

SECTOR CAPITAL FUNDS PLC

*(A company incorporated with limited liability as an open-ended umbrella investment company
with variable capital under the laws of Ireland)*

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Registration No. 489443

SECTOR CAPITAL FUNDS PLC
Annual Report and Audited Financial Statements
For the financial year ended 31 December 2016

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SECTOR CAPITAL FUNDS PLC
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GENERAL INFORMATION

Directors

Michael Boyce (*Irish*)[^]
Paul Dobbyn (*Irish*)[^]
Lars Tell (*Swedish*)

[^]*Independent non-executive Director*

Registered Office

2nd Floor, Beaux Lane House
Mercer Street Lower
Dublin 2
Ireland

Investment Manager

Sector Global Equity Kernel
Sector Omega AS
Filipstad Brygge 2
N - 0250 Oslo
Norway

Independent Auditors

Deloitte
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
Ireland

Investment Manager

Sector Healthcare Value Fund
Sector Gamma AS
Filipstad Brygge 2
N - 0250 Oslo
Norway

Legal Advisers to the Company (*advisers as to Norwegian law*)

BAHR
Tjuvholmen allé 16
NO-0252 Oslo
PO Box 1524 Vika
NO - 0117 Oslo
Norway

Investment Manager

Sector Sigma Nordic Fund
Sigma Fondsforvaltning AS
Filipstad Brygge 2
N - 0250 Oslo
Norway

Legal Advisers to the Company (*advisers as to Irish law*)

Maples and Calder
75 St. Stephen's Green
Dublin 2
Ireland

Administrator, Registrar and Transfer Agent

BNY Mellon Fund Services (Ireland) Designated Activity Company*
Riverside Two
Sir John Rogerson's Quay
Grand Canal Dock
Dublin 2
Ireland

Sponsoring Brokers

Maples and Calder
75 St. Stephen's Green
Dublin 2
Ireland

Depository

BNY Mellon Trust Company (Ireland) Limited**
Guild House
Guild Street
IFSC
Dublin 1
Ireland

Company Secretary

MFD Secretaries Limited
2nd Floor, Beaux Lane House
Mercer Street Lower
Dublin 2
Ireland

* *Effective 1 July 2016, BNY Mellon Investment Servicing (International) Limited was merged with BNY Mellon Fund Services (Ireland) Designated Activity Company and BNY Mellon Fund Services (Ireland) Designated Activity Company replaced BNY Mellon Investment Servicing (International) as administrator to the Company.*

** *BNY Mellon Trust Company (Ireland) Limited acted as the Custodian until 13 April 2016 and was appointed as Depository effective 14 April 2016.*

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DIRECTORS' REPORT

The Directors present to the shareholders their annual report and the audited financial statements of Sector Capital Funds plc (the "Company") for the financial year 1 January 2016 to 31 December 2016.

Principal Activities and Review of Business

The Company was incorporated and registered in Ireland under the Companies Act 2014 as an open-ended umbrella investment company with variable capital and with segregated liability between sub-funds on 27 September 2010 with registered number 489443. The net assets of the Company were USD298,263,511 on 31 December 2016 (31 December 2015: USD181,973,038).

The Company was authorised by the Central Bank of Ireland pursuant to European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (as amended) and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48 (1) (Undertakings for Collective Investment in Transferable Securities) Regulations, 2015 (as amended) (the "Regulations").

As at 31 December 2016, the Company has three funds in existence (31 December 2015: three), Sector Healthcare Value Fund, Sector Sigma Nordic Fund and Sector Global Equity Kernel (the "Funds").

Sector Healthcare Value Fund commenced trading on 17 November 2010. The base currency of Sector Healthcare Value Fund is United States Dollars ("USD"). As at 31 December 2016 six classes are subscribed to in the Fund (31 December 2015: six), Class A EUR Shares, Class A NOK Shares, Class A USD Shares, Class B NOK Shares, Class B SEK and Class L NOK Shares. Class A USD, Class A EUR and Class A NOK Shares were listed on the Irish Stock Exchange on 18 November 2010 and Class B NOK Shares were listed on the Irish Stock Exchange on 10 September 2013.

Sector Sigma Nordic Fund commenced trading on 25 June 2012. The base currency of the Fund is Norwegian Krone ("NOK"). As at 31 December 2016 ten classes are subscribed to in the Fund (31 December 2015: seven), Class A EUR Shares, Class A NOK Shares, Class A USD, Class B EUR Shares, Class B NOK Shares, Class C NOK Shares, Class C SEK Shares, Class D NOK, Class D SEK Shares and Class L NOK Shares. No application has been made to list the Shares on any stock exchange.

Sector Global Equity Kernel commenced trading on 19 March 2014. The base currency of Sector Global Equity Kernel is USD. As at 31 December 2016 five classes are subscribed to in the Fund (31 December 2015: six), Class A NOK Shares, Class A USD Shares, Class P NOK Hedged Shares, Class P NOK Unhedged and Class P USD Shares. Class P USD Shares were listed on the Irish Stock Exchange on 27 March 2014.

Results, Activities and Future Developments

The results of operations are set out on page 15. A detailed review of the business and future developments for the Funds is contained in the Investment Managers' Reports on page 10.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act 2014 and the applicable Regulations.

Irish company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("relevant financial reporting framework"). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies for the Company financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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DIRECTORS' REPORT (Continued)

Statement of Directors Responsibilities (Continued)

The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Director's Compliance Statement

The Directors acknowledge that they are responsible for securing the Company's compliance with the relevant obligation as set out in Section 225 of the Companies Act 2014.

The Directors confirm that:

- 1) A compliance policy document has been drawn up that sets out policies, that in our opinion are appropriate to the Company, respecting compliance by the Company with its relevant obligations
- 2) Appropriate arrangements or structures are in place that are, in our opinion, designed to secure material compliance with the Company's relevant obligations, and
- 3) During the financial year, the arrangements or structures referred to in (2) have been reviewed.

Audit Information Statement

So far as each of the Directors in office at the date of approval of the financial statements are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 330 of the Companies Act 2014.

Accounting Records

The Directors believe that they have complied with the requirements of Section 281 to 285 of the Companies Act 2014 with regard to the accounting records by employing the resources of an administrator, BNY Mellon Fund Services (Ireland) DAC (replaced BNY Mellon Investment Servicing (International) Limited effective 1 July 2016). During the year the accounting records of the Company were maintained at the offices of the Administrator: BNY Mellon Fund Services (Ireland) Designated Activity Company, Riverside Two, Sir John Rogerson's Quay, Grand Canal Dock, Dublin 2.

Fair Value Directive

It is the opinion of the Board of Directors that the information required by the European Communities (Fair Value Accounting) Regulations 2004, in relation to the use by the Company of financial instruments and the financial risk management objectives and policies of the Company and the exposures of the Company to market risk, currency risk, interest rate risk, liquidity risk and credit risk is contained in the Investment Managers' Reports and note 7.

Significant events during the year

The Prospectus and each of the Supplements for (i) Sector Global Equity Kernel (ii) Sector Sigma Nordic Fund and (iii) Sector Healthcare Value Fund were approved by the Central Bank on 14 April 2016. The Depositary Agreement was also approved on this date.

