

*Michel & Cortesi*

ASSET MANAGEMENT



# M&C Funds

**Annual Report and Audited Financial Statements**  
**31 December 2016**

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# General Information

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Directors of the Manager	<p>Mr. Michael Bishop Mr. William Blackwell Mr. Neil Clifford Ms. Yvonne Connolly Mr. Teddy Otto Mr. John Skelly (resigned 31 January 2017) Ms. Elizabeth Beazley (appointed 31 January 2017)</p> <p>All Directors are independent of the Investment Managers</p>
Manager	<p>Carne Global Fund Managers (Ireland) Limited 2<sup>nd</sup> Floor, Block E, Iveagh Court Harcourt Road Dublin 2 Ireland</p>
Trustee	<p>BNP Paribas Securities Service, Dublin Branch Trinity Point 10-11 Leinster Street South Dublin 2 Ireland</p>
Investment Manager	<p><i>Swiss Equity Fund</i></p> <p>Michel &amp; Cortesi Asset Management AG Breitingerstrasse 35 8002 Zurich Switzerland</p>
Investment Manager	<p><i>Conning US High Dividend Equity Fund</i></p> <p>Conning Asset Management Limited 24 Monument Street London EC3R 8AJ United Kingdom</p>
Administrator, Transfer Agent and Registrar	<p>BNP Paribas Fund Administration Services (Ireland) Limited Trinity Point 10-11 Leinster Street South Dublin 2 Ireland</p>
Independent Auditors	<p>PricewaterhouseCoopers Chartered Accountants and Registered Auditors One Spencer Dock North Wall Quay Dublin 1 Ireland</p>
Distributors	<p>Conning Asset Management Limited 24 Monument Street London EC4R 8AJ United Kingdom</p> <p>Michel &amp; Cortesi Asset Management AG Breitingerstrasse 35 8002 Zurich Switzerland</p>

## General Information (continued)

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Facilities Agent	Conning Asset Management Limited 24 Monument Street London EC4R 8AJ United Kingdom
Legal Advisers (Austria)	Freshfields Bruckhaus Deringer LLP Sielergasse 16 Vienna 1010 Austria
Legal Advisers (Germany)	Simmons & Simmons MesseTurm Friedrich-Ebert-Anlage 49 60308 Frankfurt am Main Germany
Legal Advisers (Ireland)	McCann FitzGerald Solicitors Riverside One Sir John Rogerson's Quay Dublin 2 Ireland
Legal Advisers (Switzerland)	Niederer Kraft & Frey Limited Bahnhofstrasse 13 8001 Zurich Switzerland
Paying Agents & Representatives	<i>Austria</i> UniCredit Bank Austria AG Schottengasse 6-8 1010 Vienna Austria  <i>Germany</i> Marcard, Stein & Co AG Ballindamm 36 20095 Hamburg Germany  <i>Italy</i> RBC Investor Services Bank S.A. Milan Branch Via Vittor Pisani 26 20124 Milan Italy  <i>Spain</i> Bancoval Securities Services, S.A., (formerly RBC) Fernando E1 Santo no 20 Madrid 28010 Spain  <i>Switzerland – Swiss Paying Agent</i> Notenstein Privatbank AG Bohl 17 Postfach 9004 St. Gallen Switzerland  <i>Switzerland – Swiss Representative</i> Vescore Fondleitung Ltd. Burggraben 16 9000 St. Gallen Switzerland

## General Information (continued)

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Sponsoring Broker	Davy Stockbrokers Davy House 49 Dawson Street Dublin 2 Ireland
Tax Representatives	Austria PricewaterhouseCoopers Wirtschaftsprüfung und Steuerberatung GmbH Erdbergstrasse 200 1030 Vienna, Austria

# Fund Background

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M&C Funds (the "Fund") is an open-ended umbrella unit trust constituted on the 13 June 2000 under the laws of Ireland by the Trust Deed for the sole purpose of the collective investment of its assets in transferable securities with the aim of spreading investment risk and giving Unit Holders the benefit of the results of the management of its assets. The Fund is authorised by the Central Bank of Ireland (the "Central Bank") as an Undertaking for Collective Investment in Transferable Securities ("UCITS") pursuant to the European Communities (Undertaking for Collective Investment in Transferable Securities) Regulations, 2016 (as amended), (the "UCITS Regulations"). The Fund has been structured as an umbrella fund and is made up of Sub-Funds, each Sub-Fund being a single pool of assets (the "portfolio"). The Manager may, whether on the establishment of Sub-Funds or from time to time, with the prior approval of the Central Bank, create different Classes of Units in a Sub-Fund. The Fund is not a separate legal entity and as such it is not liable as a whole to third parties for the liabilities of each Sub-Fund. The assets of each Sub-Fund will be invested separately in accordance with the investment objective and policies of that Sub-Fund. The Fund is managed by Carne Global Fund Managers (Ireland) Limited. Carne Global Fund Managers (Ireland) Limited is a limited liability company incorporated in Ireland.

All Unit Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Trust Deed which are binding on the Trustee, the Manager and the Unit Holders and all persons claiming through them respectively as if all such Unit Holders and persons had been party to the Trust Deed. Unit Holders shall not have any recourse to or claim against or right of action in respect of any of the assets of the Fund or any Sub-Funds or any part thereof other than the assets of the Sub-Funds in which they hold Units and in respect of which the claim arises.

Under the Trust Deed, the assets and liabilities attributable to each Sub-Fund established by the Manager shall belong exclusively to that Sub-Fund and shall be segregated by the Trustee and there will be no cross-liabilities between other Sub-Funds.

The assets of each Sub-Fund are invested separately in accordance with the investment objectives and policies of that Sub-Fund. The investment policy of M&C Funds is set out in more detail in the Prospectus relating to the Fund. At 31 December 2016, there were two active Sub-Funds in the Fund namely the Swiss Equity Fund and Conning US High Dividend Equity Fund.

Units are available in three Classes for each Sub-Fund; namely Income Class Units that may pay a dividend; Capital Class Units that are accumulating Units and do not pay dividends; and "B" Class Units that are accumulating Units and do not pay dividends. The Income Units, Capital Units, and "B" Units shall rank *pari passu* with each other except that:

- a different distribution policy applies to each Class as detailed in the Prospectus and
- the annual management fee payable to the Manager in relation to each Class shall be as set out in Note 10 to the financial statements.

The Manager may, whether on the establishment of a Sub-Fund, or from time to time, create different Classes of Units in a Sub-Fund.

All Classes currently in issue of the Sub-Funds are listed on the Irish Stock Exchange.

The below Sub-Funds have been authorised by the Central Bank of Ireland but have not launched as at 31 December 2016.

<b>Sub-Fund</b>	<b>Date of Authorisation</b>
Conning International Opportunities Bond Fund – Short Duration – EUR	21 October 2014
Conning International Opportunities Bond Fund – Short Duration – GBP	21 October 2014
Conning International Opportunities Bond Fund – Short Duration – USD	21 October 2014
Conning Global High Dividend Equity Fund	28 May 2015

# Statement of Responsibilities of the Manager

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The Manager of the Fund is required by the UCITS Regulations, to prepare financial statements for each financial year that give a true and fair view of the financial position of the Fund at the end of that year, and of the results of its operations and changes in its net assets for the year then ended. In preparing these financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 Fund will continue in business.

The Manager is responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Fund and to enable it to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the provisions of the Trust Deed and the UCITS Regulations. The Manager is also responsible with respect to its duties under the UCITS Regulations, to take reasonable steps for the prevention and detection of fraud and other irregularities.

Under the UCITS Regulations, the assets of the Fund shall be entrusted to the Trustee for safekeeping. In carrying out this duty, the Trustee retains custody of the Fund's assets within BNP Paribas Securities Services, Dublin Branch.

The books of account are kept at BNP Paribas Fund Administration Services (Ireland) Limited, 10-11 South Leinster Street, Dublin 2.

## **Connected Person**

Although not deemed to be related parties under Irish GAAP as they do not exercise "significant influence" over the activities of the Fund, UCITS Regulations also deem a "Depository" and its "associated or group companies" to be "connected parties" to the Fund. As such, BNP Paribas Securities Services, Dublin Branch as Trustee, and BNP Paribas Fund Administration Services (Ireland) Limited, the Administrator, Transfer Agent and Registrar, are connected persons to the Fund.

The Manager is satisfied that there are arrangements (evidenced by written procedures) in place, to ensure that any transaction carried out with the Fund by a, Manager, Trustee, Investment Manager and/or associated or group companies of these ("connected person") are carried out as if negotiated at arm's length and that all such transactions are carried out in the best interests of the Unit Holders. The Manager is satisfied that transactions with connected persons entered into during the period complied with the obligations set out in the UCITS Regulations.

# Statement of Corporate Governance

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The Manager is subject to corporate governance practices imposed by:

The Irish Companies Act, 2014 which is available for inspection at the registered office of the Manager and may also be obtained at <http://www.irishstatutebook.ie/>.

The Articles of Association of the Manager, which are available for inspection at the registered office of the Manager at 2<sup>nd</sup> Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland and at the Companies Registration Office in Ireland.

The Central Bank of Ireland UCITS Regulations and Guidance Notes, which can be obtained from the Central Bank of Ireland's website at: [www.centralbank.ie](http://www.centralbank.ie) and are available for inspection at the registered office of the Manager.

A corporate governance code was issued by Irish Funds in December 2011 that may be adopted on a voluntary basis by Irish authorised collective investment schemes and management companies authorised by the Central Bank of Ireland to act as managers of Irish authorised collective investment schemes effective 1 January 2012 with a twelve month transitional period. The Irish Funds Code may be inspected on/obtained from [www.irishfunds.ie](http://www.irishfunds.ie). Effective 1 January 2013, the Board of the Manager adopted the Irish Funds Code having regard for certain other key pillars of governance within the collective investment fund governance structure, including

- the uniqueness of the independent segregation of duties as between the Investment Managers, the Administrator (with responsibility for the calculation of the net asset value, amongst other duties) and the independent Trustee (with responsibility for safeguarding the assets of the Fund and overseeing how the Fund is managed) to the Fund, such segregation of duties/functions being achieved through delegation of respective responsibilities to and appointment of suitably qualified and also regulated third party entities who are subject to regulatory supervision.

The Board of the Manager has reviewed and assessed the measures included in the Irish Funds Code and considers its corporate governance practices and procedures since the adoption of the Code as consistent therewith.

