



Nedgroup Investments Funds Plc

Directors' Report and Financial Statements
for the year ended 30 September 2010

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CORPORATE INFORMATION

Directors

D Macready
A V Lodge
T A Wiltcher

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IM1 1AJ

Auditors

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Registered Agent

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*Fortis Prime Fund Solutions (IOM) Limited changed its name to ABN AMRO Fund Services (IOM) Limited on 1 July 2010

DIRECTORS' REPORT

For the year ended 30 September 2010

The Directors present their annual report and the audited financial statements of the Fund for the year ended 30 September 2010.

Principal Activity

Nedgroup Investments Funds plc ("the Fund") is an open-ended investment company, incorporated on 28 January 1999, managed in the Isle of Man, which operated with six sub-funds ("portfolios") during the year. The Fund is a Full International Scheme under the Collective Investment Schemes Act 2008.

Re-registration

The Company was registered under the Isle of Man Companies Acts 1931 to 2004 until 10 November 2009, when it was re-registered under the Isle of Man Companies Act 2006.

Results & Dividends

The financial results of the Fund for the year ended 30 September 2010 are set out in the Statement of Total Return. The net revenue and capital gains for the year amounted to a gain of \$4,758,001 (2009: \$8,111,234).

No dividend is proposed for the current year (2009: \$nil).

Directors & Directors' Interest

The Directors who served during the year and to date are as follows:

D Macready

A V Lodge

T A Wiltcher

H L Jones (resigned 15 January 2010)

None of the Directors had any interests in the shares of the funds during the year to date. D Macready, A V Lodge and T A Wiltcher are also Directors of Nedgroup Investments (IOM) Limited (the Manager). H L Jones was also a Director of Nedgroup Investments (IOM) Limited.

Auditors

As a company incorporated under the Isle of Man Companies Act 2006, the Company is not required to prepare audited financial statements. Notwithstanding this, the members have resolved to have the financial statements for the year ended 30 September 2010 audited and consequently our Auditors, KPMG Audit LLC, being eligible, have expressed their willingness to continue in office.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the Directors' Report and Financial Statements
for the year ended 30 September 2010

The Directors are responsible for preparing the Directors' Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year, which meet the requirements of Isle of Man company law. In addition, the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Fund and of the profit or loss of the Fund for that period.

In preparing these 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Fund's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

On behalf of the Board

A V Lodge
Director

21 January 2011

REPORT OF THE INVESTMENT MANAGERS

For the year ended 30 September 2010

The **Global Equity Fund** produced a return of 6.0%, net of fees, for the year ended September 30, 2010. The result was below the benchmark MSCI return of 7.3% for the same period. Since inception, in November 2008, the fund has produced an annualised return of 10.8% per annum, which is disappointing compared to the benchmark return of 14.8% per annum. Although the measurement period is short, internal problems at Gartmore, the incumbent Manager, caused us to review and replace them as Managers of the fund.

With effect from 1 October 2010 Veritas Asset Management (Veritas) has been appointed to replace Gartmore as discretionary investment Manager. We regard the approach adopted by Veritas to be more closely matched with the qualities that we believe enables fund managers to deliver sustainable outperformance over the long term. These include the fact that Veritas is owned by the fund managers themselves (ensuring the manager's interests are aligned to those of investors) and that they have a valuation-based investment approach that has been tested and has prospered, particularly in difficult market conditions.

The portfolio managers are Veritas founders Andrew Headley and Charles Richardson. Headley is currently Head of Research and Richardson is Chairman and Chief Executive. Prior to founding Veritas, they previously worked together for many years at Newton where Richardson was Chief Investment Officer.

Real return mindset & awareness of downside risk

The Veritas approach is focused on protecting

and growing the real value of clients' capital over time through in-depth fundamental research. Their philosophy ensures that a significant margin of safety is built into the shares they purchase, which provides better than average downside protection in weak market conditions. This has certainly been borne out over the past 10 years, a notoriously difficult period of global markets, over which Veritas have outperformed the MSCI benchmark by more than 5% per annum.

