



THE CAPITAL HOLDINGS FUNDS PLC
2017 ANNUAL REPORT

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Copies of this report may be obtained from the Administrator or from www.capitalholdings.com or from:

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This annual report was approved by the Board of Directors of The Capital Holdings Funds plc on 25 April 2018
and will be submitted to shareholders for approval on 15 June 2018.

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BOARD OF DIRECTORS OF
THE CAPITAL HOLDINGS FUNDS PLC

Lord Kestenbaum of Foxcote, Chairman (to 25 April 2018)

Chief Operating Officer
RIT Capital Partners plc
London

Dick van Duijn

Chief Operating Officer
Edmond de Rothschild Capital Holdings Limited
London

Antonio Foglia

Director
Banca del Ceresio
Lugano

Thomas Glynn

Senior Consultant
KB Associates
Dublin

Francesco Goedhuis (to 25 April 2018)

Head of Strategic Investments
RIT Capital Partners plc
London

Richard Katz* (to 15 June 2017)

Banker and Investment Advisor

Mike Kirby

Managing Principal
KB Associates
Dublin

Miki Kliger

Chief Executive Officer
Edmond de Rothschild (Israel) Ltd
Tel Aviv

Michel Lusa

Member of the Executive Committee
Edmond de Rothschild (Suisse) SA
Geneva

Nicola Meaden Grenham*

Chief Executive Officer
Dumas Capital Ltd
Dublin

Maurice Murphy (to 25 July 2017)

Senior Consultant
KB Associates
Dublin

Pietro Soldini

Chief Executive Officer
Londinium Ltd
Dublin

Rick Sopher

Chief Executive Officer
Edmond de Rothschild Capital Holdings Limited
London

Barbara Vannotti – Holzrichter (to 15 June 2017)

Head of Investments OASIS
Rothschild Bank AG
Zürich

Abbas Zuaier*

Managing Member
Zuaier Capital Holdings, LLC
Greenwich, CT

HONORARY PRESIDENT OF
THE CAPITAL HOLDINGS FUNDS PLC

Baroness Ariane de Rothschild

Vice President
Edmond de Rothschild Holding SA
Geneva

BOARD OF DIRECTORS OF
LCH INVESTMENTS NV

Rick Sopher, Chairman

Chief Executive Officer
Edmond de Rothschild Capital Holdings Limited
London

Brad Amice

Head of Research
LCH Investments NV

Richard Katz

Banker and Investment Advisor

Gary Powell

Head of Group Strategy & Corporate Development
Rothschild Bank AG
London

Maurizio Solaro del Borgo

Member of the Board
Banca del Ceresio
Lugano

BOARD OF DIRECTORS OF
ACH INVESTMENT ADVISORS SA

Rick Sopher, Chairman

Chief Executive Officer
Edmond de Rothschild Capital Holdings Limited
London

Umberto Boccato

Senior Vice President
Mirabaud Asset Management (Suisse) SA

Pierre Mirabaud

Investment Advisor

*Independent directors

MEMBERS OF THE
INVESTMENT ADVISORY COMMITTEES

LEVERAGED CAPITAL HOLDINGS

Rick Sopher, Chairman

Chief Executive Officer
Edmond de Rothschild Capital Holdings Limited
London

Antonio Foglia

Director
Banca del Ceresio
Lugano

Richard Katz

Banker and Investment Advisor

EUROPEAN CAPITAL HOLDINGS

Rick Sopher, Chairman

Chief Executive Officer
Edmond de Rothschild Capital Holdings Limited
London

David Erskine

Investment Consultant
London

Martin Taylor

Nevsky Capital LLP
London

TRADING CAPITAL HOLDINGS

Rick Sopher, Chairman

Chief Executive Officer
Edmond de Rothschild Capital Holdings Limited
London

David Erskine (to 31 December 2017)

Investment Consultant
London

Antonio Foglia

Director
Banca del Ceresio
Lugano

Abbas Zuaiter

Managing Member
Zuaiter Capital Holdings, LLC
Greenwich

DISCOVERY CAPITAL HOLDINGS

Rick Sopher, Chairman

Chief Executive Officer
Edmond de Rothschild Capital Holdings Limited
London

Brad Amiee

Head of Research
LCH Investments NV

Antonio Foglia

Director
Banca del Ceresio
Lugano

ASIAN CAPITAL HOLDINGS

Rick Sopher, Chairman

Chief Executive Officer
Edmond de Rothschild Capital Holdings Limited
London

Pierre Mirabaud

Investment Advisor

Vaqar Zuberi

Head of Hedge Funds
Mirabaud Asset Management (Suisse) SA

INVESTMENT ADVISORS

LCH Investments NV
Kaya W.F.G. (Jombi) Mensing 14
Willemstad
Curaçao

ACH INVESTMENT ADVISORS SA

(Investment advisor to Asian Capital Holdings to 28 February 2018)
10A, rue Henri M. Schnadt
L-2530 Luxembourg

REGISTERED OFFICE

The Anchorage
17/19 Sir John Rogerson's Quay
Dublin 2
Ireland

GENERAL COUNSEL

Willkie Farr & Gallagher
787 Seventh Avenue
New York, NY 10019

IRELAND LEGAL COUNSEL

Walkers
The Anchorage
17/19 Sir John Rogerson's Quay
Dublin 2
Ireland

NETHERLANDS LEGAL COUNSEL

De Brauw Blackstone Westbroek NV
Claude Debussylaan 80
1070 AB Amsterdam

ADMINISTRATOR

BNP Paribas Fund Administration Services (Ireland) Limited
Trinity Point
10-11 Leinster Street South
Dublin 2
Ireland

DEPOSITARY

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

COMPANY SECRETARY

KB Associates
Ground Floor
5 George's Dock
Dublin 1
Ireland

General

This document does not constitute an offer of any investment or an invitation or solicitation to subscribe for or purchase any investment. Subscriptions are valid only if made on the basis of the current prospectus, supplemented by the latest annual report and the most recent semi-annual report if published thereafter.

Irish Authorisation

The Capital Holdings Funds plc is authorised as a Retail Investor AIF by the Central Bank of Ireland.

DIRECTORS' REPORT AND DIRECTOR'S RESPONSIBILITIES STATEMENT
IN RESPECT OF THE FINANCIAL STATEMENTS

We are pleased to submit to our shareholders the annual report of The Capital Holdings Funds plc for the year ended 31 December 2017.

Activities and business review

The Capital Holdings Funds plc (the "Company") was incorporated in Ireland on 13 March 2014 with registration number 541001 and was authorised as a Retail Investor AIF by the Central Bank of Ireland on 19 December 2014. The Company is an umbrella fund which is comprised of sub-funds, each one with one or more classes of Shares.

As of the date of this report the Company comprised of the following 7 sub-funds:

- Asian Capital Holdings ("ACH")
- Discovery Capital Holdings ("DCH")
- European Capital Holdings ("ECH")
- Leveraged Capital Holdings ("LCH")
- Trading Capital Holdings ("TCH")
- Leveraged Capital Holdings (Gold) ("LCH (Gold)")
- Trading Capital Holdings (Gold) ("TCH (Gold)")

On 1 March 2017, the assets and liabilities of the Luxembourg entity Asian Capital Holdings ("ACH") were transferred to a sub-fund of the Company.

During the year to 31 December 2017, net assets increased by US\$9.9m from US\$1.266bn to US\$1.276bn. Of the increase an amount of US\$247.1m was attributable to the transfer in of ACH, an amount of (US\$386.2m) was attributable to share transactions and dividend distributions and an amount of US\$149.0m was attributable to investment operations and foreign currency translation adjustments.

Results

The detailed results for the period are set out in the statement of comprehensive income on page 26 and the table at the end of this paragraph which shows a detailed performance breakdown for each of the open share classes.

	Performance %	NAV per share at 31/12/17	Increase/(decrease) in net assets		
			Total (000s)	From investment operations (000s) ¹	From share transactions (000s)
ACH					
Class A (US\$)	22.31	159.20	280,839	51,984	228,855
Class B (€)	20.81	110.25	3,512	1,083	2,429
Class X (US\$)	20.44	160.74	1,206	206	1,000
DCH					
Class A (US\$)	11.11	204.46	(44,540)	15,126	(59,666)
ECH					
Class B (€) ¹	4.33	282.33	(79,243)	8,752	(87,995)
Class Y (€) ¹	5.68	286.89	196	196	-
LCH					
Class A (US\$)	7.73	303.26	(112,115)	30,025	(142,140)
Class B (€)	5.63	217.18	(5,528)	11,153	(16,681)
Class C (US\$)	2.91	-	(44,914)	1,059	(45,973)
TCH					
Class A (US\$)	(2.59)	195.23	(74,541)	(5,778)	(68,763)
Class B (€)	(4.38)	154.67	(51,027)	6,567	(57,594)
Class C (US\$)	(2.10)	198.65	(26,294)	(2,375)	(23,919)
LCH (Gold)					
Class G (US\$)	19.38	336.33	2,862	3,714	(852)
TCH (Gold)					
Class G (US\$)	8.36	139.18	469	614	(145)
Total for the Company-consolidated (US\$)²			9,874	149,020	(139,146)

¹ This includes foreign currency adjustments

² The total for the Company is shown on a consolidated basis in US\$ and consequently differs from the total of the sub-funds due to consolidation adjustments and, in the case of ECH, currency conversion.

DIRECTORS' REPORT AND DIRECTORS' RESPONSIBILITIES STATEMENT
IN RESPECT OF THE FINANCIAL STATEMENTS

Interests of Directors

The total personal interest of the members of the Board of Directors of the Company and the members of the Board of Directors of the investment advisors in redeemable participating shares during the year ended 31 December 2017 was:

	Position as at 31/12/16	Purchases/(Sales) ¹	Position as at 31/12/17
Shares of ACH	-	7,500	7,500
Shares of DCH	-	-	-
Shares of ECH	322	345	667
Shares of LCH	84,717	645	85,362
Shares of TCH	12,458	(8,062)	4,396
Shares of LCH (Gold)	-	-	-
Shares of TCH (Gold)	-	-	-

¹ Including movements as a result of a change in the composition of the various boards of directors.

Investment objective and policy

The Company is established as an umbrella investment company and the investment policies for each sub-fund are specified in the prospectus. The principal objective of the underlying sub-funds is the appreciation in capital or the realisation of profit.

The sub-funds do not invest directly but indirectly by investing in underlying funds or through sub-accounts. Under the two-tier system the sub-funds operate through a variety of investment vehicles. Generally, each investment vehicle is advised by a principal portfolio manager and its team, allowing the sub-funds to benefit from the diversity and experience of professional portfolio managers. The investment activities of the sub-funds include a wide range of specialised approaches and techniques used by the managers. Further information on the individual sub-funds and their investment objectives is detailed within the various profile sections of each sub-fund.

Financial risk management

The major risks to which the Company is exposed are market price risk, liquidity risk and counterparty risk. Further details surrounding the scope and measures to mitigate these risks as implemented by the various sub-funds can be found in the following notes: ACH – Note 16, DCH – Note 16, ECH – Note 17, LCH – Note 17, TCH – Note 16, LCH (Gold) – Note 16 and finally for TCH (Gold) – Note 15.

Directors' Responsibilities

The directors of the Company are as set out on page 4.

The directors are responsible for preparing the directors' report and the financial statements in accordance with Irish law. Irish law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). Under Irish law the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the company's assets, liabilities and financial position as

at the end of the financial year and of the profit or loss of the company for the financial year.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS and ensure that they contain the additional information required by the Companies Act 2014;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the Company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as the directors are aware, there is no relevant audit information of which the Company's statutory auditors are unaware. Furthermore, the directors have taken all steps that ought to have been taken in order to make themselves aware of any relevant audit information and established that the Company's auditors have been made aware of that information.

DIRECTORS' REPORT AND DIRECTORS' RESPONSIBILITIES STATEMENT
IN RESPECT OF THE FINANCIAL STATEMENTS

Statement of Corporate Governance

(a) General Requirements

The Board of Directors note the issuance by the Irish Funds Industry Association ("IF") of the Corporate Governance Code for Collective Investment Schemes and Management Companies (the "Code"). The Board of Directors adopted this Code on 28 October 2014.

The Board of Directors has assessed the measures included in the IF Code as being consistent with its corporate governance practices and procedures for the financial year.

(b) Internal control and risk management systems in relation to financial reporting

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

The Board of Directors has procedures in place to ensure all relevant accounting records are properly maintained and are readily available, including production of annual financial statements and semi-annual financial statements. The annual and semi-annual financial statements of the Company are required to be approved by the Board of Directors of the Company and filed with the Central Bank of Ireland. The statutory financial statements are required to be audited by independent auditors who report annually to the Board on their findings.

The Board evaluates and discusses significant accounting and reporting issues as the need arises.

The independent administrator is appointed to maintain the accounting records and is authorised and regulated by the Central Bank of Ireland and must comply with the rules imposed by the Central Bank of Ireland. The financial statements are prepared by the Administrator in compliance with IFRS and other relevant legislation. The Administrator uses various internal controls and checklists to ensure that the financial statements include complete and appropriate disclosures required under IFRS and relevant legislation. In addition, from time to time the Board also examines and evaluates the administrators' financial accounting and reporting routines and monitors and evaluates the external auditors' performance, qualifications and independence. As part of the review procedures the Board of Directors receives reports on the audit process.

(c) Shareholder meetings

The convening and conduct of shareholders' meetings are governed by the Articles of Association of the Company and the Companies Act 2014. Although the directors may convene an extraordinary general meeting of the company at any time,

the directors are required to convene an annual general meeting of the Company within eighteen months of incorporation and fifteen months of the date of the previous annual general meeting thereafter.

Two members present, either in person or by proxy, constitute a quorum at a general meeting provided that the quorum for a general meeting convened to consider any alteration to the class rights of shares is two shareholders holding or representing by proxy at least one third of the issued shares of the relevant sub-fund or class.

(d) Board of Directors

The Board of Directors is responsible for managing the business affairs of the Company.

Accounting Records

The measures taken by the directors to secure compliance with the Company's obligation to keep adequate accounting records comprise the use of appropriate systems and procedures and employment of competent persons. The directors of the Company have employed BNP Paribas Fund Administration Services (Ireland) Limited as the administrator. The accounting records of the Company are located at the address of the administrator. The administrator is authorised and regulated by the Central Bank of Ireland and must comply with the rules and regulations imposed by the Central Bank.

Transactions with Connected Parties

In accordance with the Central Bank's AIF Rulebook any transaction carried out with the Company by its Board of Directors, Investment Advisor, Depositary or by delegates or group companies of these entities ("connected parties") must be carried out as if negotiated at arm's length. Such transactions must be in the best interests of the Shareholders. In addition to those transactions, there are also transactions carried out by connected parties on behalf of the Company to which the directors have no direct access and in respect of which the directors must rely upon assurances from its delegates that the connected parties carrying out these transactions do carry them out on a similar basis.

Further, Shareholders should refer to the prospectus which identifies many of the connected party transactions and the general nature of the contractual arrangements with the principal connected parties but it is not exhaustive of all connected party transactions. Shareholders should also refer to the provisions of the Prospectus dealing with conflicts of interest.

Therefore, having regard to confirmations from the Company's management and its relevant delegates, the directors are satisfied that (i) there are arrangements (as evidenced by written procedures documented by the Board of Directors) in place to ensure that the obligations described above are applied to all transactions with connected parties; and (ii) transactions with connected parties entered into during the period complied with these obligations.

DIRECTORS' REPORT AND DIRECTORS' RESPONSIBILITIES STATEMENT
IN RESPECT OF THE FINANCIAL STATEMENTS

Note 7 details related party transactions in the period as required by IFRS. However, Shareholders should understand that not all "connected parties" are related parties as such latter expression is defined by those International Financial Reporting Standards. Details of fees paid to related parties and certain connected parties are disclosed separately in the statement of comprehensive income.

On 28 February 2017, the Company issued an updated prospectus reflecting the launch of a new sub-fund called Asian Capital Holdings ("ACH"). As of that date, the assets and liabilities of a Luxembourg domiciled entity Asian Capital Holdings Fund – ACH were transferred to ACH. Effective as of 1 March 2018, LCH Investments NV has been appointed as Investment Advisor to ACH. This was reflected in an updated prospectus issued on 28 February 2018.

Remuneration Policy

The AIFM, which is The Capital Holdings Funds plc, has implemented a remuneration policy (the "Remuneration Policy") in line with the provisions of Article 13 of the Directive 2011/61/EC on Alternative Investment Fund Managers ("AIFMD"), in particular Annex II, and of the European Securities and Markets Authority's ("ESMA's") "Guidelines on sound remuneration policies under the AIFMD" (the "ESMA Guidelines"). The Remuneration Policy is designed to inter-alia ensure that any relevant conflicts of interest can be managed appropriately at all times.

Events since the end of the period

Effective as of 1 March 2018, LCH Investments NV has been appointed as Investment Advisor to ACH. This was reflected in an updated prospectus issued on 28 February 2018 which can be found on the Company's website www.capitalholdings.com.

Appointment of auditors

The auditors, PricewaterhouseCoopers are proposed to be re-appointed in accordance with the Companies Act 2014.

Regulatory requirement in the Netherlands

The administrative procedures of the Company comply with the requirements of the Netherlands law as detailed in article 3:17 part 2.c and article 4:14 part 1 of the Netherlands Act on Financial Supervision. The administrative organisation of the Company and its internal control systems function in accordance with these procedures.

The 2017 annual report of the Company has been published on the website www.capitalholdings.com. The AGM of the Company will take place in Ireland on 15 June 2018.

On behalf of the Board of Directors



M. Kirby



D. van Duijn

25 April 2018

Statutory provisions regarding profit appropriation

The Board of Directors may at its discretion propose to the general meeting of shareholders in accordance with the Articles of Association that the Company pays a dividend out of distributable reserves.

Dividends

The Board of Directors proposes that in respect of the accounts for 2017 for sub-fund ACH a dividend is declared of US\$0.25 per Class A share, €0.20 per Class B share and US\$0.25 per Class X share. No dividend distribution is proposed for any other sub-fund.

Proposed profit appropriation

The Board of Directors proposes to add or subtract, whatever is applicable, the total result for 2017 of each sub-fund to or from, whatever is applicable, the accumulated results of operation of the respective sub-fund.

Execution of voting rights by the Company

Voting rights relating to investments of any of the sub-funds will be executed as the Board of Directors thinks fit in the best interest of the respective sub-funds on a case by case basis.

AIFM Remuneration

The disclosures in this report are made in respect of the AIFM Remuneration Policy and how it applies to the AIF and to the persons who are responsible for portfolio management and risk management.

Total amount of fixed remuneration for the year ended 31 December 2017 paid by the AIFM to its staff: €355,000 (2016: €585,000).

Total amount of variable remuneration for the year ended 31 December 2017 paid by the AIFM to its staff: None (2016: None).

Number of AIFM officers and staff as at 31 December 2017: 12 (2016: 15).

Total amount of compensation paid by the AIFM to its staff during year ended 31 December 2017¹: €355,000 (2016: €585,000).

Total amount paid by the AIFM to other members of staff who have a material impact on the risk profile of the Company during the year ended 31 December 2017: None (2016: None).

DEPOSITARY REPORT TO THE SHAREHOLDERS OF
THE CAPITAL HOLDINGS FUNDS PLC

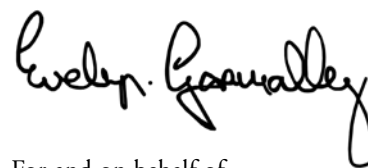
We, BNP Paribas Securities Services, Dublin Branch, appointed Depositary to The Capital Holdings Funds plc (the "Fund") provide this report solely in favour of the Shareholders of the Fund for the period 1 January 2017 to 31 December 2017 (the "accounting Period"). This report is provided in accordance with current Depositary Regulations¹. We do not, in the provision of this report, accept nor assume responsibility for any other purpose or person to whom this report is shown.

In accordance with our Depositary obligations, we have enquired into the conduct of the AIFM for this Accounting Period and we hereby report thereon to the shareholders/unitholders of the Fund as follows;

We are of the opinion that the Fund has been managed by the AIFM during the Period, in all material respects:

- (i) In accordance with the limitations imposed on the investment and borrowing powers of the Fund by the constitutional document and by the Central Bank of Ireland under the powers granted to the Central Bank of Ireland by the investment fund legislation; and
- (ii) Otherwise in accordance with the provisions of the constitutional document and the investment fund legislation.

Yours faithfully



For and on behalf of

BNP Paribas Securities Services, Dublin Branch

25 April 2018

¹ The total amount of compensation paid by the AIFM has been allocated to each AIF based on their pro rata share of the average total net assets of the sub-funds.

¹ AIFM Regulations – European Union (Alternative Investment Fund Managers) Regulations 2013 (SI No 257 of 2013) which implemented Directive 2011/61/EU into Irish Law: Chapter 4. Commission Delegated Regulation (EU) No 231/2013: Articles 83 -102. Chapter 6: AIF Depositary Requirements: AIF Rulebook



Independent auditors' report to the members of The Capital Holdings Funds plc

Report on the audit of the financial statements

Opinion

In our opinion, The Capital Holdings Funds plc's financial statements:

- give a true and fair view of the Company's and sub-funds' (as listed on page 38) assets, liabilities and financial position as at 31 December 2017 and of their results and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Report, which comprise:

- the Statement of Financial Position as at 31 December 2017;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares for the year then ended;
- the Condensed Schedule of Investments for each of the sub-funds as at 31 December 2017; and
- the notes to the financial statements for the Company and for each of its sub-funds, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law, IFRSs as adopted by the European Union, and sections 122 to 124 of the Decree on Conduct of Business Supervision of Financial Undertakings under the Netherlands Financial Supervision Act.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the Company.

Other than those disclosed in note 6, we have provided no non-audit services to the Company in the period from 1 January 2017 to 31 December 2017.



Our audit approach

Overview



Materiality

- Overall materiality: 100 basis points of Net Assets Value (“NAV”) at 31 December 2017 for each of the Company’s sub-funds.

Audit scope

- The Company is an open-ended investment Company with variable capital and is self-managed. The directors have delegated certain duties and responsibilities with regards to the day-to-day management of the Company to LCH Investments NV and ACH Investment Advisors SA (the “Investment Advisors”). We tailored the scope of our audit taking into account the types of investments within the sub-funds, the involvement of the third parties referred to overleaf, the accounting processes and controls, and the industry in which the Company operates. We look at each of the sub-funds at an individual level.

Key audit matters

- Valuation and existence of investments at fair value through profit or loss.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example the selection of pricing sources to value the investment portfolio. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors’ professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter

Valuation and existence of investments at fair value through profit or loss

Refer to the Condensed Schedule of Investments, note 4 (Financial Assets and Financial Liabilities at Fair Value through Profit and Loss).

The investment portfolio as at 31 December 2017 comprises

How our audit addressed the key audit matter

We understood and evaluated the Company’s processes, internal controls and methodology applied by the investment advisor and administrator for the valuation of investments.

For investments in underlying investment companies, the Board of Directors perform an assessment to evaluate the reliability of the financial information provided by the investment managers of the underlying investment companies.



Key audit matter

of underlying investment companies, listed common stock, corporate debt, currency forwards, index swaps, and warrants.

We focused on the valuation and existence of these investments because it represents the principal element of the net asset value of the sub-funds as disclosed in the Statement of Financial Position in the financial statements.

How our audit addressed the key audit matter

Their assessment includes:

- examining the most recent audited annual reports of the underlying investment companies in order to understand the valuation policy;
- agreeing the net asset value per share used in the valuation of the investment to the net asset value per share as included in the audited financial statements; and
- identifying any matters such as a qualified audit opinion within the financial statements of the underlying investment companies.

We reviewed this assessment and identified no qualified audit opinions or valuation policies that were inconsistent with generally accepted accounting practice.

For holdings in underlying investment companies, we obtained independent confirmation from managers, investment advisors and/or administrators of the number of units held by the sub-funds. We reconciled the details confirmed to the accounting records at year-end. We also confirmed the net asset value per unit with the managers, investment advisors and/or administrators of the underlying investment companies as at the year-end date to independently verify valuation.

We tested the valuation and existence of listed common stock, corporate debt, currency forwards, index swaps, and warrants by independently verifying the valuation of these investments to third party vendor sources. We also obtained independent confirmations of the custody of these investments from the depository and counterparties and reconciled the amounts confirmed to the accounting records.

Through our review of the board minutes and enquiries of the investment manager, we did not identify any other information that may impact the fair value of the Company's investments.

No material issues or misstatements were identified from the performance of these procedures.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

As at 31 December 2017 there are 7 sub-funds operating. The Company's Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares are an aggregation of the positions and results of the sub-funds.



The directors control the affairs of the Company and are responsible for the overall investment policy which is determined by them. The directors have delegated certain duties and responsibilities to the Investment Advisors with regards to the day to day management of the Company. The directors have delegated certain responsibilities to BNP Paribas Fund Administration Services (Ireland) Limited (the "Administrator"). The financial statements, which remain the responsibility of the directors, are prepared on their behalf by the Administrator. The Company has appointed BNP Paribas Securities Services, Dublin Branch (the "Depository") to act as Depository of the Company's assets. In establishing the overall approach to our audit we assessed the risk of material misstatement at a sub-fund level, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the Company's interaction with the Administrator, and we assessed the control environment in place at the Administrator.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements of each of the Company's sub-funds as follows:

Overall materiality and how we determined it	100 basis points (2016: 100 basis points) of Net Assets Value ("NAV") at 31 December 2017 for each of the Company's sub-funds.
Rationale for benchmark applied	We have applied this bench mark because the main objective of the Company is to provide investors with a total return at a sub-fund level,taking account of the capital and income returns.

We agreed with the Board of Directors that we would report to them misstatements identified during our audit above 10 basis points of each sub-fund's NAV, for NAV per share impacting differences (2016: 10 basis points of each sub-fund's NAV, for NAV per share impacting differences) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Other Matter

The scope of our audit did not include the profile and performance since inception presented for each sub-fund and as indicated on footnote 1 on each of these pages this information is unaudited.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's and sub-funds' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's and sub-funds' ability to continue as going concerns.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover



the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report and Statement Of Directors' Responsibilities in Respect of the Financial Statements, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

Directors' Report and Statement Of Directors' Responsibilities in Respect of the Financial Statements

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report and Statement of Directors' Responsibilities in Respect of the Financial Statements for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report and Statement Of Directors' Responsibilities in Respect of the Financial Statements.

Corporate governance statement

- In our opinion, based on the work undertaken in the course of the audit of the financial statements, the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement, is consistent with the financial statements and has been prepared in accordance with section 1373(2)(c) of the Companies Act 2014.
- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement.
- In our opinion, based on the work undertaken during the course of the audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) is contained in the Corporate Governance Statement.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's and sub-funds' ability to continue as going concerns, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at: https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.

Companies Act 2014 exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 2 June 2015 to audit the financial statements for the year ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2014 to 31 December 2017.

A handwritten signature in black ink that reads 'Joanne Kelly'.

Joanne Kelly
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
25 April 2018

STATEMENT OF FINANCIAL POSITION

At 31 December 2017	Notes	ACH US\$000	DCH US\$000	ECH €000	LCH US\$000	TCH US\$000	LCH (Gold) US\$000	TCH (Gold) US\$000	Total US\$000 ¹
Assets									
Current assets									
Financial assets at fair value through profit or loss	2.4, 5	247,345	101,387	157,991	359,527	260,215	10,149	4,137	1,044,604
Due from investment companies and brokers	2.7	19,610	29,289	11,562	88,243	34,916	11,567	3,554	201,061
Other accounts receivable	2.9	27	-	25	676	5	25	9	772
Cash and cash equivalents	2.5	26,096	1,791	10,810	2,818	13,189	579	224	57,676
Total assets		293,078	132,467	180,388	451,264	308,325	22,320	7,924	1,304,113
Liabilities									
Non-current liabilities									
Borrowings from bank	2.10	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
Current liabilities									
Financial liabilities at fair value through profit or loss		-	-	-	-	-	-	-	-
Due to investment companies and brokers	2.7	(396)	-	-	-	-	-	-	(396)
Short term borrowings		-	-	-	(16,000)	-	-	-	(16,000)
Subscriptions received in advance		-	-	-	-	-	-	-	-
Shareholder redemptions payable		-	-	-	(1,506)	(470)	-	-	(1,976)
Advisory and performance fees payable		(7,046)	(902)	(210)	(511)	(326)	(35)	(9)	(9,081)
Other accounts payable and accrued expenses	2.11	(79)	(50)	(54)	(159)	(77)	(10)	(11)	(451)
		(7,521)	(952)	(264)	(18,176)	(873)	(45)	(20)	(27,904)
Liabilities (excluding net assets attributable to holders of redeemable participating shares)		(7,521)	(952)	(264)	(18,176)	(873)	(45)	(20)	(27,904)
Net assets attributable to holders of redeemable participating shares	2.12	(285,557)	(131,515)	(180,124)	(433,088)	(307,452)	(22,275)	(7,904)	(1,276,209)
Total liabilities		(293,078)	(132,467)	(180,388)	(451,264)	(308,325)	(22,320)	(7,924)	(1,304,113)

The financial statements were approved by the Board of Directors on 25 April 2018 and signed on its behalf by:



M. Kirby
Director



D. van Duijn
Director

¹ All amounts relating to ECH, which is denominated in Euro, have been converted at a FX rate of €1.00 = US\$1.2007. In the total column all transactions between the various sub-funds have been eliminated.

STATEMENT OF FINANCIAL POSITION

At 31 December 2017	ACH	DCH	ECH	LCH	TCH	LCH (Gold)	TCH (Gold)
Net asset value per Class A redeemable participating share US\$	159.20	204.46	-	303.26	195.23	-	-
Number of Class A redeemable participating shares in issue	1,764,100	643,245	-	1,231,363	775,527	-	-
Net asset value per Class B redeemable participating share €	110.25	-	282.33	217.18	154.67	-	-
Number of Class B redeemable participating shares in issue	26,617	-	625,089	228,994	290,093	-	-
Net asset value per Class C redeemable participating share US\$	-	-	-	-	198.65	-	-
Number of Class C redeemable participating shares in issue	-	-	-	-	514,534	-	-
Net asset value per Class G redeemable participating share US\$	-	-	-	-	-	336.33	139.18
Number of Class G redeemable participating shares in issue	-	-	-	-	-	66,229	56,789
Net asset value per Class X redeemable participating share US\$	160.74	-	-	-	-	-	-
Number of Class X redeemable participating shares in issue	7,500	-	-	-	-	-	-
Net asset value per Class Y redeemable participating share €	-	-	286.89	-	-	-	-
Number of Class Y redeemable participating shares in issue	-	-	12,698	-	-	-	-

STATEMENT OF FINANCIAL POSITION

At 31 December 2016	Notes	DCH US\$000	ECH €000	LCH US\$000	TCH US\$000	LCH (Gold) US\$000	TCH (Gold) US\$000	Total US\$000 ¹
Assets								
Current assets								
Financial assets at fair value through profit or loss	2.4, 5	155,854	236,409	569,023	429,776	19,430	7,324	1,165,916
Due from investment companies and brokers	2.7	5,811	13,000	91,987	47,488	2,159	814	161,945
Other accounts receivable	2.9	-	71	594	5	57	22	753
Cash and cash equivalents	2.5	15,142	10,571	14,157	5,267	119	155	45,969
Total assets		176,807	260,051	675,761	482,536	21,765	8,315	1,374,583
Liabilities								
Non-current liabilities								
Borrowings from bank	2.10	-	-	(75,000)	-	-	-	(75,000)
		-	-	(75,000)	-	-	-	(75,000)
Current liabilities								
Financial liabilities at fair value through profit or loss	2.4, 5	-	(194)	(1,173)	(1,874)	(126)	(48)	(3,425)
Due to investment companies and brokers	2.7	-	-	-	-	-	-	-
Short term borrowings		-	-	-	(20,000)	(2,157)	(797)	(22,954)
Subscriptions received in advance		(250)	-	-	-	-	-	(250)
Shareholder redemptions payable		-	-	(2,095)	(177)	-	-	(2,272)
Advisory and performance fees payable		(449)	(633)	(1,525)	(1,072)	(53)	(19)	(3,784)
Other accounts payable and accrued expenses	2.11	(53)	(53)	(323)	(99)	(16)	(16)	(563)
		(752)	(880)	(5,116)	(23,222)	(2,352)	(880)	(33,248)
Liabilities (excluding net assets attributable to holders of redeemable participating shares)		(752)	(880)	(80,116)	(23,222)	(2,352)	(880)	(108,248)
Net assets attributable to holders of redeemable participating shares	2.12	(176,055)	(259,171)	(595,645)	(459,314)	(19,413)	(7,435)	(1,266,335)
Total liabilities		(176,807)	(260,051)	(675,761)	(482,536)	(21,765)	(8,315)	(1,374,583)

¹ All amounts relating to ECH, which is denominated in Euro, have been converted at a FX rate of €1.00 = US\$1.0528. In the total column all transactions between the various sub-funds have been eliminated.

STATEMENT OF FINANCIAL POSITION

At 31 December 2016	DCH	ECH	LCH	TCH	LCH (Gold)	TCH (Gold)
Net asset value per Class A redeemable participating share US\$	184.02	-	281.51	200.43	-	-
Number of Class A redeemable participating shares in issue	956,696	-	1,724,737	1,127,345	-	-
Net asset value per Class B redeemable participating share €	-	270.60	205.60	161.75	-	-
Number of Class B redeemable participating shares in issue	-	945,007	301,207	615,770	-	-
Net asset value per Class C redeemable participating share US\$	-	-	284.07	202.92	-	-
Number of Class C redeemable participating shares in issue	-	-	158,109	633,298	-	-
Net asset value per Class G redeemable participating share US\$	-	-	-	-	281.72	128.44
Number of Class G redeemable participating shares in issue	-	-	-	-	68,911	57,889
Net asset value per Class X redeemable participating share US\$	-	-	-	-	-	-
Number of Class X redeemable participating shares in issue	-	-	-	-	-	-
Net asset value per Class Y redeemable participating share €	-	271.46	-	-	-	-
Number of Class Y redeemable participating shares in issue	-	12,698	-	-	-	-

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017	Notes	ACH US\$000	DCH US\$000	ECH €000	LCH US\$000	TCH US\$000	LCH (Gold) US\$000	TCH (Gold) US\$000	Total US\$000 ¹
Income									
Net gain/(loss) on financial assets and financial liabilities at fair value through profit or loss:									
- Realised gains/(losses)	2.4	23,984	16,329	1,937	(18,471)	11,357	1,123	382	41,498
- Change in unrealised gains/(losses)	2.4	36,371	2,059	10,073	66,867	(7,654)	2,644	256	97,568
Interest income	2.13	-	30	-	250	66	4	3	353
Fee rebate	7	-	-	310	2,980	-	306	112	3,747
Dividend income		1,014	-	-	-	-	-	-	1,014
Surplus on repurchase of own shares	2.12	-	-	129	1,173	752	5	-	2,075
Other income		236	-	150	14	-	7	-	426
Total income		61,605	18,418	12,599	52,813	4,521	4,089	753	146,681
Operating expenses									
Advisory and performance fees		(7,594)	(2,824)	(2,996)	(7,224)	(5,003)	(326)	(117)	(26,464)
Administration fees		(230)	(153)	(160)	(255)	(219)	-	-	(1,037)
Audit fees	6	(44)	(42)	(35)	(103)	(66)	(13)	(12)	(319)
Other operating expenses		(372)	(172)	(250)	(642)	(450)	(12)	(5)	(1,935)
Total operating expenses		(8,240)	(3,191)	(3,441)	(8,224)	(5,738)	(351)	(134)	(29,755)
Operating profit/(loss)		53,365	15,227	9,158	44,589	(1,217)	3,738	619	116,926
Finance costs									
Commitment fee relating to short term borrowings	3	(74)	(101)	(110)	(302)	(232)	(19)	(9)	(861)
Interest expense short term borrowings	2.13	(18)	-	(100)	(3)	(137)	(5)	(3)	(279)
Bank charges		-	-	-	-	-	-	-	-
Interest expense loan	2.13	-	-	-	(2,047)	-	-	-	(2,047)
Total finance costs		(92)	(101)	(210)	(2,352)	(369)	(24)	(12)	(3,187)
Profit/(loss) before taxation		53,273	15,126	8,948	42,237	(1,586)	3,714	607	113,739
Taxation	2.17	-	-	-	-	-	-	7	7
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations		53,273	15,126	8,948	42,237	(1,586)	3,714	614	113,746

All amounts arose solely from continuing operations. There are no gains or losses other than those dealt with in the statement of comprehensive income.

¹ All amounts relating to ECH, which is denominated in Euro, have been converted at an average FX rate of €1.00 = US\$1.1268. In the total column all transactions between the various sub-funds have been eliminated.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016	Notes	DCH US\$000	ECH €000	LCH US\$000	TCH US\$000	LCH (Gold) US\$000	TCH (Gold) US\$000	Total US\$000 ¹
Income								
Net gain/(loss) on financial assets and financial liabilities at fair value through profit or loss:								
- Realised gains/(losses)	2.4	(7,958)	(1,178)	(61,808)	(28,589)	1,066	448	(105,454)
- Change in unrealised gains/(losses)	2.4	15,925	(16,920)	19,692	35,673	(512)	256	56,728
Interest income	2.13	-	-	-	9	-	-	9
Fee rebate	7	-	447	3,397	626	319	116	4,936
Dividend income		-	-	-	-	-	-	-
Surplus on repurchase of own shares	2.12	-	66	2,180	1,278	-	-	3,529
Other income		7	9	37	38	-	-	92
Total income		7,974	(17,576)	(36,502)	9,035	873	820	(40,159)
Operating expenses								
Advisory and performance fees		(2,763)	(4,431)	(11,369)	(8,177)	(324)	(118)	(27,491)
Administration fees		(190)	(192)	(407)	(340)	(3)	(3)	(1,148)
Audit fees		(18)	(42)	(76)	(47)	(12)	(9)	(207)
Other operating expenses	6	(151)	(266)	(734)	(716)	(39)	(29)	(1,954)
Total operating expenses		(3,122)	(4,931)	(12,586)	(9,280)	(378)	(159)	(30,800)
Operating profit/(loss)		4,852	(22,507)	(49,088)	(245)	495	661	(70,959)
Finance costs								
Commitment fee relating to short term borrowings	3	(161)	(233)	(571)	(500)	(24)	(9)	(1,514)
Interest expense short term borrowings	2.13	(39)	(51)	(41)	(114)	(50)	(19)	(318)
Bank charges		-	(15)	-	-	(1)	-	(16)
Interest expense loan	2.13	-	-	(2,309)	-	-	-	(2,309)
Total finance costs		(200)	(299)	(2,921)	(614)	(75)	(28)	(4,157)
Profit/(loss) before taxation		4,652	(22,806)	(52,009)	(859)	420	633	(75,116)
Taxation	2.17	-	(4)	(8)	(6)	(3)	(3)	(24)
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations		4,652	(22,810)	(52,017)	(865)	417	630	(75,140)

All amounts arose solely from continuing operations. There are no gains or losses other than those dealt with in the statement of comprehensive income.

