

**ROYAL FIDELITY INTERNATIONAL INVESTMENT
FUND LIMITED – UMBRELLA FUND**

**Financial Statements
30 June 2021**

ROYAL FIDELITY INTERNATIONAL INVESTMENT FUND LIMITED

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Independent auditor's report

To the Shareholders of Royal Fidelity International Investment Fund Limited, International Opportunities Trading Company Limited and Targeted Income Trading Company Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of International Opportunities Trading Company Limited, Targeted Income Trading Company Limited (each the "Company"), and International Opportunities Sub Fund, Global Balanced Sub Fund, Targeted Income Sub Fund, and Hedge Strategies Fund (each the "Fund") (each a sub fund of Royal Fidelity International Investment Fund Limited) as at 30 June 2021, and each of their financial performance and each of their cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's and the Fund's financial statements comprise:

- the statement of financial position as at 30 June 2021;
- the statement of comprehensive income 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 statement of cash flows for the year then ended; and
- the notes to the financial statements, which include the summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's 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.

Independence

We are independent of the Company and the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines 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, management is responsible for assessing the Company's and the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 auditor's 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Other matter

This report, including the opinion, has been prepared for and only for the shareholders of the Company and the Fund in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

**Chartered Accountant
Nassau, Bahamas**

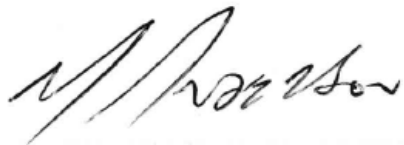
11 April 2022

Royal Fidelity International Investment Fund Limited
(Incorporated under the laws of the Commonwealth of The Bahamas)

Statement of Financial Position
As at 30 June 2021
(Expressed in United States dollars)

| | 2021 | | | | | |
|--|--|--|--|--------------------------------------|--------------------------------------|---------------------------------------|
| | International Opportunities Trading Company Limited \$ | Targeted Income Trading Company Limited \$ | International Opportunities Sub Fund \$ | Global Balanced Sub Fund \$ | Targeted Income Sub Fund \$ | Hedge Strategies Sub Fund \$ |
| ASSETS | | | | | | |
| Cash at bank [Note 6(d)] | 9,035 | 8,384,143 | - | - | - | 30,390 |
| Financial assets at fair value through profit or loss [Note 4] | 32,884,009 | 24,030,307 | 32,299,533 | 718,004 | 32,712,118 | 7,608,486 |
| Due from Broker | - | 923,471 | - | - | - | - |
| Other | - | 15,379 | - | 7,932 | 184,770 | - |
| Total assets | 32,893,044 | 33,353,300 | 32,299,533 | 725,936 | 32,896,888 | 7,638,876 |
| LIABILITIES | | | | | | |
| Margin credit facility [Note 6(d)] | - | - | 272,172 | 5,242 | 168,325 | 27,770 |
| Subscriptions received in advance | - | - | 25,441 | - | 9,803 | - |
| Management fee payable | - | - | 34,052 | 737 | 18,298 | 3,443 |
| Due to Broker | 3,787 | 538,111 | - | - | - | - |
| Accrued expenses and other liabilities | - | - | 20,204 | - | 218,856 | 5,897 |
| Total liabilities (excluding net assets attributable to holders of redeemable participating shares) | 3,787 | 538,111 | 351,869 | 5,979 | 415,282 | 37,110 |
| Net assets attributable to holders of redeemable participating shares [Note 5] | 32,889,257 | 32,815,189 | 31,947,664 | 719,957 | 32,481,606 | 7,601,766 |

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON ITS BEHALF BY:



Director



Director

11 April 2022

The accompanying notes are an integral part of these financial statements.

Royal Fidelity International Investment Fund Limited
(Incorporated under the laws of the Commonwealth of The Bahamas)

Statement of Financial Position (Continued)
As at 30 June 2021
(Expressed in United States dollars)

| | 2020 | | | | | |
|--|---|---|--|--|--|---|
| | International Opportunities Trading Company Limited \$ | Targeted Income Trading Company Limited \$ | International Opportunities Sub Fund \$ | Global Balanced Sub Fund \$ | Targeted Income Sub Fund \$ | Hedge Strategies Sub Fund \$ |
| ASSETS | | | | | | |
| Cash at bank [Note 6(d)] | 142 | 5,102,187 | - | 219 | 15,243 | 1,696,767 |
| Financial assets at fair value through profit or loss [Note 4] | 23,905,774 | 27,697,427 | 23,263,962 | 562,905 | 32,692,908 | 5,822,429 |
| Other | - | 13,233 | - | - | - | - |
| Total assets | <u>23,905,916</u> | <u>32,812,847</u> | <u>23,263,962</u> | <u>563,124</u> | <u>32,708,151</u> | <u>7,519,196</u> |
| LIABILITIES | | | | | | |
| Margin credit facility [Note 6(d)] | - | - | 124,475 | 1,605 | 152 | 7,727 |
| Subscriptions received in advance | - | - | 34,325 | - | 22,883 | - |
| Management fee payable | - | - | 24,538 | 557 | 18,129 | 6,268 |
| Accrued expenses and other liabilities | - | - | 27,412 | 14,227 | 26,764 | 27,759 |
| Total liabilities (excluding net assets attributable to holders of redeemable participating shares) | <u>-</u> | <u>-</u> | <u>210,750</u> | <u>16,389</u> | <u>67,928</u> | <u>41,754</u> |
| Net assets attributable to holders of redeemable participating shares [Note 5] | <u>23,905,916</u> | <u>32,812,847</u> | <u>23,053,212</u> | <u>546,735</u> | <u>32,640,223</u> | <u>7,477,442</u> |

The accompanying notes are an integral part of these financial statements.

Royal Fidelity International Investment Fund Limited
(Incorporated under the laws of the Commonwealth of The Bahamas)

Statement of Comprehensive Income
For the Year Ended 30 June 2021
(Expressed in United States dollars)

| | 2021 | | | | | |
|---|---|---|--|--|--|---|
| | International Opportunities Trading Company Limited \$ | Targeted Income Trading Company Limited \$ | International Opportunities Sub Fund \$ | Global Balanced Sub Fund \$ | Targeted Income Sub Fund \$ | Hedge Strategies Sub Fund \$ |
| INVESTMENT INCOME | | | | | | |
| Interest | - | 558,970 | - | - | - | - |
| Dividend | 204,349 | 295,005 | - | - | - | - |
| Net change in unrealised appreciation/(depreciation) of financial assets at fair value through profit or loss | 8,076,164 | (536,630) | 9,035,571 | 170,252 | 154,954 | 186,057 |
| Net realised gain on financial assets at fair value through profit or loss | <u>976,669</u> | <u>39,643</u> | <u>-</u> | <u>2,766</u> | <u>123,305</u> | <u>-</u> |
| Total investment income (loss) | 9,257,182 | 356,988 | 9,035,571 | 173,018 | 278,259 | 186,057 |
| EXPENSES | | | | | | |
| Management fee [Notes 6(a) and 6(b)] | 85,308 | - | 354,853 | 7,632 | 218,082 | 40,380 |
| Brokerage commission expense | 145,132 | 53,292 | | | | |
| Professional fees/ (Reversal of overaccrued professional fees) | 350 | - | 9,607 | (14,482) | 17,783 | (14,732) |
| Interest [Note 6(d)] | 689 | - | 23,156 | 474 | 8,523 | 1,368 |
| Other | <u>39</u> | <u>7,875</u> | <u>1,400</u> | <u>800</u> | <u>1,400</u> | <u>1,864</u> |
| Total expenses | 231,518 | 61,167 | 389,016 | (5,576) | 245,788 | 28,880 |
| Operating profit | 9,025,664 | 295,821 | 8,646,555 | 178,594 | 32,471 | 157,177 |
| Withholding tax | <u>(42,323)</u> | <u>(16,512)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Increase in net assets attributable to holders of redeemable participating shares [Note 7] | 8,983,341 | 279,309 | 8,646,555 | 178,594 | 32,471 | 157,177 |

The accompanying notes are an integral part of these financial statements.

Royal Fidelity International Investment Fund Limited
(Incorporated under the laws of the Commonwealth of The Bahamas)

Statement of Comprehensive Income (Continued)
For the Year Ended 30 June 2021
(Expressed in United States dollars)

| | 2020 | | | | | |
|--|---|---|--|--|--|---|
| | International Opportunities Trading Company Limited Restated Note 3 \$ | Targeted Income Trading Company Limited Restated Note 3 \$ | International Opportunities Sub Fund \$ | Global Balanced Sub Fund \$ | Targeted Income Sub Fund \$ | Hedge Strategies Sub Fund \$ |
| INVESTMENT INCOME | | | | | | |
| Interest | - | 601,015 | - | - | - | - |
| Dividend | 182,502 | 566,519 | - | - | - | - |
| Net change in unrealised appreciation/(depreciation) of financial assets at fair value through profit or loss | 950,928 | 814,862 | 800,930 | (21,510) | 1,942,144 | (209,427) |
| Net realised gain on financial assets at fair value through profit or loss | 159,708 | 96,683 | 63,369 | 60,820 | 37,774 | - |
| Other income | - | - | - | 10,359 | - | - |
| Total investment income (loss) | 1,293,138 | 2,079,079 | 864,299 | 49,669 | 1,979,918 | (209,427) |
| EXPENSES | | | | | | |
| Management fee [Notes 6(a) and 6(b)] | 46,717 | - | 289,599 | 7,453 | 205,169 | 35,626 |
| Brokerage commission expense | 120,736 | 54,725 | - | - | - | - |
| Professional fees | - | - | 19,442 | 14,227 | 19,442 | 17,400 |
| Interest [Note 6(d)] | 2,402 | 14,013 | 14,132 | 2,787 | 1,303 | 406 |
| Other | 3,091 | 11,935 | 1,288 | 936 | 967 | 1,088 |
| Total expenses | 172,946 | 80,673 | 324,461 | 25,403 | 226,881 | 54,520 |
| Operating profit (loss) | 1,120,192 | 1,998,406 | 539,838 | 24,266 | 1,753,037 | (263,947) |
| Withholding tax | (38,017) | - | - | - | - | - |
| Increase (decrease) in net assets attributable to holders of redeemable participating shares [Note 7] | 1,082,175 | 1,998,406 | 539,838 | 24,266 | 1,753,037 | (263,947) |

The accompanying notes are an integral part of these financial statements.