Updates made to the Prospectus in order to reflect current legislative and regulatory requirements including: UCITS V requirements including all relevant disclosures on depositary functions, liability provisions and manager remuneration provisions; Investor Money Regulations; Central Bank Regulations (i.e. SI No. 420 of 2015 Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015); OECD Common Reporting Standards; Taxation updates, including but not limited to, CRS updates and the repeal of the European Savings Directive (Directive 2003/48/EC) on 10 November 2015 by the European Council Updates to each of the Supplements for Sector Global Equity Kernel, Sector Sigma Nordic Fund and Sector Healthcare Value Fund to reflect the above regulatory updates as relevant, updates to initial offer periods and miscellaneous tidy-up amendments to ensure alignment with other Sector Group documents (i.e. share class definitions etc.) Additional non-UCITS V updates were made to Sector Global Equity Kernel in respect of amendments to settlement cycle in order to change to T+2.

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DIRECTORS' REPORT (Continued)

Significant events during the year (Continued)

On 9 August 2016, the Company issued a revised Prospectus and Supplements for each Fund. The significant amendments relate to the change in the administrator, revisions to certain risk disclosures and commentary in relation to Brexit.

On 16 December 2016, revised Supplements to the Prospectus were issued for each Fund. Sector Global Equity Kernel may issue Class A NOK Hedged Shares, Class A NOK Unhedged Shares, Class B NOK Unhedged Shares and Class B NOK Hedged Shares. Sector Global Equity Kernel Class B Shares will no longer incur an Incentive Fee. The revised Supplements also reflected the appointment of Sector Capital AS as Global Distributor.

There were no other significant events during the year.

Significant events after the balance sheet date

There were no significant events after the balance sheet date.

Directors

The current Directors are listed on page 2 and they served for the entire year.

Directors' and Secretary's Interests

The Directors and Secretary and their families had no interest in the shares of the Company at 31 December 2016, other than as disclosed in note 15 to the financial statements.

As at 31 December 2016, Lars Tell, Director of the Company held 48 Class L NOK in Sector Healthcare Value Fund (2015: Nil) and 91 Class L NOK Shares in Sector Sigma Nordic Fund (2015:91).

Dividends

Under the Articles of Association (the "Articles"), dividends may be paid out of the profits. During the year ended 31 December 2016, no dividends were paid (2015: nil).

Corporate Governance Statement

The Company is subject to and complies with the Regulations and the Listing Rules of the Irish Stock Exchange, as applicable to investment funds.

The Board has adopted the voluntary Irish Funds ("IF") Corporate Governance Code for Irish domiciled Collective Investment Schemes and Management Companies, issued 14 December 2011 (the "Code") with effect from 11 December 2012. The Board has reviewed and assessed the measures included in the Code and considers its corporate governance practices and procedures since the adoption of the Code as consistent therewith.

The Company is subject to corporate governance practices imposed by:

1. The Irish Companies Acts 2014 and the Regulations which are available for inspection at the registered office of the Company and may also be obtained at www.irishstatutebook.ie.
2. The Articles of Association of the Company which are available for inspection at the registered office of the Company and at the Companies Registration Office in Ireland.
3. The Central Bank of Ireland in their Regulations which can be obtained from the Central Bank of Ireland's website at: www.centralbank.ie and are available for inspection at the registered office of the Company.
4. The Irish Stock Exchange ("ISE") through the ISE Code of Listing Requirements and Procedures which can be obtained from the ISE's website at www.ise.ie.

Financial Reporting Process - description of main features

The Board is ultimately responsible for overseeing the establishment and maintenance of adequate internal control and risk management systems of the Company in relation to the financial reporting process. As the Company has no employees and two of the Directors serve in a non-executive capacity, all functions including the preparation of the financial statements have been outsourced. The Company has appointed BNY Mellon Fund Services (Ireland) Designated Activity Company, as its Administrator consistent with the regulatory framework applicable to investment fund companies such as the Company.

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DIRECTORS' REPORT (Continued)

Corporate Governance Statement (Continued)

Financial Reporting Process - description of main features (continued)

On appointing the Administrator, the Board noted that it was regulated by the Central Bank of Ireland and, in the Board's opinion, had significant experience as an administrator. The Board also noted the independence of the Administrator from the Company's Investment Managers. Subject to the supervision of the Board, the appointment of the Administrator is intended to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The annual and interim financial statements of the Company are required to be approved by the Board of the Company and filed with the Central Bank of Ireland and the Irish Stock Exchange. The statutory financial statements are required to be audited by independent auditors who report annually to the Board on their findings. The Board evaluates and discusses significant accounting and reporting issues as the need arises.

Risk Assessment

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and for ensuring that processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board's appointment of an administrator independent of the investment manager to the Company and which is regulated by Central Bank of Ireland is intended to mitigate though not eliminate the risk of fraud or irregularities which may impact the financial statements of the Company.

Monitoring

The Board receives regular presentations and reviews reports from the Depositary, Investment Manager and Administrator. The Board also has an annual process to ensure that appropriate measures are taken to consider and address any control weaknesses identified and measures recommended by the independent auditors.

Capital structure

No person has a significant direct or indirect holding of securities in the Company. No person has any special rights of control over the Company's share capital. There are no restrictions on voting rights.

For the appointment and replacement of Directors, the Company is governed by its Articles of Association, Irish Statute comprising the Companies Acts 2014, the Regulations, and the Listing Rules of the Irish Stock Exchange as applicable to investment funds. The Articles of Association themselves may be amended by special resolution of the shareholders.

Composition and operation of the board of directors

There are three Directors currently, two of whom are non-executive and are independent of the Investment Manager as required by the Irish Stock Exchange Listing Rules for investment funds. None of the Directors have entered into an employment or service contract with the Company. All related party transactions during the year are detailed in note 15 to the financial statements. The Articles of Association do not provide for retirement of Directors by rotation. However, the Directors may be removed by the shareholders by ordinary resolution in accordance with the procedures established under the Irish Companies Act 2014. The Board meets at least quarterly. There are no sub-committees of the Board.

The Board is responsible for managing the business affairs of the Company in accordance with the Articles of Association. Subject to its supervision and direction, the Board has delegated the day to day administration of the Company to the Administrator and the investment management and distribution functions to Sector Omega AS, Sector Gamma AS and Sigma Fondforvaltning AS as the Investment Managers. The Company has appointed BNY Mellon Trust Company (Ireland) Limited as the Custodian to the Company with responsibility for the safekeeping of the assets of the Company.

Shareholder meetings

The convening and conduct of shareholders' meetings are governed by the Articles of Association of the Company and the Companies Act 2014. Although the Directors may convene an extraordinary general meeting of the Company at any time, the Directors are required to convene an annual general meeting of the Company within fifteen months of the date of the previous annual general meeting. Shareholders representing not less than 10 percent of the paid up share capital of the Company may also request the Directors to convene a shareholders' meeting. Not less than twenty one days' notice of every annual general meeting and any meeting convened for the passing of a special resolution must be given to shareholders and fourteen days' notice must be given in the case of any other general meeting unless the auditors of the Company and all the shareholders of the Company entitled to attend and vote agree to shorter notice.

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DIRECTORS' REPORT (Continued)

Corporate Governance Statement (Continued)

Shareholder meetings (continued)

On a show of hands every shareholder who is present in person or by proxy shall have one vote. On a poll every shareholder present in person or by representative or proxy shall have one vote for every share for which is registered in the name of the shareholder. Such voting rights may be amended in the same manner as any other provision of the Trust Deed.

