

Momentum Sterling Balanced Fund IC Limited

Annual Report and Audited Financial Statements for the year ended 30 June 2021

Momentum Sterling Balanced Fund IC Limited
Annual Report and Audited Financial Statements for the year ended 30 June 2021

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General Information

Address and Registered Office

PO Box 255
Trafalgar Court, Les Banques
St Peter Port, Guernsey
Channel Islands
GY1 3QL

Investment Manager

Momentum Global Investment Management Limited
The Rex Building
62 Queen Street
London
EC4R 1EB
United Kingdom

Distribution Partner

Momentum Wealth International Limited
La Plaiderie House
La Plaiderie
St Peter Port, Guernsey
Channel Islands
GY1 1WF

Manager

Momentum Wealth International Limited
La Plaiderie House
La Plaiderie
St Peter Port, Guernsey
Channel Islands
GY1 1WF

Custodian

Northern Trust (Guernsey) Limited
PO Box 71
Trafalgar Court
Les Banques
St Peter Port, Guernsey
Channel Islands
GY1 3DA

Directors of the Incorporated Cell

Robert Alastair Rhodes
Roxanne Power
Marie Curutchet
Ferdinand van Heerden
Kapil Joshi (appointed 23 February 2021)

Administrator, Registrar & Secretary

Northern Trust International Fund Administration
Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St Peter Port, Guernsey
Channel Islands
GY1 3QL

Legal Advisor

Carey Olsen
Carey House
Les Banques
St Peter Port, Guernsey
Channel Islands
GY1 4BZ

Independent Auditor

Ernst & Young LLP
PO Box 9
Royal Chambers
St Julian's Avenue
St Peter Port, Guernsey
Channel Islands
GY1 4AF

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Investment Manager's Report

Global equities enjoyed a strong second quarter, rising 7.4% in sterling terms to add to the 3.4% gains they recorded in Q1. Emerging markets lagged developed markets for the second successive quarter, up 5.1%, due to stuttering vaccination programmes. Credit spreads tightened, resulting in reasonable returns for corporate credit, while global property securities outperformed.

Momentum Sterling Balanced Fund IC Limited (the "Fund") retains a meaningful allocation to equities, listed property and infrastructure and corporate credit and therefore participated in these returns. Relative gains were driven by fixed income and property, however these were offset by our overall asset allocation, mainly within equities.

In the fixed income component, the long end of the yield curve (bonds with a longer time to maturity) outperformed the front end, where yields rose in response to the Federal Reserve's (the "Fed") hawkish shift in June, as Fed governors acknowledged that inflation pressures may prompt them to raise interest rates sooner than they had expected. This favoured our positioning in longer maturity bonds. Our allocation to emerging market debt also performed well, as spreads tightened over the quarter, with investors happy to pay more for these bonds as belief in a coordinated global recovery strengthened.

Sequoia Economic Infrastructure Income Fund, our infrastructure loans specialist, outperformed meaningfully over the quarter. The trust continues to pay a 6% dividend yield, which seems reasonable value to us given the managers' strong track record, including through the crisis. One of the notable changes they have made to the portfolio in recent years is to increase the exposure to digital infrastructure. The sector represents around 18% of the portfolio today, spanning data centres, sub-sea fibre, telecom towers and broadband.

Schroders Real Estate Investment Trust was another notable performer, returning 24.1% this quarter. The NAV return was 5.3% due to an uplift in the value of their property portfolio, and there was also a further 3% dividend increase. Rent collections have been improving significantly since lockdowns were first announced, and have now reached 90% levels.

Within equity, our allocation to UK markets was a relative laggard as the UK market underperformed the US by 2.9%. Nonetheless, our growth managers such as Sands and Jennison delivered strong relative performance. Jennison's returns were driven by stock selection with Chinese pharmaceutical company Wuxi Biologics a notable contributor. While being mainly based in China, the company is expanding globally and also has sites in the US, Germany and Singapore among others. The company provides an open-access platform for pharmaceutical and biotech companies, including laboratory and manufacturing services, and its services have been in high demand with the production of the COVID-19 vaccine. The company raised 2021 revenue guidance significantly to 65% year on year, reflecting not only growth in COVID-19 related projects but also the faster than expected recovery in its non COVID-19 business.

Over the past 12 months, the key contributors to performance have been equity manager selection and positioning within fixed income. On the former, our top performing equity manager was deep value specialist Contrarius with an impressive return of 158.5% over the 12 month period in US dollar terms. The manager delivered significant alpha through stock selection within the Consumer Discretionary Sector, as well as in the Materials Sector with exposure to profitable miners of metals such as copper which were in high demand. At the other end of the spectrum, our small cap growth manager Granahan was also a strong performer, delivering 60.9% over the period. The drivers of return in this instance were from highly innovative technology companies which have benefitted from the increase in people working from home online during the pandemic. With regards to the fixed income component of the Cell, loans and emerging market debt positions have added significant value over the past year.

Global equities have added 12% over the first half of the year and within that we've seen a significant rotation into energy and financials, with the former up 30% and the latter up just less than 20%. The recent rise in COVID-19 cases around the world has been significant, prompting countries including the US, Japan, Australia and South Africa to introduce additional restrictions. However, the latest data from the UK, where the dominant strain is the more transmissible delta variant and where social restrictions are markedly relaxed compared to where they were at the start of the year, is promising, with declining ratios of hospitalisations and deaths to COVID-19 cases.

The latest data has not changed our view that vaccine programmes offer a credible path out of the pandemic for economies. We cannot rule out the chance that equity markets consolidate following their strong start to the year. However, when we look at what we expect to earn from companies in terms of their future earnings and cashflows, and compare that to prevailing share prices, we think equities and other economically sensitive assets continue to offer good returns from here, notwithstanding bouts of volatility.

Momentum Sterling Balanced Fund IC Limited
Annual Report and Audited Financial Statements for the year ended 30 June 2021

Directors' Report

The Directors present their annual report together with the audited financial statements of Momentum Sterling Balanced Fund IC Limited (the "Incorporated Cell" or "Cell") for the year ended 30 June 2021.

Principal activities

The Cell with company number 46314, is a Guernsey registered, Limited Liability Incorporated Cell of Momentum Mutual Fund ICC Limited (the "Company"). The activities and objectives of the Cell can be found in note 1 on page 15.

Going concern

The Directors have made an assessment of going concern including consideration of the ongoing impact of the COVID-19 global pandemic on the Cell. Refer to note 2 for the detailed disclosure.

Directors

The Directors of the Cell during the year and at the date of this report are set out on page 3.

Directors interests

None of the Directors who held office during the year and at the date of this report had any disclosable interests in the shares of the Incorporated Cell.

