

# **APS Funds SICAV p.l.c.**

## **Interim Report and Unaudited Financial Statements for the period ended 30 June 2016**

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# Management and Administration

## DIRECTORS

Dr. Mario Felice  
9, Bastion Square,  
Mdina MDN 1150,  
Malta

Mr. George Cassola  
96, St. Francis Street,  
Balzan BZN 1424,  
Malta

Mr. Joseph Portelli  
The Royal Lady  
St. Anthony Street,  
Għajnsielem GSM 9020  
Malta

## REGISTERED OFFICE AND BUSINESS ADDRESS

APS Centre,  
Tower Street,  
Birkirkara BKR 4012,  
Malta

## COMPANY REGISTRATION NUMBER

SV 78

## INVESTMENT MANAGER

APS Bank Limited  
APS Centre,  
Tower Street,  
Birkirkara BKR 4012,  
Malta

*Licensed to conduct Investment Services business by the Malta  
Financial Services Authority.*

## ADMINISTRATOR AND COMPANY SECRETARY

Valletta Fund Services Limited  
TG Complex,  
Suite 2, Level 3,  
Brewery Street,  
Mrieħel BKR 3000,  
Malta

*Recognised to provide fund administration services  
by the Malta Financial Services Authority.*

## CUSTODIAN

Bank of Valletta p.l.c.  
BOV Centre,  
Cannon Road,  
Santa Venera SVR 9030,  
Malta

*Licensed to conduct investment services business by the Malta  
Financial Services Authority.*

## BANKERS

APS Bank Limited  
APS Centre,  
Tower Street,  
Birkirkara BKR 4012,  
Malta

**AUDITORS**

Ernst & Young Malta Limited  
Regional Business Centre,  
Achille Ferris Street,  
Msida MSD 1751,  
Malta

**LEGAL ADVISORS**

Ganado and Associates Advocates  
171, Old Bakery Street,  
Valletta VLT 1455,  
Malta

## **Description**

APS Funds SICAV p.l.c. (the "Company") is a company organised as a multi-fund investment company with variable share capital pursuant to the Companies Act [Cap. 386 of the Laws of Malta] registered on the 24 January 2008. The Company consists of two funds, the APS Income Fund and the APS Regular Income Ethical Fund. The Company is licensed by the Malta Financial Services Authority as a Collective Investment Scheme under the Investment Services Act 1994 [Cap. 370 of the Laws of Malta]. The APS Income Fund is listed on the Malta Stock Exchange. The Company has no employees.

## **Changes to Company Documents**

On the 24 April 2015, the Company's Prospectus and Offering Supplements of both the APS Income Fund and the APS Regular Income Ethical Fund were updated to reflect the introduction of FATCA as well as the last changes to the Company's Board of Directors.

# Investment Manager's Report

## International Markets

During the first half of 2016, most economies continued to experience anaemic growth even though monetary policy was very accommodative. In addition during the period, due to public discontent, anti-establishment sentiment has been gaining ground in a number of countries, resulting in political uncertainty. In central Europe, off the centre politicians gained popularity, as witnessed by a very close election in Austria that has to be re-contested, and a very strong showing in the primary count of France's Front National party.

But this was probably most prevalent in the UK's decision to leave the European Union. The referendum result brought about a weakening of Sterling, with credit rating agencies downgrading the UK's credit profile. S&P downgraded the country from AAA to AA with a negative outlook, Moody's left the credit rating at Aa1 but placed the country under negative watch, and Fitch downgraded the country from AA+ to AA with a negative outlook. The prices of UK Gilts continued to reach unprecedented levels as GBP investors flocked to risk free assets. A weaker sterling currency brought about a boost to UK exports. In addition, the UK stock market experienced a boost, also because the bulk of earnings of FTSE100 index companies are generated from outside the UK.

The European economy is still very fragile. The GDP growth rate slowly went up to 1.7%, but inflation is still -0.1%. Deflationary territory is dangerous, and the European Central Bank is doing "whatever it takes" to improve the economic scenario. Unfortunately, while a lot of monetary easing had already been done, the EU unemployment rate only improved marginally from just above 12% in 2013 to 10.1% in June 2016. The ECB continued with its quantitative easing programme and during March 2016 the Governor, Mr Mario Draghi, expanded further the QE programme. The overnight rate was reduced by 10 basis points to -0.4%, and the asset purchase programme was extended from €60 billion per month to €80 billion per month. In addition, the ECB opened the QE universe to include investment grade non-bank corporate bonds. This resulted in a continued decline of bond yields, a number of which are in negative territory. In total 5 central banks have negative deposit rates, and at present the equivalent of USD 12 trillion bonds have a negative nominal yield to maturity. At the extreme end, Swiss Government Bonds maturing in 50 years' time are yielding less than zero.

Despite a GDP growth rate of only 2.4%, the US economy was one of the most promising. The unemployment rate fell to 4.9%, that is down to pre-crises levels. Moreover, the labour participation rate is also increasing.

## Maltese Market

The Maltese economy continued to perform strongly during the first six months of the year 2016 on the back of robust private consumption. This was brought about by a low inflationary environment, wage increases and a strong labour market. According to the European agency, Eurostat, at the end of June, Malta registered the lowest unemployment rate from amongst the EU Member States. At 4%, this was also a record for Malta.

In their July 2016 report, "Standard & Poor's" expected the country to remain one of the faster-growing economies in the Eurozone.

During the past twelve years, the Maltese economy had been growing on average three times as fast as that of the European Union in general. This has led to the yield spread between Malta Government Stock and German Government Bonds to tighten to record lows.

Following the UK's Brexit referendum result, S&P expected the impact on growth to be relatively contained, despite Malta's links to the UK through tourism and financial services. UK arrivals generated almost 30% of tourism receipts and the weaker sterling was likely to harm the sector; however, the tourism sector was facing supply constraints and it was expected to easily fill the gap in the medium term. S&P considered that the possible implications of Brexit could impact financial institutions rather than domestic banks.

While the general government debt continued to increase, the gross domestic product has been increasing at a faster pace, causing the Debt to GDP ratio to go down below the 60% threshold. Presently the ratio stands at 58%. It is envisaged that by the year 2019 this ratio will go down to 53%.

The Quantitative Easing programme initiated by the ECB was increasing the level of asset prices in general. In particular, the prices of Malta Government Stock, especially the long dated ones saw double digit returns during 2015, and 2016 was experiencing a continuing upward trend. In addition, due to the search for yield, the general public was actively seeking new local corporate bonds coming to the market, with the absolute majority of issues being heavily oversubscribed. Equities listed on the Malta Stock Exchange had a very positive run during 2015. During the first half of 2016, the market was passing through a consolidation phase, and performance was practically flat.

## Portfolio Activity Review

### APS Income Fund

#### Investment Objective

The investment objective of the Fund is to endeavour to maximise the total level of return for investors, minimising the volatility of the portfolio, whilst having regard to attaining a desirable level of liquidity, through investment, principally, in Maltese debt and equity securities. To a limited extent, the Fund may also invest in international debt and equity securities.

#### Fund Performance

##### *Accumulator Class of Shares*

During the period from 31 December 2015 to 30 June 2016, the quoted share price of the APS Income Fund Accumulator class of shares increased by 3.45% from €163.7507 to €169.3865.

##### *Distributor Class of Shares*

During the period from 31 December 2015 to 30 June 2016, the quoted share price of the APS Income Fund Distributor class of shares increased by 1.93% from €125.1095 to €127.5146.

#### Overview of the Fund

The Fund Net Asset Value increased from €70.3 million to €79.4 million during the six month period. The positive investment performance and the net cash inflow both contributed to this increase.

The duration of the Fund was around 6 throughout the first six months of the year. It was lengthened slightly in view of the measures that were being taken by the ECB to stimulate the European economy.

During the six-month period a mixture of short and long dated local corporate bonds were purchased to maintain as much as possible the level of income received during recent quarters. A number of long dated Euro denominated sovereign bonds, including Malta Government Stock, were purchased. In addition, the portfolio manager continued to purchase selected local equities which either gave regular and constant dividend or had the potential to grow their earnings.