The Manager has no employees and all Directors are non-executive Directors. Consistent with the regulatory framework applicable to management companies of investment fund companies such as the Fund (and in contrast to normal operating companies with a full time executive management and employees), the Fund, consequently, operates under the delegated model whereby it has delegated investment management, administration and distribution functions to third parties without abrogating the Board's overall responsibility. The Board of the Manager has in place mechanisms for monitoring the exercise of such delegated functions, which are always subject to the supervision and direction of the Board of the Manager. These delegations of functions and the appointment of regulated third party entities are summarised as follows:

- The Manager has delegated the performance of the investment management function in respect of each Sub-Fund to an Investment Manager as detailed in the Prospectus for the Fund. The Investment Managers have direct responsibility for the decisions relating to the day-to-day running of the Sub-Fund which they manage and they are accountable to the Board of the Manager for the investment performance of the Sub-Fund which they manage. The Investment Managers have internal controls and risk management processes in place to ensure that all applicable risks pertaining to their management of the Sub-Fund are identified, monitored and managed at all times and appropriate reporting is made to the Board of the Manager on a regular basis. The Investment Managers are regulated by and under the supervision of the regulator of their operating jurisdiction;



# Statement of Corporate Governance (continued)

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- The Manager has delegated its responsibility as Administrator, Registrar and Transfer Agent in respect of the Fund to BNP Paribas Fund Administration Services (Ireland) Limited (the “Administrator”), which has responsibility for the day-to-day administration of the Fund including the calculation of the net asset value. The Administrator is regulated by and under the supervision of the Central Bank of Ireland;
- The Manager has delegated the distribution of the Fund to the entities described in the Prospectus for the Fund, which entities are regulated by and subject to the supervision of the regulators of their respective operating jurisdictions; and

BNP Paribas Securities Services, Dublin Branch (the “Trustee”) acts as depositary of their assets which has responsibility for the safekeeping of such assets in accordance with the UCITS Regulations and for exercising independent oversight over how the Fund is managed. The Trustee is regulated by and under the supervision of the Central Bank of Ireland. The Board of the Manager receives reports on a regular (and at least quarterly) basis from each of its delegate service providers and the Trustee which enable it to assess the performance of the delegate service providers and the Trustee (as the case may be).

## **Financial Reporting Process - description of main features**

The Board of the Manager is ultimately responsible for overseeing the establishment and maintenance of adequate internal control and risk management systems for the Fund in relation to the financial reporting process. All Directors are non-executive and all functions relating to the Fund’s financial reporting process, including the preparation of the Fund’s financial statements, have been outsourced to the Administrator, which is required to maintain the books and records of the Fund. Through this appointment the Board of the Manager has procedures in place to ensure that all relevant books of account are properly maintained and are readily available, including production of annual and half yearly financial statements. Subject to the supervision of the Board of the Manager, the appointment of the Administrator is intended to manage rather than eliminate the risk of failure to achieve the Fund’s financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of the Manager is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and for ensuring that processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board of the Manager’s appointment of an independent third party Administrator, (which is regulated by the Central Bank of Ireland) is intended to mitigate though not eliminate the risk of fraud or irregularities which may impact the financial statements of the Fund.

During the year of these financial statements, the Board of the Manager was responsible for the review and approval of the annual financial statements as set out in the Statement of Directors’ Responsibilities. The statutory financial statements are required to be audited by independent auditors who report annually to the Board on their findings. The Board of the Manager monitors and evaluates the independent auditor’s performance, qualifications and independence. As part of its review procedures, the Board of the Manager receives presentations from relevant parties including consideration of Irish accounting standards and their impact on the annual financial statements, and presentations and reports on the audit process. The Board of the Manager evaluates and discusses significant accounting and reporting issues as the need arises.

The audited annual financial statements of the Fund are required to be approved by the Board of the Manager and filed with the Central Bank of Ireland.

## Statement of Corporate Governance (continued)

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### **Composition of the Board of Directors of the Manager**

For the appointment and replacement of Directors, the Manager is governed by its Articles of Association and Irish statute comprising the Companies Act 2014. The Articles of Association may be amended by special resolution of the Unit Holders. The Articles of Association do not provide for retirement of Directors by rotation. However, the Directors may be removed by the Unit Holders by ordinary resolution in accordance with the procedures established under the Irish Companies Act 2014. A Director may also be removed upon notice from the Manager in accordance with the Letter of Appointment between him and the Manager.

The Board of the Manager is responsible for managing the business affairs of the Manager in accordance with the Articles of Association. There are currently 6 Directors of the Manager (refer to page 3 for details). Michael Bishop is regarded as an independent director of the Manager having regard to the terms of the Irish Funds Code on Independence and Independent Directors. All Directors are independent of the Investment Managers. Any related party transactions during the year are detailed in the notes to the financial statements. The Board of the Manager meets, at least quarterly, to review the Fund.

## Swiss Equity Fund

2016 was an eventful year for the stock markets. The most influential factors for the Swiss stock market were the acute fears of a renewed collapse of the global economy at the beginning of the year putting pressure on the oil price as well as the policies of global central banks, Brexit, the bank crisis in Italy and the presidential election in the US. The Swiss market (SPL) finished the year with a moderate loss of -1.4% despite the difficult environment. This can be explained by the continuous expansionary monetary policy of most central banks, a somewhat better economic recovery towards the end of the year, the economic stimuli by the Chinese government and mostly good company results with high dividends that attracted investor funds.

Global stock markets experienced a very weak start in the new year with partial panic selling and strong price fluctuations on both sides. The main reasons for this volatility were the increasing uncertainty about the further development of the global economy (especially China and other emerging markets), the massive oil price collapse as well as mixed company results for 2015. Only when the major central banks reaffirmed their intention to initiate further expansive monetary measures if needed, the equity markets recovered somewhat from their lows. The stock markets picked up again after the stabilization of the oil price, dispelling fears about the hard landing of China and the view of market participants that due to the unstable global economic environment, the US central bank might be very cautious regarding further interest rate hikes.

In the second quarter, good economic data in the US and Europe and especially better data in China, where the economic stimuli of the Chinese government seemed to be bearing first fruits, caused further recovery in the international equity markets. Additionally, the statement of the FED to conduct the rise in interest rates only cautiously helped the markets. The company results for the first quarter were not as weak as expected. Investors' fears about a sharp slowdown of the global economy have therefore decreased and the ongoing rise of oil prices has reduced the worries about an economic collapse of various oil-exporting countries. The dominant topic in the equity markets in June was the United Kingdom's European Union membership referendum. Strong financial disruptions were the consequence after the unexpected decision of the United Kingdom to leave the EU. As a result of the investors' search for safety, yields of government bonds, which were considered to be safe, fell significantly and reached new lows. The appreciation pressure on the safe haven currencies increased.

In the third quarter, equity markets recovered surprisingly fast from the Brexit decision. Neither the terrorist attacks in France and Germany nor the failed coup attempt in Turkey or the imminent banking crisis in Italy could deteriorate investor sentiment. Market participants focused on the even more expansive monetary policy by global central banks. Due to bigger risks after the Brexit decision, the Fed refrained from further interest rate increases at first and other central banks even reinforced their expansive monetary policy. The mostly better half year company results compared to the (low) expectations as well as the solid global economic data had an additional positive impact. Towards the end of the quarter, fears about possible insufficient equity backings of several large European banks caused renewed uncertainty in the markets.

The leading economic indicators in the US and in Europe as well as in some emerging markets considerably improved in the last quarter of 2016. Together with slightly rising inflation rates, fears arose in the investment community that the central banks might abandon the expansive monetary policy which caused a sharp rise in interest rates. After the unexpected victory of Donald Trump in the US presidential election, stock markets came initially under selling pressure, but soon a powerful counter movement set in. Market participants concluded that the announced high infrastructure spending, tax reductions and other electoral promises of the new government would have a positive impact on the already robust US economy. This would also result in higher inflation rates which caused a strong increase in bond market interest rates. The US dollar gained in value compared to most other currencies and investors repositioned themselves in the equity markets out of defensive sectors to more cyclical and financial stocks. Towards the end of the year, the ECB announced to extend the bond purchases until the end of 2017, but to reduce the monthly purchases from EUR 80 bn to EUR 60 bn as of April 2017.

# Investment Manager's Report (continued)

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As expected, the Fed increased the key interest rates in December and indicated further interest rate steps in 2017. Investors welcomed the cautious reduction of the expansive monetary policy and concluded that the pending interest rate rises in the US would not jeopardise the strong global economic recovery and that the announced fiscal programs by the new US government should stimulate the economy further. Most bourses recovered strongly during the period under review.

The M&C Funds Swiss Equity Fund shows a performance of +0.60% during the reporting period in 2016 which is equal to an outperformance of 201 basis points compared to its benchmark (SPI -1.41%). This good performance was mainly achieved in the second half of the year thanks to the outperformance of various small and medium-size companies in the portfolio. The biggest positive contributors to the relative performance during the reporting period were Schweiter, Arbonia, Belimo, Inficon, Coltene and SFS. Furthermore, the overweight positions in Actelion and Geberit and the structurally underweight positions in Novartis and Roche contributed positively to the relative performance. On the other hand, the overweight positions in Credit Suisse, Leonteq and Newron and the underweight positions in Nestlé, Sika and LafargeHolcim had a negative impact.

Small and mid-cap stocks are overweight in the portfolio compared to the benchmark index. The sector breakdown shows underweight positions in the healthcare and food industries and overweight positions mainly in the industrials and construction sectors. The main transactions during the period under review included the sale of the holdings in Clariant, Basilea and the reductions of positions in Partners Group, Arbonia, Belimo and Schweiter (profit taking). On the other side, positions in Leonteq, U-Blox, Galenica and Lindt & Sprüngli were established after the share price declined. After participating in the IPO of VAT Group, the position was sold after a strong share price development. Currently, the Fund holds a cash position of 2.8% of total assets.

## Outlook 2017:

The current environment for equity investments has clearly brightened. The global economic recovery has gained momentum without triggering a big increase in inflation rates (yet). The driving forces for higher prices are the expected fiscal policy measures, which should lead to higher growth rates and an acceleration of company profits. With the exception of the Fed, most important central banks continue an expansively oriented monetary policy albeit to a lesser extent compared to previous years. The higher economic growth should be able to cope with the increasing interest rates in the US and should not be stalled by the overall somewhat less expansive central bank monetary policies in 2017. Due to the increased valuations and rather euphoric investors, which are currently blending out the risks, we expect a volatile year in 2017 for the equity markets. The main risks remain abruptly rising inflation rates with a sharp increase in interest rates as well as renewed rising indebtedness risks of many countries. There is potential for disappointment should the election promises by the new US government not be implemented or the desired impact not materialise. Also, the rising risks of protectionism with possible trade disputes and various political developments could repeatedly lead to uncertainty in the markets. Overall, we expect increased volatility at the bourses with a positive trend in the coming year.

The focus of the Fund continues to lie on companies which have good management and a clear corporate strategy and especially on those with strong balance sheets and cash flows which can be distributed to shareholders through dividends or share repurchases.