Royal Fidelity International Investment Fund Limited

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares For the Year Ended 30 June 2021 (Expressed in United States dollars)

| | 2021 | | | |
|--|--|--------------------------|--|--------------------------|
| | International Opportunities Trading Company Limited | | Targeted Income Trading Company Limited | |
| | Number of Shares | \$ | Number of Shares | \$ |
| Balance as at beginning of the year | 1,634,742 | 23,905,916 | 2,274,914 | 32,812,847 |
| Subscriptions | - | - | 33,292 | 482,926 |
| Redemptions | - | - | (52,354) | (759,893) |
| Increase in net assets attributable to holders of redeemable participating shares | - | 8,983,341 | - | 279,309 |
| Balance as at end of the year | <u>1,634,742</u> | <u>32,889,257</u> | <u>2,255,852</u> | <u>32,815,189</u> |
| Net asset value per share | | \$20.12 | | \$14.55 |

The accompanying notes are an integral part of these financial statements.

Royal Fidelity International Investment Fund Limited

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares (Continued)
 For the Year Ended 30 June 2021
 (Expressed in United States dollars)

| | 2021 | | | | | | | |
|--|--------------------------------------|------------------|------------------|-------------------|--------------------------|----------------|------------------|----------|
| | International Opportunities Sub Fund | | | | Global Balanced Sub Fund | | | |
| | Series A1 | | Series A3 | | Series B1 | | Series B3 | |
| | Number of Shares | \$ | Number of Shares | \$ | Number of Shares | \$ | Number of Shares | \$ |
| Balance as at beginning of the year | 401,425 | 6,351,523 | 920,664 | 16,701,689 | 46,981 | 546,735 | - | - |
| Subscriptions | 9,335 | 158,173 | 15,913 | 357,909 | - | - | - | - |
| Redemptions | (338) | (5,928) | (12,600) | (262,257) | (443) | (5,372) | - | - |
| Increase in net assets attributable to holders of Series shares | - | 2,622,051 | - | 6,024,504 | - | 178,594 | - | - |
| Balance as at end of the year | 410,422 | 9,125,819 | 923,977 | 22,821,845 | 46,538 | 719,957 | - | - |
| Net asset value per share | | \$22.24 | | \$24.70 | | \$15.47 | | |
| Total net assets attributable to holders of redeemable participating shares | | | | 31,947,664 | | | 719,957 | |

The accompanying notes are an integral part of these financial statements.

Royal Fidelity International Investment Fund Limited

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares (Continued) For the Year Ended 30 June 2021 (Expressed in United States dollars)

| | 2021 | | | | | | | |
|--|--------------------------|--------------------------|-------------------------|--------------------------|---------------------------|-----------------------|-----------------------|-------------------------|
| | Targeted Income Sub Fund | | | | Hedge Strategies Sub Fund | | | |
| | Series C1 | | Series C3 | | Series D1 | | Series D3 | |
| | Number of Shares | \$ | Number of Shares | \$ | Number of Shares | \$ | Number of Shares | \$ |
| Balance as at beginning of the year | 828,328 | 10,840,175 | 1,634,939 | 21,800,048 | 59,849 | 577,314 | 599,572 | 6,900,128 |
| Subscriptions | 48,414 | 634,285 | 16,474 | 220,180 | - | - | - | - |
| Redemptions | (3,369) | (44,275) | (74,777) | (1,001,278) | - | - | (2,867) | (32,853) |
| Increase in net assets attributable to holders of Series shares | - | (27,557) | - | 60,028 | - | 11,823 | - | 145,354 |
| Balance as at end of the year | <u>873,373</u> | <u>11,402,628</u> | <u>1,576,636</u> | <u>21,078,978</u> | <u>59,849</u> | <u>589,137</u> | <u>596,705</u> | <u>7,012,629</u> |
| Net asset value per share | | \$13.06 | | \$13.37 | | \$9.84 | | \$11.75 |
| Total net assets attributable to holders of redeemable participating shares | | | | <u>32,481,606</u> | | | | <u>7,601,766</u> |

The accompanying notes are an integral part of these financial statements.

Royal Fidelity International Investment Fund Limited

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares For the Year Ended 30 June 2021 (Expressed in United States dollars)

| | 2020 | | | |
|--|--|--------------------------|--|--------------------------|
| | International Opportunities Trading Company Limited | | Targeted Income Trading Company Limited | |
| | Number of Shares | \$ | Number of Shares | \$ |
| Balance as at beginning of the year | 1,623,708 | 22,680,442 | 2,160,910 | 29,230,841 |
| Subscriptions | 30,712 | 424,009 | 156,042 | 2,171,328 |
| Redemptions | (19,678) | (280,710) | (42,038) | (587,728) |
| Increase in net assets attributable to holders of redeemable participating shares | - | 1,082,175 | - | 1,998,406 |
| Balance as at end of the year | <u>1,634,742</u> | <u>23,905,916</u> | <u>2,274,914</u> | <u>32,812,847</u> |
| Net asset value per share | | \$14.62 | | \$14.42 |

The accompanying notes are an integral part of these financial statements.

Royal Fidelity International Investment Fund Limited

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares (Continued)
For the Year Ended 30 June 2021
(Expressed in United States dollars)

| | 2020 | | | | | | | |
|--|--------------------------------------|-------------------------|-----------------------|--------------------------|--------------------------|-----------------------|------------------|-----------------------|
| | International Opportunities Sub Fund | | | | Global Balanced Sub Fund | | | |
| | Series A1 | | Series A3 | | Series B1 | | Series B3 | |
| | Number of Shares | \$ | Number of Shares | \$ | Number of Shares | \$ | Number of Shares | \$ |
| Balance as at beginning of the year | 410,648 | 6,424,304 | 903,476 | 15,954,517 | 44,323 | 501,469 | 10,755 | 120,974 |
| Subscriptions | 7,009 | 102,975 | 26,717 | 472,277 | 18,009 | 204,087 | - | - |
| Redemptions | (16,232) | (269,091) | (9,529) | (171,608) | (15,351) | (178,683) | (10,755) | (125,378) |
| Increase in net assets attributable to holders of Series shares | | 93,335 | - | 446,503 | - | 19,862 | - | 4,404) |
| Balance as at end of the year | <u>401,425</u> | <u>6,351,523</u> | <u>920,664</u> | <u>16,701,689</u> | <u>46,981</u> | <u>546,735</u> | <u>-</u> | <u>-</u> |
| Net asset value per share | | \$15.82 | | \$18.14 | | \$11.64 | | |
| Total net assets attributable to holders of redeemable participating shares | | | | <u>23,053,212</u> | | | | <u>546,735</u> |

The accompanying notes are an integral part of these financial statements.

Royal Fidelity International Investment Fund Limited

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares (Continued)
For the Year Ended 30 June 2021
(Expressed in United States dollars)

| | 2020 | | | | | | | |
|--|--------------------------|--------------------------|-------------------------|--------------------------|---------------------------|-----------------------|-----------------------|-------------------------|
| | Targeted Income Sub Fund | | | | Hedge Strategies Sub Fund | | | |
| | Series C1 | | Series C3 | | Series D1 | | Series D3 | |
| | Number of Shares | \$ | Number of Shares | \$ | Number of Shares | \$ | Number of Shares | \$ |
| Balance as at beginning of the year | 692,804 | 8,594,947 | 1,605,025 | 20,187,508 | 59,849 | 636,232 | 414,460 | 4,946,635 |
| Subscriptions | 147,738 | 1,865,803 | 30,046 | 394,319 | - | - | 185,781 | 2,166,185 |
| Redemptions | (12,214) | (153,702) | (132) | (1,689) | - | - | (669) | (7,663) |
| Increase in net assets attributable to holders of Series shares | - | 533,127 | - | 1,219,910 | - | (58,918) | - | (205,029) |
| Balance as at end of the year | <u>828,328</u> | <u>10,840,175</u> | <u>1,634,939</u> | <u>21,800,048</u> | <u>59,849</u> | <u>577,314</u> | <u>599,572</u> | <u>6,900,128</u> |
| Net asset value per share | | \$13.09 | | \$13.33 | | \$9.65 | | \$11.51 |
| Total net assets attributable to holders of redeemable participating shares | | | | <u>32,640,223</u> | | | | <u>7,477,442</u> |

The accompanying notes are an integral part of these financial statements.