At the end of June 2016 the composition was made up as follows: local government bonds – 33%, foreign government bonds – 6%, local corporate bonds – 22%, foreign corporate bonds – 9%, Maltese equities – 21% and bank deposits – 9%.

### APS Regular Income Ethical Fund

#### Investment Objective

The investment Objective of the Fund is to endeavour to maximise the total return to investors, minimising the volatility of the portfolio whilst having regard to attaining a desirable level of liquidity through investment, principally, in deposits, other collective investment schemes and debt and equity securities.

**Fund Performance***Class A - Accumulator*

During the year from 31 December 2015 to 30 June 2016, the quoted share price of the APS Regular Income Ethical Fund accumulator class of shares decreased by 1.88% from €1.2739 to €1.2499.

*Class B - Distributor*

During the year from 31 December 2015 to 30 June 2016, the APS Regular Income Ethical Fund institutional class of shares decreased by 3.1% from €1.1325 to €1.0974.

*Class C - Accumulator*

During the year from 31 December 2015 to 30 June 2016, the quoted share price of the APS Regular Income Ethical Fund accumulator class of shares decreased by 1.92% from €1.2731 to €1.2486.

*Class D - Distributor*

During the year from 31 December 2015 to 30 June 2016, the APS Regular Income Ethical Fund retail class of shares increased by 3.13% from €1.1327 to €1.0973.

**Overview of the Fund**

The APS Regular Income Ethical Fund differs from a traditional fund in the process by which investments are selected. The traditional extensive financial analysis synonymous with funds managers is preceded by an equally rigorous ethical screening. The ethical screening process of APS Regular Income Ethical Fund is a two tier process, whereby the fund manager first excludes companies engaging in certain industries detrimental to humanity. This is followed by positive screening, where the fund manager selects those companies with best Environmental, Social and Governance (ESG) scores.

The Fund Net Asset Value increased from €22.7 million to €23.8 million during the six-month period.

Investors focused on Britain's referendum to exit the European Union and the uncertainty about the U.K.'s future. In this scenario during the first quarter the portfolio manager sought to protect the value of the Fund by decreasing the Fund's GBP currency exposure from 13.91% to 2.69%.

As the ECB intensified its effort to boost the Eurozone's economic growth and inflation, the Manager increased the Fund's corporate and sovereign fixed income exposure denominated in Euro whilst also increasing the allocation's duration.

During this period, the United States economy continued to shine amongst major economies. International factors and low inflation restrained the FED's willingness to increase interest rates. Although interest rate hikes are expected in the next 12 months, the rate of escalation seems to have somewhat declined and as a consequence, the Manager retained the Fund's significant USD currency exposure, and slightly increased the allocation's duration.

International equity markets, in particular European equity markets, remained volatile during the period, as Brexit fears took centre stage. In this scenario the Manager sought to retain the Funds' equity exposure through selective and timely acquisitions.



**UNAUDITED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2016

|   | APS Funds Sicav p.l.c |                   | APS Income         |                   | APS Regular Income<br>Ethical<br>Fund |                   |
|---|-----------------------|-------------------|--------------------|-------------------|---------------------------------------|-------------------|
|   | Combined Statement    |                   | Fund               |                   | Fund                                  |                   |
|   | 30.06.2016            | 31.12.2015        | 30.06.2016         | 31.12.2015        | 30.06.2016                            | 31.12.2015        |
|   | €                     | €                 | €                  | €                 | €                                     | €                 |
| <b>ASSETS</b>   |                       |                   |                    |                   |                                       |                   |
| Financial assets at fair value through profit or loss | 93,130,238            | 77,582,998        | 71,938,002         | 60,058,200        | 21,192,236                            | 17,524,798        |
| Other investments-term deposits                       | 9,347,149             | 10,551,482        | 6,894,811          | 7,099,144         | 2,452,338                             | 3,452,338         |
| Accrued income  | 1,227,823             | 1,004,784         | 931,364            | 787,986           | 296,459                               | 216,798           |
| Other debtors and prepayments                         | 59,718                | 94,618            | 28,565             | 87,162            | 31,153                                | 7,456             |
| Bank balances   | 603,900               | 4,188,840         | 394,167            | 2,588,698         | 208,533                               | 1,598,942         |
| <b>Total assets</b>                                   | <b>104,368,828</b>    | <b>93,422,722</b> | <b>80,186,909</b>  | <b>70,621,190</b> | <b>24,180,719</b>                     | <b>22,800,332</b> |
| <b>LIABILITIES</b>                                    |                       |                   |                    |                   |                                       |                   |
| Bank overdraft  | 351,420               | -                 | 351,420            | -                 | -                                     | -                 |
| Accrued expenses                                      | 391,293               | 322,404           | 308,025            | 253,210           | 83,268                                | 69,194            |
| Other creditors                                       | 919,408               | 42,108            | 899,413            | -                 | 19,995                                | 42,108            |
|   | <b>1,662,121</b>      | <b>364,512</b>    | <b>1,558,858</b>   | <b>253,210</b>    | <b>103,263</b>                        | <b>111,302</b>    |
|   | <b>102,706,707</b>    | <b>93,058,210</b> | <b>78,628,051</b>  | <b>70,367,980</b> | <b>24,077,456</b>                     | <b>22,689,030</b> |
| <b>Represented by:</b>                                |                       |                   |                    |                   |                                       |                   |
| <b>Net assets attributable to shareholders</b>        | <b>102,706,707</b>    | <b>93,058,210</b> | <b>78,628,051</b>  | <b>70,367,980</b> | <b>24,077,456</b>                     | <b>22,689,030</b> |
| <b>Salient Statistics</b>                             |                       |                   |                    |                   |                                       |                   |
| <b>Shares in issue as at 30 June 2016</b>             |                       |                   |                    |                   |                                       |                   |
| <b>Founder Shares</b>                                 | <b>1,200.000</b>      |                   |                    |                   |                                       |                   |
| <b>Accumulator</b>                                    | <b>89,605.459</b>     |                   | <b>89,605.459</b>  |                   |                                       |                   |
| <b>Distributor</b>                                    | <b>503,875.221</b>    |                   | <b>503,875.221</b> |                   |                                       |                   |
| <b>Accumulator – Class A</b>                          | <b>2,453,919.279</b>  |                   |                    |                   | <b>2,453,919.279</b>                  |                   |
| <b>Distributor – Class B</b>                          | <b>7,575,038.448</b>  |                   |                    |                   | <b>7,575,038.448</b>                  |                   |
| <b>Accumulator – Class C</b>                          | <b>2,771,622.426</b>  |                   |                    |                   | <b>2,771,622.426</b>                  |                   |
| <b>Distributor – Class D</b>                          | <b>8,193,202.614</b>  |                   |                    |                   | <b>8,193,202.614</b>                  |                   |
| <b>Net asset value as at 30 June 2016</b>             | <b>102,706,703</b>    |                   | <b>78,628,051</b>  |                   | <b>24,077,456</b>                     |                   |
| Net asset value as at 31 December 2015                | 83,762,563            |                   | 63,525,623         |                   | 20,235,740                            |                   |
| Net asset value as at 31 December 2014                | 68,680,197            |                   | 52,876,218         |                   | 15,802,779                            |                   |
| Net asset value as at 31 December 2013                | 49,887,760            |                   | 40,113,887         |                   | 9,772,673                             |                   |