Shareholders may resolve to sanction an ordinary resolution or special resolution at a shareholders' meeting. An ordinary resolution of the Company requires a simple majority of the votes cast by the shareholders voting in person or by proxy at the meeting at which the resolution is proposed. A special resolution of the Company requires a majority of not less than 75% of the shareholders present in person or by proxy and voting in a general meeting in order to pass a special resolution including a resolution to amend the Articles of Association.

Decision not to establish an Audit Committee

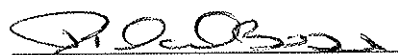
The Directors have decided not to establish an audit committee pursuant to section 167(2)(b) of the Companies Act 2014. This has been decided on the basis of the following:

- a) the nature, scale and complexity of the Company's business range of services and activities undertaken in the course of that business;
- b) the resources available to the Company and the resources and expertise of the various third parties engaged to support the Company and carry out certain functions on its behalf; and
- c) the procedures in place for the review, approval and circulation of the audited financial accounts and statements which are appropriate for a self-managed investment company pursuant to the UCITS Regulations.

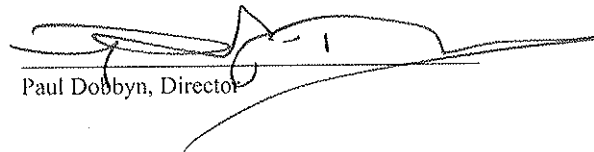
Independent Auditors

Deloitte, Chartered Accountants and Statutory Audit Firm, have expressed their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

On behalf of the Board of Directors



Michael Boyce, Director



Paul Dobbyn, Director

Date: 27 March 2017

Report of the Custodian to the Shareholders

We have enquired into the conduct of Sector Capital Funds plc (the "Company") for the period 1 January to 13 April 2016, in our capacity as custodian to the Company.

This report including the opinion has been prepared for and solely for the shareholders in the Company, in accordance with, Regulation 47 of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I No 352 of 2011) (the "Regulations") 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.

Responsibilities of the Custodian

Our duties and responsibilities are outlined in Regulation 47 of the Regulations. One of those duties is to enquire into the conduct of the Company in each annual accounting period and report thereon to the shareholders.

Our report shall state whether, in our opinion, the Company has been managed in that period in accordance with the provisions of the Company's Memorandum and Articles of Association and the Regulations. It is the overall responsibility of the Company to comply with these provisions. If the Company has not been so managed, we as custodian must state in what respects it has not been so managed and the steps which we have taken in respect thereof.

Basis of Custodian Opinion

The custodian conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties as outlined in Regulation 47 of the Regulations and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the Company's constitutional documentation and the appropriate regulations.

Opinion

In our opinion, the Company has been managed during the year, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Memorandum and Articles of Association and by the Regulations; and
- (ii) otherwise in accordance with the provisions of the Memorandum and Articles of Association and the Regulations.



For and on Behalf of BNY Mellon Trust Company (Ireland) Limited
Date: 27 March 2017

**REPORT FROM THE DEPOSITARY TO THE SHAREHOLDERS
DATED 27 MARCH 2017**

For the period from 14 April 2016 to 31 December 2016 (the “Period”)

BNY Mellon Trust Company (Ireland) Limited (the “**Depository**” “us”, “we”, or “our”), has enquired into the conduct of Sector Capital Funds plc (the “Company”) for the Period ended 31 December 2016, in its capacity as depository to the Company.

This report including the opinion has been prepared for and solely for the shareholders in the Company, in accordance with our role as depository to the Company 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.

Responsibilities of the Depository

Our duties and responsibilities are outlined in Regulation 34 of the of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No 352 of 2011), as amended (the “Regulations”).

Our report shall state whether, in our opinion, the Company has been managed in that period in accordance with the provisions of the Company’s Memorandum and Articles of Association and the Regulations. It is the overall responsibility of the Company to comply with these provisions. If the Company has not been so managed, we as depository must state in what respects it has not been so managed and the steps which we have taken in respect thereof.

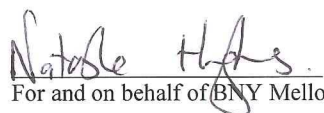
Basis of Depository Opinion

The Depository conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the Company’s constitutional documentation and the appropriate regulations.

Opinion

In our opinion, the Company has been managed during the Period, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Memorandum and Articles of Association and by the Regulations; and
- (ii) otherwise in accordance with the provisions of the Memorandum and Articles of Association and the Regulations.



For and on behalf of BNY Mellon Trust Company (Ireland) Limited,

Date: 27 March 2017

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INVESTMENT MANAGERS' REPORT

Sector Global Equity Kernel

The Fund was up 7.7% during 2016, underperforming its benchmark by 13 bps. The combination of dramatic reversals in both style and sectors represented challenging conditions for the Fund's investment process. Although the process means that we adapt to a changing market climate, we only do it in a reactionary fashion. We don't anticipate. Whereas the good thing is that we actually do adapt to changing conditions, we are doomed to lose during the turn. Thus, the real risk is if it all turns back after we have adapted to what we thought was a new regime.

Our active bets contributed positively by 140 bps for the full calendar year of 2016. Sector allocation was an important contributor (99 of the 140 bps) and being mostly right on Financials and Materials during the different market regimes was the predominant cause here. Stock selection contributed 52 bps, but our blended investment style was not generally appreciated by Mr. Market in 2016 and detracted 81 bps. On a single stock level, the best performers in 2016 were Northern Star Resources, Richmond Mines and Lerøy Seafood, whilst Delphi Automotive, Fuji Heavy Industries and Vonage Holdings dragged performance.

Sector Healthcare Value Fund

After five strong years of outperformance, the healthcare sector ended 2016 down 6.8% and underperformed the broader market by over 14% in the process, as a plethora of negative news flow and rising interest rates dented already shaky sentiment.

The year started off on a negative footing with 2016 guidance generally being disappointing. The return of the mega deals was also dealt a blow as Pfizer and Allergan called off their \$160 billion merger and all but signalling the end of tax inversion deals in the process. Although the sector managed to rally into second quarter reporting season taking the Brexit vote in its stride. We had another summer of discontent as mixed earnings reports, negative clinical trial data by Bristol-Myer and Mylan's EpiPen pricing issues caused another 15% sector correction. The final two months of the year were no less dramatic as the mother of all surprises happened with Donald Trump not only winning the US presidential election, but getting a clean sweep in the process. Although the sector did get a knee jerk post-election rally, the last hope of ending the year with a positive undertone vanished when Eli Lilly's Sola for Alzheimer's failed in phase three.

The Sector Healthcare Value Fund ended up 3.66% for the year, beating its benchmark by 10.5% in the process. Four of our five sub-sectors had positive returns led by the pharmaceutical risk book. Only the healthcare services book had a small negative return for the year. On a single stock level, performance was led by Exelixis (new product story), St. Jude (bought by Abbott Labs) and Baxter, whilst Vertex, Getinge and Impax dragged performance.

Sector Sigma Nordic Fund

For the full year 2016, the Sector Sigma Nordic Fund rose by 1.14% (Class A NOK figures) with an average net long exposure of 38%, while the Nordic equity market fell by 3%.