¹ All amounts relating to ECH, which is denominated in Euro, have been converted at an average FX rate of €1.00 = US\$1.0697. In the total column all transactions between the various sub-funds have been eliminated.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

For the year ended 31 December 2017	ACH US\$000	DCH US\$000	ECH €000 ¹	LCH US\$000	TCH US\$000	LCH (Gold) US\$000	TCH (Gold) US\$000	Total US\$000 ¹
Net assets attributable to holders of redeemable participating shares at 1 January	-	176,055	259,171	595,645	459,314	19,413	7,435	1,266,335
Increase from transfer of Asian Capital Holdings Fund	247,084	-	-	-	-	-	-	247,084
Increase from redeemable participating shares issued	5,913	6,039	723	2,459	4,896	-	-	16,789
Decrease due to redeemable participating shares repurchased	(20,254)	(65,705)	(88,718)	(207,253)	(155,172)	(852)	(145)	(402,560)
Net increase/(decrease) from share transactions	232,743	(59,666)	(87,995)	(204,794)	(150,276)	(852)	(145)	(138,687)
Distributions to shareholders	(459)	-	-	-	-	-	-	(459)
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations	53,273	15,126	8,948	42,237	(1,586)	3,714	614	113,746
Foreign currency translation adjustment	-	-	-	-	-	-	-	35,274
Net assets attributable to holders of redeemable participating shares at 31 December	285,557	131,515	180,124	433,088	307,452	22,275	7,904	1,276,209

¹ All amounts relating to ECH, which is denominated in Euro, at 1 January have been converted at a FX rate of €1.00 = US\$1.0528. The amounts in the Statement of comprehensive income relating to ECH as well as the proceeds from subscriptions and redemptions relating to ECH have been converted at the average FX rate of €1.00 = US\$1.1268. The method of conversion has no effect on the net asset value per redeemable participating share of the individual sub-funds. The amount of US\$35,247 above reflects the notional foreign exchange adjustment as a result of the method of conversion. This adjustment is not for the benefit of any shareholder. In the total column all transactions between the various sub-funds have been eliminated.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

For the year ended 31 December 2016	DCH US\$000	ECH €000 ¹	LCH US\$000	TCH US\$000	LCH (Gold) US\$000	TCH (Gold) US\$000	Total US\$000 ¹
Net assets attributable to holders of redeemable participating shares at 1 January	220,363	333,388	1,086,665	873,941	19,322	6,805	2,216,547
Increase from transfer of Asian Capital Holdings Fund	-	-	-	-	-	-	-
Increase from redeemable participating shares issued	5,000	23,280	11,349	6,391	19	-	40,960
Decrease due to redeemable participating shares repurchased	(53,960)	(74,687)	(450,352)	(420,153)	(345)	-	(907,223)
Net increase/(decrease) from share transactions	(48,960)	(51,407)	(439,003)	(413,762)	(326)	-	(866,263)
Distributions to shareholders	-	-	-	-	-	-	-
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations	4,652	(22,810)	(52,017)	(865)	417	630	(75,140)
Foreign currency translation adjustment	-	-	-	-	-	-	(8,809)
Net assets attributable to holders of redeemable participating shares at 31 December	176,055	259,171	595,645	459,314	19,413	7,435	1,266,335

¹ All amounts relating to ECH, which is denominated in Euro, at 1 January have been converted at a FX rate of €1.00 = US\$1.0866. The amounts in the Statement of comprehensive income relating to ECH as well as the proceeds from subscriptions and redemptions relating to ECH have been converted at the average FX rate of €1.00 = US\$1.0697. The method of conversion has no effect on the net asset value per redeemable participating share of the individual sub-funds. The amount of (US\$8,809) above reflects the notional foreign exchange adjustment as a result of the method of conversion. This adjustment is not for the benefit of any shareholder. In the total column all transactions between the various sub-funds have been eliminated

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017	Notes	ACH US\$000	DCH US\$000	ECH €000	LCH US\$000	TCH US\$000	LCH (Gold) US\$000	TCH (Gold) US\$000	Total US\$000 ¹
Cash flows from operating activities									
Profit/(loss) before taxation		53,273	15,126	8,948	42,237	(1,586)	3,714	607	113,739
Adjustments for:									
Interest income		-	-	-	(250)	(66)	(4)	(3)	(323)
Taxation		-	-	-	-	-	-	7	7
Surplus on repurchase of own shares		-	-	(129)	(1,173)	(752)	(5)	-	(2,075)
Other income		(236)	-	(150)	(14)	-	(7)	-	(426)
Finance costs		92	101	210	2,352	369	24	12	3,187
Foreign exchange (gains)/losses on cash and cash equivalents		-	-	-	49	3,622	-	-	3,671
Net changes in:									
Due from investments companies and brokers		(19,610)	(23,478)	1,438	3,744	12,572	(9,408)	(2,740)	(39,116)
Other accounts receivable		(27)	-	46	(82)	-	32	13	(19)
Due to investment companies and brokers		396	-	-	-	-	-	-	396
Advisory and performance fees payable		7,046	453	(423)	(1,014)	(746)	(18)	(10)	5,297
Other accounts payable and accrued expenses		78	(3)	1	(164)	(22)	(6)	(5)	(113)
Increase in financial net assets due to transfer of Asian Capital Holdings Fund		(247,084)	-	-	-	-	-	-	(247,084)
Increase/(decrease) in financial assets at fair value through profit or loss		(261)	54,467	78,418	209,496	169,561	9,281	3,187	368,396
Increase/(decrease) in financial liabilities at fair value through profit or loss		-	-	(194)	(1,222)	(5,496)	(126)	(48)	(7,096)
Interest income received		-	-	-	250	66	4	3	323
Surplus on repurchase of own shares received		-	-	129	1,173	752	5	-	426
Other income received		236	-	150	14	-	7	-	2,075
Finance costs paid		(92)	(101)	(210)	(2,352)	(369)	(24)	(12)	(3,187)
Net cash from operating activities		(206,189)	46,565	88,234	253,044	177,905	3,469	1,011	198,078
Cash flows from financing activities									
Short term borrowings		-	-	-	16,000	(20,000)	(2,157)	(797)	(6,954)
Repayment of bank loan		-	-	-	(75,000)	-	-	-	(75,000)
Proceeds from redeemable participating shares issued		252,997	5,789	723	2,459	4,896	-	-	263,623
Paid on redeemable participating shares paid		(20,254)	(65,705)	(88,718)	(207,842)	(154,879)	(852)	(145)	(402,856)
Distributions paid		(458)	-	-	-	-	-	-	(458)
Net cash from financing activities		232,285	(59,916)	(87,995)	(264,383)	(169,983)	(3,009)	(942)	(221,645)
Net increase/(decrease) in cash and cash equivalents		26,096	(13,351)	239	(11,339)	7,922	460	69	(23,567)
Foreign currency translation adjustment		-	-	-	-	-	-	-	35,274
Cash and cash equivalents at 1 January		-	15,142	10,571	14,157	5,267	119	155	45,969
Cash and cash equivalents at 31 December	2.5	26,096	1,791	10,810	2,818	13,189	579	224	57,676

¹ All amounts relating to ECH, which is denominated in Euro, have been converted at a FX rate of €1.00 = US\$1.2007. In the total column all transactions between the various sub-funds have been eliminated

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016	Notes	DCH US\$000	ECH €000	LCH US\$000	TCH US\$000	LCH (Gold) US\$000	TCH (Gold) US\$000	Total US\$000 ¹
Cash flows from operating activities								
Profit/(loss) before taxation		4,652	(22,806)	(52,009)	(859)	420	633	(75,116)
Adjustments for:								
Interest income		-	-	-	(9)	-	-	(9)
Taxation		-	(4)	(8)	(6)	(3)	(3)	(24)
Surplus on repurchase of own shares		-	(66)	(2,180)	(1,278)	-	-	(3,529)
Other income		(7)	(9)	(37)	(38)	-	-	(92)
Finance costs		200	299	2,921	614	75	28	4,157
Foreign exchange (gains)/losses on cash		-	-	(36)	380	-	-	344
Net changes in:								
Due from investments companies and brokers		(4,120)	(12,390)	(91,327)	(45,733)	(2,159)	(814)	(157,176)
Other accounts receivable		-	(25)	(15)	12	(31)	(13)	(72)
Prepayments on investments		-	-	-	10,000	-	-	10,000
Margin accounts		-	-	-	-	1,059	441	1,500
Due to investment companies and brokers		-	-	-	-	-	-	-
Advisory and performance fees payable		(115)	(517)	176	10	28	10	(475)
Other accounts payable and accrued expenses		(73)	(78)	(54)	(284)	7	11	(479)
Increase in financial net assets due to transfer of Asian Capital Holdings Fund		-	-	-	-	-	-	-
Increase/(decrease) in financial assets at fair value through profit or loss		71,315	78,411	482,369	425,091	(389)	(616)	982,537
Increase/(decrease) in financial liabilities at fair value through profit or loss		-	194	220	(487)	(75)	(24)	(162)
Interest income received		-	-	-	9	-	-	9
Other income received		7	75	2,217	1,316	-	-	3,620
Finance costs paid		(200)	(299)	(2,921)	(614)	(75)	(28)	(4,157)
Net cash from operating activities		71,659	42,785	339,316	388,124	(1,143)	(375)	760,876
Cash flows from financing activities								
Short term borrowings		-	-	-	20,000	2,157	797	22,954
Repayment of bank loan		-	-	-	-	-	-	-
Proceeds from redeemable participating shares issued		5,250	23,280	11,349	6,391	19	-	41,210
Paid on redeemable participating shares paid		(53,960)	(74,687)	(448,257)	(419,976)	(345)	-	(904,951)
Distributions paid		-	-	-	-	-	-	-
Net cash from financing activities		(48,710)	(51,407)	(436,908)	(393,585)	1,831	797	(840,787)
Net increase/(decrease) in cash and cash equivalents		22,949	(8,622)	(97,592)	(5,461)	688	422	(79,911)
Foreign currency translation adjustment		-	-	-	-	-	-	(8,809)
Cash and cash equivalents at 1 January		(7,807)	19,193	111,749	10,728	(569)	(267)	134,689
Cash and cash equivalents at 31 December	2.5	15,142	10,571	14,157	5,267	119	155	45,969

¹ All amounts relating to ECH, which is denominated in Euro, have been converted at a FX rate of €1.00 = US\$1.0528. In the total column all transactions between the various sub-funds have been eliminated.

1. GENERAL INFORMATION

The Capital Holdings Funds plc (the “Company”) was incorporated in Ireland on 13 March 2014 and was authorised as a Retail Investor AIF by the Central Bank of Ireland on 19 December 2014.

The Company is an umbrella fund with segregated liability between its sub-funds. The active sub-funds are currently:

- Asian Capital Holdings (“ACH”)
- Discovery Capital Holdings (“DCH”)
- European Capital Holdings (“ECH”)
- Leveraged Capital Holdings (“LCH”)
- Trading Capital Holdings (“TCH”)
- Leveraged Capital Holdings (Gold) (“LCH (Gold)”)
- Trading Capital Holdings (Gold) (“TCH (Gold)”)

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated in the following text.

2.1. Basis of preparation

These financial statements have been prepared in accordance with IFRS and IFRS Interpretations Committee interpretations as adopted by the European Union (“IFRS”) and those parts of the Companies Act 2014 applicable to companies reporting under IFRS, and art 115y of the Netherlands Decree on Conduct of Business Supervision of Financial Undertakings under the Netherlands Financial Supervision Act.

These financial statements have been prepared on the going concern basis and under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the entity’s financial statements are disclosed in note 5.

The following interpretations are mandatory for the Company’s accounting years beginning on or after 1 January 2017 or later years:

Standards and amendments to published standards that are mandatory for the financial year beginning on or after 1 January 2017

The IFRS or IFRIC interpretations that are effective for the first time for the financial period beginning on or after 1 January

2017 that are not expected to have a impact on the Company are disclosed below.

Disclosure Initiative (Amendments to IAS 7, ‘Statement of Cash Flows’)
Effective for annual periods beginning on or after January 1, 2017, specifies that an entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment responds to the needs of users of financial statements by providing investors with the required information necessary to perform a net debt reconciliation through utilising the definition of financing activities as provided within IAS 7. The amendment does not have a significant impact on the Company’s financial position or performance as this relates purely to additional disclosures surrounding the Company’s activities during the reporting period.

Standards, amendments and interpretations that are in issue but not effective for the financial year beginning January 1, 2017 and not early adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective, subject to the EU endorsement.

IFRS 9 ‘Financial Instruments’

In July 2014, the IASB issued the final version of IFRS 9 ‘Financial Instruments’ (“IFRS 9”) which reflects all phases of the financial instruments project and replaces IAS 39 ‘Financial Instruments Recognition and Measurement’ (“IAS 39”) and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company will quantify the effect, when they become effective, subject to EU endorsement.

Other amendments and interpretations that are in issue but not effective for the financial year beginning January 1, 2017 and not early adopted:

- IFRS 2 Share Based Payments (1 January 2018);
- IFRS 4 Insurance Contracts (1 January 2018);
- IFRS 15 Revenue from Contracts with Customers (1 January 2018);
- IAS 40 Transfers of Investment Property (1 January 2018);
- Interpretation 22, “Foreign Currency Transactions and Advance Contributions (1 January 2018);
- IFRS 16 Leases (1 January 2019);
- IFRS 17 Insurance Contracts (1 January 2021); and
- Interpretation 23 Uncertainty over income tax treatments (1 January 2019).

The adoption of the above standards as of 1 January 2018 is not expected to have a material impact on the Company's financial statements.

2.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the Board of Directors and is prepared on a basis consistent with the measurement and recognition principles of IFRS.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

A structured entity often has some or all of the following features or attributes:

- a) restricted activities;
- b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Company considers all of its investments in other funds to be investments in unconsolidated structured entities. The Company generally invests in structured entities whose objectives range from achieving medium to long term capital growth and whose investment strategy may include the use of leverage. The structured entities are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives. The structured entities finance their operations by issuing redeemable shares which are generally puttable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets. The Company holds redeemable shares in each of its Investee Funds.

2.3 Foreign currency translation

Functional and presentational currency:

Items included in the Company's financial statements are measured in US dollar for all sub-funds (apart from ECH) for which the items included in its financial statements are measured in Euro. The US dollar is considered the presentation and functional currency for all sub-funds (apart from ECH) because it is the currency of the primary economic environment in which the Company operates. It reflects the Company's main activity of investing in US equities and or US dollar denominated investment companies as well as the currency in which the majority of the Company's redeemable participating shares are issued.

For ECH the Euro is considered the presentation and functional currency because it is the currency of the primary economic environment in which ECH operates. It reflects ECH's main activity of investing in European equities and Euro denominated investment companies as well as the currency in which ECH's redeemable participating shares are issued.

Transactions and balances:

The values of monetary assets and liabilities which are denominated in a foreign currency are translated using the exchange rate at the balance sheet date. Transactions during the year are translated at the rate of exchange prevailing on the date of the transaction. Realised and unrealised gains and losses resulting from the translation of investments, cash and cash equivalents are reflected in the income statements within net gain/(loss) on financial assets and liabilities at fair value through profit or loss.

2.4 Financial assets and financial liabilities at fair value through profit or loss

Classification:

Investments in investment companies have been designated as financial assets at fair value through profit or loss. All other investments are held for trading and are acquired or incurred principally for the purpose of selling or repurchasing in the short term. Investments sold short are liabilities held for trading and as such are considered financial liabilities at fair value through profit or loss.

Recognition, derecognition and measurement:

Investment transactions are recorded on the trade date. Financial assets and financial liabilities at fair value through profit and loss are initially recognized at fair value. Transactions costs are accounted for as expenses in the statement of comprehensive income. Realised and unrealised gains and losses are determined on an average cost basis.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Investments held by the Company are carried at fair value, determined as follows:

Investments in investment companies are initially recognised as financial assets at fair value through profit or loss and are valued on the basis of unaudited net asset value per share as reported by the administrators or investment managers of those entities as at the end of the reporting period in accordance with industry

practice. Such values may be adjusted by the Board of Directors in its judgment to reflect market movements since the report date and to better reflect the fair valuation of such investment.

For investments other than investment companies, traded on a securities exchange, fair value is generally determined by reference to last traded prices on the exchange, without adjustment for transaction costs necessary to realise the asset or extinguish the liability. If traded in over-the-counter markets, instruments are stated by reference to prices obtained from dealers or counterparties.

Forward foreign exchange contracts are considered financial assets or financial liabilities at fair value through profit or loss and are recorded on the trade date and are valued at the applicable foreign exchange rates.

Gold index swap contracts are considered financial assets or liabilities at fair value through profit or loss and are recorded on the trade date and are valued based on the underlying index.

Future contracts are considered financial assets or liabilities at fair value through profit or loss and are recorded on the trade date. Fair value is generally determined by reference to last traded prices on the exchange, without adjustment for transaction costs necessary to realise the asset or extinguish the liability.

Fair value estimation:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Company utilizes the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

Transfers between levels of the fair value hierarchy:

Transfers between levels of the fair value hierarchy (if any) are deemed to have occurred at the beginning of the reporting period.

Investments in investment funds:

When investing in investment funds, the Company typically invests in funds that are not regulated.

Underlying investment managers charge additional fees, namely investment management fees and performance fees. These are estimated to range from 0% to 4% per annum (with the majority currently set at 1.5%) and from 0% to 40% (with the majority currently set at 20%) respectively.

A copy of the full portfolio of each sub-fund at the end of the reporting period, including a statement of changes made to the portfolio each sub-fund during the period, can be obtained on request by investors free of charge at the office of the Administrator.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash at current bank accounts, cash held on deposit, money market instruments, and bank overdrafts. Borrowing costs are recognised immediately as an expense.

The statement of cash flows is presented using the indirect method.

2.6 Margin accounts

Margin accounts represent margin deposits held in respect of financial derivative instruments.

2.7 Due from and due to investment companies and brokers

Amounts due from and due to investment companies and brokers represent receivables for securities sold and payables for securities purchased that have been contracted but not yet settled or delivered at the end of the reporting period, respectively.

2.8 Prepayments on investments

Investments are recognised and derecognised on the trade date where a purchase or sale is made under a contract whose terms require delivery within the timeframe established by the market concerned, are initially measured at cost, including transactions costs.

2.9 Other accounts receivable

Other accounts receivable are measured at their nominal value.

2.10 Borrowings from bank

Borrowings from bank are recognised at fair value net of transaction costs incurred. Borrowing costs are recognised immediately as an expense.

2.11 Other accounts payable and accrued expenses

Other accounts payable and accrued expenses are measured at their nominal value.

2.12 Redeemable participating shares

Redeemable participating shares are redeemable at the shareholders' option at either the end of the month or the end of the calendar quarter (depending on the sub-fund) on giving a certain number of days notice (depending on the sub-fund as specified in the prospectus) and are classified as financial liabilities. The cost of distributions on these shares, if applicable, is recognised in the statement of changes in net assets attributable to holders of redeemable participating shares. Redemptions are paid at the NAV of the respective class of shares as of the close of business of such date of redemption. Payment shall be made as soon as practicable but in any event no later than 30 days

NOTES TO THE FINANCIAL STATEMENTS

following the applicable redemption date. Redemptions are normally paid in cash but, at the sole discretion of the Company, the Company may elect to distribute securities in kind.

The Company from time to time repurchases its own shares at a discount to the then prevailing net asset value per share. The surplus on repurchases of own shares, over and above the redemption fee and the commission paid to the Company's Agent, are recognised in the statement of comprehensive income.

2.13 Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all debt instruments using their nominal values.

2.14 Dividends

Dividend income and expense are recognised on the ex-dividend date and when the right to receive payment is established. Dividend income is shown gross of withholding taxes. The withholding taxes are shown separately in the statements of comprehensive income.

2.15 Expenses

Expenses are charged to the statements of comprehensive income on an accrual basis. Expenses charged at the Company level are allocated to the various sub-funds and the individual classes based on the classes' relative net asset values.

2.16 Soft commissions

The Company or its Investment Advisor does not receive any soft commissions.

2.17 Taxation

Under current law and practice the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended (the "TCA"). On that basis, it is not chargeable to Irish tax on its income or gains. However, Irish tax may arise on the occurrence of a "chargeable event". A chargeable event includes any distribution payments to shareholders or any encashment redemption, transfer or cancellation of shares and any deemed disposal of shares for Irish tax purposes arising as a result of holding shares for a period of eight years or more.

No Irish tax will arise in respect of chargeable events in respect of a shareholder who is an Exempt Irish Investor (as defined in Section 739D of the TCA) or who is neither Irish resident nor ordinarily resident in Ireland for tax purposes at the time of the chargeable event, provided, in each case, that an appropriate valid declaration in accordance with Schedule 2B of the TCA is held by the Company or where the Company has been authorised by Irish Revenue to make gross payments in absence of appropriate declarations.

Distributions, interest and capital gains (if any) received on investments made by the Company may be subject to withholding

taxes imposed by the country of origin and such taxes may not be recoverable by the Company or its shareholders.

3. CAPITAL MANAGEMENT POLICES AND PROCEDURES

The Company is established as an umbrella investment company and the investment objectives and policies for each sub-fund are formulated by the Company at the time of creation of each sub-fund and are specified in the relevant Annex to the Prospectus.

Under its two tier system, the sub-funds do not invest directly, but operate through a variety of investment vehicles. Generally, each such investment vehicle is advised by a principal portfolio manager and its team, allowing the sub-funds to benefit from the diversity and experience of professional portfolio managers (the "Managers"). The investment activities of the sub-funds include a wide range of specialised approaches and techniques used by several Managers, who are allowed to operate within their area of expertise with minimal exposed limitations. The sub-funds do not supervise or control the decisions of the Managers, but adds or withdraws capital according to their strategy and their judgment of their performance.

The Board of Directors monitors and reviews compliance of the investment activities with the principal objectives stated in the prospectus. The Company's objectives, policies and processes for managing capital are unchanged from the preceding reporting period and the Company has complied with them.

The amount of redemptions that the Company may accept at each redemption date is not limited by a gate, apart from in respect of Class C shares. The Company endeavors to manage the liquidity profile of its assets with the aim of being able to meet envisaged redemption or repurchase requests and pay redemption or repurchase proceeds, provided that redemption or repurchase of shares and payment of redemption or repurchase proceeds may be delayed or suspended as a result of limitations and/or emergencies described in the prospectus.

Under certain circumstances, as described in the Prospectus, the Company has the power to suspend the right of the holders of shares to require the Company to redeem shares and/or to pay redemption proceeds.

The Company may seek to hedge against currency fluctuations of any class of shares, provided that hedging instruments are available on a timely basis and on acceptable terms.

4. DETERMINATION OF NET ASSET VALUE FOR SUBSCRIPTIONS AND REDEMPTIONS

Net Asset Value (NAV)

The following note sets out the basis of determination of the NAV used for subscriptions and redemptions during the year which may differ from the basis used in the preparation of these financial statements. The NAV of the Company at the close of

NOTES TO THE FINANCIAL STATEMENTS

any business day is the then aggregate fair market value of the Company's total assets minus its liabilities, other than those attributable to holders of redeemable participating shares, divided by the number of shares then outstanding. In particular (a) listed securities are taken at the last reported bid price (for financial assets) or the last traded ask price (for financial liabilities) on the principal exchange on which they are traded (b) unlisted investments are valued with reference to an independent pricing source, taking into account quotes obtained from dealers and/or market makers, or else the fair-market value as determined by the Board of Directors, and (c) investments in sub-funds are taken at their latest reported net asset values, which may be adjusted by the Board of Directors in its judgment to reflect market movements since the report date, by reference to a recognised market index.

Estimation

Because of the nature and scope of the Company's assets, the complexity of their valuation in certain cases, and the inevitable delays in reporting by underlying investment companies, the daily calculations of the NAV of each class of shares by the Administrator are estimates according to its best judgment (following the method above described and set out in detail in the Prospectus and the Memorandum and Articles of Incorporation) which may not necessarily correspond with the actual NAV on the relevant date. However, the Company does not make retroactive adjustments in the NAVs previously used for subscriptions and redemptions. Therefore, such transactions are final and binding when made notwithstanding any different later determination. Additionally, the investment companies partly or wholly owned by the Company are typically not publicly traded and management's determination of valuation is considered a fair value estimate. The ultimate amount to be received upon a sale of these investments may differ from the estimates.

5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

5.a. Financial assets and liabilities at fair value through profit or loss

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as net asset values reported by the administrators of the investment companies in which the Company has invested.

Level 3: Inputs are unobservable inputs for the asset or liability. This includes financial assets or liabilities for which the Board of Directors made fair value adjustments because of the illiquidity of such financial assets and liabilities.

Level 3 valuations are reviewed on a periodic basis by the Company's Board of Directors. The Board of Directors considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry. The main technique used in fair valuing the level 3 assets has been to apply a discount to the corresponding Level 3 valuations as best estimated by the Board of Directors. In selecting the most appropriate valuation model the Board of Directors performs back testing and considers which model's results have historically aligned most closely to actual market transactions.

The following is a summary of the financial assets at fair value through profit or loss as at 31 December 2017:

Asian Capital Holdings	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment companies:				
Asia	-	61,476	-	61,476
Diversified Asian Strategies	-	35,064	-	35,064
Greater China	-	78,999	-	78,999
Total investment companies	-	175,539	-	175,539
Common stock	58,195	-	-	58,195
Corporate debt	931	-	-	931
Forward FX contracts	-	62	-	62
Warrants	-	12,618	-	12,618
Total financial assets at fair value through profit or loss	59,126	188,219	-	247,345

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Discovery Capital Holdings	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment companies:				
Emerging Managers	-	101,387	-	101,387
Total financial assets at fair value through profit or loss	-	101,387	-	101,387
European Capital Holdings	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Investment companies:				
Equity Long	4,930	11,734	350	17,014
Equity Long/Short	-	136,884	-	136,884
Macro	-	3,506	-	3,506
Investment companies in run-off	-	-	505	505
Total investment companies	4,930	152,124	855	157,909
Forward FX contracts	-	82	-	82
Total financial assets at fair value through profit or loss	4,930	152,206	855	157,991
Leveraged Capital Holdings	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment companies:				
Equity Long Biased	7,091	208,419	-	215,510
Equity Opportunistic	-	23,562	-	23,562
Event Driven	-	39,193	4,325	43,518
Macro and Other	-	75,767	-	75,767
Total investment companies	7,091	346,941	4,325	358,357
Forward FX contracts	-	1,170	-	1,170
Total financial assets at fair value through profit or loss	7,091	348,111	4,325	359,527

NOTES TO THE FINANCIAL STATEMENTS

Trading Capital Holdings	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment companies:				
Commodities	-	26,799	-	26,799
Concentrated strategies	-	60,502	-	60,502
Credit	-	21,606	578	22,184
Diversified macro	-	40,420	290	40,710
Emerging markets	-	83,914	-	83,914
Sovereign debt	-	24,703	-	24,703
Investment companies in run-off	-	-	232	232
Total investment companies	-	257,944	1,100	259,044
Forward FX contracts	-	1,171	-	1,171
Total financial assets at fair value through profit or loss	-	259,115	1,100	260,215
Leveraged Capital Holdings (Gold)				
	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investments in LCH	-	9,610	-	9,610
Investments in gold index swap	-	539	-	539
Total financial assets at fair value through profit or loss	-	10,149	-	10,149
Trading Capital Holdings (Gold)				
	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investments in TCH	-	3,942	-	3,942
Investments in gold index swap	-	195	-	195
Total financial assets at fair value through profit or loss	-	4,137	-	4,137

NOTES TO THE FINANCIAL STATEMENTS

The following table analyses within the fair value hierarchy the Company's assets and liabilities (by class) not measured at fair value at 31 December 2017 but for which fair value is disclosed:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Assets				
Due from investment companies and brokers	-	201,061	-	201,061
Other accounts receivable	-	772	-	772
Cash and cash equivalents	57,676	-	-	57,676
Total	57,676	201,833	-	259,509
Liabilities				
Due to investment companies and brokers	-	(396)	-	(396)
Short term borrowings	(16,000)	-	-	(16,000)
Shareholder redemptions payable	-	(1,976)	-	(1,976)
Advisory and performance fees payable	-	(9,081)	-	(9,081)
Other accounts payable and accrued expenses	-	(451)	-	(451)
Total	(16,000)	(11,904)	-	(27,904)

The following is a summary of the financial assets at fair value through profit or loss as at 31 December 2016:

Discovery Capital Holdings	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment companies:				
Emerging Managers	-	155,575	279	155,854
Total financial assets at fair value through profit or loss	-	155,575	279	155,854

European Capital Holdings	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Investment companies:				
Equity Long	-	15,063	398	15,461
Equity Long/Short	-	187,194	-	187,194
Macro	-	31,839	-	31,839
Investment companies in run-off	-	-	1,915	1,915
Total financial assets at fair value through profit or loss	-	234,096	2,313	236,409

NOTES TO THE FINANCIAL STATEMENTS

Leveraged Capital Holdings	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment companies:				
Equity Long Biased	2,895	268,456	-	271,351
Equity Opportunistic	-	55,045	-	55,045
Event Driven	-	76,718	11,945	88,663
Macro and Other	-	153,957	7	153,964
Total financial assets at fair value through profit or loss	2,895	554,176	11,952	569,023

Trading Capital Holdings	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment companies:				
Commodities	-	59,427	-	59,427
Concentrated strategies	-	81,494	-	81,494
Credit	-	43,278	700	43,978
Diversified macro	-	87,100	493	87,593
Emerging markets	-	106,739	-	106,739
Sovereign debt	-	50,304	-	50,304
Investment companies in run-off	-	-	241	241
Total financial assets at fair value through profit or loss	-	428,342	1,434	429,776

Leveraged Capital Holdings (Gold)	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investments in LCH	-	19,430	-	19,430
Total financial assets at fair value through profit or loss	-	19,430	-	19,430

Trading Capital Holdings (Gold)	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investments in TCH	-	7,324	-	7,324
Total financial assets at fair value through profit or loss	-	7,324	-	7,324

The following is a summary of the financial liabilities at fair value through profit or loss at 31 December 2016:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
ECH – Forward FX contracts	-	(204)	-	(204)
LCH – Forward FX contracts	-	(1,173)	-	(1,173)
TCH – Forward FX contracts	-	(1,874)	-	(1,874)
LCH (Gold) – Gold index swap	-	(126)	-	(126)
TCH (Gold) – Gold index swap	-	(48)	-	(48)
Total financial liabilities at fair value through profit or loss	-	(3,425)	-	(3,425)

NOTES TO THE FINANCIAL STATEMENTS

The following table analyses within the fair value hierarchy the Company's assets and liabilities (by class) not measured at fair value at 31 December 2016 but for which fair value is disclosed:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Assets				
Due from investment companies and brokers	-	161,945	-	161,945
Other accounts receivable	-	753	-	753
Cash and cash equivalents	45,969	-	-	45,969
Total	45,969	162,698	-	208,667
Liabilities				
Short term borrowings	(22,954)	-	-	(22,954)
Subscriptions received in advance	-	(250)	-	(250)
Shareholder redemptions payable	-	(2,272)	-	(2,272)
Advisory and incentive fees payable	-	(3,784)	-	(3,784)
Other accounts payable and accrued expenses	-	(563)	-	(563)
Total	(22,954)	(6,869)	-	(29,823)

5.b. Investments over 5% of net assets of the Company

Investments over 5% of net assets of the Company as at 31 December 2017 were:

	31/12/17 US\$000	% of NAV
Investment by LCH in DCH	65,742	5.2

Investments over 5% of net assets of the Company as at 31 December 2016 were:

	31/12/16 US\$000	% of NAV
Investment by ECH and LCH in TCH	128,310	10.1
Investment by LCH in DCH	106,345	8.4

5.c. Investments in sub-funds of the Company

All cross-investments in sub-funds of the Company are shown below.

Investments in sub-funds of the Company as at 31 December 2017 were:

	Invested in	31/12/17 US\$000	% of NAV
LCH (US\$)	DCH	65,742	5.2
LCH (US\$)	TCH	48,562	3.8
LCH (Gold) (US\$)	LCH	9,610	0.8
TCH (Gold) (US\$)	TCH	3,942	0.3

NOTES TO THE FINANCIAL STATEMENTS

Investments in sub-funds of the Company as at 31 December 2016 were:

	Invested in	31/12/16 €/US\$000	% of NAV
ECH (€)	TCH	25,719	2.1
LCH (US\$)	DCH	106,345	8.4
LCH (US\$)	TCH	101,233	8.0
LCH (Gold) (US\$)	LCH	21,589	1.7
TCH (Gold) (US\$)	TCH	8,138	0.6

In order to avoid double charging of fees on cross investments in sub-funds, the investment adviser has agreed to rebate the full amount of advisory fees and performance fees charged on cross investments in any of the sub-funds. The rebate amount is shown in the statement of comprehensive income under Fee rebate.

5.d. Exposure to gold investments relating to gold sub-funds

At	31/12/17 US\$000	31/12/16 US\$000
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Leveraged Capital Holdings (Gold):

Gold index swap – notional amount	21,215	19,700
Gold index swap – unrealised gain/(loss)	539	(126)

Total gold holdings relating to Gold share class

21,754	19,574
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Trading Capital Holdings (Gold):

Gold index swap – notional amount	7,684	7,500
Gold index swap – unrealised gain/(loss)	195	(48)

Total gold holdings relating to Gold share class

7,879	7,452
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5.e. Forward foreign exchange contracts

The Company enters into forward foreign exchange transactions for the Euro Class B shares and/or ECH, normally with the aim of seeking to hedge the US Dollar exposure back to the Euro. Forward foreign exchange contracts are held for trading and are valued at the forward rate and are marked to market on the valuation date.

Included under financial liabilities at fair value through profit or loss at 31 December 2017 are the following forward foreign exchange contracts that were outstanding with BNP Paribas Securities Services:

	Purchases €000	(Sales) US\$000	Maturity date	Unrealised appreciation/ (depreciation) US\$000
ACH	2,883	(3,390)	10/01/2018	62
ECH	3,916	(4,606)	10/01/2018	82
LCH	48,970	(57,625)	10/01/2018	1,170
TCH	45,540	(53,506)	10/01/2018	1,171
Total				2,485

NOTES TO THE FINANCIAL STATEMENTS

Included under financial liabilities at fair value through profit or loss at 31 December 2016 are the following forward foreign exchange contracts that were outstanding with BNP Paribas Securities Services:

	Purchases €000	(Sales) US\$000	Maturity date	Unrealised appreciation/ (depreciation) US\$000
ECH	6,509	(7,087)	31/01/2017	(204)
LCH	62,750	(67,280)	09/01/2017	(1,173)
TCH	99,860	(107,076)	09/01/2017	(1,874)
Total				(3,251)

6. AUDIT FEES

The audit fees disclosed in the financial statements do not only relate to the Company's statutory audit. The auditors' remuneration comprises:

	31/12/17 US\$000	31/12/16 US\$000
Statutory audit	(253)	(160)
Tax advisory services	(55)	(10)
Other assurance services	(11)	(4)
Total auditors' remuneration	(319)	(174)

7. RELATED PARTY TRANSACTIONS

The following parties should be considered related parties because together they ultimately control the Company: the members of the Board of Directors and LCH Investments NV (including its Board of Directors) in its capacity as Investment Advisor and up to 28 February 2018 also ACH Investment Advisors SA (including its Board of Directors).

Additionally, the following parties, having transactions with the Company, are related because they are affiliated to one of the sponsoring institutions or one of the Directors of the Company:

- Edmond de Rothschild Securities (UK) Ltd: in its capacity as Agent of the Company (to 1 June 2017);
- Edmond de Rothschild (Suisse) SA: in its capacity as Swiss Paying Agent (annual fee €10,000; 2016 €10,000) and its capacity as Agent of the Company (from 29 May 2017);
- Edmond de Rothschild Asset Management (Suisse) SA: in its capacity as Swiss Representative of the Company (annual fee €3,000; 2016: €3,000);
- KB Associates: as service provider to the Company (annual fee €189,000; 2016: €164,000);
- Londinium Ltd: as service provider to the Company (annual fee €75,000; 2016: €75,000).

Additionally, transactions with any of the sub-funds could be considered related party transactions, since all sub-funds share the same Board of Directors. Transactions with related parties are done on terms that are considered to be in conformity with market rates and are considered to be in the best interest of shareholders.

The total compensation payable to the Agent of the Company in respect of services performed during the year 2017 amounted to US\$377,380 (2016: US\$1,175,528) with respect to Edmond de Rothschild Securities (UK) Ltd and to US\$241,598 with respect to Edmond de Rothschild (Suisse) SA.

As detailed in the prospectus some directors are entitled to receive a fixed annual fee for their services. The total fees payable to these directors on an annual basis amount to €355,000 (2016: €585,000).

In order to avoid double charging of fees on cross investments in sub-funds, the investment adviser has agreed to rebate the full amount of advisory fees and performance fees charged on cross investments in any of the sub-funds. The rebate amount is shown in the statement of comprehensive income under Fee rebate.

Details of any fees payable to the investment advisers to the Company and the Agent are detailed in the respective related party disclosures of each individual sub-fund. No fees were outstanding at the end of the period with respect to any of the other related parties listed above.

8. EXCHANGE RATE

The following exchange rate prevailing at 31 December 2017 was used: for ACH: €1.00 = US\$1.1968, for ECH: €1.00 = US\$1.2007 (2016: US\$1.0528) and for all other funds: €1.00 = US\$1.1998 (2016: US\$1.0528).

9. DESCRIPTION OF MATERIAL CHANGES TO THE PROSPECTUS DURING THE REPORTING PERIOD

On 28 February 2017, the Company issued an updated prospectus reflecting the launch of a new sub-fund called Asian Capital Holdings (“ACH”). As of that date, the assets and liabilities of a Luxembourg domiciled entity Asian Capital Holdings Fund – ACH were transferred to ACH.

10. SEGREGATION OF LIABILITY

Under the provisions of the Companies Act the Directors shall maintain for each sub-fund a separate portfolio of assets. As between Shareholders, each portfolio of assets shall be invested for the exclusive benefit of the relevant sub-fund. The Shareholders shall only be entitled to the assets and profits of that sub-fund in which they participate. The Company shall be considered one single legal entity. With regard to third parties, in particular towards the Company’s creditors, the Company shall be responsible for all liabilities incurred by a sub-fund exclusively based on the assets of this relevant sub-fund. Among the Shareholders, the liabilities of each sub-fund shall only be incurred to the respective sub-fund. As at the date of the Financial Statements, the Directors are not aware of any existing or contingent liability of any sub-fund of the Company.

11. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

Effective as of 1 March 2018, LCH Investments NV was appointed as Investment Advisor to ACH, replacing ACH Investment Advisors SA which previously undertook that role. This was reflected in an updated prospectus issued on 28 February 2018. The prospectus of the Fund can be found on the Company’s website www.capitalholdings.com.



ASIAN CAPITAL HOLDINGS
PROFILE

The principal objective of ACH is the appreciation in capital.

ACH predominantly invests indirectly through offshore funds which are wholly or partly owned by ACH. Generally each offshore fund is advised by a single portfolio manager and its team. The investment activities of the funds thereby comprise a wide range of specialised approaches and techniques used by the managers.

Hence ACH benefits from the collective services of a group of highly skilled investment managers who are allowed to operate within their area of expertise without imposed limitations. Moreover, due to its two tier system, ACH is highly flexible in engaging and, when necessary, disengaging the services of investment managers, while at the same time limiting the financial and legal exposure to the size of its investment in an offshore fund.

A portion of the assets of ACH are invested directly, as described in the prospectus.

From 1 March 2018, LCH Investments NV is the Investment Advisor of ACH and advises the fund on the selection of the investment managers. Its Investment Advisory Committee meets regularly to review and select managers in order to position ACH optimally in changing markets. Prior to 1 March 2018, ACH Investment Advisors SA was the Investment Advisor of ACH.

ACH started operating on 31 March 1993 in Luxembourg and transferred its assets and liabilities to a sub-fund of the Company on 1 March 2017.

The financial year end of ACH is 31 December. In addition to the annual report, which contains audited financial statements, an unaudited interim report for the six month period to 30 June is also published.

ACH normally issues shares daily, at net asset value per share (NAV).

Shares may be redeemed from ACH on the last valuation day of each month, provided that a redemption request must be received no later than the 25th calendar day of the month preceding the month for which the redemption is requested.

For the convenience of investors, Class A and Class B shares of ACH are listed on Eurolist of Euronext Amsterdam NV and are also traded over the counter. However, ACH is not a party to and is not responsible for such secondary market transactions. Investors may purchase and sell through banks and brokers throughout the world.

ASIAN CAPITAL HOLDINGS
PERFORMANCE SINCE INCEPTION¹

Date	NAV per share Class A – US\$	NAV per share Class B - € ²	Performance % ³
31/03/93*	49.52	-	-
31/12/93	67.93	-	37.2
31/12/94	57.38	-	(15.5)
31/12/95	57.21	-	(0.3)
31/12/96	60.25	-	5.3
31/12/97**	51.65	-	(14.3)
31/12/98**	43.64	-	(15.5)
31/12/99**	85.13	-	95.1
31/12/00**	64.80	-	(23.9)
31/12/01**	69.81	-	7.7
31/12/02**	68.53	-	(1.8)
31/12/03**	88.21	-	28.7
31/12/04**	94.38	-	7.0
31/12/05**	107.39	-	13.8
31/12/06**	118.62	-	10.5
31/12/07**	145.80	106.49	22.9
31/12/08**	90.17	65.98	(38.2)
31/12/09**	108.93	79.41	20.8
31/12/10**	117.92	85.55	8.3
31/12/11**	100.99	73.02	(14.4)
31/12/12**	107.84	77.35	6.8
31/12/13**	118.80	84.81	10.2
31/12/14**	127.54	91.15	7.4
31/12/15**	129.21	92.23	1.3
31/12/16**	124.27	87.37	(3.8)
31/12/17**	159.20	110.25	28.1

* First valuation date

** A dividend of US\$0.25 per Class A share and the equivalent amount in Euro per Class B (based on the then prevailing FX rate per Class B and for the first time in 2008) was paid during each year referred to in respect of the preceding year.