|  |                 |               |
|--|-----------------|---------------|
| <b>Net asset value per Accumulator share as at 30 June 2016</b>          | <b>169.5979</b> |               |
| <b>Net asset value per Distributor share as at 30 June 2016</b>          | <b>125.9100</b> |               |
| Net asset value per Accumulator share as at 31 December 2015             | 156.0123        |               |
| Net asset value per Distributor share as at 31 December 2015             | 121.2555        |               |
| Net asset value per Accumulator share as at 31 December 2014             | 142.9514        |               |
| Net asset value per Distributor share as at 31 December 2014             | 113.0089        |               |
| Net asset value per Accumulator share as at 31 December 2013             | 128.3548        |               |
| Net asset value per Distributor share as at 31 December 2013             | 105.5138        |               |
| <b>Net asset value per Accumulator Class A shares as at 30 June 2016</b> |                 | <b>1.2628</b> |
| <b>Net asset value per Distributor Class B shares as at 30 June 2016</b> |                 | <b>1.1087</b> |
| <b>Net asset value per Accumulator Class C shares as at 30 June 2016</b> |                 | <b>1.2615</b> |
| <b>Net asset value per Distributor Class D shares as at 30 June 2016</b> |                 | <b>1.1086</b> |
| Net asset value per Accumulator Class A shares as at 31 December 2015    |                 | 1.2831        |
| Net asset value per Distributor Class B shares as at 31 December 2015    |                 | 1.1593        |
| Net asset value per Accumulator Class C shares as at 31 December 2015    |                 | 1.2827        |
| Net asset value per Distributor Class D shares as at 31 December 2015    |                 | 1.1598        |
| Net asset value per Accumulator Class A shares as at 31 December 2014    |                 | 1.2415        |
| Net asset value per Distributor Class B shares as at 31 December 2014    |                 | 1.1432        |
| Net asset value per Accumulator Class C shares as at 31 December 2014    |                 | 1.2414        |
| Net asset value per Distributor Class D shares as at 31 December 2014    |                 | 1.1438        |
| Net asset value per Accumulator Class A shares as at 31 December 2013    |                 | 1.0848        |
| Net asset value per Distributor Class B shares as at 31 December 2013    |                 | 1.0403        |
| Net asset value per Accumulator Class C shares as at 31 December 2013    |                 | 1.0848        |
| Net asset value per Distributor Class D shares as at 31 December 2013    |                 | 1.0406        |

**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS***For the six month period ended 30 June*

2016

|  | APS Funds Sicav p.l.c |             | APS Income         |             | APS Regular Income<br>Ethical<br>Fund |            |
|--|-----------------------|-------------|--------------------|-------------|---------------------------------------|------------|
|  | Combined Statement    |             | Fund               |             |                                       |            |
|  | 30.06.2016            | 30.06.2015  | 30.06.2016         | 30.06.2015  | 30.06.2016                            | 30.06.2015 |
|  | €                     | €           | €                  | €           | €                                     | €          |
| <b>Net assets at beginning of period</b>                   | <b>93,058,210</b>     | 68,680,197  | <b>70,367,980</b>  | 52,876,218  | <b>22,689,030</b>                     | 15,802,779 |
| Creation of shares   | <b>10,950,764</b>     | 12,284,594  | <b>8,729,787</b>   | 8,006,179   | <b>2,220,977</b>                      | 4,278,415  |
| Redemption of shares                                       | <b>(1,771,709)</b>    | (1,564,107) | <b>(1,342,062)</b> | (1,498,713) | <b>(429,647)</b>                      | (65,394)   |
| Net equalisation   | <b>51,125</b>         | 78,821      | <b>39,402</b>      | 38,316      | <b>11,723</b>                         | 40,505     |
| Net increase/(decrease) in net assets<br>during the period | <b>418,317</b>        | 4,283,058   | <b>832,944</b>     | 4,103,623   | <b>(414,627)</b>                      | 179,435    |
| <b>Net assets at end of period</b>                         | <b>102,706,707</b>    | 83,762,563  | <b>78,628,051</b>  | 63,525,623  | <b>24,077,456</b>                     | 20,235,740 |

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**

for the six month period ended 30 June 2016

|  | <b>APS Funds<br/>Sicav p.l.c<br/>Combined<br/>Statement</b> |                   | <b>APS<br/>Income<br/>Fund</b> |                   | <b>APS Regular Income<br/>Ethical<br/>Fund</b> |                   |
|--|---|-------------------|--------------------------------|-------------------|--|-------------------|
|  | <b>30.06.2016</b>   | <b>30.06.2015</b> | <b>30.06.2016</b>              | <b>30.06.2015</b> | <b>30.06.2016</b>                              | <b>30.06.2015</b> |
|  | €   | €                 | €                              | €                 | €  | €                 |
| <b>Income</b>  |   |                   |                                |                   |  |                   |
| Interest from loans and receivables                                    | 31,344  | 129,616           | 61                             | 105,533           | 31,283   | 24,083            |
| Dividend income and accrued interest                                   | 1,164,202   | 849,146           | 824,260                        | 729,598           | 339,942  | 119,548           |
| Net gain/loss on financial assets at fair value through profit or loss | 2,034,341   | 4,937,044         | 2,419,813                      | 4,480,715         | (385,472)                                      | 456,329           |
|  | <b>3,229,887</b>  | <b>5,915,806</b>  | <b>3,244,134</b>               | <b>5,315,846</b>  | <b>(14,247)</b>                                | <b>599,960</b>    |
| <b>Expenses</b>  | <b>(711,461)</b>  | <b>(467,875)</b>  | <b>(545,933)</b>               | <b>(328,418)</b>  | <b>(165,528)</b>                               | <b>(139,457)</b>  |
| <b>Net Income</b>  | <b>2,518,426</b>  | <b>5,447,931</b>  | <b>2,698,201</b>               | <b>4,987,428</b>  | <b>(179,775)</b>                               | <b>460,503</b>    |
| Finance costs-distributions to shareholders (note 6)                   | (1,945,412)   | (1,026,404)       | (1,732,392)                    | (753,176)         | (213,020)                                      | (273,228)         |
| Tax expense on income  | (154,697)   | (138,469)         | (132,865)                      | (130,629)         | (21,832)                                       | (7,840)           |
| <b>Net increase/(decrease) in net assets during the period</b>         | <b>418,317</b>  | <b>4,283,058</b>  | <b>832,944</b>                 | <b>4,103,623</b>  | <b>(414,627)</b>                               | <b>179,435</b>    |

**UNAUDITED STATEMENT OF CASH FLOWS**

for the six month period ended 30 June 2016

|   | <b>APS Funds<br/>Sicav p.l.c<br/>Combined<br/>Statement</b> |                    | <b>APS<br/>Income<br/>Fund</b> |                    | <b>APS Regular Income<br/>Ethical<br/>Fund</b> |                    |
|---|---|--------------------|--------------------------------|--------------------|--|--------------------|
|   | <b>30.06.2016</b>   | <b>30.06.2015</b>  | <b>30.06.2016</b>              | <b>30.06.2015</b>  | <b>30.06.2016</b>                              | <b>30.06.2015</b>  |
|   | <b>€</b>  | <b>€</b>           | <b>€</b>                       | <b>€</b>           | <b>€</b>                                       | <b>€</b>           |
| <b>Net cash used in operating activities</b>            | <b>(12,090,151)</b>   | <b>(9,258,493)</b> | <b>(9,140,125)</b>             | <b>(5,522,451)</b> | <b>(2,950,026)</b>                             | <b>(3,736,042)</b> |
| <b>Net cash generated from financing activities</b>     | <b>8,153,791</b>  | <b>9,866,879</b>   | <b>6,594,174</b>               | <b>5,822,503</b>   | <b>1,559,617</b>                               | <b>4,044,376</b>   |
| <b>Movements in cash and cash equivalents</b>           | <b>(3,936,360)</b>  | <b>608,386</b>     | <b>(2,545,951)</b>             | <b>300,052</b>     | <b>(1,390,409)</b>                             | <b>308,334</b>     |
| <b>Cash and cash equivalents at beginning of period</b> | <b>4,188,840</b>  | <b>2,302,149</b>   | <b>2,588,698</b>               | <b>893,736</b>     | <b>1,598,942</b>                               | <b>1,407,213</b>   |
| <b>Cash and cash equivalents at end of period</b>       | <b>252,480</b>  | <b>2,910,535</b>   | <b>42,747</b>                  | <b>1,193,788</b>   | <b>208,533</b>                                 | <b>1,715,547</b>   |

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS****1. CORPORATE INFORMATION**

APS Funds SICAV p.l.c. ("the Company") is an open-ended investment company and was incorporated as a public company with limited liability in Malta on 24 January 2008. The Company consists of two Funds, the APS Income Fund and the APS Regular Income Ethical Fund, both of which are licensed by the Malta Financial Services Authority as a Collective Investment Scheme under the Investment Services Act, 1994 [Cap. 370 of the Laws of Malta]. The APS Income Fund was launched on 22 April 2008 whilst the APS Regular Income Ethical Fund was launched on 24 May 2012.

