

# **Sturgeon Capital Funds**

*Société d'investissement à Capital Variable*

Luxembourg R.C.S.: B 170 810

Unaudited Semi-Annual Report  
as at June 30, 2016



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SUBSCRIPTIONS SHALL ONLY BE VALID IF MADE ON THE BASIS OF THE KEY INVESTOR INFORMATION OR THE CURRENT PROSPECTUS ACCOMPANIED BY THE MOST RECENT ANNUAL REPORT INCLUDING AUDITED FINANCIAL STATEMENTS AS WELL AS BY THE MOST RECENT UNAUDITED SEMI – ANNUAL REPORT IF PUBLISHED MORE RECENTLY THAN THE MOST RECENT ANNUAL REPORT INCLUDING AUDITED FINANCIAL STATEMENTS.

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# Sturgeon Capital Funds

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## TABLE OF CONTENTS

MANAGEMENT AND ADMINISTRATION .....	3
SEMI-ANNUAL INVESTMENT MANAGER REPORT .....	4
STATEMENT OF NET ASSETS .....	6
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS .....	7
STATISTICAL INFORMATION .....	8
STATEMENT OF INVESTMENTS AND OTHER NET ASSETS .....	10
INDUSTRIAL AND GEOGRAPHICAL CLASSIFICATION OF INVESTMENTS IN PERCENTAGE OF NET ASSETS.....	11
NOTES TO THE FINANCIAL STATEMENTS.....	12
ADDITIONAL INFORMATION FOR INVESTORS IN SWITZERLAND.....	17

# Sturgeon Capital Funds

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## MANAGEMENT AND ADMINISTRATION

**REGISTERED OFFICE:**

**STURGEON CAPITAL FUNDS**  
2, boulevard de la Foire  
L-1528 Luxembourg  
Grand Duchy of Luxembourg

**BOARD OF DIRECTORS OF THE COMPANY:**

**Chairman:**

**Michael CARTER**  
63/Zh2 Ivanilov Street  
050059 Almaty,  
Kazakhstan

**Director:**

**Mylène Basso**  
Apex Fund Services (Malta) Ltd, Luxembourg Branch  
2, boulevard de la Foire,  
L-1528 Luxembourg  
Grand Duchy of Luxembourg

**Taco A. SIEBURGH SJOERDSMA**  
STURGEON CAPITAL LTD  
4 Bourlet Close  
LondonW1W 7BJ  
United Kingdom

**CUSTODIAN AND PAYING AGENT:**

**RBC INVESTOR SERVICES BANK S.A.**  
14, Porte de France  
L-4360 Esch-sur-Alzette  
Grand Duchy of Luxembourg

**DOMICILIARY AGENT AND MANAGEMENT COMPANY:**

**LUXEMBOURG FUND PARTNERS S.A.**  
2, boulevard de la Foire  
L-1528 Luxembourg  
Grand Duchy of Luxembourg

**ADMINISTRATIVE AND REGISTRAR AGENT:**

**APEX FUND SERVICES (MALTA) LIMITED, Luxembourg Branch**  
2, boulevard de la Foire  
L-1528 Luxembourg  
Grand Duchy of Luxembourg

**INVESTMENT MANAGER AND GLOBAL DISTRIBUTOR:**

**STURGEON CAPITAL LTD**  
4 Bourlet Close  
LondonW1W 7BJ  
United Kingdom

**CABINET DE RÉVISION AGRÉÉ:**

**DELOITTE AUDIT, Société à responsabilité limitée**  
560, rue de Neudorf  
L-2220 Luxembourg  
Grand Duchy of Luxembourg

# Sturgeon Capital Funds

## SEMI - ANNUAL INVESTMENT MANAGER'S REPORT

Dear fellow shareholders,

We are delighted to report a good start to the financial year. Despite the month of January still showing a loss of almost 10% the Fund generated a positive return of no less than **16%**. We continue to state that it will be difficult to outperform our closest benchmarks (if we can call them that) every single year, even in this very strong market wherein we have once again managed to generate 'alpha'.

