,885	0.21
2,600 Bunge	117,602	0.36
7,200 Comcast 'A'	110,525	0.34
1,265 Constellation Energy	24,686	0.08
7,100 Corning	91,737	0.28
16,800 Dell	152,855	0.47
10,996 Delta Air Lines	67,928	0.21
2,300 Devon Energy	130,934	0.40
4,200 Dow Chemical	97,283	0.30
16,000 Ebay	314,521	0.97
17,100 EMC	286,196	0.88
3,500 Ford Motor	32,323	0.10
5,000 Gap	70,352	0.22

# ABACO FUND ICVC

## Portfolio Statement

as at 31st March 2011(continued)

Holding	Market Value £	Percentage of total net assets %
<b>United States - continued</b>		
3,400 Gilead Sciences	89,826	0.28
2,000 Hess	104,186	0.32
4,100 Hewlett-Packard	105,236	0.32
500 Huntington Ingalls	11,453	0.04
3,700 Ingersoll-Rand	112,169	0.35
3,200 Johnson & Johnson	117,993	0.36
4,400 JPMorgan	126,937	0.39
1,700 Kohl's	56,112	0.17
1,300 Kroger	19,625	0.06
5,500 L 3 Communications	268,941	0.83
5,900 Lowe's	98,893	0.30
2,300 Marathon Oil	75,688	0.23
7,571 Microsoft	120,361	0.37
5,030 Mosaic	251,273	0.77
1,103 Motorola	30,553	0.09
5,800 News Corp 'A'	63,117	0.19
3,000 Northrop Grumman	127,846	0.39
600 Parker Hannifin	35,287	0.11
14,900 Pfizer	188,258	0.58
17,670 Principal Financial	348,777	1.07
1,300 Royal Caribbean Cruises	34,087	0.10
115,265 Sprint Nextel	325,941	1.00
7,270 Thermo Fisher Scientific	247,958	0.76
2,182 Time Warner Cable	96,851	0.30
2,300 Travelers	84,879	0.26
4,800 Wells Fargo	95,192	0.29
	<b>5,663,457</b>	<b>17.40</b>
<b>United Kingdom - Investment Trusts 0.58% (0.49%)</b>		
360,000 ING UK Real Estate	<b>189,000</b>	<b>0.58</b>
<b>Overseas - Investment Trusts 1.91% (1.10%)</b>		
224,385 Bluecrest AllBlue Fund	383,025	1.18
193,500 Dexion Trading	238,489	0.73
	<b>621,514</b>	<b>1.91</b>
<b>United Kingdom - Collective Investment Schemes 4.07% (1.74%)</b>		
185,801 CF Morant Wright Japan**	363,092	1.12
72,501 Mellon Investments Funds ICVC	959,206	2.95
	<b>1,322,298</b>	<b>4.07</b>
<b>Commodities 1.84% (1.75%)</b>		
6,820 ETFS Physical Gold	<b>598,056</b>	<b>1.84</b>
<b>Spain - Bonds 0.00% (0.65%)</b>		

# ABACO FUND ICVC

## Portfolio Statement

as at 31st March 2011 (continued)