Royal Fidelity International Investment Fund Limited

Statement of Cash Flows For the Year Ended 30 June 2021 (Expressed in United States dollars)

| | 2021 | | | | | |
|--|---|--|--|--------------------------------------|--------------------------------------|-----------------------------------|
| | International Opportunities Trading Company Limited \$ | Targeted Income Trading Company Limited \$ | International Opportunities Sub Fund \$ | Global Balanced Sub Fund \$ | Targeted Income Sub Fund \$ | Hedge Strategies Fund \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Purchases of financial assets at fair value through profit or loss | (5,622,228) | (10,460,090) | - | - | (380,330) | (1,600,000) |
| Proceeds from sales of financial assets at fair value through profit or loss | 5,700,613 | 13,242,342 | - | 17,919 | 639,379 | - |
| Interest received, net of withholding taxes | - | 544,979 | - | - | - | - |
| Dividends received, net of withholding taxes | 162,026 | 295,005 | - | - | - | - |
| Interest paid | (689) | - | (23,156) | (474) | (8,523) | (1,368) |
| Payment of expenses | (230,829) | (61,167) | (363,554) | (15,929) | (45,004) | (52,199) |
| Net cash from (used in) operating activities | 8,893 | 3,561,069 | (386,710) | 1,516 | 205,522 | (1,653,567) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Proceeds from subscriptions of redeemable participating shares | - | 482,926 | 507,198 | - | 841,385 | - |
| Payments for redemptions of redeemable participating shares | - | (762,039) | (268,185) | (5,372) | (1,230,323) | (32,853) |
| Net cash from (used in) financing activities | - | (279,113) | 239,013 | (5,372) | (388,938) | (32,853) |
| Net increase (decrease) in cash and cash equivalents | 8,893 | 3,281,956 | (147,697) | (3,856) | (183,416) | (1,686,420) |
| Cash and cash equivalents as at beginning of the year | 142 | 5,102,187 | (124,475) | (1,386) | 15,091 | 1,689,040 |
| Cash and cash equivalents as at end of the year | 9,035 | 8,384,143 | (272,172) | (5,242) | (168,325) | 2,620 |
| CASH AND CASH EQUIVALENTS | | | | | | |
| Cash at bank | 9,035 | 8,384,143 | - | - | - | 30,390 |
| Margin credit facility | - | - | (272,172) | (5,242) | (168,325) | (27,770) |
| | 9,035 | 8,384,143 | (272,172) | (5,242) | (168,325) | 2,620 |

The accompanying notes are an integral part of these financial statements.

Royal Fidelity International Investment Fund Limited

Statement of Cash Flows (Continued) For the Year Ended 30 June 2021 (Expressed in United States dollars)

| | 2020 | | | | | |
|--|---|---|--|--|--|---|
| | International Opportunities Trading Company Limited Restated Note 3 \$ | Targeted Income Trading Company Limited Restated Note 3 \$ | International Opportunities Sub Fund \$ | Global Balanced Sub Fund \$ | Targeted Income Sub Fund \$ | Hedge Strategies Fund \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Purchases of financial assets at fair value through profit or loss | (5,678,470) | (9,976,534) | (203,525) | (301,384) | (2,132,207) | (690,000) |
| Proceeds from sales of financial assets at fair value through profit or loss | 4,906,379 | 13,555,938 | 257,177 | 418,031 | 235,008 | - |
| Interest received, net of withholding taxes | - | 628,252 | - | - | - | - |
| Dividends received, net of withholding taxes | 144,485 | 908,793 | - | - | - | - |
| Interest paid | - | (14,013) | (14,132) | (2,787) | (1,303) | (406) |
| Payment of expenses | (172,946) | (62,352) | (309,640) | (15,472) | (214,006) | (40,058) |
| Net cash from (used in) operating activities | (800,552) | 5,040,084 | (270,120) | 98,388 | (2,112,508) | (730,464) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Proceeds from subscriptions of redeemable participating shares | 424,009 | 2,171,328 | 609,577 | 204,087 | 2,283,005 | 2,166,185 |
| Payments for redemptions of redeemable participating shares | (280,710) | (587,728) | (440,699) | (304,061) | (155,391) | (7,663) |
| Net cash from (used in) financing activities | 143,299 | 1,583,600 | 168,878 | (99,974) | 2,127,614 | 2,158,522 |
| Net increase (decrease) in cash and cash equivalents | (657,253) | 6,623,684 | (101,242) | (1,586) | 15,106 | 1,428,058 |
| Cash and cash equivalents as at beginning of the year | 657,395 | (1,521,497) | (23,233) | 200 | (15) | 260,982 |
| Cash and cash equivalents as at end of the year | 142 | 5,102,187 | (124,475) | (1,386) | 15,091 | 1,689,040 |
| CASH AND CASH EQUIVALENTS | | | | | | |
| Cash at bank | 142 | 5,102,187 | - | 219 | 15,243 | 1,696,767 |
| Margin credit facility | - | - | (124,475) | (1,605) | (152) | (7,727) |
| | 142 | 5,102,187 | (124,475) | (1,386) | 15,091 | 1,689,040 |

The accompanying notes are an integral part of these financial statements.

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

30 June 2021

(Expressed in United States dollars)

1. General Information

Royal Fidelity International Investment Fund Limited (the Umbrella Fund) is incorporated under the International Business Companies Act, 2000 of the Commonwealth of The Bahamas (The Bahamas) and is licensed under the Investment Funds Act, 2003. The Umbrella Fund includes four sub funds, International Opportunities Sub Fund, Targeted Income Sub Fund, Hedge Strategies Sub Fund and Global Balanced Sub Fund (collectively “the Funds”).

The Umbrella Fund have two investment holding vehicles incorporated under the International Business Companies Act, 2000 of the Commonwealth of The Bahamas (The Bahamas) namely, the International Opportunities Trading Company and the Targeted Income Trading Company (collectively “the Trading Companies”). The Trading Companies and the Funds raise capital in United States dollars and invests principally in securities denominated in United States dollars.

Trading Companies

The investment objective of the International Opportunities Trading Company Limited (IOTC) is to earn a high rate of return through dividend yield and long-term capital appreciation, which it achieves by investing in a diversified portfolio of investment funds, and equity and other securities issued by public and private international companies.

The investment objectives of Targeted Income Trading Company (TITC) are to earn a stable rate of income together with long term preservation of capital, which it achieves by investing in a diversified portfolio of investment funds, and fixed income securities issued by international governments, and public and private companies.

The Funds

International Opportunities Sub Fund (IOSF) is an open-end investment vehicle, which issues Class A redeemable participating shares divided into two (2) series of shares, namely Series A1 and A3 [Note 5]. The investment objective of IOSF is to earn a high rate of return through dividend yield and long-term capital appreciation, which it achieves by investing in IOTC.

Global Balanced Sub Fund (GBSF) is an open-end investment vehicle, which issues Class B redeemable participating shares divided into two (2) series of shares, namely Series B1 and B3 [Note 5]. The investment objective of GBSF is to earn a high rate of return through dividend yield and long term capital appreciation balanced with a stable rate of income and long term preservation of capital, which it achieves by investing in IOTC and TITC.

Targeted Income Sub Fund (TISF) is an open-end investment vehicle, which issues Class C redeemable participating shares divided into two (2) series of shares, namely Series C1 and C3 [Note 5]. The investment objective of TISF are to earn a stable rate of income together with long term preservation of capital, which it achieves by investing in TITC.

Hedge Strategies Sub Fund (HSSF) is an open-end investment vehicle, which issues Class D redeemable participating shares divided into two (2) series of shares, namely Series D1 and D3 [Note 5]. The investment objective of HSSF is to provide investors with equity-like growth potential with substantially less volatility than the S&P 500 Index by allocating resources to a portfolio of institutional alternative investment managers, largely pursuing a long-short equity investment strategy.

The registered office of the Trading Companies and the Funds is located at Providence House, East Hill Street, Nassau, The Bahamas. The Trading Companies’ and the Fund’s activities are managed entirely by service providers [Note 6].

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in United States dollars)

2. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

i) Compliance with IFRS

These financial statements, comprising the Trading Companies and the Funds, are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities that are measured at fair value.

iii) Critical estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Trading Companies' and the Funds' accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2(e).

iv) New and amended standards adopted by Trading Companies and the Funds

There are no standards, interpretations and amendments to published standards that are effective for annual periods beginning on 1 July 2020 that have a material effect on the financial statements of the Trading Companies and the Funds.

v) New and amended standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Trading Companies and the Funds. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in United States dollars)

2. Summary of Significant Accounting Policies (Continued)

(b) Investment entity

The Funds meet the definition of an investment entity, as defined in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, which provide an exception to consolidation and equity method requirements for investment entities, with investment entities required to recognize investments in subsidiaries and associates at fair value through profit or loss.

Management has determined that the Funds meet the characteristics of an investment entity, as: it obtains funds from investors for the purposes of providing investment management services; its business purpose, as set out in its offering documents, is to invest for returns from investment income and capital appreciation; and the performance of investments is measured and evaluated on a fair value basis. Further, the Funds effects multiple investments through its holdings in the Trading Companies.

Accordingly, investments in subsidiaries and associates are recognized as financial assets at fair value through profit or loss and measured in accordance with the accounting policies disclosed in Note 2(e).

(c) Foreign currency translation

The financial statements are presented in United States dollars (\$), which is the Trading Companies' and the Funds' functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are recognized in the statement of comprehensive income. Translation differences on financial assets measured at fair value through profit or loss are included as a part of the fair value gains and losses.

(d) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes demand deposits with banks, other short-term highly liquid financial assets with original contractual maturities of three (3) months or less and drawn-down margin credit facilities provided by banks.

(e) Financial assets and liabilities

Financial assets

Initial recognition and measurement

The Trading Companies and the Funds classify financial assets, at initial recognition, in the following measurement categories: at amortized cost, and fair value through profit or loss (FVTPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them. The Trading Companies and the Funds initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in United States dollars)

2. Summary of Significant Accounting Policies (Continued)

(e) Financial assets and liabilities (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortized cost, it needs to give rise to cash flows that represent 'solely payments of principal and interest' (SPPI). This assessment is referred to as the SPPI test and is performed at an instrument level.