Searching for great, cheap companies

In the case of a global equity mandate, where there are more than 5,000 shares from which to choose, it is a challenge to develop a 'short-list' of potential investible candidates. Veritas attempt first to identify those companies that are likely to benefit from 'tailwinds' as opposed to 'headwinds'. A further iteration in the short-listing process is the identification of companies that are deemed to be high quality. Focus is placed on understanding the company's business model and competitive landscape to identify an enduring competitive advantage. This enduring competitive advantage enables quality companies to deliver above average rates of return through time.

The final step in the selection process is the in-depth fundamental analysis of the short-list to ensure that these high quality companies that are operating in a favourable environment are cheap relative to their market price. No company will be included in the portfolio - regardless of its quality or the tailwinds it is expected to benefit from - unless it is priced to deliver favourable returns.

REPORT OF THE INVESTMENT MANAGERS

for the year ended 30 September 2010 (continued)

The resultant portfolio comprises of a focused 25 to 40 stocks that are deemed to be high quality, cheap and likely to benefit from a tailwind over the next few years.

Veritas' portfolio turnover is relatively low with positions held for an average of three to five years.

The Nedgroup Investments Global Balanced Fund produced a return of 5.7% for the year ended September 30, 2010. This was marginally behind the benchmark return of 6.7%. Since inception, in November 2008, the fund has produced an annualised return of 13.1% per annum, ahead of the benchmark return of 11.1% per annum.

Guy Monson and David Vickers of Sarasin Partners - the discretionary investment managers of The Global Balanced Fund - provided the following comment:

"The year ended 30 September 2010 proved to be positive for most risk assets, with equities posting the strongest absolute returns. The increase in risk appetite was largely driven by a more stable macroeconomic backdrop. This gave investors confidence that the spectre of deflation and double-dip has been averted, for the time being at least. The Federal Reserve and Bank of England's confirmed commitment to further monetary expansion (in order to defend against the rise of a negative growth environment should activity stall significantly) added to this confidence.

It is interesting to note that the yield differential between equities and bonds remains extremely

compelling across most major regional markets. Following a protracted period where one learnt to expect a reverse yield gap, it is now possible to invest in European and North American blue-chip companies with an earnings yield way in excess of that available from the long-dated government bond of that country. The hunt for income has also supported the property over the year, and REITs also produced strong returns.

We maintained our emerging market currency exposure in Brazilian Real, Indonesian Rupiah, Korean Won and the Philippine Peso, as appreciation is expected thanks to both cyclical (strong growth, tightening monetary policy) and structural (convergence, favourable demographics) arguments.

We continue to hold gold as an insurance against central bank policy error, but have resisted increasing our exposure just yet – we are concerned that liquidity may become problematic due to the huge positions dwarfing physical gold demand which are being built up in exchange traded tracking products.

As we look forward into the last quarter of 2010 we are hoping for confirmation that corporations are still experiencing a gradual recovery in activity and double digit earnings growth. We would also like to see that corporate management is beginning to become more confident to increase capital expenditure to drive future organic growth. This should easily be combined with progressive dividend growth, due to record levels of cash on corporate balance sheets across the Western world".

REPORT OF THE INVESTMENT MANAGERS

for the year ended 30 September 2010 (continued)

The **Global Cautious Fund** produced a return of 1.5%, net of fees, for the year ending 30 September 2010. This was ahead of the US LIBOR benchmark return of 0.3%. Since the inception in November 2008, fund has produced a return of 6.2% per annum, compared to the benchmark return of 0.4% per annum.

Talib Sheikh of JP Morgan, the discretionary investment manager of The Global Cautious Fund, provided the following comment on the positioning and prospects of the fund:

"We retain a bias to hold directional positions using options, given their known downside characteristics and we particularly favour the Asian and emerging market regions, given the higher likely levels of growth and consumption.