Holding	Market Value £	Percentage of total net assets %
<b>United Kingdom - Bonds 8.22% (2.63%)</b>		
£250,000 Close Brothers 6.50% 10/02/2017	256,987	0.82
£182,000 Daily Mail & General Trust 5.75% 07/12/2018	178,533	0.55
£60,000 Daily Mail & General Trust 7.5% 29/03/2013	63,707	0.20
£144,000 GE Capital 5.785% 04/11/2020	151,942	0.47
£250,000 Go-Ahead 5.375% 29/09/2017	252,508	0.78
£361,495 HSBC 0% Indexed-Linked 26/05/2015	392,837	1.21
£235,000 John Lewis 6.125% 21/01/2025	235,200	0.72
£79,000 Tesco 3.322% 05/11/2025	118,043	0.36
£249,819 Tesco Property Finance 5.744% 13/04/2040	250,495	0.77
£120,000 Thomas Cook 7.75% 22/06/2017	120,780	0.37
£250,000 UK Treasury 2.25% 07/03/2014	253,190	0.78
£390,000 United Kingdom 4.25% 07/12/2040	385,233	1.19
	<b>2,659,455</b>	<b>8.22</b>
<b>Forward FX Currency Contracts -0.01% (-0.01%)</b>		
EUR 493,000 Buy EUR Sold GBP 415,388.98 for settlement on 15/04/2011	19,791	0.06
USD 650,000 Sold USD Bought GBP 412,877.46 for settlement on 15/06/2011	8,501	0.03
EUR 493,000 Sold EUR Bought GBP 409,367.97 for settlement on 15/04/2011	(25,812)	(0.08)
CHF 818,000 Sold CHF Bought GBP 533,574.77 for settlement on 15/04/2011	(22,374)	(0.07)
CAD 177,000 Sold CAD Bought GBP 111,854.70 for settlement on 15/04/2011	(1,607)	-
USD 270,000 Sold USD bought GBP 167,785.23 for settlement on 15/07/2011	(271)	-
CAD 43,000 Sold CAD Bought GBP 27,397.09 for settlement on 15/07/2011	(146)	-
JPY 65,052,000 Sold JPY Bought GBP 512,059.19 for settlement on 15/09/2011	22,235	0.07
JPY 65,052,000 Bought JPY Sold GBP 495,785.38 for settlement on 15/09/2011	(5,961)	(0.02)
USD 270,000 Bought USD Sold GBP 167,265.52 for settlement on 15/07/2011	791	-
	<b>(4,853)</b>	<b>(0.01)</b>
<b>Investments 98.72% (89.30%)</b>	<b>32,080,042</b>	<b>98.72</b>
Net other assets	417,533	1.28
<b>Total net assets</b>	<b>32,497,575</b>	<b>100.00</b>

\*\*Accumulation shares

\*\*\*Suspended security

Note: Comparative figures shown in brackets relate to 31st March 2010

# ABACO FUND ICVC

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## Portfolio Statement

as at 31st March 2011 (continued)

<b>Portfolio of Investments</b>	<b>Market Value £</b>	<b>Percentage of total net assets %</b>
Bonds	2,659,455	8.29
Collective Investment Schemes	1,322,298	4.12
Commodities	598,056	1.86
Equities	27,505,086	85.75
Forward FX Contracts	(4,853)	(0.02)
	<b>32,080,042</b>	<b>100.00</b>

# ABACO FUND ICVC

## Performance Record

### Fund Size

<i>Accounting Date</i>	<i>Total Net Asset Value (£)</i>	<i>Net Asset Value Pence Per Share Income</i>	<i>Number of Shares in Issue Income</i>
31st March 2009	26,815,094	114.60	23,398,590
31st March 2010	35,215,180	152.65	23,068,643
31st March 2011	32,497,575	161.83	20,081,773

### Unit Price Range

<i>Calendar Year</i>	<i>Income Shares</i>	
	<i>Highest Offer (Pence)</i>	<i>Lowest Bid (Pence)</i>
2007	190.70	166.00
2008	185.00	157.50
2009	147.10	107.70
2010	161.40	137.60
2011*	163.10	155.30

\*1st January to 31st March 2011

### Other Relevant Prices

<i>Date</i>		<i>Income Shares Mid Price (Pence)</i>
13th November 2003	Launch Date	100.00
31st March 2011	Accounts date	163.00
9th May 2011	Latest Date	161.70

### Net Income Distribution

<i>Calendar Year</i>	<i>Income Shares</i>	
	<i>Pence per Share</i>	<i>Per £1,000 Invested 15th January 2007 (£)</i>
2007	2.0111	12.00
2008	1.3254	7.91
2009	3.3644	20.07
2010	2.6780	15.98
2011*	0.9922	5.92

\*1st January to 31st March 2011

### Total Expense Ratio

This is a measure of the total costs associated with managing the Fund. Apart from the initial charge and transaction costs, all other expenses are included in the TER. The TER is an internationally accepted standard for the comparison of costs for authorised Funds.

The TER for the year ended 31st March 2011 was 1.05% (31st March 2010: 0.99%).

# ABACO FUND ICVC

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## **Constitution**

Abaco Fund ICVC (the "Company") is an open-ended investment company with variable capital established pursuant to an authorisation order of the FSA on 21st May 2003 and is a UCITS type scheme as defined in rule 1.2.1 of the Collective Investment Schemes sourcebook ("COLL sourcebook"), as amended. The Company is incorporated with registration number IC000235 and shareholders are not liable for the debts of the Company. The Head Office of the Company is Exchange Building, St John's Street, Chichester, West Sussex, PO19 1UP and this is also the address for service of notices or other documents required or authorised to be served on the Company.