Directors' responsibilities

The Directors are responsible for preparing the financial statements for each financial year, which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards, of the state of affairs of the Incorporated Cell and of the profit or loss of the Incorporated Cell for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Incorporated Cell will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Incorporated Cell and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008 and The Protection of Investors (Bailiwick of Guernsey) Law, 1987. They are also responsible for safeguarding the assets of the Incorporated Cell and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each Director is aware, there is no relevant audit information of which the Incorporated Cell's auditor is unaware and each Director has taken all the steps they ought to have as a Director to make themselves aware of any relevant audit information and to establish that the Incorporated Cell's auditor is aware of that information.

The Board of Directors confirms that, throughout the period covered by the financial statements, the Cell complied with the Code of Corporate Governance issued by the Guernsey Financial Services Commission, to the extent it was applicable based upon its legal and operating structure and its nature, scale and complexity.

The annual report together with the audited financial statements of the Incorporated Cell are published on the Manager's website. The Manager is responsible for the maintenance and integrity of the website; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may occur to the financial statements after they are initially presented on the website. The Directors appreciate there is uncertainty regarding legal requirements of information published on the internet as it is accessible in many countries and legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors

Ernst & Young LLP have indicated their willingness to continue in office. The reappointment of Ernst & Young LLP will be proposed within the next written resolution to deal with annual business.



Marie Curutchet
Director



Robert Rhodes
Director

3 November 2021

Momentum Sterling Balanced Fund IC Limited

Annual Report and Audited Financial Statements for the year ended 30 June 2021

Independent Auditor's Report to the Members of Momentum Sterling Balanced Fund IC Limited

Opinion

We have audited the financial statements of Momentum Sterling Balanced Fund IC Limited (the "Incorporated Cell") for the year ended 30 June 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Net Assets Attributable to Holders of Participating Redeemable Shares, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the Incorporated Cell's affairs as at 30 June 2021 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with International Financial Reporting Standards; and
- ▶ have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008 and Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 are independent of the Incorporated Cell in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Incorporated Cell's ability to continue as a going concern for a period to 31 December 2022 from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Incorporated Cell's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- ▶ proper accounting records have not been kept by the Incorporated Cell; or
- ▶ the financial statements are not in agreement with the Incorporated Cell's accounting records and returns; or
- ▶ we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Incorporated Cell'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 the directors either intend to liquidate the Incorporated Cell or to cease operations, or have no realistic alternative but to do so.

Momentum Sterling Balanced Fund IC Limited

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Independent Auditor's Report to the Members of Momentum Sterling Balanced Fund IC Limited (continued)

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 (UK) 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the Incorporated Cell and determined that the most significant are those that relate to the reporting framework (International Financial Reporting Standards, The Companies (Guernsey) Law, 2008 and Protection of Investors (Bailiwick of Guernsey) Law, 1987);
- ▶ We understood how the Incorporated Cell is complying with those frameworks by making enquiries of management and those responsible for compliance matters and corroborated this by reviewing minutes of meetings of the Board of Directors and correspondence between the Incorporated Cell and the Guernsey Financial Services Commission. We gained an understanding of the Board's approach to governance, demonstrated by its review of compliance reports, the investment manager's reports and internal control processes;
- ▶ We assessed the susceptibility of the Incorporated Cell's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by identifying the recognition of realised gains and losses on investments at year-end (cut-off) as a fraud risk. We considered the controls the Incorporated Cell has established to address the risk identified by the directors or that otherwise seek to prevent, detect or deter fraud and how management and those charged with governance monitor those controls. We also considered the existence of any stakeholder influences which may cause management to seek to manipulate the financial performance and did not note any;
- ▶ Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the review of minutes of meetings of the Board of Directors; review of compliance reports; review of correspondence with the Guernsey Financial Services Commission; making inquiries of those charged with governance; and performance of journal entry testing based on our risk assessment and understanding of the business, with a focus on non-standard journals and those relating to areas with an identified associated fraud risk, as described above.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Incorporated Cell's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so This report is made solely to the Incorporated Cell's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law 2008 and Paragraph 4.02(3) of the Authorised Collective Investment Schemes (Class B) Rules, 2013. Our audit work has been undertaken so that we might state to the Incorporated Cell's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Incorporated Cell and the Incorporated Cell's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Ernst & Young LLP
Guernsey, Channel Islands

Date: **November 9, 2021**

Notes:

1. The maintenance and integrity of the Momentum Mutual Fund ICC Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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Custodian's Report to the Members of Momentum Sterling Balanced Fund IC Limited (the "Incorporated Cell" or "Cell")

In our opinion, the Cell has, in all material aspects, been managed for the year ended 30 June 2021 in accordance with the provisions of the Principal Documents, Scheme Particulars and The Authorised Collective Investment Schemes (Class B) Rules 2013.

A handwritten signature in black ink, appearing to read "Nadia Leary-Brown". The signature is written in a cursive, flowing style.

For and on behalf of
Northern Trust (Guernsey) Limited

3 November 2021

Momentum Sterling Balanced Fund IC Limited

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Supplementary Information

	30.06.21	30.06.20
1. NUMBER OF SHARES OUTSTANDING		
Class A	5,688,255	5,830,100
Class B	11,653	12,537
2. NET ASSET VALUE PER SHARE - GBP		
Class A	1.86	1.65
Class B	1.76	1.57
3. HIGHEST/LOWEST PRICE - GBP*		
Class A	1.88 / 1.63	1.84 / 1.40
Class B	1.77 / 1.55	1.75 / 1.34
4. NUMBER OF SHARES SUBSCRIBED		
Class A	438,319	465,467
Class B	-	-
5. NUMBER OF SHARES REDEEMED		
Class A	580,164	114,434
Class B	884	126,571

*The highest/lowest price is based on prices from prior year end to current year end, being 30.06.2021.