Only the shares of the APS Income Fund are listed on the Official List of the Malta Stock Exchange.

**2. BASIS OF PREPARATION**

These unaudited condensed financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' as adopted for use in the European Union and are consistent with the accounting policies used in the preparation of the 2014 audited financial statements. They have also been prepared in accordance with the requirements of the Malta Financial Services Authority's Investment Services Rules for Retail Collective Investment Schemes. These unaudited financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit and loss.

In line with International Financial Reporting Standards, the Company presented assets and liabilities in order of their liquidity, since this presentation is reliable and more relevant to this Company. This presentation is also in line with the terms of Section 3(3) of the Third Schedule of the Companies Act, (Cap. 386 of the Laws of Malta).

Financial assets at fair value through profit and loss are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in accordance to the Investment Advisor's recommendations. All other assets and liabilities are expected to be realised within one year.

The Company maintains a separate account for each Fund, to which proceeds are credited, and against which expenses are charged. Upon redemption, shareholders are entitled only to their proportion of the net assets held in the account relating to the Fund in which their participating shares are designated. Separate Statements of Financial Position, Statements of Changes in Net Assets attributable to Shareholders of Redeemable Shares, Statements of Comprehensive Income and Statements of Cash Flows have accordingly been prepared for each Sub-Fund. All references to net assets throughout this document refer to net assets attributable to holders of redeemable shares.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Income recognition**

All distributions from financial assets included in the Statement of Comprehensive Income are recognised on the date on which the stock is quoted ex-dividend up to the Company's interim date. Interest income from financial assets not classified as fair value through profit and loss is recognised using the effective interest method.

Other gains or losses, including interest income, arising from changes in the fair value of the financial assets at fair value through profit and loss category are presented in the Statement of Comprehensive Income within 'Net gain on financial assets at fair value through profit and loss' in the year in which they arise.

**Expenses**

Expenses are accounted for on an accrual basis.

**Foreign exchange translation**

The Company's and the Sub-Funds' functional currency is the Euro.

Transactions carried out in currencies other than the functional currency, are translated at exchange rates ruling at the transaction dates. Assets and liabilities designated in currencies other than the functional currency are translated into the functional currency at exchange rates ruling at the Company's interim date. All resulting differences are taken to the Statement of Comprehensive Income.

Translation differences on financial assets held at fair value through profit and loss are reported as part of the net fair value movement.

**Distribution policy**

In the absence of unforeseen circumstances, subject to the availability of distributable profits and in the absence of exceptional market conditions, the Directors expect to distribute to shareholders, on a bi-annual basis and after the deduction of expenses, part or all of the net income available for distribution by the APS Income Fund and the APS Regular Income Ethical Fund Distributable Classes. Any undistributed income will be reflected in the net asset value per share of the Sub-Funds. Distributions are classified as finance costs in the Statement of Comprehensive Income and are recognised in the accounting period in which they are paid.

**Equalisation**

In the case of distributor shares, the Company operates an equalisation account to ensure that the amount distributed in respect of each share will be the same for all shares notwithstanding different dates of issue of those shares. Accordingly, a sum equal to that part of the issue/redemption price of a share, which reflects income (if any) accrued up to the date of issue/redemption, will be deemed to be an equalisation payment/charge and credited (in the case of share issues)/debited (in the case of share redemptions) by the Directors to the equalisation account. Part of the first distribution to holders of shares in respect of which equalisation payments are made, will be paid out of the equalisation account.

**Financial Assets****Classification**

The Company classifies its financial assets in accordance with IAS 39 into the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification is dependent on the purpose for which the investments were acquired. The Directors determine the appropriate classification of investments at the time of purchase and re-evaluate such designation at the reporting date.

- Financial assets at fair value through profit or loss are those that are designated by the Directors at fair value through profit or loss upon initial recognition. Financial instruments designated as at fair value through profit or loss upon initial recognition include equity securities and debt instruments that are not held for trading. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's documented investment strategy.
- Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Loans and receivables consist of term-deposits held with credit institutions, accrued income, other receivables and cash and cash equivalents.

**Measurement**

Purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value, and transaction costs for all financial assets carried at fair value through profit or loss are expensed as incurred.

Loans and receivables are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

**Subsequent measurement**

After initial measurement, Company measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments and interest revenue are recorded in the "Net gain or loss on financial assets at fair value through profit or loss." Dividend revenue of such instruments are recorded separately in "Dividend Revenue."

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment.

**Derecognition**

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

The fair value of financial instruments listed or dealt on a regulated market, is based on the latest available price. In the case of financial instruments which are quoted, listed or normally dealt in or under the rules of a regulated market but in respect of which, for any reason, prices on that regulated market may not be available at any relevant time, the value thereof shall be determined by reference to prices sought from dealers, brokers or pricing service providers.

**Impairment**

The Fund assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

**Share capital**

The share capital of the Sub-Funds is redeemable at the shareholders' option and is classified as a financial liability. The shares can be put back to the Sub-Funds at any dealing day for cash equal to a proportionate share of the Sub-Funds' net asset value.

The share capital is carried at the redemption amount that is payable at the balance sheet date if the shareholder exercised its right to put the share back to the Fund. Such net asset value per share would be payable in the case where the balance sheet date is a dealing day.

**Cash and cash equivalents**

For the purpose of the Statement of Cash Flow, cash and cash equivalents comprise deposits held at call with banks, net of outstanding bank overdraft, if applicable.

**Significant accounting judgements, estimates and assumptions**

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. Judgements, estimates and assumptions are continually evaluated and based on experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

**Going Concern**

The Fund's management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.



**Functional currency**

The primary objective of the Fund is to generate returns in euro, its capital-raising currency. The liquidity of the Fund is managed on a day-to-day basis in euros in order to handle the issue, acquisition and resale of the Fund's redeemable shares. The Fund's performance is evaluated in euro. Therefore, the management considers the euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of International Accounting Standard ("IAS") 1 (revised).

**4. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES****Standards, interpretations and amendments to published standards as endorsed by the European Union which are effective in the current year**

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2016. The adoption of these standards or interpretations did not have a material impact on the financial statements or performance of the Company.

- IAS 1 (Amendments) Disclosure initiative
- IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation
- IAS 16 and IAS 41 - Bearer Plants
- IAS 19 (Amendments) - Defined benefit plans: Employee contributions
- IAS 27 (Amendments) - Equity method in separate financial statements
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2012-2014 Cycle
- IFRS 11 (Amendments) Accounting for acquisitions of interests in joint operations

**Standards, interpretations and amendments to published standards that are not yet endorsed by the EU**

- IFRS 9 - Financial instruments (effective for financial years beginning on or after 1 January 2018)
- IFRS 10, IFRS 12 and IAS 28 (Amendments) Investment Entities: Applying the consolidation exception
- IFRS 14 - Regulatory deferral accounts (endorsement process not launched)
- IFRS 15 - Revenue from contracts with customers (effective for financial years beginning on or after 1 January 2018)
- IFRS 16 - Leases (effective for financial years beginning 1 January 2019)
- IFRS 10 and IAS 28 (Amendments) Sale or contributions of assets between an investor and its associate or joint venture (IASB effective date to be amended)
- IAS 12 (Amendments) - Recognition of deferred tax assets for unrealized losses (effective for financial years beginning 1 January 2017)
- IAS 7 (Amendments) - Disclosure initiative (effective for financial years beginning 1 January 2017)
- IFRS 15 (Clarifications) - revenue from contracts with customers (effective for financial years beginning on or after 1 January 2018)
- IFRS 2 (Amendments) - Classification and measurement of share-based payment transactions (effective for financial years beginning on or after 1 January 2018)

**5. NET ASSET VALUE PER SHARE**

The net asset value per distributor share of the APS Income Fund is determined by dividing net assets attributable to shareholders by the equivalent units. Equivalent units are the accumulator shares in issue multiplied by the accumulation factor plus the distributor shares in issue. As at 30 June 2016 and 31 December 2015 the accumulation factor for the APS Income Fund was 1.34697713 and 1.30885825 respectively.