# Investment Manager's Report (continued)

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## Conning US High Dividend Equity Fund

2016 was a year in which the U.S. equity markets started poorly but finished with a flourish. The total return to the S&P 500 Index was 11.95% for the year but its return did touch negative territory as late as June 27th, in the wake of the UK's YES referendum vote for Brexit.

Concerns about economic weakness dominated market headlines early in 2016. At the outset of 2016 the price of crude oil continued a swoon that began two years earlier, during which oil prices fell from \$100+ per barrel down to a bottom tick of \$26 per barrel. Lower oil prices had initially been seen as a boon for the U.S. economy, but the magnitude of the price drop raised fears it was due to economic weakness. The driver of the price drop was likely a combination of increased supply due to fracking, increased OPEC production, and weaker demand due to economic softness.

Oil prices began to recover in mid-February as production dropped in response to the oil price drop. Economic data also showed that a recession was not imminent. After crude prices recovered, U.S. market attention turned (along with the rest of the world) to the uncertainty surrounding Brexit. U.S. markets recovered from early-year losses to stand in slightly positive territory before the Brexit vote, then sold off sharply for two days and rallied for three days to end June in positive territory for the first half of 2016.

Market attention turned to the US Presidential elections after June, and markets were generally weak in the two months prior to the election in November. The surprise election of Donald Trump to the Presidency seemed to give the market a jolt of positive energy, likely responding to Trump policies perceived as pro-growth. These policies include tax cuts, regulatory relief, and a pro domestic energy stance. U.S. markets responded with a strong end of year rally.

### Strategy

The investment objective of the Conning US High Dividend Equity Fund is primarily to generate strong current income with income growth potential over time, and is secondarily long term capital appreciation.

The Conning US High Dividend Equity Fund is an equally-weighted portfolio of equities. Conning US High Dividend Equity Fund invests in equities of companies domiciled in the US as well as in companies generating considerable income in the US but that may not be US domiciled. The Investment Manager uses a team to implement a multi-stage screening process to narrow the S&P 500 universe to a target qualifying portfolio. Target S&P 500 companies are financially strong, with attractive current dividend yields, a history of stable or growing dividends, and other key financial metrics that increase the Investment Manager's confidence that the Company's dividend is financially sustainable over time. The portfolio resets quarterly, at which point all dividends are reinvested and the portfolio is reset to equally-weighted once again.

### Performance

The Conning US High Dividend Equity Fund Strategy achieved its goals easily in 2016. The Conning US High Dividend Equity Fund performed over the year, particularly in the 4th quarter. Since its inception on 11 February 2016, Conning US High Dividend Equity returned 24.60%, ahead of the S&P 500 return of 23.27%. In 2016, the outperformance of the Conning US High Dividend Equity Fund was driven by good stock selection in the Technology sector, and held back by lacklustre performance in the Consumer Staples sector. There were no surprises and the strategy of the Conning US High Dividend Equity was validated once again in 2016.

# Investment Manager's Report (continued)

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## 2017 Outlook:

We see solid potential for improvements in the economy during 2017. With the expectation of tax/regulatory relief and fiscal stimulus on the horizon, we see the potential for broad-based corporate revenue growth for the first time in years. Revenue growth should translate into earnings growth and support current multiples (the S&P 500 currently sells for 18.5x forward earnings).

Uncertainties regarding the amount and rate of progress on these policy fronts, though, have the potential to vex the markets in the short term.

3 February 2017

# Report of the Trustee

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## **Report of the Trustee to the Unit Holders**

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

- in accordance with the limitations imposed on the investment and borrowing powers of the scheme by the memorandum and articles of association and by the Central Bank of Ireland under the powers granted to the Central Bank of Ireland by the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 as amended from time to time (the “Regulations”) and the Investment Funds, Companies and Miscellaneous Provisions Act, 2005; and
- Otherwise in accordance with the provisions of the Trust Deed and the Regulations.

BNP Paribas Securities Services, Dublin Branch  
Trinity Point  
10-11 Leinster Street South  
Dublin 2  
25 April 2017

# ***Independent auditors' report to the unitholders of the Sub-Funds of M&C Funds***

## ***Report on the financial statements***

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### **Our opinion**

In our opinion, M&C Funds' financial statements (the "financial statements"):

- give a true and fair view of the Sub-Funds' assets, liabilities and financial position as at 31 December 2016 and of their results for the period then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland; and
- have been properly prepared in accordance with the requirements of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended).

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### **What we have audited**

The financial statements, included within the Annual Report and Audited Financial Statements, comprise:

- the Statement of Assets and Liabilities of each of its Sub-Funds as at 31 December 2016;
- the Statement of Operations for each of its Sub-Funds for the period then ended;
- the Statement of Changes in net assets attributable to redeemable participating unit holders for the Swiss Equity Fund and the Statement of Changes in Equity for the Conning US High Dividend Equity Fund for the period then ended;
- the Schedule of Investments for each of the Sub-Funds as at 31 December 2016; and
- the notes to the financial statements for each of its Sub-Funds which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In applying the financial reporting framework, the manager has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, the manager has made assumptions and considered future events.

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## **Responsibilities for the financial statements and the audit**

### **Our responsibilities and those of the Manager**

As explained more fully in the Statement of Responsibilities of the Manager set out on page 6 the manager is responsible for the preparation of the financial statements giving a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the unitholders of each of the Sub-Funds as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



## ***Independent auditors' report to the unitholders of the Sub-Funds of M&C Funds (continued)***

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### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). 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 Sub-Funds' circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Manager; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the manager's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Audited Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Dublin

25 April 2017

# Statement of Operations

		Swiss Equity Fund For the year ended 31 December 2016	Conning US High Dividend Equity Fund* For the period from 11 February 2016 to 31 December 2016
	Notes	CHF	USD
<b>Income</b>			
Dividend Income	1c	1 307 578	735 102
Net (Loss)/Gain on			
Financial Assets at Fair Value through profit or loss	1g,16	(866 560)	5 111 010
Other Income		15 822	-
<b>Total Net Gain</b>		<b>456 840</b>	<b>5 846 112</b>
<b>Expenses</b>			
Management Fees	10	50 593	21 945
Investment Management Fees	10	231 347	93 986
Administration Fees	10	44 327	33 351
Depositary Fees	10	38 297	39 124
Audit Fees	10	15 870	4 459
Legal Fee	10	31 735	15 083
Miscellaneous Expenses	10	176 427	16 973
Transaction Costs	10	-	8 498
Transfer Agency Fees	10	14 429	1 541
Central Bank of Ireland Fees		2 202	-
<b>Total Operating Expenses</b>		<b>605 227</b>	<b>234 960</b>
<b>Operating (Loss)/Gain before Tax</b>		<b>( 148 387)</b>	<b>5 611 152</b>
Non-recoverable Dividend Withholding Tax	1c	( 465 355)	( 215 058)
<b>(Loss)/Profit After Tax</b>		<b>( 613 742)</b>	<b>5 396 094</b>
<b>(Decrease)/Increase in Net Assets</b>			
<b>Attributable to Redeemable Participating Unit</b>			
<b>Holders</b>		<b>( 613 742)</b>	<b>5 396 094</b>

\* Conning US High Dividend Equity Fund launched on 11 February 2016.

The accompanying notes form an integral part of the financial statements.

There are no other profits or losses in the financial statements other than the (decrease)/increase in net assets resulting from operations attributable to the Redeemable Participating Unit Holders of the Fund.

All recognised gains and losses for the year arose solely from continuing operations.

The foreign exchange rates are in Note 7.

# Statement of Operations (continued)

		For year ended 31 December 2015
Swiss Equity Fund	Notes	CHF
<b>Income</b>		
Dividend Income	1c	1 364 120
Net Gain on		
Financial Assets at Fair Value through profit or loss	1g, 16	941 893
<b>Total Net Gain</b>		<b>2 306 013</b>
<b>Expenses</b>		
Management Fees	10	73 323
Investment Management Fees	10	321 640
Administration Fees	10	101 004
Sub-Custodian Fees		32 680
Depository Fees	10	30 888
Audit Fees	10	11 705
Legal Fee	10	65 934
Miscellaneous Expenses	10	163 258
Transfer Agency Fees	10	26 041
Central Bank of Ireland Fees		1 327
<b>Total Operating Expenses</b>		<b>827 800</b>
<b>Operating Gain before Tax</b>		<b>1 478 213</b>
Non-recoverable Dividend Withholding Tax	1c	(472 008)
Distribution	8	(228)
<b>Profit After Tax</b>		<b>1 005 977</b>
<b>Increase in Net Assets</b>		
<b>Attributable to Redeemable Participating Unit Holders</b>		<b>1 005 977</b>

The accompanying notes form an integral part of the financial statements.

There are no other profits or losses in the financial statements other than the increase in net assets resulting from operations attributable to the Redeemable Participating Unit Holders of the Fund.

All recognised gains and losses for the year arose solely from continuing operations.

The foreign exchange rates are in Note 7.

# Statement of Assets and Liabilities

Swiss Equity Fund			
		31 December 2016	31 December 2015
	Notes	CHF	CHF
<b>Current Assets</b>			
Cash at Bank	1h, 9	2 855 302	415 213
Financial assets at fair value through profit or loss	1g	47 158 387	72 814 754
Receivable for securities sold		-	82 833
Other Assets		8 578	33 950
		<b>50 022 267</b>	<b>73 346 750</b>
<b>Current Liabilities (falling due within one year)</b>			
Redemptions Payable		11 726	4 617
Sub-Custodian Fees Payable		-	12 711
Payable for securities purchased		1 287 420	-
Management Fees Payable	10	16 079	18 148
Investment Manager Fees Payable	10	46 196	81 652
Administration Fees Payable	10	18 056	18 750
Audit Fees Payable	10	10 343	10 648
Depository Fees Payable	10	17 844	8 562
Other Fees Payable	10	94 529	83 885
		<b>1 502 193</b>	<b>238 973</b>
<b>Net Assets attributable to</b>			
<b>Redeemable Participating Unit Holders</b>		<b>48 520 074</b>	<b>73 107 777</b>
<b>Units in Issue</b>			
	2	Units	Units
Capital		28 649.88	43 616.71
"B"		563.40	581.87
<b>Net Asset Value Per Unit</b>			
	2	CHF	CHF
Capital		1 670.389	1 660.368
"B"		1 177.899	1 182.402

The accompanying notes form an integral part of the financial statements.

The foreign exchange rates are in Note 7.