The Trading Companies' and the Funds' business models for managing financial assets refers to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular-way trades) are recognized on the trade date, which is the date that the Trading Companies and the Funds commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in:

- Financial assets at Amortized Cost
- Financial assets at FVTPL

Financial assets at amortized cost

The financial assets at amortized cost include cash at bank and other assets.

Financial assets are measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized as part of net income in the statement of comprehensive income when the asset is derecognized, modified or impaired by comparing proceeds from the sale of the asset or collateral to the carrying amount.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in United States dollars)

2. Summary of Significant Accounting Policies (Continued)

(e) Financial assets and liabilities (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in net income in the statement of comprehensive income.

This category includes listed equity investments, which the Trading Companies have not irrevocably elected to classify at fair value through other comprehensive income. Dividends on listed equity investments are also recognized as other income in net income in the statement of comprehensive income when the right of payment has been established.

Write offs

The Trading Companies and the Funds write off financial assets, in whole or in part, when they have exhausted all practical recovery efforts and have concluded there is no reasonable expectation of recovery. The write offs represent a derecognition event. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Trading Companies' and the Funds' recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Trading Companies and the Funds have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Trading Companies and the Funds have transferred substantially all the risks and rewards of the asset, or (b) the Trading Companies and the Funds have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Trading Companies and the Funds have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Trading Companies and the Funds continue to recognize the transferred asset to the extent of their continuing involvement. In that case, the Trading Companies and the Funds also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Trading Companies and the Funds have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Trading Companies and the Funds could be required to repay.

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in United States dollars)

2. Summary of Significant Accounting Policies (Continued)

(e) Financial assets and liabilities (continued)

Financial assets (continued)

Impairment of financial assets

The Trading Companies and the Funds assess on a forward-looking basis, the expected credit loss (ECL) for debt instruments measured at amortized cost for the exposures arising from cash at bank and other assets. The Trading Companies and Funds measure ECL and recognizes credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at amortized cost are presented in the statement of financial position, net of the allowance for ECL.

The Trading Companies and the Funds apply a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Trading Companies and Funds identify a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL").

Financial liabilities

Financial liabilities are classified and subsequently measured at amortized cost. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Derecognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

(f) Redeemable participating shares

The Trading Companies and the Funds issue redeemable participating shares, which are redeemable at the holder's option and are classified as financial liabilities. Redeemable participating shares can be put back to the Trading Companies and the Funds at any time for cash equal to a proportionate share of the Fund's net asset value. The redeemable participating shares are carried at the redemption amount that would be payable at date of the statement of financial position if the holders were to exercise the right to put the shares back to the Trading Companies and the Funds.

Redeemable participating shares are issued and redeemed at the holder's option at prices based on the Trading Companies' and the Funds' net asset value per share at the time of issue or redemption, less a redemption fee for shares redeemed. The Trading Companies' and the Funds' net asset value per share are calculated by dividing the net assets attributable to holders of redeemable participating shares with the total number of outstanding redeemable participating shares.

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in United States dollars)

2. Summary of Significant Accounting Policies (Continued)

(g) Income and expense recognition

Interest income and expense are recognized in the statement of comprehensive income using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Dividend income is recognized when the right to receive payment has been established.

Other income and expenses are recognized on the accrual basis.

(h) Taxation

The Trading Companies and the Funds are incorporated under the laws of The Bahamas and is therefore not subject to income, capital gains or other corporate taxes. The Trading Companies' and the Funds' operations do not subject them to taxation in any other jurisdiction.

(i) Corresponding figures

Where necessary, corresponding figures are adjusted to conform with changes in presentation in the current year. Changes made to corresponding figures within these financial statements are outlined in Note 3.

3. Restatement of Prior Year Comparative Figures

During the current year, International Opportunities Trading Company Limited & Targeted Income Trading Company Limited discovered an error relating to its level 1 & level 2 securities held with Morgan Stanley. These trading companies in the prior period had presented the total income generated from securities held with Morgan Stanley as unrealised gains and did not present purchases and sales of these securities within the cash flow statement. These errors resulted in an overstatement of unrealised gain recognized for the 2020 fiscal year and a corresponding understatement of Dividend income, Interest income, Withholding tax, Realised gain and Brokerage fees. Also, these errors understated the cash flows generated from and used for sales and purchases of these securities and misstated the cost amounts of these securities.

These errors have been corrected by restating each of the affected line items and reported amounts for the prior period, as shown in the accompanying table below.

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in United States dollars)

3. Restatement of Prior Year Comparative Figures (Continued)

International Opportunities Trading Company Limited

| Statement of Comprehensive Income (Extract) | 2020 Previously Stated | Correction of Error | 2020 Restated |
|--|---------------------------|------------------------|-------------------|
| Dividend | - | 182,502 | 182,502 |
| Net change in unrealised appreciation/(depreciation) of financial assets at fair value through profit or loss | 1,124,955 | (174,027) | 950,928 |
| Net realised gain on financial assets at fair value through profit or loss | 9,430 | 150,278 | 159,708 |
| Total investment income (loss) | 1,134,385 | 158,753 | 1,293,138 |
| Brokerage commission expense | - | 120,736 | 120,736 |
| Total expenses | 52,210 | 120,736 | 172,946 |
| Operating profit (loss) | 1,082,175 | 38,017 | 1,120,192 |
| Withholding tax | - | (38,017) | (38,017) |
| Increase (decrease) in net assets attributable to holders of redeemable participating shares | 1,082,175 | - | 1,082,175 |
| Statement of Cash Flows | | | |
| (Extract) | | | |
| Purchases of financial assets at fair value through profit or loss | (785,856) | (4,892,614) | (5,678,470) |
| Proceeds from sales of financial assets at fair value through profit or loss | 37,514 | 4,868,865 | 4,906,379 |
| Dividends received, net of withholding taxes | - | 144,485 | 144,485 |
| Payment of expenses | (52,210) | (120,736) | (172,946) |
| Net cash from (used in) operating activities | (800,552) | - | (800,552) |
| Financial Assets at Fair Value Through Profit or Loss – Disclosure (Extract) | | | |
| Cost - all securities (Note 4) | 21,222,178 | (1,238,096) | 19,984,082 |

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in United States dollars)

3. Restatement of Prior Year Comparative Figures (Continued)

Targeted Income Trading Company Limited

| Statement of Comprehensive Income (Extract) | 2020 Previously Stated | Correction of Error | 2020 Restated |
|--|---------------------------|------------------------|-------------------|
| Interest | 52,931 | 548,084 | 601,015 |
| Net change in unrealised appreciation/(depreciation) of financial assets at fair value through profit or loss | 1,404,904 | (590,042) | 814,862 |
| Net realised gain on financial assets at fair value through profit or loss | - | 96,683 | 96,683 |
| Total investment income (loss) | 2,024,354 | 54,725 | 2,079,079 |
| Brokerage commission expense | - | 54,725 | 54,725 |
| Total expenses | 25,948 | 54,725 | 80,673 |
| Increase (decrease) in net assets attributable to holders of redeemable participating shares | 1,998,406 | - | 1,998,406 |
| Statement of Cash Flows | | | |
| (Extract) | | | |
| Purchases of financial assets at fair value through profit or loss | (200,000) | (9,776,534) | (9,976,534) |
| Proceeds from sales of financial assets at fair value through profit or loss | 4,300,000 | 9,255,938 | 13,555,938 |
| Interest received, net of withholding taxes | 52,931 | 575,321 | 628,252 |
| Payment of expenses | (7,627) | (54,725) | (62,352) |
| Net cash from (used in) operating activities | 5,040,084 | - | 5,040,084 |
| Financial Assets at Fair Value Through Profit or Loss – Disclosure (Extract) | | | |
| Cost - all securities (Note 4) | 25,545,393 | 520,439 | 26,065,832 |

The restatements to the leveling and classification of the securities are disclosed in Notes 4.

4. Financial Assets at Fair Value Through Profit or Loss

Financial assets are ranked based on the hierarchy of valuation techniques required by IFRS, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Trading Companies' and the Funds' market assumptions. These two (2) types of inputs lead to the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in United States dollars)

4. Financial Assets at Fair Value Through Profit or Loss (Continued)

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Trading Companies and the Funds consider relevant and observable market prices in its valuations where possible.

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

The determination of what constitutes ‘observable’ requires significant judgment by the Trading Companies and the Funds. The Trading Companies and the Funds consider observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from the exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. These instruments are included in Level 1.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

The Funds and Trading companies have interests in structured entities that are unconsolidated. 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. The Funds and Trading Companies have an interest in a structured entity when they have a contractual or non-contractual involvement that exposes them to variable returns from the performance of the entity. The Funds’ and Trading Companies’ interests include investments in investment funds where the maximum exposure to loss is equal to the carrying amounts disclosed in table below.

The investment objectives of the Funds’ underlying investment funds including the Trading Companies are disclosed in Note 1. IOTC invests in HSSF whose investment objective is disclosed in Note 1.

IOTC invests in a European investment fund whose objective is to provide its shareholders with risk-adjusted returns which exceed the MSCI Europe (US\$) index. It invests principally in UK and European operating companies, family-controlled investment holding companies, closed-end funds and investment trusts.

IOTC also invests in an Asian investment fund whose objective is to provide its shareholders with risk-adjusted returns which exceed the MSCI Asia free ex-Japan (US\$). It invests principally in other funds that are managed by boutique fund managers in Asia ex-Japan.

IOTC and TITC invest in money market funds whose objective is to provide liquidity and an attractive rate of income relative to short-term interest rates, to the extent consistent with the preservation of capital by investing in high quality short-term money market instruments, comprising transferable debt securities issued by the United States Government denominated in US dollars, including but not limited to treasury bills and notes, repurchase agreements, as well as cash deposits.