Share Class	Return	Return	Return	Return	Annualised	Annualised
	H1 2015	H2 2015	H1 2016	last 12m	Return	Volatility
					Oct '12 - Jun '16	Oct '12 - Jun '16
Sturgeon Central Asia Equities Fund - I USD	<b>-0.1%</b>	<b>-26.7%</b>	<b>16.0%</b>	<b>-15.0%</b>	<b>-10.6%</b>	<b>17.0%</b>
Sturgeon Central Asia Equities Fund - R Euro	8.1%	-24.9%	12.6%	-15.5%	-7.3%	15.8%
Kazakhstan KASE Index - In USD	<b>-6.5%</b>	<b>-47.8%</b>	<b>15.2%</b>	<b>-39.9%</b>	<b>-19.4%</b>	<b>27.2%</b>
MSCI Emerging Markets Index	1.7%	-18.3%	5.0%	-14.2%	-4.8%	15.4%
MSCI World Index	1.5%	-4.2%	-0.6%	-4.8%	6.4%	11.0%

We also note that despite the strong performance of our markets, in general the (research) coverage of Central Asia related securities is getting worse each year. Fewer international brokers cover our stocks and local coverage has grown weaker. From our perspective, we perversely like this situation. We have been doing research, in the widest sense of the word, on our markets and the 'players' operating in these aforementioned markets for over a decade, meanwhile many other international fund managers have instead ceased, seen large redemptions, restructured and changed personnel. In addition, we have been able to attract further investors into our Fund, and H1 showed no redemptions. In 2015, we had total inflows of circa US\$ 9.2m and total redemptions of circa US\$ 1.4m.

Again looking back, what has been different from previous periods is that the contribution from dividends has been much more modest at 1.8% of NAV. A number of companies cut dividends significantly which did have an impact. For instance, in 2015 dividends contributed more than 5% to performance. These dividends were cut mainly in light of uncertainty in the Kazakh market, however we do expect that with the economic outlook for the country improving notably (e.g. banks started lending again in Q2), that in 2017 dividend contributions may equal those of 2015 again.

Whilst dividend contributions were minimal, we did have a large 'pay out' on what we often consider positions with large optionality. This means smaller companies (often exploration businesses but not necessarily so) which are not liked or well understood by the market, and where there is a potential for a large block sale of our position at a premium to other interested parties, which we may or may not actively solicit.

Though the trade was executed and booked in the month of July, we do note that we sold all our shares in Chagala Group at a 70% premium to the market. This had previously been one of our largest positions. We owned almost 14% of the company and one of our directors became Chairman of the Board. Moreover, we had been pro-actively supporting the company, but when a new party showed interest in our ownership block we managed to negotiate an offer for our shares which was quite simply too good an opportunity to be missed. Though it is difficult for us to foresee exactly which other positions this occurrence may be repeated in, investors should note that we do have similar positions...

# Sturgeon Capital Funds

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## SEMI - ANNUAL INVESTMENT MANAGER'S REPORT (CONTINUED)

In terms of what the real drivers of share price movement have been, we can mention a few factors, all of which may also act as future drivers:

- Stronger or at least stable oil prices
- Stable or stronger currencies
- Absence of major published regional conflicts
- Refocus from developed markets towards growing frontier markets

Brent oil prices increased from \$37/bbl at year-end 2015 to \$50/bbl at the end of June 2016. This should be good for our oil & gas stocks, but at the same time we note that direct exposure to these was only about 10% - 12% (including transporter Kaztransoil), and the performance of many of these stocks was poor. For example, Kazmunaigas GDRs were actually down 3% and Nostrum Oil & Gas was down 26%. As a result, the main benefit from higher oil & gas prices is improved sentiment in regards to the overall economy of Kazakhstan. We also note that Georgia is a net oil importer.

The Kazakh Tenge was, on the whole, stable against the US dollar. At year end 2015 the rate was 341, while at June end the rate was 339. The Georgian Lari strengthened from 2.40 to the US dollar at year-end to 2.33 at end June. We saw a greater strengthening for both currencies leading up to April, but some gains were given up in the last two months. The crucial point being, from our perspective, that we believe another devaluation to be unlikely in the near future, while more stable currencies are positive for the wider economy.

One important negative factor in the decline of Central Asian markets has been nearby regional conflicts. In particular the war in Ukraine had a negative impact on sentiment. Of course there was also a real impact as Russian sanctions impacted the Rouble, to which many currencies are de facto linked in some manner. In addition, diminished wealth in Russia created fewer remittances by Central Asian individuals based in Russia. However, we also recognise that many investors do not make any distinctions and simply decided to by-pass all ex- Soviet states. We believe as time passes, sanctions will gradually be lifted as their purpose becomes defunct and sentiment towards the region may rally. Some improvement in sentiment from the current low base should not prove to be too difficult.

Finally, a theme which we expounded upon in the past is now coming to fruition; It is simply not realistic for equity markets in (low-growth) developed markets, to continuously and consistently outperform equity markets in (high-growth) frontier markets. With interest rates in developed markets at around zero, and equity markets near record-highs, the re-allocation of capital towards cheaper high yielding markets is starting to take place at a cautious but notable pace.