On behalf of the Board of the Manager

Director

Director

25 April 2017

# Statement of Assets and Liabilities (continued)

Conning US High  
Dividend Equity Fund\*  
31 December 2016

	Notes	USD
<b>Assets</b>		
Cash at Bank	1h, 9	88 867
Financial assets at fair value through profit or loss	1g	20 359 900
Dividend Receivable		23 533
<b>Total Assets</b>		<b>20 472 300</b>
<b>Equity</b>		
<b>Capital and Reserves Attributable To Equity Holders</b>		
Share capital		15 000 000
Retained earnings		5 396 094
<b>Total Equity</b>		<b>20 396 094</b>
<b>Liabilities (falling due within one year)</b>		
Management Fees Payable	10	6 304
Investment Manager Fees Payable	10	16 325
Administration Fees Payable	10	10 534
Audit Fees Payable	10	4 459
Depository Fees Payable	10	17 594
Other Fees Payable	10	20 990
<b>Total Liabilities</b>		<b>76 206</b>
<b>Total Equity and Liabilities</b>		<b>20 472 300</b>
<b>Units in Issue</b>		
	2	Units
US HDE Accumulating Class		163 633.03
<b>Net Asset Value Per Unit</b>		
	2	USD
US HDE Accumulating Class		124.645

\* Conning US High Dividend Equity Fund launched on 11 February 2016.

The accompanying notes form an integral part of the financial statements.

The foreign exchange rates are in Note 7.

On behalf of the Board of the Manager

Director

Director

25 April 2017

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

	Swiss Equity Fund	
	For the year ended 31 December 2016	For the year ended 31 December 2015
	CHF	CHF
<b>Net Assets Attributable to Redeemable Participating Unit Holders</b>		
<b>at beginning of year/period</b>	73 107 777	76 920 283
Proceeds from Shares Issued	8 500 171	14 672 485
Shares Redeemed	(32 474 132)	(19 490 968)
(Decrease)/increase in Net Assets		
Attributable to Redeemable Participating Unit Holders	(613 742)	1 005 977
<b>Net Assets Attributable to Redeemable Participating Unit Holders</b>		
<b>at end of year/period</b>	<b>48 520 074</b>	<b>73 107 777</b>
<b>Unit Transactions</b>	<b>Units</b>	<b>Units</b>
Opening Units in issue		
Income	-	10.00
Capital	43 616.71	46 448.04
"B"	581.87	1 059.97
Units issued		
Capital	5 311.50	8 934.12
"B"	30.40	-
Units redeemed		
Income	-	(10.00)
Capital	(20 278.33)	(11 765.45)
"B"	(48.87)	(478.10)
Closing Units in issue		
Income	-	-
Capital	28 649.88	43 616.71
"B"	563.40	581.87

The accompanying notes form an integral part of the financial statements.

The foreign exchange rates are in Note 7.

# Statement of Changes in Equity

**Conning US High Dividend Equity Fund\***  
For the period from 11 February 2016 to 31 December 2016

	Share Capital USD	Retained Earnings USD	Total Equity USD
<b>At Beginning of Period</b>	-	-	-
Proceeds from Shares Issued	25 000 000	-	25 000 000
Shares Redeemed	(10 000 000)	-	(10 000 000)
Increase in Net Assets			
Attributable to Redeemable Participating Unit Holders	-	5 396 094	5 396 094
<b>At 31 December 2016</b>	<b>15 000 000</b>	<b>5 396 094</b>	<b>20 396 094</b>

<b>Unit Transactions</b>	<b>Units</b>
Opening Units in issue	
US HDE Accumulating Class	-
Units issued	
US HDE Accumulating Class	250 000.00
Units redeemed	
US HDE Accumulating Class	(86 366.97)
Closing Units in issue	
US HDE Accumulating Class	163 633.03

\* Conning US High Dividend Equity Fund launched on 11 February 2016.

The accompanying notes form an integral part of the financial statements.

The foreign exchange rates are in Note 7.

## 1. Significant Accounting Policies

The Fund has adopted FRS 102. FRS 102 is applicable for annual periods beginning on or after 1 January 2015.

### *a) Basis of Accounting and Presentation of Financial Statements*

The financial reporting framework that has been applied in the preparing financial statements giving a true and fair view are those accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

The Fund elected to apply the recognition and measurement provisions of IAS 39 and the disclosures of section 11 and 12 of FRS 102.

The financial statements are prepared under the historical cost convention as modified to include investments at valuation.

The Manager has availed of the exemption available to open-ended funds under FRS 102 "Cash Flow Statements" not to prepare a cash flow statement.

Unrealised profits and losses are shown in the Statement of Operations.

All items dealt with in the Statement of Operations relate to continuing operations.

All of the Sub-Fund's assets and liabilities are held for the purposes of being traded or are expected to be realised within one year.

### *b) Revaluation of financial assets and liabilities measured at fair value through profit or loss:*

Under FRS 102, the Fund measures the fair value of its financial assets and liabilities at last trade pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements.

### *c) Income from Investments*

Dividends are credited to the Statement of Operations on the dates on which the relevant securities are listed as "ex-dividend".

Dividend income is shown gross of any non-recoverable withholding taxes, which are disclosed separately in the Statement of Operations and net of any tax credits.

Deposit interest is recognised as income on an effective interest basis.

### *d) Securities Lending Income*

Although the Sub-Funds may engage in securities lending whereby income is earned from lending securities owned by the Sub-Fund to a number of third-party borrowers, this is currently not being done. Securities lending income would be accounted for on an accruals basis.

### *e) Treatment of Expenses*

Expenses are recognised in the Statement of Operations on an accrual basis.

### *f) Distributions*

Distributions payable to Redeemable Participating Unit Holders are classified as Finance Costs in the Statement of Operations.

### *g) Investments at fair value*

Purchases and sales of investments are accounted for on the day the transaction takes place, that is, the trade date.

Realised gains and losses on investment transactions are calculated using the first-in-first-out method, net of transaction costs and are reflected in the Statement of Operations as part of net gains on financial assets at fair value through profit or loss.

Investments are initially recognised at fair value, and transaction costs for all financial assets/liabilities carried at fair value through profit or loss, are expensed as incurred.

Investments are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Funds have transferred substantially all risks and rewards of ownership.



# Notes to Financial Statements (continued)

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## 1. Significant Accounting Policies (continued)

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 Statement of Operations in the period in which they arise.

The fair value of financial instruments traded in active markets (such as publicly trading securities) is based on quoted market prices at the balance sheet date.

The last traded price used for financial assets held by the Sub-Funds are the current bid price and in this regard securities listed on a recognised stock exchange or traded on any other organised market are valued at the latest available bid price. The primary pricing source of the Sub-Funds is Bloomberg.

### *h) Cash and Other Liquid Assets*

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

### *i) Foreign Exchange*

Transactions denominated in currencies other than the functional currency of the portfolio have been translated at the rates of exchange prevailing at the time of the transaction.

The market values of the investments and other assets in currencies, other than the base currency of the portfolio, have been translated at the rates of exchange prevailing at 31 December 2016 and 31 December 2015, respectively.

Gains and losses on foreign exchange transactions are recognised in the Statement of Operations in determining the result for the year.

### *j) Functional and Presentation Currency*

The currency in which the performance of the Sub-Funds is reported to investors is still considered to be the appropriate functional currency, as it reflects the currency of the primary economic environment in which the Sub-Funds invest.

The functional and presentation currency of the Swiss Equity Fund is CHF and the functional and presentation currency of the Conning US High Dividend Equity Fund is USD.

### *k) Redeemable Participating Units*

#### *Swiss Equity Fund*

Redeemable participating Units are redeemable at the Unit Holders' option and are classified as a financial liability in the Statement of Assets and Liabilities Attributable to Redeemable Participating Unit Holders in accordance with FRS 102.

The participating Units can be put back to the Sub-Funds at any time for cash equal to a proportionate share of the Sub-Fund's Net Asset Value.

The participating Units are carried at the redemption amount that is payable at the Balance Sheet date if the Unit Holders exercised the right to put the Units back to the Sub-Funds.

#### *Conning US High Dividend Equity Fund*

FRS 102 requires puttable financial instruments that meet the definition of a financial liability to be classified as equity where certain strict criteria are met. Those criteria include: the puttable instruments must entitle the holder to a pro-rata share of net assets; the puttable instruments must be the most subordinated class and that class's features must be identical; there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer. As the Conning Fund has only one class of share which is therefore the most subordinated class of share, the net assets of the Conning Fund are classified as equity.

# Notes to Financial Statements (continued)

## 1. Significant Accounting Policies (continued)

### l) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Assets and Liabilities 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. There were no offsetting financial instruments as at 31 December 2016 or 31 December 2015.

## 2. Units in Issue

### Issued Unit Capital

#### Swiss Equity Fund

Units issued at 31 December 2016 were available in two Classes as Capital Units or "B" Units to which a different distribution policy applies, as detailed under Note 8. Capital Units and "B" Units are accumulating Units and will not pay dividends.

#### Conning US High Dividend Equity Fund

Units issued at 31 December 2016 were available in one Class as US HDE Accumulating Class Units. US HDE Accumulating Class Units are accumulating Units and will not pay dividends.

#### Swiss Equity Fund

	31 December 2016	31 December 2015	31 December 2014
	CHF	CHF	CHF
<b>Net Asset Value</b>	<b>48 520 074</b>	<b>73 107 777</b>	<b>76 920 283</b>
<b>Number of Units in Issue</b>			
Income	0.00	0.00	10.00
Capital	28 649.88	43 616.71	46 448.04
"B"	563.40	581.87	1 059.97
<b>Net Asset Value per Unit</b>			
Income	0.00	0.00	1 415.661
Capital	1 670.389	1 660.368	1 629.005
"B"	1 177.899	1 182.402	1 171.763

#### Conning US High Dividend Equity Fund

	31 December 2016
	USD
<b>Net Asset Value</b>	<b>20 396 094</b>
<b>Number of Units in Issue</b>	
US HDE Accumulating Class	163 633.03
<b>Net Asset Value per Unit</b>	
US HDE Accumulating Class	124.645

## 3. Taxation

Under current law and practice, the Fund qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997 of Ireland as amended ("Taxes Act"). It is not chargeable to Irish tax on its income or gains.

# Notes to Financial Statements (continued)

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## 3. Taxation (continued)

However, Irish tax can arise on the occurrence of a "Chargeable Event" in the Fund. A chargeable event includes any distribution payments to Unit Holders or any encashment, redemption, cancellation or transfer of Units.

No tax will arise on the Fund in respect of Chargeable Events in respect of a Unit Holder who is an Exempt Irish Investor (as defined in the Taxes Act) or who is neither Irish Resident nor Ordinarily Resident in Ireland at the time of the Chargeable Event, provided that a Relevant Declaration is in place and the Fund is not in possession of any information which would reasonably suggest that the information contained therein is no longer materially correct.

Distributions, interest and capital gains on securities issued in countries other than Ireland may be subject to taxes including withholding taxes imposed by such countries. The Fund may not always be able to benefit from a reduction in the rate of withholding tax by virtue of the double taxation agreement in operation between Ireland and other countries. The Fund may not, therefore, always be able to reclaim withholding tax suffered by it in particular countries. The Fund is not currently able to claim back withholding tax.