We remain committed to our strategy of limited directional risk, instead concentrating on relative value and carry trades. We would argue that equity carry, particularly in the US, looks interesting and we feel that many investors like ourselves will look at the relative value versus alternative asset classes and conclude that on a selective basis, tactical equity investing makes sense on a risk/reward basis. Underpinned by this dividend yield and the sense that central banks are moving towards another round of easing, we feel that equities can make progress from here, although a market which is unlikely to benefit from the easing is the Euro region. We worry that the recent moves by the ECB to move away from extraordinary liquidity measures and the recent strength of the Euro make the region unappealing on a relative basis.

A major beneficiary of a weaker dollar is the US export sector, also making US plant capital cheaper to external buyers which could trigger a round of cross-border M&A activity. We reinforced names that can benefit from this in the cash equity portion of the portfolio, adding to exporters and companies with deep embedded brand value. We are now running over half of our cash equity weight in the US and have a bias to add names here.

We have been using our convertible positions as a source of funding for this trade, accordingly the convertible allocation has fallen 5% to around 12%. We still see value in convertibles, particularly good quality high yield bonds, but many of our positions have done well and given that we hold mostly investment grade issues, we think it is prudent to take profits given the continued demand for paper.

Finally, we welcome a new portfolio manager to the total return team, Shrenick Shah. A significant part of Shrenick's role will be to search for effective tail hedges in the portfolio. One of the features of the post-crisis world has been investor appetite for this type of protection and the shortage of supply of these products from the banking and hedge fund community. Consequently, many of these trades are incredibly expensive. We have spent a great deal of time analysing these types of positions and will continue to look for appropriate macro hedge positions for the portfolio".

"Money market" comment

The start of the review period found markets in a much more stable position than the previous

REPORT OF THE INVESTMENT MANAGERS

for the year ended 30 September 2010 (continued)

year and 2010 started with markets in a confident mood. Credit spreads continued to tighten and yields continued to fall. The major central banks kept interest rates on hold at historical lows for the review period. This, along with the remaining unconventional measures in place from the central banks and governments continued to boost liquidity in money markets and reduce volatility and stress across financial markets. However, May saw a degree of volatility return to the markets as sovereign debt concerns in peripheral Euro zone economies began to gather pace culminating with a huge rescue package for Greece from the European Central Bank and International Monetary Fund and although not in the review period, Ireland requested financial aid from the EU in December 2010. Money market rates remained low and curves fairly flat during the period.

The US Dollar Fund

The Federal Open Market Committee (FOMC) kept official interest rates on hold at a range of 0.00% - 0.25% and has repeated at each meeting its intent to keep rates "exceptionally low for an extended period". The FOMC also completed its programme of purchasing asset-backed and mortgage-backed securities during the review period but then announced in November a second round of quantitative easing, purchasing up to \$600bn of Treasury bonds.

GDP expanded by 2.4% in the 1st quarter of 2010; however, economic data started to deteriorate in June, prompting concerns that growth in the US may have peaked. Weaker-than-expected home sales data, a sharp drop in

consumer confidence and uncertainty around the labour market have all been factors in this view and it is these factors that prompted the Fed into a second round of asset purchases in a bid to stimulate the economy.

For a large part of the review period the yield curve was fairly flat with little risk premium for taking durational risk, this has prompted us to remain fairly short in duration, however the fund has benefited from the addition of short dated floating rate notes which re-fix on a quarterly basis at LIBOR plus levels. We believe that interest rates in the US will remain low well into 2011 and the fund is well positioned to react as and when the curve begins to steepen. As periphery concerns heightened we remained conservative in risk appetite and reduced exposure to Irish counterparties.

The Sterling Fund

The Bank of England kept interest rates on hold at 0.50% throughout the review period. After increasing the asset purchase programme (quantitative easing) to £200bn at the end of 2009 they decided to pause purchases in February but left the door open to restart the programme should the economic conditions determine it.