In conclusion, whilst the investment climate for Central Asian securities is improving, we continue to focus on the fundamentals for individual companies, i.e. we are by-and-large stock pickers. Many companies are trading near record-lows on fundamentals, and so although we are pleased to report a 16% increase in NAV in 6 months, looking at our stock universe there is still a long way to go to approach valuation levels which we deem to be at fair value.

Clemente Cappello  
CIO – Sturgeon Capital Ltd  
1 August 2016

# Sturgeon Capital Funds – Sturgeon Central Asia Equities Fund

## STATEMENT OF NET ASSETS

AS AT JUNE 30, 2016

		June 30, 2016
	Note	USD
<b><u>ASSETS</u></b>		
Securities portfolio at market value	2.a	18,685,939
Cash at banks	2.a.6	1,742,587
Income receivable		239,410
Prepaid expenses		16,063
Formation expenses, net	2.f	25,766
Due from broker		506,222
<b>TOTAL ASSETS</b>		<b>21,215,987</b>
<b><u>LIABILITIES</u></b>		
Management fee payable	3	30,660
Performance fee payable	3	32,284
Professional fees payable		20,519
Custodian fees payable	4	13,276
Administration fees payable	5	3,927
Due to broker		642,782
Other payables		6,696
<b>TOTAL LIABILITIES</b>		<b>750,144</b>
<b><u>NET ASSETS AT THE END OF THE PERIOD</u></b>		<b>20,465,843</b>

The NAV was calculated based on the last available prices on June 24, 2016.

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

# Sturgeon Capital Funds – Sturgeon Central Asia Equities Fund

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE PERIOD FROM JANUARY 01, 2016 TO JUNE 30, 2016

INCOME	Note	June 30, 2016 USD
Dividend income, net	2.h	326,647
Interest income on bank accounts		354
<b>Total income</b>		<u>327,001</u>
<b>EXPENSES</b>		
Management fees	3	144,843
Performance fees	3	38,624
Custodian fees	4	8,776
Banking charges and other fees		31
Transaction costs	8	15,892
Professional fees		9,617
Administration fees	5	18,478
Amortization of formation expenses	2.f	9,491
Subscription duty ("taxe d'abonnement")	6	849
Domiciliation fee		1,075
License fee		3,274
Distribution fee expense		10,057
Other expenses		7,325
<b>Total expenses</b>		<u>268,332</u>
NET INVESTMENT INCOME		<u>58,669</u>
<b>NET REALISED RESULT</b>		
- on investments	2.b	1,171,342
- on exchange	2.c	889
NET REALISED GAINS FOR THE PERIOD		<u>1,230,900</u>
<b>CHANGE IN NET UNREALISED APPRECIATION/ (DEPRECIATION) FOR THE PERIOD</b>		
- on investments		1,771,028
- on exchange		(321,244)
<b>RESULT OF OPERATIONS FOR THE PERIOD</b>		<u>2,680,684</u>
Subscriptions		1,320,500
Redemptions		(306,522)
<b>TOTAL CHANGES IN NET ASSETS</b>		<u>3,694,662</u>
<b>TOTAL NET ASSETS AT THE BEGINNING OF THE PERIOD</b>		16,771,181
<b>TOTAL NET ASSETS AT THE END OF THE PERIOD</b>		<u>20,465,843</u>

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

# Sturgeon Capital Funds – Sturgeon Central Asia Equities Fund

## STATISTICAL INFORMATION

AS AT JUNE 30, 2016

<b>Total net assets</b>	
- as at 30.06.2016	20,465,843
- as at 31.12.2015	16,771,181
- as at 31.12.2014	14,955,359
<b>Number of Class - USD - Institutional shares</b>	
- outstanding at the beginning of the period	29,122.83
- issued	2,181.00
- redeemed	(670.19)
<hr/>	<hr/>
- outstanding at the end of the period	30,633.64
<b>Net asset value per Class - USD - Institutional share</b>	
- as at 30.06.2016	657.60
- as at 31.12.2015	566.99
- as at 31.12.2014	774.14
<b>Number of Class - EUR - Retail shares</b>	
- outstanding at the beginning of the period	68.02
- issued	-
- redeemed	-
<hr/>	<hr/>
- outstanding at the end of the period	68.02
<b>Net asset value per Class - EUR - Retail shares</b>	
- as at 30.06.2016	753.77
- as at 31.12.2015	669.52
- as at 31.12.2014	825.19

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



# Sturgeon Capital Funds – Sturgeon Central Asia Equities Fund

## STATISTICAL INFORMATION (CONTINUED)

AS AT JUNE 30, 2016

### Number of Class - GBP - Retail shares

- outstanding at the beginning of the period	17.31
- issued	-
- redeemed	-
<hr/>	
- outstanding at the end of the period	17.31