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in United States dollars)

4. Financial Assets at Fair Value Through Profit or Loss (Continued)

| 30 June 2021 | International Opportunities Trading Company Limited \$ | Targeted Income Trading Company Limited \$ | International Opportunities Sub Fund \$ | Global Income Sub Fund \$ | Targeted Income Sub Fund \$ | Hedge Strategies Sub Fund \$ |
|--------------------------------------|--|---|--|---------------------------------|--------------------------------------|---------------------------------------|
| <i>Level 1</i> | | | | | | |
| Equity securities- US | 24,003,173 | - | - | - | - | - |
| | <u>24,003,173</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Level 2</i> | | | | | | |
| Corporate debt securities- US | - | 10,952,040 | - | - | - | - |
| Government debt- US treasuries | - | 8,028,221 | - | - | - | - |
| Government debt- US Federal agencies | - | 1,840,497 | - | - | - | - |
| Investment funds- US Money market | 319,180 | 674,041 | - | - | - | - |
| Investment funds- US | 2,326,565 | - | 32,299,533 | 718,004 | 32,712,118 | 7,608,486 |
| Investment funds- Europe | 3,006,825 | - | - | - | - | - |
| Investment funds- Asia | 3,228,266 | - | - | - | - | - |
| Preference shares- US | - | 2,400,000 | - | - | - | - |
| | <u>8,880,836</u> | <u>23,894,799</u> | <u>32,299,533</u> | <u>718,004</u> | <u>32,712,118</u> | <u>7,608,486</u> |
| Total - all levels | 32,884,009 | 23,894,799 | 32,299,533 | 718,004 | 32,712,118 | 7,608,486 |
| Accrued interest | - | 135,508 | - | - | - | - |
| Total | <u>32,884,009</u> | <u>24,030,307</u> | <u>32,299,533</u> | <u>718,004</u> | <u>32,712,118</u> | <u>7,608,486</u> |
| Cost - all securities | <u>20,886,153</u> | <u>22,937,863</u> | <u>17,180,184</u> | <u>486,411</u> | <u>26,421,818</u> | <u>6,830,000</u> |

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in United States dollars)

4. Financial Assets at Fair Value Through Profit or Loss (Continued)

| 30 June 2020 (Restated) | International Opportunities Trading Company Limited \$ | Targeted Income Trading Company Limited \$ | International Opportunities Sub Fund \$ | Global Income Sub Fund \$ | Targeted Income Sub Fund \$ | Hedge Strategies Sub Fund \$ |
|---|---|--|--|---------------------------------|-----------------------------------|---------------------------------------|
| <i>Level 1</i> | | | | | | |
| Equity securities- US | 16,871,559 | - | - | - | - | - |
| | <u>16,871,559</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Level 2</i> | | | | | | |
| Corporate debt securities- US | - | 10,578,313 | - | - | - | - |
| Government debt- US treasuries | - | 9,963,922 | - | - | - | - |
| Government debt- US Federal agencies | - | 1,108,165 | - | - | - | - |
| Investment funds- US Money market | 440,558 | 275,998 | - | - | - | - |
| Investment funds- US | 2,290,938 | - | 23,263,962 | 562,905 | 32,692,908 | 5,822,429 |
| Investment funds- Europe | 1,971,665 | - | - | - | - | - |
| Investment funds- Asia | 2,331,054 | - | - | - | - | - |
| Preference shares- US | - | 900,000 | - | - | - | - |
| Preference shares- Caribbean | - | 4,733,000 | - | - | - | - |
| | <u>7,034,215</u> | <u>27,559,398</u> | <u>23,263,962</u> | <u>562,905</u> | <u>32,692,908</u> | <u>5,822,429</u> |
| Total - all levels | 23,905,774 | 27,559,398 | 23,263,962 | 562,905 | 32,692,908 | 5,822,429 |
| Accrued interest | - | 138,029 | - | - | - | - |
| Total | <u>23,905,774</u> | <u>27,697,427</u> | <u>23,263,962</u> | <u>562,905</u> | <u>32,692,908</u> | <u>5,822,429</u> |
| Cost - all securities | <u>19,984,082</u> | <u>26,065,832</u> | <u>17,180,184</u> | <u>501,564</u> | <u>26,557,562</u> | <u>5,230,000</u> |

Royal Fidelity International Investment Fund Limited

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(Expressed in United States dollars)

4. Financial Assets at Fair Value Through Profit or Loss (Continued)

Morgan Stanley serves as sub-investment manager and sub-custodian for IOTC and TITC. In the prior year, the assets held and managed by Morgan Stanley were incorrectly classified as Investment funds when no legal fund structure existed. These assets have been restated as equity securities, money market funds and debt securities in the prior year. In the prior year, assets were incorrectly classified in IOTC as Equity Securities- preference shares and have been restated to Investment funds- Europe and Investment funds- Asia.

Restatements to the leveling were made in the prior year to reflect management's reassessment of their leveling policy as presented in the current year. Management has determined that investment funds that offer redemptions on a quarterly basis or more frequently at net asset values determined by their administrators should be considered Level 2 rather than Level 3 investments.

The Funds hold investment in the shares of the Trading Companies. As at June 30, the Funds owned the following shares:

International Opportunities Trading Company Limited

| | 2021 | | 2020 | |
|--------------------------------------|------------------|----------------------|------------------|----------------------|
| | Shares | Ownership percentage | Shares | Ownership percentage |
| International Opportunities Sub Fund | <u>1,604,201</u> | 98.13% | <u>1,604,201</u> | 98.13% |
| Global Balanced Sub Fund | <u>30,541</u> | 1.87% | <u>30,541</u> | 1.87% |

Targeted Income Trading Company Limited

| | 2021 | | 2020 | |
|--------------------------|------------------|----------------------|------------------|----------------------|
| | Shares | Ownership percentage | Shares | Ownership percentage |
| Global Balanced Sub Fund | <u>7,086</u> | 0.31% | <u>8,319</u> | 0.37% |
| Targeted Income Sub Fund | <u>2,248,766</u> | 99.69% | <u>2,266,595</u> | 99.63% |

As at 30 June 2021 and 2020, there are no pending subscriptions to shares of the Trading Companies.

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Notes to the Financial Statements

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(Expressed in United States dollars)

5. Share Capital

The authorized share capital of the Trading Companies and the Funds is \$100,000 divided into 1,000 voting non-redeemable non-participating Class M shares of no-par value (management shares) and 100,000,000 non-voting redeemable participating shares with a par value of \$0.001 per share further divided into various classes of shares. Management shares carry full voting rights but are not entitled to participate in the profits of the Trading Companies and the Funds. All management shares have been issued by the Trading Companies and the Funds and are owned by the Investment Manager [Note 6].

As at 30 June 2021 and 2020, the Trading Companies' and the Funds' authorized share capital are:

| | Authorized share capital Shares | Par value \$ | Class |
|------|------------------------------------|-----------------|-------|
| IOTC | 10,000,000 | 0.001 | |
| TITC | 10,000,000 | 0.001 | |
| IOSF | 5,000,000 | 0.001 | A |
| GBSF | 5,000,000 | 0.001 | B |
| TISF | 5,000,000 | 0.001 | C |
| HSSF | 5,000,000 | 0.001 | D |

Trading Companies

Redeemable participating shares fully participate in the profits and losses of the Trading Companies and the Funds. Redeemable participating shares of the Trading Companies were initially issued at \$10.00 per share. Thereafter, redeemable participating shares are issued on the first business day of each calendar month (dealing date) at the net asset value (NAV) per share at close of the last business day of the calendar month that precedes the dealing date (valuation date). Redeemable participating shares may be redeemed at the holder's option, upon giving fifteen (15) days prior written notice, at the NAV per share at valuation date.

As at 30 June 2021 and 2020, all redeemable participating shares of IOTC are owned by IOSF and GBSF and all redeemable participating shares of TITC are owned by TISF and GBSF.

The Funds

Class A redeemable participating shares carry no voting rights but are entitled to fully participate in the profits and losses of the Fund. Class A redeemable participating shares are divided into two (2) series of shares: A1 and A3, and each were initially issued at \$10.00 per share. Thereafter, Class A redeemable participating shares are issued on the first business day of each calendar month (dealing date) at the net asset value (NAV) per share at close of the last business day of the calendar month that precedes the dealing date (valuation date), net of a sales commission of up to 5.00% on Series A1, and no sales commission is applicable to Series A3. The minimum initial investment is \$5,000 for Series A1 and A3; with a minimum subsequent investment of \$1,000 for all series.

As at 30 June 2021, related parties owned 404,178 (2020: 399,911) Series A1 shares and 923,974 (2020: 920,662) Series A3 shares.

Class B redeemable participating shares carry no voting rights but are entitled to fully participate in the profits and losses of the Fund. Class B redeemable participating shares are divided into two (2) series of shares: B1 and B3, and each were initially issued at \$10.00 per share. Thereafter, Class B redeemable participating shares are issued on the first business day of each calendar month (dealing date) at the net asset value (NAV) per share at close of the last business day of the calendar month that precedes the dealing date (valuation date), net of a sales commission of up to 5.00% on Series B1, and no sales commission is applicable to Series B3. The minimum initial investment is \$5,000 for Series B1 and B3; with a minimum subsequent investment of \$1,000 for all series.

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(Continued)

(Expressed in United States dollars)

5. Share Capital (Continued)

As at 30 June 2021, related parties owned 10,000 (2020: 10,000) Series B1 shares and nil (2020: nil) Series B3 shares.