Momentum Sterling Balanced Fund IC Limited

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Portfolio Statement

	Holding	Fair Value <u>GBP</u>	% of Net Assets
Financial assets at fair value through profit or loss			
Equities: 3.31% (2020: 2.67%)			
Property			
Ediston Property Investment Company	332,770	225,618	2.12
Schroder Real Estate Investment Trust	259,148	126,464	1.19
Total Property		<u>352,082</u>	<u>3.31</u>
Government Bonds: 13.55% (2020: 14.74%)			
United Kingdom Treasury Gilt 0.875% 22/10/2029	410,000	417,171	3.93
United States Treasury Inflation Indexed Bonds 0.625% 15/02/2043	345,000	347,018	3.27
United States Treasury Inflation Indexed Bonds 0.125% 15/01/2030	400,000	330,173	3.11
United States Treasury Note/Bond 1.625% 15/08/2029	465,000	344,334	3.24
Total Government Bonds		<u>1,438,696</u>	<u>13.55</u>
Collective Investment Schemes: 72.87% (2020: 73.97%)			
Commodities Funds			
iShares Gold Producers UCITS ETF	10,000	107,084	1.01
iShares Physical Gold ETF	11,235	279,877	2.63
Total Commodities Funds		<u>386,961</u>	<u>3.64</u>
Equity Funds			
iShares Core EURO STOXX 50 UCITS ETF	1,926	225,854	2.13
iShares Core FTSE 100 UCITS ETF	109,057	749,996	7.06
iShares Core MSCI Japan IMI UCITS ETF	3,561	132,541	1.25
iShares Emerging Markets Index Fund	19,266	275,388	2.59
iShares FTSE 250 UCITS ETF	22,896	483,829	4.55
Momentum GF Global Equity Fund	12,187	1,622,756	15.27
RWC Income Opportunities Funds GBP Class	2,246	445,886	4.20
Sands Capital Funds - Sands Emerging Markets Growth Fund	11,610	198,933	1.87
Schroder Recovery Fund - Z Accumulating	411,353	496,915	4.68
TB Wise Investment Funds - Evenlode Income	255,098	920,472	8.66
Total Equity Funds		<u>5,552,570</u>	<u>52.26</u>
Fixed Income Funds			
Aviva Investors - Global Convertibles Fund Class Iyh Acc GBP	0.105	14	-
AXA Fixed Interest ICVC - US Short Duration High Yield Fund	234,458.137	359,424	3.38
iShares Bond 0-5yr UCITS ETF GBP Dist ETF	3,385	361,935	3.41
iShares Emerging Markets Government Bond Index Fund Class Institutional Acc USD	21,773	187,381	1.76
iShares JP Morgan \$ Emerging Markets Bond UCITS ETF	1,500	120,857	1.14
Jupiter Global Emerging Markets Short Duration Bond F GBP Acc	3,592	413,604	3.89
Muzinich Funds - Enhanced Yield Short-Term Fund Class A GBP	3,298.306	359,416	3.38
RWC Funds - RWC Global Convertibles Fund EUR Class	0.349	608	0.01
Total Fixed Income Funds		<u>1,803,239</u>	<u>16.97</u>
Total Collective Investment Schemes		<u>7,742,770</u>	<u>72.87</u>
Property and Infrastructure Funds: 9.29% (2020: 4.31%)			
Maple-Brown Abbott Global Infrastructure Fund	538,911	561,976	5.29
Sequoia Economic Infrastructure Income Fund	411,848	424,739	4.00
Total Property and Infrastructure Funds		<u>986,715</u>	<u>9.29</u>
Financial assets at fair value through profit or loss		10,520,263	99.02
Other Net Assets: 0.98% (2020: USD416,837; 4.31%)		104,294	0.98
Net Assets Attributable to Holders of Participating Redeemable Shares		<u><u>10,624,557</u></u>	<u><u>100.00</u></u>

Momentum Sterling Balanced Fund IC Limited

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Statement of Financial Position

	Notes	Year ended 30.06.21 <u>GBP</u>	Year ended 30.06.20 <u>GBP</u>
ASSETS			
CURRENT ASSETS			
Financial assets at fair value through profit or loss	6	10,520,263	9,245,537
Cash and cash equivalents	7	216,826	444,171
Spot contracts receivable	8	498	-
Dividend receivable	3	913	-
Interest receivable	3	3,570	4,435
Securities sold receivable	3	100,000	-
Other receivables	9	320	321
		<u>10,842,390</u>	<u>9,694,464</u>
Total assets		<u>10,842,390</u>	<u>9,694,464</u>
LIABILITIES			
CURRENT LIABILITIES			
Securities purchased payable	3	159,253	64
Fair value of derivative financial instruments	8	26,832	16,521
Due on redemption of participating redeemable shares	3	13,000	-
Other payables	10	18,746	15,503
Liabilities (excluding net assets attributable to holders of participating redeemable shares)		217,831	32,088
Net assets attributable to holders of participating redeemable shares	3 & 12	<u>10,624,557</u>	<u>9,662,374</u>
Total liabilities		<u>10,842,388</u>	<u>9,694,462</u>
SHAREHOLDERS' EQUITY			
Management shares	11	2	2
Total equity		<u>2</u>	<u>2</u>
Total equity and liabilities		<u>10,842,390</u>	<u>9,694,464</u>
Net asset value per participating redeemable share	12		
Class A		1.86	1.65
Class B		1.76	1.57

The notes 1 to 17 on pages 15 to 24 form part of these financial statements.

These financial statements were authorised for issue by the Board of Directors on 3 November 2021 and signed on its behalf by:


Marie Curutchet
 Director


Robert Rhodes
 Director

Momentum Sterling Balanced Fund IC Limited

Annual Report and Audited Financial Statements for the year ended 30 June 2021

Statement of Comprehensive Income

		Year ended 30.06.21	Year ended 30.06.20
	Notes	<u>GBP</u>	<u>GBP</u>
INCOME			
Net realised gains/(losses) on financial assets at fair value through profit or loss	6	67,961	(21,146)
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	6	972,710	(631,668)
Net gains/(losses) on financial assets at fair value through profit or loss		<u>1,040,671</u>	<u>(652,814)</u>
Deposit loss		(1,120)	(1,033)
Interest income		45,259	54,609
Dividend income		120,309	133,664
Net gains/(losses) on derivatives		139,741	(97,250)
Other foreign exchange losses		(11,348)	(8,102)
Total net income/(loss)		<u>1,333,512</u>	<u>(570,926)</u>
OPERATING EXPENSES			
Audit fee		(8,432)	(6,112)
Custodian fee	14	(6,837)	(6,103)
Sub-Investment Management fee	14	(41,117)	(39,621)
Management and Administration fee	14	(30,591)	(29,363)
Sundry expenses		(3,669)	(5,216)
Total operating expenses		<u>(90,646)</u>	<u>(86,415)</u>
Net profit/(loss) before tax		1,242,866	(657,341)
Withholding tax		(3,935)	(4,177)
Increase/(decrease) in net assets attributable to holders of participating redeemable shares from operations		<u>1,238,931</u>	<u>(661,518)</u>

All items in the above statement derive from continuing operations. There is no difference between the increase/(decrease) in net assets attributable to holders of participating redeemable shares and comprehensive income.

The notes 1 to 17 on pages 15 to 24 form part of these financial statements.