### Net asset value per Class - GBP - Retail shares

- as at 30.06.2016	845.53
- as at 31.12.2015	682.55
- as at 31.12.2014	885.99

### Number of Class - USD - Retail shares

- outstanding at the beginning of the period	317.01
- issued	30.99
- redeemed	-
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- outstanding at the end of the period	348.00

### Net asset value per Class - USD - Retail shares

- as at 30.06.2016	700.63
- as at 31.12.2015	605.55
- as at 31.12.2014	831.11

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

# Sturgeon Capital Funds – Sturgeon Central Asia Equities Fund

## STATEMENT OF INVESTMENTS AND OTHER NET ASSETS

AS AT JUNE 30, 2016

Currency	Number/Nominal Value	Description	Market Value USD	% of total net assets
<b>Transferable Securities admitted to an official stock exchange listing or dealt in on another regulated market</b>				
CAD	81,000	CENTERRA GOLD INC	475,500	2.32%
CAD	105,950	CONDOR PETROLEUM INC	93,990	0.46%
GBP	30,000	BGEO GROUP PLC	1,011,505	4.94%
GBP	400,000	CENTRAL ASIA METALS PLC	759,661	3.71%
GBP	360,000	GEORGIA HEALTHCARE GROUP PLC	1,363,674	6.66%
GBP	35,859,255	GOLDBRIDGES GLOBAL RESOURCES	1,036,338	5.06%
GBP	80,000	KAZ MINERALS PLC	145,216	0.71%
GBP	5,950,000	KEMIN RESOURCES PLC	153,532	0.75%
GBP	170,000	NOSTRUM OIL AND GAS PLC	621,731	3.04%
GBP	50,000	POLYMETAL INTERNATIONAL PLC	633,739	3.10%
GBP	2,482,800	STEPPE CEMENT LTD	563,776	2.75%
HKD	4,000,000	MONGOLIAN MINING CORP	42,792	0.21%
KZT	288,799	BANK CENTERCREDIT KZT	120,386	0.59%
KZT	10,299	KAZAKHSTAN ELECTRICITY GRID OPERATING COMPANY	28,925	0.14%
KZT	20,000	KAZMUNAIGAS EXPLORATION	446,415	2.18%
KZT	400,000	KAZTRANSOIL JSC	1,089,135	5.32%
RUB	500,000	AEROFLOT- RUSSIAN AIRLINES	641,764	3.14%
TRY	40,000	COCA-COLA ICECEK AS	487,955	2.38%
TRY	50,000	MIGROS TICARET A.S	272,168	1.33%
TRY	50,000	TAV HAVALIMANLARI HOLDINGS AS	225,184	1.10%
TRY	100,000	TURK HAVA YOLLARI AO	193,747	0.95%
USD	350,000	HALYK SAVINGS BANK - GDR REG S	1,610,000	7.87%
USD	1,000,000	KAZKOMMERTSBANK-SPONS GDR	510,392	2.49%
USD	30,000	KAZMUNAIGAS EXPLORATION GDR	207,300	1.01%
USD	290,000	KCELL JSC - REG S - W/I	986,000	4.82%
USD	2,000	MAGNIT USD	254,798	1.24%
USD	30,000	MAIL.RU GROUP-GDR REGS W/I	570,000	2.79%
USD	80,000	MOBILE TELESYSTEM OJSC USD	293,140	1.43%
USD	76,000	TBC BANK JSC - GDR - REGS - WI	957,600	4.68%
USD	99,987	TCS GROUP HOLDING-REG	549,928	2.69%
USD	200,000	TURQUOISE HILL RESOURCES LTD.	646,000	3.16%
USD	30,000	YANDEX NV - A	641,700	3.14%
<b>Total transferable securities admitted to an official stock exchange listing or dealt in on another regulated market</b>			<b>17,633,991</b>	<b>86.16%</b>
<b>Other transferable securities</b>				
USD	324,000	LIBERTY BANK JSC - REG S GDR	1,051,948	5.14%
<b>Total other transferable securities</b>			<b>1,051,948</b>	<b>5.14%</b>
<b>Total Investments</b>			<b>18,685,939</b>	<b>91.30%</b>
Cash at banks			1,742,587	8.51%
Other net assets (liabilities)			37,317	0.19%
<b>Total</b>			<b>20,465,843</b>	<b>100.00%</b>