GDP expanded 0.3% in the 4th quarter of 2009 as the UK exited the worst recession for a generation. CPI rose sharply above the Bank of England's target of 2% to 3.5% at the start of 2010. The Bank of England inflation report had forecast a short term spike for the first half of 2010 falling back to target by the end of the year, however inflation remained above 3%

REPORT OF THE INVESTMENT MANAGERS

for the year ended 30 September 2010 (continued)

throughout the review period. The housing market in the UK showed encouraging signs of a recovery and according to the Nationwide House Price index prices increased month on month for the first half of 2010 then fell back in the second half.

For a large part of the review period the yield curve was fairly flat with little risk premium for placing further down the curve, however the fund has benefited from our strategy of maintaining around 10% of the fund in the longer part of the curve whilst maintaining ample liquidity. We believe that interest rates in the UK will remain low for 2011, although inflationary pressures could see the first increase in mid-2011. The fund remains well positioned to react as and when rates do rise. As periphery concerns heightened we remained conservative in risk appetite and reduced exposure to Irish counterparties.

The Euro Fund

The European Central Bank (ECB) kept interest rates at 1% during the review period. In June the first of the 12 month Long Term Refinancing Operation expired, this facility was introduced by the ECB to improve money supply and liquidity to the banking system and demand was high at €442bn. Around half of this maturing longer term operation was rolled into the new shorter term LTRO on offer from the ECB, indicating less reliance on the ECB for funding which was positive for markets. The ECB has continued to offer unlimited liquidity to the market and indicated that apart from the weaker periphery countries that less liquidity has been required.

After returning to positive growth in the second half of 2009, there was a sharp pick up in the 2nd quarter of 2010 with a 2.2% expansion in Germany, the strongest since reunification. Growth however, slowed across the euro-zone in Q3 to a more normal rate.

For a large part of the review period the yield curve was fairly flat with little risk premium for placing further down the curve, this has prompted us to remain very short in duration. Towards the end of the review period the LIBOR rates did increase sharply as the periphery crisis unfolded, however, as liquidity remains ample cash rates have not increased in line with LIBOR rates. We believe that interest rates in Europe will remain low well into 2011 and remain well positioned to add to longer positions as and when opportunities arise. As periphery concerns heightened we remained conservative in risk appetite and reduced exposure to Irish counterparties.

REPORT OF THE INDEPENDENT AUDITORS

KPMG Audit LLC To the Members of NEDGROUP INVESTMENTS FUNDS PLC

We have audited the financial statements (the financial statements) of Nedgroup Investments Funds plc for the year ended 30 September 2010 which comprise the Statement of Total Return, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards are set out in the Statement of Directors' Responsibilities on page 3.

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

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the Fund has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and any other information accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies audited so as to read with the audited financial statements. Our responsibilities do not extend to any other information.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the

REPORT OF THE INDEPENDENT AUDITORS

KPMG Audit LLC To the Members of NEDGROUP INVESTMENTS FUNDS PLC (continued)

Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with UK Accountancy Standards of the state of the Fund's affairs as at 30 September 2010 and of its profit for the year then ended.

KPMG Audit LLC

Chartered Accountants

Heritage Court
41 Athol Street
Douglas
Isle of Man
IM99 1HN

STATEMENT OF TOTAL RETURN

For the year ended 30 September 2010

	Notes	2010 US\$	2009 US\$
Income			
Dividends		2,045,367	2,174,807
Interest	2(e)	1,795,036	1,023,647
Sundry income	2(e)	154,028	114,420
		3,994,431	3,312,874
Expenditure			
Management fee	3	1,858,467	1,312,011
Administration fee	3	220,179	131,128
Other expenses		1,057,335	761,128
Audit fee		18,500	18,457
Custodian fee	3	130,324	133,530
		3,284,805	2,356,254
Net income for the year	5(e)	709,626	956,620
Net realised and unrealised (loss)/gain on investments			
Movement in unrealised (depreciation)/ appreciation on investments	5(d)	(3,576,827)	19,252,601
Net realised gain/(loss) on disposal of Investments	5(d)	8,334,828	(11,141,367)
Net gain on investments		4,758,001	8,111,234
Return attributable to Participating Redeemable Preference Shareholders		5,467,627	9,067,854

There were no recognised gains and losses other than those reported in the Statement of Total Return, therefore a Statement of Total Recognised Gains & Losses has not been prepared.