The base currency of the Company is pounds sterling.

## **Regulatory Disclosure**

This document has been issued by Thesis Unit Trust Management Limited (authorised and regulated by the Financial Services Authority).

Past performance is not necessarily a guide to future performance. The value of shares can go down as well as up and is not guaranteed. Changes in rates of exchange may also cause the value of shares to fluctuate. Any references in this report to other investments held within this ICVC should not be read as a recommendation to the investor to buy and sell the same, but are included as illustration only.

## **Certification of Accounts by Directors**

In accordance with the requirements of the Open-Ended Investment Companies Regulations 2001 (the "OEIC Regulations") and the COLL sourcebook, we hereby certify this report on behalf of the ACD, Thesis Unit Trust Management Limited.

D.W. TYERMAN                      Director

M.J. LALLY                          Director

27th July 2011

# ABACO FUND ICVC

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## **Responsibilities of the Authorised Corporate Director (“ACD”)**

The Open-Ended Investment Companies Regulations 2001 (the "OEIC Regulations") and the Collective Investment Schemes sourcebook ("COLL") require the ACD to prepare financial statements for each financial year. These financial statements must be prepared in accordance with generally accepted accounting principles to give a true and fair view of the financial position of the Company at the year end and of the net revenue and net capital gains or losses on the property of the Company for the year.

In preparing the Financial Statements the ACD is required to:

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation;
- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association (“IMA”) October 2010;
- follow generally accepted accounting principles and applicable United Kingdom accounting standards;
- keep proper accounting records which enable them to demonstrate that the Financial Statements as prepared comply with the above requirements; and
- make judgements and estimates that are reasonable and prudent.

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, the Collective Investment Schemes sourcebook ("COLL"), as amended, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended ("the OEIC Regulations") and the Prospectus. The ACD is also responsible for maintaining an appropriate system of internal controls and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Responsibilities of the Depositary**

The Depositary is responsible for the safekeeping of all the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of income that arises from that property.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Services Authority’s Collective Investment Schemes sourcebook ("COLL"), as amended, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended ("the OEIC Regulations"), the Company's Instrument of Incorporation and Prospectus, in relation to the pricing of, and dealings in, shares in the Company; the application of income of the Company; and the investment and borrowing powers and restrictions applicable to the Company.

## **Report of the Depositary to the Shareholders of the Abaco Fund ICVC**

Having carried out such procedures as we considered necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects, the ACD:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company’s shares and the application of the Company’s income in accordance with COLL, the Instrument of Incorporation and Prospectus, and where applicable the OEIC Regulations.
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

The Royal Bank of Scotland plc  
Trustee & Depositary Services  
Edinburgh  
27th July 2011

## **Report of the Independent Auditor to the Shareholders of Abaco Fund ICVC**

We have audited the financial statements of Abaco Fund ICVC (the "Company") for the year ended 31st March 2011. These financial statements comprise of the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet, notes 1 to 16 and the distribution tables. The financial reporting framework that has been applied in their preparation is applicable by law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association in October 2010.

This report is made solely to the Company's shareholders, as a body, in accordance with regulation 67(2) of the Open-Ended Investment Companies Regulations 2001, and with Rule 4.5.12 of the Collective Investment Schemes sourcebook. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Authorised Corporate Director and the Auditor**

As explained more fully in the Responsibilities of the Authorised Corporate Director ("ACD") on page 14, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards requires us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the net revenue and net capital gains on the scheme property of the Company for the year ended 31st March 2011 and the financial position of the Company as at 31st March 2011.
- have been properly prepared in accordance with the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association in October 2010, the Collective Investment Schemes sourcebook, and the Instrument of Incorporation.

## **Opinion on other matters prescribed by the Collective Investment Schemes sourcebook**

In our opinion:

- we have been given all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit, and
- the information given in the Authorised Corporate Director's Report (which comprises the Management and Service Providers' Details, the Report of the Authorised Corporate Director, the Investment Objective and Policy and the Portfolio Statement) is consistent with the financial statements.