² Launched at €100.00 on 27 September 2007

³ Of Class A shares

Past performance is not necessarily a guide to future performance.

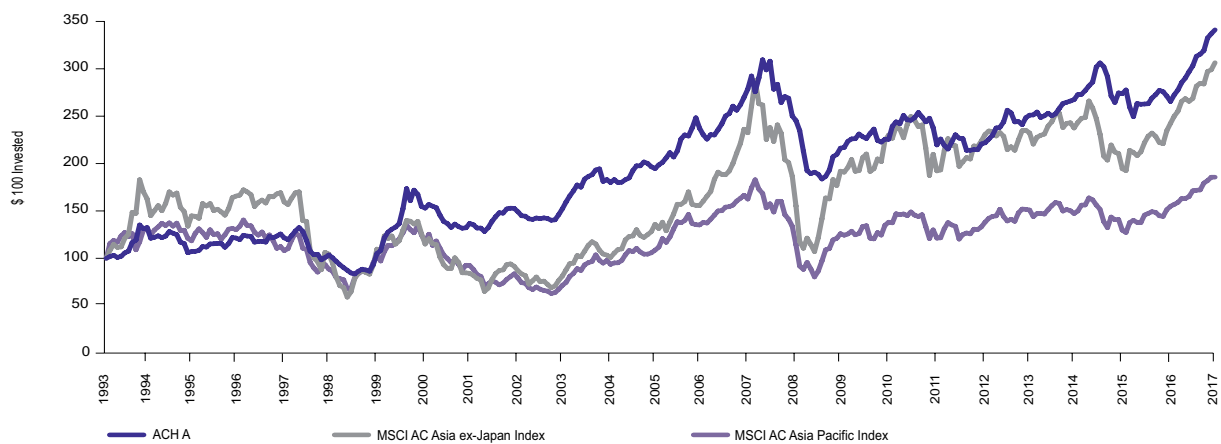
¹ Any data or information relating to periods prior to the transfer date of 1 March 2017 relates to the period that ACH was incorporated in Luxembourg. Furthermore, the data on this page has not been audited since this information does not form part of the audited financial statements.

ASIAN CAPITAL HOLDINGS
PERFORMANCE SINCE INCEPTION¹

	ACH % ²	MSCI AC Asia ex Japan	MSCI AC Asia Pacific Index
1 year p.a.	28.3	38.7	28.7
3 years p.a.	7.9	8.2	8.0
5 years p.a.	8.4	5.4	6.1
Since Inception p.a.	5.1	4.6	2.6

² Of Class A shares, adjusted for dividend payments

Value of US\$100 Invested



¹ Any data or information relating to periods prior to the transfer date of 1 March 2017 relates to the period that ACH was incorporated in Luxembourg. Furthermore, the data on this page has not been audited since this information does not form part of the audited financial statements.

ASIAN CAPITAL HOLDINGS
STATEMENT OF FINANCIAL POSITION

As at	Notes	31/12/17 US\$000
Assets		
Current assets		
Financial assets at fair value through profit or loss	2, 4	247,345
Due from investment companies and brokers	2	19,610
Other accounts receivable	2	27
Cash and cash equivalents	2, 3	<u>26,096</u>
Total assets		<u>293,078</u>
Liabilities		
Current liabilities		
Due to investment companies and brokers	2	(396)
Advisory and performance fees payable	2	(7,046)
Other accounts payable and accrued expenses	2, 6	<u>(79)</u>
Liabilities (excluding net assets attributable to holders of redeemable participating shares)		<u>(7,521)</u>
Net assets attributable to holders of redeemable participating shares	2, 5	<u>(285,557)</u>
Total liabilities		<u>(293,078)</u>
Net asset value per Class A redeemable participating share		US\$159.20
Net asset value per Class B redeemable participating share		€110.25
Net asset value per Class X redeemable participating share		US\$160.74

The notes on pages 59 to 68 are an integral part of these financial statements

ASIAN CAPITAL HOLDINGS
STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 March to 31 December	Notes	2017 US\$000
Income		
Net gain/(loss) on financial assets and financial liabilities at fair value through profit or loss:		
- Realised gains/(losses)	7	23,984
- Change in unrealised gains/(losses)	7	36,371
Dividend income		1,014
Other income		<u>236</u>
Total income		61,605
Operating expenses		
Advisory and performance fees	8	(7,594)
Administration fees	9	(230)
Audit fees		(44)
Other operating expenses	10	<u>(372)</u>
Total operating expenses		<u>(8,240)</u>
Operating profit/(loss)		53,365
Finance costs		
Commitment fee relating to short term borrowings	3	(74)
Interest expense	2, 3	<u>(18)</u>
Total finance costs		<u>(92)</u>
Profit/(loss) before tax		53,273
Taxation	2	<u>-</u>
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations		<u>53,273</u>

ASIAN CAPITAL HOLDINGS
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

For the period from 1 March to 31 December	Notes	2017 US\$000
Net assets attributable to holders of redeemable participating shares at 1 January		-
Increase from transfer of Asian Capital Holdings Fund		247,084
Increase from redeemable participating shares issued	5	5,913
Decrease due to redeemable participating shares repurchased	5	<u>(20,254)</u>
Net increase/(decrease) from share transactions		232,743
Distributions to shareholders		(459)
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations		<u>53,273</u>
Net assets attributable to holders of redeemable participating shares at 31 December		<u>285,557</u>

ASIAN CAPITAL HOLDINGS
STATEMENT OF CASH FLOWS

For the period from 1 March to 31 December	Notes	2017 US\$000
Cash flows from operating activities		
Profit/(loss) before tax		53,273
Adjustments for:		
Other income		(236)
Finance costs		92
Net changes in:		
Due from investment companies and brokers		(19,610)
Other accounts receivable		(27)
Due to investment companies and brokers		396
Advisory and performance fees payable		7,046
Other accounts payable and accrued expenses		78
Increase in financial net assets due to transfer from Asian Capital Holdings Fund		(247,084)
Increase in financial assets at fair value through profit or loss		(261)
Other income received		236
Finance costs paid		(92)
Net cash from operating activities		(206,189)
Cash flows from financing activities		
Proceeds from redeemable participating shares issued		252,997
Paid on redeemable participating shares repurchased		(20,254)
Distributions paid		(458)
Net cash from financing activities		232,285
Net increase/(decrease) in cash and cash equivalents		26,096
Cash and cash equivalents at 1 January		-
Cash and cash equivalents at 31 December	2, 3	26,096

The notes on pages 59 to 68 are an integral part of these financial statements

ASIAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Capital Holdings Funds plc (the “Company”) was incorporated in Ireland on 13 March 2014 and was authorised as a Retail Investor AIF by the Central Bank of Ireland on 19 December 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out in note 2 to the financial statements of The Capital Holdings Funds plc.

3. CASH AND CASH EQUIVALENTS

As at	31/12/17 US\$000
Cash at bank:	
Cash US\$	24,692
Cash €	53
Cash HK\$	170
Cash SG\$	1,181
	<hr/>
Total cash and cash equivalents	26,096

For purposes of the statement of cash flows, cash and cash equivalents comprise cash at current bank accounts, cash held on deposit and bank overdrafts.

During the reporting period ACH maintained a line of credit with BNP Paribas, Dublin Branch, on which ACH pays an interest rate of Libor plus 1.30% per annum on amounts drawn down and a commitment fee of 0.50% per annum on the un-drawn portion of the credit line. At the end of the reporting period the committed line of credit amounted to €9.5 million.

ACH has pledged all of its investments as collateral. The sale of such pledged assets requires the release of these assets by the Depositary. At the end of the reporting period ACH had drawn an amount of nil.

4. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

4.a. Financial assets and liabilities at fair value through profit or loss

ACH classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as net asset values reported by the administrators of the investment companies in which ACH has invested.

Level 3: Inputs are unobservable inputs for the asset or liability. This includes financial assets or liabilities for which the Board of Directors made fair value adjustments because of the illiquidity of such financial assets and liabilities.

Level 3 valuations are reviewed on a periodic basis by the Company’s Board of Directors. The Board of Directors considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry. The main technique used in fair valuing the Level 3 assets has been to apply a discount to the corresponding Level 3 valuations as best estimated by the Board of Directors. In selecting the most appropriate valuation model the Board of Directors performs back testing and considers which model’s results have historically aligned most closely to actual market transactions.

ASIAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of the financial assets at fair value through profit or loss as at 31 December 2017:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment companies:				
Asia	-	61,476	-	61,476
Diversified Asian Strategies	-	35,064	-	35,064
Greater China	-	78,999	-	78,999
Total investment companies	-	175,539	-	175,539
Common stock	58,195	-	-	58,195
Corporate debt	931	-	-	931
Forward FX contracts	-	62	-	62
Warrants	-	12,618	-	12,618
Total financial assets at fair value through profit or loss	59,126	188,219	-	247,345

The following table analyses within the fair value hierarchy ACH's assets and liabilities (by class) not measured at fair value at 31 December 2017 but for which fair value is disclosed:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Assets				
Due from investment companies and brokers	-	19,610	-	19,610
Other accounts receivable	-	27	-	27
Cash and cash equivalents	26,096	-	-	26,096
Total	26,096	19,637	-	45,733
Liabilities				
Due to investment companies and brokers	-	(396)	-	(396)
Advisory and performance fees payable	-	(7,046)	-	(7,046)
Other accounts payable and accrued expenses	-	(79)	-	(79)
Total	-	(7,521)	-	(7,521)

4.b. Condensed schedule of investments

A condensed schedule of investments of ACH as at 31 December 2017 was:

	31/12/17 US\$000	% of NAV
Tree Line Asia Fund	52,010	18.2
HDH Master Fund	35,064	12.3
Golden China Fund	21,363	7.5
SPQ Asia Opportunities Fund Limited	18,456	6.5
China Alpha II Fund Ltd	18,203	6.4
Other investments	102,249	35.8
Total financial assets at fair value through profit or loss	247,345	

ASIAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

4.c. Forward foreign exchange contracts

ACH enters into forward foreign exchange transactions for the Euro Class B shares, normally with the aim of seeking to hedge the US Dollar exposure back to the Euro. Forward foreign exchange contracts are held for trading and are valued at the forward rate and are marked to market on the valuation date.

Included under financial assets at fair value through profit or loss at 31 December 2017 are the following forward foreign exchange contracts that were outstanding with BNP Paribas Securities Services, an affiliate of the Administrator:

	Purchase €000	(Sales) US\$000	Maturity date	Unrealised appreciation/ (depreciation) US\$000
	2,883	(3,390)	10/01/2018	62
Total				62

5. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

ACH has no share capital for accounting purposes as all of ACH's shares are redeemable participating shares. Redeemable participating shares are redeemable at the shareholders' option and are classified as financial liabilities.

The data relating to the net asset value of redeemable participating shares of ACH and the number of shares in issue during the period to 31 December 2017 is summarised below:

US\$000	Class A	Class B	Class X	Total
Redeemable participating shares at 1 January 2017	-	-	-	-
Increase from transfer of Asian Capital Holdings Fund	243,117	3,967	-	247,084
Subscriptions	4,858	53	1,002	5,913
Redemptions	(18,671)	(1,583)	-	(20,254)
Distributions	(449)	(8)	(2)	(459)
Net increase in redeemable participating shares resulting from operations	51,984	1,083	206	53,273
Redeemable participating shares at 31 December 2017 – US\$	280,839	3,512	1,206	285,557
Redeemable participating shares at 31 December 2017 – €	-	2,935	-	-

Shares	Class A	Class B	Class X	Total
Shares outstanding at 1 January 2017	-	-	-	-
Increase from transferred sub-fund	1,867,861	41,013	-	1,908,874
Subscriptions	32,165	520	7,500	40,185
Redemptions	(135,926)	(14,916)	-	(150,842)
Shares outstanding at 31 December 2017	1,764,100	26,617	7,500	1,798,217
Net asset value per redeemable participating share at 31 December 2017	US\$159.20	€110.25	US\$160.74	-

ASIAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The data relating to the net asset value of redeemable participating shares of DCH and the number of shares in issue for the past period is summarised below:

At 31 December	2017
Total NAV (US\$000)	285,557
Total shares Class A	1,764,100
Total shares Class B	26,617
Total shares Class X	7,500
NAV per share Class A (US\$)	159.20
NAV per share Class B (€)	110.25
NAV per share Class X (US\$)	160.74
Total income (US\$000)	61,605
Total operating expenses (US\$000)	(8,240)
Total finance costs (US\$000)	(92)
Taxes (US\$000)	-
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations (US\$000)	<u>53,273</u>

For the convenience of investors, to create a market with orderly trading and to promote liquidity of the shares, the Company has designated Munnik Opties & Futures bv and Edmond de Rothschild (Suisse) SA to act as an Agent of the Company to make a market in shares. The Company has agreed, subject to certain limitations, to repurchase shares from the Agent at a fixed discount, including a fixed commission of 0.5%.

6. OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As at	31/12/17 US\$000
Payable to the Administrator	(25)
Audit fees payable	(44)
Depositary fees payable	(10)
Total	<u>(79)</u>

7. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

For the period from 1 March to 31 December	2017 US\$000
Realised gain on financial assets and liabilities at fair value through profit or loss	23,984
Realised loss on financial assets and liabilities at fair value through profit or loss	-
Net realised gain/(loss) on financial assets and liabilities at fair value through profit or loss	23,984
Change in unrealised gain on financial assets and liabilities at fair value through profit or loss	36,371
Change in unrealised loss on financial assets and liabilities at fair value through profit or loss	-
Net change in unrealised gain/(loss) on financial assets and liabilities at fair value through profit or loss	<u>36,371</u>
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	<u>60,355</u>

ASIAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

In respect of the ACH Class B Euro denominated shares, ACH seeks to hedge against currency fluctuations in non-Euro denominated portfolio investments. The profit or loss on such hedging is shown above.

8. ADVISORY AND PERFORMANCE FEES

For the period from 1 March to 31 December	2017 US\$000
Advisory fees in respect of ACH Investment Advisors SA	3,260
Advisory fees in respect of the Investment Manager of the sub-account	<u>451</u>
Sub-total advisory fees	3,711
Performance fees in respect of ACH Investment Advisors SA	213
Performance fees in respect of the Investment Manager of the sub-account	<u>3,670</u>
Sub-total performance fees	<u>3,883</u>
Total	<u>7,594</u>

ACH Investment Advisors SA is entitled to an amount in cash of 1.5% per annum of the net asset value of Class A Shares and Class B Shares and 0.25% per annum of the net asset value of Class X Shares. Such fees accruing on the basis of the net asset value at the close of each business day prior to taking into account any accrued performance fees as described below and payable monthly.

The Investment Manager of the sub-account is entitled to an amount in cash of 0.75% per annum of the net asset value of the sub-account and payable quarterly.

ACH Investment Advisors SA is entitled to a performance fee calculated in respect of each calendar year payable in cash of 5% of the net realized and unrealized appreciation in the NAV of Class A Shares and Class B Shares (taking into account realized and unrealized gains and losses, and expenses) subject to a “high water mark” provision and adjusted to exclude the portion of the performance that is attributable to the sub-account. This means that no performance fee is accrued or paid until the NAV per Share on which the performance fee was previously accrued and paid has been surpassed. This fee will accrue daily and be payable at the end of the financial year to which such fee relates (or upon a redemption with respect to redeemed Shares).

The Investment Manager of the sub-account is entitled to a performance fee calculated in respect of each calendar year and payable in cash up to 20% of the increase of the NAV of the sub-account over the highest NAV of the sub-account previously attained as at any previous 31 December or from inception of the sub-account (the “high water mark”), taking into account realized and unrealized gains and losses, and expenses, and any additions to or withdrawals from the sub-account. This means that no performance fee is accrued or paid until the NAV of the sub-account on which the performance fee was previously accrued and paid has been surpassed. The Investment Advisor receives from the Investment Manager of the sub-account a fee corresponding to a performance fee of 5% of the increase of the NAV of the sub-account over the highest NAV of the sub-account previously attained as at any previous 31 December or from inception of the sub-account, taking into account realized and unrealized gains and losses, and expenses, and any additions to or withdrawals from the sub-account.

With respect to any performance fee due to the Investment Advisor of ACH or the Investment Manager of the sub-account, the high water mark that applied to the former Luxembourg entity has been transferred to the new Irish sub-fund ACH.

9. ADMINISTRATION FEES

The Administrator fees are calculated based on the net assets of ACH at the last business day of each month. The per annum fee rates were as follows: 0.075% on the first US\$200 million, 0.06% on the next US\$200 million and 0.05% on net assets in excess of US\$400 million. The net assets of ACH for this purpose shall exclude the amount of ACH’s investment in its sub-account.

ASIAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

10. OTHER OPERATING EXPENSES

For the period from 1 March to 31 December	2017 US\$000
Directors fees	(53)
Depositary fees	(49)
Professional liability insurance	(35)
Legal fees	(26)
Professional fees	(24)
Paying agent fees	(27)
Custody fees	(31)
Regulatory fees	(7)
Miscellaneous expenses	(120)
Total	(372)

11. ONGOING CHARGES

The ongoing charges and performance fees of ACH for the period from 1 March 2017 to 31 December 2017 have been calculated as follows:

For the period from 1 March to 31 December	2017 %
Ongoing charges	1.45
Performance fees	1.73
Total	3.18

The ongoing charges, as defined in EU Commission regulation 583-2010 and document 10-674 of the Committee of European Securities Regulators, represent the total costs of ACH in the reporting period, expressed as a percentage of the average daily net asset value. Furthermore, any performance fees charged by the Investment Advisor are shown separately.

Underlying investment managers charge additional fees, namely investment management fees and performance fees. These additional fees, if included in the numbers stated above, and calculated based on a best estimation would increase the ongoing charges to 2.82% and the performance fees to 6.97% based on the net performance of ACH for the year.

In addition to investment management fees and performance fees, underlying investment companies might incur operational expenses that are included in the net asset value of these companies and are not charged separately. Since these operating expenses are typically not disclosed in the prospectus of these companies they are difficult to estimate by ACH and are not included in the numbers stated above.

12. COMPARISON COSTS ACCORDING TO PROSPECTUS AND ACTUAL COSTS

The basis on which various costs are charged to ACH are disclosed in detail in the prospectus. It is a Dutch regulatory requirement to include a comparison between those costs disclosed in the prospectus and the actual costs.

For the period from 1 March to 31 December	Actual 2017 US\$000	According to prospectus ¹ US\$000	Difference US\$000
Advisory fees	(3,711)	(3,711)	-
Performance fees	(3,883)	(3,883)	-
Administration fees	(230)	(230)	-
Depositary fees	(49)	(49)	-
Directors fees	(53)	(53)	-
Paying agent and related fees	(27)	(27)	-
Commitment fee relating to short term borrowings	(74)	(74)	-

¹ The amounts shown are calculated by using the percentages stated in the prospectus (if applicable).

ASIAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

13. PORTFOLIO TURNOVER RATE

The portfolio turnover rate of ACH has been calculated as follows:

For the period from 1 March to 31 December	2017 %
Portfolio turnover rate	<u>(4.0)</u>

The portfolio turnover rate reflects the sum of the total gross amount of purchases and sales of investments of ACH in the reporting period, minus the sum of the total amount of subscriptions and redemptions of redeemable participating shares, expressed as a percentage of the average daily net assets.

14. RELATED PARTY TRANSACTIONS

The following parties should be considered related parties because together they ultimately control ACH: the members of the Board of Directors and LCH Investments NV (including its Board of Directors) in its capacity as Investment Adviser and up to 28 February 2018 also ACH Investment Advisors SA (including its Board of Directors).

Additionally, the following party, having transactions with ACH, is considered related because it is affiliated to one of the sponsoring institutions of the Company: Edmond de Rothschild Securities (UK) Limited in its capacity as Agent of the Company (up to 1 June 2017). Transactions with related parties are done on terms that are considered to be in conformity with market rates.

Please refer to note 6 and 9 for further information about transactions that took place with related and affiliated parties, including the total amount of such transactions, any outstanding balances as of the balance sheet date and the total amount of expenses incurred by ACH relating to these transactions.

The total personal interest of the members of the Board of Directors of the Company, the Board of Directors of LCH Investments NV, the Board of Directors of ACH Investment Advisors SA and the Company Secretary in redeemable participating shares of ACH during the year ended 31 December 2017 was:

31 December	Position at 01/03/2017	Purchases/ (Sales)	Position at 2017
Shares of ACH	-	7,500	7,500

15. EXCHANGE RATE

The following exchange rate prevailing at 31 December 2017 was used: €1.00 = US\$1.1968.

16. FINANCIAL RISK FACTORS

ACH's investment activities expose it to various types of risks that are associated with the financial assets and liabilities and markets in which it invests. ACH is exposed to market risk, liquidity risk, counterparty risk and other risks (risk of using derivatives). The risk management policies employed by ACH to manage these risks are discussed below.

16.1 Market risk

(a) Price risk

ACH invests in other funds and is susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The Board of Directors manages this risk by monitoring the performance of each underlying investment closely on a weekly and monthly basis.

ACH is exposed to transferable securities price risk and derivative price risk. This arises from investments held by ACH for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than euro, the price initially expressed in foreign currency and then converted into euro will also fluctuate because of changes in foreign exchange rates.

ASIAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

ACH has also performed a sensitivity analysis. The relationship between movements in the MSCI China Index (with a weighting of 60%) and the MSCI AC Asia ex. Japan Index (with a weighting of 40%) and the NAV of ACH is uncertain and subject to change at any time and should not be relied upon in assessing likely future relationships. Notwithstanding this, as required by IFRS, the following details ACH's estimated sensitivity to a 5% general increase and decrease in above combined indices.

As at December 31, 2017, if the combined indices referred to above had increased or decreased by an additional 5% during 2017, with all other variables held constant and based on the actual change during 2017 of the net asset value and the combined indices, the increase or decrease in net assets attributable to holders of redeemable shares for the year might have amounted to 1.44%.

(b) Foreign exchange risk

ACH operates internationally and holds both monetary and non-monetary assets denominated in currencies other than USD, the functional currency. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities.

ACH holds assets denominated in currencies other than euro. ACH is therefore exposed to currency risks, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. ACH may manage this risk by seeking to hedge against currency fluctuations provided that hedging instruments are available on a timely basis and on acceptable terms.

As at 31 December 2017, foreign exchange risk does not present a significant risk.

(c) Cash flow and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow. The Board of Directors manages this risk by monitoring fluctuations in the market interest rates on a monthly basis.

As at 31 December 2017, cash flow and fair value interest rate risk do not present a significant risk.

16.2 Liquidity risk

Liquidity risk is the risk that ACH may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. ACH is exposed to monthly cash redemptions of redeemable shares provided that a redemption request must be received no later than the 25th calendar day of the month preceding the month for which the redemption is requested. ACH's liquidity risk is managed through the diversification of the investment program by strategy and by manager as well as by redemption terms of the investment vehicles and the liquidity of their investments. There can be no assurance that this diversification will provide protection from a market downfall or illiquidity.

The success of ACH's investment program depends to a great extent upon the ability of the Managers to assess correctly the future course of price movements of stocks, bonds, commodities and currencies. There can be no assurance that the Managers will accurately predict such movements. In addition, certain of the investments in which a substantial portion of ACH's capital may be invested, from time to time, may have limited liquidity. This lack of liquidity, together with a failure to accurately predict market movements, may adversely affect the ability of the portfolio manager to execute trade orders at desired prices. Moreover, because illiquid investments may be difficult to value, the NAV of a class of shares may fluctuate widely from one period to the next. The risk of illiquidity is also increased by the prevalence of requirements by portfolio advisers with whom ACH wishes to invest that ACH agree to minimum holding periods and redemption periods in underlying investments that are generally longer than ACH's own redemption period.

ACH's liquidity risk is managed through the diversification of the investment program by strategy and by manager as well as by redemption terms of the underlying investments and the liquidity of their investments. There can be no assurance that this diversification will provide protection from a market downfall or illiquidity.

As a result of disrupted market conditions such as a rapid and catastrophic price movements in markets in which ACH invests, determination of net asset values, and the right to redeem Shares resulting in temporary illiquidity of the Shares during such suspension. The following table details the ordinary redemption periods of the underlying investment companies in which ACH has invested as well as any other financial assets through profit or loss as at 31 December 2017.

ASIAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

Redemption period	≤3 months US\$000	3-12 months US\$000	>1 year ¹ US\$000	Total US\$000
Notice period:				
Cash and other assets	117,539	-	-	117,539
30 days or less	111,101	-	-	111,101
45 days	22,370	-	-	22,370
60 days	41,335	-	-	41,335
90 days	-	-	-	-
More than 90 days	-	-	733	733
Total assets	292,345	-	733	293,078

¹ This category includes investments in funds that are in liquidation and for which there is no statutory right of redemption.

The table above shows by when investments could be normally redeemed even if subject to an early redemption fee, and not taking into account initial lock-ups.

The following table details ACH's liquidity analysis for its financial liabilities based on contractual undiscounted cash-flow as at 31 December 2017 and shows when the liabilities become due.

	Less than 1 month US\$000	1 - 3 months US\$000	>3 months US\$000
Due to investment companies and brokers	(396)	-	-
Advisory and performance fees payable	(3,163)	-	(3,883)
Other accounts payable and accrued expenses	(79)	-	-
Net assets attributable to holders of redeemable participating shares	-	(285,557)	-
Total	(3,638)	(285,557)	(3,883)

16.3 Counterparty creditworthiness

ACH is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

To the extent that ACH engages, directly or through the underlying investments, in principal transactions, including, but not limited to, swap transactions, forward foreign currency transactions and bonds and other fixed income securities and/or to the extent that ACH makes use of the services of a counterparty for the custody of its assets, ACH must rely on the creditworthiness of its counterparty. Insolvency of, gross negligence, wilful misconduct and/or fraud by the counterparty may prevent payment in part or in full or on time, and may cause losses.

ACH manages this risk by evaluating the creditworthiness of its direct counterparties. ACH's indirect exposure to counterparty risk through its investments in underlying investments is monitored by management as part of its due diligence process.

In the following table the Depositary appointed by ACH is listed together with the most relevant credit ratings for those firms as well as the financial assets and liabilities through profit or loss held at this Depositary and the outstanding cash balances, if any, as at the end of the reporting period.

ASIAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

Financial assets and liabilities through profit or loss:

At 31 December	Moody's	S&P	2017 US\$000
Prime Nominees (Cayman) Limited ¹	A1	A+	175,601
Listed securities held in global sub custodian network			<u>71,744</u>
Total			<u>247,345</u>

¹ This entity is ultimately controlled by BNP Paribas Securities Services. The credit ratings stated are for this entity.

Net cash balances:

At 31 December	2017 US\$000
BNP Paribas Securities Services, Dublin Branch	<u>26,096</u>
Total	<u>26,096</u>

16.4 Other risks

Use of derivatives

Derivatives refer to financial instruments which derive their performance at least in part from the performance of an underlying asset, index or interest rate. Financial instruments such as futures, forward contracts and other derivatives may be used by ACH's portfolio managers both for speculative purposes and for hedging other investments. ACH does not control or monitor on a regular basis the investments of the portfolio managers. ACH may have a significant exposure to derivatives risks. However, as a two-tier company, its liability is limited by investing, as it does, through multiple separate legal entities. If the derivative exposure in ACH became material, that would subject the investors to a higher risk of loss and volatility and would make the pricing of the assets more difficult because, among other things, of the leveraged effect of such investments, the added credit risk of issuing counterparties, and the potential for illiquidity in certain circumstances. ACH does not have a percentage limitation on hedging of its Portfolio.

Hedging against a decline in the value of a portfolio investment does not eliminate fluctuations in the values of portfolio investments or prevent losses if the values of such investments decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio investments' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio investments should increase. The portfolio managers of the underlying investments may utilise hedges, or choose not to hedge, based on judgments about economic or other factors that prove to be incorrect.

It is the policy of ACH to transact the majority of its direct investments in securities and contractual commitment activity with broker-dealers and banks that management considers to be well established/first rated.

17. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

Effective as of 1 March 2018, LCH Investments NV has been appointed as Investment Advisor to ACH. This was reflected in an updated prospectus issued on 28 February 2018. The prospectus of the Fund can be found on the Company's website www.capitalholdings.com.



DISCOVERY CAPITAL HOLDINGS
PROFILE

Discovery Capital Holdings (DCH) is a two tier open-end investment company based in Ireland.

The principal objective of DCH is the appreciation in capital through gaining exposure to underlying funds who are in a development phase and in underlying funds with limited history and on managers of underlying funds with small amounts of assets under management. DCH has not paid any dividend since its inception.

Under its two tier system DCH does not invest directly but operates through offshore funds which are wholly or partly owned by DCH. Generally each offshore fund is advised by a single portfolio manager and its team. The investment activities of the funds thereby comprise a wide range of specialised approaches and techniques used by the managers.

Hence DCH benefits from the collective services of a group of highly skilled investment managers who are allowed to operate within their area of expertise without imposed limitations.

Moreover, due to its two tier system, DCH is highly flexible in engaging and, when necessary, disengaging the services of investment managers, while at the same time limiting the financial and legal exposure to the size of its investment in an offshore fund.

DCH's investment policy includes conferring assets on portfolio managers who are in a development phase and in investment vehicles with limited history and on managers with small amounts of assets under management.

LCH Investments NV is the Investment Advisor of DCH and advises the fund on the selection of the investment managers. Its Investment Advisory Committee meets regularly to review and select managers in order to position DCH optimally in changing markets.

DCH started operating on 1 February 2000 in Curaçao (as Galilei Fund NV and was renamed into Discovery Capital Holdings NV on 10 April 2013) and merged with a sub-fund of the Company on 1 January 2015. Since its inception, DCH has been able to realise a considerable increase in the net asset value per share, substantially above US stockmarket indices and with lower volatility. However, past performance is not necessarily a guide to future performance.

The financial year end of DCH is 31 December. In addition to the annual report, which contains audited financial statements, an unaudited interim report for the six month period to 30 June is also published.

Shares are issued by DCH monthly, on the basis of net asset value. Shares are issued in US dollar. Shares may be redeemed at the end of each quarter with 45 business days' notice at net asset value. The redemption of shares may be postponed under certain circumstances, as described in the prospectus.

For the convenience of investors, the shares of DCH may be traded over the counter in London. However, DCH is not a party to and is not responsible for such secondary market transactions. Investors may purchase and sell through banks and brokers throughout the world.

DISCOVERY CAPITAL HOLDINGS
PERFORMANCE SINCE INCEPTION¹

Date	NAV per share Class A - US\$	Performance %
31/01/00†	500.00	
31/12/00	641.18	28.2
31/12/01	708.40	10.5
31/12/02	713.43	0.7
31/12/03	832.33	16.7
31/12/04	1,072.03	28.8
31/12/05	1,244.88	16.1
31/12/06	1,352.46	8.6
31/12/07	1,681.60	24.3
31/12/08	1,370.74	(18.5)
31/12/09	1,271.57	(7.2)
31/12/10	1,363.49	7.2
31/12/11	1,368.98	0.4
31/12/12	1,594.03	16.4
31/12/13††	188.16	18.0
31/12/14	185.60	(1.4)
31/12/15	177.17	(4.5)
31/12/16	184.02	3.9
31/12/17	204.46	11.1

	DCH %	S&P500 ² %
1 year p.a.	11.1	21.1
3 years p.a.	3.3	10.7
5 years p.a.	5.1	15.0
Since Inception p.a.	8.2	5.1

² S&P500 (70% dividend reinvested)

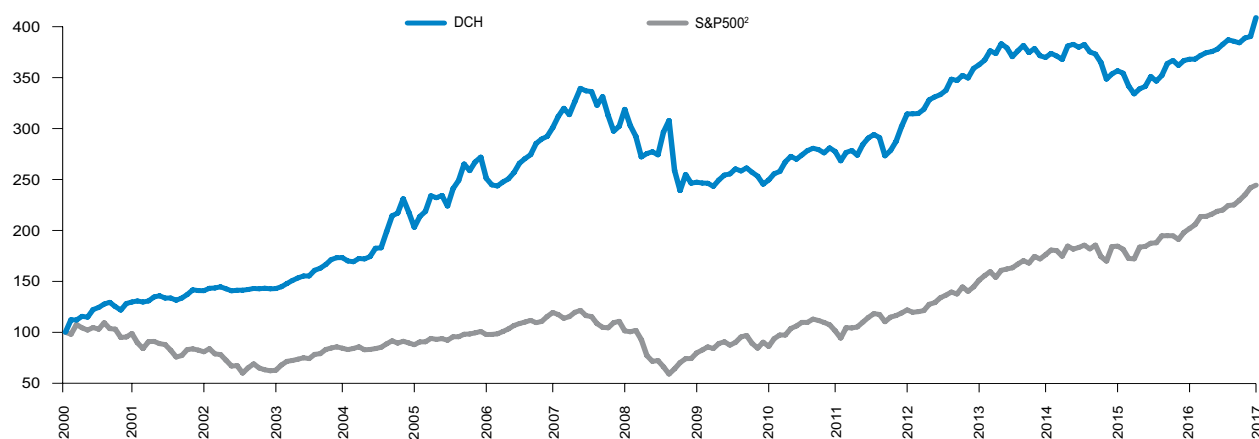
† Inception at 31 January 2000

†† Split of 10 for 1 on 30 June 2013

Important note: The performance of DCH up to 30 June 2013 represents the investment return actually achieved by Leveraged Capital Holdings NV (LCH) in its portfolio of smaller emerging managers. DCH became available to investors other than to LCH on 1 July 2013.

Past performance is not necessarily a guide to future performance.

Value of US\$100 Invested



¹ Any data or information relating to periods prior to the merger date of 1 January 2015 relates to the period that DCH was incorporated in Curaçao. Furthermore, the information on this page has not been audited since this information does not form part of the audited financial statements.

DISCOVERY CAPITAL HOLDINGS
STATEMENT OF FINANCIAL POSITION

As at	Notes	31/12/17 US\$000	31/12/16 US\$000
Assets			
Current assets			
Financial assets at fair value through profit or loss	2, 4	101,387	155,854
Due from investment companies and brokers	2	29,289	5,811
Cash and cash equivalents	2, 3	<u>1,791</u>	<u>15,142</u>
Total assets		<u>132,467</u>	<u>176,807</u>
Liabilities			
Current liabilities			
Subscriptions received in advance		-	(250)
Advisory and performance fees payable	2	(902)	(449)
Other accounts payable and accrued expenses	2, 6	<u>(50)</u>	<u>(53)</u>
Liabilities (excluding net assets attributable to holders of redeemable participating shares)		<u>(952)</u>	<u>(752)</u>
Net assets attributable to holders of redeemable participating shares	2, 5	<u>(131,515)</u>	<u>(176,055)</u>
Total liabilities		<u>(132,467)</u>	<u>(176,807)</u>
Net asset value per redeemable participating share		US\$204.46	US\$184.02

The notes on pages 76 to 87 are an integral part of these financial statements

DISCOVERY CAPITAL HOLDINGS
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Notes	2017 US\$000	2016 US\$000
Income			
Net gain/(loss) on financial assets and financial liabilities at fair value through profit or loss			
- Realised gains/(losses)	7	16,329	(7,958)
- Change in unrealised gains/(losses)	7	2,059	15,925
Interest income		30	-
Other income		-	7
Total income/(loss)		18,418	7,974
Operating expenses			
Advisory and performance fees	8	(2,824)	(2,763)
Administration fees	9	(153)	(190)
Audit fees		(42)	(18)
Other operating expenses	10	(172)	(151)
Total operating expenses		(3,191)	(3,122)
Operating profit/(loss)		15,227	4,852
Finance costs			
Commitment fee relating to short term borrowings		(101)	(161)
Interest expense		-	(39)
Total finance costs		(101)	(200)
Profit/(loss) before tax		15,126	4,652
Taxation	2	-	-
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations		15,126	4,652

The notes on pages 76 to 87 are an integral part of these financial statements

DISCOVERY CAPITAL HOLDINGS
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

For the year ended 31 December	Notes	2017 US\$000	2016 US\$000
Net assets attributable to holders of redeemable participating shares at 1 January		176,055	220,363
Increase from redeemable participating shares issued	5	6,039	5,000
Decrease due to redeemable participating shares repurchased	5	<u>(65,705)</u>	<u>(53,960)</u>
Net increase/(decrease) from share transactions		(59,666)	(48,960)
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations		<u>15,126</u>	<u>4,652</u>
Net assets attributable to holders of redeemable participating shares at 31 December		<u>131,515</u>	<u>176,055</u>

The notes on pages 76 to 87 are an integral part of these financial statements

DISCOVERY CAPITAL HOLDINGS
STATEMENT OF CASH FLOWS

For the year ended 31 December	Notes	2017 US\$000	2016 US\$000
Cash flows from operating activities			
Profit/(loss) before tax		15,126	4,652
Adjustments for:			
Other income		-	(7)
Finance costs		101	200
Net changes in:			
Due from investment companies and brokers		(23,478)	(4,120)
Advisory and performance fees payable		453	(115)
Other accounts payable and accrued expenses		(3)	(73)
Increase in financial assets at fair value through profit or loss		54,467	71,315
Other income received		-	7
Finance costs paid		(101)	(200)
Net cash from operating activities		46,565	71,659
Cash flows from financing activities			
Proceeds from redeemable participating shares issued		5,789	5,250
Paid on redeemable participating shares repurchased		(65,705)	(53,960)
Net cash from financing activities		(59,916)	(48,710)
Net increase/(decrease) in cash and cash equivalents		(13,351)	22,949
Cash and cash equivalents at 1 January		15,142	(7,807)
Cash and cash equivalents at 31 December	2, 3	1,791	15,142

The notes on pages 76 to 87 are an integral part of these financial statements

DISCOVERY CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Capital Holdings Funds plc (the “Company”) was incorporated in Ireland on 13 March 2014 and was authorised as a Retail Investor AIF by the Central Bank of Ireland on 19 December 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out in note 2 to the financial statements of The Capital Holdings Funds plc.

3. CASH AND CASH EQUIVALENTS

At	31/12/17 US\$000	31/12/16 US\$000
Cash at bank:		
Cash US\$	1,791	15,142
Net cash and cash equivalents	1,791	15,142

For purposes of the statement of cash flows, cash and cash equivalents comprise cash at current bank accounts, cash held on deposit and bank overdrafts.

During the reporting period DCH maintained a line of credit BNP Paribas, Dublin Branch, on which DCH pays an interest rate of Libor plus 1.30% per annum on amounts drawn down and a commitment fee of 0.50% per annum on the un-drawn portion of the credit line. At the end of the reporting period the committed line of credit amounted to €13 million.

DCH has pledged all of its investments as collateral. The sale of such pledged assets requires the release of these assets by the Depositary. At the end of the reporting period DCH had drawn an amount of nil (2016: nil).

4. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

4.a. Financial assets and liabilities at fair value through profit or loss

DCH classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as net asset values reported by the administrators of the investment companies in which DCH has invested.
- Level 3: Inputs are unobservable inputs for the asset or liability. This includes financial assets or liabilities for which the Board of Directors made fair value adjustments because of the illiquidity of such financial assets and liabilities.

DISCOVERY CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

Level 3 valuations are reviewed on a periodic basis by the Company's Board of Directors. The Board of Directors considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry. The main technique used in fair valuing the Level 3 assets has been to apply a discount to the corresponding Level 3 valuations as best estimated by the Board of Directors. In selecting the most appropriate valuation model the Board of Directors performs back testing and considers which model's results have historically aligned most closely to actual market transactions.

The following is a summary of the financial assets at fair value through profit or loss as at 31 December 2017:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment companies:				
Emerging Managers	-	101,387	-	101,387
Total financial assets at fair value through profit or loss	-	101,387	-	101,387

As at 31 December 2017, the Board of directors made no fair value adjustments. As at 31 December 2016, the Board of Directors made fair value adjustments, as noted in note 2.4 on page 39 which reduced the fair value of investments representing approximately 0.16% of the net asset value, by US\$0.09 million or 0.05% of net asset value at the year end. A sensitivity analysis on the fair value of Level 3 investments has not been performed as the write down provision amounts are not significant.