The net asset value per accumulator share is determined by multiplying the distributor net asset value per share by the accumulation factor.

The net asset value per share of the APS Regular Income Ethical Fund is determined by dividing net assets attributable to a class by the number of shares in issue for the same class irrespective of the class being either an accumulation class or a distributor class.

The NAV per Redeemable Share Class is based on the net assets attributable to holders of each Class at the balance sheet date and on the year end number of shares in issue for each Class.

## 6. DIVIDEND DISTRIBUTION

Distributions reflected in the relative Statement of Comprehensive Income for the period ended 30 June 2016:

|   | Ex-dividend date | Rate per Share | Distribution paid |
|---|------------------|----------------|-------------------|
| <b>APS Income Fund Distributor Shares</b>                             | 31 December 2015 | € 1.83820      | € 844,764         |
| <b>APS Regular Income Ethical Fund Distributor Shares Class EUR B</b> | 29 March 2016    | € 0.01366      | € 103,460         |
| <b>APS Regular Income Ethical Fund Distributor Shares Class EUR D</b> | 29 March 2016    | € 0.01355      | € 109,560         |

Distributions reflected in the relative Statement of Comprehensive Income for the year ended 31 December 2015:

|   | Ex-dividend date  | Rate per Share | Distribution paid |
|---|-------------------|----------------|-------------------|
| <b>APS Income Fund Distributor Shares</b>                         | 31 December 2014  | €1.9026        | €753,176          |
| <b>APS Income Fund Distributor Shares</b>                         | 30 June 2015      | €2.0688        | €900,193          |
| <b>APS Regular Income Ethical Fund Distributor Shares B Class</b> | 31 March 2015     | €0.02299       | €154,758          |
| <b>APS Regular Income Ethical Fund Distributor Shares D Class</b> | 31 March 2015     | €0.02288       | €118,470          |
| <b>APS Regular Income Ethical Fund Distributor Shares B Class</b> | 25 September 2015 | €0.01795       | €120,862          |
| <b>APS Regular Income Ethical Fund Distributor Shares D Class</b> | 25 September 2015 | €0.01786       | €122,560          |

During the period ended 28 June 2016 a final dividend of €1.7616 per share which amounted to a distribution of € 887,627 was declared by the Directors on 28 June 2016 with respect to the distributor shares of the APS Income Fund. This declared distribution will be reflected in the Statement of Comprehensive Income for the year ending December 2016.

## 7. CASH AND CASH EQUIVALENTS

For purpose of the Statement of Cash Flows, the period end cash and cash equivalents comprise bank balances held at call as follows:

|                                 | 30.06.16 | % of net assets | 31.12.15  | % of net assets |
|---------------------------------|----------|-----------------|-----------|-----------------|
|                                 | €        |                 | €         |                 |
| APS Funds SICAV p.l.c.          | 252,480  | 0.25            | 4,188,840 | 22.22           |
| APS Income Fund                 | 42,747   | 0.05            | 2,588,698 | 27.18           |
| APS Regular Income Ethical Fund | 208,533  | 0.87            | 1,598,942 | 14.19           |

Both Funds have an overdraft facility with APS Bank Limited as follows:

The overdraft facility for APS Income Fund is of € 2,500,000 which is made up of a regular limit of € 750,000, while the additional balance of € 1,750,000 refers to occasional temporary extensions of these facilities.

As at 30 June 2016, the balance drawn on the overdraft was €351,420.

The overdraft facility for APS Regular Income Ethical Fund is of €1,000,000 which is made up of a regular limit of €250,000, while the additional balance of €750,000 refers to occasional temporary extensions of these facilities.

As at 30 June 2016, the balance drawn on the overdraft was nil.

The Company will pledge investments held by the funds as a guarantee for the repayment of all sums of money which might become due to the bank, by way of capital and interest, in relation to the respective aforesaid overdraft and other banking facilities.

**PORTFOLIO STATEMENT**

**APS INCOME FUND**

|  | <b>Market Value</b> | <b>% of net assets</b> |
|--|---------------------|------------------------|
|  | <b>30.06.2016</b>   |                        |
|  | <b>€</b>            |                        |
| <b><i>Quoted Local Equities</i></b>        |                     |                        |
| Bank of Valletta p.l.c.                    | 1,790,457           | 2.28                   |
| GO p.l.c.                                  | 114,400             | 0.15                   |
| HSBC Bank Malta p.l.c.                     | 1,514,020           | 1.93                   |
| Malita Investments p.l.c.                  | 1,204,949           | 1.53                   |
| Malta Properties Company p.l.c.            | 21,400              | 0.03                   |
| Mapfre Middlesea Insurance p.l.c.          | 330,979             | 0.42                   |
| Medsev p.l.c.                              | 1,790,000           | 2.28                   |
| Malta International Airport p.l.c.         | 3,596,852           | 4.57                   |
| Plaza Centers p.l.c.                       | 1,483,346           | 1.89                   |
| RS2 Software p.l.c.                        | 2,328,277           | 2.96                   |
| Simonds Farsons Cisk p.l.c.                | 1,197,985           | 1.52                   |
| Tigne Mall p.l.c.                          | 1,606,847           | 2.04                   |
| <b><i>Quoted Local Corporate Bonds</i></b> |                     |                        |
| 4.500% Hili Properties Plc 2025            | 31,465              | 0.04                   |
| 6.500% Island Hotels Grp Hldg 2019         | 114,007             | 0.14                   |
| 6.800% Premier Capital Plc 2020            | 771,285             | 0.98                   |
| 5.100% 6Pm Holdings Plc 2025               | 558,330             | 0.71                   |
| 6.000% Ax Investments 2024                 | 907,760             | 1.15                   |
| 4.800% Bank Of Valletta Plc 2018           | 570,386             | 0.73                   |
| 3.500% Bank Of Valletta Plc 2030           | 1,000,000           | 1.27                   |
| 4.250% Bank Of Valletta Plc 2019           | 657,639             | 0.84                   |
| 3.500% Bank Of Valletta Plc 2030           | 382,932             | 0.49                   |
| 5.350% Bank Of Valletta Plc 2019           | 312,453             | 0.40                   |
| 4.800% Bank Of Valletta Plc 2020           | 820,785             | 1.04                   |
| 4.250% Corinthia Finance Plc 2026          | 87,880              | 0.11                   |
| 6.600% Eden Finance 2020                   | 572,418             | 0.73                   |
| 4.900% Gasan Finance Company 2021          | 931,455             | 1.18                   |
| 5.000% Halmann Vella Group 2024            | 816,192             | 1.04                   |
| 4.600% Hsbc Bank Malta Plc 2017            | 347,854             | 0.44                   |
| 5.900% Hsbc Bank Malta Plc 2018            | 335,357             | 0.43                   |
| 6.000% Island Hotels Grp Hldg 2024         | 964,282             | 1.23                   |
| 5.750% International Hotel Inve 2025       | 79,169              | 0.10                   |
| 5.800% International Hotel Inve 2021       | 182,561             | 0.23                   |
| 5.800% International Hotel Inve 2023       | 340,367             | 0.43                   |
| 4.500% Izola Bank Plc 2025                 | 1,156,101           | 1.47                   |

|                                      |           |      |
|--------------------------------------|-----------|------|
| 4.500% Medserv Plc 2026              | 375,969   | 0.48 |
| 6.000% Medserv Plc 2023              | 349,781   | 0.44 |
| 7.000% Midi Malta Plc 2018           | 1,050,625 | 1.34 |
| 7.150% Mediterranean Investment 2017 | 136,224   | 0.17 |
| 6.000% Mediterranean Investment 2021 | 367,817   | 0.47 |
| 5.500% Mediterranean Investment 2020 | 627,952   | 0.80 |
| 7.150% Mediterranean Investment 2017 | 27,752    | 0.04 |
| 6.200% Mizzi 2019                    | 537,408   | 0.68 |
| 5.500% Pendergardens Dev Plc 2020    | 579,528   | 0.74 |
| 6.000% Pendergardens Dev Plc 2022    | 723,350   | 0.92 |
| 6.000% Simonds Farsons Cisk 2020     | 416,416   | 0.53 |
| 6.200% Tumas Investments 2020        | 172,238   | 0.22 |
| 5.000% Tumas Investments 2024        | 237,622   | 0.30 |
| 5.300% United Finance 2023           | 62,988    | 0.08 |