## 4. Significant events during the year

Conning US High Dividend Equity Fund launched 11 February 2016.

On 18 March 2016, UCITS V is effective and is applicable to the Fund. UCITS V focuses on three main areas;

- A new depositary regime which includes a clarification of depositary eligibility, duties, liabilities and depositary-related disclosure requirements and a set of rules under which tasks and responsibilities can be delegated;
- Rules governing remuneration policies of both management and investment companies managing UCITS, that must be applied to key members of the UCITS managerial staff; and
- The harmonisation of the minimum administrative sanctions regime across member states

UCITS V also changes the name of the Custodian to a Depositary.

## 5. Significant events since year end

Effective 31 January 2017 John Skelly resigned as Director of the Manager. Effective 27 January 2017 Elizabeth Beazley was appointed as Director of the Manager.

There have been no significant events since the year end for either Sub-Fund which impact the financial statements.

## 6. Soft Commission Arrangements

There were no soft commission arrangements during the year.

## 7. Exchange Rates

Exchange rates used in the preparation of the financial statements as at 31 December 2016 and 31 December 2015 were as follows:

Currency	December 2016	December 2015
CHF/USD	1.0164	N/a
CHF/EUR	1.0720	1.0874
USD/EUR	1.0547	N/a

# Notes to Financial Statements (continued)

## 8. Distribution Policy

### Swiss Equity Fund

As at 31 December 2016 the Sub-Fund has two Classes of Units in issue, namely, Capital Units and "B" Units.

Income Units may distribute out of net income earned, plus realised net capital gains, after the deduction of expenses in respect of each accounting period. The amount of the distribution in any accounting period will be reduced by accumulated realised net capital loss in respect of the current accounting period.

The Directors of the Manager will determine the amount of the distribution for any accounting period.

During the year, no dividends were declared. (2015: CHF 228, rate 22.781 was declared on 30 June 2015 and no dividend declared on 31 December 2015).

No distributions are payable on Capital Units or on "B" Units.

### Conning US High Dividend Equity Fund

As at 31 December 2016 the Sub-Fund has one Class of Unit in issue, namely, US HDE Accumulating Class.

No distributions are payable on US HDE Accumulating Class.

## 9. Cash at Bank

All of the cash shown in the Schedule of Investments at 31 December 2016 and 31 December 2015 was held with BNP Paribas Bank (Luxembourg S.A.) on behalf of the Trustee, BNP Paribas Securities Services, Dublin Branch.

## 10. Fees

### Management Fee and Investment Management Fee

The Manager is entitled to the following annual fees from the Sub-Funds. These management fees accrue at each dealing day and are paid monthly in arrears as follows:

Both Sub-Funds have the same management fees.

Sub-Funds	EUR	% of net asset value per annum
	EUR 0 – 300 million	0.020%
	> EUR 300 million	0.015%

These management fees accrue at each dealing day and are paid monthly in arrears. The Trust is charged a minimum fee of EUR 60 000 with an additional charge for each sub-fund.

The Manager is also entitled to recover any out-of-pocket expenses incurred by it out of the Sub-Funds.

Global Registration fees payable to Carne Financial Services Ltd, the parent Company of the Manager during the period, amounted to CHF 28 646.

The Investment Managers fee rates are as follows:

Sub-Fund	Income and Capital Units	"B" Units
Swiss Equity Fund	0.40%	1.40%

  

Sub-Fund	Accumulating & Distribution Class	Seed Class	Conning Investor Class
Conning US High Dividend Equity Fund	0.40%	0.35%	0.30%

# Notes to Financial Statements (continued)

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## 10. Fees (continued)

These investment management fees accrue daily and are paid quarterly in arrears. The Investment Managers will pay the fees of the Distributors from its fee and will be entitled to recover any out of pocket expenses incurred by it from the Sub-Funds.

The Investment Managers are also entitled to recover any out-of-pocket expenses incurred by it out of the Sub-Funds.

### *Depository Fee*

The Trustee is entitled to a depository fee out of the assets of the Fund, charged as a percentage per annum of the Net Asset Value (NAV) of each Sub-Fund, accrued as at each dealing day and calculated as at the last dealing day of each month.

Effective from August 2015 BNP Paribas Securities Services, Dublin Branch fee is payable monthly in arrears and is subject to a minimum of EUR 20 000 per annum. A flat fee rate per Sub-Fund as noted below:

Less than EUR150 million	2.0 basis points, per Sub-Fund
Over EUR300 million	1.5 basis points, per Sub-Fund

With the implementation of UCITS V, the depository fees changed, as follows:

Effective from 18 March 2016 BNP Paribas Securities Services, Dublin Branch fee is payable monthly in arrears and is subject to a minimum of EUR 25 000 per annum. The fee rate per Sub-Funds is as noted below:

Less than EUR150 million	2.5 basis points, per Sub-Fund
Over EUR300 million	2.0 basis points, per Sub-Fund

### *Administrator and Transfer Agency Fee*

The Administrator is entitled to an administration fee from each Sub-Fund calculated as at the last dealing day of every month and payable monthly in arrears out of the Net Assets of each Sub-Fund.

Effective from August 2015 BNP Paribas Fund Administration Services (Ireland) Limited as Administrator applied the fees listed below.

Less than EUR 150 million	6 basis points, per Sub-Fund
Between EUR 150 million to EUR 300 million	5 basis points, per Sub-Fund
Over EUR 300 million	3 basis points, per Sub-Fund

The above is subject to a minimum fee of EUR30 000 per annum per Sub-Fund.

The Administrator is entitled to an annual Transfer Agency Fee of CHF 3 000 per class and CHF 50 per investor subscription or redemption.

In addition to the above, the Administrator is entitled to an annual fee of CHF 5 000 for the preparation of the financial statements.

### *Audit Fee*

The fee is disclosed in the Statement of Operations. The audit fee relates entirely to the statutory audit.

In addition, PwC charge fees for tax services amounting to EUR 15 884 in relation to the Swiss Equity Fund.

### *Legal Fee*

The fee disclosed in the Statement of Operations includes the fees for the preparation of an updated Prospectus, as well as registration of the Fund with the regulators in Austria, Germany and Switzerland. (For the avoidance of doubt, the Fund is not registered in Italy and Spain.) The increase in the fee reflects a change in service provider and the cost associated with increased regulation.

### *Transaction Costs*

The transaction costs are disclosed in the Statement of Operations.

# Notes to Financial Statements (continued)

## 10. Fees (continued)

### Miscellaneous

The fee disclosed in the Statement of Operations includes the fees for translations and attribution analysis. The Sub-Funds pays out of its assets all fees, costs and expenses, including administration expenses, of or incurred by the Manager, the Administrator and the Trustee in connection with the ongoing management, administration and operation of the Sub-Funds.

	Swiss Equity Fund	Conning US High Dividend Equity Fund
	31 December 2016	31 December 2016
	CHF	USD
Translation fees	2 825	-
Tax reporting fees	42 020	4 185
Other fees	131 582	12 788
	<b>176 427</b>	<b>16 973</b>

### Swiss Equity Fund

	31 December 2015
	USD
Translation fees	3 793
Tax reporting fees	44 468
Other fees	114 997
	<b>163 258</b>

### Other fees Payable

The fees disclosed in the Statement of Assets and Liabilities Attributable to Redeemable Participating Unit Holders comprise of the following:

	Swiss Equity Fund	Conning US High Dividend Equity Fund
	31 December 2016	31 December 2016
	CHF	USD
Translation fees	2 107	-
Tax reporting fees	35 043	1 213
Other fees	57 379	19 777
	<b>94 529</b>	<b>20 990</b>

### Swiss Equity Fund

	31 December 2015
	USD
Translation fees	1 739
Tax reporting fees	20 954
Other fees	61 192
	<b>83 885</b>

# Notes to Financial Statements (continued)

## 11. Financial Risks

The Sub-Funds' objective is to achieve over the long term an above average total return (Swiss Equity Sub-Fund) and to generate strong current income with growth potential over time and secondarily long term capital appreciation (US HDE Sub-Fund).

The Fund may employ investment techniques and instruments for the efficient portfolio management of its assets including hedging against market movements, currency exchange or interest rate risks under the conditions and within the limits stipulated by the Central Bank under the UCITS Regulations, provided that such investment techniques and instruments are, in the opinion of the Investment Managers, consistent with the investment policies. The Sub-Funds shall not employ such techniques until a risk management process is approved by the Central Bank.

The Fund may only leverage or gear the Sub-Funds through the use of derivative instruments or forward currency transactions within the UCITS regulations.

### Market Price Risk

Market risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Sub-Funds may suffer through holding market positions in the face of price movements. Maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Investment Managers consider the Sub-Fund's investment policies and Regulatory limits as well as the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the each Sub-Fund's investment objective.

The Sub-Fund's overall market positions are monitored by the Investment Managers. The Investment Managers use the commitment approach to calculate global exposure.

The following table sets out the Sub-Fund's overall market exposures as at 31 December 2016, together with comparative information as at 31 December 2015.

### Market Price Risk (continued)

	Swiss Equity Fund		Conning US High Dividend Equity Fund	
	Fair value	% of Net	Fair value	% of Net
	December	Assets	December	Assets
	2016		2016	
	CHF	%	CHF	%
Financial assets				
at fair value through profit or				
loss	47 158 387	97.19	20 359 900	99.82
	<b>47 158 387</b>	<b>97.19</b>	<b>20 359 900</b>	<b>99.82</b>
<b>Swiss Equity Fund</b>	<b>Fair value</b>		<b>% of Net</b>	
	<b>December</b>		<b>Assets</b>	
	<b>2015</b>		<b>%</b>	
	<b>USD</b>			
Financial assets				
at fair value through profit or				
loss	72 814 754		99.60	
	<b>72 814 754</b>		<b>99.60</b>	

# Notes to Financial Statements (continued)

## 11. Financial Risk (continued)

The following table evaluates the increase or decrease of Net Assets attributable to Redeemable Participating Unit Holders, in the face of market price movements, when benchmarked against an appropriate index, with all other variables held constant, as at 31 December 2016, together with comparative information as at 31 December 2015.

### Swiss Equity Fund

	December 2016 CHF	December 2015 CHF
5% market price increase effect on Net Asset Value <sup>1</sup>	2 426 004	3 655 389
5% market price decrease effect on Net Asset Value <sup>1</sup>	(2 426 004)	(3 655 389)

### Conning US High Dividend Equity Fund

	December 2016 USD
5% market price increase effect on Net Asset Value <sup>2</sup>	1 019 805
5% market price decrease effect on Net Asset Value <sup>2</sup>	(1 019 805)

<sup>1</sup> benchmarked against the Swiss Performance Index

<sup>2</sup> benchmarked against the S&P 500 Total Return Index

### Currency Risk

A portion of the assets or liabilities of the Sub-Funds may be denominated in currencies other than the base currency with the effect that the Net Asset Value and the result of operations can be affected by currency movements.

