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# LLOYDS MULTI STRATEGY FUND LIMITED

**Annual Report and  
Audited Financial Statements**

For the year ended 31 May 2016

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## Company Information

### Registered Office

PO Box 160, 25 New Street,  
St Helier,  
Jersey, JE4 8RG,  
Channel Islands.

### Principal Place of Business

PO Box 311, 11 - 12 Esplanade,  
St Helier,  
Jersey, JE4 8ZU,  
Channel Islands.

### Directors

c/o Registered Office  
R. D. Willcox (Chairman)  
I. M. J. Hardy  
B. C. James  
B. Lysiak

T. J. Herbert  
PO Box 87, 22 Grenville Street,  
St Helier,  
Jersey, JE4 8PX,  
Channel Islands.

### Manager and Registrar

Lloyds Investment Fund Managers Limited  
PO Box 160, 25 New Street,  
St Helier,  
Jersey, JE4 8RG,  
Channel Islands.

### Legal Advisers

In Jersey:  
Mourant Ozannes  
PO Box 87, 22 Grenville Street,  
St Helier,  
Jersey, JE4 8PX,  
Channel Islands.

### Asset Allocation Adviser

Aberdeen Asset Investments Limited  
Bow Bells House,  
1 Bread Street,  
London,  
EC4M 9HH.

### Custodian

Capita Trust Company (Jersey) Limited  
PO Box 532, 12 Castle Street,  
St Helier,  
Jersey, JE2 3RT,  
Channel Islands.

### Secretary

Lloyds Corporate Services (Jersey) Limited  
PO Box 160, 25 New Street,  
St Helier,  
Jersey, JE4 8RG,  
Channel Islands.

### Independent Auditors

PricewaterhouseCoopers CI LLP  
37 Esplanade,  
St Helier,  
Jersey, JE1 4XA,  
Channel Islands.

### Paying Agent

Lloyds Bank International Limited  
PO Box 111,  
Peveril Buildings, Peveril Square,  
Douglas, IM99 1JJ,  
Isle of Man.

## Investment Objectives and Policy

The policy of the Funds is to invest in collective investment funds and multimanager funds managed by a range of fund managers including, but not limited to, Lloyds Investment Fund Managers Limited and other subsidiaries of Lloyds Banking Group plc. These funds, in turn, invest in a number of asset classes. These could include, but are not limited to, bonds, equities, property and cash. The Funds may also hold cash deposits and other monetary instruments to enable Shares to be repurchased or for the efficient management of the Funds.

The type of assets of each Fund will be decided by the Manager and may change without notice to shareholders.

The exact allocation of the assets of each Fund between the various asset classes will be decided by the Manager on the recommendation of the Asset Allocation Adviser and will vary depending on the risk profile of each Fund.

The investment objective of each Fund (or 'Strategy') is set out below:

### Conservative Strategy Fund

Seek to provide a modest return achieved through investment in a range of funds which invest in various lower-risk asset classes and may be suitable for investors willing to invest for a minimum of five years.

### Growth Strategy Fund

Seek to provide long-term growth achieved through investment in a range of funds which invest in various asset classes, providing diversification by medium, currency and country. This Fund may be suitable for investors willing to invest for a minimum of five years, preferably ten years.

### Aggressive Strategy Fund

Seek to provide a greater potential for long-term growth achieved through investment in a range of funds which invest in various asset classes, weighted towards equities. This Fund may be suitable for investors willing to invest for a minimum of five years, preferably ten years.

### Global US\$ Growth Strategy Fund

Seek to provide long-term capital growth for US dollar-based investors primarily through investment in a range of funds which invest in various asset classes with an emphasis on US dollar assets. This Fund may be suitable for investors willing to invest for a minimum of five years, preferably ten years.

## Directors' Profiles

**Ross Davey Willcox (Chairman) – Head of International Products, Retail, Customer Products, Lloyds Banking Group.**

Joined the Lloyds Banking Group in 1977 and held a number of managerial positions in the UK and Internationally. Was appointed Managing Director of the Lloyds Investment Fund Managers Limited in 1999 and is currently Chairman/Director of the Jersey based Fund Management Company. Current responsibilities include the value proposition of all investment products for International Wealth. A qualified Banker, a Fellow of the Securities & Investment Institute and a Chartered Director.  
Aged 56.

**Ian Mark Jeremie Hardy – Senior Product Manager, International Products, Retail, Lloyds Banking Group.**

Joined the Lloyds Banking Group in 1981 and held a number of managerial positions before being appointed Managing Director of the Group's Guernsey based Fund Management Company in 1997 and a Director of the Company in 2004. Current responsibilities include provision of technical and regulatory advice on a range of investment products and services. Holder of an upper second class honours degree from the University of Aston in Birmingham in Business Administration and Transport Planning.  
Aged 57.

**Timothy Joseph Herbert – Consultant, Mourant Ozannes.**

Jersey born and educated. M.A. in jurisprudence Trinity College Oxford 1982. Member of Middle Temple. Joined Mourant du Feu & Jeune (now Mourant Ozannes) in May 1983. Sworn in as an advocate of the Royal Court, September 1985. Tim Herbert was a partner of Mourant Ozannes from 1987 to 2012. In July 2012 he stepped down from the partnership and is now retained by Mourant Ozannes as a consultant to the firm. He has extensive experience in corporate and commercial law and mutual funds advice. Holds other external directorships and also acts as Honorary Consul for Finland.  
Aged 57.

**Brian Charles James – Head of Investment Operations Jersey, Retail, Lloyds Banking Group.**

Joined the Lloyds Banking Group in 1988 and held a number of managerial positions primarily in Financial Control and Risk Management roles before being appointed as a Director of the Jersey based Fund Management Company and as a Director of the Company in 2004. Current responsibilities include leading a team of specialists delivering operational support for a range of offshore investment products and services. A Chartered Director.  
Aged 55.

**Bronislaw Lysiak – Senior Manager Intermediary Sales, Lloyds Bank International Limited, Lloyds Banking Group.**

Joined the Lloyds Banking Group in 1993 and has held a number of managerial positions within a regulated personal customer environment. Current responsibilities are for sales and distribution of investment products to regulated intermediaries and institutions. Holder of an Advanced Financial Planning Certificate in Taxation, Trust and Investment Planning and Higher National Diploma in Business and Finance.  
Aged 51.

## Report of the Directors

The Directors have pleasure in submitting their Annual Report together with the Audited Financial Statements for the year ended 31 May 2016. The Company is domiciled and incorporated as a limited liability company in Jersey, Channel Islands, United Kingdom under the Companies (Jersey) Law 1991 and is listed on the Channel Islands Securities Exchange Authority. Full details of the Company, Investment Objectives and Policy and Report of the Directors are stated on pages 2 to 6.

### Results

The results for the year are set out in the financial statements on pages 14 to 51.

### Directors

The Directors of the company who were in office during the year and up to the date of signing the financial statements were:

Mr I.M.J. Hardy (appointed 20 July 2004)  
 Mr T.J. Herbert (appointed 1 January 2005)  
 Mr B.C. James (appointed 20 July 2004)  
 Mr B. Lysiak (appointed 5 June 2014)  
 Mr R.D. Willcox (appointed 20 July 2004)

As at 31 May 2016, the Shares held in the Company by the Directors were as follows:

	Shares
AGGRESSIVE STRATEGY	
Mr R. D. Willcox	62,549
Mrs S. J. Willcox (Spouse of Mr R. D. Willcox)	9,408
GROWTH STRATEGY	
Mr I. M. J. Hardy	70,819
Mr B. C. James	13,154

No Director has a service contract with the Company and no Director is, or was, materially interested in any service or other contract entered into by the Company.

Mr T.J. Herbert is a consultant to Mourant Ozannes, who are the Jersey legal advisers to the Company and the Manager. Mourant Ozannes receives fees in connection with advising the Company and the Manager. These are disclosed in Note 10.

Mr I.M.J. Hardy, Mr B.C. James and Mr R.D. Willcox are Directors of Lloyds Investment Fund Managers Limited (the 'Manager') which has a management contract with the Company. Fees earned by the Manager are disclosed in these financial statements in Note 9.

### Investment Activities

The Report of the Manager is set out on pages 7 to 11.

### Independent Auditor

PricewaterhouseCoopers CI LLP were re-appointed as Independent Auditors at the Annual General Meeting held on 14 October 2015 and have indicated their willingness to remain in office.

### Prospectus

Copies of the Prospectus dated August 2016 are available, free of charge, on application to the Manager. Alternatively they can be accessed on our website at <http://international.lloydsbank.com/international-investments/funds/>.

### Management and Administration Providers

The names and addresses of management and administration providers are stated on page 2.

### Comparatives Tables

The Distribution Tables (Unaudited), Performance Record (Unaudited) and Net Asset Value per Share Tables (Unaudited) are stated on pages 52 to 55.

### Directors' Responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS). The Directors are required by the Companies (Jersey) Law 1991 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company for that year and are in accordance with applicable laws. 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 Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991 and the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003 (as amended).

They are also responsible for the safeguarding of the assets of the Company which includes the appointment of a duly qualified Custodian. The Directors must also ensure that they or their duly appointed agents take reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

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

## Report of the Directors (continued)

### Directors' Responsibilities (continued)

So far as the Directors are aware, there is no relevant audit information of which the Company's Auditors are unaware, and each Director has taken all the steps that he ought to have taken as Director, in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

### Market Conditions

Assets held within certain Funds can be affected by market conditions and this may affect the share price of those Funds. The Directors would like to remind shareholders that investment in the Funds should be considered as a long term commitment, as the price of shares may rise and fall in the short term in response to changing market conditions.

### Changes to Fees and Charges

As a result of the review referred to in note 21 - Events after the year end date, the Manager is making some changes to the way underlying charges are levied, which will result in changes to the initial charge, the Annual Management Charge ("AMC") and the Total Expense Ratio ("TER").

The initial charge on the Aggressive Strategy, Growth Strategy and Global USD Growth Strategy is being reduced from 5% to 2% and on Conservative Strategy it is being reduced from 4% to 2%. The AMC is being reduced to 1% for all Strategy Funds (current AMC can be found on page 40, note 10 (a)). the costs of the underlying investments (previously paid by the Manager) and additional expenses (already paid by shareholders) will form part of the TER.

### Information Exchange

Jersey has entered into a number of information exchange agreements with the authorities of other jurisdictions. These include requirements set out under The European Union Savings Tax Directive (EUSD), Foreign Account Tax Compliance Act (FATCA) in the United States of America and UK Crown Dependencies Inter Governmental Agreements.

Shareholders should be aware that information on their investment may be shared with the relevant authorities, and may be passed to the tax authorities in their country of residence, citizenship or residence for tax purposes. For the avoidance of doubt this information may include (but not be limited to) details of shareholder names, addresses, unique identifiers (such as tax or national insurance numbers), amount of investment, redemption or sale proceeds and dividend payments.

### Financial Risk Management

The Directors have taken into consideration the financial risk management of the Company, this has been disclosed in Note 20 of the financial statements.

### Reporting Funds Regime

HM Revenue & Customs has accepted the entry of the Company into the Reporting Funds Regime with effect from 1 October 2010 for the purposes of regulation 51 of the Offshore Funds (Tax) Regulations 2009.

### General Information

The Company is an open-ended investment Company with variable capital and shareholders are not liable for the debts of the Company.

The Company holds a certificate as a recognized Securities Fund under the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003 (as amended), and holds a permit under Article 7 of the Collective Investment Funds (Jersey) Law, 1988.

The Manager maintains an appropriate level of "own funds" to cover the professional liability risks.

The Company is listed on the Channel Islands Securities Exchange Authority (the "CISEA").

The market value per Share of the assets of each Fund was as follows:

#### Sterling Denominated Strategies

	31 May 2016	1 June 2015
	(pence)	(pence)
Conservative Strategy Fund	112.40	112.10
Growth Strategy Fund	151.60	155.90
Aggressive Strategy Fund	184.70	194.30

#### US\$ Denominated Strategies

	(US\$ cents)	(US\$ cents)
Global US\$ Growth Strategy Fund	139.10	149.10

The latest prices can be viewed on our website.

<http://international.lloydsbank.com/international-investments/funds/prices/>

### Website

The Directors have selected Lloyds Bank International Limited's website as the host website for the Company's financial statements and believe this selection to be a reasonable one; 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 website.

Information published on the internet is accessible in many countries. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board  
Lloyds Corporate Services (Jersey) Limited  
Secretary

5 September 2016



## Report of the Manager

### Market Overview

Investment markets have become increasingly challenging over the past six months. Concerns about slowing growth in China and rising US interest rates resulted in markets falling steeply from December to early February. Most major stock markets have declined in value over the past year.

On the economic front, there has been a diversion in policies among the world's central banks. In December, the US Federal Reserve ("Fed") increased interest rates for the first time since the global financial crisis. However, both the Bank of Japan ("BoJ") and the European Central Bank ("ECB") are engaged in bond buying programmes, otherwise known as quantitative easing ("QE"). This has been of benefit to bond markets in these regions.

Meanwhile, commercial property has continued to benefit from its relatively high yield. With interest rates still close to zero, this has been a key attraction for investors and helped the asset class outperform equities over the past year.

### UK

UK equity markets were marginally down over the 12 month review period. Weakness in energy and commodity prices had a negative influence throughout 2015 because of the large number of global oil and mining companies that are listed in the UK. In November, the Bank of England highlighted that the prospect of sustained inflation is remote and that the problems being faced by China and other developing economies could lead to the UK's recovery fizzling out. Interest rates were held at 0.5% throughout the period.

The possibility that the UK might leave the European Union was the most talked about topic in recent months, leading to some volatility in currency markets as well as the stock market.

### Europe

European equity markets were slightly down in local currency terms over the review period. The ECB offered reassurance that it stands ready to provide more monetary stimulus, should slower global growth and the issues in China affect the Eurozone economy.