The following table presents the movement of Level 3 investments by category of investment:

For the year ended	31/12/17 Emerging Managers US\$000
Opening balance	279
Purchases	-
Sales	-
Gains/(losses) recognised	(279)
Closing balance	-

The following is a summary of the financial assets at fair value through profit or loss as at 31 December 2016:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment companies:				
Emerging Managers	-	155,575	279	155,854
Total financial assets at fair value through profit or loss	-	155,575	279	155,854

DISCOVERY CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The following table presents the movement of Level 3 investments for the period ended 31 December 2016 by category of investment:

For the year ended	31/12/16 Emerging Managers US\$000
Opening balance	393
Purchases	-
Sales	-
Gains/(losses) recognised	(114)
Closing balance	279

The following table analyses within the fair value hierarchy DCH's assets and liabilities (by class) not measured at fair value at 31 December 2017 but for which fair value is disclosed:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Assets				
Due from investment companies and brokers	-	29,289	-	29,289
Cash and cash equivalents	1,791	-	-	1,791
Total	1,791	29,289	-	31,080
Liabilities				
Advisory and performance fees payable	-	(902)	-	(902)
Other accounts payable and accrued expenses	-	(50)	-	(50)
Total	-	(952)	-	(952)

The following table analyses within the fair value hierarchy DCH's assets and liabilities (by class) not measured at fair value at 31 December 2016 but for which fair value is disclosed:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Assets				
Due from investment companies and brokers	-	5,811	-	5,811
Cash and cash equivalents	15,142	-	-	15,142
Total	15,142	5,811	-	20,953
Liabilities				
Subscriptions received in advance	-	(250)	-	(250)
Advisory and performance fees payable	-	(449)	-	(449)
Other accounts payable and accrued expenses	-	(53)	-	(53)
Total	-	(752)	-	(752)

DISCOVERY CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

4.b. Condensed schedule of investments

A condensed schedule of investments of DCH as at 31 December 2017 was:

	31/12/17 US\$000	% of NAV
Indaba Capital Partners (Cayman) LP	18,221	13.9
Armistice Capital Offshore Fund Ltd	15,565	11.8
Two Creeks Capital Offshore Fund Ltd	12,024	9.1
Castle Hook Offshore Fund Ltd	11,532	8.8
TBC Offshore Ltd	10,960	8.3
Blockhouse Partners Offshore Fund Ltd	10,743	8.2
Other investments	22,342	17.0
Total financial assets at fair value through profit or loss	101,387	

A condensed schedule of investments of DCH as at 31 December 2016 was:

	31/12/16 US\$000	% of NAV
Armistice Capital Offshore Fund Ltd	24,776	14.1
Indaba Capital Partners (Cayman) LP	21,794	12.4
TBC Offshore Ltd	19,198	10.9
Two Creeks Capital Offshore Fund Ltd	15,582	8.9
Latimer Light International	13,990	7.9
Castle Hook Offshore Fund Ltd	10,905	6.2
Altimeter Offshore Ltd	10,685	6.1
Blockhouse Partners Offshore Fund Ltd	10,466	5.9
Clearfield Offshore Fund Ltd	10,044	5.7
Other investments	18,414	10.5
Total financial assets at fair value through profit or loss	155,854	

5. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

DCH has no share capital for accounting purposes as all of DCH's shares are redeemable participating shares. Redeemable participating shares are redeemable at the shareholders' option and are classified as financial liabilities.

DISCOVERY CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The data relating to the net asset value of redeemable participating shares of DCH and the number of shares in issue are summarised below:

	2017 US\$000	2016 US\$000
Redeemable participating shares at 1 January	176,055	220,363
Subscriptions	6,039	5,000
Redemptions	(65,705)	(53,960)
Net increase in redeemable participating shares resulting from operations	<u>15,126</u>	<u>4,652</u>
Redeemable participating shares at 31 December	<u>131,515</u>	<u>176,055</u>
Shares	Class A	Class A
Shares outstanding at 1 January	956,696	1,243,763
Subscriptions	31,754	27,264
Redemptions	<u>(345,205)</u>	<u>(314,331)</u>
Shares outstanding at 31 December	<u>643,245</u>	<u>956,696</u>
Net asset value per redeemable participating share at 31 December	US\$204.46	US\$184.02

The data relating to the net asset value of redeemable participating shares of DCH and the number of shares in issue for the past three years is summarised below:

At 31 December	2017	2016	2015
Total NAV (US\$000)	131,515	176,055	220,363
Total shares Class A	643,245	956,696	1,243,763
NAV per share Class A (US\$)	204.46	184.02	177.17
Total income (US\$000)	18,418	7,974	(6,471)
Total operating expenses (US\$000)	(3,191)	(3,122)	(3,912)
Total finance costs (US\$000)	(101)	(200)	(216)
Taxes (US\$000)	<u>-</u>	<u>-</u>	<u>15</u>
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations (US\$000)	<u>15,126</u>	<u>4,652</u>	<u>(10,584)</u>

6. OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

For the year ended 31 December	2017 US\$000	2016 US\$000
Payable to the Administrator	(22)	(29)
Audit fees payable	(19)	(18)
Depository fees payable	<u>(9)</u>	<u>(6)</u>
Total	<u>(50)</u>	<u>(53)</u>

DISCOVERY CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

7. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

For the year ended 31 December	2017 US\$000	2016 US\$000
Realised gain on financial assets and liabilities at fair value through profit or loss	17,285	-
Realised loss on financial assets and liabilities at fair value through profit or loss	<u>(956)</u>	<u>(7,958)</u>
Net realised gain/(loss) on financial assets and liabilities at fair value through profit or loss	16,329	(7,958)
Change in unrealised gain on financial assets and liabilities at fair value through profit or loss	14,676	15,925
Change in unrealised loss on financial assets and liabilities at fair value through profit or loss	<u>(12,617)</u>	<u>-</u>
Net change in unrealised gain/(loss) on financial assets and liabilities at fair value through profit or loss	<u>2,059</u>	<u>15,925</u>
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	<u>18,388</u>	<u>7,967</u>

8. ADVISORY AND PERFORMANCE FEES

For the year ended 31 December	2017 US\$000	2016 US\$000
Advisory fees	(2,245)	(2,763)
Performance fees	<u>(579)</u>	<u>-</u>
Total	<u>(2,824)</u>	<u>(2,763)</u>

LCH Investments NV is entitled to an amount in cash of 1.5% per annum of the net asset value of Class A Shares. Such fees accruing on the basis of the net asset value at the close of each business day prior to taking into account any accrued performance fees as described below and payable monthly.

The Investment Advisor is entitled to a performance fee calculated in respect of each calendar year payable in cash of 5% of the net realized and unrealized appreciation in the NAV of Class A Shares (taking into account realized and unrealized gains and losses, and expenses) subject to a "high water mark" provision. This means that no performance fee is accrued or paid until the Net Asset Value per Share on which the performance fee was previously accrued and paid has been surpassed. This fee will accrue daily and be payable at the end of the financial year to which such fee relates (or upon a redemption with respect to redeemed Shares).

The current high water mark for Class A Shares amounts to US\$204.46.

9. ADMINISTRATION FEES

The Administrator fees are calculated based on the net assets of DCH at the last business day of each month. The per annum fee rates were as follows: 0.10% on the first US\$250 million, 0.09% on the next US\$250 million and 0.08% on net assets in excess of US\$500 million.

DISCOVERY CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

10. OTHER OPERATING EXPENSES

For the year ended 31 December	2017 US\$000	2016 US\$000
Directors fees	(44)	(45)
Depositary fees	(37)	(41)
Legal fees	(16)	(12)
FATCA compliance fees	-	(3)
Professional liability insurance	(12)	(9)
Regulatory fees	(4)	(8)
Miscellaneous expenses	(59)	(33)
Total	(172)	(151)

11. ONGOING CHARGES

The ongoing charges and performance fees of DCH have been calculated as follows:

For the year ended 31 December	2017 %	2016 %
Ongoing charges	1.82	1.78
Performance fees	0.39	-
Total	2.21	1.78

The ongoing charges, as defined in EU Commission regulation 583-2010 and document 10-674 of the Committee of European Securities Regulators, represent the total costs of DCH in the reporting period, expressed as a percentage of the average daily net asset value. Furthermore, any performance fees charged by the Investment Advisor are shown separately.

Underlying investment managers charge additional fees, namely investment management fees and performance fees. These additional fees, if included in the numbers stated above, and calculated based on a best estimation would increase the ongoing charges to 3.31% (2016: 3.49%) and the performance fees to 3.41% (2016: 1.39%) based on the net performance of DCH for the period.

In addition to investment management fees and performance fees, underlying investment companies might incur operational expenses that are included in the net asset value of these companies and are not charged separately. Since these operating expenses are typically not disclosed in the prospectus of these companies they are difficult to estimate by DCH and are not included in the numbers stated above.

12. COMPARISON COSTS ACCORDING TO PROSPECTUS AND ACTUAL COSTS

The basis on which various costs are charged to DCH are disclosed in detail in the prospectus. It is a Dutch regulatory requirement to include a comparison between those costs disclosed in the prospectus and the actual costs.

For the year ended 31 December	Actual 2017 US\$000	According to prospectus ¹ US\$000	Difference US\$000
Advisory fees	(2,245)	(2,245)	-
Performance fees	(579)	(579)	-
Administration fees	(153)	(153)	-
Depositary fees	(37)	(37)	-
Directors fees	(44)	(44)	-
Commitment fee relating to short term borrowings	(101)	(101)	-

DISCOVERY CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December	Actual 2016 US\$000	According to prospectus ¹ US\$000	Difference US\$000
Advisory fees	(2,763)	(2,763)	-
Performance fees	-	-	-
Administration fees	(193)	(193)	-
Depositary fees	(41)	(41)	-
Directors fees	(45)	(45)	-
Commitment fee relating to short term borrowings	(161)	(161)	-
Interest expense relating to short term borrowings	(39)	(39)	-

¹ The amounts shown are calculated by using the percentages stated in the prospectus (if applicable).

13. PORTFOLIO TURNOVER RATE

The gross portfolio turnover rate of DCH has been calculated as follows:

For the year ended 31 December	2017 %	2016 %
Portfolio turnover rate	<u>8.0</u>	<u>52.7</u>

The portfolio turnover rate reflects the sum of the total gross amount of purchases and sales of investments of DCH in the reporting period, minus the sum of the total amount of subscriptions and redemptions of redeemable participating shares, expressed as a percentage of the average monthly net assets.

14. RELATED PARTY TRANSACTIONS

The following parties should be considered related parties because together they ultimately control DCH: the members of the Board of Directors and LCH Investments NV (including its Board of Directors) in its capacity as Investment Adviser.

Additionally, the following party, having transactions with DCH, is considered related because it is affiliated to one of the sponsoring institutions of the Company: Edmond de Rothschild Securities (UK) Ltd in its capacity as agent of the Company (up to 1 June 2017). Additionally, transactions with LCH could be considered related party transactions, since DCH and LCH have the same Board of Directors. Transactions with related parties are done on terms that are considered to be in conformity with market rates.

Please refer to note 2.12 of the Company and note 6, and 8 - 10 above for further information about transactions that took place with related and affiliated parties, including the total amount of such transactions, any outstanding balances as of the end of the reporting period and the total amount of expenses incurred by DCH relating to these transactions.

During 2017 LCH redeemed US\$50 million from DCH.

As of 31 December 2017, LCH owned 49.99% (2016: 60.40%) of the net assets of DCH.

The total personal interest of the members of the Board of Directors of the Company and the Board of Directors of LCH Investments NV in redeemable participating shares of DCH during the year ended 31 December 2017 was:

31 December	Position at 2016	Purchases/ (Sales)	Position at 2017
Shares of DCH	-	-	-

15. EXCHANGE RATE

The following exchange rate prevailing at 31 December 2017 was used: €1.00 = US\$1.1998 (2016: US\$1.0528).

16. FINANCIAL RISK FACTORS

DCH's investment activities expose it to various types of risks that are associated with the financial assets and liabilities and markets in which it invests. DCH is exposed to market risk, liquidity risk, counterparty risk and other risks (risk of using derivatives). The risk management policies employed by DCH to manage these risks are discussed below.

16.1 Market risk

(a) Price risk

DCH invests in other funds and is susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The Board of Directors manages this risk by monitoring the performance of each underlying investment closely on a weekly and monthly basis.

DCH is exposed to transferable securities price risk and derivative price risk. This arises from investments held by DCH for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than USD, the price initially expressed in foreign currency and then converted into USD will also fluctuate because of changes in foreign exchange rates.

DCH has also performed a sensitivity analysis. The relationship between movements in the S&P500 Index and the NAV of DCH is uncertain and subject to change at any time and should not be relied upon in assessing likely future relationships. Notwithstanding this, as required by IFRS, the following details DCH's estimated sensitivity to a 5% general increase and decrease in the S&P500 index.

As at December 31, 2017, if the S&P500 Index had increased or decreased by an additional 5% during 2017, with all other variables held constant and based on the actual change during 2017 of the net asset value and the S&P500 Index, the increase or decrease in net assets attributable to holders of redeemable shares for the year might have amounted to (0.48)% (2016: 2.04%).

(b) Foreign exchange risk

DCH operates internationally and holds both monetary and non-monetary assets denominated in currencies other than USD, the functional currency. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities.

As at 31 December 2017 and 31 December 2016, foreign exchange risk does not present a significant risk.

(c) Cash flow and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Board of Directors manages this risk by monitoring fluctuations in the market interest rates on a monthly basis.

As at 31 December 2017 and 31 December 2016, cash flow and fair value interest rate risk do not present a significant risk.

16.2 Liquidity risk

Liquidity risk is the risk that DCH may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. DCH is exposed to quarterly cash redemptions of redeemable shares and has a 45 business days' notice period for redemption requests. DCH's liquidity risk is managed through the diversification of the investment program by strategy and by manager as well as by redemption terms of the investment vehicles and the liquidity of their investments. There can be no assurance that this diversification will provide protection from a market downfall or illiquidity.

The success of DCH's investment program depends to a great extent upon the ability of the portfolio managers of the underlying investments to assess correctly the future course of price movements of stocks, bonds, commodities and currencies. There can be no assurance that the portfolio managers will accurately predict such movements. In addition, certain of the investments in which a substantial portion of each Portfolio's capital may be invested, from time to time, may have limited liquidity. This lack of liquidity, together with a failure to accurately predict market movements, may adversely affect the ability of the portfolio manager to execute trade orders at desired prices. Moreover, because illiquid investments may be difficult to value, the NAV of a class of shares may fluctuate widely from one period to the next. The risk of illiquidity is also increased by the prevalence of requirements by portfolio advisers with whom

DISCOVERY CAPITAL HOLDINGS
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DCH wishes to invest that DCH agree to minimum holding periods and redemption periods in underlying investments that are generally longer than DCH's own redemption period.

DCH's liquidity risk is managed through the diversification of the investment program by strategy and by manager as well as by redemption terms of the underlying investments and the liquidity of their investments. There can be no assurance that this diversification will provide protection from a market downfall or illiquidity.

As a result of disrupted market conditions such as a rapid and catastrophic price movement in markets in which DCH invests, determination of the NAV of each class of shares, the right to redeem Shares or the market maker facility could be suspended or restricted resulting in illiquidity of the Shares during such suspension. The following table details the ordinary redemption periods of the investment companies in which DCH has invested as well as any other financial assets through profit or loss as at 31 December 2017.

Redemption period	≤3 months US\$000	3-12 months US\$000	>1 year ¹ US\$000	Total US\$000
Notice period:				
Cash and other assets	31,080	-	-	31,080
30 days or less	-	-	-	-
45 days	12,024	-	-	12,024
60 days	34,028	-	-	34,028
90 days	55,335	-	-	55,335
More than 90 days	-	-	-	-
Total assets	132,467	-	-	132,467

¹ This category includes investments in funds that are in liquidation and for which there is no statutory right of redemption.

The following table details the ordinary redemption periods of the investment companies in which DCH has invested as well as any other financial assets through profit or loss as at 31 December 2016.

Redemption period	≤3 months US\$000	3-12 months US\$000	>1 year ¹ US\$000	Total US\$000
Notice period:				
Cash and other assets	20,953	-	-	20,953
30 days or less	-	-	-	-
45 days	29,572	-	-	29,572
60 days	39,739	10,685	-	50,424
90 days	75,579	-	-	75,579
More than 90 days	-	-	279	279
Total assets	165,843	10,685	279	176,807

¹ This category includes investments in funds that are in liquidation and for which there is no statutory right of redemption.

DISCOVERY CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The following table details DCH's liquidity analysis for its financial liabilities based on contractual undiscounted cash-flow as at 31 December 2017 and shows when the liabilities become due.

	Less than 1 month US\$000	1 - 3 months US\$000	>3 months US\$000
Advisory and performance fees payable	(902)	-	-
Other accounts payable and accrued expenses	(50)	-	-
Net assets attributable to holders of redeemable participating shares	<u>-</u>	<u>(131,515)</u>	<u>-</u>
Total	<u>(952)</u>	<u>(131,515)</u>	<u>-</u>

The following table details DCH's liquidity analysis for its financial liabilities based on contractual undiscounted cash-flow as at 31 December 2016 and shows when the liabilities become due.

	Less than 1 month US\$000	1 - 3 months US\$000	>3 months US\$000
Subscriptions received in advance	(250)	-	-
Advisory and performance fees payable	(449)	-	-
Other accounts payable and accrued expenses	(53)	-	-
Net assets attributable to holders of redeemable participating shares	<u>-</u>	<u>(176,055)</u>	<u>-</u>
Total	<u>(752)</u>	<u>(176,055)</u>	<u>-</u>

16.3 Counterparty creditworthiness

DCH is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

To the extent that DCH (with respect to each Portfolio) engages, directly or through the underlying investments, in principal transactions, including, but not limited to, swap transactions, forward foreign currency transactions and bonds and other fixed income securities and/or to the extent that DCH makes use of the services of a counterparty for the custody of its assets, DCH must rely on the creditworthiness of its counterparty. Insolvency of, gross negligence, wilful misconduct and/or fraud by the counterparty may prevent payment in part or in full or on time, and may cause losses.

DCH manages this risk by evaluating the creditworthiness of its direct counterparties. DCH's indirect exposure to counterparty risk through its underlying investments is monitored by management as part of its due diligence process.

In the following table the custodians appointed by DCH are listed together with the most relevant credit ratings for those firms as well as the financial assets and liabilities through profit or loss held at those custodians and the outstanding cash balances, if any, as at the end of the reporting period.

Financial assets and liabilities through profit or loss:

At 31 December	Moody's	S&P	2017 US\$000	2016 US\$000
Prime Nominees (Cayman) Limited ¹	A1	A+	<u>101,387</u>	<u>155,854</u>
Total			<u>101,387</u>	<u>155,854</u>

¹ This entity is ultimately controlled by BNP Paribas Securities Services. The credit ratings stated are for this entity.

DISCOVERY CAPITAL HOLDINGS
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Net cash balances:

At 31 December	2017 US\$000	2016 US\$000
BNP Paribas Securities Services, Dublin Branch	<u>1,791</u>	<u>15,142</u>
Total	<u>1,791</u>	<u>15,142</u>

16.4 Other risks

Use of derivatives

Derivatives refer to financial instruments which derive their performance at least in part from the performance of an underlying asset, index or interest rate. Financial instruments such as futures, forward contracts and other derivatives may be used by the underlying investment portfolio managers both for speculative purposes and for hedging other investments. DCH does not control or monitor on a regular basis the investments of the portfolio managers. DCH may have a significant exposure to derivatives risks. However, as a two-tier company, its liability is limited by investing, as it does, through multiple separate legal entities. If the derivative exposure in DCH became material, that would subject the investors to a higher risk of loss and volatility and would make the pricing of the assets more difficult because, among other things, of the leveraged effect of such investments, the added credit risk of issuing counterparties, and the potential for illiquidity in certain circumstances. DCH does not have a percentage limitation on hedging.

Hedging against a decline in the value of a portfolio investment does not eliminate fluctuations in the values of portfolio investments or prevent losses if the values of such investments decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio investments' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio investments should increase. The portfolio managers of the underlying investments may utilise hedges, or choose not to hedge, based on judgments about economic or other factors that prove to be incorrect.

It is the policy of DCH to transact the majority of its direct investments in securities and contractual commitment activity with broker-dealers and banks that management considers to be well established/first rated.

17. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

We are not aware of any significant events post the end of the reporting period.



EUROPEAN CAPITAL HOLDINGS PROFILE

The principal objective of European Capital Holdings (“ECH”) is the appreciation in capital through investments in equities, both long and short, principally in Europe, and to a lesser extent in other strategies, including global macro. ECH has not paid any dividend since its inception.

Under its two-tier system, ECH does not invest directly, but operates through a variety of investment vehicles. Generally, each such investment vehicle is advised by a principal portfolio manager and its team, allowing ECH to benefit from the diversity and experience of professional portfolio managers. The investment activities of ECH include a wide range of specialised approaches and techniques used by the several managers.

The recommendation of investment managers is entrusted to the Investment Advisory Committee of the Advisory Company, whose members meet regularly to review and select managers in order to position ECH optimally in changing markets. The managers will generally be based or have an operation conducting investment research in Europe.

ECH started operating on 2 November 1998 in Luxembourg (as European Capital Holdings Sicav) and transferred its assets and liabilities to a sub-fund of the Company on 23 December 2014.

ECH normally issues shares daily, at net asset value per share (NAV).

Shares may be redeemed to ECH on the last valuation day of each month, with 45 calendar days notice at net asset value. The redemption of shares by ECH may be suspended under certain circumstances, as described in the prospectus.

For the convenience of investors, and on the basis set out in ECH’s prospectus, the shares of ECH are listed on the Euronext Amsterdam Stock Market and are traded daily. However, ECH is not normally a party to and is not responsible for such secondary market transactions. Investors may purchase and sell through banks and brokers throughout the world.

EUROPEAN CAPITAL HOLDINGS
PERFORMANCE SINCE INCEPTION¹

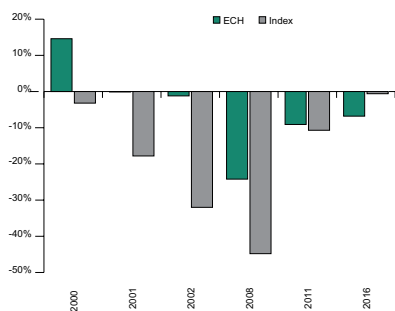
Date	NAV per share Class B - €	Performance %
02/11/98*	100.00	-
31/12/98	101.61	1.6
31/12/99	128.32	26.3
31/12/00	147.11	14.6
31/12/01	147.02	(0.1)
31/12/02	145.20	(1.2)
31/12/03	158.98	9.5
31/12/04	174.69	9.9
31/12/05	199.30	14.1
31/12/06	223.12	12.0
31/12/07	239.27	7.2
31/12/08	181.36	(24.2)
31/12/09	200.44	10.5
31/12/10	232.59	16.0
31/12/11	211.35	(9.1)
31/12/12	228.72	8.2
31/12/13	269.37	17.8
31/12/14	279.56	3.8
31/12/15	291.69	4.3
31/12/16	270.60	(7.2)
31/12/17	282.33	4.3
*Inception		

	ECH %	Index %
1 year p.a.	4.3	7.1
3 years p.a.	0.3	3.8
5 years p.a.	4.3	6.2
Since Inception p.a.	5.6	1.8

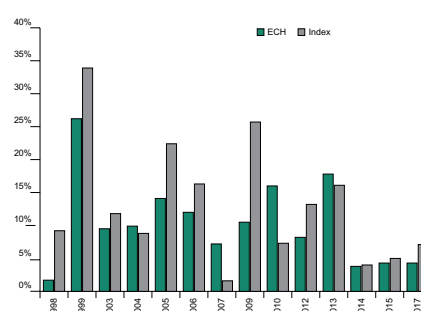


Index FTSEurofirst 300 Index

ECH Performance in Down Markets



Performance of ECH in Up Markets



¹ Any data or information relating to periods prior to the merger date of 23 December 2014 relates to the period that ECH was incorporated in Luxembourg. Furthermore, the information on this page has not been audited since this information does not form part of the audited financial statements.

EUROPEAN CAPITAL HOLDINGS
STATEMENT OF FINANCIAL POSITION

As at	Notes	31/12/17 €000	31/12/16 €000
Assets			
Current assets			
Financial assets at fair value through profit or loss	2, 4	157,991	236,409
Due from investment companies and brokers	2	11,562	13,000
Other accounts receivable	2	25	71
Cash and cash equivalents	2, 3	<u>10,810</u>	<u>10,571</u>
Total assets		<u>180,388</u>	<u>260,051</u>
Liabilities			
Current liabilities			
Financial liabilities at fair value through profit or loss	2, 4	-	(194)
Advisory and performance fees payable	2, 6	(210)	(633)
Other accounts payable and accrued expenses	2, 7	<u>(54)</u>	<u>(53)</u>
Liabilities (excluding net assets attributable to holders of redeemable participating shares)		<u>(264)</u>	<u>(880)</u>
Net assets attributable to holders of redeemable participating shares	2, 5	<u>(180,124)</u>	<u>(259,171)</u>
Total liabilities		<u>(180,388)</u>	<u>(260,051)</u>
Net asset value per redeemable participating share (Class B)		€282.33	€270.60
Net asset value per redeemable participating share (Class Y)		€286.89	€271.46

The notes on pages 95 to 107 are an integral part of these financial statements

EUROPEAN CAPITAL HOLDINGS
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Notes	2017 €000	2016 €000
Income			
Net gain/(loss) on financial assets and financial liabilities at fair value through profit or loss:			
- Realised gains/(losses)	8	1,937	(1,178)
- Change in unrealised gains/(losses)	8	10,073	(16,920)
Fee rebate	15	310	447
Surplus on repurchase of own shares	5	129	66
Other income		150	9
Total income/(loss)		12,599	(17,576)
Operating expenses			
Advisory and performance fees	9	(2,996)	(4,431)
Administration fees	10	(160)	(192)
Audit fees		(35)	(42)
Other operating expenses	11	(250)	(266)
Total operating expenses		(3,441)	(4,931)
Operating profit/(loss)		9,158	(22,507)
Finance costs			
Commitment fee relating to short term borrowings	3	(110)	(233)
Interest expense	2, 3	(100)	(66)
Total finance costs		(210)	(299)
Profit/(loss) before taxation		8,948	(22,806)
Taxation	2	-	(4)
Increase/(decrease) in net assets attributable to holders of redeemable shares from operations		8,948	(22,810)

EUROPEAN CAPITAL HOLDINGS
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

For the year ended 31 December	Notes	2017 €000	2016 €000
Net assets attributable to holders of redeemable participating shares at 1 January		259,171	333,388
Increase from redeemable participating shares issued	5	723	23,280
Decrease due to redeemable participating shares repurchased	5	<u>(88,718)</u>	<u>(74,687)</u>
Net increase/(decrease) from share transactions		(87,995)	(51,407)
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations		<u>8,948</u>	<u>(22,810)</u>
Net assets attributable to holders of redeemable participating shares at 31 December		<u>180,124</u>	<u>259,171</u>

EUROPEAN CAPITAL HOLDINGS
STATEMENT OF CASH FLOWS

For the year ended 31 December	Notes	2017 €000	2016 €000
Cash flows from operating activities			
Profit/(loss) before taxation		8,948	(22,806)
Adjustments for:			
Taxation		-	(4)
Surplus on repurchase of own shares		(129)	(66)
Other income		(150)	(9)
Finance costs		210	299
Net changes in:			
Due from investment companies		1,438	(12,390)
Other accounts receivable		46	(25)
Advisory and performance fees payable		(423)	(517)
Other accounts payable and accrued expenses		1	(78)
Increase in financial assets at fair value through profit or loss		78,418	78,411
Increase in financial liabilities at fair value through profit or loss		(194)	194
Surplus on repurchase of own shares received		129	66
Other income received		150	9
Finance costs paid		(210)	(299)
Net cash from operating activities		88,234	42,785
Cash flows from financing activities			
Proceeds from redeemable participating shares issued		723	23,280
Paid on redeemable participating shares repurchased		(88,718)	(74,687)
Net cash from financing activities		(87,995)	(51,407)
Net increase/(decrease) in cash and cash equivalents		239	(8,622)
Cash and cash equivalents at 1 January		10,571	19,193
Cash and cash equivalents at 31 December	2, 3	10,810	10,571

EUROPEAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Capital Holdings Funds plc (the “Company”) was incorporated in Ireland on 13 March 2014 and was authorised as a Retail Investor AIF by the Central Bank of Ireland on 19 December 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out in note 2 to the financial statements of The Capital Holdings Funds plc.

3. CASH AND CASH EQUIVALENTS

At	31/12/17 €000	31/12/16 €000
Cash at bank:		
Cash €	10,810	10,571
Net cash and cash equivalents	10,810	10,571

For purposes of the statement of cash flows, cash and cash equivalents comprise cash at current bank accounts, cash held on deposit and bank overdrafts.

During the reporting period ECH maintained a line of credit with BNP Paribas, Dublin Branch, on which ECH pays an interest rate of Libor plus 1.30% per annum on amounts drawn down and a commitment fee of 0.50% per annum on the un-drawn portion of the credit line. At the end of the reporting period the committed line of credit amounted to €20 million.

ECH has pledged all of its investments as collateral. The sale of such pledged assets requires the release of these assets by the Depository. At the end of the reporting period ECH had drawn an amount of nil (2016: nil).

4. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

4.a. Financial assets and liabilities at fair value through profit or loss

ECH classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as net asset values reported by the administrators of the investment companies in which ECH has invested.

Level 3: Inputs are unobservable inputs for the asset or liability. This includes financial assets or liabilities for which the Board of Directors made fair value adjustments because of the illiquidity of such financial assets and liabilities.

Level 3 valuations are reviewed on a periodic basis by the Company’s Board of Directors. The Board of Directors considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry. The main technique used in fair valuing the Level 3 assets has been to apply a discount to the corresponding Level 3 valuations as best estimated by the Board of Directors. In selecting the most appropriate valuation model the Board of Directors performs back testing and considers which model’s results have historically aligned most closely to actual market transactions.

EUROPEAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of the financial assets at fair value through profit or loss as at 31 December 2017:

	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Investment companies:				
Equity Long	4,930	11,734	350	17,014
Equity Long/Short	-	136,884	-	136,884
Macro	-	3,506	-	3,506
Investment companies in run-off	-	-	505	505
Total investment companies	4,930	152,124	855	157,909
Forward FX contracts	-	82	-	82
Total financial assets at fair value through profit or loss	4,930	152,206	855	157,991

As at 31 December 2017, the Board of Directors made fair value adjustments, as noted in note 2.4 on page 39 and taken into account in the table above, which reduced the fair value of investments representing approximately 0.9% (2016: 1.8%) of the net asset value, by €0.9 million (2016: €2.3 million) or 0.5% (2016: 0.9%) of net asset value at year end. The fair value adjustments made by the Board of Directors amounted to 50% (2016: 50%) of the net asset value of the Level 3 investments. A sensitivity analysis on the fair value of Level 3 investments has not been performed as the write down provision amounts are not significant.

The following table presents the movement of Level 3 investments for the period ended 31 December 2017 by category of investment:

For the year ended	Equity Long €000	Investment companies in run-off €000	Total €000
Opening balance	398	1,915	2,313
Purchases	-	1,884	1,884
Sales	-	(4,025)	(4,025)
Gains/(losses) recognised	(48)	731	683
Closing balance	350	505	855

During the financial year 2017 there were no transfers between the different levels of the hierarchy.

The following is a summary of the financial assets at fair value through profit or loss as at 31 December 2016:

	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Investment companies:				
Equity Long	-	15,063	398	15,461
Equity Long/Short	-	187,194	-	187,194
Macro	-	31,839	-	31,839
Investment companies in run-off	-	-	1,915	1,915
Total financial assets at fair value through profit or loss	-	234,096	2,313	236,409

EUROPEAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of the financial liabilities at fair value through profit or loss as at 31 December 2016:

	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Forward FX contracts	-	(194)	-	(194)
Total financial liabilities at fair value through profit or loss	-	(194)	-	(194)

The following table presents the movement of Level 3 investments for the period ended 31 December 2016 by category of investment:

For the year ended	Equity Long €000	Investment companies in run-off €000	Total €000
Opening balance	387	3,838	4,225
Sales	-	(176)	(176)
Gains/(losses) recognised	11	(1,747)	(1,736)
Closing balance	398	1,915	2,313

During the financial year 2016 there were no transfers between the different levels of the hierarchy.

The following table analyses within the fair value hierarchy ECH's assets and liabilities (by class) not measured at fair value at 31 December 2017 but for which fair value is disclosed:

	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Assets				
Due from investment companies and brokers	-	11,562	-	11,562
Other accounts receivable	-	25	-	25
Cash and cash equivalents	10,810	-	-	10,810
Total	10,810	11,587	-	22,397
Liabilities				
Advisory and performance fees payable	-	(210)	-	(210)
Other accounts payable and accrued expenses	-	(54)	-	(54)
Total	-	(264)	-	(264)

EUROPEAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The following table analyses within the fair value hierarchy ECH's assets and liabilities (by class) not measured at fair value at 31 December 2016 but for which fair value is disclosed:

	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Assets				
Due from investment companies and brokers	-	13,000	-	13,000
Other accounts receivable	-	71	-	71
Cash and cash equivalents	10,571	-	-	10,571
Total	10,571	13,071	-	23,642
Liabilities				
Advisory and performance fees payable	-	(633)	-	(633)
Other accounts payable and accrued expenses	-	(53)	-	(53)
Total	-	(686)	-	(686)

4.b. Condensed schedule of investments

A condensed schedule of investments of ECH as at 31 December 2017 was:

	31/12/17 €000	% of NAV
The Adelphi Europe Fund	25,867	14.4
Egerton Long-Short Fund (EUR, GBP & NOK) Ltd	22,682	12.6
MW Eureka Fund	21,157	11.7
Perdurance Neutral Fund Ltd	16,960	9.4
Lansdowne Developed Markets Fund Ltd	12,481	6.9
Memnon European Fund	11,734	6.5
Ronit Global Opportunities Fund Ltd	11,054	6.1
Sand Grove Opportunities Fund Ltd	10,959	6.1
Other investments	25,097	13.9
Total financial assets at fair value through profit or loss	157,991	

A condensed schedule of investments of ECH as at 31 December 2016 was:

	31/12/16 €000	% of NAV
MW Eureka Fund	33,785	13.0
The Adelphi Europe Fund	27,730	10.7
Trading Capital Holdings	25,719	9.9
The Children's Investment Fund	24,597	9.5
Lansdowne Developed Markets Fund Ltd	21,192	8.2
Horseman Global Fund Ltd	20,598	7.9
Perdurance Neutral Fund Ltd	20,358	7.9
Egerton Long-Short Fund (EUR & GBP) Ltd	19,405	7.5
Memnon European Fund	15,063	5.8
Other investments	27,962	10.8
Total financial assets at fair value through profit or loss	236,409	

EUROPEAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

4.c. Forward foreign exchange contracts

ECH enters into forward foreign exchange transactions primarily to hedge the US Dollar exposure back to the Euro. Forward foreign exchange contracts are held for trading and are valued at the forward rate and are marked to market on the valuation date.

Included under financial assets at fair value through profit or loss at 31 December 2017 is the following forward foreign exchange contract that was outstanding with BNP Paribas Securities Services:

Purchases €000	(Sales) US\$000	Maturity date	Unrealised appreciation/ (depreciation) €000
3,916	(4,606)	10/01/2018	<u>82</u>
Total			<u>82</u>

Included under financial assets at fair value through profit or loss at 31 December 2016 is the following forward foreign exchange contract that was outstanding with BNP Paribas Securities Services:

Purchases €000	(Sales) US\$000	Maturity date	Unrealised appreciation/ (depreciation) €000
6,509	(7,087)	31/01/2017	<u>(194)</u>
Total			<u>(194)</u>

5. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

ECH has no share capital for accounting purposes as all of ECH's shares are redeemable participating shares. Redeemable participating shares are redeemable at the shareholders' option and are classified as financial liabilities.

The data relating to the net asset value of redeemable participating shares of ECH and the number of shares in issue during the year 2017 are summarised below:

€000	Class B	Class Y	Total
Redeemable participating shares at 1 January 2017	255,724	3,447	259,171
Subscriptions	723	-	723
Redemptions	(88,718)	-	(88,718)
Net increase in redeemable participating shares resulting from operations	<u>8,752</u>	<u>196</u>	<u>8,948</u>
Redeemable participating shares at 31 December 2017	<u>176,481</u>	<u>3,643</u>	<u>180,124</u>
	Class B	Class Y	Shares
Shares outstanding at 1 January 2017	945,007	12,698	957,705
Subscriptions	2,854	-	2,854
Redemptions	<u>(322,772)</u>	<u>-</u>	<u>(322,772)</u>
Shares outstanding at 31 December 2017	<u>625,089</u>	<u>12,698</u>	<u>637,787</u>
Net asset value per redeemable participating share at 31 December 2017	€282.33	€286.89	

EUROPEAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The data relating to the net asset value of redeemable participating shares of ECH and the number of shares in issue during the year 2016 is summarised below:

€000	Class B	Class Y	Total
Redeemable participating shares at 1 January 2016	333,388	-	333,388
Subscriptions	19,780	3,500	23,280
Redemptions	(74,687)	-	(74,687)
Net increase in redeemable participating shares resulting from operations	<u>(22,757)</u>	<u>(53)</u>	<u>(22,810)</u>
Redeemable participating shares at 31 December 2016	<u>255,724</u>	<u>3,447</u>	<u>259,171</u>
	Class B	Class Y	Shares
Shares outstanding at 1 January 2016	1,142,937	-	1,142,937
Subscriptions	69,628	12,698	82,326
Redemptions	<u>(267,558)</u>	<u>-</u>	<u>(267,558)</u>
Shares outstanding at 31 December 2016	<u>945,007</u>	<u>12,698</u>	<u>957,705</u>
Net asset value per redeemable participating share at 31 December 2016	€270.60	€271.46	

The data relating to the net asset value of redeemable participating shares of ECH and the number of shares in issue for the past three years is summarised below:

At 31 December	2017	2016	2015
Total NAV (€000)	180,124	259,171	333,388
Total shares Class B	625,089	945,007	1,142,937
Total shares Class Y	12,698	12,698	-
NAV per share Class B (€)	282.33	270.60	291.69
NAV per share Class Y (€)	286.89	271.46	-
Total income (€000)	12,599	(17,576)	21,401
Total operating expenses (€000)	(3,441)	(4,931)	(6,506)
Total finance costs (€000)	(210)	(299)	(249)
Taxes (€000)	<u>-</u>	<u>(4)</u>	<u>(3)</u>
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations (€000)	<u>8,948</u>	<u>(22,810)</u>	<u>14,643</u>

For the convenience of investors, to create a market with orderly trading and to promote liquidity of the shares, the Company has designated Munnik Opties & Futures bv and Edmond de Rothschild (Suisse) SA to act as an Agent of the Company to make a market in shares. The Company has agreed, subject to certain limitations, to repurchase shares from the Agent at a fixed discount, including a fixed commission of 0.5%.

6. ADVISORY AND PERFORMANCE FEE PAYABLE

For the year ended 31 December	2017 €000	2016 €000
Advisory fees	(210)	(633)
Performance fees	<u>-</u>	<u>-</u>
Total	<u>(210)</u>	<u>(633)</u>

EUROPEAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

7. OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

For the year ended 31 December	2017 €000	2016 €000
Payable to the Administrator	(12)	(14)
Other accounts payable	(42)	(39)
Total	(54)	(53)

8. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

For the year ended 31 December	2017 €000	2016 €000
Realised gain on financial assets and liabilities at fair value through profit or loss	2,940	21
Realised loss on financial assets and liabilities at fair value through profit or loss	(1,003)	(1,199)
Net realised gain/(loss) on financial assets and liabilities at fair value through profit or loss	1,937	(1,178)
Change in unrealised gain on financial assets and liabilities at fair value through profit or loss	11,268	472
Change in unrealised loss on financial assets and liabilities at fair value through profit or loss	(1,195)	(17,392)
Net change in unrealised gain/(loss) on financial assets and liabilities at fair value through profit or loss	10,073	(16,920)
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	12,010	(18,098)

9. ADVISORY AND PERFORMANCE FEES

For the year ended 31 December	2017 €000	2016 €000
Advisory fees	(2,996)	(4,431)
Performance fees	-	-
Total	(2,996)	(4,431)

LCH Investments NV is entitled to an amount in cash of 1.5% per annum of the net asset value of class B Shares and 0.25% per annum of the net asset value of class Y Shares. Such fees accruing on the basis of the net asset value at the close of each business day prior to taking into account any accrued performance fees as described below and payable monthly.