***Quoted Foreign Bonds***

|  |         |      |
|--|---------|------|
| 4.750% A2D Funding Plc 2022                | 325,122 | 0.41 |
| 3.875% Arcelik As 2021                     | 207,720 | 0.26 |
| 10.000% Barclays Bank Plc 2021             | 299,410 | 0.38 |
| 2.625% Bestgain Real Estate 2018           | 180,399 | 0.23 |
| 6.250% Bank Of India London 2021           | 200,910 | 0.26 |
| 7.750% Commerzbank Ag 2021                 | 358,723 | 0.46 |
| 0.579% Cooperatieve Rabobank Ua 2022       | 378,750 | 0.48 |
| 1.428% Credit Agricole London 2019         | 268,187 | 0.34 |
| 1.750% Emirates Telecom Group 2021         | 521,659 | 0.66 |
| 4.750% Empresa Nacional De Petr 2021       | 238,751 | 0.30 |
| 7.125% Erste Group Bank Ag 2022            | 300,778 | 0.38 |
| 1.547% General Elec Cap Corp 2023          | 179,743 | 0.23 |
| 1.013% General Elec Cap Corp 2026          | 211,427 | 0.27 |
| 2.000% Harman Finance Int Sca 2022         | 303,057 | 0.39 |
| 2.500% Korea Midland Power Co 2021         | 325,086 | 0.41 |
| 1.375% Leeds Building Society 2022         | 389,591 | 0.50 |
| 1.561% Mitsubishi Ufj Lease&Fin 2019       | 225,599 | 0.29 |
| 5.500% Perusahaan Listrik Negar 2021       | 244,313 | 0.31 |
| 8.000% Provident Financial Plc 2019        | 283,331 | 0.36 |
| 2.100% Royal Bank Of Canada 2020           | 91,517  | 0.12 |
| 2.350% Royal Bank Of Canada 2020           | 370,501 | 0.47 |
| 3.625% Royal Bank of Scotland Grp Plc 2024 | 243,750 | 0.31 |
| 1.585% Sinopec Grp Oversea 2014 2019       | 268,714 | 0.34 |
| 2.750% Xerox Corporation 2020              | 216,135 | 0.27 |
| 5.250% Yapi Ve Kredi Bankasi As 2018       | 233,852 | 0.30 |
| 2.050% Manitoba Provinz 2020               | 463,706 | 0.59 |

**Quoted MGS Bonds (1 to 5 years)**

|                     |         |      |
|---------------------|---------|------|
| 2.000% MGS 2020 (V) | 107,590 | 0.14 |
|---------------------|---------|------|

**Quoted MGS Bonds (5 to 15 years)**

|                      |           |      |
|----------------------|-----------|------|
| 5.000% MGS 2021      | 31,799    | 0.04 |
| 4.300% MGS 2022 (ii) | 18,425    | 0.02 |
| 1.500% MGS 2022 (IV) | 106,350   | 0.14 |
| 5.100% MGS 2022      | 22,872    | 0.03 |
| 5.500% MGS 2023      | 667,898   | 0.85 |
| 3.300% MGS 2024 (I)  | 100,489   | 0.13 |
| 4.800% MGS 2028 (I)  | 2,649,482 | 3.37 |
| 4.500% MGS 2028 (II) | 1,451,274 | 1.85 |
| 2.300% MGS 2029 (II) | 110,520   | 0.14 |
| 5.100% MGS 2029 (I)  | 1,067,661 | 1.36 |
| 5.250% MGS 2030 (I)  | 7,623,503 | 9.70 |

**Quoted MGS Bonds (over 15 years)**

|                      |           |      |
|----------------------|-----------|------|
| 5.200% MGS 2031 (I)  | 2,922,050 | 3.72 |
| 4.650% MGS 2032 (I)  | 283,100   | 0.36 |
| 4.450% MGS 2032 (II) | 1,575,859 | 2.00 |
| 4.300% MGS 2033 (I)  | 2,730,122 | 3.47 |
| 4.100% MGS 2034 (I)  | 3,549,563 | 4.51 |
| 2.500% MGS 2036 (I)  | 101,561   | 0.13 |
| 3.000% MGS 2040 (I)  | 762,948   | 0.97 |

**Foreign Government Bonds**

|                                   |           |      |
|-----------------------------------|-----------|------|
| 5.500% Kingdom of Bahrain 2020    | 92,458    | 0.12 |
| 3.125% Bulgaria 2035              | 470,500   | 0.60 |
| 3.375% Republic of Indonesia 2025 | 256,569   | 0.33 |
| 4.875% Republic of Indonesia 2021 | 195,777   | 0.25 |
| 3.375% United Mexican States 2031 | 542,040   | 0.69 |
| 1.950% Kingdom of Spain 2030      | 1,048,854 | 1.33 |
| 3.750% Republic of Peru 2030      | 543,893   | 0.69 |
| 2.875% Republic of Portugal 2026  | 988,260   | 1.26 |

**Term Deposits**

|                   |           |      |
|-------------------|-----------|------|
| APS Bank Limited  | 5,310,000 | 6.75 |
| FIMBank p.l.c.    | 458,956   | 0.58 |
| Izola Bank p.l.c. | 1,125,854 | 1.43 |

**APS REGULAR INCOME ETHICAL FUND**

|                                     | <b>Market Value<br/>30.06.2016<br/>€</b> | <b>% of net assets</b> |
|-------------------------------------|--|------------------------|
| <b><i>Quoted Foreign Equity</i></b> |  |                        |
| Aberdeen Asset Mgmt p.l.c.          | 96,154                                   | 0.40                   |
| Adidas Ag                           | 340,393                                  | 1.41                   |
| Allianz Se Reg                      | 79,236                                   | 0.33                   |
| Anheuser-Busch Inbev Sa             | 117,600                                  | 0.49                   |
| Ashtead Group p.l.c.                | 121,629                                  | 0.51                   |
| AT&T Inc                            | 38,895                                   | 0.16                   |
| Atlantia Spa                        | 278,507                                  | 1.16                   |
| Axa Sa                              | 151,343                                  | 0.63                   |
| Bayer Ag Reg                        | 109,800                                  | 0.46                   |
| Bhp Billiton p.l.c. Adr             | 95,951                                   | 0.40                   |
| Bayerische Motoren Werke Ag         | 263,160                                  | 1.09                   |
| Bnp Paribas                         | 147,094                                  | 0.61                   |
| Bolsas Y Mercados Espanoles         | 32,552                                   | 0.14                   |
| British Land Co p.l.c.              | 31,042                                   | 0.13                   |
| Cap Gemini                          | 234,600                                  | 0.97                   |
| Endesa Sa                           | 180,300                                  | 0.75                   |
| Experian p.l.c.                     | 101,943                                  | 0.42                   |
| Industria De Diseno Textil          | 179,460                                  | 0.75                   |
| Intel Corp                          | 138,765                                  | 0.58                   |
| JPMorgan Chase & Co                 | 195,771                                  | 0.81                   |
| Marks & Spencer Group p.l.c.        | 46,019                                   | 0.19                   |
| Novartis Ag Reg                     | 111,086                                  | 0.46                   |
| Orange                              | 137,317                                  | 0.57                   |
| Procter & Gamble Co/The             | 160,051                                  | 0.66                   |
| Roche Holding Ag Genusschein        | 260,295                                  | 1.08                   |
| Sanofi                              | 299,680                                  | 1.24                   |
| Sap Se                              | 335,800                                  | 1.39                   |
| Sgs Sa Reg                          | 205,679                                  | 0.85                   |
| Shire Pharmaceuticals Stock ADR     | 12,278                                   | 0.05                   |
| Taylor Wimpey p.l.c.                | 78,802                                   | 0.33                   |
| Vodafone Group p.l.c.               | 191,751                                  | 0.80                   |
| <b><i>Quoted Foreign Bonds</i></b>  |  |                        |
| 3.625% Anglo American Capital 2020  | 430,716                                  | 1.79                   |
| 1.561% AT&T Inc 2020                | 312,182                                  | 1.30                   |
| 5.125% Axa Sa 2043                  | 171,383                                  | 0.71                   |
| 1.265% Bank Of Montreal 2018        | 360,877                                  | 1.50                   |
| 3.250% Barclays p.l.c. 2021         | 268,296                                  | 1.11                   |