The Directors consider that all results derive from continuing activities.

The notes on pages 13 to 19 form an integral part of these financial statements.

BALANCE SHEET

For the year ended 30 September 2010

	Notes	2010 US\$	2009 US\$
Current assets			
Investments	2(c),6,8	175,746,324	115,891,437
Debtors & prepayments		1,755,129	745,436
Due from Manager		185,689	38,063,652
Bank Balances		4,221,281	12,348,087
Total assets		181,908,423	167,048,612
Current liabilities (excluding net assets attributable to holders of participating redeemable preference shares)			
Accrued expenses		285,596	1,653,904
Amounts due to broker		2,005,077	5,763,302
Total liabilities (excluding net assets attributable to holders of participating redeemable preference shares)		2,290,673	7,417,206
Net assets		179,617,750	159,631,406
Net assets attributable to holders of participating redeemable preference shares		179,617,749	159,590,172
Net assets attributable to holders of management shares		1	1
Net assets attributable to holders of nominal shares		-	41,233
	7	179,617,750	159,631,406

These financial statements were approved by the Board of Directors on 21 January 2011 and signed on their behalf.

A V Lodge
Director

T A Wiltcher
Director

The notes on pages 13 to 19 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

1. General

The Fund maintains a separate fund account for each of the share classes, to which the proceeds of issue and the income arising from the investment of those proceeds are credited, and against which the expenses allocated are charged.

Upon redemption, shareholders are only entitled to their proportion of the net assets held in the fund account relating to their particular shares.

2. Accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of investments, and in accordance with UK Accounting Standards.

(b) Participating redeemable preference shares

Participating redeemable preference shares are issued by the Fund and allocated to whichever of the six Sub-Funds is selected by the investor. The proceeds of the issue and the income arising thereon are credited to each Sub-Fund which also bears expenses attributable to that Sub-Fund. Joint expenses are allocated to each continuing Sub-Fund. Upon redemption shareholders are only entitled to their proportion of the net assets held in the Sub-Fund to which their Shares have been allocated. The participating redeemable preference shares

are redeemable at the holder's option and are classified as financial liabilities. The participating redeemable shares are carried at the redemption amount that is payable at the balance sheet date if the holder exercises the right to sell the shares back to the Fund.

All participating redeemable preference shares issued by the Fund provide the investors with the right to require redemption for cash at the value proportionate to the investor's share in the Fund's net assets at the redemption date. In accordance with FRS 25 such instruments give rise to a financial liability for the present value of the redemption amount.

(c) Investments

Investments in quoted securities are valued at the bid-market price ruling at the balance sheet date. Investments in unquoted funds are valued based on the recently published net asset value available to the Manager from the relevant funds. Realised and unrealised gains and losses are included in the Statement of Total Return.

(d) Forward Currency Contracts

A forward currency contract is a contract to purchase or sell a specified amount of foreign currency at an agreed future date at an exchange rate determined on the date the contract is made. The contracts are valued at the forward rate and the Company's equity therein, represent unrealised gains or losses on

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010 (continued)

2. Accounting policies (continued)

the contracts, are included in net current assets. Realised and unrealised gains and losses are recorded in the Statement of Total Return and taken to the Capital Reserve.

All derivatives are carried as assets when fair value is positive, and as liabilities when fair value is negative. Subsequent changes in the fair value of any derivative instrument are recognised immediately in the Statement of Total Return.

(e) Income

Investment income is accounted for on the ex-dividend date or its equivalent and interest income is accounted for on the accruals basis.

(f) Foreign currencies

Transactions in foreign currencies are translated into the respective currency of the currency Sub-Fund at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into the respective currency of the currency Sub-Fund at the rate of exchange ruling at the balance sheet date. Realised and unrealised gains or losses on translation are included with realised and unrealised gains/(losses) on investments in the Statement of Total Return.