The Investment Adviser is entitled to a performance fee calculated in respect of each calendar year payable in cash of 5% of the net realized and unrealized appreciation in the NAV of class B Shares (taking into account realized and unrealized gains and losses, and expenses) subject to a “high water mark” provision. This means that no performance fee is accrued or paid until the Net Asset Value per Share on which the performance fee was previously accrued and paid has been surpassed. This fee will accrue daily and be payable at the end of the financial year to which such fee relates (or upon a redemption with respect to redeemed Shares).

The current high water mark for Class B Shares amounts to US\$291.69 per share which means that the net asset value per share needs to appreciate by 3.3% before a performance fee will be charged.

EUROPEAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

10. ADMINISTRATION FEES

The Administrator fees are calculated based on the net assets of ECH at the last business day of each month. The per annum fee rates were as follows: 0.075% on the first €185 million, 0.06% on the next €370 million, and 0.05% on net assets in excess of €370 million.¹¹

OTHER OPERATING EXPENSES

For the year ended 31 December	2017 €000	2016 €000
Directors fees	(54)	(84)
Depositary fees	(43)	(59)
Professional liability insurance	(34)	-
Legal fees	(33)	(41)
Paying agent fees	(25)	(17)
Regulatory fees	(9)	(14)
Miscellaneous expenses	(52)	(51)
Total	(250)	(266)

12. ONGOING CHARGES

The ongoing charges and performance fees of ECH have been calculated as follows:

For the year ended 31 December	2017 %	2016 %
Ongoing charges	1.75	1.76
Performance fees	-	-
Total	1.75	1.76

The ongoing charges, as defined in EU Commission regulation 583-2010 and document 10-674 of the Committee of European Securities Regulators, represent the total costs of ECH in the reporting period, expressed as a percentage of the average daily net asset value. Furthermore, any performance fees charged by the Investment Advisor are shown separately.

Underlying investment managers charge additional fees, namely investment management fees and performance fees. These additional fees, if included in the numbers stated above, and calculated based on a best estimation would increase the ongoing charges to 2.85% (2016: 2.98%) and the performance fees to 1.82% (2016: 0.33%) based on the net performance of ECH for the period.

In addition to investment management fees and performance fees, underlying investment companies might incur operational expenses that are included in the net asset value of these companies and are not charged separately. Since these operating expenses are typically not disclosed in the prospectus of these companies they are difficult to estimate by ECH and are not included in the numbers stated above.

13. COMPARISON COSTS ACCORDING TO PROSPECTUS AND ACTUAL COSTS

The basis on which various costs are charged to ECH are disclosed in detail in the prospectus. It is a Dutch regulatory requirement to include a comparison between those costs disclosed in the prospectus and the actual costs.

For the year ended 31 December	Actual 2017 €000	According to prospectus ¹ €000	Difference €000
Advisory fees	(2,996)	(2,996)	-
Performance fees	-	-	-
Administration fees	(160)	(160)	-
Depositary fees	(43)	(43)	-
Directors fees	(54)	(54)	-
Paying agent and related fees	(25)	(25)	-
Commitment fee relating to short term borrowings	(110)	(110)	-

EUROPEAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December	Actual 2016 €000	According to prospectus ¹ €000	Difference €000
Advisory fees	(4,431)	(4,431)	-
Performance fees	-	-	-
Administration fees	(192)	(192)	-
Depositary fees	(59)	(59)	-
Directors fees	(84)	(84)	-
Paying agent and related fees	(17)	(17)	-
Commitment fee relating to short term borrowings	(233)	(233)	-
Interest expense on short term borrowings	(51)	(51)	-

¹ The amounts shown are calculated by using the percentages stated in the prospectus (if applicable).

14. PORTFOLIO TURNOVER RATE

The portfolio turnover rate of ECH has been calculated as follows:

For the year ended 31 December	2017 %	2016 %
Portfolio turnover rate	<u>(1.7)</u>	<u>(3.0)</u>

The portfolio turnover rate reflects the sum of the total gross amount of purchases and sales of investments of ECH in the reporting period, minus the sum of the total amount of subscriptions and redemptions of redeemable participating shares, expressed as a percentage of the average daily net assets.

15. RELATED PARTY TRANSACTIONS

The following parties should be considered related parties because together they ultimately control ECH: the members of the Board of Directors and LCH Investments NV (including its Board of Directors) in its capacity as Investment Adviser.

Additionally, the following party, having transactions with ECH, is considered related because it is affiliated to one of the sponsoring institutions of the Company: Edmond de Rothschild Securities (UK) Limited in its capacity as Agent of the Company (up to 1 June 2017). Additionally, transactions with Trading Capital Holdings (“TCH”) could be considered related party transactions, since ECH and TCH have the same Board of Directors. Transactions with related parties are done on terms that are considered to be in conformity with market rates.

Please refer to 2.12 of the Company and 5, 6 and 9 for further information about transactions that took place with related and affiliated parties, including the total amount of such transactions, any outstanding balances as of the balance sheet date and the total amount of expenses incurred by ECH relating to these transactions.

ECH shares some of the same sponsoring institutions and has the same Board of Directors of TCH. In order to avoid double charging to ECH shareholders, the Investment Adviser of TCH rebates the full amount of advisory fees and incentive fees charged to TCH based on ECH’s proportionate holding in TCH. The rebate amount is shown in the statement of comprehensive income under fee rebate.

The total personal interest of the members of the Board of Directors of the Company, the Board of Directors of LCH Investments NV and the Company Secretary in redeemable participating shares of ECH during the year ended 31 December 2017 was:

31 December	Position at 2016	Purchases/ (Sales)	Position at 2017
Shares of ECH	322	345	667

16. EXCHANGE RATE

The following exchange rate prevailing at 31 December 2017 was used: €1.00 = US\$1.2007 (2016: US\$1.0528).

17. FINANCIAL RISK FACTORS

ECH's investment activities expose it to various types of risks that are associated with the financial assets and liabilities and markets in which it invests. ECH is exposed to market risk, liquidity risk, counterparty risk and other risks (risk of using derivatives). The risk management policies employed by ECH to manage these risks are discussed below.

17.1 Market risk

(a) Price risk

ECH invests in other funds and is susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The Board of Directors manages this risk by monitoring the performance of each underlying investment closely on a weekly and monthly basis.

ECH is exposed to transferable securities price risk and derivative price risk. This arises from investments held by ECH for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than euro, the price initially expressed in foreign currency and then converted into euro will also fluctuate because of changes in foreign exchange rates.

ECH has also performed a sensitivity analysis. The relationship between movements in the FTSE Eurofirst 300 Index and the NAV of ECH is uncertain and subject to change at any time and should not be relied upon in assessing likely future relationships. Notwithstanding this, as required by IFRS, the following details ECH's estimated sensitivity to a 5% general increase and decrease in the FTSE Eurofirst 300 Index.

As at December 31, 2017, if the FTSE Eurofirst 300 Index had increased or decreased by an additional 5% during 2017, with all other variables held constant and based on the actual change during 2017 of the net asset value and the FTSE Eurofirst 300 Index, the increase or decrease in net assets attributable to holders of redeemable shares for the year might have amounted to 0.89% (2016: 0.97%).

(b) Foreign exchange risk

ECH operates internationally and holds both monetary and non-monetary assets denominated in currencies other than euro, the functional currency. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities.

ECH holds assets denominated in currencies other than euro. ECH is therefore exposed to currency risks, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. ECH may manage this risk by seeking to hedge against currency fluctuations provided that hedging instruments are available on a timely basis and on acceptable terms.

The carrying amount of ECH's direct foreign currency denominated financial assets and financial liabilities at the reporting date is detailed in note 4.

As at 31 December 2017 and 31 December 2016, foreign exchange risk does not present a significant risk.

(c) Cash flow and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow. The Board of Directors manages this risk by monitoring fluctuations in the market interest rates on a monthly basis.

As at 31 December 2017 and 31 December 2016, cash flow and fair value interest rate risk do not present a significant risk.

EUROPEAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

17.2 Liquidity risk

Liquidity risk is the risk that ECH may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. ECH is exposed to monthly cash redemptions of redeemable shares and has a 45 calendar days notice period for redemption requests. ECH's liquidity risk is managed through the diversification of the investment program by strategy and by manager as well as by redemption terms of the investment vehicles and the liquidity of their investments. There can be no assurance that this diversification will provide protection from a market downfall or illiquidity.

The success of ECH's investment program depends to a great extent upon the ability of the Managers to assess correctly the future course of price movements of stocks, bonds, commodities and currencies. There can be no assurance that the Managers will accurately predict such movements. In addition, certain of the investments in which a substantial portion of ECH's capital may be invested, from time to time, may have limited liquidity. This lack of liquidity, together with a failure to accurately predict market movements, may adversely affect the ability of the portfolio manager to execute trade orders at desired prices. Moreover, because illiquid investments may be difficult to value, the NAV of a class of shares may fluctuate widely from one period to the next. The risk of illiquidity is also increased by the prevalence of requirements by portfolio advisers with whom ECH wishes to invest that ECH agree to minimum holding periods and redemption periods in underlying investments that are generally longer than ECH's own redemption period.

ECH's liquidity risk is managed through the diversification of the investment program by strategy and by manager as well as by redemption terms of the underlying investments and the liquidity of their investments. There can be no assurance that this diversification will provide protection from a market downfall or illiquidity.

As a result of disrupted market conditions such as a rapid and catastrophic price movements in markets in which ECH invests, determination of net asset values, and the right to redeem Shares resulting in temporary illiquidity of the Shares during such suspension. The following table details the ordinary redemption periods of the underlying investment companies in which ECH has invested as well as any other financial assets through profit or loss as at 31 December 2017.

Redemption period	≤3 months €000	3-12 months €000	>1 year ¹ €000	Total €000
Notice period:				
Cash and other assets	22,397	-	-	22,397
30 days or less	106,917	-	-	106,917
45 days	8,823	-	-	8,823
60 days	-	-	-	-
90 days	41,396	-	-	41,396
More than 90 days	-	-	855	855
Total assets	179,533	-	855	180,388

¹ This category includes investments in funds that are in liquidation and for which there is no statutory right of redemption.

The following table details the ordinary redemption periods of the underlying investment companies in which ECH has invested as well as any other current assets through profit or loss as at 31 December 2016.

Redemption period	≤3 months €000	3-12 months €000	>1 year ¹ €000	Total €000
Notice period:				
Cash and other assets	23,642	-	-	23,642
30 days or less	122,460	-	-	122,460
45 days	33,699	-	-	33,699
60 days	-	-	-	-
90 days	77,937	-	-	77,937
More than 90 days	-	-	2,313	2,313
Total assets	257,738	-	2,313	260,051

¹ This category includes investments in funds that are in liquidation and for which there is no statutory right of redemption.

EUROPEAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The table above shows by when investments could be normally redeemed even if subject to an early redemption fee, and not taking into account initial lock-ups.

The following table details ECH's liquidity analysis for its financial liabilities based on contractual undiscounted cash-flow as at 31 December 2017 and shows when the liabilities become due.

	Less than 1 month €000	1 - 3 months €000	>3 months €000
Financial liabilities at fair value through profit or loss	-	-	-
Advisory and performance fees payable	(210)	-	-
Other accounts payable and accrued expenses	(54)	-	-
Net assets attributable to holders of redeemable participating shares	-	(180,124)	-
Total	(264)	(180,124)	-

The following table details ECH's liquidity analysis for its financial liabilities based on contractual undiscounted cash-flow as at 31 December 2016 and shows when the liabilities become due.

	Less than 1 month €000	1 - 3 months €000	>3 months €000
Financial liabilities at fair value through profit or loss	-	(194)	-
Advisory and performance fees payable	(633)	-	-
Other accounts payable and accrued expenses	(53)	-	-
Net assets attributable to holders of redeemable participating shares	-	(259,171)	-
Total	(686)	(259,365)	-

17.3 Counterparty creditworthiness

ECH is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

To the extent that ECH engages, directly or through the underlying investments, in principal transactions, including, but not limited to, swap transactions, forward foreign currency transactions and bonds and other fixed income securities and/or to the extent that ECH makes use of the services of a counterparty for the custody of its assets, ECH must rely on the creditworthiness of its counterparty. Insolvency of, gross negligence, wilful misconduct and/or fraud by the counterparty may prevent payment in part or in full or on time, and may cause losses.

ECH manages this risk by evaluating the creditworthiness of its direct counterparties. ECH's indirect exposure to counterparty risk through its investments in underlying investments is monitored by management as part of its due diligence process.

In the following table the Depositary appointed by ECH is listed together with the most relevant credit ratings for those firms as well as the financial assets and liabilities through profit or loss held at this Depositary and the outstanding cash balances, if any, as at the end of the reporting period.

EUROPEAN CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

Financial assets and liabilities through profit or loss:

At 31 December	Moody's	S&P	2017 €000	2016 €000
Prime Nominees (Cayman) Limited ¹	A1	A+	157,909	236,409
BNP Paribas Securities Services			<u>82</u>	<u>-</u>
Total			<u>157,991</u>	<u>236,409</u>

¹ This entity is ultimately controlled by BNP Paribas Securities Services. The credit ratings stated are for this entity.

Net cash balances:

At 31 December	2017 €000	2016 €000
BNP Paribas Securities Services, Dublin Branch	<u>10,810</u>	<u>10,571</u>
Total	<u>10,810</u>	<u>10,571</u>

17.4 Other risks

Use of derivatives

Derivatives refer to financial instruments which derive their performance at least in part from the performance of an underlying asset, index or interest rate. Financial instruments such as futures, forward contracts and other derivatives may be used by ECH's portfolio managers both for speculative purposes and for hedging other investments. ECH does not control or monitor on a regular basis the investments of the portfolio managers. ECH may have a significant exposure to derivatives risks. However, as a two-tier company, its liability is limited by investing, as it does, through multiple separate legal entities. If the derivative exposure in ECH became material, that would subject the investors to a higher risk of loss and volatility and would make the pricing of the assets more difficult because, among other things, of the leveraged effect of such investments, the added credit risk of issuing counterparties, and the potential for illiquidity in certain circumstances. ECH does not have a percentage limitation on hedging of its Portfolio.

Hedging against a decline in the value of a portfolio investment does not eliminate fluctuations in the values of portfolio investments or prevent losses if the values of such investments decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio investments' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio investments should increase. The portfolio managers of the underlying investments may utilise hedges, or choose not to hedge, based on judgments about economic or other factors that prove to be incorrect.

It is the policy of ECH to transact the majority of its direct investments in securities and contractual commitment activity with broker-dealers and banks that management considers to be well established/first rated.

Share class and currency risk

ECH constitutes a single legal entity, but the assets of the Class B Portfolio will be invested for the benefit of the Class B Shareholders and the assets of the Class Y Portfolio will be invested for the benefit of the Class Y Shareholders. However, while liabilities attributed to a class of shares (including any borrowings relating specifically to the Class B Portfolio) will only be allocated to that class, a creditor of ECH will generally not be bound to satisfy its claims from a particular class. Rather, such creditor could seek, to the extent the liabilities exceeded the assets of the class to which the liabilities are associated, to satisfy its claim from ECH's assets as a whole. Thus, if a creditor's claim relating to a particular class of shares exceeds the assets attributable to that class of shares, the remaining assets of ECH (the other class of shares) may be subject to such claim.

Foreign exchange hedging activity in connection with the Class B Portfolio, as well as subscription and redemption activity of shares in any class may have negative or positive cash flow implications for ECH.

18. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

We are not aware of any significant events post the end of the reporting period.



LEVERAGED CAPITAL HOLDINGS PROFILE

The principal objective of Leveraged Capital Holdings (“LCH”) is the appreciation in capital through investment in equity strategies, both long and short, and to a lesser extent in other strategies, including global macro. LCH has not paid any dividend since its inception.

Under its two tier system LCH does not invest directly but operates through offshore funds which are wholly or partly owned by LCH. Generally each offshore fund is advised by a single portfolio manager and its team. The investment activities of the funds thereby comprise a wide range of specialised approaches and techniques used by the managers. Hence LCH benefits from the collective services of a group of highly skilled investment managers who are allowed to operate within their area of expertise without imposed limitations.

Moreover, due to its two tier system, LCH is highly flexible in engaging and, when necessary, disengaging the services of investment managers, while at the same time limiting the financial and legal exposure to the size of its investment in an offshore fund.

LCH Investments NV is the Investment Advisor of LCH and advises the fund on the selection of the investment managers. Its Investment Advisory Committee meets regularly to review and select managers in order to position LCH optimally in changing markets.

LCH started operating on 30 November 1969 in Curaçao (as Leveraged Capital Holdings NV) under the sponsorship of the Edmond de Rothschild Group and merged with a sub-fund of the Company on 1 January 2015.

Since its inception, LCH has been able to realise a considerable increase in the net asset value per share, substantially above US stockmarket indices and with limited downside fluctuation. However, past performance is not necessarily a guide to future performance.

The financial year end of LCH is 31 December. In addition to the annual report, which contains audited financial statements, an unaudited interim report for the six month period to 30 June is also published.

Shares are issued by LCH daily, on the basis of net asset value. Shares are issued in US\$ (Class A) and Euro (Class B).

LCH will seek to hedge against currency fluctuations of the Class B shares, provided that hedging instruments are available on a timely basis and on acceptable terms.

Shares may be redeemed at the end of each quarter with 45 business days notice at net asset value. The redemption of shares may be postponed under certain circumstances, as described in the prospectus.

For the convenience of investors, Class A shares and Class B shares of LCH are listed on Eurolist of Euronext Amsterdam NV and are also traded over the counter in London. However, LCH is not a party to and is not responsible for such secondary market transactions. Investors may purchase and sell through banks and brokers throughout the world.

LEVERAGED CAPITAL HOLDINGS
PERFORMANCE SINCE INCEPTION¹

	LCH		S&P 500		S&P 500 ²	
	NAV per share US\$	Performance ³ %	Index US\$	Performance %	Index US\$	Performance %
1969†	19.10		93.81		93.81	
1969	19.70		92.06		92.26	
1970	16.80	-15	92.15	-	94.79	+3
1971	20.28	+21	102.09	+11	107.29	+13
1972	22.99	+13	118.05	+16	126.55	+18
1973	22.48	-2	97.55	-17	106.95	-15
1974	23.82	+6	68.56	-30	77.71	-27
1975	27.25	+14	90.19	+32	105.25	+35
1976	34.30	+26	107.46	+19	128.82	+22
1977	36.46	+6	95.10	-12	117.93	-8
1978	45.09	+24	96.11	+1	123.70	+5
1979	65.72	+46	107.94	+12	144.33	+17
1980	107.79	+64	135.76	+26	188.23	+30
1981	96.44	-11	122.55	-10	176.20	-6
1982	129.90	+35	140.64	+15	210.51	+19
1983	159.10	+22	164.93	+17	254.59	+21
1984	153.79	-3	167.24	+1	266.79	+5
1985	202.63	+32	211.28	+26	347.05	+30
1986	231.06	+14	242.17	+15	407.58	+17
1987	239.52	+4	247.08	+2	425.00	+4
1988	267.66	+12	277.72	+12	489.98	+15
1989	350.38	+31	353.40	+27	638.47	+30
1990	340.53	-3	330.22	-7	611.99	-4
1991	462.90	+36	417.09	+26	790.48	+29
1992	543.15	+17	435.71	+4	843.29	+7
1993††	66.71	+23	466.45	+7	919.32	+9
1994	59.23	-11	459.27	-2	924.73	+1
1995	77.39	+31	615.93	+34	1,262.00	+36
1996	93.29	+21	740.74	+20	1,541.34	+22
1997	113.35	+22	970.43	+31	2,044.53	+33
1998	124.37	+10	1,229.23	+27	2,617.03	+28
1999	168.66	+36	1,469.25	+20	3,155.61	+21
2000	161.03	-5	1,320.28	-10	2,858.53	-9
2001	154.20	-4	1,148.08	-13	2,509.09	-12
2002	147.24	-5	879.72	-23	1,945.14	-22
2003	165.02	+12	1,111.92	+26	2,489.34	+28
2004	182.31	+10	1,211.92	+9	2,745.81	+10
2005	199.14	+9	1,248.29	+3	2,864.79	+4
2006	219.47	+10	1,418.30	+14	3,298.22	+15
2007	276.32	+26	1,468.36	+4	3,459.78	+5
2008	209.21	-24	903.25	-38	2,164.34	-37
2009	241.78	+16	1,115.10	+23	2,717.54	+26
2010	274.54	+14	1,257.64	+13	3,108.59	+14
2011	244.96	-11	1,257.60	-	3,153.86	+1
2012	266.13	+9	1,426.19	+13	3,633.48	+15
2013	306.07	+15	1,848.36	+30	4,779.04	+32
2014	316.54	+3	2,058.90	+11	5,398.91	+13
2015	295.89	-7	2,043.94	-1	5,439.21	+1
2016	281.51	-5	2,238.83	+10	6,048.70	+11
2017	303.26	+8	2,673.61	+19	7,323.89	+21

¹ Any data or information relating to periods prior to the merger date of 1 January 2015 relates to the period that LCH was incorporated in Curaçao. Furthermore, the information on this page has not been audited since this information does not form part of the audited financial statements.

² 70% dividends reinvested

³ of Class A US\$ shares

† Inception at 30 November 1969 | †† Split of 10 for 1 on 17 February 1993

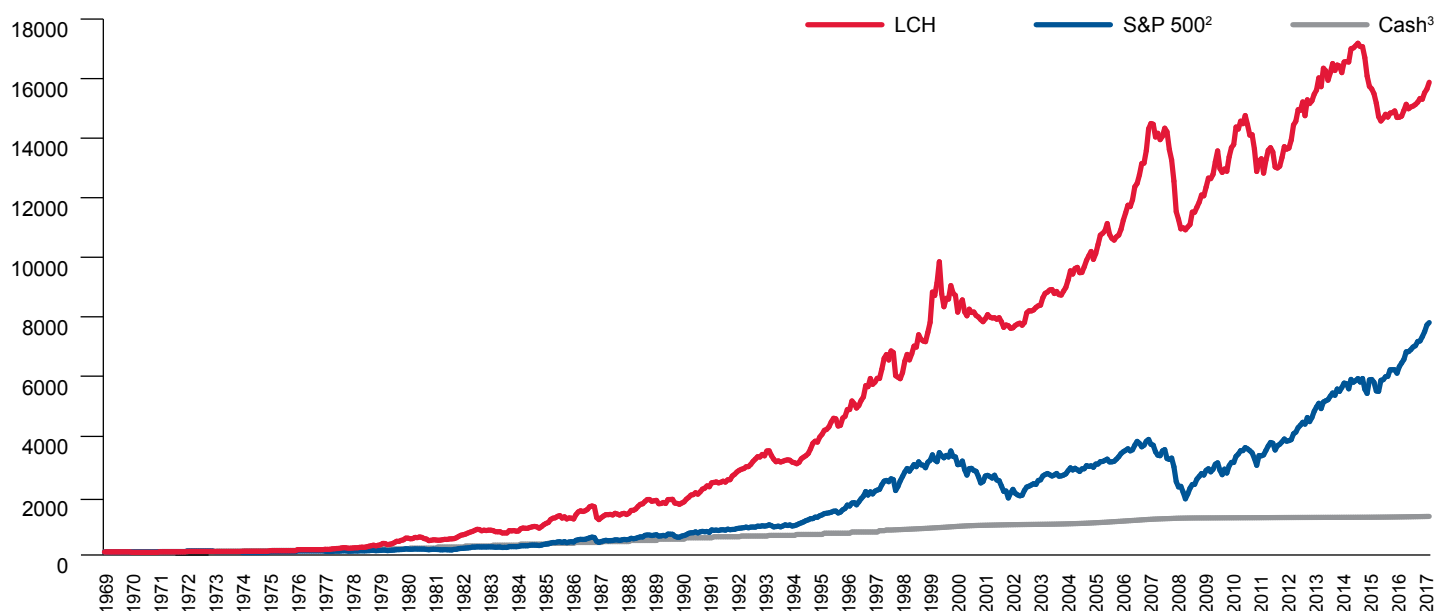
LEVERAGED CAPITAL HOLDINGS
PERFORMANCE SINCE INCEPTION¹

	LCH %	S&P500 ² %	Cash ³ %
1 year p.a.	7.7	21.1	1.3
3 years p.a.	(1.4)	10.7	0.8
5 years p.a.	2.6	15.0	0.6
Since Inception p.a.	11.1	9.5	5.5
Value of US\$100 since inception	US\$15,877	US\$7,807	US\$1,269

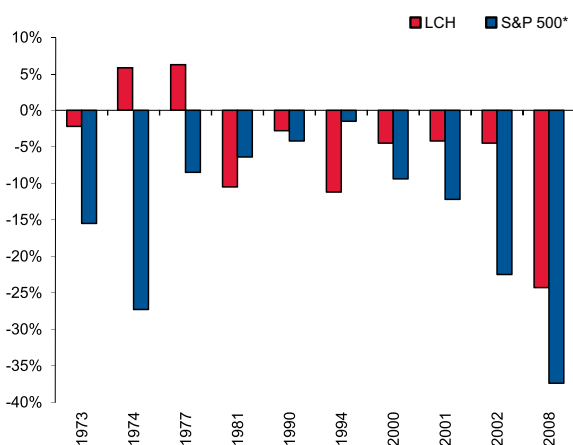
² S&P 500 (70% dividends reinvested)

³ 3 month US\$ Libor

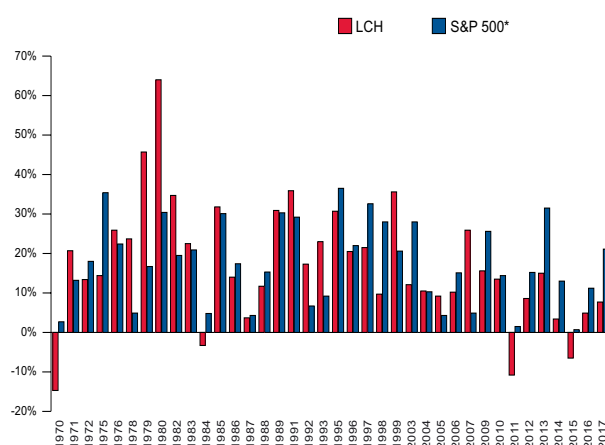
Value of US\$100 Invested at Inception



LCH Performance in Down Markets



LCH Performance in Up Markets



¹ Any data or information relating to periods prior to the merger date of 1 January 2015 relates to the period that LCH was incorporated in Curaçao. Furthermore, the information on this page has not been audited since this information does not form part of the audited financial statements.

LEVERAGED CAPITAL HOLDINGS
STATEMENT OF FINANCIAL POSITION

As at	Notes	31/12/17 US\$000	31/12/16 US\$000
Assets			
Current assets			
Financial assets at fair value through profit or loss	2, 4	359,527	569,023
Due from investment companies and brokers	2	88,243	91,987
Other accounts receivable	2	676	594
Cash and cash equivalents	2, 3	2,818	14,157
Total assets		<u>451,264</u>	<u>675,761</u>
Liabilities			
Non-current liabilities			
Borrowings from bank	2, 6	-	(75,000)
		-	(75,000)
Current liabilities			
Financial liabilities at fair value through profit or loss	2, 4	-	(1,173)
Short term borrowings	2, 3	(16,000)	-
Shareholder redemptions payable		(1,506)	(2,095)
Advisory and performance fees payable	2	(511)	(1,525)
Other accounts payable and accrued expenses	2, 7	(159)	(323)
		(18,176)	(5,116)
Liabilities (excluding net assets attributable to holders of redeemable participating shares)		(18,176)	(80,116)
Net assets attributable to holders of redeemable participating shares	2, 5	<u>(433,088)</u>	<u>(595,645)</u>
Total liabilities		<u>(451,264)</u>	<u>(675,761)</u>
Net asset value per Class A redeemable participating share		US\$303.26	US\$281.51
Net asset value per Class B redeemable participating share		€217.18	€205.60
Net asset value per Class C redeemable participating share		-	US\$284.07

LEVERAGED CAPITAL HOLDINGS
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Notes	2017 US\$000	2016 US\$000
Income			
Net gain/(loss) on financial assets and financial liabilities at fair value through profit or loss			
- Realised gains/(losses)	8	(18,471)	(61,808)
- Change in unrealised gains/(losses)	8	66,867	19,692
Interest income	2	250	-
Fee rebate	2, 15	2,980	3,397
Surplus on repurchase of own shares	5	1,173	2,180
Other income		14	37
Total income		52,813	(36,502)
Operating expenses			
Advisory and performance fees	9	(7,224)	(11,369)
Administration fees	10	(255)	(407)
Audit fees		(103)	(76)
Other operating expenses	11	(642)	(734)
Total operating expenses		(8,224)	(12,586)
Operating profit/(loss)		44,589	(49,088)
Finance costs			
Commitment fee relating to short term borrowings	3	(302)	(571)
Interest expense	2, 3	(3)	(41)
Loan interest expense	6	(2,047)	(2,309)
Total finance costs		(2,352)	(2,921)
Profit/(loss) before tax		42,237	(52,009)
Taxation	2	-	(8)
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations		42,237	(52,017)

All amounts arose solely from continuing operations. There are no gains or losses other than those dealt with in the statement of comprehensive income.

LEVERAGED CAPITAL HOLDINGS
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

For the year ended 31 December	Notes	2017 US\$000	2016 US\$000
Net assets attributable to holders of redeemable participating shares at 1 January		595,645	1,086,665
Increase from redeemable participating shares issued	5	2,459	11,349
Decrease due to redeemable participating shares repurchased	5	<u>(207,253)</u>	<u>(450,352)</u>
Net increase/(decrease) from share transactions		(204,794)	(439,003)
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations		<u>42,237</u>	<u>(52,017)</u>
Net assets attributable to holders of redeemable participating shares at 31 December		<u>433,088</u>	<u>595,645</u>

LEVERAGED CAPITAL HOLDINGS
STATEMENT OF CASH FLOWS

For the year ended 31 December	Notes	2017 US\$000	2016 US\$000
Cash flows from operating activities			
Profit/(loss) before tax		42,237	(52,009)
Adjustments for:			
Interest income		(250)	-
Taxation		-	(8)
Surplus on repurchase of own shares		(1,173)	(2,180)
Other income		(14)	(37)
Finance costs		2,352	2,921
Foreign exchange (gains)/losses on cash and cash equivalents		49	(36)
Net changes in:			
Due from investment companies and brokers		3,744	(91,327)
Other accounts receivable		(82)	(15)
Advisory and performance fees payable		(1,014)	176
Other accounts payable and accrued expenses		(164)	(54)
Increase in financial assets at fair value through profit or loss		209,496	482,369
Increase in financial liabilities at fair value through profit or loss		(1,222)	220
Interest income received		250	-
Surplus on repurchase of own shares received		1,173	2,180
Other income received		14	37
Finance costs paid		(2,352)	(2,921)
Net cash from operating activities		253,044	339,316
Cash flows from financing activities			
Short term borrowings		16,000	-
Repayment of bank loan		(75,000)	-
Proceeds from redeemable participating shares issued		2,459	11,349
Paid on redeemable participating shares repurchased		(207,842)	(448,257)
Net cash from financing activities		(264,383)	(436,908)
Net increase/(decrease) in cash and cash equivalents		(11,339)	(97,592)
Cash and cash equivalents at 1 January		14,157	111,749
Cash and cash equivalents at 31 December	2, 3	2,818	14,157

The notes on pages 116 to 129 are an integral part of these financial statements

LEVERAGED CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Capital Holdings Funds plc (the “Company”) was incorporated in Ireland on 13 March 2014 and was authorised as a Retail Investor AIF by the Central Bank of Ireland on 19 December 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out in note 2 to the financial statements of The Capital Holdings Funds plc.

3. CASH AND CASH EQUIVALENTS

As at	31/12/17 US\$000	31/12/16 US\$000
Cash at bank:		
Cash US\$	2,812	14,140
Cash €	4	15
Cash CHF	2	2
Net cash and cash equivalents	2,818	14,157

For purposes of the statement of cash flows, cash and cash equivalents comprise cash at current bank accounts, cash held on deposit and bank overdrafts.

During the reporting period LCH maintained a line of credit with BNP Paribas, Dublin Branch, on which LCH pays an interest rate of Libor plus 1.30% per annum on amounts drawn down and a commitment fee of 0.50% per annum on the un-drawn portion of the credit line. At the end of the reporting period the committed line of credit amounted to €40 million.

LCH has pledged all of its investments as collateral. The sale of such pledged assets requires the release of these assets by the Depositary. At the end of the reporting period LCH had drawn an amount of US\$16 million (2016: nil).

4. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

4.a. Financial assets and liabilities at fair value through profit or loss

LCH classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as net asset values reported by the administrators of the investment companies in which LCH has invested.

Level 3: Inputs are unobservable inputs for the asset or liability. This includes financial assets or liabilities for which the Board of Directors made fair value adjustments because of the illiquidity of such financial assets and liabilities.

Level 3 valuations are reviewed on a periodic basis by the Company’s Board of Directors. The Board of Directors considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry. The main technique used in fair valuing the Level 3 assets has been to apply a discount to the corresponding Level 3 valuations as best estimated by the Board of Directors. In selecting the most appropriate valuation model the Board of Directors performs back testing and considers which model’s results have historically aligned most closely to actual market transactions.

LEVERAGED CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of the financial assets at fair value through profit or loss as at 31 December 2017:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment companies:				
Equity Long Biased	7,091	208,419	-	215,510
Equity Opportunistic	-	23,562	-	23,562
Event Driven	-	39,193	4,325	43,518
Macro and Other	-	75,767	-	75,767
Total investment companies	7,091	346,941	4,325	358,357
Forward FX contracts	-	1,170	-	1,170
Total financial assets at fair value through profit or loss	7,091	348,111	4,325	359,527

As at 31 December 2017, the Board of Directors made fair value adjustments, as noted in note 2.4 on page 39 and taken into account in the table above, which reduced the fair value of investments representing approximately 1.5% (2016: 2.6%) of the net asset value, by US\$3.2 million (2016: US\$3.6 million) or 0.7% (2016: 0.6%) of net asset value at the year end. A sensitivity analysis on the fair value of Level 3 investments has not been performed as the write down provision amounts are not significant.

The following table presents the movement of Level 3 investments for the period ended 31 December 2017 by category of investment:

For the year ended	31/12/2017		
	Event Driven US\$000	Equity Opportunistic US\$000	Total US\$000
Opening balance	11,945	7	11,952
Sales	(7,942)	(8)	(7,950)
Gains/(losses) recognised	322	1	323
Closing balance	4,325	-	4,325

During the financial year 2017, transfers to level 3 was the result of investment positions becoming subject to liquidity restrictions.

The following is a summary of the financial assets at fair value through profit or loss as at 31 December 2016:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment companies:				
Equity Long Biased	2,895	268,456	-	271,351
Equity Opportunistic	-	55,045	-	55,045
Event Driven	-	76,718	11,945	88,663
Macro and Other	-	153,957	7	153,964
Total financial assets at fair value through profit or loss	2,895	554,176	11,952	569,023

LEVERAGED CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of the securities that are included in financial liabilities at fair value through profit or loss as at 31 December 2016:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Forward FX contracts	-	(1,173)	-	(1,173)
Total financial liabilities at fair value through profit or loss	-	(1,173)	-	(1,173)

The following table presents the movement of Level 3 investments for the year ended 31 December 2016 by category of investment:

For the year ended	31/12/2016		
	Event Driven US\$000	Equity Opportunistic US\$000	Total US\$000
Opening balance	1,437	24	1,461
Sales	(47)	(52)	(99)
Transfer into/(out of) level 3	13,030	-	13,030
Gains/(losses) recognised	(2,475)	35	(2,440)
Closing balance	11,945	7	11,952

During the financial year 2016 there were no transfers between the different levels of the hierarchy.

The following table analyses within the fair value hierarchy LCH's assets and liabilities (by class) not measured at fair value at 31 December 2017 but for which fair value is disclosed:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Assets				
Due from investment companies and brokers	-	88,243	-	88,243
Other accounts receivable	-	676	-	676
Cash and cash equivalents	2,818	-	-	2,818
Total	2,818	88,919	-	91,737
Liabilities				
Short term borrowings	(16,000)	-	-	(16,000)
Shareholder redemptions payable	-	(1,506)	-	(1,506)
Advisory and performance fees payable	-	(511)	-	(511)
Other accounts payable and accrued expenses	-	(159)	-	(159)
Total	(16,000)	(2,176)	-	(18,176)

LEVERAGED CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The following table analyses within the fair value hierarchy LCH's assets and liabilities (by class) not measured at fair value at 31 December 2016 but for which fair value is disclosed:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Assets				
Due from investment companies and brokers	-	91,987	-	91,987
Other accounts receivable	-	594	-	594
Cash and cash equivalents	14,157	-	-	14,157
Total assets	14,157	92,581	-	106,738
Liabilities				
Borrowings from bank	(75,000)	-	-	(75,000)
Shareholder redemptions payable	-	(2,095)	-	(2,095)
Advisory and performance fees payable	-	(1,525)	-	(1,525)
Other accounts payable and accrued expenses	-	(323)	-	(323)
Total	(75,000)	(3,943)	-	(78,943)

4.b. Condensed schedule of investments

A condensed schedule of investments of LCH as at 31 December 2017 was:

	31/12/17 US\$000	% of NAV
Discovery Capital Holdings	65,742	15.2
Trading Capital Holdings	48,562	11.2
Third Point Ultra Ltd	39,193	9.0
Glenview Capital Partners (Cayman) Ltd	30,806	7.1
Greenlight Capital (Offshore) (Gold) Ltd	28,700	6.6
Passport Special Opportunities Fund Ltd	23,562	5.4
Other investments	122,962	28.4
Total financial assets at fair value through profit or loss	359,527	

A condensed schedule of investments of LCH as at 31 December 2016 was:

	31/12/16 US\$000	% of NAV
Discovery Capital Holdings	106,345	17.9
Trading Capital Holdings	101,233	17.0
Third Point Ultra Ltd	58,792	9.9
Greenlight Capital (Offshore) (Gold) Ltd	39,751	6.7
Maverick Levered Fund Limited	36,092	6.1
Discovery Global Focus Fund	34,089	5.7
Glenview Capital Partners (Cayman) Ltd	33,199	5.6
Passport Special Opportunities Fund Ltd	30,407	5.1
Other investments	129,115	21.7
Total financial assets at fair value through profit or loss	569,023	

4.c. Forward foreign exchange contracts

LCH enters into forward foreign exchange transactions for the Euro Class B shares, normally with the aim of seeking to hedge the US Dollar exposure back to the Euro. Forward foreign exchange contracts are held for trading and are valued at the forward rate and are marked to market on the valuation date.

LEVERAGED CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

Included under financial assets at fair value through profit or loss at 31 December 2017 are the following forward foreign exchange contracts that were outstanding with BNP Paribas Securities Services, an affiliate of the Administrator:

	Purchases €000	(Sales) US\$000	Maturity date	Unrealised appreciation/ (depreciation) US\$000
	48,970	(57,625)	10/01/2018	<u>1,170</u>
Total				<u>1,170</u>

Included under financial assets at fair value through profit or loss at 31 December 2016 are the following forward foreign exchange contracts that were outstanding with BNP Paribas Securities Services, an affiliate of the Administrator:

	Purchases €000	(Sales) US\$000	Maturity date	Unrealised appreciation/ (depreciation) US\$000
	62,750	(67,280)	09/01/2017	<u>(1,173)</u>
Total				<u>(1,173)</u>

5. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

LCH has no share capital for accounting purposes as all of LCH's shares are redeemable participating shares. Redeemable participating shares are redeemable at the shareholders' option and are classified as financial liabilities.