The pace of growth in the global economy continued to expand in December, hitting a 13-month high at the end of 2016. The J.P. Morgan All-Industry Output Index ended at 53.4, with solid trends seen at both manufacturers and service providers. December saw the rate of expansion in global manufacturing production accelerate at the fastest pace in two-and-a-half years. In addition, order inflows picked up pace both for manufacturers and service providers at the quickest pace since July 2015. Price pressures also intensified, as cost inflation ended 2016 at a 63-month high, leading in turn to the sharpest increase in output prices since April 2014.

After a difficult start to the year, Sector Sigma Nordic Fund ended the year in positive territory, up 1.14%. In comparison, the MSCI Nordic Index was up 1.16% and the Absolute UCITS European Equity Index was down 1.4% for the year. On a sub-sector level, the Fund saw positive contribution from Energy, Consumer Staples, Telecom and Consumer Discretionary, whilst Industrials represented the largest drag. On a single stock basis, the Fund's largest performance contributors were Aker BP, Salmar, Boliden and Marine Harvest. The largest performance detractors were Hexagon, Metso and Coloplast.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SECTOR CAPITAL FUNDS PLC

We have audited the financial statements of Sector Capital Funds Plc (the "Company") for the financial year ended 31 December 2016 which comprise the Balance Sheet, the Income Statement, the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares and the related notes 1 to 23. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("relevant financial reporting framework").

This report is made solely to the Company's shareholders, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibility Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with the Companies Act 2014 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2016 and of the profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 and Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations, 2015.

Matters on which we are required to Report by the Companies Act 2014

- We have obtained all the information and explanations we considered necessary for the purpose of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.
- The Company's Balance Sheet and its Income Statement are in agreement with the accounting records.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.

Continued on next page/

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
SECTOR CAPITAL FUNDS PLC**

Matters on which we are required to Report by Exception

We have nothing to report in respect of the provisions in the Companies Act 2014 which requires us to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.



Brian Forrester
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin

Date: 30/3/17

SECTOR CAPITAL FUNDS PLC
Annual Report and Audited Financial Statements
For the financial year ended 31 December 2016

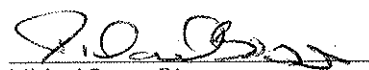
BALANCE SHEET (Continued)

As at 31 December 2016 (Continued)

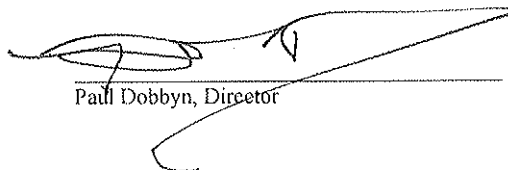
	Note	Sector Global Equity Kernel USD	Sector Healthcare Value Fund USD	Sector Sigma Nordic Fund NOK	Sector Capital Funds PLC USD
Current Assets					
Investments in financial assets held at fair value through profit or loss		177,208,935	58,742,103	398,518,202	282,248,890
Cash at bank and brokers	6	2,159,554	5,291,495	114,150,571	20,712,492
Amounts due from broker		—	—	1,410,960	163,918
Receivable for securities sold		5,202,146	—	—	5,202,146
Interest receivable		—	—	1,746	203
Dividends receivable		296,163	61,383	236,415	385,011
Other assets		19,388	2,276	72,815	30,123
Total Assets		184,886,186	64,097,257	514,390,709	308,742,783
Current Liabilities					
Investments in financial liabilities held at fair value through profit or loss		30,965	56,920	13,900,986	1,702,832
Bank overdraft	6	—	—	783	91
Amounts due to broker		1,309,846	794,618	—	2,104,464
Payable for securities purchased		3,773,988	—	—	3,773,988
Subscriptions received in advance	18	78,974	28,898	—	107,872
Payable to investment manager	9	44,323	66,262	473,815	165,630
Incentive fee	10	—	1,055,290	799,188	1,148,136
Administration fee	11	78,145	45,817	498,037	181,821
Directors' fees and expenses	12	2,359	1,119	13,145	5,005
Auditors' fee	13	10,171	11,538	81,056	31,126
Depository/Custodian fee	11	16,670	9,241	42,170	30,810
Legal fee		8,578	2,242	47,378	16,324
Interest payable		—	—	5,231	608
Equalisation credit payable		—	1,160,621	—	1,160,621
Other creditors		11,990	14,173	204,699	49,944
Total Liabilities (excluding net assets attributable to holders of Redeemable Participating Shares)		5,366,009	3,246,739	16,066,488	10,479,272
Net assets attributable to holders of Redeemable Participating Shares		179,520,177	60,850,518	498,324,221	298,263,511

Sector Sigma Nordic Fund is translated in the Company total column at the Balance Sheet exchange rate of 0.1162.

On behalf of the Board of Directors:



Michael Boyce, Director
Date: 27 March 2017



Paul Dobbyn, Director

SECTOR CAPITAL FUNDS PLC
Annual Report and Audited Financial Statements
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BALANCE SHEET (Continued)

As at 31 December 2015

	Note	Sector Global Equity Kernel USD	Sector Healthcare Value Fund USD	Sector Sigma Nordic Fund NOK	Sector Capital Funds PLC USD
Current Assets					
Investments in financial assets held at fair value through profit or loss		45,506,005	45,609,676	548,467,095	153,092,462
Cash at bank and brokers	6	1,281,111	4,283,924	233,283,881	31,926,114
Amounts due from broker		–	499,417	6,815,123	1,269,526
Receivable for securities sold		508,042	–	–	508,042
Interest receivable		–	–	1,434	162
Dividends receivable		24,456	84,434	–	108,890
Other assets		27,553	2,321	226,556	55,475
Total Assets		47,347,167	50,479,772	788,794,089	186,960,671
Current Liabilities					
Investments in financial liabilities held at fair value through profit or loss		70,296	517,163	2,529,516	873,294
Bank overdraft	6	451,811	–	–	451,811
Amounts due to broker		62,773	–	–	62,773
Payable for securities purchased		464,156	462,888	–	927,044
Payable to investment manager	9	5,620	88,912	1,361,401	248,370
Incentive fee	10	3,512	853,519	6,519,409	1,593,724
Administration fee	11	53,911	30,743	551,397	146,962
Directors' fees and expenses	12	1,062	1,814	16,421	4,732
Auditors' fee	13	12,894	12,500	80,341	34,472
Depositary/Custodian fee	11	8,954	3,221	39,733	16,665
Legal fee		2,742	11,857	46,618	19,867
Interest payable		289	–	15,512	2,042
Equalisation credit payable		1,847	429,964	1,199,336	567,336
Other creditors		12,118	15,102	100,185	38,541
Total Liabilities (excluding net assets attributable to holders of Redeemable Participating Shares)		1,151,985	2,427,683	12,459,869	4,987,633
Net assets attributable to holders of Redeemable Participating Shares		46,195,182	48,052,089	776,334,220	181,973,038

Sector Sigma Nordic Fund is translated in the Company total column at the Balance Sheet exchange rate of 0.1130.