Class C redeemable participating shares carry no voting rights but are entitled to fully participate in the profits and losses of the Fund. Class C redeemable participating shares are divided into two (2) series of shares: C1 and C3, and each were initially issued at \$10.00 per share. Thereafter, Class C redeemable participating shares are issued on the first business day of each calendar month (dealing date) at the net asset value (NAV) per share at close of the last business day of the calendar month that precedes the dealing date (valuation date), net of a sales commission of up to 2.00% on Series C1, and no sales commission is applicable to Series C3. The minimum initial investment is \$5,000 for Series C1, and C3; with a minimum subsequent investment of \$1,000 for all series.

As at 30 June 2021, related parties owned 753,858 (2020: 677,181) Series C1 shares, 1,576,636 (2020: 1,634,939) Series C3 shares.

Class D redeemable participating shares carry no voting rights but are entitled to fully participate in the profits and losses of the Fund. Class D redeemable participating shares are divided into two (2) series of shares, D1 and D3, and each were initially issued at \$10.00 per share. Thereafter, Class D redeemable participating shares are issued on the first business day of each calendar month (dealing date) at the net asset value (NAV) per share at close of the last business day of the calendar month that precedes the dealing date (valuation date), net of a sales commission of up to 2.00% on Series D1, and no sales commission is applicable to Series D3. The minimum initial investment is \$5,000 for Series D1 and D3; with a minimum subsequent investment of \$1,000 for all series.

As at 30 June 2021, related parties owned 59,849 (2020: 59,849) Series D1 shares and 596,705 (2020: 599,572) Series D3 shares.

Income and expenses (other than expenses attributable to a specific series) are allocated to each series of Class A, B, C, and D redeemable participating shares based on their relative NAV. Class A, B, C, and D redeemable participating shares may be redeemed at the holder's option, upon giving fifteen (15) days prior written notice, at the NAV per share at valuation date less a redemption fee of up to 2.00% for Series A1, B1, C1, and D1; no redemption fee is applicable to Series A3, B3, C3, and D3. The redemption fee is determined based on the length of time the shares are outstanding, with a higher fee for the shorter the outstanding period. Partial redemptions are permitted provided that the remaining investment of the shareholder is not less than the minimum initial investment for the applicable series, otherwise the Fund can require full redemption.

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

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(Continued)

(Expressed in United States dollars)

6. Related Party Balances and Transactions

The Trading Companies and the Funds do not have employees and its activities are directed and managed by the service providers of the Umbrella Fund, all of which are related parties. Related parties include those entities and individuals that have the ability to control or exercise significant influence over the Trading Companies and the Funds in making financial or operational decisions, and entities that are controlled, jointly controlled or significantly influenced by them.

(a) Investment management

Pursuant to an agreement with the Umbrella Fund dated 1 September 2008, RF Bank & Trust (Bahamas) Limited (the Investment Manager) (formerly Royal Fidelity Merchant Bank & Trust Limited), a bank incorporated and licensed in The Bahamas, serves as the Trading Companies' and the Fund's investment manager. The Investment Manager is responsible for the implementation of the Trading Companies' and the Funds' investment strategy and has sole responsibility for the investing and reinvesting of the related assets.

The fees charged by the Investment Manager for services rendered to the Trading Companies are borne directly by the sub funds.

The Investment Manager is entitled to a management fee per annum of the Funds' NAV plus applicable taxes, payable monthly in arrears. The management fee covers administration and registrar and transfer agent fees; accordingly, such fees are included in management fee in the statement of comprehensive income.

Royal Fidelity International Investment Fund Limited

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(Continued)

(Expressed in United States dollars)

6. Related Party Balances and Transactions (Continued)

(a) Investment management (continued)

The rates for each Series are as follow:

| | International Opportunities Sub Fund % | Global Balanced Sub Fund % | Targeted Income Sub Fund % | Hedge Strategies Sub Fund % |
|---|---|-------------------------------------|-------------------------------------|--------------------------------------|
| Series A1 redeemable participating shares | 2.00 | - | - | - |
| Series A3 redeemable participating shares | 1.00 | - | - | - |
| Series B1 redeemable participating shares | - | 1.25 | - | - |
| Series B3 redeemable participating shares | - | 0.75 | - | - |
| Series C1 redeemable participating shares | - | - | 1.00 | - |
| Series C3 redeemable participating shares | - | - | 0.50 | - |
| Series D1 redeemable participating shares | - | - | - | 1.00 |
| Series D3 redeemable participating shares | - | - | - | 0.50 |

The management fee expenses during the year are:

| | International Opportunities Sub Fund \$ | Global Balanced Sub Fund \$ | 2021 Targeted Income Sub Fund \$ | Hedge Strategies Sub Fund \$ |
|---|--|--------------------------------------|--|---------------------------------------|
| Series A1 redeemable participating shares | 154,884 | - | - | - |
| Series A3 redeemable participating shares | 199,969 | - | - | - |
| Series B1 redeemable participating shares | - | 7,632 | - | - |
| Series B3 redeemable participating shares | - | - | - | - |
| Series C1 redeemable participating shares | - | - | 111,564 | - |
| Series C3 redeemable participating shares | - | - | 106,518 | - |
| Series D1 redeemable participating shares | - | - | - | 6,136 |
| Series D3 redeemable participating shares | - | - | - | 34,244 |
| Total | 354,853 | 7,632 | 218,082 | 40,380 |

| | International Opportunities Sub Fund \$ | Global Balanced Sub Fund \$ | 2020 Targeted Income Sub Fund \$ | Hedge Strategies Sub Fund \$ |
|---|--|--------------------------------------|--|---------------------------------------|
| Series A1 redeemable participating shares | 126,687 | - | - | - |
| Series A3 redeemable participating shares | 162,912 | - | - | - |
| Series B1 redeemable participating shares | - | 6,992 | - | - |
| Series B3 redeemable participating shares | - | 461 | - | - |
| Series C1 redeemable participating shares | - | - | 100,687 | - |
| Series C3 redeemable participating shares | - | - | 104,482 | - |
| Series D1 redeemable participating shares | - | - | - | 5,851 |
| Series D3 redeemable participating shares | - | - | - | 29,775 |
| Total | 289,599 | 7,453 | 205,169 | 35,626 |

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in United States dollars)

6. Related Party Balances and Transactions (Continued)

(b) Administration

Pursuant to an agreement with the Umbrella Fund dated 1 September 2008, RF Bank & Trust (Bahamas) Limited serves as the Trading Companies' and the Funds' administrator and is entitled to an administration fee, of 0.25% per annum of the NAV of all series, which is paid out of the management fee.

(c) Directors and officers

Certain directors of the Trading Companies and the Funds are also directors or officers of the Investment Manager and its subsidiaries; and the Custodian.

(d) Cash at bank and margin credit facility

The Trading Companies and the Funds have demand deposit accounts with the Investment Manager, which do not earn interest. As at 30 June, the balances totaled:

| | Cash at bank | |
|---|---------------------|-------------|
| | 2021 | 2020 |
| | \$ | \$ |
| International Opportunities Trading Company Limited | 9,035 | 142 |
| Targeted Income Trading Company Limited | 8,384,143 | 5,102,187 |
| International Opportunities Sub Fund | - | - |
| Global Balanced Sub Fund | - | 219 |
| Targeted Income Sub Fund | - | 15,243 |
| Hedge Strategies Sub Fund | 30,390 | 1,696,767 |

The Trading Companies and the Funds have a line of credit with the Investment Manager up to 50.00% of the fair value of their financial assets, which incurs interest at a rate of 6.75% per annum. The Trading Companies and the Funds have pledged their financial assets in support of this facilities. As at 30 June, the balance and interest expenses incurred on the facilities totaled:

| | Margin credit facility | | Interest expense | |
|---|-------------------------------|-------------|-------------------------|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| International Opportunities Trading Company Limited | - | - | 689 | 2,402 |
| Targeted Income Trading Company Limited | - | - | - | 14,013 |
| International Opportunities Sub Fund | 272,172 | 124,475 | 23,156 | 14,132 |
| Global Balanced Sub Fund | 5,242 | 1,605 | 474 | 2,787 |
| Targeted Income Sub Fund | 168,325 | 152 | 8,523 | 1,303 |
| Hedge Strategies Sub Fund | 27,770 | 7,727 | 1,368 | 406 |

Royal Fidelity International Investment Fund Limited

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(Expressed in United States dollars)

6. Related Party Balances and Transactions (Continued)

(e) Financial assets at fair value through profit or loss

As of 30 June 2021, the Trading Companies and Sub Funds have investments in securities of related parties classified as financial assets at fair value through profit or loss, which comprise:

| 2021 | Financial assets at fair value through profit or loss | | |
|---|--|---|--|
| | International Opportunities Trading Company \$ | Targeted Income Trading Company \$ | Hedge Strategies Sub Fund- Series D3 \$ |
| International Opportunities Trading Company Limited | - | - | 2,326,565 |
| International Opportunities Sub Fund | 32,299,533 | - | - |
| Global Balanced Sub Fund | 614,933 | 103,071 | - |
| Targeted Income Sub Fund | - | 32,712,118 | - |
| | <u>32,914,466</u> | <u>32,815,189</u> | <u>2,326,565</u> |

| 2020 | Financial assets at fair value through profit or loss | | |
|---|--|---|--|
| | International Opportunities Trading Company \$ | Targeted Income Trading Company \$ | Hedge Strategies Sub Fund- Series D3 \$ |
| International Opportunities Trading Company Limited | - | - | 2,290,951 |
| International Opportunities Sub Fund | 23,263,962 | - | - |
| Global Balanced Sub Fund | 442,910 | 119,995 | - |
| Targeted Income Sub Fund | - | 32,692,908 | - |
| | <u>23,706,872</u> | <u>32,812,903</u> | <u>2,290,951</u> |

The investee funds above are managed by the administrator and investment manager of the trading companies and sub funds which is RF Bank & Trust (Bahamas) Limited, and the investee funds compensate the respective related party for its services.