Momentum Sterling Balanced Fund IC Limited

Annual Report and Audited Financial Statements for the year ended 30 June 2021

Statement of Cash Flows

	Year ended 30.06.21	Year ended 30.06.20
	<u>GBP</u>	<u>GBP</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Increase/(decrease) in net assets attributable to holders of participating redeemable shares from operations	1,238,931	(661,518)
ADJUSTMENTS FOR:		
Net realised (gains)/losses on financial assets at fair value through profit or loss	(67,961)	21,146
Net unrealised (gains)/losses on financial assets at fair value through profit or loss	(972,710)	631,668
Net settlement on derivatives and other foreign exchange	24,456	29,423
Dividend income	(120,309)	(133,664)
Deposit loss	1,120	1,033
Interest income	(45,259)	(54,609)
Withholding tax	3,935	4,177
Operating profit/(loss) before working capital changes	62,203	(162,344)
Net decrease/(increase) in other receivables	1	(5)
Net increase in other payables	3,243	797
Purchase of financial assets at fair value through profit or loss	(3,593,006)	(4,633,885)
Sale of financial assets at fair value through profit or loss	3,418,139	4,753,100
Dividend received	115,463	129,491
Deposit (loss)/income	(255)	3,085
Interest income	45,259	54,609
Net cash generated from operating activities	51,047	144,848
CASH FLOW FROM FINANCING ACTIVITIES		
Cash received on issuance of participating redeemable shares	751,056	775,588
Cash paid on redemption of participating redeemable shares	(1,014,804)	(413,362)
Net cash (used in)/generated from financing activities	(263,748)	362,226
Net (decrease)/increase in cash and cash equivalents	(212,701)	507,074
Cash and cash equivalents at the beginning of the year	444,171	(53,269)
Effect of foreign exchange rate on cash	(14,644)	(9,634)
Cash and cash equivalents at the end of the year	216,826	444,171

The notes 1 to 17 on pages 15 to 24 form part of these financial statements.

Momentum Sterling Balanced Fund IC Limited

Annual Report and Audited Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets Attributable to Holders of Participating Redeemable Shares

	Notes	Year ended 30.06.21 <u>GBP</u>	Year ended 30.06.20 <u>GBP</u>
Net assets attributable to holders of participating redeemable shares at the beginning of the year		9,662,374	9,961,666
Proceeds from issuance of participating redeemable shares	11	751,056	775,588
Payments on redemption of participating redeemable shares	11	(1,027,804)	(413,362)
Increase/(decrease) in net assets attributable to holders of participating redeemable shares from operations		<u>1,238,931</u>	<u>(661,518)</u>
Net assets attributable to holders of participating redeemable shares at the end of the year	12	<u><u>10,624,557</u></u>	<u><u>9,662,374</u></u>

The notes 1 to 17 on pages 15 to 24 form part of these financial statements.

Momentum Sterling Balanced Fund IC Limited

Annual Report and Audited Financial Statements for the year ended 30 June 2021

Notes to the Financial Statements

1. General Information

The Momentum Sterling Balanced Fund IC Limited (the "Incorporated Cell" or "Cell"), with company number 46314, is a Guernsey registered, Limited Liability Incorporated Cell of Momentum Mutual Fund ICC Limited (the "Company").

The primary objective of the Cell is to provide a balance between capital preservation and capital growth over the full investment cycle in local currency terms with a reduced level of volatility. The diversified portfolio of the Cell invests into a wide range of asset classes including cash, fixed income, high yield, equities and property. As this portfolio has been designed for investors for whom Sterling is the base currency, typically two thirds of the portfolio will be held in Sterling based investments. The Cell is ideally suited to investors with a medium risk tolerance with an investment horizon of three years or longer.

The Cell intends to achieve its investment objective through a diversified global portfolio that invests, primarily via other Collective Investment Schemes, across a broad range of asset classes and currencies in varying proportions over time. These classes include international equities, fixed income, alternative strategies, property, money market instruments, commodities and mixed asset funds. The Cell may also invest in transferable securities and foreign currency forwards.

The Cell's investment activities are managed by Momentum Wealth International Limited (the "Manager"), with the investment management delegated to Momentum Global Investment Management Limited (the "Investment Manager").

On 1 December 2020, hereafter the "Effective Date", amendments were made to the Supplemental Prospectus.

On the Effective Date,

- ▶ The share dealing has been changed in respect of Redemptions to: Written notice to redeem must be received by the Administrator by 12 noon (Guernsey time) on the relevant Dealing Day; and
- ▶ Investment restrictions regarding derivative Instruments has changed from: "The Cell will not include any derivative instruments but may invest in forward foreign currency exchange contracts for the purpose of mitigating exchange rate risk against both the benchmark and the base currency but not for speculative purposes or otherwise. Unlisted derivative instruments will be limited to unlisted forward currency, interest rate, index swap or exchange rate swap transactions. No uncovered positions will be allowed. Gearing and leveraging for investment purposes will not be allowed." To:

"The Cell will not include any derivative instruments with the exception of:

- (i) Investment in forward foreign currency exchange contracts for the purpose of mitigating exchange rate risk against both the benchmark and the base currency.
- (ii) Exchange-traded derivatives for the purpose of risk mitigation within the portfolio Derivatives will not be used for speculative purposes.

Unlisted derivative instruments will be limited to forward currency exchange contracts.

No uncovered positions will be allowed. Gearing and leveraging for investment purposes will not be allowed."

The Financial Statements were authorised for issue by the Board of Directors on 3 November 2021.

2. Summary of significant accounting policies

The principal accounting policies detailed below have been consistently applied in the preparation of the financial statements.

2.1 Basis of preparation

The financial statements for the Incorporated Cell have been prepared on a going concern basis, in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, which are disclosed in note 4 of these Incorporated Cell's financial statements. It also requires the Board of Directors to exercise its judgement in the process of applying the Incorporated Cell's accounting policies.

Going concern

The COVID-19 pandemic and the resultant uncertain economic environment and financial market volatility caused by it continues to create uncertainty in the operating environment of the Cell. All service providers have continued to operate effectively throughout the relevant COVID-19 local government restrictions. No concerns regarding liquidity, valuations or COVID-19 service provider issues have been identified that cause the Board to have any concern regarding the ongoing operation of the Cell or that require any changes to the Financial Statements of the Cell.

Notwithstanding the challenges arising from the impact of the COVID-19 virus, the Cell continues to operate, administer and price the Funds in accordance with regulatory requirements and in accordance with relevant accounting standards. The Cell will continue to monitor fund liquidity and market volatility to ensure funds are managed in the best interests of shareholders.

At the time of approving the financial statements, the Board has assessed redemption levels and there have been no significant redemptions. The Board has also considered the liquid nature of the investment portfolio, the absence of any borrowings or commitments and the economic viability of the Cell which is driven by its net asset value.

After careful consideration the Board are satisfied that the Cell has sufficient liquidity to meet its liabilities for the period to 31 December 2022 and therefore it is appropriate to adopt the going concern basis in preparing the financial statements and they have a reasonable expectation that the Cell will continue in existence as a going concern.

2.2 Adoption of new and revised standards

Standards, amendments and interpretations effective during the year

The following accounting standards, amendments and interpretations became effective for the first time this year:

Periods beginning on or after 1 January 2020:

- a) Definition of a Business (Amendments to IFRS 3)
- b) Amendments to References to the Conceptual Framework in IFRS Standards
- c) Definition of Material (Amendments to IAS 1 and IAS 8)
- d) Interest Rate Benchmark Reform - phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)

Periods beginning on or after 1 June 2020:

- e) COVID-19 Related Rent Concessions (Amendment to IFRS 16)

In March 2021 the International Accounting Standards Board issued COVID-19-Related Rent Concessions beyond 30 June 2021, which extended the availability of the practical expedient by one year.