Mario Draghi, the head of the ECB, was also heard to make promises in November, stating that the monetary authority's decision makers would "do what they must to raise inflation as quickly as possible". As monetary policy in Europe and the US begins to take separate tacks, the euro has continued to fall against the US dollar. A weaker home currency acts as a boost to those European companies with a focus on exporting.

### US

In contrast to the majority of other developed equity markets, those in the US made a small gain in dollar terms over the year to the end of May 2016. At the sector level, the best performances came from utilities and telecoms. Conversely, energy and materials lagged behind over the period.

Recent economic reports were mixed. According to the Labor Department, the US economy added 160,000 jobs during April, significantly fewer than the expected 200,000. On the other hand, monthly retail sales were up 1.3% compared to March, boosted by

sales from gasoline stations, auto dealers and non store retailers. New home sales were also robust, and first quarter GDP growth was revised up, though durable goods orders fell a little short of expectations.

### Japan

Japanese equity markets dipped sharply over the review period. At the sector level, banks and steel & non ferrous metals were among the worst performers. Conversely, foods and pharmaceuticals were among the best.

Better than expected gross domestic product data for the first quarter of 2016 helped to boost sentiment during May. A weaker Yen also recently provided a pick me up for the country's export driven economy.

### Bonds

From the start of the review period through to December 2015, UK bonds traded in a narrow range. The relative calm was a result of the Greek situation having quietened down somewhat, aided by Eurozone QE which helped quell market jitters.

In the US, solid economic data, particularly in the labour market, prompted the Fed to signal that it would begin policy normalisation. The Fed eventually raised its policy rate by 0.25% at its December meeting. Market reaction was initially fairly muted when compared with previous tightening cycles as the committee were able to emphasise a gradual path of rate hikes. However, markets became far more volatile in early 2016, prompting Fed rhetoric to turn increasingly dovish.

The 10 year German Bund yield has remained close to record lows for much of the review period, bolstered by the ECB's QE programme. While the prevailing downward trend in yields was temporarily reversed in mid 2015, strong demand for low risk investments helped bolster German bonds and keep a lid on yields. By the end of May 2016, the yield on the benchmark 10 year German Bund yield was just 0.15%.

Corporate bonds were supported both by the strength of the underlying companies and by investors' ongoing demand for the higher yields available from the asset class during 2015. In the middle of that year, credit markets were volatile, largely a reflection of uncertainty caused by an escalation of concerns over Greek debt negotiations and fears over Chinese economic slowdown. While investment grade corporate bonds moderately outperformed government bonds during 2015 as a whole, prices slumped in early 2016. However, the negative tone was dispelled by further monetary easing measures at the end of February, including a corporate bond buying programme, and credit markets were strong in March, April and May.

## Report of the Manager (continued)

### Commercial property

UK commercial property continued to perform well over the last 12 months, although recently signs have emerged that the market is slowing. According to the Investment Property Databank, total returns were 11.2% over the year to the end of April (the latest data available at the time of writing this report) with capital values rising by 5.5%.

The uncertainty over the EU referendum has affected investors' confidence, and activity levels have fallen significantly compared to the start of the year. According to a recent survey by Property Week, the office market is considered to be the most vulnerable of the main sectors in the event of a vote to leave.

### Tactical Asset Allocation ("TAA")

There were 13 TAA changes across the Multi Strategy range in the reporting period although one of these was minor and resulted from the Strategic benchmark change made by the Manager. Not all funds partook in every TAA change.

### General macro economic conditions relating to Growth and Conservative Funds

In early June, given the set back in equities, there was a modest increase in equities and more specifically through European equities, at the expense of Cash. Macro momentum continued to rise gradually, but not so very convincingly, but sufficiently so for us to remain confident in the global economic rebound. The UK Equity overweight was increased and cash overweight decreased.

In mid July, there was a change to the strategic benchmark. A significant portion of the Gilt benchmark was moved to Cash and a small amount to corporate bonds.

In mid August, there was a change to reduce the risk on stance in equities with the proceeds into Gilts, leaving just a modest risk on position. Near term uncertainty and flux in the financial markets was expected to remain at least to the end of the summer and given also the unexpected events by the Chinese authorities in the face of slowing output growth.

In November, we reduced the overweight in Cash and increased the overweight in UK Equities to reflect an increase in the risk on stance across portfolios in general. The reason was due to an increase in our Global Strategy teams' internal survey dispersion reflecting the upgrading of Equity views and a downgrading of Gilt rates and Cash.

Nominal growth and global trade metrics continue to disappoint. Corporate earnings trends are following suit. In short, the prevailing macro and earnings momentum trends are not supportive. That said, cross asset volatility is normalising and equity indices are rallying towards 12 month highs.

### Conservative Strategy Fund

In the Conservative Strategy in mid August, the UK equity overweight was reduced with proceeds into UK Gilts, but still maintaining the underweight position. In December we have added to risk with an increase to equities overall. As well as a pickup in macro momentum measures there has been an improved 'risk on' signal from the Aberdeen Strategy team. An increase in the UK Equity position was been funded from Cash and Gilts.

In January, we neutralised the overweight in Corporate Bonds with proceeds going into UK Gilts. This was due to us becoming more cautious on Investment Grade Credit; the negatives include higher leverage, widening spreads, exposure to equity market volatility, illiquidity and vulnerability to the reversal of many years of investor inflows.

Later in the month, taking advantage of the recent sell off in risk assets, we increased exposure to equities at the expense of Credit. In the Conservative Strategy this was achieved by opening an underweight in Corporate Bonds and further increasing UK Equity.

In February, we started to expect a smaller opportunity to add value through tactical asset allocation compared to a few weeks ago, as signalled by lower asset and regional equity market survey dispersion. There was evidence of a decline in earnings estimates across all regional equity markets. As a result we slightly reduced the tactical overweight to UK equities into cash.

In March, at the asset class level we saw significantly less opportunity to add value as a number of objective frameworks no longer supported an overweight stance in equities. At the same time the outperformance of UK equities was expected to fade and even reverse, so we choose to recommend a cut back to neutral with the proceeds closing the Gilt underweight.

By mid April, we had seen a small upgrade to Credit relative to Equities and Gilts, this resulted in using Cash to neutralise the small Corporate Bond underweight position.

At the end of the period in mid May, the Strategy team believed in a modest 're risking' at the asset class level mainly evidenced by an upgrading of Equities at the expense of Gilts, accompanied by a higher level of Regional Equity dispersion driven by the upgrade of European equity relative to the other areas. The balance of probability has now shifted in favour of a strong risk on stance. In the Conservative Strategy, we moved to an overweight stance from neutral in UK equities, financed from Cash.

## Report of the Manager (continued)

### Growth Strategy Fund

In the Growth Strategy in mid August, the Japanese equities overweight position was reduced and the underweight in Pacific equity increased further, with proceeds into Gilts. In December we added to risk with an increase to equities overall. As well as a pickup in macro momentum measures there has been an improved 'risk on' signal from the Aberdeen Strategy team. The main upgrade was to Emerging Market equities. Valuations were supportive of a fundamental position whilst mindful of calling a bottom in the multi year EM performance trend until we see signs of sustainable improvement relating to growth. The Gilt underweight was increased to open an Emerging Market overweight

In January, we neutralised the overweight in Corporate Bonds with proceeds going into UK Gilts. This was due to us becoming more cautious on Investment Grade Credit, the negatives include higher leverage, widening spreads, exposure to equity market volatility, illiquidity and vulnerability to the reversal of many years of investor inflows.

The US equity view was been downgraded so we opened up an underweight with proceeds into European equity where valuations are less demanding and supported by monetary easing.

Later in the month, taking advantage of the recent sell off in risk assets, we increased exposure to equities at the expense of Credit. In the Conservative Strategy this was achieved by opening an underweight in Corporate Bonds and further increasing European Equity.

In February, we started to expect a smaller opportunity to add value through tactical asset allocation compared to a few weeks ago, as signalled by lower asset and regional equity market survey dispersion. There was evidence of a decline in earnings estimates across all regional equity markets. As a result we slightly reduced the tactical overweight to European equities into cash.

In March, at the asset class level we saw significantly less opportunity to add value as a number of objective frameworks no longer supported an overweight stance in equities. At the same time the outperformance of both UK and EM equities was expected to fade and even reverse, so we chose to recommend a cut back moderately on both and to a lesser extent European equity. The proceeds closed the Gilt underweight.

By mid April, we had seen a small upgrade to Credit relative to Equities and Gilts, this resulted in using Emerging Market equity, in anticipation of a moderate reversal of outperformance, to neutralise the small Corporate Bond underweight position.

At the end of the period in mid May, the Strategy team believed in a modest 're risking' at the asset class level mainly evidenced by an upgrading of Equities at the expense of Gilts, accompanied by a higher level of Regional Equity dispersion driven by the upgrade of European equity relative to the other areas. The balance of probability has now shifted in favour of a strong risk on stance. In the Growth Strategy, we increased the overweight to European Equities and reduced the underweight to Pacific equities, both funded from Cash.

### General macro economic conditions relating to Aggressive and Global USD Growth Funds

In early June, given the set back in equities, there was a modest increase in equities and more specifically through European equities. Macro momentum continued to rise gradually, but not so very convincingly, but sufficiently so for us to remain confident in the global economic rebound. As there is no cash benchmark weight in the Aggressive strategy, Continental European Equity overweight was increased and the underweight in Pacific Equities increased.

In mid August, there was a change to reduce the risk on stance in equities with the proceeds into Gilts, leaving just a modest risk on position. Near term uncertainty and flux in the financial markets was expected to remain at least to the end of the summer and given also the unexpected events by the Chinese authorities in the face of slowing output growth.

## Report of the Manager (continued)

### Aggressive Strategy Fund

In the Aggressive strategy, the modest US equity underweight and the Emerging Markets overweight positions were neutralised; leaving the underweight in Pacific and modest tactical overweight positions in both European and Japanese equities intact.

In October there was a small change reducing the overweight in Japanese equities with proceeds into a new overweight in North American equities. The changes were in line with the Strategy Team's views on the relative attractiveness between equity regions.

In November, we neutralised the modest overweight in North American Equities and increased the underweight further in Asia Pacific Equities to fund the increase to the Japanese overweight. The reason was due to an increase in our Global Strategy teams' internal survey dispersion reflecting the upgrading of Equity views and a downgrading of Gilt rates and Cash.

Nominal growth and global trade metrics continue to disappoint. Corporate earnings trends are following suit. In short, the prevailing macro and earnings momentum trends are not supportive. That said, cross asset volatility is normalising and equity indices are rallying towards 12 month highs.

In December we added to risk with an increase to equities overall. As well as a pickup in macro momentum measures there has been an improved 'risk on' signal from the Aberdeen Strategy team. The main upgrade was to Emerging Market equities. Valuations were supportive of a fundamental position whilst mindful of calling a bottom in the multi year EM performance trend until we see signs of sustainable improvement relating to growth. A UK Equity underweight was opened in order to open an Emerging Market overweight.

In January, the US equity view was been downgraded so we opened up an underweight with proceeds into European equity where valuations are less demanding and supported by monetary easing.

In February, we started to expect a smaller opportunity to add value through tactical asset allocation compared to a few weeks ago, as signalled by lower asset and regional equity market survey dispersion. There was evidence of a decline in earnings estimates across all regional equity markets. As a result we reduced the overweight to European equities to reduce the underweight to Pacific Equity.

In March, at the asset class level we saw significantly less opportunity to add value as a number of objective frameworks no longer supported an overweight stance in equities. At the same time the outperformance of both UK and EM equities was expected to fade and even reverse, so we choose to recommend a cut back moderately on both and to a lesser extent European equity. The proceeds increased the Japanese equity.

By mid April, we had seen a small upgrade to Credit relative to Equities and Gilts, in anticipation of a moderate reversal of Emerging Market outperformance due to oil price strength and USD weakness, an underweight position was opened and proceeds closed the UK equity underweight position.

At the end of the period in mid May, the Strategy team believed in a modest 're risking' at the asset class level mainly evidenced by an upgrading of Equities at the expense of Gilts, accompanied by a higher level of Regional Equity dispersion driven by the upgrade of European equity relative to the other areas. The balance of probability has now shifted in favour of a strong risk on stance. In the Aggressive Strategy, the European overweight was increased further and financed by a new underweight position in the UK.

## Report of the Manager (continued)

### Global USD Growth Strategy Fund

In the USD Growth strategy, the modest US equity underweight and the Emerging Markets overweight positions were neutralised; leaving the underweight in Pacific and modest tactical overweight positions in both European and Japanese equities intact.

In October there was a small change reducing the overweight in Japanese equities with proceeds into a new overweight in North American equities. The changes were in line with the Strategy Team's views on the relative attractiveness between equity regions.

In November, we neutralised the modest overweight in North American Equities and increased the underweight further in Asia Pacific Equities to fund the increase to the Japanese overweight. The reason was due to an increase in our Global Strategy teams' internal survey dispersion reflecting the upgrading of Equity views and a downgrading of Gilt rates and Cash.

Nominal growth and global trade metrics continue to disappoint. Corporate earnings trends are following suit. In short, the prevailing macro and earnings momentum trends are not supportive. That said, cross asset volatility is normalising and equity indices are rallying towards 12 month highs.

In December we added to risk with an increase to equities overall. As well as a pickup in macro momentum measures there has been an improved 'risk on' signal from the Aberdeen Strategy team. The main upgrade was to Emerging Market equities. Valuations were supportive of a fundamental position whilst mindful of calling a bottom in the multi year EM performance trend until we see signs of sustainable improvement relating to growth. A UK Equity underweight was opened in order to open an Emerging Market overweight.

In January, the US equity view was been downgraded so we opened up an underweight with proceeds into European equity where valuations are less demanding and supported by monetary easing.

In February, we started to expect a smaller opportunity to add value through tactical asset allocation compared to a few weeks ago, as signalled by lower asset and regional equity market survey dispersion. There was evidence of a decline in earnings estimates across all regional equity markets. As a result we reduced the overweight to European equities to reduce the underweight to Pacific Equity.