Royal Fidelity International Investment Fund Limited

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(Continued)

(Expressed in United States dollars)

7. Increase in Net Assets per Redeemable Participating Share

The following table summarizes the increase in net assets per redeemable participating shares, weighted average number of shares, and increase in net assets per redeemable participating shares. Increase in net assets per redeemable participating share is calculated by dividing the increase in net assets attributable to holders of redeemable participating shares by the weighted average number of redeemable participating shares during the year.

| 2021 | International Opportunities Sub Fund | Global Balanced Sub Fund | Targeted Income Sub Fund \$ | Hedge Strategies Sub Fund \$ |
|--|--|-----------------------------|--------------------------------------|---------------------------------------|
| Increase in net assets attributable to: | | | | |
| Series A1 redeemable participating shares | 2,622,051 | - | - | - |
| Series A3 redeemable participating shares | 6,024,504 | - | - | - |
| Series B1 redeemable participating shares | - | 178,594 | - | - |
| Series B3 redeemable participating shares | - | - | - | - |
| Series C1 redeemable participating shares | - | - | (27,557) | - |
| Series C3 redeemable participating shares | - | - | 60,028 | - |
| Series D1 redeemable participating shares | - | - | - | 11,823 |
| Series D3 redeemable participating shares | - | - | - | 145,354 |
| | <u>8,646,555</u> | <u>178,594</u> | <u>32,471</u> | <u>157,177</u> |
| Weighted average number of shares: | | | | |
| Series A1 redeemable participating shares | 408,757 | - | - | - |
| Series A3 redeemable participating shares | 917,530 | - | - | - |
| Series B1 redeemable participating shares | - | 46,649 | - | - |
| Series B3 redeemable participating shares | - | - | - | - |
| Series C1 redeemable participating shares | - | - | 850,889 | - |
| Series C3 redeemable participating shares | - | - | 1,591,156 | - |
| Series D1 redeemable participating shares | - | - | - | 59,849 |
| Series D3 redeemable participating shares | - | - | - | 596,983 |
| Increase (decrease) in net assets per redeemable participating share: | | | | |
| Series A1 redeemable participating shares | 6.41 | - | - | - |
| Series A3 redeemable participating shares | 6.57 | - | - | - |
| Series B1 redeemable participating shares | - | 3.83 | - | - |
| Series B3 redeemable participating shares | - | - | - | - |
| Series C1 redeemable participating shares | - | - | (0.03) | - |
| Series C3 redeemable participating shares | - | - | 0.04 | - |
| Series D1 redeemable participating shares | - | - | - | 0.20 |
| Series D3 redeemable participating shares | - | - | - | 0.24 |

Royal Fidelity International Investment Fund Limited

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(Expressed in United States dollars)

7. Increase in Net Assets per Redeemable Participating Share (Continued)

| 2020 | International Opportunities Sub Fund | Global Balanced Sub Fund | Targeted Income Sub Fund \$ | Hedge Strategies Sub Fund \$ |
|--|--|-----------------------------|--------------------------------------|---------------------------------------|
| Increase in net assets attributable to: | | | | |
| Series A1 redeemable participating shares | 93,335 | - | - | - |
| Series A3 redeemable participating shares | 446,503 | - | - | - |
| Series B1 redeemable participating shares | - | 19,862 | - | - |
| Series B3 redeemable participating shares | - | 4,404 | - | - |
| Series C1 redeemable participating shares | - | - | 533,127 | - |
| Series C3 redeemable participating shares | - | - | 1,219,910 | - |
| Series D1 redeemable participating shares | - | - | - | (58,918) |
| Series D3 redeemable participating shares | - | - | - | (205,029) |
| | <u>539,838</u> | <u>24,266</u> | <u>1,753,037</u> | <u>(263,947)</u> |
| Weighted average number of shares: | | | | |
| Series A1 redeemable participating shares | 403,751 | - | - | - |
| Series A3 redeemable participating shares | 839,155 | - | - | - |
| Series B1 redeemable participating shares | - | 49,433 | - | - |
| Series B3 redeemable participating shares | - | 6,306 | - | - |
| Series C1 redeemable participating shares | - | - | 788,571 | - |
| Series C3 redeemable participating shares | - | - | 1,589,846 | - |
| Series D1 redeemable participating shares | - | - | - | 59,849 |
| Series D3 redeemable participating shares | - | - | - | 503,343 |
| Increase (decrease) in net assets per redeemable participating share: | | | | |
| Series A1 redeemable participating shares | 0.23 | - | - | - |
| Series A3 redeemable participating shares | 0.53 | - | - | - |
| Series B1 redeemable participating shares | - | 0.40 | - | - |
| Series B3 redeemable participating shares | - | 0.70 | - | - |
| Series C1 redeemable participating shares | - | - | 0.68 | - |
| Series C3 redeemable participating shares | - | - | 0.77 | - |
| Series D1 redeemable participating shares | - | - | - | (0.98) |
| Series D3 redeemable participating shares | - | - | - | (0.41) |

Royal Fidelity International Investment Fund Limited

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(Continued)

(Expressed in United States dollars)

8. Financial Risk Management

The Trading Companies and the Funds engage in transactions that expose them to market risk (which includes price, currency and interest rate risks), credit risk and liquidity risk in the normal course of operations. The financial performance is affected by their abilities to understand and effectively manage these risks.

The Investment Manager is responsible for identifying and managing risks. The Directors monitor the Investment Manager and are ultimately responsible for the overall financial risk management of the Trading Companies and the Funds.

Monitoring and controlling risks is performed through the establishment of limits by the Directors, which reflect the business strategy, including the level of risk that the Trading Companies and the Funds are willing to accept and the market environment in which they operate. In addition, the Trading Companies and the Funds monitor and measure the overall level of risk in relation to the aggregate risk exposure across all risk types and activities.

The Funds invest solely in the Trading Companies that have investment objectives that are consistent with those of the Funds, which results in the Funds being indirectly exposed to market, credit and liquidity risks of the Trading Companies.

Concentration of risks

Concentration of risk indicates the relative sensitivity of the performance to developments affecting a particular industry or geographical location, and arises: when a significant proportion of financial instruments or contracts are entered into with the same counterparty; or where a significant proportion of counterparties are engaged in similar business activities, or activities in the same geographical region, or that have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of currency risk arises when the Trading Companies and the Funds have a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that are historically positively correlated. Concentration of liquidity risk arises from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realize liquid assets.

To mitigate excessive concentration of risk, the policies and procedures include specific guidelines to maintain appropriate diversification.

(a) Market risk

Price risk

Price risk is the risk that the fair values and/or amounts realised on sales of financial instruments may fluctuate significantly as a result of changes in market prices. Price risk arises from the Trading Companies' investments in debt securities, equity securities and investment funds and is managed through diversification of the portfolio, with asset allocation guidelines recommended by the Investment Manager and approved by the Directors.

IOTC is invested in securities issued by entities included in the S&P500 Index, Euro Stoxx Index, Nikkei 225 Index, and entities operating in emerging markets. As such, the financial performance of the Company best correlates with the financial performance of the S&P500, Dow Jones Emerging Markets Consumer Titans 30 Index, Euro Stoxx Index and Nikkei 225 Index.

Royal Fidelity International Investment Fund Limited

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(Expressed in United States dollars)

8. Financial Risk Management (Continued)

(a) Market risk

Price risk (continued)

A weighted-average increase/decrease in the aforementioned indices of 29.80%, (2020: 5.33%) which represents the best estimate of reasonable possible shifts in the indices, would result in an increase/(decrease) in the fair values of the IOTC's equity securities at fair value through profit or loss of \$7,152,800 (2020: \$899,000).

The Fund's investee funds would experience the following increases/decreases in fair value based on historical performance and reasonable expected future performance of the respective funds.

| Trading Company/ Sub Fund | Investee Funds | Price Change | | Increase/Decrease in Fair Value | |
|--|---|-----------------|-----------|------------------------------------|------------|
| | | 2021 % | 2020 % | 2021 \$ | 2020 \$ |
| | Morgan Stanley Investment Fund – US Dollar Liquidity Fund | 3.00 | 3.00 | 9,500 | 13,200 |
| International Opportunities Trading Company Limited | OAM European Value Fund | 10.00 | 10.00 | 300,680 | 197,200 |
| | OAM Asian Recovery Fund | 5.00 | 5.00 | 161,400 | 116,500 |
| Targeted Income Trading Company Limited | Royal Fidelity International Investment Fund Limited – Hedge Strategies Sub Fund | 20.00 | 20.00 | 465,300 | 458,200 |
| | Morgan Stanley Investment Fund – US Dollar Liquidity Fund | 3.00 | 3.00 | 20,200 | 8,200 |
| International Opportunities Sub Fund | Royal Fidelity International Investment Fund Limited – International Opportunities Trading Company Limited | 20.00 | 20.00 | 6,459,900 | 4,652,800 |
| Global Income Sub Fund | Royal Fidelity International Investment Fund Limited – International Opportunities Trading Company Limited | 20.00 | 20.00 | 123,000 | 88,600 |
| | Royal Fidelity International Investment Fund Limited – Targeted Income Trading Company Limited | 5.00 | 5.00 | 5,200 | 6,000 |
| Targeted Income Sub Fund | Royal Fidelity International Investment Fund Limited – Targeted Income Trading Company Limited | 5.00 | 5.00 | 1,635,600 | 1,634,700 |
| Hedge Strategies Sub Fund | Crystal Capital International Fund | 12.00 | 12.00 | 913,000 | 698,700 |

Royal Fidelity International Investment Fund Limited

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(Expressed in United States dollars)

8. Financial Risk Management (Continued)

(a) Market risk

Price risk (continued)

As of 30 June 2021, non-exchange-traded investee funds, excluding money market funds, represented 26.04% (2020: 27.58%) for IOTC, 100% (2020: 100%) for IOSF, GBSF, TISF and HSSF of the total financial assets through profit and loss, excluding accrued interest. These investments can only be realised through redemptions in the respective investee funds, subject to the required notice periods specified in the offering documents of the respective investee funds, which range from fifteen (15) days to ninety-five (95) days. Accordingly, the fair value of these investee funds as of 30 June 2021 may not reflect the values that will be realised at the time of settlement of redemption.