The following table sets out the Sub-Fund's exposure to foreign currency risk as at 31 December 2016, together with comparative information as at 31 December 2015.

### Swiss Equity Fund

	December 2016 CHF	December 2015 CHF
Other Current Assets:		
EUR	5 414	-

### Conning US High Dividend Equity Fund

	December 2016 USD
Other Current Assets:	
EUR	3 331

Currency rate exposure at 31 December 2016 and 31 December 2015 is considered immaterial and as result sensitivity analysis has not been disclosed.



# Notes to Financial Statements (continued)

## 11. Financial Risk (continued)

### Interest Rate Risk

The Sub-Fund's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The following table sets out the Sub-Fund's interest rate profile of the assets and liabilities, including trading assets and liabilities, categorised by the earlier of contractual re-pricing or maturity dates, as at 31 December 2016, together with comparative information as at 31 December 2015.

#### Swiss Equity Fund – 31 December 2016

	Less than One Month CHF	One Month to One Year CHF	Over One Year CHF	Non-Interest Bearing CHF	Total CHF
<b>Assets</b>					
Cash at bank	2 855 302	-	-	-	2 855 302
Financial assets					
at fair value through profit or loss	-	-	-	47 158 387	47 158 387
Other current assets	-	-	-	8 578	8 578
	<b>2 855 302</b>	<b>-</b>	<b>-</b>	<b>47 166 965</b>	<b>50 022 267</b>
<b>Liabilities</b>					
Other current liabilities	-	-	-	1 502 193	1 502 193
Redeemable Participating Units	-	-	-	48 520 074	48 520 074
	<b>-</b>	<b>-</b>	<b>-</b>	<b>50 022 267</b>	<b>50 022 267</b>
<b>Total interest sensitivity gap</b>	<b>2 855 302</b>	<b>-</b>	<b>-</b>	<b>(2 855 302)</b>	<b>-</b>

#### Swiss Equity Fund – 31 December 2015

	Less than One Month CHF	One Month to One Year CHF	Over One Year CHF	Non-Interest Bearing CHF	Total CHF
<b>Assets</b>					
Cash at bank	415 213	-	-	-	415 213
Due to broker	-	-	-	-	-
Receivable for securities sold	-	-	-	82 833	82 833
Financial assets					
at fair value through profit or loss	-	-	-	72 814 754	72 814 754
Other current assets	-	-	-	33 950	33 950
	<b>415 213</b>	<b>-</b>	<b>-</b>	<b>72 931 537</b>	<b>73 346 750</b>
<b>Liabilities</b>					
Other current liabilities	-	-	-	238 973	238 973
Redeemable Participating Units	-	-	-	73 107 777	73 107 777
	<b>-</b>	<b>-</b>	<b>-</b>	<b>73 346 750</b>	<b>73 346 750</b>
<b>Total interest sensitivity gap</b>	<b>415 213</b>	<b>-</b>	<b>-</b>	<b>(415 213)</b>	<b>-</b>

# Notes to Financial Statements (continued)

## 11. Financial Risk (continued)

### Interest Rate Risk (continued)

#### Conning US High Dividend Equity Fund – 31 December 2016

	Less than One Month USD	One Month to One Year USD	Over One Year USD	Non-Interest Bearing USD	Total USD
<b>Assets</b>					
Cash at bank	88 867	-	-	-	88 867
Financial assets					
at fair value through profit or loss	-	-	-	20 359 900	20 359 900
Dividend Receivable	-	-	-	23 533	23 533
	<b>88 867</b>	<b>-</b>	<b>-</b>	<b>20 383 433</b>	<b>20 472 300</b>
<b>Liabilities</b>					
Other current liabilities	-	-	-	76 206	76 206
Redeemable Participating Units	-	-	-	20 396 094	20 396 094
	<b>-</b>	<b>-</b>	<b>-</b>	<b>20 472 300</b>	<b>20 472 300</b>
<b>Total interest sensitivity gap</b>	<b>88 867</b>	<b>-</b>	<b>-</b>	<b>( 88 867)</b>	<b>-</b>

Excess cash and cash equivalents are invested at short-term market interest rates.

With the exception of cash balances, the majority of assets and liabilities are non-interest bearing. Interest rate exposure at 31 December 2016 and 31 December 2015 is considered immaterial and as result sensitivity analysis has not been disclosed.

#### Liquidity Risk

The Sub-Fund's assets comprise mainly realisable securities, which can be readily sold. The main liability of the Sub-Funds is the redemption of any Units that investors wish to sell. The Sub-Funds Prospectus provides for daily subscription and redemption of shares.

The Investment Managers 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 Fund's investment objective.

The Manager has the right to restrict the total redemptions to a maximum of ten per cent of the Sub-Funds on any one business day. No such restriction arose during the year.

The Manager also has the right to satisfy a redemption by the distribution of investments in specie in satisfaction of the repurchase price. No such transfers arose during the year.

The Sub-Funds has no financial liabilities other than short-term creditors and accruals at 31 December 2016 and at 31 December 2015.

The tables below analyse the Sub-Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

#### Swiss Equity Fund – 31 December 2016

	Less than One Month CHF	One to Three Months CHF	No stated Maturity CHF
Other Current Liabilities	1 502 193	-	-
Redeemable Participating Units	48 520 074	-	-

# Notes to Financial Statements (continued)

## 11. Financial Risk (continued)

### *Liquidity Risk (continued)*

#### Swiss Equity Fund – 31 December 2015

	Less than One Month	One to Three Months	No stated Maturity
	CHF	CHF	CHF
Other Current Liabilities	238 973	-	-
Redeemable Participating Units	73 107 777	-	-

#### Conning US High Dividend Equity Fund – 31 December 2016

	Less than One Month	One to Three Months	No stated Maturity
	USD	USD	USD
Other Current Liabilities	76 206	-	-
Redeemable Participating Units	20 396 094	-	-

### *Credit Risk*

The Sub-Funds will be exposed to a credit risk with the parties with whom it trades and will also bare the risk of settlement default. All transactions in listed securities are traded using approved brokers and the risk of default is considered minimal.

The Sub-Funds minimises concentrations of credit risk by undertaking transactions with a number of counterparties.

The Investment Managers consider the asset concentration of the portfolio, the limits, stipulated by the Central Bank under the UCITS Regulations, and the Fund's investment policies whilst continuing to follow the Sub-Fund's investment objective.

The following table sets out the Sub-Fund's exposure at carrying amount of financial assets recorded in the financial statements, represents the maximum exposure to credit risk without taking account of the value of any collateral obtained as at 31 December 2016, together with comparative information as at 31 December 2015.

	Swiss Equity Fund December 2016 CHF	Conning US High Dividend Equity Fund December 2016 USD
Cash at Bank	2 855 302	88 867
Dividend Receivable	-	23 533
Other Assets	8 578	-

#### Swiss Equity Fund

	December 2015 USD
Cash at Bank	415 213
Receivable for securities sold	82 833
Other Assets	33 950

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

All of the financial assets of the Sub-Funds are held at fair value.

# Notes to Financial Statements (continued)

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## 11. Financial Risk (continued)

### *Custodial Risks*

The custodial safe-keeping of assets, particularly abroad, may be associated with a risk of loss that can result from the Trustee, or a sub-custodian, becoming insolvent, breaching its duties of care and diligence, or acting in an unlawful manner.

The Sub-Funds are exposed to credit risk on cash and investment balances held by the Trustee. As at 31 December 2016 and 31 December 2015, all of the cash assets are held with BNP Paribas Bank (Luxembourg S.A.) on behalf of the Trustee, BNP Paribas Securities Services, Dublin Branch ("BNP Paribas"). Cash deposited with BNP Paribas are deposited as a bank and is held on its balance sheet. In accordance with usual banking practice, BNP Paribas's liability to the Sub-Funds in respect of such cash deposits shall be that of a debtor and the Fund will rank as a general creditor of BNP Paribas Bank (Luxembourg S.A.). The long term Standard & Poor's credit rating of the bank is A.

The non-cash financial assets are held with BNP Paribas Securities Services, Dublin Branch. These assets are held distinct and separately from the proprietary assets of the Trustee. Securities are clearly recorded to ensure they are held on behalf of the Sub-Funds.

## 12. Fair Value Measurement

The Fund is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Fund has adopted the amendment under FRS 102 with regard to levels used.

The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by Class) measured at fair value at 31 December 2016, together with comparative information as at 31 December 2015.

# Notes to Financial Statements (continued)

## 12. Fair Value Measurement (continued)

### Swiss Equity Fund – 31 December 2016

Assets	Level 1	Level 2	Level 3	Total
	CHF	CHF	CHF	CHF
Financial assets at fair value				
through profit or loss	47 158 387	-	-	47 158 387
<b>Total assets</b>	<b>47 158 387</b>	<b>-</b>	<b>-</b>	<b>47 158 387</b>

### Swiss Equity Fund – 31 December 2015

Assets	Level 1	Level 2	Level 3	Total
	CHF	CHF	CHF	CHF
Financial assets at fair value				
through profit or loss	72 814 754	-	-	72 814 754
<b>Total assets</b>	<b>72 814 754</b>	<b>-</b>	<b>-</b>	<b>72 814 754</b>

### Conning US High Dividend Equity Fund – 31 December 2016

Assets	Level 1	Level 2	Level 3	Total
	USD	USD	USD	USD
Financial assets at fair value				
through profit or loss	20 359 900	-	-	20 359 900
<b>Total assets</b>	<b>20 359 900</b>	<b>-</b>	<b>-</b>	<b>20 359 900</b>

There were no transfers between any of the levels during the year.

## 13. Related Parties

The Manager: Carne Global Fund Managers (Ireland) Limited, the Investment Managers: Michel & Cortesi Asset Management AG and Conning Asset Management Limited and the Trustee: BNP Paribas Securities Services, Dublin Branch are each a related party under FRS 102.

Fees payable to those parties and the amounts due at the year-end are shown in the Statement of Operations and the Statement of Net Assets Attributable to Redeemable Participating Unit Holders respectively. The fee rates applicable are disclosed in Note 10 to the financial statements.