In March, at the asset class level we saw significantly less opportunity to add value as a number of objective frameworks no longer supported an overweight stance in equities. At the same time the outperformance of both UK and EM equities was expected to fade and even reverse, so we choose to recommend a cut back moderately on both and to a lesser extent European equity. The proceeds increased the Japanese equity.

By mid April, we had seen a small upgrade to Credit relative to Equities and Gilts, in anticipation of a moderate reversal of Emerging Market outperformance due to oil price strength and USD weakness, an underweight position was opened and proceeds closed the UK equity underweight position.

At the end of the period in mid May, the Strategy team believed in a modest 're risking' at the asset class level mainly evidenced by an upgrading of Equities at the expense of Gilts, accompanied by a higher level of Regional Equity dispersion driven by the upgrade of European equity relative to the other areas. The balance of probability has now shifted in favour of a strong risk on stance. In the Growth USD Strategy, the European overweight was increased further and financed by a new underweight position in the UK.

*This report is solely for information purposes and is not intended to be and should not be construed as an offer or recommendation to buy and sell investments, nor shall it form the basis or part of any contract to be relied upon in any way.*

Aberdeen Asset Investments Limited  
5 September 2016

## Report of the Custodian to the Members of Lloyds Multi Strategy Fund Limited

### Statement of Custodian's Responsibilities.

The Custodian is required under the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003 (as amended) (the 'Rules') to ensure that, inter alia, it:

- satisfies itself that the sale, issue, redemption, cancellation and valuation of shares in the Company are carried out in accordance with the Rules; and
- takes into its custody all the assets of the Company and holds them in trust for the shareholders in accordance with the Rules; and
- enquires into the conduct of the Company in each annual accounting year and reports thereon to shareholders in a report, which shall contain the matters prescribed by the Rules. The Custodian's Report is included in this Annual Report.

### Report of the Custodian to the Members of Lloyds Multi Strategy Fund Limited

In accordance with Article 2.06 of the Rules, Capita Trust Company (Jersey) Limited, has acted throughout the year as independent Custodian to the Company.

In accordance with Article 7.08 of the Rules we confirm, in our capacity as the Custodian, that we have enquired into the conduct of the Company for the year ended 31 May 2016 and in our opinion, to the best of our knowledge having made such enquiry, the affairs of the Company have been conducted in all material respects for the year then ended:

- in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Memorandum and Articles of Association, by prospectuses and by all Orders for the time being in force under Article 11 of the Collective Investment Funds (Jersey) Law 1988 (as amended) ('the Law'); and
- otherwise in accordance with the provisions of the Memorandum and Articles of Association and the Law.

Capita Trust Company (Jersey) Limited,  
Custodian  
12 Castle Street, St Helier,  
Jersey, JE2 3RT  
Channel Islands

5 September 2016

# Report of the Independent Auditor to the Members of Lloyds Multi Strategy Fund Limited

## Report on the financial statements

We have audited each of the accompanying financial statements of Lloyds Multi Strategy Fund Limited (“the Company”) and the separate financial statements of each Fund listed below (together “the Financial Statements”). The Financial Statements comprise the statements of financial position and the investment portfolios as at 31 May 2016 and the statements of comprehensive income, statements of changes in net assets attributable to holders of participating redeemable preference shares and the cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory information.

The Funds are:

- Conservative Strategy Fund
- Growth Strategy Fund
- Aggressive Strategy Fund
- Global US\$ Growth Strategy Fund

## Directors’ responsibility for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of Jersey law 1991 and the Collective Investment Funds (Recognised Funds)(Rules)(Jersey)Order 2003 (as amended). The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company and the Funds as at 31 May 2016, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991 and the Collective Investment Funds (Recognized Funds) (Rules)(Jersey)Order 2003 (as amended).

## Report on other legal and regulatory requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the company information, the investment objectives and policy, the Directors’ profiles, the report of the directors, report of the manager, the report of the custodian to the members of Lloyds Multi Strategy Fund Limited, the distribution table, the performance record, the net asset value per share, the notice of meeting and the form of proxy.

In our opinion the information given in the report of the directors is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company’s members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991, and part 4 of the Rules Schedule 3 of the Collective Investment Funds (Recognized Funds) (Rules)(Jersey)Order 2003 (as amended) and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Rebecca Brewer  
For and on behalf of PricewaterhouseCoopers CI LLP  
Chartered Accountants  
Jersey, Channel Islands  
5 September 2016

## Statements of Financial Position

As at 31 May 2016

	Notes	Company £	Conservative Strategy Fund £
<b>Assets</b>			
Cash and cash equivalents		276,722	111,412
Creations receivable		338,021	38,834
Investment sales receivable		42,539	27,000
Financial assets at fair value through profit or loss		129,046,704	26,623,872
Other accrued income and other debtors	4	169,895	6,239
<b>Total Assets</b>		<b>129,873,881</b>	<b>26,807,357</b>
<b>Equity</b>			
Ordinary share capital		1,000	—
<b>Total Equity</b>		<b>1,000</b>	<b>—</b>
Overdraft		—	—
Liquidation payable		66,584	—
Investment purchases payable		15,539	—
Distributions payable	5	1,545,744	463,761
Accrued expenses and other creditors	6	150,546	28,272
Nominal shares		136,455	—
<b>Total Liabilities*</b>		<b>1,914,868</b>	<b>492,033</b>
Net assets attributable to holders of participating redeemable preference shares	17	127,958,013	26,315,324
<b>Total Liabilities and Equity</b>		<b>129,873,881</b>	<b>26,807,357</b>

The financial statements on pages 14 to 51 were approved by the Board of Directors on 5 September 2016 and are signed on their behalf by:

B. Lysiak  
B. C. James } Directors

The notes on pages 30 to 51 form an integral part of these financial statements.



## Statements of Financial Position

As at 31 May 2016

	Growth Strategy Fund £	Aggressive Strategy Fund £	Global US\$ Growth Strategy Fund US\$
<b>Assets</b>			
Cash and cash equivalents	98,945	37,490	42,028
Creations receivable	266,999	15,607	24,134
Investment sales receivable	15,539	—	—
Financial assets at fair value through profit or loss	83,666,022	12,588,579	8,977,860
Other accrued income and other debtors	26,201	—	—
<b>Total Assets</b>	<b>84,073,706</b>	<b>12,641,676</b>	<b>9,044,022</b>
<b>Equity</b>			
Ordinary share capital	—	—	—
<b>Total Equity</b>	<b>—</b>	<b>—</b>	<b>—</b>
Overdraft	—	—	—
Liquidation payable	—	66,584	—
Investment purchases payable	15,539	—	—
Distributions payable	1,081,983	—	—
Accrued expenses and other creditors	87,883	21,963	18,090
Nominal shares	—	—	—
<b>Total Liabilities*</b>	<b>1,185,405</b>	<b>88,547</b>	<b>18,090</b>
Net assets attributable to holders of participating redeemable preference shares	82,888,301	12,553,129	9,025,932
<b>Total Liabilities and Equity</b>	<b>84,073,706</b>	<b>12,641,676</b>	<b>9,044,022</b>

The notes on pages 30 to 51 form an integral part of these financial statements.

## Statements of Financial Position (continued)

As at 31 May 2015

	Notes	Company	Conservative Strategy Fund
		£	£
<b>Assets</b>			
Cash and cash equivalents		1,428,307	320,955
Creations receivable		186,617	28,486
Investment sales receivable		49,000	—
Financial assets at fair value through profit or loss		137,751,172	27,934,412
Other accrued income and other debtors	4	170,927	—
<b>Total Assets</b>		<b>139,586,023</b>	<b>28,283,853</b>
<b>Equity</b>			
Ordinary share capital		1,000	—
<b>Total Equity</b>		<b>1,000</b>	<b>—</b>
Overdraft		11,268	—
Liquidation payable		—	—
Investment purchases payable		—	—
Distributions payable	5	1,845,680	580,024
Accrued expenses and other creditors	6	133,282	22,795
Nominal shares		169,927	—
<b>Total Liabilities*</b>		<b>2,160,157</b>	<b>602,819</b>
Net assets attributable to holders of participating redeemable preference shares	17	137,424,866	27,681,034
<b>Total Liabilities and Equity</b>		<b>139,586,023</b>	<b>28,283,853</b>

\* Excluding net assets attributable to holders of participating redeemable preference shares.

## Statements of Financial Position (continued)

As at 31 May 2015

	Growth Strategy Fund	Aggressive Strategy Fund	Global US\$ Growth Strategy Fund
	£	£	US\$
<b>Assets</b>			
Cash and cash equivalents	1,036,683	—	107,837
Creations receivable	120,135	22,830	23,142
Investment sales receivable	—	49,000	—
Financial assets at fair value through profit or loss	89,894,528	13,217,989	10,230,340
Other accrued income and other debtors	—	—	—
<b>Total Assets</b>	<b>91,051,346</b>	<b>13,289,819</b>	<b>10,361,319</b>
<b>Equity</b>			
Ordinary share capital	—	—	—
<b>Total Equity</b>	<b>—</b>	<b>—</b>	<b>—</b>
Overdraft	—	11,268	—
Liquidation payable	—	—	—
Investment purchases payable	—	—	—
Distributions payable	1,265,656	—	—
Accrued expenses and other creditors	83,883	18,185	12,847
Nominal shares	—	—	—
<b>Total Liabilities*</b>	<b>1,349,539</b>	<b>29,453</b>	<b>12,847</b>
Net assets attributable to holders of participating redeemable preference shares	89,701,807	13,260,366	10,348,472
<b>Total Liabilities and Equity</b>	<b>91,051,346</b>	<b>13,289,819</b>	<b>10,361,319</b>

\* Excluding net assets attributable to holders of participating redeemable preference shares.

## Statements of Comprehensive Income

For the year ended 31 May 2016

	Notes	Company	Conservative Strategy Fund
		£	£
<b>Operating Profit</b>			
Net loss on financial assets at fair value through profit or loss	7	(5,389,078)	(387,112)
Investment income		2,713,317	662,661
Other income	8	372	12
Operating expenses	9	(1,204,452)	(196,248)
Operating (loss)/ profit		(3,879,841)	79,313
<b>Finance Costs</b>			
Distributions to holders of participating redeemable preference shares	5	(1,545,744)	(463,761)
Total finance costs		(1,545,744)	(463,761)
Loss before tax		(5,425,585)	(384,448)
Withholding tax on dividends and other investment income	18	—	—
Decrease in net assets attributable to holders of participating redeemable preference shares from operations		(5,425,585)	(384,448)

For the year ended 31 May 2015

	Notes	Company	Conservative Strategy Fund
		£	£
<b>Operating Profit</b>			
Net gain on financial assets at fair value through profit or loss	7	11,474,883	1,515,769
Investment income		2,895,781	750,010
Other income	8	4,715	42
Operating expenses	9	(1,083,764)	(172,103)
Operating profit		13,291,615	2,093,718
<b>Finance Costs</b>			
Distributions to holders of participating redeemable preference shares	5	(1,845,680)	(580,024)
Total finance costs		(1,845,680)	(580,024)
Profit before tax		11,445,935	1,513,694
Withholding tax on dividends and other investment income	18	—	—
Increase in net assets attributable to holders of participating redeemable preference shares from operations		11,445,935	1,513,694

The notes on pages 30 to 51 form an integral part of these financial statements.

## Statements of Comprehensive Income

For the year ended 31 May 2016

	Growth Strategy Fund	Aggressive Strategy Fund	Global US\$ Growth Strategy Fund
	£	£	US\$
<b>Operating Profit</b>			
Net loss on financial assets at fair value through profit or loss	(3,758,199)	(779,792)	(691,195)
Investment income	1,801,516	207,440	62,119
Other income	318	6	54
Operating expenses	(776,943)	(157,650)	(109,660)
Operating (loss)/ profit	(2,733,308)	(729,996)	(738,682)
<b>Finance Costs</b>			
Distributions to holders of participating redeemable preference shares	(1,081,983)	—	—
Total finance costs	(1,081,983)	—	—
Loss before tax	(3,815,291)	(729,996)	(738,682)
Withholding tax on dividends and other investment income	—	—	—
Decrease in net assets attributable to holders of participating redeemable preference shares from operations	(3,815,291)	(729,996)	(738,682)

For the year ended 31 May 2015

	Growth Strategy Fund	Aggressive Strategy Fund	Global US\$ Growth Strategy Fund
	£	£	US\$
<b>Operating Profit</b>			
Net gain on financial assets at fair value through profit or loss	7,934,700	1,607,957	659,380
Investment income	1,996,617	147,114	3,229
Other income	4,472	18	289
Operating expenses	(696,395)	(147,742)	(106,912)
Operating profit	9,239,394	1,607,347	555,986
<b>Finance Costs</b>			
Distributions to holders of participating redeemable preference shares	(1,265,656)	—	—
Total finance costs	(1,265,656)	—	—
Profit before tax	7,973,738	1,607,347	555,986
Withholding tax on dividends and other investment income	—	—	—
Increase in net assets attributable to holders of participating redeemable preference shares from operations	7,973,738	1,607,347	555,986

The notes on pages 30 to 51 form an integral part of these financial statements.

## Statements of Changes in Net Assets Attributable to Holders of Participating Redeemable Preference Shares

For the year ended 31 May 2016

	Company	Conservative Strategy Fund
	£	£
Net assets attributable to holders of participating redeemable preference shares as at 1 June	137,424,866	27,681,0334
Creation of participating redeemable preference shares issued	8,594,807	2,140,776
Redemption of participating redeemable preference shares	(12,954,966)	(3,122,038)
Net (decrease)/ increase from share transactions	(4,360,159)	(981,262)
Decrease in net assets attributable to holders of participating redeemable preference shares from operations	(5,425,586)	(384,448)
Movement in currency translation	318,892	—
Net assets attributable to holders of participating redeemable preference shares as at 31 May	127,958,013	26,315,324

For the year ended 31 May 2015

	Company	Conservative Strategy Fund
	£	£
Net assets attributable to holders of participating redeemable preference shares as at 1 June	125,015,780	26,284,255
Creation of participating redeemable preference shares issued	11,879,053	2,716,551
Redemption of participating redeemable preference shares	(11,537,339)	(2,833,466)
Net increase/ (decrease) from share transactions	341,714	(116,915)
Increase in net assets attributable to holders of participating redeemable preference shares from operations	11,445,935	1,513,694
Movement in currency translation	621,437	—
Net assets attributable to holders of participating redeemable preference shares as at 31 May	137,424,866	27,681,034

The notes on pages 30 to 51 form an integral part of these financial statements.