The data relating to the net asset value of redeemable participating shares of LCH and the number of shares in issue during the year 2017 are summarised below:

US\$000	Class A	Class B	Class C	Total
Redeemable participating shares at 1 January 2017	485,534	65,197	44,914	595,645
Subscriptions	2,452	7	-	2,459
Redemptions	(144,592)	(16,688)	(45,973)	(207,253)
Net increase in redeemable participating shares resulting from operations	<u>30,025</u>	<u>11,153</u>	<u>1,059</u>	<u>42,237</u>
Redeemable participating shares at 31 December 2017 - US\$	373,419	59,669	-	433,088
Redeemable participating shares at 31 December 2017 - €	-	49,732	-	-
Shares	Class A	Class B	Class C	Total
Shares outstanding at 1 January 2017	1,724,737	301,207	158,109	2,184,053
Subscriptions	8,464	30	-	8,494
Redemptions	<u>(501,838)</u>	<u>(72,243)</u>	<u>(158,109)</u>	<u>(732,190)</u>
Shares outstanding at 31 December 2017	1,231,363	228,994	-	1,460,357
Net asset value per redeemable participating share at 31 December 2017	US\$303.26	€217.18	-	

LEVERAGED CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The data relating to the net asset value of redeemable participating shares of LCH and the number of shares in issue during the year 2016 are summarised below:

US\$000	Class A	Class B	Class C	Total
Redeemable participating shares at 1 January 2016	891,839	100,821	94,005	1,086,665
Subscriptions	11,043	306	-	11,349
Redemptions	(376,719)	(28,584)	(45,049)	(450,352)
Net increase in redeemable participating shares resulting from operations	<u>(40,629)</u>	<u>(7,346)</u>	<u>(4,042)</u>	<u>(52,017)</u>
Redeemable participating shares at 31 December 2016 - US\$	485,534	65,197	44,914	595,645
Redeemable participating shares at 31 December 2016 - €	<u>-</u>	<u>61,927</u>	<u>-</u>	<u>-</u>
Shares	Class A	Class B	Class C	Total
Shares outstanding at 1 January 2016	3,014,075	423,281	316,221	3,753,577
Subscriptions	39,098	1,329	-	40,427
Redemptions	(1,328,436)	(123,403)	(158,112)	(1,609,951)
Shares outstanding at 31 December 2016	<u>1,724,737</u>	<u>301,207</u>	<u>158,109</u>	<u>2,184,053</u>
Net asset value per redeemable participating share at 31 December 2016	US\$281.51	€205.60	US\$284.07	

The data relating to the net asset value of redeemable participating shares of LCH and the number of shares in issue for the past three years is summarised below:

At 31 December	2017	2016	2015
Total NAV (US\$000)	433,088	595,645	1,086,665
Total shares Class A	1,231,363	1,724,737	3,014,075
Total shares Class B	228,994	301,207	423,281
Total shares Class C	-	158,109	316,221
NAV per share Class A (US\$)	303.26	281.51	295.89
NAV per share Class B (€)	217.18	205.60	219.21
NAV per share Class C (US\$)	-	284.07	297.28
Total income (US\$000)	52,813	(36,502)	(65,903)
Total operating expenses (US\$000)	(8,224)	(12,586)	(18,418)
Total finance costs (US\$000)	(2,352)	(2,921)	(3,012)
Taxes (US\$000)	-	(8)	(10)
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations (US\$000)	<u>42,237</u>	<u>(52,017)</u>	<u>(87,343)</u>

LEVERAGED CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

For the convenience of investors, to create a market with orderly trading and to promote liquidity of the shares, the Company has designated Munnik Opties & Futures bv and Edmond de Rothschild (Suisse) SA to act as an Agent of the Company to make a market in shares. The Company has agreed, subject to certain limitations, to repurchase shares from the Agent at a fixed discount, including a fixed commission of 0.5%.

6. BORROWINGS FROM BANK

Effective as of 14 November 2014, LCH had entered into a 3-year loan agreement with Credit Suisse International on which LCH paid an interest rate of 3.025% per annum, fixed for three years. The loan was re-paid in full on 14 November 2017.

7. OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

For the year ended 31 December	2017 US\$000	2016 US\$000
Payable to the Administrator	(19)	(23)
Profit tax payable	-	(21)
Audit fees payable	(86)	(76)
Other accounts payable	(54)	(203)
Total	(159)	(323)

8. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

For the year ended 31 December	2017 US\$000	2016 US\$000
Realised gain on financial assets and liabilities at fair value through profit or loss	13,725	272
Realised loss on financial assets and liabilities at fair value through profit or loss	(32,196)	(62,080)
Net realised gain/(loss) on financial assets and liabilities at fair value through profit or loss	(18,471)	(61,808)
Change in unrealised gain on financial assets and liabilities at fair value through profit or loss	75,443	1,402
Change in unrealised loss on financial assets and liabilities at fair value through profit or loss	(8,576)	18,290
Net change in unrealised gain/(loss) on financial assets and liabilities at fair value through profit or loss	66,867	19,692
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	48,396	(42,116)

In respect of the LCH Class B Euro denominated shares, LCH seeks to hedge against currency fluctuations in non-Euro denominated portfolio investments. The profit or loss on such hedging is shown above.

9. ADVISORY AND PERFORMANCE FEES

For the year ended 31 December	2017 US\$000	2016 US\$000
Advisory fees	(7,224)	(11,369)
Performance fees	-	-
Total	(7,224)	(11,369)

LEVERAGED CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

LCH Investments NV is entitled to an amount in cash of 1.5% per annum of the net asset value of Class A Shares and Class B shares and 1.0% per annum of the net asset value of Class C Shares. Such fees accruing on the basis of the net asset value at the close of each business day prior to taking into account any accrued performance fees as described below and payable monthly.

The Investment Adviser is entitled to a performance fee calculated in respect of each calendar year payable in cash of 3% of the net realized and unrealized appreciation in the NAV of Class A Shares, Class B Shares and Class C Shares (taking into account realized and unrealized gains and losses, and expenses) subject to a “high water mark” provision. This means that no performance fee is accrued or paid until the Net Asset Value per Share on which the performance fee was previously accrued and paid has been surpassed. This fee will accrue daily and be payable at the end of the financial year to which such fee relates (or upon a redemption with respect to redeemed Shares

The current high water mark for Class A Shares amounts to US\$316.54 per share (Class B: €235.92) which means that the net asset value per share needs to appreciate by 4.4% before a performance fee will be charged (Class B: 8.6%).

10. ADMINISTRATION FEES

The Administrator fees are calculated based on the net assets of LCH at the last business day of each month. The per annum fee rates were as follows: 0.075% on the first US\$250 million, 0.06% on the next US\$250 million and 0.05% on net assets in excess of US\$500 million. The net assets of LCH for this purpose shall exclude the amount of LCH’s investment in TCH and DCH.

11. OTHER OPERATING EXPENSES

For the year ended 31 December	2017 US\$000	2016 US\$000
Directors fees	(135)	(269)
Depositary fees	(69)	(116)
Professional liability insurance	(81)	(92)
Legal fees	(54)	(84)
Paying agent and related fees	(53)	(53)
Regulatory fees	(8)	(19)
Miscellaneous expenses	(242)	(101)
Total	(642)	(734)

12. ONGOING CHARGES

The ongoing charges and performance fees of LCH have been calculated as follows:

For the year ended 31 December	2017 %	2016 %
Ongoing charges	1.77	1.68
Performance fees	-	-
Total	1.77	1.68

The ongoing charges, as defined in EU Commission regulation 583-2010 and document 10-674 of the Committee of European Securities Regulators, represent the total costs of LCH in the reporting period, expressed as a percentage of the average daily net asset value. Furthermore, any performance fees charged by the Investment Adviser are shown separately.

Underlying investment managers charge additional fees, namely investment management fees and performance fees. These additional fees, if included in the numbers stated above, and calculated based on a best estimation would increase the ongoing charges to 3.01% (2016: 2.99%) and the performance fees to 2.19% (2016: 0.38%) based on the net performance of LCH for the period.

In addition to investment management fees and performance fees, underlying investment companies might incur operational expenses that are included in the net asset value of these companies and are not charged separately. Since these operating expenses are typically not disclosed in the prospectus of these companies they are difficult to estimate by LCH and are not included in the numbers stated above.

LEVERAGED CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

13. COMPARISON COSTS ACCORDING TO PROSPECTUS AND ACTUAL COSTS

The basis on which various costs are charged to LCH are disclosed in detail in the prospectus. It is a Dutch regulatory requirement to include a comparison between those costs disclosed in the prospectus and the actual costs.

For the year ended 31 December	Actual 2017 US\$000	According to prospectus ¹ US\$000	Difference US\$000
Advisory fees	(7,224)	(7,224)	-
Performance fees	-	-	-
Administration fees	(255)	(255)	-
Depositary fees	(69)	(69)	-
Directors fees	(135)	(135)	-
Paying agent and related costs	(53)	(53)	-
Commitment fee relating to short term borrowings	(302)	(302)	-
Interest expense relating to short term borrowings	(3)	(3)	-
Interest expense relating to loan	(2,047)	(2,047)	-

For the year ended 31 December	Actual 2016 US\$000	According to prospectus ¹ US\$000	Difference US\$000
Advisory fees	(11,369)	(11,369)	-
Performance fees	-	-	-
Administration fees	(407)	(407)	-
Depositary fees	(116)	(116)	-
Directors fees	(269)	(269)	-
Paying agent and related fees	(53)	(53)	-
Commitment fee relating to short term borrowings	(571)	(571)	-
Interest expense relating to short term borrowings	(41)	(41)	-
Interest expense relating to loan	(2,309)	(2,309)	-

¹ The amounts shown are calculated by using the percentages stated in the prospectus (if applicable).

14. PORTFOLIO TURNOVER RATE

The gross portfolio turnover rate of LCH has been calculated as follows:

For the year ended 31 December	2017 %	2016 %
Portfolio turnover rate	<u>(10.4)</u>	<u>(6.0)</u>

The portfolio turnover rate reflects the sum of the total gross amount of purchases and sales of investments of LCH in the reporting period, minus the sum of the total amount of subscriptions and redemptions of redeemable participating shares, expressed as a percentage of the average daily net assets.

15. RELATED PARTY TRANSACTIONS

The following parties should be considered related parties because together they ultimately control the LCH: the members of the Board of Directors and LCH Investments NV (including its Board of Directors) in its capacity as Investment Adviser.

LEVERAGED CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

Additionally, the following party, having transactions with LCH, is considered related because it is affiliated to one of the sponsoring institutions of the Company: Edmond de Rothschild Securities (UK) Ltd in its capacity as Agent of the Company (up to 1 June 2017). Additionally, transactions with DCH and TCH could be considered related party transactions, since DCH, LCH and TCH have the same Board of Directors. Transactions with related parties are done on terms that are considered to be in conformity with market rates.

Please refer to note 2.12, 4-5, 8-9 and 11 for further information about transactions that took place with related and affiliated parties, including the total amount of such transactions, any outstanding balances as of the end of the reporting period and the total amount of expenses incurred by LCH relating to these transactions.

LCH shares some of the same sponsoring institutions and has the same Board of Directors as TCH and DCH. In order to avoid double charging to LCH shareholders, the Investment Adviser of TCH and DCH rebates the full amount of advisory fees and incentive fees charged to TCH and DCH based on LCH's proportionate holding in TCH and DCH. The rebate amount is shown in the statement of comprehensive income under fee rebate.

The total personal interest of the members of the Board of Directors of the Company, the Board of Directors of LCH Investments NV and the Company Secretary in redeemable participating shares of LCH during the year ended 31 December 2017 was:

31 December	Position at 2016	Purchases/ (Sales)	Position at 2017
Shares of LCH	84,717	645	85,362

16. EXCHANGE RATE

The following exchange rate prevailing at 31 December 2017 was used: €1.00 = US\$1.1998 (2016: US\$1.0528) and CHF1.00 = US\$0.9743 (2016: US\$0.9821).

17. FINANCIAL RISK FACTORS

LCH's investment activities expose it to various types of risks that are associated with the financial assets and liabilities and markets in which it invests. LCH is exposed to market risk, liquidity risk, counterparty risk and other risks (risk of using derivatives). The risk management policies employed by LCH to manage these risks are discussed below.

17.1 Market risk

(a) Price risk

LCH invests in other funds and is susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The Board of Directors manages this risk by monitoring the performance of each underlying investment closely on a weekly and monthly basis.

LCH is exposed to transferable securities price risk and derivative price risk. This arises from investments held by LCH for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than USD, the price initially expressed in foreign currency and then converted into USD will also fluctuate because of changes in foreign exchange rates.

LCH has also performed a sensitivity analysis. The relationship between movements in the S&P500 Index and the NAV of LCH is uncertain and subject to change at any time and should not be relied upon in assessing likely future relationships. Notwithstanding this, as required by IFRS, the following details LCH's estimated sensitivity to a 5% general increase and decrease in the S&P500 index.

As at December 31, 2017, if the S&P500 Index had increased or decreased by an additional 5% during 2017, with all other variables held constant and based on the actual change during 2017 of the net asset value and the S&P500 Index, the increase or decrease in net assets attributable to holders of redeemable shares for the year might have amounted to 1.69% (2016: 0.99%).

(b) Foreign exchange risk

LCH operates internationally and holds both monetary and non-monetary assets denominated in currencies other than USD, the functional currency. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign

exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities.

The Portfolios, through the underlying investments, will be primarily invested in US dollar-denominated investments and their assets are valued in US dollars. LCH (with respect to each of the Portfolios), through the underlying investments, may also invest a portion of its assets in equity securities and other investments denominated in currencies other than the US dollar, including the Euro, and in other financial instruments, the prices of which are determined with reference to currencies other than the US dollar. To the extent un-hedged, the value of LCH's non-dollar denominated assets will fluctuate with US dollar exchange rates as well as with price changes of LCH's investments in the various local markets and currencies. Thus, an increase in the value of the US dollar (or, for Class B shareholders, the Euro) compared to the other currencies in which the underlying investment may make its investments will reduce the effect of increases and magnify the US dollar (or Euro) equivalent of the effect of decreases in the prices of LCH's securities and other investments in their local markets. Conversely, a decrease in the value of the US dollar (or Euro) will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of a Fund's non-US dollar (or non-Euro) securities or other investments. The portfolio managers of the underlying investments may use spot currency transactions, forward currency contracts and options to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

LCH may seek to hedge against currency fluctuations of any class of shares, provided that hedging instruments are available on a timely basis and on acceptable terms. The related hedging costs and the gains or losses attributable to the hedging transactions will be credited or charged to the class of shares on behalf of which such transactions were effected. There can be no assurance that such hedging transactions will be effective. Although LCH may hedge against currency fluctuations of either the Class A shares, the Class B shares or the Class C shares, currently LCH anticipates that it will seek to hedge against currency fluctuations solely with respect to the Class B shares.

The carrying amount of LCH's direct foreign denominated financial assets and financial liabilities at the reporting date is detailed in note 3 and 4.

As at 31 December 2017 and 31 December 2016, foreign exchange risk does not present a significant risk.

(c) Cash flow and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Board of Directors manages this risk by monitoring fluctuations in the market interest rates on a monthly basis.

As at 31 December 2017 and 31 December 2016, cash flow and fair value interest rate risk do not present a significant risk.

17.2 Liquidity risk

Liquidity risk is the risk that LCH may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. LCH is exposed to quarterly cash redemptions of redeemable shares and has a 45 business days notice period for redemption requests. LCH's liquidity risk is managed through the diversification of the investment program by strategy and by manager as well as by redemption terms of the investment vehicles and the liquidity of their investments. There can be no assurance that this diversification will provide protection from a market downfall or illiquidity.

The success of LCH's investment program depends to a great extent upon the ability of the portfolio managers of the underlying investments to assess correctly the future course of price movements of stocks, bonds, commodities and currencies. There can be no assurance that the portfolio managers will accurately predict such movements. In addition, certain of the investments in which a substantial portion of each Portfolio's capital may be invested, from time to time, may have limited liquidity. This lack of liquidity, together with a failure to accurately predict market movements, may adversely affect the ability of the portfolio manager to execute trade orders at desired prices. Moreover, because illiquid investments may be difficult to value, the NAV of a class of shares may fluctuate widely from one period to the next. The risk of illiquidity is also increased by the prevalence of requirements by portfolio advisers with whom LCH wishes to invest that LCH agree to minimum holding periods and redemption periods in underlying investments that are generally longer than LCH's own redemption period.

LCH's liquidity risk is managed through the diversification of the investment program by strategy and by manager as well as by redemption terms of the underlying investments and the liquidity of their investments. There can be no assurance that this diversification will provide protection from a market downfall or illiquidity.

LEVERAGED CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

As a result of disrupted market conditions such as a rapid and catastrophic price movement in markets in which LCH invests, determination of the NAV of each class of shares, the right to redeem Shares or the market maker facility could be suspended or restricted resulting in illiquidity of the Shares during such suspension. The following table details the ordinary redemption periods of the investment companies in which LCH has invested as well as any other financial assets through profit or loss as at 31 December 2017.

Redemption period	≤3 months US\$000	3-12 months US\$000	>1 year ¹ US\$000	Total US\$000
Notice period:				
Cash and other assets	91,737	-	-	91,737
30 days or less	14,710	-	-	14,710
45 days	158,614	62,523	-	221,137
60 days	50,255	7,075	-	57,330
90 days	18,114	43,911	-	62,025
More than 90 days	-	-	4,325	4,325
Total assets	333,430	113,509	4,325	451,264

The following table details the ordinary redemption periods of the investment companies in which LCH has invested as well as any other financial assets through profit or loss as at 31 December 2016.

Redemption period	≤3 months US\$000	3-12 months US\$000	>1 year ¹ US\$000	Total US\$000
Notice period:				
Cash and other assets	106,738	-	-	106,738
30 days or less	29,509	-	-	29,509
45 days	274,227	54,505	-	328,732
60 days	104,831	-	-	104,831
90 days	37,790	64,496	-	102,286
More than 90 days	-	-	3,665	3,665
Total assets	553,095	119,001	3,665	675,761

¹ This category includes investments in funds that are in liquidation and for which there is no statutory right of redemption.

The table above shows by when investments could be normally redeemed even if subject to an early redemption fee, and not taking into account initial lock-ups.

The following table details LCH's liquidity analysis for its financial liabilities based on contractual undiscounted cash-flow as at 31 December 2017 and shows when the liabilities become due.

	Less than 1 month US\$000	1 - 3 months US\$000	>3 months US\$000
Short term borrowings	-	-	(16,000)
Shareholder redemptions payable	(1,506)	-	-
Advisory and performance fees payable	(511)	-	-
Other accounts payable and accrued expenses	(159)	-	-
Net assets attributable to holders of redeemable participating shares	-	(433,088)	-
Total	(2,176)	(433,088)	(16,000)

LEVERAGED CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The following table details LCH's liquidity analysis for its financial liabilities based on contractual undiscounted cash-flow as at 31 December 2016 and shows when the liabilities become due.

	Less than 1 month US\$000	1 - 3 months US\$000	>3 months US\$000
Financial liabilities at fair value through profit or loss	(1,173)	-	-
Borrowings from bank	-	-	(75,000)
Shareholder redemptions payable	(2,095)	-	-
Advisory and performance fees payable	(1,525)	-	-
Other accounts payable and accrued expenses	(323)	-	-
Net assets attributable to holders of redeemable participating shares	-	(595,645)	-
Total	(5,116)	(595,645)	(75,000)

17.3 Counterparty creditworthiness

LCH is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

To the extent that LCH (with respect to each Portfolio) engages, directly or through the underlying investments, in principal transactions, including, but not limited to, swap transactions, forward foreign currency transactions and bonds and other fixed income securities and/or to the extent that LCH makes use of the services of a counterparty for the custody of its assets, LCH must rely on the creditworthiness of its counterparty. Insolvency of, gross negligence, wilful misconduct and/or fraud by the counterparty may prevent payment in part or in full or on time, and may cause losses.

LCH manages this risk by evaluating the creditworthiness of its direct counterparties. LCH's indirect exposure to counterparty risk through its underlying investments is monitored by management as part of its due diligence process.

In the following table the custodians appointed by LCH are listed together with the most relevant credit ratings for those firms as well as the financial assets and liabilities through profit or loss held at those custodians and the outstanding cash balances, if any, as at the end of the reporting period.

Financial assets and liabilities through profit or loss:

At 31 December	Moody's	S&P	2017 US\$000	2016 US\$000
Prime Nominees (Cayman) Limited ¹	A1	A+	358,357	523,201
BNP Paribas Securities Services	A1	A+	1,170	44,649
Total			359,527	567,850

¹ This entity is ultimately controlled by BNP Paribas Securities Services. The credit ratings stated are for this entity.

Net cash balances:

At 31 December	2017 US\$000	2016 US\$000
BNP Paribas Securities Services, Dublin Branch	2,818	14,157
Total	2,818	14,157

LEVERAGED CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

17.4 Other risks

Use of derivatives

Derivatives refer to financial instruments which derive their performance at least in part from the performance of an underlying asset, index or interest rate. Financial instruments such as futures, forward contracts and other derivatives may be used by the underlying investment portfolio managers both for speculative purposes and for hedging other investments. LCH does not control or monitor on a regular basis the investments of the portfolio managers. LCH may have a significant exposure to derivatives risks. However, as a two-tier company, its liability is limited by investing, as it does, through multiple separate legal entities. If the derivative exposure in LCH became material, that would subject the investors to a higher risk of loss and volatility and would make the pricing of the assets more difficult because, among other things, of the leveraged effect of such investments, the added credit risk of issuing counterparties, and the potential for illiquidity in certain circumstances. LCH does not have a percentage limitation on hedging for either of the Portfolios.

Hedging against a decline in the value of a portfolio investment does not eliminate fluctuations in the values of portfolio investments or prevent losses if the values of such investments decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio investments' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio investments should increase. The portfolio managers of the underlying investments may utilise hedges, or choose not to hedge, based on judgments about economic or other factors that prove to be incorrect.

It is the policy of LCH to transact the majority of its direct investments in securities and contractual commitment activity with broker-dealers and banks that management considers to be well established/first rated.

Share class and currency risk

LCH constitutes a single legal entity, but the assets of the Class A Portfolio will be invested for the benefit of the Class A Shareholders, the assets of the Class B Portfolio will be invested for the benefit of the Class B Shareholders and the assets of the Class C Portfolio will be invested for the benefit of the Class C Shareholders. However, while liabilities attributed to a class of shares (including any borrowings relating specifically to the Class B Portfolio) will only be allocated to that class, a creditor of LCH will generally not be bound to satisfy its claims from a particular class. Rather, such creditor could seek, to the extent the liabilities exceeded the assets of the class to which the liabilities are associated, to satisfy its claim from LCH's assets as a whole. Thus, if a creditor's claim relating to a particular class of shares exceeds the assets attributable to that class of shares, the remaining assets of LCH (the other class of shares) may be subject to such claim.

Foreign exchange hedging activity in connection with the Class B Portfolio, as well as subscription and redemption activity of shares in any class may have negative or positive cash flow implications for LCH's underlying portfolio.

18. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

We are not aware of any significant events post the end of the reporting period.



TRADING CAPITAL HOLDINGS
PROFILE

The general investment objective of Trading Capital Holdings (“TCH”) is the realization of profit through investing in global macro, trading strategies in commodities, currencies, debt and equities. TCH has not paid any dividend since inception.

Under its two tier system TCH does not invest directly but operates through offshore funds which are wholly or partly owned by TCH. Generally each offshore fund is advised by a single portfolio manager and its team. The investment activities of the funds thereby comprise a wide range of specialised approaches and techniques used by the managers.

LCH Investments NV is the Investment Advisor of TCH and advises the fund on the selection of the investment managers. Its Investment Advisory Committee meets regularly to review and select managers in order to position TCH optimally in changing markets.

TCH started operating on 30 June 2003 in Curaçao (as Trading Capital Holdings NV) and merged with a sub-fund of the Company on 1 January 2015.

The financial year end of TCH is 31 December. In addition to the annual report, which contains audited financial statements, an unaudited interim report for the six month period to 30 June is also published.

Shares are issued by TCH daily, at net asset value per share. However, TCH has from time to time suspended the issuance of new shares. During the period of the closure to new subscriptions, the ability to redeem shares in TCH remains unaltered. Shares are issued in US\$ (Class A and C) and Euro (Class B).

TCH will seek to hedge against currency fluctuations of the Class B shares, provided that hedging instruments are available on a timely basis and on acceptable terms.

Shares may be redeemed at the end of each calendar quarter with 45 business days’ notice at net asset value. The redemption of shares may be postponed under certain circumstances, as described in the prospectus.

For the convenience of investors, Class A shares and Class B shares of TCH are listed on Eurolist of Euronext Amsterdam NV and are also traded over the counter. However, TCH is not a party to and is not responsible for such secondary market transactions. Investors may purchase and sell TCH shares through banks and brokers throughout the world.

TRADING CAPITAL HOLDINGS
PERFORMANCE SINCE INCEPTION¹

Date	NAV per share Class A - US\$	NAV per share Class B - €	NAV per share Class C - US\$ ⁴	Performance ³ %
30/06/03	108.46	94.86	-	-
31/12/03	109.45	96.02	-	0.9
31/12/04	113.34	99.69	-	3.6
31/12/05	118.30	103.08	-	4.4
31/12/06	122.09	104.00	-	3.2
31/12/07	160.84	134.98	-	31.7
31/12/08	152.43	128.07	-	(5.2)
31/12/09	172.35	143.08	-	13.1
31/12/10	187.13	154.95	-	8.6
31/12/11	191.44	158.74	-	2.3
31/12/12	198.22	163.75	-	3.5
31/12/13	214.24	176.60	-	8.1
31/12/14	208.34	171.46	209.38	(2.8)
31/12/15	196.40	160.96	198.36	(5.7)
31/12/16	200.43	161.75	202.92	2.1
31/12/17	195.23	154.67	198.65	(2.6)

	TCH ³ %	Cash ² %
1 year p.a.	(2.6)	1.3
3 years p.a.	(2.1)	0.8
5 years p.a.	(0.3)	0.6
Since Inception p.a.	8.3	2.7

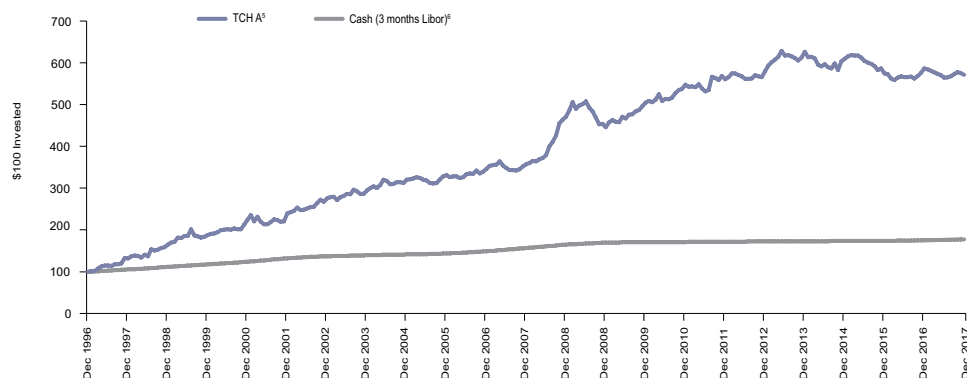
² 3 month US\$ Libor

³ of Class A US\$ shares

⁴ launched at US\$214.24 per share on 1 January 2014

Important note: Up to 16 May 2003, the portfolio of TCH comprised the portfolio of Leveraged Capital Holdings (LCH) in traders and macro managers. TCH became available to investors other than LCH on 1 July 2003 and the record shown above commences on that date. The investment return actually achieved by LCH in its portfolio of traders and macro managers prior to that date is contained within the Annual Reports of LCH.

Past performance is not necessarily a guide to future performance.



⁵ Performance shown for TCH Class A USD. The performance of TCH up to 31 May 2003 represents the investment return actually achieved by Leveraged Capital Holdings (LCH) in its portfolio of traders and macro managers, after fees. TCH became available to investors other than LCH on 1 July 2003. Source: Administrator.

⁶ Cash 3 months Libor. Source: Bloomberg.

¹ Any data or information relating to periods prior to the merger date of 1 January 2015 relates to the period that TCH was incorporated in Curaçao. Furthermore, the information on this page has not been audited since this information does not form part of the audited financial statements.

TRADING CAPITAL HOLDINGS
STATEMENT OF FINANCIAL POSITION

As at	Notes	31/12/17 US\$000	31/12/16 US\$000
Assets			
Current assets			
Financial assets at fair value through profit or loss	2, 4	260,215	429,776
Due from investment companies and brokers	2	34,916	47,488
Other accounts receivable	2	5	5
Cash and cash equivalents	2, 3	13,189	5,267
Total assets		308,325	482,536
Liabilities			
Current liabilities			
Financial liabilities at fair value through profit or loss	2, 4	-	(1,874)
Short term borrowings	3	-	(20,000)
Shareholder redemptions payable		(470)	(177)
Advisory and performance fees payable	2	(326)	(1,072)
Other accounts payable and accrued expenses	2, 6	(77)	(99)
Liabilities (excluding net assets attributable to holders of redeemable participating shares)		(873)	(23,222)
Net assets attributable to holders of redeemable participating shares	2, 5	(307,452)	(459,314)
Total liabilities		(308,325)	(482,536)
Net asset value per Class A redeemable participating share		US\$195.23	US\$200.43
Net asset value per Class B redeemable participating share		€154.67	€161.75
Net asset value per Class C redeemable participating share		US\$198.65	US\$202.92

TRADING CAPITAL HOLDINGS
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Notes	2017 US\$000	2016 US\$000
Income			
Net gain/(loss) on financial assets and financial liabilities at fair value through profit or loss			
- Realised gains/(losses)	7	11,357	(28,589)
- Change in unrealised gains/(losses)	7	(7,654)	35,673
Interest income		66	9
Fee rebate		-	626
Surplus on repurchase of own shares		752	1,278
Other income		-	38
Total income		4,521	9,035
Operating expenses			
Advisory and performance fees	8	(5,003)	(8,177)
Administration fees	9	(219)	(340)
Audit fees		(66)	(47)
Other operating expenses	10	(450)	(716)
Total operating expenses		(5,738)	(9,280)
Operating profit/(loss)		(1,217)	(245)
Finance costs			
Commitment fee relating to short term borrowings		(232)	(500)
Interest expense		(137)	(114)
Total finance costs		(369)	(614)
Profit/(loss) before tax		(1,586)	(859)
Taxation		-	(6)
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations		(1,586)	(865)

All amounts arose solely from continuing operations. There are no gains or losses other than those dealt with in the statement of comprehensive income.

TRADING CAPITAL HOLDINGS
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

For the year ended 31 December	Notes	2017 US\$000	2016 US\$000
Net assets attributable to holders of redeemable participating shares at 1 January		459,314	873,941
Increase from redeemable participating shares issued	5	4,896	6,391
Decrease due to redeemable participating shares repurchased	5	<u>(155,172)</u>	<u>(420,153)</u>
Net increase/(decrease) from share transactions		(150,276)	(413,762)
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations		<u>(1,586)</u>	<u>(865)</u>
Net assets attributable to holders of redeemable participating shares at 31 December		<u>307,452</u>	<u>459,314</u>

The notes on pages 137 to 150 are an integral part of these financial statements

TRADING CAPITAL HOLDINGS
STATEMENT OF CASH FLOWS

For the year ended 31 December	Notes	2017 US\$000	2016 US\$000
Cash flows from operating activities			
Profit/(loss) before tax		(1,586)	(859)
Adjustments for:			
Interest income		(66)	(9)
Taxation		-	(6)
Surplus on repurchase of own shares		(752)	(1,278)
Other income		-	(38)
Finance costs		369	614
Foreign exchange (gains)/losses on cash and cash equivalents		3,622	380
Net changes in:			
Due from investment companies and brokers		12,572	(45,733)
Other accounts receivable		-	12
Prepayments on investments		-	10,000
Advisory and performance fees payable		(746)	10
Other accounts payable and accrued expenses		(22)	(284)
Increase in financial assets at fair value through profit or loss		169,561	425,091
Increase in financial liabilities at fair value through profit or loss		(5,496)	(487)
Interest income received		66	9
Surplus on repurchase of own shares received		752	1,278
Other income received		-	38
Finance costs paid		(369)	(614)
Net cash from operating activities		177,905	388,124
Cash flows from financing activities			
Short term borrowings		(20,000)	20,000
Proceeds from redeemable participating shares issued		4,896	6,391
Paid on redeemable participating shares repurchased		(154,879)	(419,976)
Net cash from financing activities		(169,983)	(393,585)
Net increase/(decrease) in cash and cash equivalents		7,922	(5,461)
Cash and cash equivalents at 1 January		5,267	10,728
Cash and cash equivalents at 31 December	2, 3	13,189	5,267

The notes on pages 137 to 150 are an integral part of these financial statements

TRADING CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Capital Holdings Funds plc (the “Company”) was incorporated in Ireland on 13 March 2014 and was authorised as a Retail Investor AIF by the Central Bank of Ireland on 19 December 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out in note 2 to the financial statements of The Capital Holdings Funds plc.

3. CASH AND CASH EQUIVALENTS

As at	31/12/17 US\$000	31/12/16 US\$000
Cash at bank:		
Cash US\$	12,929	5,267
Cash €	<u>260</u>	<u>-</u>
Net cash and cash equivalents	<u>13,189</u>	<u>5,267</u>

For purposes of the statement of cash flows, cash and cash equivalents comprise cash at current bank accounts, cash held on deposit and bank overdrafts.

During the reporting period TCH maintained a line of credit with BNP Paribas, Dublin Branch, on which TCH pays an interest rate of Libor plus 1.30% per annum on amounts drawn down and a commitment fee of 0.50% per annum on the un-drawn portion of the credit line. At the end of the reporting period the committed line of credit amounted to €30 million.

TCH has pledged all of its investments as collateral. The sale of such pledged assets requires the release of these assets by the Depositary. At the end of the reporting period TCH had drawn an amount of nil (2016: US\$20 million).

4. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

4.a. Financial assets and liabilities at fair value through profit or loss

TCH classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as net asset values reported by the administrators of the investment companies in which TCH has invested.
- Level 3: Inputs are unobservable inputs for the asset or liability. This includes financial assets or liabilities for which the Board of Directors made fair value adjustments because of the illiquidity of such financial assets and liabilities.

Level 3 valuations are reviewed on a periodic basis by the Company’s Board of Directors. The Board of Directors considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry. The main technique used in fair valuing the Level 3 assets has been to apply a discount to the corresponding Level 3 valuations as best estimated by the Board of Directors. In selecting the most appropriate valuation model the Board of Directors performs back testing and considers which model’s results have historically aligned most closely to actual market transactions.

TRADING CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of the financial assets at fair value through profit or loss as at 31 December 2017:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment companies:				
Commodities	-	26,799	-	26,799
Concentrated strategies	-	60,502	-	60,502
Credit	-	21,606	578	22,184
Diversified macro	-	40,420	290	40,710
Emerging markets	-	83,914	-	83,914
Sovereign debt	-	24,703	-	24,703
Investment companies in run-off	-	-	232	232
Total investment companies	-	257,944	1,100	259,044
Forward FX contracts	-	1,171	-	1,171
Total financial assets at fair value through profit or loss	-	259,115	1,100	260,215

As at 31 December 2017, the Board of Directors made fair value adjustments, as noted in note 2.4 on page 39 and taken into account in the table above, which reduced the fair value of investments representing approximately 0.6% (2016: 0.5%) of the net asset value, by US\$0.7 million (2016: US\$1.0 million) or 0.2% (2016: 0.2%) of net asset value at year end. A sensitivity analysis on the fair value of Level 3 investments has not been performed as the write down provision amounts are not significant.

The following table presents the movement of Level 3 investments for the year ended 31 December 2017 by category of investment:

	Credit US\$000	Diversified macro US\$000	Investment companies in run-off US\$000	Total US\$000
Opening balance	700	493	241	1,434
Sales	-	(457)	-	(457)
Gains/(losses) recognised	(122)	254	(9)	123
Closing balance	578	290	232	1,100

The following is a summary of the financial assets at fair value through profit or loss as at 31 December 2016:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment companies:				
Commodities	-	59,427	-	59,427
Concentrated strategies	-	81,494	-	81,494
Credit	-	43,278	700	43,978
Diversified macro	-	87,100	493	87,593
Emerging markets	-	106,739	-	106,739
Sovereign debt	-	50,304	-	50,304
Investment companies in run-off	-	-	241	241
Total financial assets at fair value through profit or loss	-	428,342	1,434	429,776

TRADING CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of the financial liabilities at fair value through profit or loss at 31 December 2016:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Forward FX contracts	-	(1,874)	-	(1,874)
Total financial liabilities at fair value through profit or loss	-	(1,874)	-	(1,874)

During the financial year 2016 there were no transfers between the different levels of the hierarchy.

The following table presents the movement of Level 3 investments for the year ended 31 December 2016 by category of investment:

	Credit US\$000	Diversified Macro US\$000	Investment companies in run-off US\$000	Total US\$000
Opening balance	684	848	246	1,778
Sales	-	(487)	-	(487)
Gains/(losses) recognised	16	132	(5)	143
Closing balance	700	493	241	1,434

The following table analyses within the fair value hierarchy TCH's assets and liabilities (by class) not measured at fair value at 31 December 2017 but for which fair value is disclosed:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Assets				
Due from investment companies and brokers	-	34,916	-	34,916
Other accounts receivable	-	5	-	5
Cash and cash equivalents	13,189	-	-	13,189
Total	13,189	34,921	-	48,110
Liabilities				
Shareholder redemptions payable	-	(470)	-	(470)
Advisory and performance fees payable	-	(326)	-	(326)
Other accounts payable and accrued expenses	-	(77)	-	(77)
Total	-	(873)	-	(873)

TRADING CAPITAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

The following table analyses within the fair value hierarchy TCH's assets and liabilities (by class) not measured at fair value at 31 December 2016 but for which fair value is disclosed:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Assets				
Due from investment companies and brokers	-	47,488	-	47,488
Other accounts receivable	-	5	-	5
Cash and cash equivalents	5,267	-	-	5,267
Total	5,267	47,493	-	52,760
Liabilities				
Short term borrowings	(20,000)	-	-	(20,000)
Shareholder redemptions payable	-	(177)	-	(177)
Advisory and incentive fees payable	-	(1,072)	-	(1,072)
Other accounts payable and accrued expenses	-	(99)	-	(99)
Total	(20,000)	(1,348)	-	(21,348)

4.b. Condensed schedule of investments

A condensed schedule of investments of TCH as at 31 December 2017 was:

	31/12/17 US\$000	% of NAV
Pharo Trading Fund Ltd	26,515	8.6
Discovery Global Opportunity Fund Ltd	25,212	8.2
Moore Global Investments Ltd	22,545	7.3
Wexford (Offshore) Spectrum Fund	22,184	7.2
Rubicon Global Fund Ltd	15,438	5.0
Other investments	148,321	48.2
Total financial assets at fair value through profit or loss	260,215	

A condensed schedule of investments of TCH as at 31 December 2016 was:

	31/12/16 US\$000	% of NAV
Wexford (Offshore) Spectrum Fund	43,978	9.6
Moore Global Investments Ltd	42,523	9.3
Rubicon Global Fund Ltd	42,049	9.2
Discovery Global Opportunity Fund Ltd	38,225	8.3
Koppenberg Macro Commodity Fund Ltd	29,592	6.4
The Tudor BVI Global Fund Ltd	25,767	5.6
Pharo Trading Fund Ltd	24,503	5.3
Other investments	183,139	39.9
Total financial assets at fair value through profit or loss	429,776	

4.c. Forward foreign exchange contracts

TCH enters into forward foreign exchange transactions for the Euro Class B shares, normally with the aim of seeking to hedge the US Dollar exposure back to the Euro. Forward foreign exchange contracts are held for trading and are valued at the forward rate and are marked to market on the valuation date.

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Included under financial assets at fair value through profit or loss at 31 December 2017 are the following forward foreign exchange contracts that were outstanding with BNP Paribas Securities Services, an affiliate of the Administrator:

Purchases €000	(Sales) US\$000	Maturity date	Unrealised appreciation/ (depreciation) US\$000
45,540	(53,506)	10/01/2018	<u>1,171</u>
Total			<u>1,171</u>

Included under financial assets at fair value through profit or loss at 31 December 2016 are the following forward foreign exchange contracts that were outstanding with BNP Paribas Securities Services, an affiliate of the Administrator:

Purchases €000	(Sales) US\$000	Maturity date	Unrealised appreciation/ (depreciation) US\$000
99,860	(107,076)	09/01/2017	<u>(1,874)</u>
Total			<u>(1,874)</u>

5. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

TCH has no share capital for accounting purposes as all of TCH's shares are redeemable participating shares. Redeemable participating shares are redeemable at the shareholders' option and are classified as financial liabilities.