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

# Sturgeon Capital Funds – Sturgeon Central Asia Equities Fund

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## INDUSTRIAL AND GEOGRAPHICAL CLASSIFICATION OF INVESTMENTS IN PERCENTAGE OF NET ASSETS

AS AT JUNE 30, 2016

### Breakdown by economic sector

Financial	28.40%
Basic materials	18.81%
Energy	12.22%
Communications	12.17%
Consumer, Non-cyclical	11.62%
Consumer, Cyclical	4.08%
Industrial	3.86%
Utilities	0.14%
<b>Total</b>	<b>91.30%</b>

### Breakdown of main economic exposure by country

Kazakstan	40.90%
Georgia	21.42%
Russia	17.53%
Turkey	5.76%
Mongolia	3.37%
Kyrgyzstan	2.32%
<b>Total</b>	<b>91.30%</b>

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

# Sturgeon Capital Funds

## NOTES TO THE FINANCIAL STATEMENTS

AS AT JUNE 30, 2016

### Note 1- General Information

**Sturgeon Capital Funds** (the "Fund"), qualifies as an investment company with variable share capital (*société d'investissement à capital variable* (SICAV)). The Fund is listed on the official list of undertakings for collective investment pursuant to the law of 17 December 2010 relating to undertakings for collective investment, as amended (hereafter referred to as the "Law" or the "2010 Law") and submitted to the Law and to the law of 10th August 1915 on commercial companies, as amended (the "1915 Law"). It is subject in particular to the provisions of Part I of the 2010 Law, which relates specifically to undertakings for collective investment in transferable securities ("UCITS"), as defined by the Directive 2009/65/EC.

The minimum subscribed capital of the Fund, as prescribed by law, is one million two hundred and fifty thousand Euro (EUR 1,250,000.-). The Articles have been published in the *Mémorial* on 27 August 2012. The Fund articles of incorporation were amended on 12 November 2013, to modify the registered office address. The Fund is registered in the *Registre de Commerce et des Sociétés*, Luxembourg under number B - 170.810.

The Fund is an umbrella fund consisting of one or several sub-funds and as such, provides investors with the choice of investment in a range of several separate sub-funds each of which relates to a separate portfolio of assets permitted by law with specific investment objectives. Each whole share or fraction of a share is entitled to participate equally in the profit of and distributions by the sub-fund and in its assets on liquidation. Each whole share is entitled to one vote at all meeting of the shareholders. Fractions of shares will not entitle the holder to vote. The Fund is one single legal entity. However, the rights of the shareholders and creditors relating to a sub-fund or arising from the setting up, operation and liquidation of a sub-fund are limited to the assets of that sub-fund.

At June 30, 2016 the following sub-fund is open for investments:  
Sturgeon Central Asia Equities Fund

Four active share classes are issued as at June 30, 2016:

- Class I (USD) Share – denominated in USD
- Class R (EUR) Share – denominated in EUR
- Class R (GBP) Share – denominated in GBP
- Class R (USD) Share – denominated in USD

A detailed schedule of portfolio movement is available free of charge upon request at the registered office of the Fund.

### Note 2 - Significant accounting policies

The financial statements are presented in accordance with generally accepted accounting principles and the Luxembourg regulation to Undertakings for Collective Investments in Transferable Securities:

#### a) Valuation of assets

The assets of each sub-fund of the Fund will be valued in accordance with the following principles:

- 1 The value of Transferable Securities, Money Market Instruments and/or financial derivative instruments listed on an official Stock Exchange or dealt in on a regulated market which operates regularly and is recognised and open to the public (a "Regulated Market"), as defined by laws and regulations in force, and which are not GDRs or ADRs, is based on the latest available price and if such Transferable Securities are dealt in on several markets, on the basis of the latest known price on the stock exchange which is normally the principal market for such securities. GDRs or ADRs traded on a stock exchange or other market are to be valued at the last traded price on/or prior to the Valuation Day or where the underlying shares have traded on a later date, with reference to the last traded price of the underlying shares on/or prior to the Valuation Day.