SECTOR CAPITAL FUNDS PLC
Annual Report and Audited Financial Statements
For the financial year ended 31 December 2016

PROFIT AND LOSS ACCOUNT

For the financial year ended 30 December 2016

	Note	Sector Global Equity Kernel USD	Sector Healthcare Value Fund USD	Sector Sigma Nordic Fund NOK	Sector Capital Funds PLC USD
Income					
Dividend income		3,018,490	748,706	13,212,018	5,342,068
Interest income		2	–	447,163	53,304
Other income		30,449	10,596	99,503	52,906
		<u>3,048,941</u>	<u>759,302</u>	<u>13,758,684</u>	<u>5,448,278</u>
Net realised gain/(loss) on:					
- investments		(1,380,013)	4,857,567	(16,771,570)	1,478,383
- foreign currency		(812,366)	(1,954,206)	23,423,362	25,493
Net change in unrealised appreciation/(depreciation) on:					
- investments		11,814,469	(1,725,123)	28,070,490	13,435,348
- foreign currency		(1,026,954)	(337,025)	(57,384,467)	(8,204,207)
Net investment gain/(loss)		<u>11,644,077</u>	<u>1,600,515</u>	<u>(8,903,501)</u>	<u>12,183,295</u>
Expenses					
Management fee	9	(382,118)	(557,956)	(7,177,660)	(1,795,651)
Incentive fee	10	–	(655,724)	(799,188)	(750,987)
Administration fee	11	(255,169)	(132,700)	(2,497,318)	(685,549)
Depository/Custodian fee	11	(82,508)	(32,740)	(402,155)	(163,185)
Directors' fees and expenses	12	(8,252)	(3,193)	(53,576)	(17,831)
Auditors' fee	13	(6,990)	(8,850)	(81,585)	(25,565)
Dividend expense		–	–	(3,612,395)	(430,598)
Legal fee		(44,338)	(8,710)	(253,291)	(83,240)
Listing fee		(3,975)	(3,602)	(10,658)	(8,848)
Trading and research fees		–	(36,158)	(694,449)	(118,936)
Other expenses		(46,581)	(10,399)	(435,961)	(108,947)
Total expenses before waivers		<u>(829,931)</u>	<u>(1,450,032)</u>	<u>(16,018,236)</u>	<u>(4,189,337)</u>
Expense waiver from Investment Manager	9	213,443	–	–	213,443
Net expenses after waivers		<u>(616,488)</u>	<u>(1,450,032)</u>	<u>(16,018,236)</u>	<u>(3,975,894)</u>
Net gain/(loss) before finance costs		<u>11,027,589</u>	<u>150,483</u>	<u>(24,921,737)</u>	<u>8,207,401</u>
Finance costs					
Interest expense		(4,980)	(1,485)	(2,493,562)	(303,697)
Total finance costs		<u>(4,980)</u>	<u>(1,485)</u>	<u>(2,493,562)</u>	<u>(303,697)</u>
Taxation					
Withholding tax		(503,071)	(97,194)	(3,551,945)	(1,023,657)
Net increase/(decrease) in net assets attributable to holders of Redeemable Participating Shares resulting from operations		<u>10,519,538</u>	<u>51,804</u>	<u>(30,967,244)</u>	<u>6,880,047</u>

There are no recognised gains or losses for the year other than those set out in the Profit and Loss Account. All activities relate to continuing operations.

Sector Sigma Nordic Fund is translated in the Company total column at the average exchange rate of 0.1192.

SECTOR CAPITAL FUNDS PLC
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PROFIT AND LOSS ACCOUNT (Continued)

For the financial year ended 31 December 2015

	Note	Sector Global Equity Kernel USD	Sector Healthcare Value Fund USD	Sector Sigma Nordic Fund NOK	Sector Capital Funds PLC USD
Income					
Dividend income		567,443	798,310	8,178,422	2,381,513
Interest income		9	–	951,388	118,171
Other income		17	168	20,746	2,762
		<u>567,469</u>	<u>798,478</u>	<u>9,150,556</u>	<u>2,502,446</u>
Net realised gain/(loss) on:					
- investments		(634,723)	13,273,630	14,269,002	14,411,117
- foreign currency		(1,154,547)	(8,825,914)	27,662,764	(6,544,746)
Net change in unrealised appreciation/(depreciation) on:					
- investments		1,298,003	(3,317,627)	(3,227,826)	(2,420,520)
- foreign currency		(220,960)	2,557,016	34,821,972	6,660,945
Net investment (loss)/gain		(144,758)	4,485,583	82,676,468	14,609,242
Expenses					
Management fee	9	(88,254)	(572,547)	(6,433,546)	(1,459,847)
Incentive fee	10	(7,535)	(655,789)	(6,879,151)	(1,517,715)
Administration fee	11	(149,034)	(134,701)	(1,940,861)	(524,790)
Depository/Custodian fee	11	(49,581)	(25,951)	(331,951)	(116,760)
Directors' fees and expenses	12	(3,281)	(6,842)	(70,445)	(18,872)
Auditors' fee	13	(10,354)	(9,892)	(80,464)	(30,240)
Commission fee		(708)	–	(5,000)	(1,329)
Dividend expense		–	–	(3,327,509)	(413,277)
Legal fee		(11,241)	(26,179)	(217,378)	(64,418)
Listing fee		(3,458)	(3,534)	(10,200)	(8,259)
Trading and research fees		–	(21,122)	(415,715)	(72,754)
Other expenses		(19,896)	(41,614)	(337,443)	(103,420)
Total expenses before waivers		<u>(343,342)</u>	<u>(1,498,171)</u>	<u>(20,049,663)</u>	<u>(4,331,681)</u>
Expense waiver from Investment Manager	9	188,238	–	–	188,238
Net expenses after waivers		(155,104)	(1,498,171)	(20,049,663)	(4,143,443)
Net (loss)/gain before finance costs		(299,862)	2,987,412	62,626,805	10,465,799
Finance costs					
Interest expense		(2,818)	(3,327)	(1,160,792)	(150,315)
Total finance costs		(2,818)	(3,327)	(1,160,792)	(150,315)
Taxation					
Withholding tax		(85,069)	(122,166)	(2,143,977)	(473,517)
Net (decrease)/increase in net assets attributable to holders of Redeemable Participating Shares resulting from operations		(387,749)	2,861,919	59,322,036	9,841,967

There are no recognised gains or losses for the year other than those set out in the Profit and Loss Account. All activities relate to continuing operations.

Sector Sigma Nordic Fund is translated in the Company total column at the average exchange rate of 0.1242.

SECTOR CAPITAL FUNDS PLC
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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

For the financial year ended 31 December 2016

	Sector Global Equity Kernel USD	Sector Healthcare Value Fund USD	Sector Sigma Nordic Fund NOK	Sector Capital Funds PLC USD
Net Assets attributable to holders of Redeemable Participating Shares at beginning of year	46,195,182	48,052,089	776,334,220	181,973,038
Capital transactions:				
Issue of Redeemable Participating Shares	131,045,324	42,263,873	95,351,762	184,675,127
Redemption of Redeemable Participating Shares	(8,239,867)	(28,228,399)	(342,394,517)	(77,281,692)
Equalisation applied	–	(1,288,849)	–	(1,288,849)
Net increase/(decrease) in net assets resulting from capital transactions of Redeemable Participating Shares	122,805,457	12,746,625	(247,042,755)	106,104,586
Currency adjustment	–	–	–	3,305,840
Net increase/(decrease) in net assets attributable to holders of Redeemable Participating Shares resulting from operations	10,519,538	51,804	(30,967,244)	6,880,047
Net Assets attributable to holders of Redeemable Participating Shares at end of year	179,520,177	60,850,518	498,324,221	298,263,511

Sector Sigma Nordic Fund is translated in the Company total column at the average exchange rate of 0.1192.