|                                       |         |      |
|---------------------------------------|---------|------|
| 4.125% Banco Nac De Desen Econo 2017  | 201,860 | 0.84 |
| 1.197% Bank Of New York Mellon 2018   | 180,883 | 0.75 |
| 1.516% Bank Of America Corp 2019      | 179,635 | 0.75 |
| 2.412% Bank Of America Corp 2020      | 91,102  | 0.38 |
| 2.400% Citigroup Inc 2020             | 227,362 | 0.94 |
| 7.500% Cloverie (Zurich Ins) 2039     | 231,688 | 0.96 |
| 7.750% Commerzbank Ag 2021            | 358,723 | 1.49 |
| 1.428% Credit Agricole London 2019    | 268,187 | 1.11 |
| 3.125% Credit Suisse Gp Fun Ltd 2020  | 269,240 | 1.12 |
| 1.125% Deutsche Bank Ag 2025          | 192,388 | 0.80 |
| 7.125% Erste Group Bank Ag 2022       | 360,934 | 1.50 |
| 1.726% Goldman Sachs Group Inc 2018   | 180,023 | 0.75 |
| 2.274% Goldman Sachs Group Inc 2023   | 178,339 | 0.74 |
| 2.000% Harman Finance Int Sca 2022    | 252,548 | 1.05 |
| 1.266% Hsbc Bank p.l.c. 2018          | 358,776 | 1.49 |
| 2.200% Jpmorgan Chase & Co 2019       | 274,575 | 1.14 |
| 3.000% Macquarie Group Ltd 2018       | 231,321 | 0.96 |
| 5.921% Mapfre Sa 2037                 | 408,000 | 1.69 |
| 10.090% Morgan Stanley 2017           | 137,671 | 0.57 |
| 2.650% Morgan Stanley 2020            | 228,601 | 0.95 |
| 6.250% Munich Re 2042                 | 361,766 | 1.50 |
| 3.500% Ote p.l.c. 2020                | 247,625 | 1.03 |
| 3.625% Royal Bk Scotlnd Grp Plc 2024  | 292,500 | 1.21 |
| 6.500% Selecta Group Bv 2020          | 164,076 | 0.68 |
| 6.250% Telenet Finance V 2022         | 213,337 | 0.89 |
| 6.950% Unicredit Spa 2022             | 338,700 | 1.41 |
| 1.625% Wells Fargo & Company 2025     | 210,845 | 0.88 |
| 1.692% Wells Fargo & Company 2020     | 223,876 | 0.93 |
| 1.378% Westpac Banking Corp 2018      | 180,396 | 0.75 |
| 3.750% Fiat Chrysler Automobile 2024  | 405,848 | 1.69 |
| 7.625% Obrascon Huarte Lain Sa 2020   | 224,375 | 0.93 |
| 2.375% Peugeot Sa 2023                | 408,478 | 1.70 |
| 3.750% Rio Tinto Fin Usa Ltd 2021     | 193,029 | 0.80 |
| 1.092% Statoil Asa 2018               | 311,753 | 1.29 |
| 4.500% Transalta Corp 2022            | 412,376 | 1.71 |
| 5.625% Unitymedia Hessen / Nrw 2023   | 169,533 | 0.70 |
| 3.250% Vallourec Sa 2019              | 270,666 | 1.12 |
| 2.500% Vodafone Group Plc 2022        | 266,798 | 1.11 |
| 2.750% Xerox Corporation 2019         | 222,109 | 0.92 |
| 5.500% Zagrebacki Holding Doo 2017    | 200,006 | 0.83 |
| 10.500% European Investment Bank 2017 | 279,486 | 1.16 |
| 14.000% European Investment Bank 2016 | 172,141 | 0.71 |



|                                      |         |      |
|--------------------------------------|---------|------|
| 4.000% European Investment Bank 2020 | 143,808 | 0.60 |
| 8.500% European Investment Bank 2019 | 92,967  | 0.39 |
| 7.500% Inter-American Devel Bk 2024  | 218,890 | 0.91 |

***Quoted MGS Bonds (5 to 15 years)***

|                      |         |      |
|----------------------|---------|------|
| 1.500% MGS 2022 (IV) | 106,350 | 0.44 |
| 4.500% MGS 2028 (II) | 271,520 | 1.13 |
| 2.300% MGS 2029 (II) | 110,520 | 0.46 |
| 4.650% MGS 2032 (I)  | 141,550 | 0.59 |
| 4.450% MGS 2032 (II) | 178,116 | 0.74 |
| 4.300% MGS 2033 (I)  | 136,910 | 0.57 |
| 4.100% MGS 2034 (I)  | 444,448 | 1.85 |
| 2.500% MGS 2036 (I)  | 101,561 | 0.42 |
| 3.000% MGS 2040 (I)  | 23,375  | 0.10 |

***Foreign Government Bonds***

|                                    |         |      |
|------------------------------------|---------|------|
| 3.125% Bulgaria 2035               | 329,350 | 1.37 |
| 1.950% Kingdom of Spain 2030       | 524,427 | 2.18 |
| 3.750% Republic Of Peru 2030       | 385,469 | 1.60 |
| 4.000% Poland Government Bond 2023 | 98,571  | 0.41 |
| 2.875% Republic Of Portugal 2026   | 345,891 | 1.44 |

***Collective Investment Schemes***

|                   |         |      |
|-------------------|---------|------|
| Etica Azionario I | 640,528 | 2.66 |
|-------------------|---------|------|

***Term Deposits***

|                   |           |      |
|-------------------|-----------|------|
| APS Bank Limited  | 1,752,338 | 7.28 |
| Izola Bank p.l.c. | 700,000   | 2.91 |

*Statement of Changes in the Composition of the Portfolio*

The composition of the portfolio, detailed in the Portfolio Statement on page 19, in comparison with the Portfolio Statement as at 31 December 2014 stood as follows:

|                               | <b>% of<br/>net assets<br/>30.06.2016</b> | <b>% of<br/>net assets<br/>31.12.2015</b> |
|-------------------------------|---|---|
| <b>APS Income Fund</b>        |   |   |
| Quoted Local Equities         | <b>21.59</b>                              | 17.93                                     |
| Quoted Local Corporate Bonds  | <b>22.39</b>                              | 21.25                                     |
| Quoted Malta Government Bonds | <b>32.92</b>                              | 35.40                                     |
| Foreign Government Bonds      | <b>5.26</b>                               | -   |
| Quoted Foreign Bonds          | <b>9.32</b>                               | 11.24                                     |
| Term Deposit                  | <b>8.77</b>                               | 10.68                                     |

|  | <b>% of<br/>net assets<br/>30.06.2016</b> | <b>% of<br/>net assets<br/>31.12.2015</b> |
|--|---|---|
| <b>APS Regular Income Ethical Fund</b> |   |   |
| Quoted Foreign Equity                  | <b>19.82</b>                              | 10.36                                     |
| Quoted Foreign Bonds                   | <b>52.25</b>                              | 55.11                                     |
| Quoted Malta Government Bonds          | <b>6.29</b>                               | 5.41                                      |
| Foreign Government Bonds               | <b>6.99</b>                               | -   |
| Foreign Collective Investment Schemes  | <b>2.66</b>                               | 3.24                                      |
| Term Deposit                           | <b>10.19</b>                              | 7.42                                      |

## Information about the Scheme

### 1. AUTHORISATION

The Company is licensed by the Malta Financial Services Authority as a Collective Investment Scheme pursuant to Section 6 of the Investment Services Act [Cap. 370 of the Laws of Malta].