# Sturgeon Capital Funds

## NOTES TO THE FINANCIAL STATEMENTS

AS AT JUNE 30, 2016

### Note 2 - Significant accounting policies (continued)

- 2 In the event that any Transferable Securities or/and Money Market Instruments are not listed or dealt in on any stock exchange or any other Regulated Market operating regularly, recognised and open to the public, as defined by the laws and regulations in force, the value of such assets shall be assessed on the basis of their foreseeable sales price estimated prudently and in good faith by the Board of Directors.
- 3 The liquidating value of derivative contracts not traded on exchanges or on other Regulated Markets shall mean their net liquidating value determined by the Board of Directors in a fair and reasonable manner, on a basis consistently applied for each different variety of contracts. The liquidating value of futures, forward and options contracts traded on exchanges or on other Regulated Markets shall be based upon the last available settlement prices of these contracts on exchanges and Regulated Markets on which the particular futures, forward or options contracts are traded by the Fund. Provided that if a futures, forward and options contract could not be liquidated on the day with respect to which net assets are being determined, the basis for determining the liquidating value of such contract shall be such value as the Board of Directors may deem fair and reasonable. The value of fully funded Total Return Swaps with underlying assets being traded in a Regulated Markets, is determined by the value of such underlying assets.
- 4 The value of Money Market Instruments not listed or dealt in on any stock exchange or any other Regulated Market and with remaining maturity of less than 12 (twelve) months and of more than 90 (ninety) days is deemed to be the nominal value thereof, increased by any interest accrued thereon. Money market instruments with a remaining maturity of 90 (ninety) days or less will be valued by the amortised cost method, which approximates market value.
- 5 Units of UCITS and/or other UCI will be valued at their last determined and available Net Asset Value or, if such price is not representative of the fair market value of such assets, then the price shall be determined by the Board of Directors on a fair and equitable basis. Units or shares of a closed-ended UCI will be valued at their last available stock market value.
- 6 The value of any cash at hand or on deposit, bills, demand notes and accounts receivable, prepaid expenses, dividends and interests matured but not yet received shall be valued at the par-value of the assets, except if it appears that such value is unlikely to be received. In such a case, subject to the approval of the Board of Directors, the value shall be determined by deducting a certain amount to reflect the true value of the assets.
- 7 All other securities and other assets will be valued at fair market value, as determined in good faith pursuant to procedures established by the Board of Directors.

b) Net realised gain/losses on sales of investments

The realised gains or losses on the sales of securities are calculated on the basis of the average acquisition cost.

c) Foreign exchange conversion

The financial statements are expressed in USD, which is the reference currency of the Fund and each of its sub-fund.

Cash at banks, other net assets and the value of portfolio securities in currencies other than reference currency of each sub-fund are converted into the reference currency at the foreign exchange rate prevailing on the date of valuation.

Income and expenses in currencies other than reference currency of each sub fund are converted into the reference currency at the foreign applicable exchange rate prevailing at the day of the transaction.

Realised gains or losses on foreign currencies are accounted for in the statement of operations and changes in net assets.

The acquisition cost of securities in currencies other than the reference currency of each sub-fund is converted into the reference currency at the foreign exchange rate valid at the date of acquisition.

d) Net realised gain/losses on total return swaps

Realised value based upon difference between cost of initial contract purchased and settling termination value per final termination contracts, on the basis of the average acquisition cost.

e) Transactions on investments in securities

The transactions on investments in securities are booked on a trade date basis.

f) Formation expenses

Formation expenses are amortised over a period of five years.

# Sturgeon Capital Funds

## NOTES TO THE FINANCIAL STATEMENTS (continued)

AS AT JUNE 30, 2016

### Note 2 - Significant accounting policies (continued)

g) Allocation of accrued expenses

Accrued expenses which can be allocated directly to a sub-fund are charged to this sub-fund. Accrued expenses which cannot be allocated directly are divided among the sub-funds in proportion to the net assets of each sub-fund.

h) Income recognition

Dividends are recorded on ex-dividend date, net of withholding tax. Interests are accrued on a daily basis.

### Note 3 - Management Fees and Performance fees

Management fees are composed by Management Company fees and Investment Management Fees which are determined as follows:

#### Management company fees

As remuneration for its management company services, the Management Company is entitled to receive out of the assets of each Class within each Sub-Fund (i) an annual fixed fee of EUR 7,250 and (ii) a recurring management fees of up to 0.07% per annum until a Sub-Fund reaches EUR 100m, then 0.06% p.a. for the next EUR 100 million and thereafter 0.04% p.a., subject to a minimum of EUR 10,000 in the first year and EUR 18,000 thereafter, and (iii) a supervisory fee of 0.004% per annum, subject to a minimum of EUR 2,500 per annum per Sub-Fund. These fees are payable monthly in arrears during the relevant month.

The management company fees for the financial period ended June 30, 2016 amounts to USD 15,448.

#### Investment management fees

The Investment Manager will receive an investment management fees paid by the Fund. On each Valuation Day, the investment management fees are equal to the Net Asset Value (before deduction of the investment management fees) on such Valuation Day, multiplied by the investment management fees rate of 1.5% for I share classes and 2.0% for R share classes and multiplied by the number of calendar days between such Valuation Day and the immediately preceding Valuation Day, divided by 365 (or 366, if applicable).