# ABACO FUND ICVC

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## Report of the Independent Auditor to the Shareholders of Abaco Fund ICVC (continued)

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if in our opinion:

- proper accounting records for the Company have not been kept, or
- the financial statements are not in agreement with the accounting records.

Grant Thornton UK LLP  
Registered Auditor  
Chartered Accountants  
London, England  
27th July 2011

# ABACO FUND ICVC

## Statement of Total Return

for the year ended 31st March 2011

		2011		2010	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital gains	4		1,646		8,556
Revenue	6	952		1,025	
Expenses	7	(313)		(295)	
Finance costs: Interest	9	(1)		(1)	
Net revenue before taxation		638		729	
Taxation	8	(52)		(58)	
Net revenue after taxation for the year			586		671
<b>Total return before distributions</b>			2,232		9,227
Finance costs: Distributions	9		(586)		(672)
<b>Change in net assets attributable to shareholders from investment activities</b>			1,646		8,555

## Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31st March 2011

		2011		2010	
		£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>			35,215		26,815
Amounts receivable on creation of shares		-		1,732	
Amounts payable on cancellation of shares		(4,363)		(1,887)	
			(4,363)		(155)
Change in net assets attributable to shareholders from investment activities (see above)			1,646		8,555
<b>Closing net assets attributable to shareholders</b>			32,498		35,215

# ABACO FUND ICVC

## Balance Sheet

as at 31st March 2011

	Notes	2011 £'000	2010 £'000
<b>Assets</b>			
<b>Investment assets</b>		<u>32,136</u>	31,471
Debtors	10	165	140
Cash and bank balances		<u>506</u>	4,529
<b>Total other assets</b>		<u>671</u>	4,669
<b>Total assets</b>		<u>32,807</u>	36,140
<b>Liabilities</b>			
Investment liabilities		<u>(56)</u>	(24)
Creditors	11	(54)	(682)
Distributions payable		<u>(199)</u>	(219)
<b>Total liabilities</b>		<u>(309)</u>	(925)
<b>Net assets attributable to shareholders</b>		<u><u>32,498</u></u>	35,215

# ABACO FUND ICVC

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## Notes to the Financial Statements

for the year ended 31st March 2011

### 1. Accounting Policies

#### a) Basis of Preparation

The Financial Statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in October 2010.

Previously the financial statements were prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in November 2008. The effect of the IMA SORP 2010 does not impact the accounting or presentation of the financial statements.

#### b) Valuation of Investments

All investments are valued at their fair value as at 12 noon on 31st March 2011, being the last working day of the accounting year. The fair value for non-derivative securities is the bid-market price, excluding any accrued interest. Unquoted investments are shown at the Investment Adviser's valuation.

#### c) Foreign Exchange

Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at 12 noon on 31st March 2011, being the last working day of the accounting year.

#### d) Revenue

Revenue from quoted equity and non-equity shares is recognised net of attributable tax credits when the security is quoted ex-dividend. Bank interest is recognised on an accruals basis. Underwriting commission is accounted for when the issue takes place. Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment. The effective yield basis amortises any discount or premium on the purchase of a debt security over its remaining life.

#### e) Expenses

For accounting purposes, all expenses (other than those relating to the purchases and sale of investments and stamp duty reserve tax) are charged against revenue for the year on an accruals basis.

#### f) Taxation

Corporation tax is provided for at a rate of 20%. Deferred tax is provided in respect of timing difference that have originated but not been reversed at the balance sheet date. Deferred tax assets are recognised only to the extent that they are more likely than not to be recoverable. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

### 2. Distribution Policies

#### a) Basis of Distribution

When appropriate the Company will allocate any surplus net revenue as a dividend distribution.

#### b) Distribution from Collective Investment Schemes

The first distributions received from investments in collective investment schemes may include an element of equalisation which represents the average amount of revenue included in the price paid for shares. The equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit. Equalisation received from the underlying investments has been treated as a reduction in the book cost of the investments and not distributed.

## Notes to the Financial Statements

for the year ended 31st March 2011 (continued)

### 3. Risk Management Policies

In pursuing its investment objective to provide a combination of income and growth through a portfolio of UK and International securities, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued income. The main risks arising from the Fund's financial instruments and the Investment Adviser's policies for managing these risks are summarised below. These policies have been applied throughout the year.

#### Market price risk

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the Investment Adviser in pursuance of the investment objective and policy as set out in the Prospectus.