The adoption of these standards has not had a material impact on the financial statements of the Incorporated Cell.

Momentum Sterling Balanced Fund IC Limited

Annual Report and Audited Financial Statements for the year ended 30 June 2021

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

Standards, amendments and interpretations in issue not yet effective

A number of new Standards, amendments and interpretations are effective for annual periods beginning on or after 1 January 2021, and have not been early adopted in preparing these financial statements. These include:

(a) Interest Rate Benchmark Reform - phase 2 - Effective from 1 January 2021

Amendments to assist in the application of IFRS Standards when changes are made to contractual cash flows or hedging relationships due to the IBOR reforms.

(b) IAS 16 - Property, Plant and Equipment - Effective from 1 January 2022

Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced.

(c) IAS 1 - Presentation of Financial Statements (Amendments) - Effective from 1 January 2023

Amendments regarding classification of liabilities and disclosure of accounting policies.

(d) IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - Effective from 1 January 2023

Amendments regarding the definition of accounting estimates.

(e) IFRS 17 – Insurance Contracts. Effective from 1 January 2023

The Board anticipates that the adoption of these standards, which will be adopted in the period which they become effective, will not have a material impact on the financial statements of the Cell.

The Directors have adopted a policy of applying new standards and interpretations when they become effective.

2.3 Foreign currency translation

(a) Functional and presentation currency

The currency in which the financial information is shown in the financial statements of the Company and the Cell is deemed to be its functional and presentational currency. In arriving at the functional currency, the Directors have considered the primary economic environment of the Company and the Cell, and in doing so have considered the currency in which the original capital was raised, any distributions are to be made, performance is evaluated and ultimately, the currency in which capital would be returned on break up basis. They have also considered the currency to which the majority of the underlying investments are exposed and liquidity is managed. The Directors are of the opinion that the currency selected best represents the functional currency.

(b) Transactions and balances

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 at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the Statement of Comprehensive Income within the fair value net gain or loss.

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

(a) Classification

The Incorporated Cell classifies its investments in Collective Investment Schemes as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are classified by the Board of Directors at fair value through profit or loss at inception. The Incorporated Cell does not classify any derivatives as hedges in a hedging relationship. Financial assets and financial liabilities are designated at fair value through profit or loss at inception, are managed, and their performance evaluated on a fair value basis in accordance with the Incorporated Cell's documented investment strategy. The Incorporated Cell's policies are for the Investment Manager and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

(b) Recognition/derecognition

Regular-way purchases and sales of investments are recognised on the trade date of the underlying security, so long as the underlying transaction has been confirmed by the relevant counterparty as at the Statement of Financial Position date. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Incorporated Cell has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statement of Comprehensive Income of the Incorporated Cell. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income in the period in which they arise.

(d) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Company and its Incorporated Cell adopted to utilise the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value. As a practical expedient to establish fair value within the bid-ask spread, management will use mid-market pricing. The market price used for assets which are not traded in active markets are those as supplied by their fund administrators.

2.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.6 Forward currency contracts

Forward foreign currency contracts are treated as derivative contracts and as such are recognised at fair value on the date on which they are entered into and subsequently remeasured at their fair value. Fair value is determined by rates in active currency markets. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The gain or loss on remeasurement to fair value is recognised immediately through profit or loss in the Statement of Comprehensive Income within other losses and gains in the period in which they arise.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.8 Other financial instruments

For other financial instruments, including amounts due to and from brokers and all receivables and payables, the carrying amounts as shown in the Statement of Financial Position approximate to fair value due to the short-term nature of these financial instruments.

Momentum Sterling Balanced Fund IC Limited

Annual Report and Audited Financial Statements for the year ended 30 June 2021

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

2.9 Share capital

The Incorporated Cell has an authorised share capital of 100 Management shares of GBP1.00 each and an unlimited number of no par value participating redeemable shares.

(a) Management shares

Management shares were issued to comply with Guernsey Company Law, prior to its revision in 2008, under which there had to be a class of non redeemable shares in issue in order that participating redeemable shares may be issued. The management shares are beneficially owned by the Manager, do not carry any right to dividends, are only entitled to vote at shareholder meetings where there are no participating redeemable shares in issue within the Incorporated Cell and are only entitled to return of capital on the winding up of the

The Incorporated Cell has issued 2 management shares.

(b) Participating redeemable shares

The Incorporated Cell's capital is represented by participating redeemable shares with no par value each carrying one vote.

The participating redeemable shares are redeemable at the holder's option and are classified as financial liabilities. Participating redeemable shares can be put back to the Incorporated Cell at any time for cash equal to a proportionate share of the Incorporated Cell's net asset value. The participating redeemable share is carried at the redemption amount that is payable at the Statement of Financial Position date if the holder exercises the right to put the share back to the Incorporated Cell.

2.10 Increase/(decrease) in net assets attributable to holders of participating redeemable shares from operations

Income not distributed is included in Net Assets Attributable to Holders of Participating Redeemable Shares of the Incorporated Cell's financial statements.

2.11 Capital risk management

The fair value of the Cell's financial assets and financial liabilities approximate to their carrying amounts at the reporting date. For the purposes of this disclosure, shares are considered to be capital.

The Incorporated Cell's objectives when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders. There are no externally imposed capital requirements on the Incorporated Cell. The Incorporated Cell has no intention to borrow, other than to fund short term liquidity requirements. The Incorporated Cell may arrange an overdraft facility for such purposes.

2.12 Interest and dividend income

Dividend income is recognised when the right to receive payment is established. All deposit interest and other income is accounted for on an accruals basis.

2.13 Expenses

Expenses are accounted for on an accruals basis and all amounts have been allocated to the Statement of Comprehensive Income.

2.14 Custodian bank charges

Custodian bank charges include additional fees on top of the asking price of the security. The bid-asking spread is not disclosed as part of a custodian bank charge. This spread is included in the Statement of Comprehensive Income within the fair value net gain or loss.

2.15 Taxation

The Cell has been granted Exempt Status under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 to income tax in Guernsey. Its liability is an annual fee of £1,200 (2020: £1,200).

The Cell incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the Statement of Comprehensive Income. Withholding taxes are shown as a separate item in the Statement of Comprehensive Income.

3. Financial risk management

3.1 Strategy in using financial instruments

The Cell's activities and investment objectives expose them to a variety of financial risks: market risk (which is made up of price risk, interest rate risk and currency risk), credit risk and liquidity risk (including cash flow risk). The Cell's overall risk management programme seeks to maximise the return derived for the level of risk to which the Cell is exposed and focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Cell's financial performance. The following policies and procedures to mitigate risk have been in place throughout the year.