The investment management fees is normally payable by the Fund on a monthly basis.

The investment management fees for the financial period ended June 30, 2016 amount to USD 129,395.

#### Performance fees

In addition to the investment management fee, the Investment Manager is entitled to a performance fee which is calculated for each Valuation Day on the basis of the Net Asset Value of the relevant Share Class.

The Performance Fee may only be levied and set aside if the following criterion is fulfilled:

The Net Asset Value of a Share Class used in the calculation of a Performance Fee must be greater than previous Net Asset Values ("high water mark"). Each preceding decline in the Net Asset Value per Share of the relevant Share Class must be offset by a further increase above the last maximum value at which a Performance Fee was incurred. Calculation of the Performance Fee and the necessary provisioning takes place on each Valuation Day.

If, on the Calculation Date, the Net Asset Value of a Share Class (prior to deduction of the Performance Fee) is greater than the preceding Net Asset Values, a performance fee of 20% shall be deducted on the difference between the Net Asset Value of the Share Class and the high water mark. Calculation of the Performance Fee takes place on the basis of the Shares of the relevant Class that are currently in circulation.

Payment of the Performance Fee amounts calculated for each quarter and set aside under the above method takes place at the beginning of the following quarter.

This performance fees cannot be refunded if the Net Asset Value falls again after deduction of the fee. This means that a performance fees may also be charged and paid if, at the end of the financial year, the Net Asset Value per Share of the relevant Class is lower than the value at the beginning of the year.

No equalisation will be applied to any investment in R-share classes. R-share classes are all Retail share classes in any currency denoted with an R.

The Fund will adopt equalisation to ensure that each "I-Share" (any Share of Institutional share classes in any currency denoted with an "I") bears the correct proportion of the Performance Fee.

The performance fees paid for the financial period ended June 30, 2016 amounts to USD 38,624.

# Sturgeon Capital Funds

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

AS AT JUNE 30, 2016

### Note 4 – Custodian and Paying Agent

RBC Investor Services Bank S.A. has been appointed as Custodian Bank and Paying Agent of the Fund (the “Custodian”) of the Fund’s assets effective as of 1 November 2013. The Custodian Bank carries out the usual duties regarding custody, cash and securities deposits. The amount payable to the Custodian depends on prevailing safekeeping and settlement fees per market and shall be subject to a minimum custody fee of EUR 5,000 per annum, excluding any third party fees / expenses.

The custodian fees for the financial period ended June 30, 2016 amounts to USD 8,776.

### Note 5 - Central Administrative Agent and Registrar Agent

The Management Company has delegated under its control and responsibility its registrar and transfer agent and administrative agent duties to Apex Fund Services (Malta) Ltd, Luxembourg Branch (hereafter referred to as the “Registrar Agent” or “Administrative Agent”), pursuant to an agreement signed effective as of 1 November 2013 between the Management Company and Apex Fund Services (Malta) Ltd, Luxembourg Branch.

As delegated Administrative Agent, Apex Fund Services (Malta) Ltd, Luxembourg Branch is responsible for the calculation of the Net Asset Value per share, the maintenance of records and other general administrative functions.

As delegated Registrar Agent, Apex Fund Services (Malta) Ltd, Luxembourg Branch is responsible for processing the issue (registration), redemption and conversion of shares in the Fund, for the settlement arrangements thereof, as well as for keeping official records of the shareholders' register (the “Register”).

The amount payable to the Central Administration Agent and Registrar Agent is 0.07% per annum for assets up to EUR 100 million and 0.05% per annum thereafter, subject to a monthly minimum fee of EUR 1,950 for the first six months and EUR 2,500 per month.

The administration fees for the financial year ended June 30, 2016 amounts to USD 18,478.

### Note 6 - Subscription tax ("*Taxe d'abonnement*")

The Fund is governed by Luxembourg tax laws.

Under current law and practice, the Fund is liable to an annual subscription tax of 0.05% (except those sub-funds or share classes, which may benefit from the lower rate of 0.01% as more fully described in article 174 of the 2010 Law). No such tax is due on the portion of the assets of the Fund invested in other Luxembourg UCITS or UCIs (if any) provided that such assets have already been subject to the subscription tax. This tax is payable quarterly and calculated on the basis of the Fund’s net assets at the end of the relevant quarter.

No duty or other tax will be paid in Luxembourg on the issue of shares of the Fund except for a fixed registration duty of 75 Euro paid by the Company payable at the time of incorporation.

### Note 7 - Risk management

The global exposure of the sub-fund is calculated on the basis of the commitment approach as authorised by CSSF Circular 11/512.