Share Capital and Share Premium transactions are translated into US dollars at the rate of

exchange ruling at the date of the transaction. The Statement of Total Return, assets and liabilities are translated into US dollars at the rates of exchange ruling at the balance sheet date and aggregated to provide a Statement of Total Return and Balance Sheet for the Fund. The adjustment in US dollar arising from the consolidation of the currency Sub-Funds is classified separately in the Balance Sheet under the heading of "currency adjustment reserve" which has no effect on the value of the net assets allocated to individual currency Sub-Funds. The exchange rates used in the preparation of these financial statements were \$1 = £0.6326 and \$1 = €0.7347 as at 30 September 2010 (2009: \$1 = £0.6282 and \$1 = €0.6853).

(g) Cashflow statements

As the fund is an open ended collective investment scheme and the investments are valued at market value, there is no requirement to report a cash flow statement in accordance with Financial Reporting Standard 1 (Revised).

3. Fees

The Global Equity, The Global Balanced and The Global Cautious Sub-Funds have Class A and Class B shares. The Manager receives a fee at the annual rate of 1.50% of the Net Asset Value of each A Class portfolio, and a fee at an annual rate of 2.00% on each B Class portfolio. With effect from 1 December 2010 the fee the Manager receives from Class B of The Global

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010 (continued)

3. Fees (continued)

Cautious Fund was reduced to 1.75% per annum. The Manager receives a fee of 0.25% per annum of the Net Asset Value of the portfolios of The Sterling Fund, The US Dollar Fund and The Euro Fund.

The fee is calculated daily and paid monthly. A V Lodge, T A Wiltcher and D Macready are Directors of the Fund and also Directors of the Manager, and do not receive a fee. H L Jones was also a Director of the Company and the Manager and did not receive a fee.

The Administrator receives a fee at the annual rate of 0.14% of the Net Asset Value of each of the portfolios (2009: 0.08% on The US Dollar, Sterling and Euro Funds; 0.12% on the others).

The Fund pays to the Fiduciary Custodian a fee at the rate of 0.02% per annum of the Net Asset Value of each portfolio for its Fiduciary Services.

The Fund also pays the Fiduciary Custodian a custody fee of between 0.0175% and 0.04% per annum of the Net Asset Value of the Securities held in each portfolio, the level of the fee being dependant on the security type and the market in which it is traded.

4. Taxation

The Fund is subject to taxation in the Isle of Man at the rate of 0% on retained profits (2009: 0%).

5. Share Capital and Reserves

The authorised share capital of the Fund is divided into 100 Management Shares of \$0.01 each and 100,000,000,000 Participating Shares of US\$0.01 each. The Company was registered under the Isle of Man Companies Acts 1931-2004 until 10 November 2009 when it was re-registered under the Isle of Man Companies Act 2006. Prior to re-registration the authorised share capital of the Fund was divided into 100 Management Shares of US\$0.01 each and 100,000,000,000 Unclassified Shares of US\$0.01 each

Unclassified Shares were issued either as Redeemable Participating Preference Shares ("Shares") or Nominal Shares. Shares were issued and redeemed at prices based on the value of the net assets of the Sub-Fund in which they had been designated at the time of issue or redemption. On redemption of Shares by the Fund, Nominal Shares were issued to the Manager for cash at par on the basis of one Nominal Share for each Share redeemed. Nominal Shares would subsequently be converted and reissued as Shares. Upon redemption of a Share, the premium payable was debited to the share premium account. Should the share premium be fully utilised, premiums on redemption were charged against other realised reserves.

This procedure was carried out in order to comply with the Companies Acts 1931-2004; however, upon re-registration there is no longer

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010 (continued)

5. Share Capital and Reserves (continued)

a requirement to issue or hold Nominal Shares. Therefore following re-registration the balance of Nominal Shares in issue was cancelled and the amount owing from the Manager in respect of such shares waived.

Since re-registration all shares have been issued as Participating Redeemable Preference Shares ("Shares"). Shares were issued and redeemed at prices based on the value of the net assets of the Sub-Fund in which they had been designated at the time of issue or redemption. Upon redemption of a Share the premium payable is debited to the share premium account of the appropriate Sub-Fund. Should the share premium be fully utilised the premiums on redemption will be charged against other realised reserves.