The Cell's policies allow it to use derivative financial instruments to both moderate and create certain risk exposure. The fair value of derivative financial instruments as at 30 June 2021 is disclosed under note 8 of these financial statements.

3.2 Market price risk

Market price risk is the risk that the fair value of future cash flows will fluctuate because of changes in market prices, other than those arising from currency or interest rate risk. The Cell is subject to market price risk as it trades primarily in equities and Collective Investment Schemes. Through its investment in traded securities and instruments the Cell is subject to market movements in the equity and bond markets.

All investments present a risk of loss of capital. The Investment Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Cell's overall market position is monitored by the Investment Manager and is reviewed by the Board of Directors.

The Cell's market price risk is managed through diversification of the investment portfolio by exposure to varying product categories, hence concentration of risk is minimised. At the year end, the financial assets at fair value through profit or loss, which are subject to market price risk, are as follows:

As at 30 June	2021		2020	
	Fair Value GBP	% of net assets	Fair Value GBP	% of net assets
Government Bonds	1,438,696	13.55	1,424,098	14.74
Equities	352,082	3.31	258,088	2.67
Collective Investment Schemes	7,742,770	72.87	7,147,237	73.97
Property and Infrastructure Funds	986,715	9.29	416,114	4.31
	10,520,263	99.02	9,245,537	95.69

Momentum Sterling Balanced Fund IC Limited

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Notes to the Financial Statements

3. Financial risk management (continued)

3.2 Market price risk (continued)

The Cell's market price risk is affected by three main components: changes in actual market prices, interest rate and foreign currency movements. Interest rate and foreign currency exchange rate movements are covered in notes 3.3 and 3.5, respectively. If the market indices increased or decreased by 10% with all other variables held constant, the increase or decrease respectively in net assets attributable to holders of participating redeemable shares would amount to:

	2021	2020
	Change in fair value	
	GBP	GBP
Government Bonds	143,870	142,410
Equities	35,208	25,809
Collective Investment Schemes	774,277	714,724
Property and Infrastructure Funds	98,672	41,611

3.3 Interest rate risk

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

The majority of the Cell's financial assets and liabilities are non-interest bearing. As a result, the Cell is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The table below summarises the Cell's exposure to interest rate risks. It includes the Cell's assets and trading liabilities at fair values, all of which have contractual re-pricing or maturity dates within one month.

As at 30 June	2021	2020
	GBP	GBP
Net financial assets on which no interest is paid	8,965,465	7,789,670
Net floating rate financial assets	220,396	448,606
Net fixed rate financial assets	1,438,696	1,424,098

Should interest rates have increased by 50 basis points with all other variables remaining constant, the increase in the net assets attributable to participating redeemable shareholders would amount to approximately:

As at 30 June	2021	2020
	GBP	GBP
Net floating rate financial assets	1,102	2,243
Net fixed rate financial assets	7,193	7,120

A decrease of 50 basis points would have had no effect as interest received at year end was immaterial.

3.4 Cash flow risk

The Cell holds a limited amount of cash and cash equivalents that expose the Cell to cash flow interest rate risk. The risk exposure here is deemed minimal.

3.5 Currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Sterling Balanced Cell holds assets including investments denominated in currencies other than the Sterling, the functional currency, and therefore, it is exposed to currency risk. The exposures are based on the currencies of the underlying assets in the Cell. Where the Cell invests via Collective Investment Schemes, the funds are treated as a single asset with its currency of exposure being assumed to be its reporting currency.

The table below summarises the Cell's exposure to currency risks:

As at 30 June	2021	2020
	GBP	GBP
EUR exposure	78,356	170,407
USD exposure	3,537,404	2,700,209

In accordance with the Cell's policy, the Investment Manager monitors the Cell's currency position on a regular basis, and the Board of Directors reviews it periodically. The Cell has the ability to enter into forward foreign exchange contracts in an attempt to mitigate any significant currency risk. Such contracts are used on a regular basis. The contracts which are outstanding at the year end are disclosed in note 8.

Should the Cell's functional currency have strengthened, or weakened, by 5% against other currencies to which it is exposed, and all other variables, including the price of all investments, had held constant, the net asset attributable to participating redeemable shareholders would have increased, or decreased, as follows:

As at 30 June	2021	2020
	GBP	GBP
EUR exposure	3,918	8,520
USD exposure	176,870	135,010

Momentum Sterling Balanced Fund IC Limited

Annual Report and Audited Financial Statements for the year ended 30 June 2021

Notes to the Financial Statements

3. Financial risk management (continued)

3.6 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

There is a risk that an investee company may be unable to satisfy a valid redemption request made by the Cell. The Directors consider that the Investment Manager mitigates this risk by way of its investment process, as described in note 3.2. No such redemption problems have been encountered.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. 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. Given the relatively short settlement period, and the high credit quality of the brokers used, the risk here is considered to be minimal.

The Cell manages its exposure to credit risk associated with its cash deposits by selecting Northern Trust (Guernsey) Limited as the counterparty to hold all cash deposits for the Cell. The Northern Trust Company is a wholly owned subsidiary of the Northern Trust Corporation. The credit rating for Northern Trust Corporation from Standard and Poor's is A+. The credit rating from Moody's is A2.

The Government bonds held in the Cell's portfolio are Aaa and Aa2 rated by Moody's.

The Cell's maximum exposure to credit risk is the carrying value of the assets on its Statement of Financial Position.

3.7 Liquidity risk

Liquidity risk is the risk that the Cell will encounter difficulty in meeting obligations associated with its financial liabilities. The main liquidity risk is the risk that the Cell may be unable to recover funds invested through the usual redemption processes which may result in the Cell having insufficient funds to settle a transaction on the due date. Due to the nature of the Cell, the majority of investments held are in marketable securities that are readily tradeable and have reported no warnings regarding its ability to process redemptions as normal.

The Cell has the ability to borrow to meet short term liquidity requirements, however to date the Cell has not entered into such arrangement.

The table below analyses the Cell's financial assets, financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the year end date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month GBP	Between 1 and 12 months GBP	More than 12 months GBP	2021 Total GBP	2020 Total GBP
Financial assets at fair value through profit or loss	9,081,567	-	1,438,696	10,520,263	9,245,537
Cash and cash equivalents	216,826	-	-	216,826	444,171
Spot contracts receivable	498	-	-	498	-
Dividend receivable	913	-	-	913	-
Securities sold receivable	100,000	-	-	100,000	-
Interest receivable	3,570	-	-	3,570	4,435
Other receivables	318	-	-	318	319
Due on redemption of participating redeemable shares	(13,000)	-	-	(13,000)	-
Securities purchased payable	(159,253)	-	-	(159,253)	(64)
Fair value of derivative financial instruments	(26,832)	-	-	(26,832)	(16,521)
Other payables	(18,746)	-	-	(18,746)	(15,503)
Net assets attributable to holders of participating redeemable shares	(10,624,557)	-	-	(10,624,557)	(9,662,374)
Net liquidity position	(1,438,696)	-	1,438,696	-	-

Participating redeemable shares are redeemed on demand at the holder's option. However the Board of Directors does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash flows, as holders of these instruments typically retain them for the medium to long term.