The data relating to the net asset value of redeemable participating shares of TCH and the number of shares in issue during the year 2017 are summarised below:

US\$000	Class A	Class B	Class C	Class X	Class Y	Total
Redeemable participating shares at 1 January 2017	225,949	104,859	128,506	-	-	459,314
Subscriptions	3,232	88	-	1,520	56	4,896
Redemptions	(71,995)	(57,682)	(23,925)	(1,509)	(61)	(155,172)
Net decrease in redeemable participating shares resulting from operations	<u>(5,778)</u>	<u>6,567</u>	<u>(2,369)</u>	<u>(11)</u>	<u>5</u>	<u>(1,586)</u>
Redeemable participating shares at 31 December 2017 - US\$	151,408	53,832	102,212	-	-	307,452
Redeemable participating shares at 31 December 2017 - €	-	44,868	-	-	-	-
Shares	Class A	Class B	Class C	Class X	Class Y	Total
Shares outstanding at 1 January 2017	1,127,345	615,770	633,298	-	-	2,376,413
Subscriptions	16,320	515	-	-	-	16,835
Redemptions	(368,138)	(326,192)	(118,764)	-	-	(813,094)
Shares outstanding at 31 December 2017	775,527	290,093	514,534	-	-	1,580,154
Net asset value per redeemable participating share at 31 December 2017	US\$195.23	€154.67	US\$198.65			

TRADING CAPITAL HOLDINGS
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The data relating to the net asset value of redeemable participating shares of TCH and the number of shares in issue during the year 2016 are summarised below:

US\$000	Class A	Class B	Class C	Total
Redeemable participating shares at 1 January 2016	520,647	199,117	154,177	873,941
Subscriptions	6,294	97	-	6,391
Redemptions	(300,437)	(91,659)	(28,057)	(420,153)
Net decrease in redeemable participating shares resulting from operations	<u>(555)</u>	<u>(2,696)</u>	<u>2,386</u>	<u>(865)</u>
Redeemable participating shares at 31 December 2016 - US\$	225,949	104,859	128,506	459,314
Redeemable participating shares at 31 December 2016 - €	-	99,600	-	-
Shares	Class A	Class B	Class C	Total
Shares outstanding at 1 January 2016	2,650,967	1,138,478	777,264	4,566,709
Subscriptions	32,367	556	-	32,923
Redemptions	(1,555,989)	(523,264)	(143,966)	(2,223,219)
Shares outstanding at 31 December 2016	1,127,345	615,770	633,298	2,376,413
Net asset value per redeemable participating share at 31 December 2016	US\$200.43	€161.75	US\$202.92	

The data relating to the net asset value of redeemable participating shares of TCH and the number of shares in issue for the past three years is summarised below:

At 31 December	2017	2016	2015
Total NAV (US\$000)	307,452	459,314	873,941
Total shares Class A	775,527	1,127,345	2,650,967
Total shares Class B	290,093	615,770	1,138,478
Total shares Class C	514,534	633,298	777,264
NAV per share Class A (US\$)	195.23	200.43	196.40
NAV per share Class B (€)	154.67	161.75	160.96
NAV per share Class C (US\$)	198.65	202.92	198.36
Total income (US\$000)	4,521	9,035	(65,674)
Total operating expenses (US\$000)	(5,738)	(9,280)	(15,410)
Total finance costs (US\$000)	(369)	(614)	(660)
Taxes (US\$000)	-	(6)	(7)
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations (US\$000)	<u>(1,586)</u>	<u>(865)</u>	<u>(81,751)</u>

For the convenience of investors, to create a market with orderly trading and to promote liquidity of the shares, the Company has designated Munnik Opties & Futures bv and Edmond de Rothschild (Suisse) SA to act as an Agent of the Company to make a market in shares. The Company has agreed, subject to certain limitations, to repurchase shares from the Agent at a fixed discount, including a fixed commission of 0.5%.

TRADING CAPITAL HOLDINGS
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6. OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

For the year ended 31 December	2017 US\$000	2016 US\$000
Audit fees payable	(53)	(47)
Other accounts payable	(24)	(52)
Total	(77)	(99)

7. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

For the year ended 31 December	2017 US\$000	2016 US\$000
Realised gain on financial assets and liabilities at fair value through profit or loss	22,158	20,034
Realised loss on financial assets and liabilities at fair value through profit or loss	(10,801)	(48,623)
Net realised gain/(loss) on financial assets and liabilities at fair value through profit or loss	11,357	(28,589)
Change in unrealised gain on financial assets and liabilities at fair value through profit or loss	6,088	35,781
Change in unrealised loss on financial assets and liabilities at fair value through profit or loss	(13,742)	(108)
Net change in unrealised gain/(loss) on financial assets and liabilities at fair value through profit or loss	(7,654)	35,673
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	3,703	7,084

In respect of the Class B denominated shares, TCH seeks to hedge against currency fluctuations in non-Euro denominated portfolio investments. The profit or loss on such hedging is shown above.

8. ADVISORY AND PERFORMANCE FEES

For the year ended 31 December	2017 US\$000	2016 US\$000
Advisory fees	5,003	8,177
Performance fees	-	-
Total	5,003	8,177

LCH Investments NV is entitled to an amount in cash of 1.5% per annum of the net asset value of Class A Shares and Class B shares and 1.0% per annum of the net asset value of Class C Shares. Such fees accruing on the basis of the net asset value at the close of business day prior to taking into account any accrued performance fees as described below and payable monthly.

The Investment Adviser is entitled to a performance fee calculated in respect of each calendar year payable in cash of 5% of the net realized and unrealized appreciation in the NAV of Class A Shares, Class B Shares and Class C Shares (taking into account realized and unrealized gains and losses, and expenses) subject to a “high water mark” provision. This means that no performance fee is accrued or paid until Net Asset Value per Share on which the performance fee was previously accrued and paid has been surpassed. This fee will accrue daily and be payable at the end of the financial year to which such fee relates (or upon a redemption with respect to redeemed Shares).

The current high water mark for Class A Shares amounts to US\$214.24 per share (Class B: €176.60 and Class C: US\$214.24) which means that the net asset value per share needs to appreciate by 9.7% before a performance fee will be charged (Class B: 14.2% and Class C: 7.8%).

TRADING CAPITAL HOLDINGS
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9. ADMINISTRATION FEES

The Administrator fees are calculated based on the net assets of TCH at the last business day of each month. The per annum fee rates were as follows: 0.06% on the first US\$250 million, 0.05% on the next US\$250 million and 0.04% on net assets in excess of US\$500 million.

10. OTHER OPERATING EXPENSES

For the year ended 31 December	2017 US\$000	2016 US\$000
Directors fees	(103)	(212)
Depositary fees	(80)	(122)
Legal fees	(41)	(65)
Professional liability insurance	(50)	(52)
FATCA compliance fees	-	(9)
Paying agent and related fees	(44)	(50)
Regulatory fees	(7)	(16)
Miscellaneous expenses	(125)	(190)
Total	(450)	(716)

11. ONGOING CHARGES

The ongoing charges and performance fees of TCH have been calculated as follows:

For the year ended 31 December	2017 %	2016 %
Ongoing charges	1.61	1.66
Performance fees	-	-
Total	1.61	1.66

The ongoing charges, as defined in EU Commission regulation 583-2010 and document 10-674 of the Committee of European Securities Regulators, represent the total costs of TCH in the reporting period, expressed as a percentage of the average daily net asset value. Furthermore, any performance fees charged by the Investment Advisor are shown separately.

Underlying investment managers charge additional fees, namely investment management fees and performance fees. These additional fees, if included in the numbers stated above, and calculated based on a best estimation would increase the ongoing charges to 3.47% (2016: 3.60%) and the performance fees to 1.41% (2016: 1.32%) based on the net performance of TCH for the period.

In addition to investment management fees and performance fees, underlying investment companies might incur operational expenses that are included in the net asset value of these companies and are not charged separately. Since these operating expenses are typically not disclosed in the prospectus of these companies they are difficult to estimate by TCH and are not included in the numbers stated above.

12. COMPARISON COSTS ACCORDING TO PROSPECTUS AND ACTUAL COSTS

The basis on which various costs are charged to TCH are disclosed in detail in the prospectus. It is a Dutch regulatory requirement to include a comparison between those costs disclosed in the prospectus and the actual costs.

TRADING CAPITAL HOLDINGS
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For the year ended 31 December	Actual 2017 US\$000	According to prospectus ¹ US\$000	Difference US\$000
Advisory fees	(5,003)	(5,003)	-
Performance fees	-	-	-
Administration fees	(219)	(219)	-
Depository fees	(80)	(80)	-
Directors fees	(103)	(103)	-
Paying agent and related fees	(44)	(44)	-
Commitment fee relating to short term borrowings	(232)	(232)	-
Interest expense relating to short term borrowings	-	-	-

For the year ended 31 December	Actual 2016 US\$000	According to prospectus ¹ US\$000	Difference US\$000
Advisory fees	(8,177)	(8,177)	-
Performance fees	-	-	-
Administration fees	(340)	(340)	-
Depository fees	(122)	(122)	-
Directors fees	(212)	(212)	-
Paying agent and related fees	(50)	(50)	-
Commitment fee relating to short term borrowings	(500)	(500)	-
Interest expense relating to short term borrowings	(114)	(114)	-

¹ The amounts shown are calculated by using the percentages stated in the prospectus (if applicable).

13. PORTFOLIO TURNOVER RATE

The gross portfolio turnover rate of TCH has been calculated as follows:

For the year ended 31 December	2017 %	2016 %
Portfolio turnover rate	<u>(6.7)</u>	<u>23.8</u>

The portfolio turnover rate reflects the sum of the total gross amount of purchases and sales of investments of TCH in the reporting period, minus the sum of the total amount of subscriptions and redemptions of redeemable participating shares, expressed as a percentage of the average daily net assets.

14. RELATED PARTY TRANSACTIONS

The following parties should be considered related parties because together they ultimately control TCH: the members of the Board of Directors and LCH Investments NV (including its Board of Directors) in its capacity as Investment Adviser.

Additionally, the following party, having transactions with TCH, is considered related because it is affiliated to one of the sponsoring institutions of the Company: Edmond de Rothschild Securities (UK) Ltd in its capacity as Agent of the Company (up to 1 June 2017). Additionally, transactions with ECH and LCH could be considered related party transactions, since ECH, LCH and TCH have the same Board of Directors. Transactions with related parties are done on terms that are considered to be in conformity with market rates.

Please refer to note 2.12 of the Company and note 5 and 8 above for further information about transactions that took place with related and affiliated parties, including the total amount of such transactions, any outstanding balances as of the balance sheet date and the total amount of expenses incurred by TCH relating to these transactions.

During 2017 LCH redeemed US\$50 million from TCH and ECH redeemed €24.6 million from TCH.

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As of 31 December 2017, LCH owned approximately 15.8% (2016: 22.0%) of the net assets of TCH and ECH no longer had a holding in TCH (2016: 5.9%).

The total personal interest of the members of the Board of Directors of the Company, the Board of Directors of LCH Investments NV and the Company Secretary in redeemable participating shares of LCH during the year ended 31 December 2017 was:

31 December	Position at 2016	Purchases/ (Sales)	Position at 2017
Shares of TCH	12,458	(8,062)	4,396

15. EXCHANGE RATE

The following exchange rate prevailing at 31 December 2017 was used: €1.00 = US\$1.1998 (2016: US\$1.0528).

16. FINANCIAL RISK FACTORS

TCH's investment activities expose it to various types of risks that are associated with the financial assets and liabilities and markets in which it invests. TCH is exposed to market risk, liquidity risk, counterparty risk and other risks (risk of using derivatives). The risk management policies employed by TCH to manage these risks are discussed below.

16.1 Market risk

(a) Price risk

TCH invests in other funds and is susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The Board of Directors manages this risk by monitoring the performance of each underlying investment closely on a weekly and monthly basis.

TCH is exposed to transferable securities price risk and derivative price risk. This arises from investments held by TCH for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than USD, the price initially expressed in foreign currency and then converted into USD will also fluctuate because of changes in foreign exchange rates.

TCH has also performed a sensitivity analysis. The relationship between movements in the S&P500 Index and the NAV of TCH is uncertain and subject to change at any time and should not be relied upon in assessing likely future relationships. Notwithstanding this, as required by IFRS, the following details TCH's estimated sensitivity to a 5% general increase and decrease in the S&P500 index.

As at December 31, 2017, if the S&P500 Index had increased or decreased by an additional 5% during 2017, with all other variables held constant and based on the actual change during 2017 of the net asset value and the S&P500 Index, the increase or decrease in net assets attributable to holders of redeemable shares for the year might have amounted to 0.40% (2016: 0.23%).

(b) Foreign exchange risk

TCH operates internationally and holds both monetary and non-monetary assets denominated in currencies other than USD, the functional currency. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities.

The Portfolios, through the underlying investments, will be primarily invested in US dollar-denominated investments and their assets are valued in US dollars. TCH (with respect to each of the Portfolios), through the underlying investments, may also invest a portion of its assets in equity securities and other investments denominated in currencies other than the US dollar, including the Euro, and in other financial instruments, the prices of which are determined with reference to currencies other than the US dollar. To the extent un-hedged, the value of TCH's non-dollar denominated assets will fluctuate with US dollar exchange rates as well as with price changes of the underlying investments in the various local markets and currencies. Thus, an increase in the value of the US dollar (or, for Class B shareholders, the Euro) compared to the other currencies in which the underlying investments may make its investments will reduce the effect of increases and magnify the US dollar (or Euro) equivalent of the effect of decreases in the prices of TCH's securities and other investments in their local markets. Conversely, a decrease in the value of the US dollar (or Euro) will have the opposite effect of

TRADING CAPITAL HOLDINGS
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magnifying the effect of increases and reducing the effect of decreases in the prices of an underlying investments non-US dollar (or non-Euro) securities or other investments. The portfolio managers of the underlying investments may use spot currency transactions, forward currency contracts and options to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

TCH may seek to hedge against currency fluctuations of any class of shares, provided that hedging instruments are available on a timely basis and on acceptable terms. The related hedging costs and the gains or losses attributable to the hedging transactions will be credited or charged to the class of shares on behalf of which such transactions were effected. There can be no assurance that such hedging transactions will be effective. Although TCH may hedge against currency fluctuations of either the Class A shares, the Class B shares or the Class C shares, currently TCH anticipates that it will seek to hedge against currency fluctuations solely with respect to the Class B shares.

The carrying amount of TCH's direct foreign denominated financial assets and financial liabilities at the reporting date is detailed in note 3 and 4.

As at 31 December 2017 and 31 December 2016, foreign exchange risk does not present a significant risk.

(c) Cash flow and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Board of Directors manages this risk by monitoring fluctuations in the market interest rates on a monthly basis.

As at 31 December 2017 and 31 December 2016, cash flow and fair value interest rate risk do not present a significant risk.

16.2 Liquidity risk

Liquidity risk is the risk that TCH may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. TCH is exposed to quarterly cash redemptions of redeemable shares and has a 45 business days notice period for redemption requests. TCH's liquidity risk is managed through the diversification of the investment program by strategy and by manager as well as by redemption terms of the investment vehicles and the liquidity of their investments. There can be no assurance that this diversification will provide protection from a market downfall or illiquidity.

The success of TCH's investment program depends to a great extent upon the ability of the portfolio managers of the underlying investments to assess correctly the future course of price movements of stocks, bonds, commodities and currencies. There can be no assurance that the portfolio managers will accurately predict such movements. In addition, certain of the investments in which a substantial portion of each Portfolio's capital may be invested, from time to time, may have limited liquidity. This lack of liquidity, together with a failure to accurately predict market movements, may adversely affect the ability of the portfolio manager to execute trade orders at desired prices. Moreover, because illiquid investments may be difficult to value, the NAV of a class of shares may fluctuate widely from one period to the next. The risk of illiquidity is also increased by the prevalence of requirements by portfolio advisers with whom TCH wishes to invest that TCH agree to minimum holding periods and redemption periods in underlying investments that are generally longer than TCH's own redemption period.

TCH's liquidity risk is managed through the diversification of the investment program by strategy and by manager as well as by redemption terms of the underlying investments and the liquidity of their investments. There can be no assurance that this diversification will provide protection from a market downfall or illiquidity.

As a result of disrupted market conditions such as a rapid and catastrophic price movement in markets in which TCH invests, determination of the NAV of each class of shares, the right to redeem Shares or the market maker facility could be suspended or restricted resulting in illiquidity of the Shares during such suspension. The following table details the ordinary redemption periods of the investment companies in which TCH has invested as well as any other financial assets through profit or loss as at 31 December 2017.

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Redemption period	≤3 months US\$000	3-12 months US\$000	>1 year ¹ US\$000	Total US\$000
Notice period:				
Cash and other assets	48,110	-	-	48,110
30 days or less	118,863	-	-	118,863
45 days	9,265	-	-	9,265
60 days	64,504	-	-	64,504
90 days	62,153	3,930	-	66,083
More than 90 days	-	-	1,500	1,500
Total assets	302,895	3,930	1,500	308,325

The following table details the ordinary redemption periods of the investment companies in which TCH has invested as well as any other financial assets through profit or loss as at 31 December 2016

Redemption period	≤3 months US\$000	3-12 months US\$000	>1 year ¹ US\$000	Total US\$000
Notice period:				
Cash and other assets	52,760	-	-	52,760
30 days or less	171,064	-	-	171,064
45 days	20,412	-	-	20,412
60 days	125,234	-	-	125,234
90 days	89,602	21,578	-	111,180
More than 90 days	-	-	1,886	1,886
Total assets	459,072	21,578	1,886	482,536

¹ This category includes investments in funds that are in liquidation and for which there is no statutory right of redemption.

The table above shows by when investments could be normally redeemed even if subject to an early redemption fee, and not taking into account initial lock-ups.

The following table details TCH's liquidity analysis for its financial liabilities based on contractual undiscounted cash-flow as at 31 December 2017 and shows when the liabilities become due.

	Less than 1 month US\$000	1 - 3 months US\$000	>3 months US\$000
Shareholder redemptions payable	(470)	-	-
Advisory and performance fees payable	(326)	-	-
Other accounts payable and accrued expenses	(77)	-	-
Net assets attributable to holders of redeemable participating shares	-	(307,452)	-
Total	(873)	(307,452)	-

TRADING CAPITAL HOLDINGS
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The following table details TCH's liquidity analysis for its financial liabilities based on contractual undiscounted cash-flow as at 31 December 2016 and shows when the liabilities become due.

	Less than 1 month US\$000	1 - 3 months US\$000	>3 months US\$000
Financial liabilities at fair value through profit or loss	(1,874)	-	-
Short term borrowings	(20,000)	-	-
Shareholder redemptions payable	(177)	-	-
Advisory and performance fees payable	(1,072)	-	-
Other accounts payable and accrued expenses	(99)	-	-
Net assets attributable to holders of redeemable participating shares	-	(459,314)	-
Total	(23,222)	(459,314)	-

16.3 Counterparty creditworthiness

TCH is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

To the extent that TCH (with respect to each Portfolio) engages, directly or through the underlying investments, in principal transactions, including, but not limited to, swap transactions, forward foreign currency transactions and bonds and other fixed income securities and/or to the extent that TCH makes use of the services of a counterparty for the custody of its assets, TCH must rely on the creditworthiness of its counterparty. Insolvency of, gross negligence, wilful misconduct and/or fraud by the counterparty may prevent payment in part or in full or on time, and may cause losses.

TCH manages this risk by evaluating the creditworthiness of its direct counterparties. TCH's indirect exposure to counterparty risk through its underlying investments is monitored by management as part of its due diligence process.

In the following table the custodians appointed by TCH are listed together with the most relevant credit ratings for those firms as well as the financial assets and liabilities through profit or loss held at those custodians and the outstanding cash balances, if any, as at the end of the reporting period.

Financial assets and liabilities through profit or loss:

At 31 December	Moody's	S&P	2017 US\$000	2016 US\$000
Prime Nominees (Cayman) Limited ¹	A1	A+	259,044	429,776
BNP Paribas Securities Services	A1	A+	1,171	(1,874)
Total			260,215	427,902

¹ This entity is ultimately controlled by BNP Paribas Securities Services. The credit ratings stated are for this entity.

Net cash balances:

At 31 December	2017 US\$000	2016 US\$000
BNP Paribas Securities Services, Dublin Branch	13,189	5,267
Total	13,189	5,267

16.4 Other risks

Use of derivatives

Derivatives refer to financial instruments which derive their performance at least in part from the performance of an underlying asset, index or interest rate. Financial instruments such as futures, forward contracts and other derivatives may be used by the underlying investment portfolio managers both for speculative purposes and for hedging other investments. TCH does not control or monitor on a regular basis the investments of the portfolio managers. TCH may have a significant exposure to derivatives risks. However, as a two-tier company, its liability is limited by investing, as it does, through multiple separate legal entities. If the derivative exposure in TCH became material, that would subject the investors to a higher risk of loss and volatility and would make the pricing of the assets more difficult because, among other things, of the leveraged effect of such investments, the added credit risk of issuing counterparties, and the potential for illiquidity in certain circumstances. TCH does not have a percentage limitation on hedging for either of the Portfolios.

Hedging against a decline in the value of a portfolio investment does not eliminate fluctuations in the values of portfolio investments or prevent losses if the values of such investments decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio investments' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio investments should increase. The portfolio managers of the underlying investments may utilise hedges, or choose not to hedge, based on judgments about economic or other factors that prove to be incorrect.

It is the policy of TCH to transact the majority of its direct investments in securities and contractual commitment activity with broker-dealers and banks that management considers to be well established/first rated.

Share class and currency risk

TCH constitutes a single legal entity, but the assets of the Class A Portfolio will be invested for the benefit of the Class A Shareholders, the assets of the Class B Portfolio will be invested for the benefit of the Class B Shareholders and the assets of the Class C Portfolio will be invested for the benefit of the Class C Shareholders. However, while liabilities attributed to a class of shares (including any borrowings relating specifically to the Class B Portfolio) will only be allocated to that class, a creditor of TCH will generally not be bound to satisfy its claims from a particular class. Rather, such creditor could seek, to the extent the liabilities exceeded the assets of the class to which the liabilities are associated, to satisfy its claim from TCH's assets as a whole. Thus, if a creditor's claim relating to a particular class of shares exceeds the assets attributable to that class of shares, the remaining assets of TCH (the other class of shares) may be subject to such claim.

Foreign exchange hedging activity in connection with the Class B Portfolio, as well as subscription and redemption activity of shares in any class may have negative or positive cash flow implications for TCH's underlying portfolio.

17. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

We are not aware of any significant events post the end of the reporting period.



LEVERAGED CAPITAL HOLDINGS (GOLD)
PROFILE

The principal objective of Leveraged Capital Holdings (Gold) (“LCH (Gold)”) is the appreciation in capital. In addition to investments in gold and gold related instruments, LCH (Gold) may invest without limit in shares of LCH.

LCH does not invest directly but operates through offshore funds which are wholly or partly owned by LCH. Generally each offshore fund is advised by a single portfolio manager and its team. The investment activities of the funds thereby comprise a wide range of specialised approaches and techniques used by the managers. Hence LCH benefits from the collective services of a group of highly skilled investment managers who are allowed to operate within their area of expertise without imposed limitations.

Moreover, due to its two tier system, LCH is highly flexible in engaging and, when necessary, disengaging the services of investment managers, while at the same time limiting the financial and legal exposure to the size of its investment in an offshore fund. LCH Investments NV is the Investment Advisor of LCH (Gold).

LCH (Gold) started operating on 23 July 2009 in Curaçao (as a separate share class of Leveraged Capital Holdings NV) and merged with a sub-fund of the Company on 1 January 2015.

The financial year end of LCH (Gold) is 31 December. In addition to the annual report, which contains audited financial statements, an unaudited interim report for the six month period to 30 June is also published.

Shares are issued by LCH (Gold) daily, on the basis of net asset value. Shares are issued in US\$ (Class G).

Shares may be redeemed at the end of each quarter with 45 business days notice at net asset value. The redemption of shares may be postponed under certain circumstances, as described in the prospectus.

For the convenience of investors, the shares of LCH (Gold) may be traded over the counter in London. However, LCH (Gold) is not a party to and is not responsible for such secondary market transactions. Investors may purchase and sell through banks and brokers throughout the world.

LEVERAGED CAPITAL HOLDINGS (GOLD)
PERFORMANCE SINCE INCEPTION¹

Date	NAV per share Class G - US\$	Performance %
23/07/09 †	222.56	
31/12/09	275.34	23.7
31/12/10	401.41	45.8
31/12/11	383.22	(4.5)
31/12/12	428.83	11.9
31/12/13	336.97	(21.4)
31/12/14	332.24	(1.4)
31/12/15	276.30	(16.8)
31/12/16	281.72	2.0
31/12/17	336.33	19.4

† Inception at 23 July 2009

	LCH (Gold) %	S&P500 ² %
1 year p.a.	19.4	21.1
3 years p.a.	0.4	10.7
5 years p.a.	(4.7)	15.0
Since Inception p.a.	5.1	14.5

² S&P500 (70% dividends reinvested)

¹ Any data or information relating to periods prior to the merger date of 1 January 2015 relates to the period that LCH (Gold) was incorporated in Curaçao as a share class of LCH. Furthermore, the information on this page has not been audited since this information does not form part of the audited financial statements.

LEVERAGED CAPITAL HOLDINGS (GOLD)
STATEMENT OF FINANCIAL POSITION

As at	Notes	31/12/17 US\$000	31/12/16 US\$000
Assets			
Current assets			
Financial assets at fair value through profit or loss	2, 4	10,149	19,430
Due from investment companies and brokers	2	11,567	2,159
Other accounts receivable	2	25	57
Cash and cash equivalents	2, 3	579	119
Total assets		22,320	21,765
Liabilities			
Current liabilities			
Financial liabilities at fair value through profit or loss	2, 4	-	(126)
Short term borrowings	2, 3	-	(2,157)
Advisory and performance fees payable	2	(35)	(53)
Other accounts payable and accrued expenses	2, 6	(10)	(16)
Liabilities (excluding net assets attributable to holders of redeemable participating shares)		(45)	(2,352)
Net assets attributable to holders of redeemable participating shares	2, 5	(22,275)	(19,413)
Total liabilities		(22,320)	(21,765)
Net asset value per Class G redeemable participating share		US\$336.33	US\$281.72

LEVERAGED CAPITAL HOLDINGS (GOLD)
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Notes	2017 US\$000	2016 US\$000
Income			
Net gain/(loss) on financial assets and financial liabilities at fair value through profit or loss			
- Realised gains/(losses)	2, 7	1,123	1,066
- Change in unrealised gains/(losses)	2, 7	2,644	(512)
Interest income		4	-
Fee rebate	14	306	319
Surplus on repurchase of own shares		5	-
Other income		7	-
Total income		4,089	873
Operating expenses			
Advisory and performance fees	8	(326)	(324)
Administration fees	9	-	(3)
Audit fees		(13)	(12)
Other operating expenses	10	(12)	(39)
Total operating expenses		(351)	(378)
Operating profit/(loss)		3,738	495
Finance costs			
Commitment fee relating to short term borrowings	3	(19)	(24)
Interest expense	2, 3	(5)	(50)
Bank charges		-	(1)
Total finance costs		(24)	(75)
Profit/(loss) before tax		3,714	420
Taxation	2	-	(3)
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations		3,714	417

LEVERAGED CAPITAL HOLDINGS (GOLD)
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

For the year ended 31 December	Notes	2017 US\$000	2016 US\$000
Net assets attributable to holders of redeemable participating shares at 1 January		19,413	19,322
Increase from redeemable participating shares issued	5	-	19
Decrease due to redeemable participating shares repurchased	5	<u>(852)</u>	<u>(345)</u>
Net increase/(decrease) from share transactions		(852)	(326)
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations		<u>3,714</u>	<u>417</u>
Net assets attributable to holders of redeemable participating shares at 31 December		<u>22,275</u>	<u>19,413</u>

LEVERAGED CAPITAL HOLDINGS (GOLD)
STATEMENT OF CASH FLOWS

For the year ended 31 December	Notes	2017 US\$000	2016 US\$000
Cash flows from operating activities			
Profit/(loss) before tax		3,714	420
Adjustments for:			
Interest income		(4)	-
Surplus on repurchase of own shares		(5)	-
Other income		(7)	-
Taxation		-	(3)
Finance costs		24	75
Net changes in:			
Due from investment companies and brokers		(9,408)	(2,159)
Other accounts receivable		32	(31)
Margin accounts		-	1,059
Advisory and performance fees payable		(18)	28
Other accounts payable and accrued expenses		(6)	7
Increase/(decrease) in financial assets at fair value through profit or loss		9,281	(389)
Increase in financial liabilities at fair value through profit or loss		(126)	(75)
Interest income received		4	-
Surplus on repurchase of own shares		5	-
Other income received		7	-
Finance costs paid		(24)	(75)
Net cash from operating activities		3,469	(1,143)
Cash flows from financing activities			
Short term borrowings		(2,157)	2,157
Proceeds from redeemable participating shares issued		-	19
Paid on redeemable participating shares repurchased		(852)	(345)
Net cash from financing activities		(3,009)	1,831
Net increase/(decrease) in cash and cash equivalents		460	688
Cash and cash equivalents at 1 January		119	(569)
Cash and cash equivalents at 31 December	2, 3	579	119

The notes on pages 158 to 168 are an integral part of these financial statements

LEVERAGED CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Capital Holdings Funds plc (the “Company”) was incorporated in Ireland on 13 March 2014 and was authorised as a Retail Investor AIF by the Central Bank of Ireland on 19 December 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out in note 2 to the financial statements of The Capital Holdings Funds plc.

3. CASH AND CASH EQUIVALENTS

As at	31/12/17 US\$000	31/12/16 US\$000
Cash at bank:		
Cash US\$	<u>579</u>	<u>119</u>
Net cash and cash equivalents	<u>579</u>	<u>119</u>

For purposes of the statement of cash flows, cash and cash equivalents comprise cash at current bank accounts, cash held on deposit and bank overdrafts.

During the reporting period LCH (Gold) maintained a line of credit with BNP Paribas, Dublin Branch, on which LCH (Gold) pays an interest rate of Libor plus 1.30% per annum on amounts drawn down and a commitment fee of 0.50% per annum on the un-drawn portion of the credit line. At the end of the reporting period the committed line of credit amounted to €1.75 million.

LCH (Gold) has pledged all of its investments as collateral. The sale of such pledged assets requires the release of these assets by the Depository. At the end of the reporting period LCH (Gold) had drawn an amount nil (2016: \$2.2 million).

4. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

4.a. Financial assets and liabilities at fair value through profit or loss

LCH (Gold) classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as net asset values reported by the administrators of the investment companies in which LCH (Gold) has invested.

Level 3: Inputs are unobservable inputs for the asset or liability. This includes financial assets or liabilities for which the Board of Directors made fair value adjustments because of the illiquidity of such financial assets and liabilities.

Level 3 valuations are reviewed on a periodic basis by the Company’s Board of Directors. The Board of Directors considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry. The main technique used in fair valuing the Level 3 assets has been to apply a discount to the corresponding Level 3 valuations as best estimated by the Board of Directors. In selecting the most appropriate valuation model the Board of Directors performs back testing and considers which model’s results have historically aligned most closely to actual market transactions.

LEVERAGED CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of the financial assets at fair value through profit or loss as at 31 December 2017:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment in LCH	-	9,610	-	9,610
Investments in gold index swap	-	539	-	539
Total financial assets at fair value through profit or loss	-	10,149	-	10,149

During the financial year 2017 there were no transfers between the different levels of the hierarchy.

The following is a summary of the financial assets at fair value through profit or loss as at 31 December 2016:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment in LCH	-	19,430	-	19,430
Total financial liabilities at fair value through profit or loss	-	19,430	-	19,430

The following is a summary of the financial liabilities at fair value through profit or loss at 31 December 2016:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investments in gold index swap	-	(126)	-	(126)
Total financial liabilities at fair value through profit or loss	-	(126)	-	(126)

During the financial year 2016 there were no transfers between the different levels of the hierarchy.

The following table analyses within the fair value hierarchy LCH (Gold)'s assets and liabilities (by class) not measured at fair value at 31 December 2017 but for which fair value is disclosed:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Assets				
Due from investment companies and brokers	-	11,567	-	11,567
Other accounts receivable	-	25	-	25
Cash and cash equivalents	579	-	-	579
Total	579	11,592	-	12,171
Liabilities				
Advisory and performance fees payable	-	(35)	-	(35)
Other accounts payable and accrued expenses	-	(10)	-	(10)
Total	-	(45)	-	(45)

LEVERAGED CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

The following table analyses within the fair value hierarchy LCH (Gold)'s assets and liabilities (by class) not measured at fair value at 31 December 2016 but for which fair value is disclosed:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Assets				
Due from investment companies and brokers	-	2,159	-	2,159
Other accounts receivable	-	57	-	57
Cash and cash equivalents	119	-	-	119
Total	119	2,216	-	2,335
Liabilities				
Short term borrowings	(2,157)	-	-	(2,157)
Advisory and performance fees payable	-	(53)	-	(53)
Other accounts payable and accrued expenses	-	(16)	-	(16)
Total	(2,157)	(69)	-	(2,226)

4.b. Exposure to gold investments

At 31 December	2017 US\$000	2016 US\$000
Gold index swap – notional amount	21,215	19,700
Gold index swap – unrealised gain/(loss)	539	(126)
Total gold holdings	21,754	19,574

All gold index swaps are entered into with BNP Paribas.

5. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

LCH (Gold) has no share capital for accounting purposes as all of LCH (Gold)'s shares are redeemable participating shares. Redeemable participating shares are redeemable at the shareholders' option and are classified as financial liabilities.

LEVERAGED CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

The data relating to the net asset value of redeemable participating shares of LCH (Gold) and the number of shares in issue are summarised below:

	2017 US\$000	2016 US\$000
Redeemable participating shares at 1 January	19,413	19,322
Transfer in from merger	-	-
Subscriptions	-	19
Redemptions	(852)	(345)
Net increase in redeemable participating shares resulting from operations	<u>3,714</u>	<u>417</u>
Redeemable participating shares at 31 December	<u>22,275</u>	<u>19,413</u>
Shares	Class G	Class G
Shares outstanding at 1 January	68,911	69,932
Subscriptions	-	55
Redemptions	<u>(2,682)</u>	<u>(1,076)</u>
Shares outstanding at 31 December	<u>66,229</u>	<u>68,911</u>
Net asset value per redeemable participating share at 31 December 2017	US\$336.33	US\$281.72

The data relating to the net asset value of redeemable participating shares of LCH (Gold) and the number of shares in issue for the past three years is summarised below:

At 31 December	2017	2016	2015
Total NAV (US\$000)	22,275	19,413	19,322
Total shares Class G	66,229	68,911	69,932
NAV per share Class G (US\$)	336.33	281.72	276.30
Total income (US\$000)	4,089	873	(3,524)
Total operating expenses (US\$000)	(351)	(378)	(358)
Total finance costs (US\$000)	(24)	(75)	(64)
Taxes (US\$000)	<u>-</u>	<u>(3)</u>	<u>(3)</u>
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations (US\$000)	<u>3,714</u>	<u>417</u>	<u>(3,949)</u>

6. OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

For the year ended 31 December	2017 US\$000	2016 US\$000
Profit tax payable	-	(7)
Audit fee payable	<u>(10)</u>	<u>(9)</u>
Total	<u>(10)</u>	<u>(16)</u>

LEVERAGED CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

7. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

For the year ended 31 December	2017 US\$000	2016 US\$000
Realised gain on financial assets and liabilities at fair value through profit or loss	1,637	1,422
Realised loss on financial assets and liabilities at fair value through profit or loss	<u>(514)</u>	<u>(356)</u>
Net realised gain/(loss) on financial assets and liabilities at fair value through profit or loss	1,123	1,066
Change in unrealised gain on financial assets and liabilities at fair value through profit or loss	2,645	202
Change in unrealised loss on financial assets and liabilities at fair value through profit or loss	<u>(1)</u>	<u>(714)</u>
Net change in unrealised gain/(loss) on financial assets and liabilities at fair value through profit or loss	<u>2,644</u>	<u>(512)</u>
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	<u>3,767</u>	<u>554</u>

8. ADVISORY AND PERFORMANCE FEES

For the year ended 31 December	2017 US\$000	2016 US\$000
Advisory fee	(318)	(324)
Performance fee	<u>(8)</u>	<u>-</u>
Total	<u>(326)</u>	<u>(324)</u>

LCH Investments NV is entitled to an amount in cash of 1.5% per annum of the net asset value of Class G Shares. Such fees accruing on the basis of the net asset value at the close of each business day prior to taking into account any accrued performance fees as described below and payable monthly.

The Investment Adviser is entitled to a performance fee calculated in respect of each calendar year payable in cash of 3% of the net realized and unrealized appreciation in the NAV of Class G Shares (taking into account realized and unrealized gains and losses, and expenses) subject to a "high water mark" provision. This means that no performance fee is accrued or paid until the Net Asset Value per Share on which the performance fee was previously accrued and paid has been surpassed. This fee will accrue daily and be payable at the end of the financial year to which such fee relates (or upon a redemption with respect to redeemed Shares).

The current high water mark for Class G Shares amounts to US\$336.33 per share.

9. ADMINISTRATION FEES

The Administrator fees are calculated based on the net assets of LCH (Gold) at the last business day of each month. The per annum fee rates were as follows: 0.075% on the first US\$250 million, 0.06% on the next US\$250 million and 0.05% on net assets in excess of US\$500 million.

LEVERAGED CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

10. OTHER OPERATING EXPENSES

For the year ended 31 December	2017 US\$000	2016 US\$000
Regulatory fees	(5)	(7)
Professional liability insurance	(3)	-
Professional fees	(2)	(13)
Miscellaneous expenses	(2)	(19)
Total	(12)	(39)

11. ONGOING CHARGES

The ongoing charges and performance fees of LCH (Gold) have been calculated as follows:

For the year ended 31 December	2017 %	2016 %
Ongoing charges	1.74	1.88
Performance fees	0.04	-
Total	1.78	1.88

The ongoing charges, as defined in EU Commission regulation 583-2010 and document 10-674 of the Committee of European Securities Regulators, represent the total costs of LCH (Gold) in the reporting period, expressed as a percentage of the average daily net asset value. Furthermore, any performance fees charged by the Investment Advisor are shown separately.

In order to avoid double charging to shareholders of LCH (Gold), the Investment Adviser of LCH rebates the full amount of advisory fees and incentive fees charged to LCH based on LCH (Gold)'s proportionate holding in LCH. The rebate amount is shown in the statement of comprehensive income under fee rebate.

Underlying investment managers charge additional fees, namely investment management fees and performance fees. Please refer to the respective note to the financial statements of LCH for an estimation of these fees.

12. COMPARISON COSTS ACCORDING TO PROSPECTUS AND ACTUAL COSTS

The basis on which various costs are charged to LCH (Gold) are disclosed in detail in the prospectus. It is a Dutch regulatory requirement to include a comparison between those costs disclosed in the prospectus and the actual costs.

For the year ended 31 December	Actual 2017 US\$000	According to prospectus ¹ US\$000	Difference US\$000
Advisory fees	(318)	(318)	-
Performance fees	(8)	(8)	-
Administration fees	-	-	-
Commitment fee relating to short term borrowings	(19)	(19)	-
Interest expense relating to short term borrowings	(5)	(5)	-

LEVERAGED CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December	Actual 2016 US\$000	According to prospectus ¹ US\$000	Difference US\$000
Advisory fees	(324)	(324)	-
Performance fees	-	-	-
Administration fees	(3)	(3)	-
Commitment fee relating to short term borrowings	(24)	(24)	-
Interest expense relating to short term borrowings	(50)	(50)	-

¹ The amounts shown are calculated by using the percentages stated in the prospectus (if applicable).