Adherence to the investment guidelines and to the investment and borrowing powers set out in the Prospectus and in the rules of the Financial Services Authority's Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

#### Foreign currency risk

Foreign currency risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

A proportion of the Fund's investment portfolio is invested in overseas securities and the balance sheet can be affected by movements in foreign exchange rates. The Investment Adviser may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies. Revenue received in other currencies is converted to sterling on or near the date of receipt.

#### Interest rate risk

Interest rate risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in interest rates.

The Fund invests in fixed rate securities. The revenue of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of the Investment Adviser being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

#### Liquidity risk

The risk of low market liquidity, through reduced trading volumes, affects the ability of the Fund to trade financial instruments at values previously indicated by financial brokers.

The Fund invests in well developed markets for example the UK, Europe and US, which are typically considered to be locations with high levels of liquidity. From time to time, however, market liquidity may be affected by economic events.

Exposure to hedge funds is gained by using closed-ended investment trust structures which can be traded on various exchanges on a daily basis. However, as with all tradable financial instruments, the level of liquidity available within the wider financial markets has an impact upon the ability to execute a trade on a given day.

To manage these risks, the Investment Adviser undertakes research of investment opportunities to select opportunities consistent with the Fund's investment objective.

# ABACO FUND ICVC

## Notes to the Financial Statements

for the year ended 31st March 2011 (continued)

### 3. Risk Management Policies - continued

#### Liquidity risk - continued

All stocks are valued daily. Stocks identified as being illiquid are reviewed for pricing accuracy as the need arises and on a formal basis by the respective advisers' pricing committee.

#### Credit risk

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

Where the Fund invests in bonds there is also the risk that the issuer will default on the coupon payment and the capital amount lent to the issuer. The capital value of investments will fall in the event of a default or perceived increase of credit risk of an issuer.

### 4. Net Capital Gains

Net capital gains comprise:

	2011 £'000	2010 £'000
Non-derivative securities	1,547	8,657
Forward currency contracts	160	(3)
Currency losses	(33)	(84)
Transaction charges	(28)	(18)
Management fee rebates	-	4
<b>Net capital gains</b>	<b>1,646</b>	<b>8,556</b>

### 5. Purchase, Sales and Transaction Costs

	2011 £'000	2010 £'000
Purchases in year before transaction costs	17,777	16,534
Commissions	22	23
Other costs	-	-
Total purchase costs	22	23
<b>Gross purchases total</b>	<b>17,799</b>	<b>16,557</b>
Analysis of total sale costs:		
Gross sales before transaction costs	18,700	18,161
Commissions	(15)	(13)
Other costs	-	-
Total sale costs	(15)	(13)
<b>Total sales net of transaction costs</b>	<b>18,685</b>	<b>18,148</b>

### 6. Revenue

	2011 £'000	2010 £'000
Franked UK dividends	343	374
Overseas dividends	470	502
Interest on fixed interest securities	114	134
Bank interest	9	10
Franked CIS revenue	16	5
	<b>952</b>	<b>1,025</b>

# ABACO FUND ICVC

## Notes to the Financial Statements

for the year ended 31st March 2011 (continued)

### 7. Expenses

	2011 £'000	2010 £'000
<b>Payable to the ACD or associates of the ACD:</b>		
Manager's service charge	276	253
<b>Payable to the Depository or associates of the Depository:</b>		
Depository's fee	17	16
Safe custody charges	8	5
	25	21
<b>Other expenses:</b>		
Audit fees	8	15
Legal fees	2	4
Registration fees	2	2
	12	21
<b>Total expenses:</b>	<b>313</b>	<b>295</b>

### 8. Taxation

	2011 £'000	2010 £'000
a) Analysis of charge for the year:		
Irrecoverable income tax	-	-
Overseas withholding tax	52	65
<b>Total current tax</b>	<b>52</b>	<b>65</b>
Deferred tax charge	-	(7)
<b>Total taxation</b>	<b>52</b>	<b>58</b>
b) Factors affecting taxation charge for the year:		
Net revenue before tax	638	729
Net revenue multiplied by the standard rate of corporation tax of 20% (2010: 20%)	128	146
Effects of:		
Franked investment revenue	(72)	(76)
Overseas withholding tax	52	65
Irrecoverable income tax	-	1
Tax effect on overseas dividends not taxable	-	-
Excess management expenses	22	-
Non-taxable overseas dividends	(74)	(48)
Double taxation relief	(3)	(27)
Tax payable in different years	(1)	4
Prior period expenses not utilised	-	-
<b>Current tax charge (note 8a)</b>	<b>52</b>	<b>65</b>
c) Deferred tax		
Deferred tax charge (note 8a)	-	(7)
Provision at start of year	-	-
<b>Provision at end of year</b>	<b>-</b>	<b>(7)</b>