On a poll, Participating Shareholders are entitled to one vote for each share held at class meetings only. Holders of Management Shares are entitled to one vote in respect of all Management Shares held. On a show of hands every shareholder who is present shall have one vote. The Company in a General Meeting may declare dividends on the Participating Shares, but no dividend shall exceed the amount recommended by the Directors (if any). No dividend may be declared on the Management Shares.

On a winding up the assets available will be applied: firstly, in the repayment to holders of Participating Shares of the sums up to the nominal amount paid up thereon: secondly, in repayment to the holders of Management Shares up to the nominal amount paid up thereon: thirdly, in the payment to holders of Participating Shares of any surplus assets in proportion to the nominal amounts paid up on such Participating Shares.

	2010	2009
Notes	US\$	US\$
(a) Authorised share capital		
100 Management shares of 1 cent each	1	1
100,000,000,000 Unclassified shares of 1 cent each	1,000,000,000	1,000,000,000
	1,000,000,001	1,000,000,001

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010 (continued)

5. Share capital and reserves (continued)

	Notes	2010 US\$	2009 US\$
(b) Issued share capital			
Management shares of 1 cent each issued and fully paid		1	1
Participating redeemable preference			
Shares of 1 cent each			
As at 1 October 2009/2008		1,207,234	805,266
Issued during the year		412,401	1,026,398
Redeemed during the year		(291,683)	(624,430)
As at 30 September		1,327,952	1,207,234
Nominal shares of 1 cent each			
As at 1 October 2009/2008		41,234	378,572
Issued during the year		-	290,668
Redeemed during the year		(41,234)	(628,006)
As at 30 September		-	41,234
Total issued share capital as at 30 September		1,327,953	1,248,469
Number of participating redeemable preference shares			
As at 1 October 2009/2008		120,723,553	80,526,676
Issued during the year		41,240,057	69,263,716
Redeemed during the year		(29,168,277)	(29,066,839)
As at 30 September		132,795,333	120,723,553
Number of nominal shares			
As at 1 October 2009/2008		4,123,336	37,857,129
Issued during the year		-	29,066,839
Redeemed during the year		(4,123,336)	(62,800,632)
As at 30 September		-	4,123,336

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010 (continued)

5. Share capital and reserves (continued)

	Notes	2010 US\$	2009 US\$
(c) Share premium			
As at 1 October 2009/2008		140,795,463	92,356,309
Relating to issue of shares		60,629,628	116,332,082
Relating to redemption of shares		(44,809,202)	(67,892,928)
As at 30 September		156,615,889	140,795,463
(d) Capital reserve			
As at 1 October 2009/2008		12,908,468	4,797,234
Movement in unrealised appreciation of investments		(3,576,827)	19,252,601
Net realised gain/(loss) on disposal of investments		8,334,828	(11,141,367)
As at 30 September		17,666,469	12,908,468
(e) Revenue reserve			
As at 1 October 2009/2008		4,850,046	3,893,425
Net income for the year		709,626	956,621
As at 30 September		5,559,672	4,850,046
(f) Currency adjustment reserve			
As at 1 October 2009/2008		(171,041)	5,677,021
Net movement for the year		(1,381,193)	(5,848,062)
As at 30 September		(1,552,234)	(171,041)

6. Investments

	Notes	2010 US\$	2009 US\$
Cost at 30 September		161,349,616	100,035,869
Revaluation		14,396,708	15,855,568
Valuation at 30 September		175,746,324	115,891,437

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010 (continued)

7. Reconciliation of movement in shareholders' funds

	Notes	2010 US\$	2009 US\$
Shareholders' funds			
As at 1 October 2009/2008		159,631,406	107,907,828
Net income for the year		709,626	956,621
Net increase in share capital		15,899,910	48,503,785
Movement in unrealised appreciation of investments		(3,576,827)	19,252,601
Net realised (loss) on disposal of investments		8,334,828	(11,141,367)
Currency adjustment reserve movement		(1,381,193)	(5,848,062)
As at 30 September		179,617,750	159,631,406

8. Risk exposure

The Fund enters into investment transactions in financial instruments, the holding of which gives exposure to market price risk, currency risk, liquidity risk, and credit risk.