SECTOR CAPITAL FUNDS PLC
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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES (Continued)

For the financial year ended 31 December 2015

	Sector Global Equity Kernel USD	Sector Healthcare Value Fund USD	Sector Sigma Nordic Fund NOK	Sector Capital Funds PLC USD
Net Assets attributable to holders of Redeemable Participating Shares at beginning of year	10,152,525	58,586,309	328,500,775	112,560,837
Capital transactions:				
Issue of Redeemable Participating Shares	47,161,440	15,256,964	501,811,430	124,743,384
Redemption of Redeemable Participating Shares	(10,724,661)	(28,446,665)	(112,045,758)	(53,087,409)
Equalisation applied	(6,373)	(206,438)	(1,254,263)	(368,591)
Net increase/(decrease) in net assets resulting from capital transactions of Redeemable Participating Shares	36,430,406	(13,396,139)	388,511,409	71,287,384
Currency adjustment	–	–	–	(11,717,150)
Net (decrease)/increase in net assets attributable to holders of Redeemable Participating Shares resulting from operations	(387,749)	2,861,919	59,322,036	9,841,967
Net Assets attributable to holders of Redeemable Participating Shares at end of year	46,195,182	48,052,089	776,334,220	181,973,038

Sector Sigma Nordic Fund is translated in the total column at the average exchange rate of 0.1242

SECTOR CAPITAL FUNDS PLC
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SCHEDULES OF INVESTMENTS

As at 31 December 2016

Sector Global Equity Kernel

<i>Investment</i>	<i>Units</i>	<i>Fair Value as a % of Net Assets</i>	<i>Fair Value USD</i>
<u>Financial Assets at Fair Value through profit or loss</u>			
<u>Equities</u>			
<u>Brazil</u>			
Cetip S.A. - Balcao Organizado de Ativos e Derivativos	121,400	0.93%	1,663,576
Edp - Energias Do Brasil S.A.	451,502	1.03%	1,858,889
Total Brazil		1.96%	3,522,465
<u>Canada</u>			
Imperial Oil Ltd.	51,300	1.00%	1,786,826
Rogers Communications, Inc.	41,900	0.90%	1,618,136
Total Canada		1.90%	3,404,962
<u>China</u>			
China Construction Bank Corp.	2,357,000	1.01%	1,814,912
China Petroleum & Chemical Corp.	2,320,000	0.92%	1,645,783
PetroChina Co Ltd	2,368,000	0.98%	1,765,352
Total China		2.91%	5,226,047
<u>Finland</u>			
Orion Oyj	36,700	0.91%	1,637,018
Stora Enso Oyj	116,690	0.70%	1,256,634
Tieto Oyj	46,502	0.71%	1,271,324
UPM-Kymmene Oyj	81,900	1.12%	2,016,203
Total Finland		3.44%	6,181,179
<u>France</u>			
Arkema S.A.	18,100	0.99%	1,774,315
Christian Dior S.A.	8,700	1.02%	1,828,383
Cie Generale des Etablissements Michelin SCA	11,340	0.70%	1,264,264
Teleperformance S.A.	18,400	1.03%	1,849,525
Thales S.A.	16,000	0.87%	1,554,786
Valeo SA	28,800	0.92%	1,658,877
Total France		5.53%	9,930,150
<u>Germany</u>			
Bayer AG	17,400	1.02%	1,819,298
Infineon Technologies AG	99,200	0.96%	1,727,461
MTU Aero Engines AG	16,300	1.05%	1,887,728
Siemens AG	13,300	0.91%	1,638,491
Total Germany		3.94%	7,072,978
<u>Great Britain</u>			
Ashtead Group PLC	104,600	1.14%	2,042,134
Land Securities Group PLC	140,500	1.03%	1,850,670
Total Great Britain		2.17%	3,892,804
<u>Ireland</u>			
Eaton Corp. PLC	24,500	0.92%	1,643,705
Total Ireland		0.92%	1,643,705
<u>Italy</u>			
ENI S.p.A.	121,400	1.10%	1,980,882
Total Italy		1.10%	1,980,882
<u>Japan</u>			
Koito Manufacturing Co. Ltd.	34,300	1.01%	1,820,354
Kyowa Exeo Corp.	114,800	0.92%	1,655,537
NTT DoCoMo, Inc.	55,700	0.71%	1,271,738
The Dai-ichi Life Insurance Co. Ltd.	103,200	0.96%	1,721,843
Tokyo Electron Ltd.	18,700	0.99%	1,770,837
Total Japan		4.59%	8,240,309

The accompanying notes form an integral part of the financial statements

SECTOR CAPITAL FUNDS PLC
Annual Report and Audited Financial Statements
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SCHEDULES OF INVESTMENTS (continued)

As at 31 December 2016

Sector Global Equity Kernel (Continued)

<i>Investment</i>	<i>Units</i>	<i>Fair Value as a % of Net Assets</i>	<i>Fair Value USD</i>
<u>Financial Assets at Fair Value through profit or loss (continued)</u>			
<u>Norway</u>			
Leroy Seafood Group ASA	32,200	1.00%	1,799,717
Marine Harvest ASA	88,600	0.90%	1,602,637
Total Norway		1.90%	3,402,354
<u>Singapore</u>			
Broadcom Ltd.	9,700	0.95%	1,714,669
Total Singapore		0.95%	1,714,669
<u>Spain</u>			
Repsol YPF S.A.	119,000	0.94%	1,684,415
Total Spain		0.94%	1,684,415
<u>Sweden</u>			
Billerud AB	74,340	0.70%	1,252,011
Boliden AB	70,000	1.02%	1,833,102
Total Sweden		1.72%	3,085,113
<u>Taiwan</u>			
Taiwan Semiconductor Manufacturing Co. Ltd.	284,000	0.89%	1,599,367
Total Taiwan		0.89%	1,599,367
<u>United Kingdom</u>			
Aon PLC	13,300	0.83%	1,483,349
BP PLC	48,303	1.00%	1,805,566
Mondi PLC	85,900	0.99%	1,768,331
Scottish & Southern Energy PLC	94,403	1.01%	1,811,560
Total United Kingdom		3.83%	6,868,806
<u>United States</u>			
Amphenol Corp.	27,500	1.03%	1,848,000
Anadarko Petroleum Corp.	28,900	1.12%	2,015,197
Assured Guaranty Ltd.	59,700	1.26%	2,254,869
Axis Capital Holdings Ltd.	28,800	1.05%	1,879,776
CA, Inc.	46,800	0.83%	1,486,836
Cabot Corp.	33,500	0.94%	1,693,090
Cadence Design Systems, Inc.	65,900	0.93%	1,661,998
CDW Corp./DE	35,500	1.03%	1,849,195
Chevron Corp.	16,100	1.06%	1,894,970
Citrix Systems, Inc.	18,800	0.94%	1,679,028
CNA Financial Corp.	49,100	1.14%	2,037,650
Comfort Systems USA, Inc.	53,600	0.99%	1,784,880
ConocoPhillips	38,000	1.06%	1,905,320
Cummins, Inc.	13,300	1.01%	1,817,711
Deluxe Corp.	25,800	1.03%	1,847,538
Devon Energy Corp.	38,900	0.99%	1,776,563
East West Bancorp, Inc.	36,997	1.05%	1,880,557
Eastman Chemical Co.	23,500	0.98%	1,767,435
Ecolab, Inc.	15,000	0.98%	1,758,300
Everest Re Group Ltd.	8,500	1.02%	1,839,400
Exxon Mobil Corp.	20,400	1.03%	1,841,304
Fifth Third Bancorp	79,300	1.19%	2,138,721
Foot Locker, Inc.	24,200	0.96%	1,715,538
Fresh Del Monte Produce, Inc.	27,000	0.91%	1,637,010
Gentex Corp./MI	85,900	0.94%	1,691,371
Hess Corp.	28,000	0.97%	1,744,120
Ingredion Inc.	13,400	0.93%	1,674,464
KeyCorp.	100,200	1.02%	1,830,654
Lam Research Corp.	16,100	0.95%	1,702,253
Lear Corp.	14,300	1.05%	1,892,891
Lexington Realty Trust	170,300	1.02%	1,839,240