The Fund has not recognised a deferred tax asset of £21,946 (31st March 2010: £nil) arising as a result of having unutilised management expenses.

# ABACO FUND ICVC

## Notes to the Financial Statements

for the year ended 31st March 2011 (continued)

### 9. Finance Costs Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	2011 £'000	2010 £'000
Interim distribution	356	442
Final distribution	199	219
	555	661
Add: Revenue deducted on shares cancelled	31	20
Deduct: Revenue received on shares created	-	(9)
	586	672
<b>Net distribution for the year</b>	<b>586</b>	<b>672</b>
Finance Costs: Interest	1	1
	587	673
<b>Total finance costs</b>	<b>587</b>	<b>673</b>

### 10. Debtors

	2011 £'000	2010 £'000
Accrued revenue	130	97
Currency deals awaiting settlement	-	11
Overseas tax recoverable	35	32
	165	140
	165	140

### 11. Creditors

	2011 £'000	2010 £'000
Accrued expenses	43	35
Currency deals awaiting settlement	-	11
Purchases awaiting settlement	11	636
	54	682
	54	682



# ABACO FUND ICVC

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## Notes to the Financial Statements

for the year ended 31st March 2011 (continued)

### 12. Related Parties

Thesis Unit Trust Management Limited, a related party, acts as principal on all the transactions of shares in the Company. The aggregate monies received through creations and liquidations are disclosed in the statement of change in net assets attributable to shareholders. Amounts due to/from Thesis Unit Trust Management Limited in respect of share transactions at the year end are disclosed in the balance sheet.

The following have a significant shareholding in the fund: Mellon Nominees (UK) Limited: 123,100 shares (31st March 2010: 23,068,643 shares).

Amounts paid to Thesis Unit Trust Management Limited in respect of the ACD's periodic charges are disclosed in note 7. £22,795 (31st March 2010: £22,917) was due at the year end.

Thesis Unit Trust Management Limited did not enter into any other transactions with the Company during the year.

### 13. Equalisation

Equalisation is accrued income included in the price of shares purchased during the accounting period, which, after using monthly groupings to average, is refunded as part of a shareholder's first distribution, resulting in the same rate of distribution on all shares. As a capital repayment, it is not liable to income tax but must be deducted from the cost of shares for Capital Gains Tax purposes.

### 14. Contingent Liabilities

There were no contingent liabilities at the year end date. (31st March 2010: £nil)

### 15. Financial Instruments

In pursuing its investment objective set out on page 3 the Fund holds a number of financial instruments. These may comprise:

- equity and non-equity shares, fixed income securities and floating rate securities. These are held in accordance with the Fund's investment objective and policies;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- shareholders' funds which represent investors' monies which are invested on their behalf;
- borrowings used to finance investment activity; and
- forward foreign currency contracts, the purpose of which is to manage the currency risk arising from the Company's investment activities (and related financing). Open positions at the balance sheet date, which are all covered, are included in the Portfolio Statements. Gains/(losses) on forward foreign exchange transactions are taken to capital.

# ABACO FUND ICVC

## Notes to the Financial Statements

for the year ended 31st March 2011 (continued)

### 16. Risks of Financial Instruments

The risks arising from the Fund's financial instruments are market price, foreign currency, interest rate, liquidity and credit risks. The ACD reviews (and agrees with the Depositary) policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the year to which these financial statements relate:

- *Market risk* - arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements.

The ACD meets regularly to consider the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the investment objective.

An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet the risk reward profile that is acceptable.

The ACD does not use derivative instruments to hedge the investment portfolio against market risk.

- *Foreign currency risk* - the income and capital value of the Fund's investments can be significantly affected by foreign currency translation movements as a proportion of the Fund's assets and revenue are denominated in currencies other than Sterling which is the Fund's functional currency.