Currency risk

Currency risk is the risk that the fair values and/or amounts realised on sales of financial instruments or the settlement of financial liabilities may fluctuate due to change in foreign exchange rates. The Funds are not exposed to currency risk, as its financial instruments along with financial activity, and those of the Trading Companies, are all denominated in US dollars.

Interest rate risk

Fair value and cash flow interest rate risks are the risks that the fair values or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Funds are indirectly exposed to interest rate risk through its investment in the Trading Companies. The Trading Companies take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks through its financial assets.

The Trading Companies have elected not to hedge its exposure to cash flow interest rate risk and accepts this risk in order to achieve its stated investment objective. 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 Trading Companies consider its fair value interest rate risk to be minimal, as it intends to hold its financial assets to maturity, where applicable, unless it is required to liquidate positions to meet obligations.

Royal Fidelity International Investment Fund Limited

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(Continued)

(Expressed in United States dollars)

8. Financial Risk Management (Continued)

(a) Market risk (continued)

Interest rate risk (continued)

The following table discloses the classes of financial assets and liabilities based on interest rate terms:

| Targeted Income Trading Company | 2021 | 2020 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Financial assets | | |
| Corporate debt securities- US | | |
| Fixed interest rates (1.375% - 7.00%) | 10,952,040 | 10,578,313 |
| Government debt- US treasuries | | |
| Fixed interest rates (0.50% - 3.125%) | 8,028,221 | 9,963,922 |
| Government debt- US agencies | | |
| Fixed interest rates (2.00% - 3.50%) | 1,840,497 | 1,108,165 |
| Preference shares – US and Caribbean | | |
| Fixed interest rates (6.25% - 8.50%) | 2,400,000 | 5,633,000 |
| | <hr/> | <hr/> |
| Total financial assets subject to interest rate risk | 23,220,758 | 27,283,400 |

As of 30 June 2021, an increase/decrease in market interest rates of 100 basis points, with all other variables remaining constant, would (decrease)/increase the fair value of the respective fixed income securities portfolio of TITC by (\$947,662)/\$1,010,658 (2020: (\$896,219)/\$954,426).

No other Trading Companies and Funds have investments with interest rate risk.

(b) Credit risk

Credit risk is the risk that a counterparty will be unable or unwilling to meet a commitment that is entered with the Trading Companies and the Funds.

The main concentration to which the Targeted Income Trading Company is exposed arises from its investments in debt securities. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in United States dollars)

8. Financial Risk Management (Continued)

(b) Credit risk (continued)

In accordance with the policy, the Investment Manager monitors the credit position of the Trading Companies and of the Funds on a monthly basis and the Management Investment Committee reviews it on a monthly basis.

At 30 June 2021 and 30 June 2020, cash at bank are held with financial institutions in good standing with the Central Bank of The Bahamas and/or the Securities Commission of The Bahamas. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Trading Companies and the Funds.

The Targeted Income Trading Company invests in debt securities, which have credit risk gradings as rated by accredited international rating agencies. The table below categorises the debt securities by credit risk grading:

| | 2021 % | 2020 % |
|-------|---------------|---------------|
| AAA | 47.40 | 51.14 |
| AA/+ | 6.00 | 6.43 |
| A/+ | 24.81 | 25.89 |
| BBB/+ | 18.18 | 13.08 |
| B/+ | 3.61 | 3.46 |
| | <u>100.00</u> | <u>100.00</u> |

US equity securities in the International Opportunities Trading Company Limited are custodied with Morgan Stanley, which is a member of the Securities Investor Protection Corporation (SIPC), a federally mandated non-profit corporation established and regulated in the United States of America to protect investors from financial losses if the SIPC member firm becomes insolvent.

(c) Liquidity risk

Liquidity risk is the risk that the Trading Companies and the Funds may not be able to generate sufficient cash resources to settle their obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Trading Companies and the Funds are exposed to monthly redemptions of redeemable participating shares and their financial assets are generally short-term in nature. The Funds have the ability to redeem its positions in the Trading Companies on a monthly basis to meet payment obligations, subject to the liquidity risk of the Trading Companies. Further, the Funds have the ability to borrow in the short term using its financial assets as collateral.

The Trading Companies invest primarily in liquid equity and debt securities with settlement terms ranging from 3 to 15 days. The Trading Companies also invest in investment funds with month redemptions subject to the liquidity risk of the underlying investment funds. Further, the Trading Companies have the ability to borrow in the short-term using its financial assets as collateral.

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in United States dollars)

8. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

The Trading Companies and the Funds have a line of credit with the Investment Manager up to 50.00% of the fair value of its financial assets, which incurs interest at a rate of 6.75% per annum to ensure settlement. No such borrowings have arisen during the year. The Funds have pledged its financial assets in support of this facility.

Sub Funds

All financial liabilities are due on demand or within one (1) month, however amounts owing to Class A, Class B, Class C, and Class D redeemable participating shareholders are not expected to be demanded in the short term as shareholders typically retain such shares for the medium to long term. All financial assets are current, and either due on demand or within one (1) month with the exception of the underlying investment of HSSF which is subject to the quarterly redemptions on a 95 day period notice.

International Opportunities Trading Company

All financial liabilities are due on demand, however amounts owing to redeemable participating shareholders are not expected to be demanded in the short term as shareholders typically retain such shares for the medium to long term. All financial assets are current, and either due on demand or within one (1) month.

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in United States dollars)

8. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Targeted Income Trading Company

The maturity profile of TITC with fixed maturity dates is disclosed below, and all other financial assets are due on demand or have no fixed maturity dates.

| | ≤1 year \$ | >1 year, ≤5 years \$ | >5 years \$ | Total \$ |
|------------------------------------|-------------------------|--------------------------|-------------------------|--------------------------|
| As at 30 June 2021 | | | | |
| Corporate debt securities- US | 354,774 | 7,291,199 | 3,306,067 | 10,952,040 |
| Government debt- US treasuries | - | 5,774,215 | 2,254,006 | 8,028,221 |
| Government debt- US agencies | - | - | 1,840,497 | 1,840,497 |
| Preference shares - US | <u>900,000</u> | <u>1,500,000</u> | <u>-</u> | <u>2,400,000</u> |
| | <u>1,254,774</u> | <u>14,565,414</u> | <u>7,400,570</u> | <u>23,220,758</u> |
| As at 30 June 2020 | | | | |
| Corporate debt securities- US | - | 6,883,471 | 3,694,842 | 10,578,313 |
| Government debt- US treasuries | - | 6,168,067 | 3,795,855 | 9,963,922 |
| Government debt- US agencies | 603,672 | - | 504,493 | 1,108,165 |
| Preference shares – US & Caribbean | <u>5,633,000</u> | <u>-</u> | <u>-</u> | <u>5,633,000</u> |
| | <u>6,236,672</u> | <u>13,051,538</u> | <u>7,995,190</u> | <u>27,283,400</u> |

9. Fair Value of Financial Instruments

Financial instruments utilized comprise the recorded financial assets and liabilities disclosed in the financial statements. Financial instruments, for which the fair value hierarchy is not disclosed, are principally Level 2 in the fair value hierarchy.

Royal Fidelity International Investment Fund Limited

Notes to the Financial Statements

30 June 2021

(Continued)

(Expressed in United States dollars)

10. Capital Management

The capital of the Trading Companies and the Funds are represented by the net assets attributable to the holders of redeemable participating shares. The amount of net assets attributable to these shareholders can change significantly on a monthly basis, as the Trading Companies and the Funds are subject to monthly subscriptions and redemptions at the discretion of the shareholders. The Trading Companies' and the Funds' objective when managing capital is to safeguard the Trading Companies' and the Funds' ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Trading Companies and the Funds.

In order to maintain or adjust the capital structure, the Trading Companies and the Funds:

- monitor the level of monthly subscriptions and redemptions relative to financial assets they expect to be able to liquidate within one (1) month.
- issue new shares and redeems existing shares in accordance with the constitutional documents of the Trading Companies and the Funds, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Directors and the Investment Manager monitor capital on the basis of the value of net assets attributable to redeemable participating shareholders.

11. COVID-19

In December 2019, a novel strain of coronavirus, ("COVID-19"), surfaced in Wuhan, China. This virus continues to spread around the world, resulting in business and social disruption. COVID-19 was declared a global pandemic by the World Health Organization on 11 March 2020. The operations and business results of the Trading Companies and the Funds could be materially adversely affected. As the COVID-19 pandemic is ongoing and the near term worldwide economic outlook remains uncertain, we cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact our financial statements.

Management continues to monitor the performance of the assets held within the Trading Companies, including assessing for credit risk factors. Management is aware of the recent downgrade of The Bahamas Government and has evaluated the impact on Bahamian government securities. In addition, management monitors investments in the hospitality and transportation, given the heightened risk associated with those industries. Based on those evaluations, which included review of portfolio valuations subsequent to year-end, management does not believe the Trading Companies will experience a significant loss in value at this time.

Management does not believe there is any risk to the Trading Companies' and the Fund's ability to continue as a going concern for the foreseeable future from the reporting date linked to the COVID-19 pandemic.

12. Subsequent events

We have evaluated all significant activities through to the date these financial statements were available to be issued and concluded that no additional subsequent events occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.