The accompanying notes form an integral part of the financial statements

SECTOR CAPITAL FUNDS PLC
Annual Report and Audited Financial Statements
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SCHEDULES OF INVESTMENTS (continued)

As at 31 December 2016

Sector Global Equity Kernel (Continued)

<i>Investment</i>	<i>Units</i>	<i>Fair Value as a % of Net Assets</i>	<i>Fair Value USD</i>
<u>Financial Assets at Fair Value through profit or loss (continued)</u>			
<u>United States (continued)</u>			
MFA Financial, Inc.	231,600	0.98%	1,767,108
Mid-America Apartment Communities, Inc.	19,204	1.05%	1,880,456
National Fuel Gas Co.	30,700	0.97%	1,738,848
NextEra Energy, Inc.	10,300	0.69%	1,230,438
Noble Energy, Inc.	44,400	0.94%	1,689,864
Northwest Natural Gas Co.	30,875	1.03%	1,846,325
Ormat Technologies, Inc.	35,900	1.07%	1,924,958
Packaging Corp. of America	20,200	0.95%	1,713,364
PNC Financial Services Group, Inc.	18,900	1.23%	2,210,544
PS Business Parks, Inc.	15,500	1.01%	1,806,060
Regions Financial Corp.	159,900	1.28%	2,296,164
RenaissanceRe Holdings Ltd.	13,500	1.02%	1,838,970
Ross Stores, Inc.	26,700	0.98%	1,751,520
Scripps Networks Interactive, Inc.	23,700	0.94%	1,691,469
Snap-On, Inc.	10,200	0.97%	1,746,954
Sonoco Products Co.	31,600	0.93%	1,665,320
Spirit Aerosystems Holdings, Inc.	31,300	1.02%	1,826,355
Starwood Property Trust, Inc.	76,200	0.93%	1,672,590
SunTrust Banks, Inc.	37,400	1.14%	2,051,390
Synovus Financial Corp.	53,300	1.22%	2,189,564
Tanger Factory Outlet Centers	51,100	1.02%	1,828,358
Teradyne, Inc.	73,500	1.04%	1,866,900
U.S. Bancorp.	37,800	1.08%	1,941,786
Varian Medical Systems, Inc.	18,600	0.93%	1,669,908
Verizon Communications, Inc.	25,200	0.75%	1,345,176
Total United States		56.58%	101,576,268
Total Equities		95.27%	171,026,473
Contracts-for-Difference			
<u>Peoples' Republic of China</u>			
China Resources Double-Crane	497,312	0.89%	1,590,797
Total Contracts-for-Difference		0.89%	1,590,797
Real Estate Investment Trust			
Blackstone Mortgage Trust, Inc.	57,600	0.97%	1,732,032
Urban Edge Properties	64,800	0.99%	1,782,648
Total Real Estate Investment Trust		1.96%	3,514,680
Right			
<u>Spain</u>			
Repsol S.A.	118,978	0.02%	44,173
Total Right		0.02%	44,173
Net unrealised gain on forward foreign currency contracts (Note 7)		0.57%	1,032,812
Total Financial Assets at Fair Value through profit or loss		98.71%	177,208,935
<u>Financial Liabilities at Fair Value through profit or loss</u>			
Net unrealised loss on forward foreign currency contracts (Note 7)		(0.01)%	(30,965)
Total Financial Liabilities at Fair Value through profit or loss		(0.01)%	(30,965)
Total Investments at Fair Value		98.70%	177,177,970
Cash at bank and brokers		1.20%	2,159,554
Other assets in excess of liabilities		0.10%	182,653

The accompanying notes form an integral part of the financial statements

SECTOR CAPITAL FUNDS PLC
Annual Report and Audited Financial Statements
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SCHEDULES OF INVESTMENTS (continued)

As at 31 December 2016

Sector Global Equity Kernel (Continued)

<i>Investment</i>	<i>Units</i>	<i>Fair Value as a % of Net Assets</i>	<i>Fair Value USD</i>
<u>Financial Liabilities at Fair Value through profit or loss (continued)</u>			
Total Net Assets		100.00%	179,520,177

ALL SECURITIES ARE TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL EXCHANGE LISTING OR TRADED ON A REGULATED MARKET EXCEPT FOR CONTRACTS-FOR-DIFFERENCE AND FORWARD FOREIGN CURRENCY CONTRACTS WHICH ARE FINANCIAL DERIVATIVE INSTRUMENTS

<u>Analysis of Total Assets</u>	<u>% of Total Assets</u>
Transferable securities admitted to an official exchange listing or traded on a regulated market	94.43%
Financial derivative instruments	1.42%
Other assets	4.15%
Total Assets	100.00%

The accompanying notes form an integral part of the financial statements

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SCHEDULES OF INVESTMENTS

As at 31 December 2016

Sector Healthcare Value Fund

<i>Investment</i>	<i>Units</i>	<i>Fair Value as a % of Net Assets</i>	<i>Fair Value USD</i>
<u>Financial Assets at Fair Value through profit or loss</u>			
<u>Equities</u>			
<u>Denmark</u>			
H Lundbeck A/S	16,771	1.12%	683,492
Total Denmark		1.12%	683,492
<u>France</u>			
Ipsen S.A.	20,617	2.46%	1,493,935
Sanofi	48,180	6.42%	3,907,893
Total France		8.88%	5,401,828
<u>Hungary</u>			
Richter Gedeon Nyrt	43,400	1.51%	920,369
Total Hungary		1.51%	920,369
<u>Ireland</u>			
Perrigo Co. Plc	15,000	2.05%	1,248,450
Total Ireland		2.05%	1,248,450
<u>Japan</u>			
Astellas Pharma, Inc.	93,106	2.13%	1,295,988
Daiichi Sankyo Co. Ltd.	60,459	2.04%	1,239,660
Otsuka Holdings Co. Ltd.	36,000	2.58%	1,571,981
Total Japan		6.75%	4,107,629
<u>Jersey</u>			
Shire Plc	9,500	2.66%	1,618,610
Total Jersey		2.66%	1,618,610
<u>Netherlands</u>			
Koninklijke Philips NV	73,534	3.70%	2,249,240
Total Netherlands		3.70%	2,249,240
<u>Sweden</u>			
Getinge AB	40,086	1.06%	644,669
Total Sweden		1.06%	644,669
<u>Switzerland</u>			
Roche Holding AG	7,300	2.75%	1,670,665
Total Switzerland		2.75%	1,670,665
<u>United Kingdom</u>			
GlaxoSmithKline Plc	209,738	6.65%	4,048,122
Smith & Nephew Plc	152,378	3.78%	2,298,971
Total United Kingdom		10.43%	6,347,093
<u>United States</u>			
Abbott Laboratories	67,200	4.24%	2,581,152
Alexion Pharmaceuticals, Inc.	3,500	0.70%	428,225
Anthem, Inc.	8,900	2.10%	1,279,553
Baxter International, Inc.	62,696	4.57%	2,779,941
Bio-Rad Laboratories, Inc.	7,839	2.35%	1,428,893
Boston Scientific Corp.	82,900	2.95%	1,793,127
Bristol-Myers Squibb Co.	30,300	2.91%	1,770,732
Cigna Corp.	6,100	1.34%	813,679
Eli Lilly & Co.	38,990	4.71%	2,867,714
Exelixis, Inc.	32,788	0.80%	488,869
Gilead Sciences, Inc.	22,500	2.65%	1,611,225
Impax Laboratories, Inc.	40,900	0.89%	541,925
Integra LifeSciences Holdings Corp.	15,300	2.16%	1,312,587
Ironwood Pharmaceuticals, Inc.	137,636	3.46%	2,104,454
LifePoint Hospitals, Inc.	10,600	0.99%	602,080
Masimo Corp.	15,500	1.72%	1,044,700