The ACD has identified three principal areas where foreign currency risk could impact the Fund. These are: movement in exchange rates affecting the value of investments; short-term timing differences such as exposure to exchange rate movements during the period between when an investment purchase or sale is entered into and the date when settlement of the investment occurs; and finally movements in exchange rates affecting revenue received by the Fund. The Fund converts all receipts of revenue, received in currency, into sterling on the day of receipt.

At the year end date a portion of the net assets of the Fund were denominated in currencies other than Sterling with the effect that the balance sheet and total return can be affected by exchange rate movements. These net assets consist of the following:

#### Foreign currency exposure as at 31st March 2011:

	Forward Contracts 2011 £'000	Monetary exposures 2011 £'000	Non Monetary exposures 2011 £'000	Total 2011 £'000
Australian Dollar	-	1	721	722
Brazil Real	-	-	956	956
Canadian Dollar	(141)	2	151	12
Danish Kroner	-	2	13	15
Euro	-	1	2,488	2,489
Hong Kong Dollar	-	1	863	864
Japanese Yen	-	-	1,349	1,349
Norwegian Krone	-	-	338	338
Korean Won	-	-	291	291
Singapore Dollar	-	-	178	178
South African Rand	-	-	428	428
Swiss Franc	(556)	6	1,128	578
Taiwan Dollar	-	4	125	129
Thai Bhatt	-	-	390	390
Turkish Lira	-	-	31	31
US Dollar	(404)	34	8,821	8,451
	<b>(1,101)</b>	<b>51</b>	<b>18,271</b>	<b>17,221</b>

# ABACO FUND ICVC

## Notes to the Financial Statements

for the year ended 31st March 2011 (continued)

### 16. Risks of Financial Instruments - continued

Foreign currency exposure as at 31st March 2010:

	Forward Contracts 2010 £'000	Monetary exposures 2010 £'000	Non Monetary exposures 2010 £'000	Total 2010 £'000
Australian Dollar	-	-	693	693
Brazil Real	-	-	581	581
Canadian Dollar	-	2	442	444
Danish Kroner	-	1	197	198
Euro	(1,739)	23	5,237	3,521
Hong Kong Dollar	-	2	106	108
Japanese Yen	-	1	1,038	1,039
Korean Won	-	-	702	702
Singapore Dollar	-	-	444	444
Swiss Franc	-	-	755	755
Turkish Lira	-	-	150	150
Taiwan Dollar	-	-	111	111
Thai Baht	-	-	304	304
US Dollar	(720)	94	9,525	8,899
	(2,459)	123	20,285	17,949

- **Interest rate risk** - the majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. The Fund's financial liabilities are non-interest bearing which mature within one year.

The Fund may invest in both fixed rate and floating rate securities, any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the ACD being unable to secure similar returns on the expiry of contracts or the sale of securities. In addition changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held.

In general, if interest rates rise the income potential of the Fund also rises but the value of fixed rate securities will decline (along with certain expenses calculated by reference to the assets of the Fund). A decline in interest rates will in general have the opposite effect.

### Interest rate risk profile of financial assets as at 31st March 2011:

Currency	Floating Rate financial assets 2011 £'000	Fixed Rate 2011 £'000	Financial assets not carrying interest 2011 £'000	Total 2011 £'000
	Australian Dollar	1	-	721
Brazil Real	-	-	956	956
Canadian Dollar	2	-	151	153
Danish Kroner	2	-	13	15
Euro	1	-	2,488	2,489
Hong Kong Dollar	1	-	863	864
Japanese Yen	-	-	1,349	1,349
Korean Won	-	-	291	291
Norwegian Krone	-	-	338	338
Singapore Dollar	-	-	178	178
Sterling	1,944	2,267	11,154	15,365
South African Rand	-	-	428	428

# ABACO FUND ICVC

## Notes to the Financial Statements

for the year ended 31st March 2011 (continued)

### 16. Risks of Financial Instruments - continued

Interest rate risk profile of financial assets as at 31st March 2011: *continued*