3.8 Management of capital

The Board, with the assistance of the Investment Manager, manages the capital of the Cell in accordance with the investment objectives and policies. The Cell's overall strategy remains unchanged.

The Cell has no externally imposed capital requirements.

3.9 Fair value disclosure

In the opinion of the Directors there are no material differences between the net asset values of the underlying assets and fair values of the financial assets and liabilities.

4. Critical accounting estimates and judgements

The fair value of investments is considered to be the quoted, active market prices, or prices as supplied by the fund administrators of the Cell's underlying investments.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

The fair value of investments in investee funds that are not quoted in an active market is determined primarily by reference to the latest available redemption price of such units for each investee fund, as determined by the administrator of such investee fund. The Investment Manager may make adjustments to the reported net asset value of various investee funds based on considerations such as:

- the liquidity of the investee fund or its underlying investments;
- the value date of the net asset value provided;
- any restrictions on redemptions; and
- the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the investee fund's advisors.

The prices are reviewed by the Investment Manager on a periodic basis. The Cell does not hold any level 3 investments.

Momentum Sterling Balanced Fund IC Limited

Annual Report and Audited Financial Statements for the year ended 30 June 2021

Notes to the Financial Statements

5. Portfolio analysis

The Cell's portfolio is organised by focusing on the type of security held, and then secondarily by geographical analysis based on the location of the investment.

The Cell operates using the main sector types disclosed in note 3.2 and the following main geographical areas :

	2021	2020
	<u>GBP</u>	<u>GBP</u>
Channel Islands	551,203	494,507
Europe	6,527,935	5,466,099
United Kingdom	2,419,600	2,368,073
United States of America	1,021,525	916,858
	10,520,263	9,245,537

The geographical segment for listed non-monetary financial assets is considered to be the place of primary listing and for non-listed financial assets where the underlying investment is domiciled.

6. Financial assets at fair value through profit or loss

	2021	2020
	<u>GBP</u>	<u>GBP</u>
Financial asset at fair value through profit or loss:		
Government bonds	1,438,696	1,424,098
Equities	352,082	258,088
Collective Investment Schemes	7,742,770	7,147,237
Property and Infrastructure Funds	986,715	416,114
Total financial assets at fair value through profit or loss	10,520,263	9,245,537
Movement on financial assets at fair value through profit or loss		
Fair value of financial assets at the beginning of the year	9,245,537	9,837,599
Purchases of financial assets at fair value through profit or loss	3,752,195	4,633,949
Sales of financial assets at fair value through profit or loss	(3,518,140)	(4,573,197)
Net realised gains/(losses) on financial assets at fair value through profit or loss	67,961	(21,146)
Movement in unrealised gains/(losses) on revaluation of financial assets	972,710	(631,668)
Fair value of financial assets at the end of the year	10,520,263	9,245,537
Comprising:		
Cost at the end of the year	9,487,583	9,185,567
Unrealised gains/(losses) at the end of the year	1,032,680	59,970
	10,520,263	9,245,537

IFRS 13 requires the Cell to classify fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

The investments classified as Level 1 consist of financial assets that are actively traded with fair values readily available from recognised exchanges. The Level 1 hierarchy may also include investments in funds that are priced by the underlying administrator where the Company considers it to be the most advantageous market and would enter into transactions based on those prices.

The investments classified as Level 2 are investments in funds that are actively traded and priced less frequently than monthly but not greater than quarterly for which fair values are obtained from the underlying administrator or fund manager.

The investments classified as Level 3 are investments that are illiquid investments and investments that are traded but priced less frequently than quarterly.

Momentum Sterling Balanced Fund IC Limited

Annual Report and Audited Financial Statements for the year ended 30 June 2021

Notes to the Financial Statements

6. Financial assets at fair value through profit or loss (continued)

The following table presents the Cell's financial assets and financial liabilities measured at fair value by level within the valuation hierarchy as of 30 June 2021 and 30 June 2020.

	Level 1	Level 2	Level 3	Total
	<u>GBP</u>	<u>GBP</u>	<u>GBP</u>	<u>GBP</u>
30 June 2021				
Assets				
Financial assets at fair value through profit or loss				
Government Bonds	1,438,696	-	-	1,438,696
Equities	352,082	-	-	352,082
Collective Investment Schemes	7,742,770	-	-	7,742,770
Property and Infrastructure Funds	986,715	-	-	986,715
Total assets	10,520,263	-	-	10,520,263
Liabilities				
Fair value of derivative financial instruments	-	26,832	-	26,832
Total liabilities	-	26,832	-	26,832
	Level 1	Level 2	Level 3	Total
	<u>GBP</u>	<u>GBP</u>	<u>GBP</u>	<u>GBP</u>
30 June 2020				
Assets				
Financial assets at fair value through profit or loss				
Government Bonds	1,424,098	-	-	1,424,098
Equities	258,088	-	-	258,088
Collective Investment Schemes	7,147,237	-	-	7,147,237
Investment Trusts	416,114	-	-	416,114
Total assets	9,245,537	-	-	9,245,537
Liabilities				
Fair value of derivative financial instruments	-	16,521	-	16,521
Total liabilities	-	16,521	-	16,521

7. Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following balances with original maturity of less than 90 days:

	2021	2020
	<u>GBP</u>	<u>GBP</u>
Cash at bank	216,826	444,171
	216,826	444,171

8. Fair value of derivative financial instruments

Forward foreign exchange contracts designated as at fair value through profit or loss:

30 June 2021	Amount	Maturity Date	Contracted rate	Closing rate	Contract value	Market value	Financial liabilities
							<u>GBP</u>
	<u>CCY</u>						<u>GBP</u>
Outstanding contract to sell USD	USD (1,635,000)	18/08/2021	1.415318	1.381450	(1,155,217)	(1,183,539)	(28,322)
Outstanding contract to sell EUR	EUR (245,000)	18/08/2021	1.156703	1.164896	(211,809)	(210,319)	1,490
							<u>(26,832)</u>
30 June 2020	Amount	Maturity Date	Contracted rate	Closing rate	Contract value	Market value	Financial assets
	<u>CCY</u>						<u>GBP</u>
Outstanding contract to sell USD	USD (1,245,000)	15/07/2020	1.247004	1.235600	(998,393)	(1,007,608)	(9,215)
Outstanding contract to sell EUR	EUR (210,000)	15/07/2020	1.143904	1.100120	(183,582)	(190,888)	(7,306)
							<u>(16,521)</u>

There were open receivable spot foreign currency contracts with a net position of GBP 498 at 30 June 2021 (GBP Nil at 30 June 2020).