## Statements of Changes in Net Assets Attributable to Holders of Participating Redeemable Preference Shares

For the year ended 31 May 2016

	Growth Strategy Fund £	Aggressive Strategy Fund £	Global US\$ Growth Strategy Fund US\$
Net assets attributable to holders of participating redeemable preference shares as at 1 June	89,701,807	13,260,366	10,348,472
Creation of participating redeemable preference shares issued	5,151,676	729,960	835,641
Redemption of participating redeemable preference shares	(8,149,891)	(707,201)	(1,419,499)
Net (decrease)/ increase from share transactions	(2,998,215)	22,759	(583,858)
Decrease in net assets attributable to holders of participating redeemable preference shares from operations	(3,815,291)	(729,996)	(738,682)
Movement in currency translation	—	—	—
Net assets attributable to holders of participating redeemable preference shares as at 31 May	82,888,301	12,553,129	9,025,932

For the year ended 31 May 2015

	Growth Strategy Fund £	Aggressive Strategy Fund £	Global US\$ Growth Strategy Fund US\$
Net assets attributable to holders of participating redeemable preference shares as at 1 June	81,223,124	11,728,567	9,694,804
Creation of participating redeemable preference shares issued	7,325,974	974,233	1,390,073
Redemption of participating redeemable preference shares	(6,821,029)	(1,049,781)	(1,292,391)
Net increase/ (decrease) from share transactions	504,945	(75,548)	97,682
Increase in net assets attributable to holders of participating redeemable preference shares from operations	7,973,738	1,607,347	555,986
Movement in currency translation	—	—	—
Net assets attributable to holders of participating redeemable preference shares as at 31 May	89,701,807	13,260,366	10,348,472

The notes on pages 30 to 51 form an integral part of these financial statements.

## Cash Flow Statements

For the year ended 31 May 2016

	Company	Conservative Strategy Fund
	£	£
<b>Cash flows from operating activities</b>		
Purchase of financial assets and settlement of financial liabilities	(48,216,819)	(8,682,986)
Receipts from sale of investments	51,883,733	9,592,982
Investment income received	2,680,878	656,422
Bank interest received	372	12
Interest paid	(9,748)	(1,731)
Operating expenses paid	(1,177,932)	(189,037)
Net cash inflow /(outflow) from operating activities	5,160,484	1,375,662
<b>Cash flows from financing activities</b>		
Distributions paid to holders of participating redeemable preference shares issued	(1,845,680)	(580,024)
Proceeds received from issue of participating redeemable preference shares	7,891,156	2,130,427
Payments on redemption of participating redeemable preference shares	(13,980,765)	(3,122,038)
Net cash (outflow)/ inflow from financing activities	(7,935,289)	(1,571,635)
Net (decrease)/ increase in cash and cash equivalents	(2,774,805)	(195,973)
Cash and cash equivalents as at 1 June	1,417,039	320,955
Exchange losses on cash and cash equivalents	(24,789)	(13,570)
Movement in currency translation	1,659,277	—
Cash and cash equivalents as at 31 May	276,722	111,412

The notes on pages 30 to 51 form an integral part of these financial statements.



## Cash Flow Statements

For the year ended 31 May 2016

	Growth Strategy Fund £	Aggressive Strategy Fund £	Global US\$ Growth Strategy Fund US\$
<b>Cash flows from operating activities</b>			
Purchase of financial assets and settlement of financial liabilities	(36,400,073)	(2,107,558)	(1,528,759)
Receipts from sale of investments	38,878,477	2,007,987	2,092,002
Investment income received	1,775,315	207,441	62,120
Bank interest received	318	6	54
Interest paid	(7,591)	(278)	(221)
Operating expenses paid	(765,356)	(153,593)	(104,199)
Net cash inflow/(outflow) from operating activities	3,481,090	(45,995)	520,997
<b>Cash flows from financing activities</b>			
Distributions paid to holders of participating redeemable preference shares issued	(1,265,656)	—	—
Proceeds received from issue of participating redeemable preference shares	5,004,813	737,183	834,649
Payments on redemption of participating redeemable preference shares	(8,149,891)	(640,617)	(1,419,499)
Net cash (outflow)/ inflow from financing activities	(4,410,734)	96,566	(584,850)
Net (decrease)/ increase in cash and cash equivalents	(929,644)	50,571	(63,853)
Cash and cash equivalents as at 1 June	1,036,683	(11,268)	107,837
Exchange losses on cash and cash equivalents	(8,094)	(1,813)	(1,956)
Movement in currency translation	—	—	—
Cash and cash equivalents as at 31 May	98,945	37,490	42,028

The notes on pages 30 to 51 form an integral part of these financial statements.

## Cash Flow Statements (continued)

For the year ended 31 May 2015

	Company	Conservative Strategy Fund
	£	£
<b>Cash flows from operating activities</b>		
Purchase of financial assets and settlement of financial liabilities	(28,296,721)	(2,921,009)
Receipts from sale of investments	27,975,127	3,233,009
Investment income received	2,895,821	750,019
Bank interest received	4,715	42
Interest paid	(1,886)	(72)
Operating expenses paid	(1,073,961)	(169,449)
Net cash inflow/(outflow) from operating activities	1,503,095	892,540
<b>Cash flows from financing activities</b>		
Distributions paid to holders of participating redeemable preference shares issued	(2,071,291)	(644,324)
Proceeds received from issue of participating redeemable preference shares	11,944,976	2,717,928
Payments on redemption of participating redeemable preference shares	(11,537,339)	(2,833,466)
Net cash (outflow)/ inflow from financing activities	(1,663,654)	(759,862)
Net (decrease)/ increase in cash and cash equivalents	(160,559)	132,678
Cash and cash equivalents as at 1 June	1,597,704	199,834
Exchange (losses)/ gains on cash and cash equivalents	(32,048)	(11,557)
Movement in currency translation	11,942	—
Cash and cash equivalents as at 31 May	1,417,039	320,955

The notes on pages 30 to 51 form an integral part of these financial statements.

## Cash Flow Statements (continued)

For the year ended 31 May 2015

	Growth Strategy Fund £	Aggressive Strategy Fund £	Global US\$ Growth Strategy Fund US\$
<b>Cash flows from operating activities</b>			
Purchase of financial assets and settlement of financial liabilities	(16,973,008)	(4,716,388)	(5,836,575)
Receipts from sale of investments	16,319,008	4,690,388	5,910,050
Investment income received	1,996,649	147,114	3,229
Bank interest received	4,472	18	289
Interest paid	(280)	(1,041)	(781)
Operating expenses paid	(693,714)	(144,275)	(105,326)
Net cash inflow/(outflow) from operating activities	653,127	(24,184)	(29,114)
<b>Cash flows from financing activities</b>			
Distributions paid to holders of participating redeemable preference shares issued	(1,426,967)	—	—
Proceeds received from issue of participating redeemable preference shares	7,362,541	977,324	1,390,811
Payments on redemption of participating redeemable preference shares	(6,821,029)	(1,049,781)	(1,292,391)
Net cash (outflow)/ inflow from financing activities	(885,455)	(72,457)	98,420
Net (decrease)/ increase in cash and cash equivalents	(232,328)	(96,641)	69,306
Cash and cash equivalents as at 1 June	1,284,686	90,616	37,855
Exchange (losses)/ gains on cash and cash equivalents	(15,675)	(5,243)	676
Movement in currency translation	—	—	—
Cash and cash equivalents as at 31 May	1,036,683	(11,268)	107,837

The notes on pages 30 to 51 form an integral part of these financial statements.

## Investment Portfolios

As at 31 May 2016

## Conservative Strategy Fund

	Holding 31.05.15	Holding 31.05.16	Market Value 31.05.16 £	% of Total Net Assets	Market Value 31.05.15 £
<b>Bond Funds 85.01% (85.27%)*</b>					
Aberdeen Corporate Bond Fund	—	2,573,244	5,010,080	19.04	—
Aberdeen Corporate Bond Plus Fund	2,491,455	—	—	—	4,743,730
Lloydstrust Gilt Fund	382,714	159,662	2,000,562	7.60	4,707,387
Lloyds Gilt Fund A Class	3,683,171	1,530,244	2,001,560	7.61	4,707,093
Lloyds Investment Funds Limited:					
High Income Fund	5,292,833	5,777,617	5,020,171	19.08	4,722,265
Sterling Bond Fund	3,138,347	3,381,644	5,021,741	19.08	4,723,213
Lloyds Sterling Money Fund	—	62,974	3,314,962	12.60	—
<b>Equity Funds 8.76% (7.93%)*</b>					
Russell Investment Company UK Equity Fund	135	159	2,304,416	8.76	2,196,237
<b>Property Fund 7.41% (7.71%)*</b>					
Scottish Widows Multi Manager Global Real Estate Fund	1,461,978	1,327,692	1,950,380	7.41	2,134,487
<b>Total value of investments</b>			26,623,872	101.18	27,934,412
<b>Other assets</b>			183,485	0.70	349,441
<b>Total assets</b>			26,807,357	101.88	28,283,853
<b>Liabilities</b>			(492,033)	(1.88)	(602,819)
<b>Net assets attributable to holders of participating redeemable preferences shares</b>			26,315,324	100.00	27,681,034

\*As at 31.05.15

	For the year ended 31.05.16	For the year ended 31.05.15
Cost of investments purchased	£8,682,986	£2,921,009
Proceeds from investments sold	£9,619,986	£3,233,009

## Investment Portfolios

As at 31 May 2016

Growth Strategy Fund

	Holding 31.05.15	Holding 31.05.16	Market Value 31.05.16 £	% of Total Net Assets	Market Value 31.05.15 £
<b>Bond Funds 34.57% (33.59%)*</b>					
Aberdeen Corporate Bond Fund	—	3,694,849	7,193,871	8.68	—
Lloydstrust Gilt Fund	740,587	198,909	2,492,335	3.01	9,109,226
Lloyds Gilt Fund A Class	7,126,750	1,906,819	2,494,119	3.01	9,107,986
Lloyds Investment Funds Limited:					
High Income Fund	13,353,653	8,289,917	7,203,109	8.69	11,914,129
Sterling Bond Fund	—	4,847,562	7,198,630	8.68	—
Lloyds Sterling Money Fund	—	39,363	2,072,079	2.50	—
<b>Equity Funds 56.64% (56.47%)*</b>					
Russell Investment Company Continental European Equity Fund	217,091	257,492	4,405,693	5.32	3,831,655
Russell Investment Company Emerging Markets Fund	56,754	46,201	1,228,935	1.48	1,798,527
Russell Investment Company Japan Equity Fund	136,559	136,617	2,446,805	2.95	2,534,528
Russell Investment Company Pacific Basin Equity	81,623	94,401	2,269,407	2.74	2,274,822
Russell Investment Company UK Equity Fund	906	950	13,732,771	16.57	14,769,989
Russell Investment Company UK Equity Plus Fund	109,333	110,886	13,676,709	16.50	14,763,217
Russell Investment Company US Equity Fund	558,529	481,902	9,180,240	11.08	10,667,907
<b>Property Funds 9.74% (10.17%)*</b>					
Scottish Widows Multi Manager Global Real Estate Fund	6,248,317	5,494,431	8,071,319	9.74	9,122,542
<b>Total value of investments</b>			83,666,022	100.95	89,894,528
<b>Other assets</b>			407,684	0.49	1,156,818
<b>Total assets</b>			84,073,706	101.44	91,051,346
<b>Liabilities</b>			(1,185,405)	(1.44)	(1,349,539)
<b>Net assets attributable to holders of participating redeemable preferences shares</b>			82,888,301	100.00	89,701,807

\*As at 31.05.15

	For the year ended 31.05.16	For the year ended 31.05.15
Cost of investments purchased	£36,415,612	£16,973,008
Proceeds from investments sold	£38,894,014	£16,319,008

## Investment Portfolios (continued)

As at 31 May 2016

Aggressive Strategy Fund

	Holding 31.05.15	Holding 31.05.16	Market Value 31.05.16 £	% of Total Net Assets	Market Value 31.05.15 £
<b>Equity Funds 100.29% (99.68%)*</b>					
Russell Investment Company Continental European Equity Fund	88,588	92,397	1,580,919	12.59	1,563,587
Russell Investment Company Emerging Markets Equity Fund	21,599	21,179	563,370	4.49	684,467
Russell Investment Company Japan Equity Fund	48,006	51,637	924,827	7.37	890,999
Russell Investment Company Pacific Basin Equity Fund	36,552	41,597	999,988	7.97	1,018,715
Russell Investment Company UK Equity Fund	142	151	2,187,698	17.43	2,308,083
Russell Investment Company UK Equity Plus Fund	17,083	17,662	2,178,476	17.35	2,306,741
Russell Investment Company US Equity Fund	116,511	109,162	2,079,528	16.57	2,225,359
Russell Investment Company US Quantitive Equity Fund	76,813	71,052	1,452,295	11.57	1,553,917
Russell Investment Company US Small Cap Equity Fund	26,061	26,003	621,478	4.95	666,121
<b>Total value of investments</b>			12,588,579	100.29	13,217,989
<b>Other assets</b>			53,097	0.42	71,830
<b>Total assets</b>			12,641,676	100.71	13,289,819
<b>Liabilities</b>			(88,547)	(0.71)	(29,453)
<b>Net assets attributable to holders of participating redeemable preferences shares</b>			12,553,129	100.00	13,260,366