13. PORTFOLIO TURNOVER RATE

The portfolio turnover rate of LCH (Gold) has been calculated as follows:

For the year ended 31 December	2017 %	2016 %
Portfolio turnover rate	<u>(5.2)</u>	<u>28.4</u>

The portfolio turnover rate reflects the sum of the total gross amount of purchases and sales of investments of LCH (Gold) in the reporting period, minus the sum of the total amount of subscriptions and redemptions of redeemable participating shares, expressed as a percentage of the average daily net assets.

14. RELATED PARTY TRANSACTIONS

The following parties should be considered related parties because together they ultimately control LCH (Gold): the members of the Board of Directors and LCH Investments NV (including its Board of Directors) in its capacity as Investment Adviser.

Additionally, the following party, having transactions with LCH (Gold), is considered related because it is affiliated to one of the sponsoring institutions of the Company: Edmond de Rothschild Securities (UK) Ltd in its capacity as Agent of the Company (up to 1 June 2017). Additionally, transactions with LCH could be considered related party transactions, since LCH and LCH (Gold) have the same Board of Directors. Transactions with related parties are done on terms that are considered to be in conformity with market rates.

Please refer to note 2.12 of the Company and 4-5 and 7-8 above for further information about transactions that took place with related and affiliated parties, including the total amount of such transactions, any outstanding balances as of the end of the reporting period and the total amount of expenses incurred by LCH (Gold) relating to these transactions.

LCH (Gold) shares some of the same sponsoring institutions and has the same Board of Directors as LCH. In order to avoid double charging to LCH (Gold) shareholders, the Investment Adviser of LCH rebates the full amount of advisory fees and incentive fees charged to LCH (Gold) based on LCH (Gold)'s proportionate holding in LCH. The rebate amount is shown in the statement of comprehensive income under fee rebate.

The total personal interest of the members of the Board of Directors of the Company, the Board of Directors of LCH Investments NV and the Company Secretary in redeemable participating shares of LCH (Gold) during the year ended 31 December 2017 was:

31 December	Position at 2016	Purchases/ (Sales)	Position at 2017
Shares of LCH (Gold)	-	-	-

15. EXCHANGE RATE

The following exchange rate prevailing at 31 December 2017 was used: €1.00 = US\$1.1998 (2016: US\$1.0528).

LEVERAGED CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL RISK FACTORS

LCH (Gold)'s investment activities expose it to various types of risks that are associated with the financial assets and liabilities and markets in which it invests. LCH (Gold) is exposed to market risk, liquidity risk, counterparty risk and other risks (risk of using derivatives). The risk management policies employed by LCH (Gold) to manage these risks are discussed below.

16.1 Market risk

(a) Price risk

LCH (Gold) invests in other funds and is susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The Board of Directors manages this risk by monitoring the performance of each underlying investment closely on a weekly and monthly basis.

LCH (Gold) is exposed to transferable securities price risk and derivative price risk. This arises from investments held by LCH (Gold) for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than USD, the price initially expressed in foreign currency and then converted into USD will also fluctuate because of changes in foreign exchange rates.⁶

LCH (Gold) has also performed a sensitivity analysis. The relationship between movements in the S&P500 Index and the price of gold versus the NAV of LCH (Gold) is uncertain and subject to change at any time and should not be relied upon in assessing likely future relationships. Notwithstanding this, as required by IFRS, the following details LCH (Gold)'s estimated sensitivity to a 5% general increase and decrease in the S&P500 index and a 5% general increase and decrease in the price of gold.

As at December 31, 2017, if the S&P500 Index and the price of gold had increased or decreased by an additional 5% during 2017, with all other variables held constant and based on the actual change during 2017 of the net asset value and the S&P500 Index, the increase or decrease in net assets attributable to holders of redeemable shares for the year might have amounted to 9.59% (2016: 9.23%).

(b) Foreign exchange risk

LCH (Gold) operates internationally and holds both monetary and non-monetary assets denominated in currencies other than USD, the functional currency. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities.

The Portfolios, through the underlying investments, will be primarily invested in US dollar-denominated investments and their assets are valued in US dollars. LCH (Gold) (with respect to each of the Portfolios), through the underlying investments, may also invest a portion of its assets in equity securities and other investments denominated in currencies other than the US dollar, including the Euro, and in other financial instruments, the prices of which are determined with reference to currencies other than the US dollar. To the extent un-hedged, the value of LCH (Gold)'s non-dollar denominated assets will fluctuate with US dollar exchange rates as well as with price changes of the underlying investments in the various local markets and currencies. Thus, an increase in the value of the US dollar compared to the other currencies in which the underlying investments may make its investments will reduce the effect of increases and magnify the US dollar equivalent of the effect of decreases in the prices of LCH (Gold)'s securities and other investments in their local markets. Conversely, a decrease in the value of the US dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of an underlying investments non-US dollar securities or other investments. The portfolio managers of the underlying investments may use spot currency transactions, forward currency contracts and options to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

As at 31 December 2017 and 31 December 2016, foreign exchange risk does not present a significant risk.

(c) Cash flow and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Board of Directors manages this risk by monitoring fluctuations in the market interest rates on a monthly basis.

As at 31 December 2017 and 31 December 2016, cash flow and fair value interest rate risk do not present a significant risk.

LEVERAGED CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

16.2 Liquidity risk

Liquidity risk is the risk that LCH (Gold) may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. LCH (Gold) is exposed to quarterly cash redemptions of redeemable shares and has a 45 business days notice period for redemption requests. LCH (Gold)'s liquidity risk is managed through the diversification of the investment program by strategy and by manager as well as by redemption terms of the investment vehicles and the liquidity of their investments. There can be no assurance that this diversification will provide protection from a market downfall or illiquidity.

The success of LCH (Gold)'s investment program depends to a great extent upon the ability of the portfolio managers of the underlying investments to assess correctly the future course of price movements of stocks, bonds, commodities and currencies. There can be no assurance that the portfolio managers will accurately predict such movements. In addition, certain of the investments in which a substantial portion of each Portfolio's capital may be invested, from time to time, may have limited liquidity. This lack of liquidity, together with a failure to accurately predict market movements, may adversely affect the ability of the portfolio manager to execute trade orders at desired prices. Moreover, because illiquid investments may be difficult to value, the NAV of a class of shares may fluctuate widely from one period to the next. The risk of illiquidity is also increased by the prevalence of requirements by portfolio advisers with whom LCH (Gold) wishes to invest that LCH (Gold) agree to minimum holding periods and redemption periods in underlying investments that are generally longer than LCH (Gold)'s own redemption period.

LCH (Gold)'s liquidity risk is managed through the diversification of the investment program by strategy and by manager as well as by redemption terms of the underlying investments and the liquidity of their investments. There can be no assurance that this diversification will provide protection from a market downfall or illiquidity.

As a result of disrupted market conditions such as a rapid and catastrophic price movement in markets in which LCH (Gold) invests, determination of the NAV of each class of shares, the right to redeem Shares or the market maker facility could be suspended or restricted resulting in illiquidity of the Shares during such suspension. The following table details the ordinary redemption periods of the investment companies in which LCH (Gold) has invested as well as any other financial assets through profit or loss as at 31 December 2017.

Redemption period	≤3 months US\$000	3-12 months US\$000	>1 year US\$000	Total US\$000
Notice period:				
Cash and other assets	12,171	-	-	12,171
30 days or less	539	-	-	539
45 days	-	-	-	-
60 days	-	-	-	-
90 days	9,610	-	-	9,610
More than 90 days	-	-	-	-
Total assets	22,320	-	-	22,320

The following table details the ordinary redemption periods of the investment companies in which LCH (Gold) has invested as well as any other financial assets through profit or loss as at 31 December 2016.

Redemption period	≤3 months US\$000	3-12 months US\$000	>1 year US\$000	Total US\$000
Notice period:				
Cash and other assets	2,335	-	-	2,335
30 days or less	-	-	-	-
45 days	-	-	-	-
60 days	-	-	-	-
90 days	19,430	-	-	19,430
More than 90 days	-	-	-	-
Total assets	21,765	-	-	21,765

The table above shows by when investments could be normally redeemed even if subject to an early redemption fee, and not taking into account initial lock-ups.

LEVERAGED CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

The following table details LCH (Gold)'s liquidity analysis for its financial liabilities based on contractual undiscounted cash-flow as at 31 December 2017 and shows when the liabilities become due.

	Less than 1 month US\$000	1 - 3 months US\$000	>3 months US\$000
Advisory and performance fees payable	(35)	-	-
Other accounts payable and accrued expenses	(10)	-	-
Net assets attributable to holders of redeemable participating shares	<u>-</u>	<u>(22,275)</u>	<u>-</u>
Total	<u>(45)</u>	<u>(22,275)</u>	<u>-</u>

The following table details LCH (Gold)'s liquidity analysis for its financial liabilities based on contractual undiscounted cash-flow as at 31 December 2016 and shows when the liabilities become due.

	Less than 1 month US\$000	1 - 3 months US\$000	>3 months US\$000
Financial liabilities at fair value through profit or loss	(126)	-	-
Short term borrowings	(2,157)	-	-
Advisory and performance fees payable	(53)	-	-
Other accounts payable and accrued expenses	(16)	-	-
Net assets attributable to holders of redeemable participating shares	<u>-</u>	<u>(19,413)</u>	<u>-</u>
Total	<u>(2,352)</u>	<u>(19,413)</u>	<u>-</u>

16.3 Counterparty creditworthiness

LCH (Gold) is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

To the extent that LCH (Gold) (with respect to each Portfolio) engages, directly or through the underlying investments, in principal transactions, including, but not limited to, swap transactions, forward foreign currency transactions and bonds and other fixed income securities and/or to the extent that LCH (Gold) makes use of the services of a counterparty for the custody of its assets, LCH (Gold) must rely on the creditworthiness of its counterparty. Insolvency of, gross negligence, wilful misconduct and/or fraud by the counterparty may prevent payment in part or in full or on time, and may cause losses.

LCH (Gold) manages this risk by evaluating the creditworthiness of its direct counterparties. LCH (Gold)'s indirect exposure to counterparty risk through its underlying investments is monitored by management as part of its due diligence process.

In the following table the custodians appointed by LCH (Gold) are listed together with the most relevant credit ratings for those firms as well as the financial assets and liabilities through profit or loss held at those custodians and the outstanding cash balances, if any, as at the end of the reporting period.

LEVERAGED CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

Financial assets and liabilities through profit or loss:

At 31 December	Moody's	S&P	2017 US\$000	2016 US\$000
Prime Nominees (Cayman) Limited ¹	A1	A+	9,610	19,430
BNP Paribas	A1	A+	<u>539</u>	<u>(126)</u>
Total			<u>10,149</u>	<u>19,304</u>

¹ This entity is ultimately controlled by BNP Paribas Securities Services. The credit ratings stated are for this entity.

Net cash balances:

At 31 December	2017 US\$000	2016 US\$000
BNP Paribas Securities Services, Dublin Branch	<u>579</u>	<u>119</u>
Total	<u>579</u>	<u>119</u>

16.4 Other risks

Use of derivatives

Derivatives refer to financial instruments which derive their performance at least in part from the performance of an underlying asset, index or interest rate. Financial instruments such as futures, forward contracts and other derivatives may be used by the underlying investment portfolio managers both for speculative purposes and for hedging other investments. LCH (Gold) does not control or monitor on a regular basis the investments of the portfolio managers. LCH (Gold) may have a significant exposure to derivatives risks. However, as a two-tier company, its liability is limited by investing, as it does, through multiple separate legal entities. If the derivative exposure in LCH (Gold) became material, that would subject the investors to a higher risk of loss and volatility and would make the pricing of the assets more difficult because, among other things, of the leveraged effect of such investments, the added credit risk of issuing counterparties, and the potential for illiquidity in certain circumstances. LCH (Gold) does not have a percentage limitation on hedging for either of the Portfolios.

Hedging against a decline in the value of a portfolio investment does not eliminate fluctuations in the values of portfolio investments or prevent losses if the values of such investments decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio investments' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio investments should increase. The portfolio managers of the underlying investments may utilise hedges, or choose not to hedge, based on judgments about economic or other factors that prove to be incorrect.

It is the policy of LCH (Gold) to transact the majority of its direct investments in securities and contractual commitment activity with broker-dealers and banks that management considers to be well established/first rated.

17. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

We are not aware of any significant events post the end of the reporting period.



TRADING CAPITAL HOLDINGS (GOLD)
PROFILE

The general investment objective of Trading Capital Holdings (Gold) (“TCH (Gold)”) is the realization of profit. In addition to investments in gold and gold related investments, TCH (Gold) may invest without limit in shares of TCH.

TCH does not invest directly but operates through offshore funds which are wholly or partly owned by TCH. Generally each offshore fund is advised by a single portfolio manager and its team. The investment activities of the funds thereby comprise a wide range of specialised approaches and techniques used by the managers. LCH Investments NV is the Investment Advisor of TCH (Gold).

TCH (Gold) started operating on 6 February 2012 in Curaçao (as a separate share class of Trading Capital Holdings NV) and merged with a sub-fund of the Company on 1 January 2015.

The financial year end of TCH (Gold) is 31 December. In addition to the annual report, which contains audited financial statements, an unaudited interim report for the six month period to 30 June is also published.

Shares are issued by TCH (Gold) daily, at net asset value per share. Shares are issued in US\$ (Class G).

Shares may be redeemed at the end of each calendar quarter with 45 business days’ notice at net asset value. The redemption of shares may be postponed under certain circumstances, as described in the prospectus.

TCH (Gold) will seek to expose the Class G portfolio to the performance of gold by investing in gold or gold related instruments.

For the convenience of investors, the shares of TCH (Gold) may be traded over the counter in London. However, TCH (Gold) is not a party to and is not responsible for such secondary market transactions. Investors may purchase and sell TCH (Gold) shares through banks and brokers throughout the world.

TRADING CAPITAL HOLDINGS (GOLD)
PERFORMANCE SINCE INCEPTION¹

Date	NAV per share Class G - US\$	Performance %
06/02/12 †	194.47	
31/12/12	190.18	(2.2)
31/12/13	147.46	(22.5)
31/12/14	140.02	(5.0)
31/12/15	117.56	(16.0)
31/12/16	128.44	9.3
31/12/17	139.18	8.4

† Inception at 6 February 2012

	TCH (Gold) %
1 year p.a.	8.4
3 years p.a.	(0.2)
5 years p.a.	(6.1)
Since inception p.a.	(5.5)

¹ Any data or information relating to periods prior to the merger date of 1 January 2015 relates to the period that TCH (Gold) was incorporated in Curaçao as a share class of TCH. Furthermore, the information on this page has not been audited since this information does not form part of the audited financial statements.

TRADING CAPITAL HOLDINGS (GOLD)
STATEMENT OF FINANCIAL POSITION

As at	Notes	31/12/17 US\$000	31/12/16 US\$000
Assets			
Current assets			
Financial assets at fair value through profit or loss	2, 4	4,137	7,324
Due from investment companies and brokers	2	3,554	814
Other accounts receivable	2	9	22
Cash and cash equivalents	2, 3	224	155
Total assets		<u>7,924</u>	<u>8,315</u>
Liabilities			
Current liabilities			
Financial liabilities at fair value through profit or loss	2, 4	-	(48)
Short term borrowings	2, 3	-	(797)
Advisory and performance fees payable	2	(9)	(19)
Other accounts payable and accrued expenses	2	(11)	(16)
Liabilities (excluding net assets attributable to holders of redeemable participating shares)		<u>(20)</u>	<u>(880)</u>
Net assets attributable to holders of redeemable participating shares	2, 5	<u>(7,904)</u>	<u>(7,435)</u>
Total liabilities		<u>(7,924)</u>	<u>(8,315)</u>
Net asset value per Class G redeemable participating share		US\$139.18	US\$128.44

TRADING CAPITAL HOLDINGS (GOLD)
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Notes	2017 US\$000	2016 US\$000
Income			
Net gain/(loss) on financial assets and financial liabilities at fair value through profit or loss			
- Realised gains/(losses)	2, 6	382	448
- Unrealised gains/(losses)	2, 6	256	256
Interest income		3	-
Fee rebate	2, 13	112	116
Total income		753	820
Operating expenses			
Advisory and performance fees	7	(117)	(118)
Administration fees	8	-	(3)
Audit fees		(12)	(9)
Other operating expenses	9	(5)	(29)
Total operating expenses		(134)	(159)
Operating profit/(loss)		619	661
Finance costs			
Commitment fee relating to short term borrowings	3	(9)	(9)
Interest expense	2, 3	(3)	(19)
Total finance costs		(12)	(28)
Profit/(loss) before tax		607	633
Taxation	2	7	(3)
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations		614	630

TRADING CAPITAL HOLDINGS (GOLD)
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

For the year ended 31 December	Notes	2017 US\$000	2016 US\$000
Net assets attributable to holders of redeemable participating shares at 1 January		7,435	6,805
Increase from redeemable participating shares issued	5	-	-
Decrease due to redeemable participating shares repurchased	5	<u>(145)</u>	<u>-</u>
Net increase/(decrease) from share transactions		(145)	-
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations		<u>614</u>	<u>630</u>
Net assets attributable to holders of redeemable participating shares at 31 December		<u>7,904</u>	<u>7,435</u>

TRADING CAPITAL HOLDINGS (GOLD)
STATEMENT OF CASH FLOWS

For the year ended 31 December	Notes	2017 US\$000	2016 US\$000
Cash flows from operating activities			
Profit/(loss) before tax		607	633
Adjustments for:			
Interest income		(3)	-
Taxation		7	(3)
Other income		-	-
Finance costs		12	28
Net changes in:			
Due from investment companies and brokers		(2,740)	(814)
Other accounts receivable		13	(13)
Margin accounts		-	441
Advisory and performance fees payable		(10)	10
Other accounts payable and accrued expenses		(5)	11
Increase/(decrease) in financial assets at fair value through profit or loss		3,187	(616)
Increase in financial liabilities at fair value through profit or loss		(48)	(24)
Interest income received		3	-
Finance costs paid		(12)	(28)
Net cash from operating activities		1,011	(375)
Cash flows from financing activities			
Short term borrowings		(797)	797
Proceeds from redeemable participating shares issued		-	-
Paid on redeemable participating shares repurchased		(145)	-
Net cash from financing activities		(942)	797
Net increase/(decrease) in cash and cash equivalents		69	422
Cash and cash equivalents at 1 January		155	(267)
Cash and cash equivalents at 31 December	2, 3	224	155

The notes on pages 176 to 186 are an integral part of these financial statements

TRADING CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Capital Holdings Funds plc (the “Company”) was incorporated in Ireland on 13 March 2014 and was authorised as a Retail Investor AIF by the Central Bank of Ireland on 19 December 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out in note 2 to the financial statements of The Capital Holdings Funds plc.

3. CASH AND CASH EQUIVALENTS

As at December 31	2017 US\$000	2016 US\$000
Cash at bank:		
Cash US\$	224	155
Net cash and cash equivalents	224	155

For purposes of the statement of cash flows, cash and cash equivalents comprise cash at current bank accounts, cash held on deposit and bank overdrafts.

During the reporting period TCH (Gold) maintained a line of credit with BNP Paribas, Dublin Branch, on which TCH (Gold) pays an interest rate of Libor plus 1.30% per annum on amounts drawn down and a commitment fee of 0.50% per annum on the un-drawn portion of the credit line. At the end of the reporting period the committed line of credit amounted to €1.3 million.

TCH (Gold) has pledged all of its investments as collateral. The sale of such pledged assets requires the release of these assets by the Depository. At the end of the reporting period TCH (Gold) had drawn an amount of nil (2016: US\$0.8 million).

4. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

4.a. Financial assets and liabilities at fair value through profit or loss

TCH (Gold) classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as net asset values reported by the administrators of the investment companies in which TCH (Gold) has invested.

Level 3: Inputs are unobservable inputs for the asset or liability. This includes financial assets or liabilities for which the Board of Directors made fair value adjustments because of the illiquidity of such financial assets and liabilities.

Level 3 valuations are reviewed on a periodic basis by the Company’s Board of Directors. The Board of Directors considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry. The main technique used in fair valuing the Level 3 assets has been to apply a discount to the corresponding Level 3 valuations as best estimated by the Board of Directors. In selecting the most appropriate valuation model the Board of Directors performs back testing and considers which model’s results have historically aligned most closely to actual market transactions.

TRADING CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of the financial assets at fair value through profit or loss as at 31 December 2017:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment in TCH	-	3,942	-	3,942
Investments in gold index swap	-	195	-	195
Total financial assets at fair value through profit or loss	-	4,137	-	4,137

During the financial year 2017 there were no transfers between the different levels of the hierarchy.

The following is a summary of the financial assets at fair value through profit or loss as at 31 December 2016:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investment in TCH	-	7,324	-	7,324
Total financial assets at fair value through profit or loss	-	7,324	-	7,324

The following is a summary of the financial liabilities at fair value through profit or loss as at 31 December 2016:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Investments in gold index swap	-	(48)	-	(48)
Total financial liabilities at fair value through profit or loss	-	(48)	-	(48)

During the financial year 2016 there were no transfers between the different levels of the hierarchy.

The following table analyses within the fair value hierarchy TCH (Gold)'s assets and liabilities (by class) not measured at fair value at 31 December 2017 but for which fair value is disclosed:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Assets				
Due from investment companies and brokers	-	3,554	-	3,554
Other accounts receivable	-	9	-	9
Cash and cash equivalents	224	-	-	224
Total	224	3,563	-	3,787
Liabilities				
Advisory and performance fees payable	-	(9)	-	(9)
Other accounts payable and accrued expenses	-	(11)	-	(11)
Total	-	(20)	-	(20)

TRADING CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

The following table analyses within the fair value hierarchy the TCH (Gold)'s assets and liabilities (by class) not measured at fair value at 31 December 2016 but for which fair value is disclosed:

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Assets				
Due from investment companies and brokers	-	814	-	814
Other accounts receivable	-	22	-	22
Cash and cash equivalents	155	-	-	155
Total	155	836	-	991
Liabilities				
Short term borrowings	(797)	-	-	(797)
Advisory and performance fees payable	-	(19)	-	(19)
Other accounts payable and accrued expenses	-	(16)	-	(16)
Total	(797)	(35)	-	(832)

4.b. Exposure to gold investments

At 31 December	2017 US\$000	2016 US\$000
Gold index swap – notional amount	7,684	7,500
Gold index swap – unrealised gain/(loss)	195	(48)
Total gold holdings	7,879	7,452

All gold index swaps are entered into with BNP Paribas.

TRADING CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

5. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

TCH (Gold) has no share capital for accounting purposes as all of TCH (Gold's) shares are redeemable participating shares. Redeemable participating shares are redeemable at the shareholders' option and are classified as financial liabilities.

The data relating to the net asset value of redeemable participating shares of TCH (Gold) and the number of shares in issue are summarised below:

	2017 US\$000	2016 US\$000
Redeemable participating shares at 1 January	7,435	6,805
Subscriptions	-	-
Redemptions	(145)	-
Net increase in redeemable participating shares resulting from operations	<u>614</u>	<u>630</u>
Redeemable participating shares at 31 December	<u>7,904</u>	<u>7,435</u>
Shares	Class G	Class G
Shares outstanding at 1 January	57,889	57,889
Subscriptions	-	-
Redemptions	<u>(1,100)</u>	<u>-</u>
Shares outstanding at 31 December	<u>56,789</u>	<u>57,889</u>
Net asset value per redeemable participating share at 31 December	US\$139.18	US\$128.44

The data relating to the net asset value of redeemable participating shares of TCH (Gold) and the number of shares in issue for the past three years is summarised below:

As at 31 December	2017	2016	2015
Total NAV (US\$000)	7,904	7,435	6,805
Total shares Class G	56,789	57,889	57,889
NAV per share Class G (US\$)	139.18	128.44	117.56
Total income (US\$000)	753	820	(1,167)
Total operating expenses (US\$000)	(134)	(159)	(126)
Total finance costs (US\$000)	(12)	(28)	(26)
Taxes (US\$000)	<u>7</u>	<u>(3)</u>	<u>(3)</u>
Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations (US\$000)	<u>614</u>	<u>630</u>	<u>(1,322)</u>

TRADING CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

6. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

For the year ended 31 December	2017 US\$000	2016 US\$000
Realised gain on financial assets and liabilities at fair value through profit or loss	610	505
Realised loss on financial assets and liabilities at fair value through profit or loss	<u>(228)</u>	<u>(57)</u>
Net realised gain/(loss) on financial assets and liabilities at fair value through profit or loss	382	448
Change in unrealised gain on financial assets and liabilities at fair value through profit or loss	398	285
Change in unrealised loss on financial assets and liabilities at fair value through profit or loss	<u>(142)</u>	<u>(29)</u>
Net change in unrealised gain/(loss) on financial assets and liabilities at fair value through profit or loss	<u>256</u>	<u>256</u>
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	<u>638</u>	<u>704</u>

7. ADVISORY AND PERFORMANCE FEES

For the year ended 31 December	2017 US\$000	2016 US\$000
Advisory fees	(117)	(118)
Performance fees	<u>-</u>	<u>-</u>
Total	<u>(117)</u>	<u>(118)</u>

LCH Investments NV is entitled to an amount in cash of 1.5% per annum of the net asset value of Class G Shares. Such fees accruing on the basis of the net asset value at the close of each business day prior to taking into account any accrued performance fees as described below and payable monthly.

The Investment Adviser is entitled to a performance fee calculated in respect of each calendar year payable in cash of 5% of the net realized and unrealized appreciation in the NAV of Class G Shares (taking into account realized and unrealized gains and losses, and expenses) subject to a "high water mark" provision. This means that no performance fee is accrued or paid until the Net Asset Value per Share on which the performance fee was previously accrued and paid has been surpassed. This fee will accrue daily and be payable at the end of the financial year to which such fee relates (or upon a redemption with respect to redeemed Shares).

The current high water mark for Class G Shares amounts to US\$147.46 per share which means that the net asset value per share needs to appreciate by 5.9% before a performance fee will be charged.

8. ADMINISTRATION FEES

The Administrator fees are calculated based on the net assets of TCH (Gold) at the last business day of each month. The per annum fee rates were as follows: 0.06% on the first US\$250 million, 0.05% on the next US\$250 million and 0.04% on net assets in excess of US\$500 million.

TRADING CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

9. OTHER OPERATING EXPENSES

For the year ended 31 December	2017 US\$000	2016 US\$000
Regulatory fees	(2)	(7)
Professional liability insurance	(1)	-
Miscellaneous expenses	(2)	(22)
Total	(5)	(29)

10. ONGOING CHARGES

The ongoing charges and performance fees of TCH (Gold) have been calculated as follows:

For the year ended 31 December	2017 %	2016 %
Ongoing charges	1.74	2.17
Performance fees	-	-
Total	1.74	2.17

The ongoing charges, as defined in EU Commission regulation 583-2010 and document 10-674 of the Committee of European Securities Regulators, represent the total costs of TCH (Gold) in the reporting period, expressed as a percentage of the average daily net asset value. Furthermore, any performance fees charged by the Investment Advisor are shown separately.

In order to avoid double charging to shareholders of TCH (Gold), the Investment Adviser of TCH rebates the full amount of advisory fees and incentive fees charged to TCH based on TCH (Gold)'s proportionate holding in TCH. The rebate amount is shown in the statement of comprehensive income under fee rebate.

Underlying investment managers charge additional fees, namely investment management fees and performance fees. Please refer to the respective note to the financial statements of TCH for an estimation of these fees.

11. COMPARISON COSTS ACCORDING TO PROSPECTUS AND ACTUAL COSTS

The basis on which various costs are charged to TCH (Gold) is disclosed in detail in the prospectus. It is a Dutch regulatory requirement to include a comparison between those costs disclosed in the prospectus and the actual costs.

For the year ended 31 December	Actual 2017 US\$000	According to prospectus ¹ US\$000	Difference US\$000
Advisory fees	(117)	(117)	-
Performance fees	-	-	-
Administration fees	-	-	-
Commitment fee relating to short term borrowings	(9)	(9)	-
Interest expense relating to short term borrowings	(3)	(3)	-

TRADING CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December	Actual 2016 US\$000	According to prospectus ¹ US\$000	Difference US\$000
Advisory fees	(118)	(118)	-
Performance fees	-	-	-
Administration fees	(3)	(3)	-
Commitment fee relating to short term borrowings	(9)	(9)	-
Interest expense relating to short term borrowings	(19)	(19)	-

¹ The amounts shown are calculated by using the percentages stated in the prospectus (if applicable).

12. PORTFOLIO TURNOVER RATE

The portfolio turnover rate of TCH (Gold) has been calculated as follows:

For the year ended 31 December	2017 %	2016 %
Portfolio turnover rate	<u>(4.1)</u>	<u>29.7</u>

The portfolio turnover rate reflects the sum of the total gross amount of purchases and sales of investments of TCH (Gold) in the reporting period, minus the sum of the total amount of subscriptions and redemptions of redeemable participating shares, expressed as a percentage of the average daily net assets.

13. RELATED PARTY TRANSACTIONS

The following parties should be considered related parties because together they ultimately control TCH (Gold): the members of the Board of Directors and LCH Investments NV (including its Board of Directors) in its capacity as Investment Adviser.

Additionally, the following party, having transactions with TCH (Gold), is considered related because it is affiliated to one of the sponsoring institutions of the Company: Edmond de Rothschild Securities (UK) Ltd in its capacity as Agent of the Company (up to 1 June 2017). Additionally, transactions with TCH could be considered related party transactions, since TCH and TCH (Gold) have the same Board of Directors. Transactions with related parties are done on terms that are considered to be in conformity with market rates.

Please refer to note 2.12 of the Company and note 4-7 above for further information about transactions that took place with related and affiliated parties, including the total amount of such transactions, any outstanding balances as of the end of the reporting period and the total amount of expenses incurred by TCH (Gold) relating to these transactions.

TCH (Gold) shares some of the same sponsoring institutions and has the same Board of Directors as TCH. In order to avoid double charging to TCH (Gold) shareholders, the Investment Adviser of TCH rebates the full amount of advisory fees and incentive fees charged to TCH (Gold) based on TCH (Gold)'s proportionate holding in TCH. The rebate amount is shown in the statement of comprehensive income under fee rebate.

The total personal interest of the members of the Board of Directors of the Company, the Board of Directors of LCH Investments NV and the Company Secretary in redeemable participating shares of TCH (Gold) during the year ended 31 December 2017 was:

31 December	Position at 2016	Purchases/ (Sales)	Position at 2017
Shares of TCH (Gold)	-	-	-

14. EXCHANGE RATE

The following exchange rate prevailing at 31 December 2017 was used: €1.00 = US\$1.1998 (2016: US\$1.0528).

TRADING CAPITAL HOLDINGS (GOLD)
NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK FACTORS

TCH (Gold's) investment activities expose it to various types of risks that are associated with the financial assets and liabilities and markets in which it invests. TCH (Gold) is exposed to market risk, liquidity risk, counterparty risk and other risks (risk of using derivatives). The risk management policies employed by TCH (Gold) to manage these risks are discussed below.

15.1 Market risk

(a) Price risk

TCH (Gold) invests in other funds and is susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The Board of Directors manages this risk by monitoring the performance of each underlying investment closely on a weekly and monthly basis.

TCH (Gold) is exposed to transferable securities price risk and derivative price risk. This arises from investments held by TCH (Gold) for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than USD, the price initially expressed in foreign currency and then converted into USD will also fluctuate because of changes in foreign exchange rates.

TCH (Gold) has also performed a sensitivity analysis. The relationship between movements in the S&P500 Index and the price of gold versus the NAV of TCH (Gold) is uncertain and subject to change at any time and should not be relied upon in assessing likely future relationships. Notwithstanding this, as required by IFRS, the following details TCH (Gold)'s estimated sensitivity to a 5% general increase and decrease in the S&P500 index and a 5% general increase and decrease in the price of gold.

As at December 31, 2017, if the S&P500 Index and the price of gold had increased or decreased by an additional 5% during 2017, with all other variables held constant and based on the actual change during 2017 of the net asset value and the S&P500 Index, the increase or decrease in net assets attributable to holders of redeemable shares for the year might have amounted to 7.69% (2016: 8.57%).

(b) Foreign exchange risk

TCH (Gold) operates internationally and holds both monetary and non-monetary assets denominated in currencies other than USD, the functional currency. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities.

The Portfolios, through the underlying investments, will be primarily invested in US dollar-denominated investments and their assets are valued in US dollars. TCH (Gold) (with respect to each of the Portfolios), through the underlying investments, may also invest a portion of its assets in equity securities and other investments denominated in currencies other than the US dollar, including the Euro, and in other financial instruments, the prices of which are determined with reference to currencies other than the US dollar. To the extent un-hedged, the value of TCH (Gold's) non-dollar denominated assets will fluctuate with US dollar exchange rates as well as with price changes of the underlying investments in the various local markets and currencies. Thus, an increase in the value of the US dollar compared to the other currencies in which the underlying investments may make its investments will reduce the effect of increases and magnify the US dollar equivalent of the effect of decreases in the prices of TCH (Gold's) securities and other investments in their local markets. Conversely, a decrease in the value of the US dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of a underlying investments non-US dollar securities or other investments. The portfolio managers of the underlying investments may use spot currency transactions, forward currency contracts and options to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

As at 31 December 2017 and 31 December 2016, foreign exchange risk does not present a significant risk.

(c) Cash flow and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Board of Directors manages this risk by monitoring fluctuations in the market interest rates on a monthly basis.

As at 31 December 2017 and 31 December 2016, cash flow and fair value interest rate risk do not present a significant risk.

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15.2 Liquidity risk

Liquidity risk is the risk that TCH (Gold) may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. TCH (Gold) is exposed to quarterly cash redemptions of redeemable shares and has a 45 business days notice period for redemption requests. TCH (Gold's) liquidity risk is managed through the diversification of the investment program by strategy and by manager as well as by redemption terms of the investment vehicles and the liquidity of their investments. There can be no assurance that this diversification will provide protection from a market downfall or illiquidity.

The success of TCH (Gold's) investment program depends to a great extent upon the ability of the portfolio managers of the underlying investments to assess correctly the future course of price movements of stocks, bonds, commodities and currencies. There can be no assurance that the portfolio managers will accurately predict such movements. In addition, certain of the investments in which a substantial portion of each Portfolio's capital may be invested, from time to time, may have limited liquidity. This lack of liquidity, together with a failure to accurately predict market movements, may adversely affect the ability of the portfolio manager to execute trade orders at desired prices. Moreover, because illiquid investments may be difficult to value, the NAV of a class of shares may fluctuate widely from one period to the next. The risk of illiquidity is also increased by the prevalence of requirements by portfolio advisers with whom TCH (Gold) wishes to invest that TCH (Gold) agree to minimum holding periods and redemption periods in underlying investments that are generally longer than TCH (Gold's) own redemption period.

TCH (Gold's) liquidity risk is managed through the diversification of the investment program by strategy and by manager as well as by redemption terms of the underlying investments and the liquidity of their investments. There can be no assurance that this diversification will provide protection from a market downfall or illiquidity.

As a result of disrupted market conditions such as a rapid and catastrophic price movement in markets in which TCH (Gold) invests, determination of the NAV of each class of shares, the right to redeem Shares or the market maker facility could be suspended or restricted resulting in illiquidity of the Shares during such suspension. The following table details the ordinary redemption periods of the investment companies in which TCH (Gold) has invested as well as any other financial assets through profit or loss as at 31 December 2017.

Redemption period	≤3 months US\$000	3-12 months US\$000	>1 year ¹ US\$000	Total US\$000
Notice period:				
Cash and other assets	3,787	-	-	3,787
30 days or less	195	-	-	195
45 days	-	-	-	-
60 days	-	-	-	-
90 days	3,942	-	-	3,942
More than 90 days	-	-	-	-
Total assets	7,924	-	-	7,924

The following table details the ordinary redemption periods of the investment companies in which TCH (Gold) has invested as well as any other financial assets through profit or loss as at 31 December 2016.

Redemption period	≤3 months US\$000	3-12 months US\$000	>1 year ¹ US\$000	Total US\$000
Notice period:				
Cash and other assets	991	-	-	991
30 days or less	-	-	-	-
45 days	-	-	-	-
60 days	-	-	-	-
90 days	7,324	-	-	7,324
More than 90 days	-	-	-	-
Total assets	8,315	-	-	8,315

¹ This category includes investments in funds that are in liquidation and for which there is no statutory right of redemption.

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The table above shows by when investments could be normally redeemed even if subject to an early redemption fee, and not taking into account initial lock-ups.

The following table details TCH (Gold's) liquidity analysis for its financial liabilities based on contractual undiscounted cash-flow as at 31 December 2017 and shows when the liabilities become due.

	Less than 1 month US\$000	1 - 3 months US\$000	>3 months US\$000
Advisory and performance fees payable	(9)	-	-
Other accounts payable and accrued expenses	(11)	-	-
Net assets attributable to holders of redeemable participating shares	<u>-</u>	<u>(7,904)</u>	<u>-</u>
Total	<u>(20)</u>	<u>(7,904)</u>	<u>-</u>

The following table details TCH (Gold's) liquidity analysis for its financial liabilities based on contractual undiscounted cash-flow as at 31 December 2016 and shows when the liabilities become due.

	Less than 1 month US\$000	1 - 3 months US\$000	>3 months US\$000
Financial liabilities at fair value through profit or loss	(48)	-	-
Short term borrowings	(797)	-	-
Advisory and performance fees payable	(19)	-	-
Other accounts payable and accrued expenses	(16)	-	-
Net assets attributable to holders of redeemable participating shares	<u>-</u>	<u>(7,435)</u>	<u>-</u>
Total	<u>(880)</u>	<u>(7,435)</u>	<u>-</u>

15.3 Counterparty creditworthiness

TCH (Gold) is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

To the extent that TCH (Gold) (with respect to each Portfolio) engages, directly or through the underlying investments, in principal transactions, including, but not limited to, swap transactions, forward foreign currency transactions and bonds and other fixed income securities and/or to the extent that TCH (Gold) makes use of the services of a counterparty for the custody of its assets, TCH (Gold) must rely on the creditworthiness of its counterparty. Insolvency of, gross negligence, wilful misconduct and/or fraud by the counterparty may prevent payment in part or in full or on time, and may cause losses.

TCH (Gold) manages this risk by evaluating the creditworthiness of its direct counterparties. TCH (Gold's) indirect exposure to counterparty risk through its underlying investments is monitored by management as part of its due diligence process.

In the following table the custodians appointed by TCH (Gold) are listed together with the most relevant credit ratings for those firms as well as the financial assets and liabilities through profit or loss held at those custodians and the outstanding cash balances, if any, as at the end of the reporting period.

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Financial assets and liabilities through profit or loss:

At 31 December	Moody's	S&P	2017 US\$000	2016 US\$000
Prime Nominees (Cayman) Limited ¹	A1	A	3,942	7,324
BNP Paribas	A1	A	<u>195</u>	<u>(48)</u>
Total			<u>4,137</u>	<u>7,276</u>

¹ This entity is ultimately controlled by BNP Paribas Securities Services. The credit ratings stated are for this entity.

Net cash balances:

At 31 December	2017 US\$000	2016 US\$000
BNP Paribas Securities Services, Dublin Branch	<u>224</u>	<u>155</u>
Total	<u>224</u>	<u>155</u>

15.4 Other risks

Use of derivatives

Derivatives refer to financial instruments which derive their performance at least in part from the performance of an underlying asset, index or interest rate. Financial instruments such as futures, forward contracts and other derivatives may be used by the underlying investment portfolio managers both for speculative purposes and for hedging other investments. TCH (Gold) does not control or monitor on a regular basis the investments of the portfolio managers. TCH (Gold) may have a significant exposure to derivatives risks. However, as a two-tier company, its liability is limited by investing, as it does, through multiple separate legal entities. If the derivative exposure in TCH (Gold) became material, that would subject the investors to a higher risk of loss and volatility and would make the pricing of the assets more difficult because, among other things, of the leveraged effect of such investments, the added credit risk of issuing counterparties, and the potential for illiquidity in certain circumstances. TCH (Gold) does not have a percentage limitation on hedging for either of the Portfolios.

Hedging against a decline in the value of a portfolio investment does not eliminate fluctuations in the values of portfolio investments or prevent losses if the values of such investments decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio investments' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio investments should increase. The portfolio managers of the underlying investments may utilise hedges, or choose not to hedge, based on judgments about economic or other factors that prove to be incorrect.

It is the policy of TCH (Gold) to transact the majority of its direct investments in securities and contractual commitment activity with broker-dealers and banks that management considers to be well established/first rated.

16. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

We are not aware of any significant events post the end of the reporting period.