In accordance with the Cell's investment objectives the Cell may enter into forward foreign exchange contracts to hedge foreign currency movements it may be exposed to through its investment portfolio. As there is no assurance that these hedges will be effective in achieving the offsetting of changes in cash flows attributable to currency risk on these investments it is the policy of the Cell not to apply hedge accounting.

9. Other receivables

	2021	2020
	<u>GBP</u>	<u>GBP</u>
Management shares receivable	2	2
Prepayments	318	319
	320	321

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10. Other payables

	2021	2020
	GBP	GBP
Management fee payable	2,760	2,464
Management fee rebate payable	-	395
Custodian fee payable	493	437
Investment management fee payable	3,868	3,380
Audit fee payable	7,372	6,516
Accrued general expenses	4,253	2,311
	18,746	15,503

11. Share Capital

The Cell has an authorised share capital of 100 Management Shares of GBP1.00 each and an unlimited number of no par value participating redeemable shares.

Management Shares in Issue

	30.06.21	30.06.20
	GBP	GBP
Management Shares	2	2

Participating Redeemable Shares in Issue

	Year ended	Year ended
	30.06.21	30.06.20

Class A

Balance at the beginning of the year	5,830,100	5,479,067
Issue of participating redeemable shares	438,319	465,467
Redemption of participating redeemable shares	(580,164)	(114,434)
Balance at the end of the year	5,688,255	5,830,100

Participating Redeemable Shares in Issue

	Year ended	Year ended
	30.06.21	30.06.20

Class B

Balance at the beginning of the year	12,537	139,108
Redemption of participating redeemable shares	(884)	(126,571)
Balance at the end of the year	11,653	12,537

Participating Redeemable Share Capital Account

	Year ended	Year ended
	30.06.21	30.06.20
	GBP	GBP
Balance at the beginning of the year	5,446,406	5,084,180
Issue of participating redeemable shares	751,056	775,588
Redemption of participating redeemable shares	(1,027,804)	(413,362)
Balance at the end of the year	5,169,658	5,446,406

12. Net asset value per participating redeemable share

As at 30 June	NAV per	Net assets		NAV per share	Net assets	
	share	attributable	Shares in issue		attributable	Shares in issue
	30.06.21	30.06.21	30.06.21	30.06.20	30.06.20	30.06.20
	GBP	GBP		GBP	GBP	
Class A	1.86	10,604,073	5,688,255	1.65	9,642,673	5,830,100
Class B	1.76	20,484	11,653	1.57	19,701	12,537
Total		10,624,557	5,699,908		9,662,374	5,842,637

13. Dividends payable to participating redeemable shareholders

No dividends were paid during the year (2020: Nil) and the Board does not intend to pay any dividends. All available income will be reinvested.

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14. Related-party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

14.1 Management and Administration fee

The Cell is managed by Momentum Wealth International Limited (the "Manager"), a management company incorporated in Guernsey, providing management services to the Cell under the terms of the management agreement in place.

The Manager is entitled to receive a Management and Administration Fee from each Cell, chargeable on a sliding scale, payable monthly in arrears, based on the current valuation and is subject to a minimum annual fee of USD22,000 or currency equivalent.

<u>% Fee of NAV per annum</u>	<u>Cell NAV</u>
0.30%	Up to GBP20m
0.25%	From GBP20m to GBP40m
0.20%	Above GBP40m

Management and Administration fee charged during the year and accrued at year end:

	<u>2021</u>	<u>2020</u>
	<u>GBP</u>	<u>GBP</u>
Charged during the year	30,591	29,363
Accrued at year end	2,760	2,464

Management Fee rebate received during the year and accrued at year end:

	<u>2021</u>	<u>2020</u>
	<u>GBP</u>	<u>GBP</u>
Payable at year end	-	395

14.2 Investment Management fee

The Manager has appointed an Investment Manager, Momentum Global Investment Management Limited, a UK registered company, to manage the investment portfolio of the Cell. The Investment Manager is entitled to receive a fee of 0.40% of the NAV per annum in respect of the Class A shares and 1.15% of the NAV per annum in respect of the Class B shares (the "Investment Management fee"). The Investment Management fee will accrue as at each Valuation Point, based on the current valuation of the Cell and share classes and is payable monthly in arrears.

Investment Management fee charged during the year and accrued at year end :

	<u>2021</u>	<u>2020</u>
	<u>GBP</u>	<u>GBP</u>
Charged during the year	41,117	39,621
Accrued at year end	3,868	3,380

14.3 Custodian fee

Northern Trust (Guernsey) Limited (the "Custodian") provides custodian services. The Custodian is entitled to receive a fee chargeable on a sliding scale in respect of all Share Classes, as follows, subject to a minimum of GBP5,000 per annum.

<u>% Fee of NAV per annum</u>	<u>Cell NAV</u>
0.05%	Up to GBP20m
0.04%	From GBP20m to GBP40m
0.03%	From GBP40m to GBP70m
0.02%	Above GBP70m

Custodian fee charged during the year and accrued at year end:

	<u>2021</u>	<u>2020</u>
	<u>GBP</u>	<u>GBP</u>
Charged during the year	6,837	6,103
Accrued at year end	493	437

14.4 Distribution Partner fee

The Cell has appointed Momentum Wealth International Limited as Distribution Partner to promote and market the Cell. The Distribution Partner will not be paid a fee.

14.5 Board of Director's remuneration

The Directors' fees in respect of the Cell shall not exceed USD20,000 or currency equivalent in any twelve month period. In addition, the Directors shall be entitled to be repaid for all reasonable out of pocket expenses properly incurred by them in the performance of their duties to the Cell. Such fees and expenses shall be paid out of the assets of the Cell alone and not from the cellular assets of other Cells of the Company or assets of the Company itself.

The Directors waived their right to a fee in 2021 (2020: Nil).

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15. Ultimate controlling party

In the opinion of the Directors, on the basis of the shareholdings advised to them, the Cell has no ultimate controlling party.

16. Reconciliation of published valuation to financial statements

	2021	2020
	GBP	GBP
Net assets per financial statements	10,624,557	9,662,374
Adjustments:		
Adjustment in value of assets at financial assets at fair value through profit and loss	46,433	(12,701)
Adjustment in value of derivative financial instruments	(43)	41
Adjustments to accruals and expenses	544	(1,399)
Net assets per published valuation	<u>10,671,491</u>	<u>9,648,315</u>
NAV per Class A share per published valuation	<u>1.87</u>	<u>1.65</u>
NAV per Class B share per published valuation	<u>1.77</u>	<u>1.57</u>
NAV per Class A share per financial statements	<u>1.86</u>	<u>1.65</u>
NAV per Class B share per financial statements	<u>1.76</u>	<u>1.57</u>

17. Subsequent events

These Financial Statements were approved for issuance by the Board on 3 November 2021. Subsequent events have been evaluated until this date.

No other significant subsequent events have occurred in respect of the Cell that are considered material to the understanding of these audited financial statements.