Currency	Floating Rate financial assets	Fixed Rate 2011 £'000	Financial assets not carrying interest	Total 2011 £'000
	2011 £'000		2011 £'000	
	2011 £'000		2011 £'000	
Swiss Franc	6	-	1,128	1,134
Taiwan Dollar	4	-	125	129
Thai Bhatt	-	-	390	390
Turkish Lira	-	-	31	31
US Dollar	34	-	8,821	8,855
<b>Total</b>	<b>1,995</b>	<b>2,267</b>	<b>29,425</b>	<b>33,687</b>

Interest rate risk profile of financial assets as at 31st March 2010:

Currency	Floating Rate financial assets	Fixed Rate 2010 £'000	Financial assets not carrying interest	Total 2010 £'000
	2010 £'000		2010 £'000	
	2010 £'000		2010 £'000	
Australian Dollar	-	-	693	693
Brazil Real	-	-	581	581
Canadian Dollar	2	-	442	444
Danish Kroner	1	-	197	198
Euro	23	230	5,001	5,254
Hong Kong Dollar	2	-	106	108
Japanese Yen	1	-	1,038	1,039
Korean Won	-	-	702	702
Singapore Dollar	-	-	444	444
Sterling	4,517	985	10,058	15,560
Swiss Franc	-	-	757	757
Turkish lira	-	-	150	150
Taiwan Dollar	-	-	111	111
Thai Baht	-	-	304	304
US Dollar	94	-	9,537	9,631
<b>Total</b>	<b>4,640</b>	<b>1,215</b>	<b>30,121</b>	<b>35,976</b>

Interest rate risk profile of financial liabilities as at 31st March 2011:

Currency	Floating Rate Financial Liabilities	Financial Liabilities not Carrying Interest	Total 2011 £'000	
	2011 £'000			2011 £'000
	2011 £'000			2011 £'000
Canadian Dollar	-	141	141	
Swiss Franc	-	556	556	
US Dollar	-	404	404	
<b>Total</b>	<b>-</b>	<b>1,101</b>	<b>1,101</b>	

# ABACO FUND ICVC

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## Notes to the Financial Statements

for the year ended 31st March 2011 (continued)

### 16. Risks of Financial Instruments - continued

The Fund's net cash holdings of £506,427 (2008: £4,529,208) are held in floating rate deposit accounts, whose rates are determined by reference to LIBOR or an international equivalent borrowing rate.

#### Fixed Rate Financial Assets as at 31st March 2011:

Currency	Weighted Average Interest Rate 31/03/2011	Weighted Average Period for which Interest Rate is Fixed 31/03/2011
Sterling	4.75%	13.80 years

#### Fixed Rate Financial Assets as at 31st March 2010:

Currency	Weighted Average Interest Rate 31/03/2010	Weighted Average Period for which Interest Rate is Fixed 31/03/2010
Euro	8.10%	5.56 years
Sterling	4.10%	6.97 years

- *Liquidity risk* - the Fund's assets comprise mainly readily realisable securities, which can be readily sold. The main liability of the Fund is the redemption of any shares that investors wish to sell.
- *Credit risk* - certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment (purchase) or cash (sale) after the Fund has fulfilled its responsibilities.

The Fund only buys and sells investments through brokers which have been approved as an acceptable counterparty. In addition, limits are set as to the maximum exposure to any individual broker that may exist at any time, these limits are reviewed regularly.

- *Fair value* - in the opinion of the ACD, there is no material difference between the value of the financial assets and liabilities, as shown in the the balance sheet, and their fair value.

# ABACO FUND ICVC

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## Distribution Table

for the year ended 31st March 2011

### Interim Distribution (in pence per share)

Group 1: Shares purchased prior to 1st April 2010

Group 2: Shares purchased from 1st April 2010 to 30th September 2010

Group	Gross Income	Tax Credit at 10%	Net Income	Equalisation (note 15)	2010 Net Distribution Paid	2009 Net Distribution Paid
1	1.9228	0.1923	1.7305	-	1.7305	2.0113
2	1.9228	0.1923	1.7305	-	1.7305	2.0113

### Final Distribution (in pence per share)

Group 1: Shares purchased prior to 1st October 2010

Group 2: Shares purchased from 1st October 2010 to 31st March 2011

Group	Gross Income	Tax Credit at 10%	Net Income	Equalisation (note 15)	2011 Net Distribution Payable	2010 Net Distribution Paid
1	1.1024	0.1102	0.9922	-	0.9922	0.9475
2	0.2598	0.0260	0.9922	-	0.9922	0.9475



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