### Note 8 - Transaction costs

For the period ended June 30, 2016, the sub-fund incurred transaction costs relating to purchase or sale of investments in securities and similar transactions, (including derivatives instruments or other eligible assets) as follows:

Sturgeon Central Asia Equities Fund USD 15,892.

These transaction costs are composed of brokerage costs and are recorded in the expenses of the statement of operations and changes in net assets.

## Sturgeon Capital Funds

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

AS AT JUNE 30, 2016

#### **Note 9 - Commission on subscriptions**

Subscriptions in the Fund are subject to a maximum subscription fee (for the benefit of the distributor) of 5% of the subscription amount in accordance with the provision of the prospectus.

This subscription fee may be retroceded to the various financial intermediaries involved in the marketing of the shares

#### **Note 10 - Changes in investments**

The statement of changes in investments for the financial period in reference to the report is available free of charge at the registered office of the Fund.

#### **Note 11 - Subsequent events**

Effective from September 19, 2016, Apex Fund Services (Malta) Limited, Luxembourg Branch will be replaced by RBC Investor & Treasury Services as administrative and registrar agent of the Fund.



# Sturgeon Capital Funds – Sturgeon Central Asia Equities Fund

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## ADDITIONAL INFORMATION FOR INVESTORS IN SWITZERLAND

### (UNAUDITED)

AS AT JUNE 24, 2016

#### Total Expense Ratio (TER)

The total expense ratio is a function of total expense and average net assets over the period. As of end June 2015, total net assets were \$20.5m, while at year-end 2015 total net assets were US\$ 16.8 million and at June 2015 were \$23.6m. The Other Ongoing Charges Annualised for H1 2016 were 0.94%, versus 1.10% in 2015 were 1.10%. This decline is mostly due to continued cost control, as average AUM for H1 were lower than for the full year of 2015. The Directors aim to further reduce the other ongoing charges percentage, but in case of a decline in AUM may not be able to do so.

The table below shows a breakdown of expenses by share class.

Share Class	Average AUM H1 2016 US\$	Investment Management Fee	Other Ongoing Charges Annualised	Taxes	Total Ongoing Charges Annualised	Performance Fees US\$	Performance as % of Average AUM	Total Expense Ratio Annualised H1 2016
I - USD	17,528,171	1.50%	0.94%	0.01%	2.45%	38,624	0.44%	2.89%
R- Euro	44,495	2.00%	0.94%	0.05%	2.99%	-	0.00%	2.99%
R - GBP	17,536	2.00%	0.94%	0.05%	2.99%	-	0.00%	2.99%
R - USD	379,406	2.00%	0.94%	0.05%	2.99%	-	0.00%	2.99%

#### Transaction costs & Portfolio Turnover

During H1 2016, the sub-fund incurred transaction costs relating to purchase or sale of investments in securities and similar transactions, (including derivatives instruments or other eligible assets) of USD 15,892. These transaction costs are composed of brokerage costs and are included in the cost of securities.

During H1 2016 and 2015, there were no trades with related parties.

The Portfolio Turnover Rate calculated as (Securities Purchases plus Sales) minus (Subscription plus Redemptions) divided by Average Net Assets Value was 36.56% in H1 2016 (73.12% on an annualized basis), versus 54.18% in 2015.

#### Performance

The performance figures for Sturgeon Central Asia Equities Fund were as follows:

Share Class	Return H1 2016	Return 2015	Annualised Return since share class launch	Date of share class launch
I - USD	16.0%	-26.8%	-10.7%	15-Oct-12
R- Euro	12.6%	-18.9%	-7.4%	15-Oct-12
R - GBP	23.9%	-23.0%	-5.5%	28-Jun-13
R - USD	15.7%	-27.1%	-14.1%	21-Feb-14

Historical performance is no indicator for current or future performance. The performance data does not take account of any commissions and costs charged when subscribing or redeeming units.

# Sturgeon Capital Funds – Sturgeon Central Asia Equities Fund

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## ADDITIONAL INFORMATION FOR INVESTORS IN SWITZERLAND

### (UNAUDITED)

AS AT JUNE 24, 2016

#### Legal Representation & Paying Agent

Carnegie Fund Services S.A is the authorised legal representative in Switzerland. All important information such as the management regulations, the sales prospectus, the Key Investor Information Document (“KIID”), the statement of purchases and sales and the annual or semi-annual report can be obtained free of charge from the latter at the following address.

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The Paying Agent in Switzerland is:  
NBP New Private Bank Ltd.  
Limmatquai 1/am Bellevue  
P.O. Box  
CH-8022 Zurich