### 2. INCOME

In the case of the distributor class of shares, the Company operates an equalisation account to ensure that the amount distributed in respect of each share will be the same for all shares notwithstanding different dates of issue of those shares. In the case of the accumulator class of shares, all income is accumulated within the price of the shares, and therefore, no equalisation is required.

### 3. UP-FRONT CHARGE AND OTHER FEES

#### *APS Income Fund*

##### *Initial Fee*

An initial charge of 1.50%, on the amount invested.

#### *APS Regular Income Ethical Fund*

##### *Initial Fee*

An initial charge of up to 3.5% of the amount invested in Class A - Accumulator/Class B - Distributor shares.

An initial charge of up to 5% of the amount invested in Class C - Accumulator/Class D - Distributor shares.

##### *Management fee*

Under the terms of an agreement dated 1 February 2008 (revised 28 May 2012), the Company appointed APS Bank Limited, to provide management services for fees.

The Manager, APS Bank Limited, receives a management fee of 0.75% per annum of the net asset value of the APS Income Fund.

In the case of APS Regular Income Ethical Fund, the manager receives a management fee of 1% per annum of the net asset value attributable to the Class A and B shares, and 1.3% per annum of the net asset value attributable to the Class C and D shares. For the period ending 30<sup>th</sup> June 2015 the management fee was of 0.93% per annum for Class A and B shares and 1.00% per annum for Class C and D shares.

##### *Administration fee*

Under the terms of an agreement dated 1 February 2008 (revised 28 May 2012 and 22 October 2012) the Company appointed Valletta Fund Services Limited as Administrator to the Company to provide administration services.

The Administrator, Valletta Fund Services Limited, receives for its services, a fee calculated as 0.13% per annum of the net asset value of the APS Income Fund. This fee is subject to a minimum fee of € 25,000 per annum and a maximum fee of €42,000 per annum.

In respect of the APS Regular Income Ethical Fund, the Administrator receives for its services a fee calculated as 0.13% per annum of the net asset value. This fee is subject to a minimum fee of € 21,000 per annum and a maximum fee of €38,000 per annum.

#### *Custodian fee*

Under the terms of an agreement dated 1 February 2008 (revised 28 May 2012), the Company appointed Bank of Valletta p.l.c. as Custodian, to provide custody services. The Custodian receives a custody fee of 0.03% per annum of the net asset value of the APS Income Fund with a minimum annual fee of € 11,000 and a fee of 0.03% per annum of the net asset value of the APS Regular Income Ethical Fund with a minimum annual fee of € 10,000.

#### **4. TAX EXPENSE**

The tax regime for collective investment schemes is based on the classification of funds into prescribed or non-prescribed funds in terms of the conditions set out in the Collective Investment Schemes (Investment Income) Regulations, 2001 as amended. In general, a prescribed fund is defined as a resident fund, which has declared that the value of its assets situated in Malta amount to at least 85% of the value of the total assets of the fund. The APS Income Fund which is classified as a prescribed fund for income tax purposes, would be subject to Maltese tax on its investment income as defined in the Income Tax Act, at a rate of 10% or 15% depending on the nature of the income. No tax on capital gains should be incurred by resident investors upon the disposal of units in such a fund.

In respect of distributions by the Company to the shareholders, dividends paid from Malta source taxed profits, Malta source profits which are exempt from tax up to the level of the ultimate shareholder, or profits received by the Company from the foreign income account of another Maltese company should not be subject to a withholding tax or to a further tax in the hands of the shareholders.

Distributions from the Company's Untaxed Account to a Maltese resident person (other than a person) or to a non-resident person who is owned and controlled by, directly or indirectly, or who acts on behalf of a person who is ordinarily resident and domiciled in Malta should, inter alia, be subject to a withholding tax of 15%. This withholding tax should be deducted by the Company and the dividend would be passed on to the Shareholders net of the tax. The Maltese resident individual investor may opt to declare such dividends paid from the Untaxed Account of the Company in his/her income tax return and in that case the 15% withholding tax would be available as a credit (or a refund, as the case may be) against the individual's tax liability.

Distributions from the Company's equalisation reserve are treated as dividends for income tax purposes and are likely to be subject to a withholding tax of 15% when paid to a Maltese resident person (other than a company).

In case of the Company's foreign investments, any capital gains, dividends, interest and other gains or profits may be subject to tax imposed by the country of origin concerned and such taxes may not be recoverable by the Company or by its shareholders.

## 5. RISK WARNINGS

### *Market Fluctuations*

Investment in the Fund should be regarded as a long-term investment. The Fund's investments are subject to normal market fluctuations and the risks inherent in all investments and there are no assurances that capital appreciation will occur.

The price of shares and the income derived from them (if any) can, from time to time, go down as well as up and investors may not realise the amount of their initial investment.

Past performance is no guarantee of future performance.

The value of the Fund, including the currency in which it is determined, may fall as well as rise.

### *Erosion of Capital*

When redeeming a holding in the Funds, or part thereof, an investor should be aware that these redemptions will be made from the sale of shares in the Funds and may result in an erosion of capital.

In addition, deduction of the initial charge (where applicable) means that if an investor withdraws from the investment in the short-term he may not get back the amount he invested. Hence, investment in the Funds should be regarded as a long-term investment.

### *Currency Fluctuations*

Currency fluctuations between the base currency of the Fund, and

(i) the investor's currency of reference, and,

(ii) the currency of the underlying investments of the Fund, may adversely affect the value of investments and the income (if any) derived therefrom.

### *Investment on the Malta Stock Exchange*

The Funds may invest in equity and debt securities quoted on the Malta Stock Exchange, which is a relatively new market, when compared to more established markets. In addition, the investments that can be made on the Malta Stock Exchange are limited. This may lead to an exposure to a particular security or industry sector, which is higher than that normally associated with a diversified portfolio. This may expose the Funds to higher levels of volatility and may adversely affect the performance of the Funds. Despite the fact that such securities are listed, the market in these securities may be illiquid.

Some Maltese companies listed on the Malta Stock Exchange impose, through their constitutional documents, a ceiling on the equity holding that any one particular investor may, directly or indirectly hold in such companies. In this respect investors should be aware that the Investment Manager might be restricted in implementing the Fund's investment policies by virtue of such impositions.

The trading volumes on emerging Stock Exchanges such as the Malta Stock Exchange are substantially less than the world's leading stock markets. Accordingly the buying and selling of securities may be time consuming and may need to be effected at unfavourable prices. Although it is not envisaged that this should create any difficulty in valuing the Funds' investments, reduced secondary market liquidity may have an adverse effect on the market price of such securities and the Company's ability to dispose of particular securities to meet its liquidity requirements.

### *Exposure to a single market*

The APS Income Fund invests its assets predominately in the Maltese market and thus the degree of market diversification is limited to such market. Therefore, the performance of the Fund is closely linked to the performance of the Maltese market.

***Investments in smaller companies***

The Funds may invest in the securities of smaller companies, which securities can involve greater risk than is customarily associated with investment in larger, more established companies. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on one or two key individuals. This may result in investments in such markets being volatile.

***Investments in unquoted companies***

Funds investing in the securities of unquoted companies can be subject to risks not normally associated with quoted securities. These risks are mainly related to the illiquidity of the market.

**6. SCHEME PARTICULARS**

The above details are extracted from the APS Funds SICAV p.l.c. Prospectus, the APS Income Fund Supplement, and the APS Regular Income Ethical Fund Supplement dated 24<sup>th</sup> April 2015. All these documents are available upon request from the Investment Manager, and were current at the date of publishing of this Interim Report and Unaudited Financial Statements. Persons wishing to invest in the APS Income Fund and/or the APS Regular Income Ethical Fund should do so on the basis of the full information contained in the Prospectus and relative Supplement.

**7. MANAGER'S STATEMENT**

In the opinion of the Manager, this Interim Report and Unaudited Financial Statements contain all the information necessary to enable the investors to make an informed judgment of the results and activities of the Company for the period ended 30 June 2016, and does not omit any matter or development of significance.