\*As at 31.05.15

	For the year ended 31.05.16	For the year ended 31.05.15
Cost of investments purchased	£2,107,558	£4,716,388
Proceeds from investments sold	£1,958,988	£4,739,388

## Investment Portfolios (continued)

As at 31 May 2016

Global US\$ Growth Strategy Fund

	Holding 31.05.15	Holding 31.05.16	Market Value 31.05.16 US\$	% of Total Net Assets	Market Value 31.05.15 US\$
<b>Equity Funds 99.46% (98.85%)*</b>					
Russell Investment Company Continental European Equity Fund	53,183	52,606	1,243,599	13.78	1,332,229
Russell Investment Company Emerging Markets Fund	1,533	1,442	457,657	5.07	597,160
Russell Investment Company Japan Equity Fund	44,152	44,052	724,218	8.02	779,727
Russell Investment Company Pacific Basin Equity Fund	22,227	24,140	780,918	8.65	861,961
Russell Investment Company UK Equity Fund	40,463	40,279	877,282	9.72	1,011,972
Russell Investment Company US Equity Fund	79,726	71,689	1,567,845	17.37	1,811,365
Russell Investment Company US Quantative Equity Fund	81,185	72,320	1,557,059	17.25	1,805,556
Brown Advisory American Fund	110,597	101,699	1,573,284	17.43	1,803,838
Russell Investment Company US Small Cap Equity Fund	5,570	5,368	195,998	2.17	226,532
<b>Total value of investments</b>			8,977,860	99.46	10,230,340
<b>Other assets</b>			66,162	0.73	130,979
<b>Total assets</b>			9,044,022	100.19	10,361,319
<b>Liabilities</b>			(18,090)	(0.19)	(12,847)
<b>Net assets attributable to holders of participating redeemable preferences shares</b>			9,025,932	100.00	10,348,472

\*As at 31.05.15

	For the year ended 31.05.16	For the year ended 31.05.15
Cost of investments purchased	US\$ 1,528,759	US\$ 5,836,575
Proceeds from investments sold	US\$ 2,092,000	US\$ 5,910,050

## Notes to the Financial Statements

For the year ended 31 May 2016

### 1. The Company

The Company is domiciled and incorporated as a limited liability company in Jersey, Channel Islands, United Kingdom under the Companies (Jersey) Law 1991 and is listed on the Channel Islands Securities Exchange Authority. Full details of the Company, Investment Objectives and Policy and Report of the Directors are stated on pages 2 to 6.

### 2. Basis of Preparation

The financial statements of the Company and the Funds have been prepared in accordance with International Financial Reporting Standards ('IFRS') on the going concern basis. The Funds are:

- Conservative Strategy Fund
- Growth Strategy Fund
- Aggressive Strategy Fund
- Global US\$ Growth Strategy Fund

The policies set out below have been consistently applied to all years presented.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, held at fair value through the profit or loss and in accordance with the Companies (Jersey) Law 1991 and with the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003 (as amended). Jersey is not part of the United Kingdom ('UK') and the Company is not regulated by the Financial Conduct Authority ('FCA') or the Prudential Regulation Authority ('PRA') of the UK.

The capital of the Company comprises various classes of Shares each relating to a separate Fund consisting of securities, cash, other assets and liabilities. These financial statements present the statements of financial position, statements of comprehensive income, statements of changes in net assets attributable to holders of participating redeemable preference shares, cash flow statements, investment portfolios, notes to the financial statements, distribution tables (unaudited) and performance records (unaudited). At the statement of financial position date there were four Funds in existence; Conservative Strategy Fund, Growth Strategy Fund, Aggressive Strategy Fund and Global US\$ Growth Strategy Fund. The Directors may from time to time create further classes (Funds).

The net assets attributable to holders of participating redeemable preference shares are classified as financial liabilities and therefore, in the opinion of the Directors, the Capital of the Company is only represented by the Founders Shares. Details of Founders Shares are disclosed in Notes 3 and 14.

Where assets of an individual Fund are insufficient to meet that Fund's liabilities, then any liabilities that remain undischarged will revert to the Company as a whole and be allocated amongst the other Funds.

### Significant accounting estimates and judgements

The Company makes assumptions and estimates that affect the reported amounts of assets and liabilities at the statement of financial position date. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The accounting policies deemed significant to the Company's results and financial position, based upon materiality and significant judgements and estimates, are discussed in the following notes. See Note 3 for further details on what are considered to be the significant accounting estimates and judgements.

### 3. Summary of Significant Accounting Policies

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

The Directors also monitor new standards and ensure that they are applied when relevant.

#### 3. Adoption of new and revised IFRS's

##### 3.1 Standards, amendments and interpretations effective for the current period

The following new standards, amendments and interpretations have been adopted in these financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: The Company has applied the amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities for the first time in the current period.

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.

The Company did not control any entities during the period or the prior year and as a result, the investment entities amendments have had no impact on the Company.

Amendments to IAS 28 Investments in Associates and Joint Ventures: The Company has applied the amendments to IAS 28 Investments in Associates and Joint Ventures for the first time in the current period.

The Company had no Associates or Joint Ventures during the period or the prior year and as a result, the investment entities amendments have had no impact on the Company.

##### 3.2 The following New and revised standards, amendments and interpretations have been published but are not yet effective:

- IFRS 9, 'Financial Instruments' (effective from 1 January 2018).
- IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2017).

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company.



## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

### 3. Summary of Significant Accounting Policies (continued)

#### Functional currency and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which it operates (the 'functional currency'). The Directors have adopted sterling as the functional and presentational currency which reflects the Company's primary activity of investing in sterling share Classes and the regulatory environment of the majority of investors, being UK based.

The Company has adopted sterling as its presentational and functional currency for the Conservative Strategy Fund, Growth Strategy Fund and Aggressive Strategy Fund as the majority of the Shares in each Fund have been subscribed for in sterling and all non dealing related fees and expenses are paid in sterling.

The Company has adopted the US Dollar as its presentation and functional currency for the Global US\$ Growth Strategy Fund. The primary activity of this Strategy is to invest in US Dollar denominated securities, the majority of shares in this Strategy have been subscribed for in US Dollars and the primary currency in which income, fees and expenses are paid is the US Dollar.

#### Share premium and share capital currency translation

Share premium and share capital transactions are translated into sterling at the exchange rate ruling at the time of the transaction.

The aggregated balance of net assets attributable to holders of participating redeemable preference Shares has been translated using the average exchange rate for the year.

#### Segmental reporting

The Company, at the statement of financial position date is organised into four business segments, each focusing on achieving returns by investing in a range of investments as described in the Investment Objectives and Policy on page 3.

The Company issues Shares which are allocated to the Fund selected by the investor. A separate account is maintained for each Fund, to which proceeds of issue, the income arising from those proceeds and expenses are allocated. Upon redemption shareholders are entitled to their proportion of the net assets held in the Fund in which their Shares have been designated.

A statement of financial position, statement of comprehensive income, statement of changes in net assets attributable to holders of participating redeemable preference shares and cash flow statement have been prepared for each Fund as well as for the Company as a whole.

#### Foreign currency translation

Assets and liabilities denominated in currencies other than the functional currency of the Fund are translated at the rate of exchange ruling at the statement of financial position date. The currency profits or losses arising on translation, together with currency profits or losses realised during the year, are recognised in the statement of comprehensive income.

The rate of exchange to sterling from dollar ruling at 31 May 2016 used for the conversion of statement of financial position items was 1.4555 and the average rate for the year used for the conversion of the statement of comprehensive income was 1.4897.

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

##### (a) Classification

The Company classifies its investments in debt and equity securities as financial assets at fair value through profit or loss. These financial assets and financial liabilities are designated by the Board of Directors at fair value through profit or loss at inception.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy.

##### (b) Recognition

Purchases and sales are recognised on the trade date (the date on which the Company commits to purchase or sell the asset).

##### (c) Measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs for all financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income as incurred. 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 financial assets or financial liabilities at fair value through profit or loss are recognised in the statement of comprehensive income in the year in which they arise.

#### Revenue recognition

Investment income from Fund investments is recognised in the statement of comprehensive income on an ex-dividend basis when the right to receive payment is established. When a Fund holds derivatives with offsetting market risks, it uses bid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid-market price to the net open position as appropriate, please note that the Funds held no derivatives at 31 May 2016 (31 May 2015 : Nil).

Bank Interest is recognised in the statement of comprehensive income on a time proportionate basis using the effective interest rate method ("EIR"). The EIR is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial asset or liability, or, when appropriate, a shorter year, to the net carrying amount of the financial asset or financial liability.

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets and financial liabilities held by the Fund is the current mid-market price as required by IFRS 13 financial assets and financial liabilities at fair value at close of business on the last business day of the accounting year.

## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

### 3. Summary of Significant Accounting Policies (continued)

#### Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

#### Share capital

- (i) The Founders Shares have been subscribed for by the Manager and are non-participating. The holders thereof are entitled only to income arising on the assets represented by the Founders Shares. These Shares are classified as Ordinary Share capital in the statement of financial position.
- (ii) Unclassified Shares may be issued as either participating redeemable preference shares ('Participating Shares') or Nominal Shares. Participating Shares are redeemable at the shareholder's option and are classified as financial liabilities. Participating Shares are carried at the redemption amount that is payable if the holder exercises the right to redeem Shares at the statement of financial position date.

Participating Shares are issued and redeemed at the holder's option at prices based on each Fund's net asset value per Share at the time of issue or redemption. Each Fund's net asset value per Share is calculated by dividing the net assets attributable to the holders of participating redeemable preference shares with the total number of Participating Shares in issue. In accordance with the provisions of the Company's regulations, investments are valued based on the latest traded market price for the purpose of determining the net asset value per Share for subscriptions and redemptions.

The Shares are divided into funds according to the type of investment in which the proceeds of the issue of Shares in each Fund are invested. A separate portfolio of investments is maintained for each Fund.

Each holder of a Participating Share is entitled on a poll, to one vote for each Participating Share held. Participating Shares have a right to dividends declared. If any dividends are paid, different amounts of dividends may be payable in respect of different Funds.

- (iii) Nominal Shares have been accounted for in accordance with the Companies (Jersey) Law 1991 and corresponding amounts have been included in debtors and financial liabilities. A Nominal Share will be created when a Participating Share is cancelled. A Nominal Share will be cancelled when a Participating Share is created until the number of Nominal Shares falls to zero.
- (iv) Both issued Nominal and Participating Shares have a nominal value of £ 0.01 per Share.

Details of the Company's Share capital transactions are shown in Note 14.

#### Share premium

The premium on issues and redemptions of Participating Shares is accounted for within the Share premium account which forms part of the net assets attributable to holders of participating redeemable preference Shares. Details are shown in Notes 15 and 17.

#### Distributions payable to holders of participating redeemable preference shares

Distributions to holders of Participating Shares are recognised and classified as finance costs when they are ratified by the Directors.

#### Accrued income and expenses

Accrued income and expenses are recognised initially at fair value and subsequently stated at amortised cost using the EIR.



## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

## 4. Other Accrued Income and Other Debtors

	Company	Conservative Strategy Fund
	£	£
<b>As at 31 May 2016</b>		
Accrued Dividend Income	32,440	6,239
Founders Shares	1,000	—
Nominal Shares	136,455	—
Total Other Accrued Income and Other Debtors	169,895	6,239
<b>As at 31 May 2015</b>		
Accrued Dividend Income	—	—
Founders Shares	1,000	—
Nominal Shares	169,927	—
Total Other Accrued Income and Other Debtors	170,927	—

## 5. Distributions

The distributions take account of income received on the creation of shares and income deducted on the cancellation of shares and comprise of:

	Company	Conservative Strategy Fund
	£	£
<b>Year ended 31 May 2016</b>		
Distributions due to holders of participating redeemable preference shares as at 31 May	1,545,744	463,761
Income paid on cancellation of shares	67,751	20,101
Income received on creation of shares	(101,995)	(33,786)
Net distributions for the year	1,511,500	450,076
<b>Year ended 31 May 2015</b>		
Distributions due to holders of participating redeemable preference shares as at 31 May	1,845,680	580,024
Income paid on cancellation of shares	82,223	31,614
Income received on creation of shares	(99,157)	(32,596)
Net distributions for the year	1,828,746	579,042

\* The Global US\$ Growth Strategy Fund takes the form of a roll-up fund where income generated from underlying investments is retained in the fund rather than paid out to investors by way of dividends.

## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

## 4. Other Accrued Income and Other Debtors

	Growth Strategy Fund	Aggressive Strategy Fund	Global US\$ Growth Strategy Fund
	£	£	US\$
<b>As at 31 May 2016</b>			
Accrued Dividend Income	26,201	—	—
Founders Shares	—	—	—
Nominal Shares	—	—	—
Total Other Accrued Income and Other Debtors	26,201	—	—
<b>As at 31 May 2015</b>			
Accrued Dividend Income	—	—	—
Founders Shares	—	—	—
Nominal Shares	—	—	—
Total Other Accrued Income and Other Debtors	—	—	—

## 5. Distributions

The distributions take account of income received on the creation of shares and income deducted on the cancellation of shares and comprise of:

	Growth Strategy Fund	Aggressive Strategy Fund	* Global US\$ Growth Strategy Fund
	£	£	US\$
<b>Year ended 31 May 2016</b>			
Distributions due to holders of participating redeemable preference shares as at 31 May	1,081,983	—	—
Income paid on cancellation of shares	40,675	6,975	—
Income received on creation of shares	(61,588)	(6,621)	—
Net distributions for the year	1,061,070	354	—
<b>Year ended 31 May 2015</b>			
Distributions due to holders of participating redeemable preference shares as at 31 May	1,265,656	—	—
Income paid on cancellation of shares	43,573	7,036	—
Income received on creation of shares	(59,866)	(6,695)	—
Net distributions for the year	1,249,363	341	—

## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

## 6. Accrued Expenses and Other Creditors

	Company	Conservative Strategy Fund
	£	£
<b>As at 31 May 2016</b>		
Due to Manager	110,889	18,828
Due to Custodian	10,599	2,353
Other Creditors	29,058	7,091
Total accrued expenses and other creditors	150,546	28,272
<b>As at 31 May 2015</b>		
Due to Manager	102,025	15,990
Due to Custodian	10,168	2,231
Other Creditors	21,089	4,574
Total accrued expenses and other creditors	133,282	22,795

## 7. Net Gain/ (Loss) on Financial Assets at Fair Value Through Profit or Loss

The net gain/(loss) on investments during the year comprise:

	Company	Conservative Strategy Fund
	£	£
<b>Year ended 31 May 2016</b>		
Proceeds from sales of investments during the year	51,877,274	9,619,986
Original cost of investments sold during the year	(48,412,007)	(9,128,612)
Gains realised on investments sold during the year	3,465,267	491,374
Realised foreign exchange loss	(25,037)	(13,755)
Net realised gain for the year	3,440,230	477,619
Net unrealised loss for the year	(8,829,308)	(864,731)
Net loss on investments	(5,389,078)	(387,112)
<b>Year ended 31 May 2015</b>		
Proceeds from sales of investments during the year	28,024,127	3,233,009
Original cost of investments sold during the year	(22,294,289)	(2,834,662)
Gains realised on investments sold during the year	5,729,838	398,347
Realised foreign exchange loss	(32,493)	(11,209)
Net realised gain for the year	5,697,345	387,138
Net unrealised gain/ (loss) for the year	5,777,538	1,128,631
Net gains on investments	11,474,883	1,515,769

## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

## 6. Accrued Expenses and Other Creditors

	Growth Strategy Fund	Aggressive Strategy Fund	Global US\$ Growth Strategy Fund
	£	£	US\$
<b>As at 31 May 2016</b>			
Due to Manager	70,810	15,259	8,721
Due to Custodian	6,590	1,113	791
Other Creditors	10,483	5,591	8,578
Total accrued expenses and other creditors	87,883	21,963	18,090
<b>As at 31 May 2015</b>			
Due to Manager	65,797	14,436	8,854
Due to Custodian	6,357	1,045	816
Other Creditors	11,729	2,704	3,177
Total accrued expenses and other creditors	83,883	18,185	12,847

## 7. Net Gain/ (Loss) on Financial Assets at Fair Value Through Profit or Loss

The net gain/(loss) on investments during the year comprise:

	Growth Strategy Fund	Aggressive Strategy Fund	Global US\$ Growth Strategy Fund
	£	£	US\$
<b>Year ended 31 May 2016</b>			
Proceeds from sales of investments during the year	38,894,014	1,958,988	2,092,000
Original cost of investments sold during the year	(36,400,593)	(1,642,199)	(1,848,157)
Gains realised on investments sold during the year	2,493,421	316,789	243,843
Realised foreign exchange loss	(8,332)	(1,733)	(1,813)
Net realised gain for the year	2,485,089	315,056	242,030
Net unrealised loss for the year	(6,243,288)	(1,094,848)	(933,225)
Net loss on investments	(3,758,199)	(779,792)	(691,195)
<b>Year ended 31 May 2015</b>			
Proceeds from sales of investments during the year	16,319,008	4,739,388	5,910,050
Original cost of investments sold during the year	(13,250,350)	(3,383,570)	(4,473,966)
Gains realised on investments sold during the year	3,068,658	1,355,818	1,436,084
Realised foreign exchange loss	(15,155)	(5,327)	(1,270)
Net realised gain for the year	3,053,503	1,350,491	1,434,814
Net unrealised gain/ (loss) for the year	4,881,197	257,466	(775,434)
Net gains on investments	7,934,700	1,607,957	659,380

## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

## 8. Other Income

	Notes	Company £	Conservative Strategy Fund £
<b>Year ended 31 May 2016</b>			
Bank interest		372	12
<b>Year ended 31 May 2015</b>			
Bank interest		4,715	42

## 9. Operating Expenses

		Company £	Conservative Strategy Fund £
<b>Year ended 31 May 2016</b>			
Payable to the Manager:			
Annual management fees	10	864,968	132,479
Registrar fees	10	62,942	13,429
Payable to the Custodian:			
Custodian fees	11	122,087	27,025
Other expenses:			
Administration expenses *		78,309	17,115
Dilution Levy		52,402	—
Audit fee		23,744	6,200
<b>Total expenses</b>		<b>1,204,452</b>	<b>196,248</b>
<b>Total Expense Ratio**</b>			<b>1.49%</b>
<b>Year ended 31 May 2015</b>			
Payable to the Manager:			
Annual management fees	10	816,354	111,975
Registrar fees	10	65,893	13,825
Payable to the Custodian:			
Custodian fees	11	123,420	27,380
Other expenses:			
Administration expenses *		55,361	12,923
Dilution Levy		—	—
Audit fee		22,736	6,000
<b>Total expenses</b>		<b>1,083,764</b>	<b>172,103</b>
<b>Total Expense Ratio **</b>			<b>1.47%</b>

\* The Administration expenses include £5,000 of Director fees (see note 10).

\*\* The Total Expense ratio (TER), represents the management fee and all other operating expenses (broken down above), expressed as a percentage of the average daily net asset values during the year. The management fee includes the annual management charge ('AMC') of the underlying funds in which each strategy invests. (See note 21 for changes effective 17 August 2016)



## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

## 8. Other Income

	Growth Strategy Fund £	Aggressive Strategy Fund £	Global US\$ Growth Strategy Fund US\$
<b>Year ended 31 May 2016</b>			
Bank interest	318	6	54
<b>Year ended 31 May 2015</b>			
Bank interest	4,472	18	289

## 9. Operating Expenses

	Growth Strategy Fund £	Aggressive Strategy Fund £	Global US\$ Growth Strategy Fund US\$
<b>Year ended 31 May 2016</b>			
Payable to the Manager:			
Annual management fees	560,629	121,051	75,693
Registrar fees	39,189	7,360	4,416
Payable to the Custodian:			
Custodian fees	75,822	12,704	9,737
Other expenses:			
Administration expenses *	36,901	12,335	17,814
Dilution Levy	52,402	—	—
Audit fee	12,000	4,200	2,000
<b>Total expenses</b>	<b>776,943</b>	<b>157,650</b>	<b>109,660</b>
<b>Total Expense Ratio **</b>	<b>1.70%</b>	<b>2.04%</b>	<b>2.10%</b>
<b>Year ended 31 May 2015</b>			
Payable to the Manager:			
Annual management fees	539,707	115,717	77,512
Registrar fees	41,447	7,637	4,725
Payable to the Custodian:			
Custodian fees	77,282	12,320	10,191
Other expenses:			
Administration expenses *	26,359	8,068	12,684
Dilution Levy	—	—	—
Audit fee	11,600	4,000	1,800
<b>Total expenses</b>	<b>696,395</b>	<b>147,742</b>	<b>106,912</b>
<b>Total Expense Ratio **</b>	<b>1.68%</b>	<b>2.01%</b>	<b>2.04%</b>

\* The Administration expenses include £5,000 of Director fees (see note 10).

\*\* The Total Expense ratio (TER), represents the management fee and all other operating expenses (broken down above), expressed as a percentage of the average daily net asset values during the year. The management fee includes the annual management charge ('AMC') of the underlying funds in which each strategy invests. (See note 21 for changes effective 17 August 2016)

## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

### 10. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the party in making financial or operating decisions. The following are considered by the Directors of the Company to be related parties:

- The Manager, Lloyds Investment Fund Managers Limited.
- The Asset Allocation Advisor, Aberdeen Asset Management Limited.
- Key management personnel.

The fees received by the Manager are set out in Note 9. The Investment Manager is paid by the Manager. Details of amounts due to the Manager at the end of the year are shown in Note 6.

All investor share transactions in the Company are facilitated through the Manager, the aggregate values of which are set out in the statement of changes in net assets attributable to holders of participating redeemable preference shares on pages 20 and 21.

At the year end the Manager held Participating Shares in the Company as follows:

	31 May 2016	31 May 2015
Conservative Strategy Fund	6,943	7,054
Growth Strategy Fund	10,332	7,045
Aggressive Strategy Fund	7,000	7,319
Global US\$ Growth Strategy Fund	15,690	16,035
	39,965	37,453

#### (a) Management and Registrar fees

The Manager, of the Company, Lloyds Investment Fund Managers Limited, is part of the Lloyds Bank Group of companies. The Manager is entitled to a daily fee equal at the annual rate set out below by reference to the net assets of each Fund calculated daily and paid monthly by the Company.

Conservative Strategy Fund	1.25%
Growth Strategy Fund	1.50%
Aggressive Strategy Fund	1.75%
Global US\$ Growth Strategy Fund	1.75%

The Directors and the Manager may agree a higher fee for any Fund subject to a maximum annual rate of 2.00% of the mid market value of net assets of the Fund. If such a higher fee is agreed, shareholders of the relevant Fund will be given at least three months written notice before it comes into effect. From 19 August 2016 the Management fee for each Fund will be reduced to 1%.

Where a Fund invests in another Fund, the Manager will ensure that any initial or ongoing charges levied by the second Fund are repaid into the assets of the investing Fund. None of the Funds as represented within these financial statements invest in other Funds within the Company.

The Manager, in its capacity as Registrar, is entitled to a fee payable by the Company of £12.00 for each shareholding which appears on the Share Register on the last business day of each annual and half yearly accounting period. The Manager and the Company may agree a higher fee.

Details of amounts due to the Manager at the end of the year are shown in Note 6.

#### (b) Key management personnel

The following Directors of the Company at 31 May 2016 are employees of Lloyds Banking Group: I.M.J. Hardy, B.C. James, B. Lysiak and R.D. Willcox. T.J. Herbert is a consultant to Mourant Ozannes, who are the Jersey legal advisers to the Company and the Manager.

I.M.J.Hardy, B.C. James and R.D. Willcox are Directors of the Manager, Lloyds Investment Fund Managers Limited.

#### (c) Directors' fees

Directors who are employees of the Lloyds Banking Group do not receive Directors' fees. All other directors currently receive a fee of £5,000 per annum (May 2015: £5,000 per annum).

## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

### 11. Custodian

The fees received by the Custodian are set out in Note 9. Details of amounts due to the Custodian at the end of the year are shown in Note 6.

The Custodian is entitled to an annual fee payable monthly by the Company, in respect of each Fund, at the rates set out in the table below by reference to the net asset value of each Fund calculated on a mid-market basis and subject to a minimum overall fee of £5,000 per annum per sterling Fund Class and US\$10,000 per US\$ Fund Class. The minimum fee for the US\$ Fund Classes has been waived until further notice.

The Custodian is entitled to reimbursement by each Fund of its expenses in connection with its duties as Custodian and to make transaction charges to cover the cost of effecting settlement of stock and cash.

#### Custodian Fee Rates

Sterling Funds Class	NAV of each Fund		
	Up to £50M	Next £50M	£100M Plus
Conservative Strategy Fund	0.100%	0.075%	0.050%
Growth Strategy Fund	0.100%	0.075%	0.050%
Aggressive Fund	0.100%	0.075%	0.050%
US\$ Fund Classes	NAV of each Fund		
	Up to US\$100M	Next US\$100M	US\$ 100M Plus
Global US\$ Growth Strategy Fund	0.100%	0.075%	0.050%

### 12. Controlling Party

In the opinion of the Directors, there is no ultimate controlling party of the company as defined by International Accounting Standard (IAS) 24 Related Party Disclosures.

### 13. Equalisation

The price of a share includes an equalisation amount calculated by dividing the net undistributed income of the Fund by the number of shares in issue at the time when the prices are calculated. The payment of the first distribution after the issue of a share includes an amount of equalisation calculated by averaging the amounts received by way of equalisation during the year to which the distribution relates.

## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

## 14. Share Capital

	31 May 2016		31 May 2015	
	£		£	
<b>Authorised Share Capital:</b>				
1,000 Founders Shares of £1	1,000		1,000	
750,000,000 Unclassified Shares of 1p	7,500,000		7,500,000	
	7,501,000		7,501,000	
<b>Issued Ordinary Share Capital:</b>				
Founders Shares	1,000		1,000	
<b>Nominal Shares:</b>				
Balance brought forward	169,927		173,879	
Creations	97,780		86,501	
Redemptions	(64,308)		(90,453)	
Balance carried forward	203,399		169,927	
<b>Participating Shares:</b>				
Balance brought forward	959,659		955,707	
Creations	64,308		90,453	
Redemptions	(97,780)		(86,501)	
Balance carried forward	926,187		959,659	
<b>Fund</b>	<b>Shares</b>	<b>£</b>	<b>Shares</b>	<b>£</b>
Conservative Strategy	23,782,599	237,825	24,681,876	246,819
Growth Strategy	55,486,323	554,863	57,529,804	575,298
Aggressive Strategy	6,835,041	68,350	6,823,008	68,230
Total Sterling Funds	86,103,963	861,038	89,034,688	890,347
	<b>Shares</b>	<b>US\$</b>	<b>Shares</b>	<b>US\$</b>
Global US\$ Growth Strategy	6,514,336	158,228	6,930,837	162,393
	<b>Shares</b>	<b>£</b>	<b>Shares</b>	<b>£</b>
Total Company (Sterling equivalent)	92,618,299	926,187	95,965,525	959,659

## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

## 15. Share Premium

	31 May 2016	31 May 2015
	£	£
Conservative Strategy	23,294,887	24,253,471
Growth Strategy	61,457,510	64,414,377
Aggressive Strategy	7,411,574	7,389,290
Total Sterling Funds	92,163,971	96,057,138
	US\$	US\$
Global US\$ Growth Strategy	6,147,147	6,726,841
	94,572,745	98,865,187
Total Company (Sterling equivalent)	94,572,745	98,865,187
Balance brought forward	98,865,187	98,510,491
Premium on creations	8,462,748	11,706,377
Premium on redemptions	(12,755,190)	(11,351,681)
Balance carried forward	94,572,745	98,865,187

## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

## 16. Capital Reserves

	Notes	Company	Conservative Strategy Fund
		£	£
Net realised gains on investments brought forward		11,604,855	651,664
Net realised gains for the year		3,440,230	477,619
Net realised gains on investments carried forward		15,045,085	1,129,283
Net unrealised movement on investment brought forward		24,643,097	2,511,908
Net unrealised movement in the year		(8,829,308)	(864,731)
Net unrealised movement on investment carried forward		15,813,789	1,647,177
Total realised/unrealised movement		30,858,874	2,776,460
Net transfer (from)/ to capital reserve brought forward		(372,572)	—
Net movement to capital reserve in the year		18,275	—
Net transfer (from)/ to capital reserve carried forward		(354,297)	—
Movement in currency translation brought forward		810,928	—
Net movement in the year		(810,928)	—
Movement in currency translation carried forward		—	—
As at 31 May		30,504,577	2,776,460

## 17. Net assets attributable to holders of participating redeemable preference shares

	Notes	Company	Conservative Strategy Fund
		£	£
<b>As at 31 May 2016</b>			
Share capital	14	926,187	237,825
Share premium	15	94,572,745	23,294,887
Capital reserves	16	30,452,175	2,776,460
Undistributed income *		7,910	6,152
Movement in currency translation		1,998,996	—
Net assets attributable to holders of participating redeemable preference shares		127,958,013	26,315,324
<b>As at 31 May 2015</b>			
Share capital	14	959,659	246,819
Share premium	15	98,865,187	24,253,471
Capital reserves	16	35,875,380	3,163,572
Undistributed income *		44,531	17,172
Movement in currency translation		1,680,109	—
Net assets attributable to holders of participating redeemable preference shares		137,424,866	27,681,034

\* Undistributed income under the accruals method as at 31 May 2016 amounts to £(424,557) (31 May 2015 amounts to £(100,565)).

## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

## 16. Capital Reserves

	Growth Strategy Fund	Aggressive Strategy Fund	Global US\$ Growth Strategy Fund
	£	£	US\$
Net realised gains on investments brought forward	6,918,371	2,571,175	2,346,625
Net realised gains for the year	2,485,089	315,056	242,030
Net realised gains on investments carried forward	9,403,460	2,886,231	2,588,655
Net unrealised movement on investment brought forward	17,766,402	3,168,785	1,897,565
Net unrealised movement in the year	(6,243,288)	(1,094,848)	(933,225)
Net unrealised movement on investment carried forward	11,523,114	2,073,937	964,340
Total realised/unrealised movement	20,926,574	4,960,168	3,552,995
Net transfer (from)/ to capital reserve brought forward	—	62,886	(784,952)
Net movement to capital reserve in the year	(52,402)	50,151	(47,486)
Net transfer (from)/ to capital reserve carried forward	(52,402)	113,037	(832,438)
Movement in currency translation brought forward	—	—	—
Net movement in the year	—	—	—
Movement in currency translation carried forward	—	—	—
As at 31 May	20,874,172	5,073,205	2,720,557

## 17. Net assets attributable to holders of participating redeemable preference shares

	Growth Strategy Fund	Aggressive Strategy Fund	Global US\$ Growth Strategy Fund
	£	£	US\$
<b>As at 31 May 2016</b>			
Share capital	554,863	68,350	158,228
Share premium	61,457,510	7,411,574	6,147,147
Capital reserves	20,874,172	5,073,205	2,720,557
Undistributed income *	1,756	—	—
Movement in currency translation	—	—	—
Net assets attributable to holders of participating redeemable preference shares	82,888,301	12,553,129	9,025,932
<b>As at 31 May 2015</b>			
Share capital	575,298	68,230	162,393
Share premium	64,414,377	7,389,290	6,726,841
Capital reserves	24,684,773	5,802,846	3,459,238
Undistributed income *	27,359	—	—
Movement in currency translation	—	—	—
Net assets attributable to holders of participating redeemable preference shares	89,701,807	13,260,366	10,348,472

\* Undistributed income under the accruals method as at 31 May 2016 amounts to £(424,557) (31 May 2015 amounts to £(100,565)).

## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

### 18. Taxation

In accordance with International Accounting Standard (IAS) 12 Income Taxes, investment income is shown gross of withholding tax.

The withholding tax suffered is recorded on the taxation line as set out below:

	31 May 2016 £	31 May 2015 £
Foreign tax on income for the year	—	—

The Company is liable to be charged at a tax rate of 0% under Schedule D of the Income Tax (Jersey) Law 1961, as amended (the 'Income Tax Law') in respect of:

- (i) the income or profits of any trade carried on by the Company in Jersey or elsewhere,
- (ii) any interest of money, whether yearly or otherwise, or other annual payment paid to the Company, whether such payment is made within or outside of Jersey,
- (iii) dividends and other distributions of a company regarded as resident in Jersey paid to the Company,
- (iv) income arising to the Company from securities outside of Jersey and
- (v) any other income of the Company that is not derived from the ownership or disposal of land in Jersey.

It is not expected that the Company will be in receipt of income charged to tax under any Schedule under Income Tax Law other than Schedule D. As such the Company is no longer subject to the payment of tax in Jersey.

Jersey resident individuals should note that any income received from the Fund(s) will be paid gross and will be taxable under Schedule D Case III (D3) of the Income Tax (Jersey) Law 1961, as amended.

### 19. Investment Dealing

During the year no transactions in the property of the Strategies were carried out through brokers. All transactions were carried out directly with the Fund Managers.

### 20. Financial risk management

#### Strategy in using financial instruments

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), liquidity risk, counter-party risk, capital risk and certain other risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Each Fund is able to use derivative financial instruments to moderate certain risk exposures, there were no such exposures as at 31 May 2016.

Each Fund's investment objectives and policy are stated on page 3. To achieve these objectives the Fund's assets and liabilities comprise financial instruments held in accordance with the Fund's investment objectives and policy.

These may include:

- Investments including equity and non-equity Shares, fixed income securities and floating rate securities
- Cash, liquid resources and short term debtors and creditors that arise directly from the investment activities
- Hedging instruments, such as forward exchange contracts and traded options, which a Fund may enter into for the purpose of managing the risks arising from the Fund's investment activities.

#### Market risk

All securities investments present a risk of loss of capital. The Manager moderates this risk through a careful selection of investments within specified limits. The maximum risk resulting from investments is determined by the fair value of those investments.

The overall market position and therefore the risk exposure for each Fund are governed by the Prospectus, the Collective Investment Funds (Recognized Funds) (Rules) (Jersey) Order 2003 (as amended) and the investment objectives for each Fund. These positions are monitored on a daily basis by the Manager and are reviewed on a quarterly basis by the Board of Directors.

The Funds invest principally in equities, fixed interest securities and bank deposits, dependent on each Fund's investment policy. The value of these is not fixed (other than bank deposits) and may go down as well as up. This may be the result of a specific factor affecting the value of an individual stock or be caused by general market factors (such as interest rates, government policy or the health of the underlying economy) which could affect the entire portfolio of a Fund.

The year end portfolios of each Fund are detailed on pages 26 to 29.

The Manager controls this risk on a Fund by Fund basis and monitors the movements in the equities, bonds and interest rates against the relevant equity and bond indices and market interest rates respectively.

The Manager considers that a reasonably possible movement in the market risk components would be equivalent to a 5% movement in equity and bond indices and a 1% movement in market interest rates.

The table on the following page summarises, for each of the Funds, the impact of increases/ (decreases) in the equity and bond indices, and market interest rates on the net asset value As at 31 May 2016. The analysis is based on the assumption that the equity and bond indices increase/(decrease) by 5%, and market interest rates increase/(decrease) by 1%, with all other variables held constant. The analysis also assumes that the movement in the portfolios of each Fund has perfect positive correlation with the equity and bond indices and market interest rates.



## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

## 20. Financial risk management (continued)

## Market risk (continued)

End of Year	Strategy	Value (base currency)	Equities 5% Movement in equity index	Bonds 5% Movement in bond index	Cash 1% Movement in interest rate
31.05.16	Conservative	26,315,324	97,519	983,171	1,114
31.05.15	Conservative	27,681,034	216,536	1,180,184	3,210
31.05.16	Growth	82,888,301	3,779,735	1,432,707	989
31.05.15	Growth	89,701,807	2,988,159	1,506,567	10,367
31.05.16	Aggressive	12,553,129	629,429	—	375
31.05.15	Aggressive	13,260,366	660,899	—	—
31.05.16	Global US\$ Growth	9,025,932	448,893	—	420
31.05.15	Global US\$ Growth	10,348,472	511,517	—	1,078

## Interest rate risk

Each Strategy receives income from its various investments. The income received by each Strategy is not fixed in nature. It is derived from the securities held in the portfolio of each underlying Strategy which may be varied from time to time in accordance with its investment objective and policy. In accordance with the Strategy's policy, the Manager monitors the Strategy's overall interest rate sensitivity on a daily basis, and the Board of Directors reviews it on a quarterly basis.

The interest bearing financial assets and liabilities held in the Funds expose them to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows.

## Foreign currency risk

A portion of the underlying financial assets of the Funds may be denominated in currencies other than the base currency with the effect that the statement of financial position and each Fund's total return can be significantly affected by currency movements. An investment in a currency other than the shareholders' own base currency will be subject to the movement of foreign exchange rates, which may cause additional favourable or unfavourable changes in value. In respect of foreign currency exposure, derivative instruments will only be utilised where a forward exchange or currency option is used for the purpose of reduction of foreign currency risk, in order to hedge this exposure back to the base currency of the Fund.

The Company is not currently involved in any currency hedging transactions. In accordance with the Company's policy, the Manager monitors each Fund's currency position on a daily basis, and the Board of Directors reviews it on a quarterly basis. The fund does not currently hold any investments in currencies other than the base currency.

## Credit risk

The Company takes on exposure to credit risk, which is the risk that a counter-party will be unable to pay amounts in full when due. Impairment provisions would be provided for losses that have been incurred by the statement of financial position date. As at 31 May 2016, no impairment provisions were required and there was no money overdue.

The Company's main credit risk exposure arises through investments in debt securities at the underlying Strategy level. If any of the Strategies hold any interest bearing instruments directly or indirectly (via underlying funds), at least 90% of these instruments must have a credit rating of 'investment grade' as provided by Moodys Investor Services Limited, Standard and Poor's or Fitch Ratings Limited. These instruments could include inter alia money market instruments, bonds, gilts, corporate bonds etc.

In accordance with each Fund's policy, the Manager monitors the Fund's credit position on a daily basis, and the Board of Directors reviews it on a quarterly basis.

Certain transactions that the Funds enter into expose them to the risk that the counter-party will not deliver the investment (purchase) or cash (sale) after the Fund has fulfilled its responsibilities. It is the policy of the Manager to buy and sell investments only through approved brokers, or directly with the Fund Manager. Credit risk exposure is balanced by the regulatory obligation of the counter parties.

The risk to Shareholders is that we will not have enough cash to cover redemptions. To counter this risk each Fund's cash is managed to meet its liabilities. Where investments cannot be realised in time to meet any redemptions of Participating Shares, each Fund may borrow up to 10% of its value to ensure settlement of its liabilities. No such borrowings have arisen during the year.

## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

### 20. Financial Risk Management (continued)

#### Capital risk

Where the objective of the underlying Fund seeks to provide high or good levels of income, the investment policy which supports this may result in a gradual reduction in the capital value of the underlying Fund's Shares, except where bond prices are generally rising.

#### Capital risk management

The net assets attributable to holders of participating redeemable preference shares are classified as financial liabilities and therefore, in the opinion of the Directors, the Capital of the Company is only represented by the Founders Shares. Details of Founders Shares are shown in notes 3 and 14. Due to the nature and requirement for Founders' Shares the Directors have decided that no active capital risk management is required.

#### Fair value estimation

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 year end date. The quoted market price used for financial assets held by the Company is the current mid price, these are updated each morning at 10am and represented in the Fund's daily share prices; the appropriate quoted market price for financial liabilities is the current asking price. When the Company holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate. If a significant movement in fair value occurs subsequent to the close of trading on the year end date, valuation techniques will be applied to determine the fair value. There has been no significant movements in the fair value of any holdings since the year end date.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions at an arm's length basis.

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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 Directors. The Directors consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

There have been no transfers between levels. The financial assets at fair value through profit or loss of the Company are all quoted in active markets and therefore fall under level 1 as defined above.

#### Derivatives

Derivatives will only be used where they accord with existing investment objectives and policy. They may not be used for the purpose of reducing risk independently of investment strategy in respect of the underlying physical assets or for merely speculative purposes. Derivatives will only be used for efficient portfolio management. Derivatives may not be used for the purpose of gearing or leveraging, or for purposes of producing, enhancing or generating income. No derivative can be traded on an Over The Counter basis, and no uncovered positions are allowed.

The underlying Funds may hold the following derivatives:

##### (a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in the futures contracts value are settled daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market. Futures are settled on a net basis.

##### (b) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set year, a specific amount of securities or a financial instrument at a predetermined price.

The seller receives a premium from the purchaser in consideration for the assumption of future securities prices. Where options are held by the underlying Funds, they are exchange-traded. The Funds are exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

### 20. Financial Risk Management (continued)

#### Derivatives (continued)

##### (b) Options (continued)

The notional amounts of certain types of financial instrument provide a basis for comparison with instruments recognised on the statements of financial position, but they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and do not therefore indicate the Company's exposure to credit or market price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms.

The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

During the year the Company did not enter into any derivative contracts.

#### Liquidity risk

The Company is exposed to daily cash redemptions of Participating Shares which are redeemed on demand at the holder's option. It therefore invests all of its assets in investments that are traded in an active market and can be readily disposed of, as such each Fund's financial assets are considered to be readily realisable for cash.