## 14. Significant unit holdings

The Unit Holders who held 20% or more of the beneficial interests of the Sub-Funds at 31 December 2016 and 31 December 2015 are:

### Swiss Equity Fund - 31 December 2016

	%
<b>Capital Units</b>	
HSBC Global Custody Nominee (UK) Limited	77%
<b>"B" Units</b>	
Fundsettle EOC Nominees Ltd	51%
Clearstream Banking S.A	49%

### Swiss Equity Fund - 31 December 2015

	%
<b>Capital Units</b>	
HSBC Global Custody Nominee (UK) Limited	45%
Fundsettle EOC Nominees Ltd	40%
<b>"B" Units</b>	
Fundsettle EOC Nominees Ltd	51%
Clearstream Banking S.A	42%

# Notes to Financial Statements (continued)

## 14. Significant unit holdings (continued)

Conning US High Dividend Equity Fund - 31 December 2016

	%
<b>US HDE Accumulating Class Units</b>	
State Street Custodial Services (Jersey) Ltd	100%

## 15. Securities Lending

As the Fund has not agreed to securities lending, there were no securities on loan and security lending income earned by the Sub-Funds for the year ended 31 December 2016 and 31 December 2015 was nil.

## 16. Investments

The analysis of Net gains/(losses) on Financial Assets/(Liabilities) at fair value through profit or loss as stated in the Statement of Operations for the year ended 31 December 2016 is detailed in the following table, together with comparative information as at 31 December 2015.

<b>Swiss Equity Fund</b>	<b>December 2016 CHF</b>	<b>December 2015 CHF</b>
Net change in		
Unrealised losses on Financial Assets at fair value through profit or loss	(8 025 623)	(2 494 890)
Net Realised		
Gains on Financial Assets at fair value through profit or loss	7 159 063	3 436 783
<b>Net (Losses)/gains on</b>		
<b>Financial Assets</b>		
<b>at Fair Value through profit or loss</b>	<b>( 866 560)</b>	<b>941 893</b>
<b>Conning US High Dividend Equity Fund</b>		<b>December 2016 USD</b>
Net change in		
Unrealised gains on Financial Assets at fair value through profit or loss		2 799 385
Net Realised		
Gains on Financial Assets at fair value through profit or loss		2 311 625
<b>Net Gains on</b>		
<b>Financial Assets</b>		
<b>at Fair Value through profit or loss</b>		<b>5 111 010</b>

## 17. Contingent Liabilities

There were no contingent liabilities during the year.

## 18. Financial Statements

These financial statements were approved by the Board of Directors of the Manager on 25 April 2017.

# Schedule of Investments

Swiss Equity Fund

As at 31 December 2016

	Holding Investment	Fair Value CHF	% of Net Assets
<b>97.19%</b>	<b>Equities- CHF</b>		
	<b>Advertising Services</b>		
9 800	DKSH Holding Ltd	685 510	1.41%
	<b>Agricultural Chemicals</b>		
4 800	Syngenta AG	1 932 000	3.98%
	<b>Building Materials</b>		
33 000	AFG Arbonia-Forster Holding AG	541 200	1.12%
250	Belimo Holding AG	769 500	1.59%
2 700	Geberit AG	1 102 140	2.27%
9 900	Lafargeholcim Ltd	531 135	1.10%
14 184	Walter Meier AG	512 752	1.06%
	<b>Commercial Services</b>		
380	SGS SA	787 360	1.62%
	<b>Dental Supplies and Equipment</b>		
6 813	Coltene Holding AG	504 503	1.04%
	<b>Engineering and Construction</b>		
69 500	ABB Limited	1 492 860	3.08%
	<b>Finance-Investment Banker</b>		
104 000	Credit Suisse Group AG	1 519 440	3.13%
13 000	Julius Baer Group Limited	587 990	1.21%
12 000	Leonteq AG	408 000	0.84%
140 000	UBS AG	2 233 000	4.60%
	<b>Food-Misc/Diversified</b>		
90	Chocoladefabriken Lindt-PC	474 750	0.98%
65 300	Nestle SA	4 770 165	9.83%
	<b>Health and Biotechnology</b>		
420	Galenica AG	482 580	0.99%
400	Givaudan	746 400	1.54%
6 400	HBM Healthcare Investments AG	633 600	1.31%
	<b>Human Resources</b>		
8 100	Adecco SA	539 865	1.11%
	<b>Investment Management/Advisory Services</b>		
1 050	Partners Group Holding AG	501 112	1.03%
	<b>Life/Health Insurance</b>		
3 250	Swiss Life Holding AG	936 650	1.93%
	<b>Machine Tools &amp; Related Products</b>		
1 300	Schweiter Technologies AG	1 495 000	3.08%
	<b>Machinery-Electrical</b>		
4 100	Schindler Holding AG	729 390	1.50%
	<b>Machinery-General</b>		
1 750	Burckhardt Compression Holding AG	468 562	0.97%
838	Conzzeta AG	603 360	1.24%
67 000	OC Oerlikon Corporation AG	670 000	1.38%
	<b>Machinery-Pumps</b>		
2 192	Inficon Holding AG	804 464	1.66%
	<b>Medical-Biomedical</b>		
21 465	Newron Pharmaceuticals SPA	432 520	0.89%

# Schedule of Investments (continued)

Swiss Equity Fund

As at 31 December 2016

	Holding Investment	Fair Value CHF	% of Net Assets
<b>Equities- CHF (continued)</b>			
	<b>Medical-Drugs</b>		
5 700	Actelion Limited	1 256 850	2.59%
64 100	Novartis AG	4 749 810	9.79%
20 100	Roche Holding AG	4 675 260	9.64%
	<b>Metal Products-Fasteners</b>		
8 300	SFS Group AG	689 730	1.42%
	<b>Multi-line Insurance</b>		
6 600	Zurich Insurance Group AG	1 850 640	3.81%
	<b>Reinsurance</b>		
12 500	Swiss Re AG	1 206 250	2.49%
	<b>Retail-Jewelry</b>		
18 500	CIE Financiere Richemont SA	1 247 825	2.57%
16 800	Swatch Group AG	1 045 800	2.16%
	<b>Software Industry</b>		
1 200	U-Blox Holding AG	229 440	0.47%
	<b>Steel-Producers</b>		
450 000	Schmolz & Bickenbach AG	306 000	0.63%
	<b>Telephone-Integrated</b>		
15 000	Ascom Holding AG	240 000	0.50%
1 800	Swisscom AG	820 980	1.69%
	<b>Transport-Services</b>		
3 250	Kuehne & Nagel International AG	437 450	0.90%
	<b>Wire &amp; Cable Products</b>		
3 660	Daetwyler Holding AG	506 544	1.04%
<b>Financial assets at fair value through profit or loss</b>		<b>47 158 387</b>	<b>97.19%</b>
<b>Cash</b>		<b>2 855 302</b>	<b>5.88%</b>
<b>Net current assets/(liabilities)</b>		<b>(1 493 615)</b>	<b>(3.07%)</b>
<b>Net assets attributable to Redeemable Participating Unit Holders</b>		<b>48 520 074</b>	<b>100.00%</b>
<b>Analysis of Total Assets</b>			
(a) Transferable securities admitted to an official stock exchange listing			94.27%
(b) Other assets			5.73%
<b>Total assets</b>			<b>100.00%</b>



# Schedule of Investments (continued)

Conning US High Dividend Equity Fund

As at 31 December 2016

	Holding Investment	Fair Value USD	% of Net Assets
<b>99.82%</b>	<b>Equities- USD</b>		
	<b>Advertising Services</b>		
4 888	Omnicom Group Inc	416 018	2.04%
	<b>Aerospace &amp; Defense</b>		
3 747	Honeywell International Inc	434 090	2.13%
	<b>Aerospace Industry</b>		
2 815	Boeing Co	438 239	2.15%
1 600	Lockheed Martin Corp	399 904	1.96%
3 931	United Technologies Corp	430 916	2.11%
	<b>Agriculture and Fishing Industry</b>		
6 688	Altria Group Inc	452 243	2.22%
9 769	Archer Daniels Midland Co	445 955	2.19%
4 829	Philip Morris International Inc	441 805	2.17%
	<b>Food-Misc/Diversified</b>		
10 527	Coca Cola Co	436 449	2.14%
6 998	General Mills Inc	432 266	2.12%
4 258	Pepsico Inc.	445 515	2.18%
	<b>Health and Biotechnology</b>		
7 565	Dow Chemical Co	432 869	2.12%
	<b>Human Resources</b>		
4 415	Automatic Data Processing Inc.	453 774	2.23%
	<b>Insurance</b>		
3 710	Travelers Cos Inc/The	454 178	2.23%
	<b>Investment Management/Advisory Services</b>		
1 138	Blackrock Inc.	433 055	2.12%
	<b>Machinery-Pumps</b>		
2 984	Cummins Inc.	407 823	2.00%
3 132	Rockwell Automation Inc.	420 941	2.06%
	<b>Medical-Biomedical</b>		
7 574	Bristol-Myers Squibb Co	442 625	2.17%
	<b>Medical-Drugs</b>		
2 954	Amgen Inc.	431 904	2.12%
3 809	Johnson & Johnson	438 835	2.15%
6 925	Merck & Co Inc.	407 675	2.00%
13 183	Pfizer Inc.	428 184	2.10%
5 154	Procter & Gamble Co	433 348	2.12%
	<b>Metal Products-Fasteners</b>		
2 466	3M Co	440 354	2.16%
13 777	General Electric Co	435 353	2.13%
	<b>Multi-Line Insurance</b>		
7 340	Principal Financial Group Inc.	424 692	2.08%
	<b>Paper Products</b>		
8 645	International Paper Co	458 704	2.25%
	<b>Retail-Clothing</b>		
7 698	VF Corp	410 688	2.01%

# Schedule of Investments (continued)

Conning US High Dividend Equity Fund

As at 31 December 2016

	Holding Investment	Fair Value USD	% of Net Assets
<b>Equities- USD (continued)</b>			
	<b>Retail-Jewelry</b>		
3 696	Kimberly Clark Corp	421 788	2.07%
3 577	McDonalds Corp	435 392	2.13%
5 472	Target Corp	395 243	1.94%
6 027	Wal-Mart Stores Inc.	416 586	2.04%
	<b>Software Industry</b>		
2 623	International Business Machines Corp	435 392	2.13%
7 070	Microsoft Corp	439 330	2.15%
7 875	Xilinx Inc	475 414	2.33%
	<b>Telephone-Integrated</b>		
11 008	AT&T Inc.	468 170	2.30%
14 290	Cisco Systems Inc.	431 844	2.12%
8 527	Verizon Communications Inc.	455 171	2.23%
	<b>Transport-Services</b>		
4 169	Union Pacific Corp	432 242	2.12%
3 647	United Parcel Service Inc.	418 092	2.05%
	<b>Utilities Distribution</b>		
4 825	Exxon Mobil Corp	435 504	2.14%
3 502	Praxair Inc	410 399	2.01%
6 959	Valero Energy Corp	475 439	2.33%
	<b>Wire &amp; Cable Products</b>		
7 470	Emerson Electric Co	416 452	2.04%
12 144	Intel Corp	440 463	2.16%
6 273	Qualcomm Inc.	409 000	2.01%
5 750	Texas Instruments Inc.	419 577	2.06%
	<b>Financial assets at fair value through profit or loss</b>	<b>20 359 900</b>	<b>99.82%</b>
	<b>Cash</b>	<b>88 867</b>	<b>0.44%</b>
	<b>Net current assets/(liabilities)</b>	<b>(52 673)</b>	<b>(0.26%)</b>
	<b>Net assets attributable to Redeemable Participating Unit Holders</b>	<b>20 396 094</b>	<b>100.00%</b>
<b>Analysis of Total Assets</b>			
(a)	Transferable securities admitted to an official stock exchange listing		99.45%
(b)	Other assets		0.55%
	<b>Total assets</b>		<b>100.00%</b>

# Unaudited Portfolio Changes

The portfolio changes listed below shows all purchases and sales for each security that exceeds 1% of the total purchases and sales during the year for each Sub-Fund.