Market risk is the risk that the market price of a financial instrument will fluctuate due to changes in factors specific to the security or its issuer or factors affecting all securities traded in the market.

Currency risk arises where instruments are denominated in a currency different from the base currency of the Fund. The Investment Manager may seek to reduce the Fund's exposure to currency risk through the use of forward currency contracts.

Liquidity risk is the risk that the Fund will not be able to settle or meet its obligations in a timely manner or at a reasonable price. The primary source of the Fund's liquidity risk is from redemptions of its redeemable preference shares held by investors. Because the majority of the Fund's assets are not traded in active markets and are generally illiquid, the Fund may not be able to meet its obligations if forced to liquidate such illiquid assets may be significantly less than their carrying amounts.

All of the Fund's financial assets are subject to credit risk and the maximum exposures to such risk are stated in the Balance Sheet. All investment funds in which the Fund invests are "principal markets" in which they are fully subject to the risk of counterparty default. There is a significant amount of credit risk associated with these investments and the ability of the underlying fund to pay out redemption requests. The Fund manages this risk by performing ongoing quantitative and qualitative reviews in order to approve and monitor counterparties.

Investments in quoted securities are valued at the bid-market price ruling at the balance sheet date. Investments in unquoted funds are valued based on the recently published net asset value available to the Manager from relevant funds. Realised and unrealised gains and losses are included in the Statement of Total Return.

9. Related party transactions

A V Lodge, T A Wiltcher and D Macready, each a Director of the Fund, are also Directors of the Investment Manager. H L Jones was also a Director of the Fund and the Investment Manager.

SHAREHOLDERS' FUNDS BY CURRENCY CLASS

For the year ended 30 September 2010

	Net asset value	2010 Number of shares in issue
Accelerated Strategy Fund		
The Global Equity Fund	US\$17,112,782	17,142,504
The Global Balanced Fund	US\$92,302,177	72,555,465
The Global Cautious Fund	US\$7,092,627	4,888,670
The US Dollar Fund	US\$24,502,808	18,270,724
The Sterling Fund	£11,509,937	7,610,929
The Euro Fund	€14,656,064	12,327,304
Total redeemable participating preference shares in issue		132,795,596

Net asset value per share	Net asset value	2009 Number of shares in issue	Net asset value per share
US\$0.9983	US\$18,561,625	19,650,453	US\$0.9446
US\$1.2722	US\$78,225,886	64,539,400	US\$1.2121
US\$1.4508	US\$3,637,235	2,542,674	US\$1.4305
US\$1.3411	US\$15,580,264	11,662,087	US\$1.3360
£1.5123	£7,167,034	7,594,099	£0.9438
€1.1889	€11,941,370	14,734,840	€0.8104
		120,723,553	

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held on 1 March 2011 at First Floor, Samuel Harris House, St George's Street, Douglas, Isle of Man at 10.30am for the purpose of transacting the following business:

1. To approve the minutes of the previous Annual General Meeting of the Company held on 4 May 2010.
2. To ratify the acts of the Directors.
3. To consider and approve the Annual Report and Audited Financial Statements of the Company for the year ended 30 September 2010.
4. To re-appoint KPMG Audit LLC as auditors of the Company and to authorise the Directors to fix their remuneration.
5. To transact any other ordinary business of the Company.

Dated 21 January 2011

First Floor
Millenium House
Victoria Road
Douglas
IM1 1EU

On behalf of the Board

AV Lodge
Director

NOTE: In accordance with Article 27.00 (c) the holders of Participating Shares shall be entitled to receive notice of and attend (but not speak at) General meetings.



Address

First Floor, Samuel Harris House,
St George's Street, Douglas,
Isle of Man IM1 1AJ

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