The Manager manages each Fund's cash to meet its liabilities. Where investments cannot be realised in time to meet any redemptions of Participating Shares, each Fund may borrow up to 10% of its value to ensure settlement of its liabilities. No such borrowings have arisen during the year.

In accordance with the Company's policy, the Manager monitors each Fund's liquidity position on a daily basis, and the Board of Directors review it on a quarterly basis.

The table on the following pages analyses the Company's financial liabilities into relevant maturity groups based on the remaining period at the statement of financial position date to the contractual maturity date.

## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

## 20. Financial Risk Management (continued)

**Liquidity risk (continued)**

Year ended 31 May 2016

	Company	Conservative Strategy Fund
	£	£
Share Capital (less than 1 month)	128,095,468	26,315,324
Proposed dividend (less than 1 month)	—	—
(1 month to 3 months)	1,627,867	463,761
Other liabilities (less than 1 month)	121,487	21,181
(1 month to 3 months)	29,059	7,091
Total financial liabilities	129,873,881	26,807,357

Year ended 31 May 2015

	Company	Conservative Strategy Fund
	£	£
Share Capital (less than 1 month)	137,595,793	27,681,034
Proposed dividend (less than 1 month)	—	—
(1 month to 3 months)	1,845,680	580,024
Other liabilities (less than 1 month)	123,461	18,221
(1 month to 3 months)	21,089	4,574
Total financial liabilities	139,586,023	28,283,853

## Notes to the Financial Statements (continued)

For the year ended 31 May 2016

## 20. Financial Risk Management (continued)

## Liquidity risk (continued)

Year ended 31 May 2016

	Growth Strategy Fund	Aggressive Strategy Fund	Global US\$ Growth Strategy Fund
	£	£	US\$
Share Capital (less than 1 month)	82,888,301	12,553,129	9,025,932
Proposed dividend (less than 1 month)	—	—	—
(1 month to 3 months)	1,097,522	—	—
Other liabilities (less than 1 month)	77,400	82,956	9,512
(1 month to 3 months)	10,483	5,591	8,578
Total financial liabilities	84,073,706	12,641,676	9,044,022

Year ended 31 May 2015

	Growth Strategy Fund	Aggressive Strategy Fund	Global US\$ Growth Strategy Fund
	£	£	US\$
Share Capital (less than 1 month)	89,701,807	13,260,366	10,348,472
Proposed dividend (less than 1 month)	—	—	—
(1 month to 3 months)	1,265,656	—	—
Other liabilities (less than 1 month)	72,154	26,749	9,670
(1 month to 3 months)	11,729	2,704	3,177
Total financial liabilities	91,051,346	13,289,819	10,361,319

## Cross Fund Liability

Shareholders should be aware that in the event of the Company being unable to meet liabilities attributable to any particular Fund or share class out of the assets attributable to such Fund or share class, the excess liabilities may have to be met out of the assets attributable to the other Funds or share classes.

## 21. Events After the Year End Date

Shareholders have been advised by letter dated 6 July 2016 that a number of changes will be made to the Funds on a phased basis commencing on 17 August 2016. These can be summarised as follows:

- Extension of the expertise available with the Lloyds Banking Group, with the Wealth Investment Office providing advice to the Manager on Strategic Asset Allocation (SAA)
- Changes to the SAA to reflect current market expectations
- Introduction of a wider range of underlying Funds
- Updates to the investment objective for each of the Funds to reflect the above changes
- The initial charge has been reduced to 2% and the Annual Management Charge as been reduced to 1% for all Funds

Based on data provided to the Manager, it is anticipated that approximate resulting changes to the TERs will be as follows:

Fund	Current TER	Expected change
Conservative Strategy	1.49%	Increase of 0.22%
Growth Strategy	1.70%	Increase of 0.11%
US\$ Growth Strategy	2.10%	Decrease of 0.11%
Aggressive Strategy	2.04%	Decrease of 0.04%

## Distribution Tables - Unaudited

For the year ended 31 May 2016

## Conservative Strategy Fund

	Gross income	Equalisation payable	Distribution paid current year (pence)	Distribution paid prior year (pence)
31 May 2016				
Group 1	1.950	—	1.950	2.350
Group 2	1.050	0.900	1.950	2.350

## Growth Strategy Fund

	Gross income	Equalisation payable	Distribution paid current year (pence)	Distribution paid prior year (pence)
31 May 2016				
Group 1	1.950	—	1.950	2.200
Group 2	0.755	1.195	1.950	2.200

Group 1 : Shares purchased prior to 31 May 2015

Group 2 : Shares purchased between 1 June 2015 and 31 May 2016

## Performance Records - Unaudited

For the year ended 31 May 2016

## Conservative Strategy Fund

Shares in the Fund were first offered to the public on the 14 September 2004 at an offer price of 100p per share.

Calendar Year/Period	Highest Offer Price p	Lowest Bid Price p	Income per Share p	Income per £1,000 Invested at 31/12/05 £
2006	111.00	99.41	3.30	30.81
2007	103.00	96.18xd	3.50	32.68
2008	100.20	84.55	4.00	37.35
2009	96.07	83.97	4.00	37.35
2010	101.70	95.25	3.70	34.55
2011	102.60	98.00	3.40	31.75
2012	108.30	101.50	3.30	30.81
2013	113.20	102.40	3.60	33.61
2014	112.40	104.60	2.60	24.28
2015	117.30	108.10	2.35	21.94
31.05.16	112.70	107.30	1.95	18.21

## Growth Strategy Fund

Shares in the Fund were first offered to the public on the 14 September 2004 at an offer price of 100p per share.

Calendar Year/Period	Highest Offer Price p	Lowest Bid Price p	Income per Share p	Income per £1,000 Invested at 31/12/05 £
2006	123.89	108.30	1.75	15.07
2007	121.20	112.10	2.10	18.09
2008	118.50	84.26	2.50	21.53
2009	109.70	82.48	2.90	24.98
2010	122.60	106.10	2.10	18.09
2011	125.50	108.90	1.90	16.37
2012	129.20	117.00	2.20	18.95
2013	146.00	129.80	2.50	21.53
2014	149.50	138.80	2.50	21.53
2015	160.80	141.80	2.20	18.95
31.05.16	153.10	137.70	1.95	16.80

## Performance Records - Unaudited (continued)

For the year ended 31 May 2016

**Aggressive Strategy Fund**

Shares in the Fund were first offered to the public on the 14 September 2004 at an offer price of 100p per share.

Calendar Year/Period	Highest Offer Price p	Lowest Bid Price p	Income per Share p	Income per £1,000 Invested at 31/12/05 £
2006	134.00	111.30	–	–
2007	135.40	120.50	–	–
2008	131.10	78.44	–	–
2009	117.10	75.65	1.200	9.75
2010	135.50	110.10	0.117	0.95
2011	139.60	111.60	–	–
2012	138.20	121.40	–	–
2013	168.30	140.20	–	–
2014	180.80	162.30	–	–
2015	198.60	166.70	–	–
31.05.16	189.30	162.20	–	–

**Global US\$ Growth Strategy**

Shares in the Fund were first offered to the public on the 14 October 2005 at an offer price of US\$1.00 per share.

Calendar Year/Period	Highest Offer Price US\$ cents	Lowest Bid Price US\$ cents	Income per Share US\$ cents	Income per \$1,000 Invested at 31/12/05 US\$
2006	118.84	99.10	–	–
2007	133.70	114.70	–	–
2008	125.40	56.54	–	–
2009	92.80	52.17	–	–
2010	103.30	83.08	–	–
2011	112.50	85.67	–	–
2012	110.40	93.74	–	–
2013	137.10	111.80	–	–
2014	145.90	130.40	–	–
2015	150.90	130.30	–	–
31.05.16	140.20	120.30	–	–



## Net Asset Value per Share - Unaudited

For the year ended 31 May 2016

Year	Net Asset Value of Fund	Net Asset Value per Share	No. of Shares in Issue
<b>Conservative Strategy Fund</b>			
31.05.2012	£24,890,154	101.95p	24,412,961
31.05.2013	£28,040,127	107.82p	26,007,494
31.05.2014	£26,284,255	106.06p	24,781,698
31.05.2015	£27,681,034	112.15p	24,681,876
31.05.2016	£26,315,324	110.65p	23,782,599
<b>Growth Strategy Fund</b>			
31.05.2012	£64,407,182	117.72p	54,707,864
31.05.2013	£75,758,221	140.23p	54,023,365
31.05.2014	£81,223,124	142.30p	57,078,675
31.05.2015	£89,701,807	155.92p	57,529,804
31.05.2016	£82,888,301	149.38p	55,486,322
<b>Aggressive Strategy Fund</b>			
31.05.2012	£10,734,528	123.73p	8,675,331
31.05.2013	£10,764,717	161.91p	6,648,433
31.05.2014	£11,728,567	171.17p	6,852,142
31.05.2015	£13,260,366	194.35p	6,823,008
31.05.2016	£12,553,129	183.66p	6,835,041
<b>Global US\$ Growth Strategy</b>			
31.05.2012	\$10,335,740	96.20 US\$ cents	10,743,274
31.05.2013	\$10,174,477	122.78 US\$ cents	8,286,519
31.05.2014	\$9,694,804	141.37 US\$ cents	6,857,853
31.05.2015	\$10,348,472	149.31 US\$ cents	6,930,837
31.05.2016	\$9,025,932	138.55 US\$ cents	6,514,336

## Notice of Meeting

Notice is hereby given that the 12th Annual General Meeting of Lloyds Multi Strategy Fund Limited will be held at: 11-12 Esplanade, St. Helier, Jersey, on Tuesday 18 October 2016 at 9 a.m. for the following purposes:

### Agenda

#### Ordinary Business

1. To appoint the Chairman of the meeting.

2. To read the convening notice.

#### 3. RESOLUTION 1.

To receive and if deemed appropriate, adopt the Annual Report and Audited Financial Statements of the Company for the year ended 31 May 2016.

#### 4. RESOLUTION 2.

To consider, and if deemed appropriate, re-elect Ross Davey Willcox as a Director of the Company.

#### 5. RESOLUTION 3.

To consider, and if deemed appropriate, re-elect Ian Mark Jeremie Hardy as a Director of the Company.

#### 6. RESOLUTION 4.

To consider, and if deemed appropriate, re-elect Timothy Joseph Herbert as a Director of the Company.

#### 7. RESOLUTION 5.

To consider, and if deemed appropriate, re-elect Brian Charles James as a Director of the Company.

#### 8. RESOLUTION 6.

To consider, and if deemed appropriate, re-elect Bronislaw Lysiak as a Director of the Company.

#### 9. RESOLUTION 7.

To re-appoint PricewaterhouseCoopers CI LLP as Auditors of the Company for the ensuing year and to authorise the Directors to agree their remuneration.

#### 10. RESOLUTION 8.

To fix the remuneration of each of the Directors at a maximum of £5,000 per annum.

### NOTES:

A Member entitled to attend and vote at this Meeting may appoint one or more Proxies to attend and, on a poll, vote instead of him. A Proxy need not be a Member of the Company. To be valid, completed proxy forms must be deposited at the Company's principal place of business not less than 48 hours before the appointed time for holding the meeting, or any adjournment thereof.

In the case of joint holders the vote of the senior shall be accepted to the exclusion of the votes of the other joint holder(s).

The quorum requirement is two members present in person or by proxy. If a quorum is not present, the meeting shall stand adjourned to Tuesday 25 October 2016 at 9 a.m. at the same venue and at such adjourned meeting the shareholder's present in person or by proxy shall be the quorum.

By Order of the Board  
Lloyds Corporate Services (Jersey) Limited,  
Secretary,  
PO Box 160, 25 New Street, St. Helier,  
Jersey JE4 8RG,  
Channel Islands.

5 September 2016

## Lloyds Multi Strategy Fund Limited Form of Proxy

BLOCK LETTERS PLEASE.

FULL NAME(S) .....

ADDRESS .....

I/We being a Member(s) of the above named Company hereby appoint the Chairman of the Meeting ..... (see Note 1.) as my/our proxy to attend and vote for me/us on my/our behalf at the 12th Annual General Meeting of the Company to be held on Tuesday 18 October 2016 at 9 a.m. and at any adjournment thereof.

I/We direct my/our proxy to vote on the resolutions as follows:

Ordinary Resolutions:

1. To receive and if deemed appropriate, adopt the Annual Report and Audited Financial Statements of the Company for the year ended 31 May 2016.
2. To consider, and if deemed appropriate, re-elect Ross Davey Willcox as a Director of the Company.
3. To consider, and if deemed appropriate, re-elect Ian Mark Jeremie Hardy as a Director of the Company.
4. To consider, and if deemed appropriate, re-elect Timothy Joseph Herbert as a Director of the Company.
5. To consider, and if deemed appropriate, re-elect Brian Charles James as a Director of the Company.
6. To consider, and if deemed appropriate, re-elect Bronislaw Lysiak as a Director of the Company.
7. To re-appoint PricewaterhouseCoopers CI LLP as Auditors and to authorise the Directors to agree their remuneration.
8. To fix the remuneration of each of the Directors at a maximum of £5,000 per annum.

FOR	AGAINST

NOTES:

1. If you wish to appoint another person to be your proxy instead of the Chairman of the Meeting, you should delete the words "the Chairman of the Meeting", and write the name of your proxy in the space provided and initial the alteration.
2. Except as otherwise indicated by you, the proxy will vote, or abstain from voting, at the meeting or any adjournment thereof as the proxy thinks fit.
3. In the case of a corporation, the form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised in writing.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.
5. To be valid, forms of proxy must reach the principal place of business of the Company, P.O. Box 311, 11-12 Esplanade, St. Helier, Jersey JE4 8ZU, Channel Islands, not later than 48 hours before the time appointed for the meeting (or any adjourned meeting). Any power of attorney or other authority under which the form of proxy is signed must be sent with the form of proxy.

Signature ..... Date .....

For more information please go to [http://international.lloydsbank.com/  
international-investments/funds](http://international.lloydsbank.com/international-investments/funds) or call us on 01534 845 555

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