## Swiss Equity Fund

1 January 2016 to 31 December 2016

<b>Largest Purchases</b>	<b>Cost CHF</b>
Novartis AG	1 658 727
Roche Holding AG	1 069 289
Nestle SA	862 250
Leonteq AG	551 506
Chocoladefabriken Lindt-PC	470 978
Galenica AG	466 914
Swisscom AG	382 282
VAT Group AG	307 710
Ascom Holding AG	305 023
Givaudan	239 071
Zurich Insurance Group AG	238 755
Schindler Holding AG	231 718
Credit Suisse Group AG	231 644
U-Blox Holding AG	225 759
Geberit AG	139 022
Swisscom AG	130 480

<b>Largest Sales</b>	<b>Proceeds CHF</b>
Nestle SA	3 162 489
Novartis AG	3 142 983
Roche Holding AG	2 506 104
Schweiter Technologies AG	2 397 672
Zurich Insurance Group AG	2 027 423
Swisscom AG	1 924 619
UBS AG	1 275 101
SGS SA	1 262 023
Swiss Re AG	1 172 187
Actelion Limited	1 027 860
ABB Limited	951 139
HBM Healthcare Investments AG	826 388
Belimo Holding AG	737 469
Partners Group Holding AG	734 364
Swiss Life Holding AG	723 396
Basilea Pharmaceuticals	711 837
Geberit AG	691 088
CIE Financiere Richemont SA	613 617
DKSH Holding Ltd	571 193
Credit Suisse Group AG	515 045
Julius Baer Group Limited	501 850
AFG Arbonia-Forster Holding AG	455 527
Swatch Group AG	439 568
VAT Group AG	365 096

# Unaudited Portfolio Changes (continued)

Conning US High Dividend Equity Fund

1 January 2016 to 31 December 2016

	<b>Cost USD</b>
<b>Largest Purchases</b>	
Amgen Inc.	985 434
VF Corp	696 723
Kimberly Clark Corp	676 520
Valero Energy Corp	672 336
Target Corp	659 187
Coca Cola Co	653 561
Praxair Inc	643 756
Bristol-Myers Squibb Co	642 618
McDonalds Corp	635 740
Verizon Communications Inc.	631 899
Philip Morris International Inc	627 240
Nucor Corp	623 313
Ameriprise Financial Inc	622 932
Pfizer Inc.	621 462
Procter & Gamble Co	621 348
General Electric Co	617 121
Pepsico Inc.	609 096
General Mills Inc	604 843
Blackrock Inc.	597 473
Altria Group Inc	596 658
Exxon Mobil Corp	594 456
AT&T Inc.	594 305
Wal-Mart Stores Inc.	594 183
Merck & Co Inc.	573 198
Cisco Systems Inc.	572 268
Archer Daniels Midland Co	570 100
Rockwell Automation Inc.	570 034
Johnson & Johnson	569 612
Automatic Data Processing Inc.	566 965
3M Co	566 298
Intel Corp	565 667
Emerson Electric Co	564 114
Raytheon Company	560 269
Omnicom Group Inc	559 050
Dow Chemical Co	554 946
Lockheed Martin Corp	554 763
Microsoft Corp	553 273
United Technologies Corp	552 002
Cummins Inc.	549 929
Boeing Co	549 073
CME Group Inc	546 322
International Paper Co	545 444
United Parcel Service Inc.	545 204
International Business Machines Corp	541 725
Union Pacific Corp	534 730
Waste Management Inc	534 464
Clorox Company	533 378
Analog Devices Inc	531 953
Abbvie Inc	531 488

# Unaudited Portfolio Changes (continued)

Conning US High Dividend Equity Fund

1 January 2016 to 31 December 2016

<b>Largest Purchases (continued)</b>	<b>Cost USD</b>
Qualcomm Inc.	530 508
Principal Financial Group Inc.	529 111
Occidental Petroleum Corp	528 731
Chevron Corp	527 091
Sysco Corp	527 047
Texas Instruments Inc.	526 304
Travelers Cos Inc/The	427 933
Honeywell International Inc	425 768
Xilinx Inc	421 386

<b>Largest Sales</b>	<b>Proceeds USD</b>
Analog Devices Inc	722 863
Nucor Corp	719 180
Waste Management Inc	669 830
Ameriprise Financial Inc	665 213
Raytheon Company	651 584
Amgen Inc.	650 227
Sysco Corp	641 676
Abbvie Inc	641 448
CME Group Inc	593 968
Occidental Petroleum Corp	567 058
Chevron Corp	548 143
Clorox Company	527 347
Principal Financial Group Inc.	394 256
Qualcomm Inc.	376 936
International Paper Co	335 550
Rockwell Automation Inc.	331 627
Cummins Inc.	330 398
Texas Instruments Inc.	321 473
Archer Daniels Midland Co	310 362
Target Corp	290 166
Intel Corp	290 165
Merck & Co Inc.	283 118
Boeing Co	280 711
International Business Machines Corp	279 895
Union Pacific Corp	277 007
Cisco Systems Inc.	264 589
Pfizer Inc.	259 849
Blackrock Inc.	252 472
VF Corp	252 044
Emerson Electric Co	241 026
United Technologies Corp	240 772
Dow Chemical Co	240 472
Valero Energy Corp	239 434
General Mills Inc	236 476
Microsoft Corp	236 251
Lockheed Martin Corp	235 511
Exxon Mobil Corp	231 625
Automatic Data Processing Inc.	230 242

# Unaudited Portfolio Changes (continued)

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Conning US High Dividend Equity Fund

1 January 2016 to 31 December 2016

<b>Largest Sales (continued)</b>	<b>Proceeds USD</b>
Procter & Gamble Co	224 217
United Parcel Service Inc.	223 744
Omnicom Group Inc	217 309
Philip Morris International Inc	216 093
Pepsico Inc.	215 834
3M Co	212 148
Johnson & Johnson	210 269
McDonalds Corp	208 077
Coca Cola Co	207 292
Praxair Inc	206 701
Verizon Communications Inc.	206 614
AT&T Inc.	206 126
Wal-Mart Stores Inc.	205 062
Altria Group Inc	204 663
Kimberly Clark Corp	201 707
General Electric Co	199 335
Bristol-Myers Squibb Co	186 788

# Unaudited Information for Unit Holders

## with respect to those funds registered in Switzerland

All Unit Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Trust Deed which are binding on the Trustee, the Manager and the Unit Holders and all persons claiming through them respectively as if all such Unit Holders and persons had been party to the Trust Deed. Unit Holders shall not have any recourse to or claim against or right of action in respect of any of the assets of the Fund or any Sub-Fund or any part thereof other than the assets of the Sub-Fund in which they hold units and in respect of which the claim arises.

### Extract from the Prospectus

The Fund and Sub-Funds are registered for sale in a number of jurisdictions. Information relevant to investors in these jurisdictions is set out in the Prospectus, Appendix III - Additional Information for Investors but not all Sub-Funds are registered in all jurisdictions.

Prospective investors should inform themselves as to:

- (a) the legal requirements within their own jurisdictions for the purchase or holding of Units,
- (b) any foreign exchange restrictions which may affect them, and
- (c) the income and other tax consequences which may apply in their own jurisdictions relevant to the purchase, holding or disposal of Units.

### Documents Available for Inspection

The following documents are available for inspection on any Business Day at the registered office of the Manager and at the offices of the appointed paying agents and representatives:

- (a) the Prospectus (and any Supplements or addenda attached thereto);
- (b) the Trust Deed and any instruments amending the aforesaid document;
- (c) the Key Investor Information Documentation;
- (d) the material contracts referred to in the Prospectus; and
- (e) annual reports, incorporating audited financial statements, and half-yearly reports, incorporating unaudited financial statements, when published.

Copies of each of the documents referred to above can, upon written request, be obtained by Unit Holders at the registered office of the Manager.

**This document forms part of and should be read in conjunction with the general description of**

- **the Fund and its management and administration**
- **its general management and fund charges**
- **the taxation of the Fund and of its Unit Holders and**
- **its risk factors**

which is contained in the Prospectus dated 29 January 2016 for the Fund and which is available from the Manager, Carne Global Fund Managers (Ireland) Limited, 2nd Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland.

*For the Swiss Equity Fund, the Prospectus and the Key Investor Information Document (KIID) is available in English, German, Italian, Spanish and Swiss German and every effort has been made to keep the translations parallel. For Units distributed in Switzerland, the Prospectus and KIID in German are binding. For Units distributed in jurisdictions other than Switzerland, the Prospectus and KIID in English is binding. The Annual Report and Financial Statements are also available in German but these should be interpreted as best efforts translations of the English versions.*

Swiss Equity Fund	Capital Units	"B" Units
Total Expenditure Ratio (TER)	1.10%	2.11%
Portfolio Turnover Rate (PTR) for the Fund was		-2.08%

Please note a full list of purchases and sales during the reporting period might be obtained from the Swiss representative.

# Unaudited Remuneration Disclosure

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## **UCITS V Remuneration Disclosure**

The European Union Directive 2014/91/EU (known as “UCITS V Directive”) which became effective on 18 March 2016, requires Management Companies to establish and apply remuneration policies and practices that promote sound and effective risk management, and do not encourage risk taking which is inconsistent with the risk profile of the UCITS.

To that effect, Came Global Fund Managers (Ireland) Limited (“the Manager”), has implemented a Remuneration Policy. The Manager’s Remuneration Policy applies to all funds for which the Company acts as Manager. Further details with regard to the Remuneration policy including a description of how remuneration and benefits are calculated, the identities of persons responsible for awarding the remuneration and benefits and the composition of the remuneration committee are available at the following website:

<http://www.carnegroup.com/policies-and-procedures/>

The Manager has a business model, policies and procedures which by their nature do not promote excessive risk taking and take account of the nature, scale and complexity of the Manager and the Trust.