The accompanying notes form an integral part of the financial statements

SECTOR CAPITAL FUNDS PLC
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SCHEDULES OF INVESTMENTS (continued)

As at 31 December 2016

Sector Healthcare Value Fund (Continued)

<i>Investment</i>	<i>Units</i>	<i>Fair Value as a % of Net Assets</i>	<i>Fair Value USD</i>
<u>Financial Assets at Fair Value through profit or loss (continued)</u>			
United States (continued)			
McKesson Corp.	7,960	1.84%	1,117,982
Merck & Co., Inc.	19,000	1.84%	1,118,530
Momenta Pharmaceuticals, Inc.	62,960	1.56%	947,548
Owens & Minor, Inc.	18,700	1.08%	659,923
Patterson Cos., Inc.	31,000	2.09%	1,271,930
PerkinElmer, Inc.	40,200	3.44%	2,096,430
Tenet Healthcare Corp.	27,800	0.68%	412,552
United Therapeutics Corp.	4,200	0.99%	602,406
Vertex Pharmaceuticals, Inc.	21,200	2.56%	1,561,804
Total United States		54.62%	33,237,961
Total Equities		95.53%	58,130,006
Net unrealised gain on forward foreign currency contracts (Note 7)		1.01%	612,097
Total Financial Assets at Fair Value through profit or loss		96.54%	58,742,103
<u>Financial Liabilities at Fair Value through profit or loss</u>			
Net unrealised loss on forward foreign currency contracts (Note 7)		(0.10)%	(56,920)
Total Financial Liabilities at Fair Value through profit or loss		(0.10)%	(56,920)
Total Investments at Fair Value		96.44%	58,685,183
Cash at bank and brokers		8.70%	5,291,495
Liabilities in excess of other assets		(5.14)%	(3,126,160)
Total Net Assets		100.00%	60,850,518

**ALL SECURITIES ARE TRANSFERABLE SECURITIES ADMITTED TO
AN OFFICIAL EXCHANGE LISTING OR TRADED ON A REGULATED
MARKET EXCEPT FOR FORWARD FOREIGN CURRENCY
CONTRACTS WHICH ARE FINANCIAL DERIVATIVE INSTRUMENTS**

Analysis of Total Assets	% of Total Assets
Transferable securities admitted to an official exchange listing or traded on a regulated market	90.69%
Financial derivative instruments	0.95%
Other assets	8.36%
Total Assets	100.00%

The accompanying notes form an integral part of the financial statements

SECTOR CAPITAL FUNDS PLC
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SCHEDULES OF INVESTMENTS

As at 31 December 2016

Sector Sigma Nordic Fund

<i>Investment</i>	<i>Units</i>	<i>Fair Value as a % of Net Assets</i>	<i>Fair Value NOK</i>
<u>Financial Assets at Fair Value through profit or loss</u>			
<u>Equities</u>			
<u>Denmark</u>			
Danske Bank A/S*	69,000	3.62%	18,046,554
Novo Nordisk A/S	42,000	2.62%	13,061,828
Pandora A/S	12,000	2.72%	13,538,762
Total Denmark		8.96%	44,647,144
<u>Finland</u>			
Amer Sports Oyj	70,500	3.25%	16,180,906
Huhtamaki Oyj*	62,000	3.98%	19,858,979
M-real Oyj	325,000	4.02%	20,049,774
Outokumpu Oyj	249,000	3.86%	19,226,947
Stora Enso Oyj	125,000	2.33%	11,587,038
Total Finland		17.44%	86,903,644
<u>France</u>			
Total S.A.	41,000	3.64%	18,135,427
Total France		3.64%	18,135,427
<u>Netherlands</u>			
Schlumberger Ltd.	18,000	2.61%	13,007,095
Total Netherlands		2.61%	13,007,095
<u>Norway</u>			
Det Norske Oljeselskap ASA	185,000	5.74%	28,582,500
Norsk Hydro ASA	290,000	2.40%	11,977,000
Statoil ASA*	173,000	5.50%	27,403,200
Total Norway		13.64%	67,962,700
<u>Sweden</u>			
Autoliv, Inc.	17,000	3.32%	16,558,590
Boliden AB	79,000	3.57%	17,807,495
Investor AB*	45,000	2.91%	14,518,139
Skandinaviska Enskilda Banken AB	147,000	2.67%	13,308,507
Svenska Cellulosa AB	60,000	2.94%	14,627,575
Swedbank AB	60,000	2.51%	12,524,115
Trelleborg AB	82,000	2.80%	13,930,781
Volvo AB	164,000	3.32%	16,533,576
Total Sweden		24.04%	119,808,778
<u>United Kingdom</u>			
Royal Dutch Shell Plc	77,000	3.64%	18,165,615
Total United Kingdom		3.64%	18,165,615
<u>United States</u>			
Baker Hughes, Inc.	23,000	2.58%	12,862,572
Helmerich & Payne, Inc.	19,000	2.54%	12,658,484
Total United States		5.12%	25,521,056
Total Equities		79.09%	394,151,459
<u>Contracts-for-Difference</u>			
<u>Sweden</u>			
Axfood AB	(101,500)	0.14%	691,025
Fastighets AB Balder	(74,000)	0.39%	1,936,563
ICA Gruppen AB	(73,000)	0.10%	540,496
Total Sweden		0.0063	3,168,084
<u>Finland</u>			
Neste Oil Oyj	(36,000)	0.05%	241,619

The accompanying notes form an integral part of the financial statements

SECTOR CAPITAL FUNDS PLC
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SCHEDULES OF INVESTMENTS (continued)

As at 31 December 2016

Sector Sigma Nordic Fund (Continued)

<i>Investment</i>	<i>Units</i>	<i>Fair Value as a % of Net Assets</i>	<i>Fair Value NOK</i>
<u>Financial Assets at Fair Value through profit or loss (continued)</u>			
<u>Contracts-for-Difference (continued)</u>			
Total Contracts-for-Difference		0.68%	3,409,703
<u>Option-Index</u>			
January 17 Puts on OBX Put 560 19/01/2017	700	0.01%	28,000
January 17 Puts on OBX Put 580 19/01/2017	1,000	0.02%	125,000
January 17 Puts on OMX Put 1470 20/01/2017	1,000	0.16%	772,216
Total Option-Index		0.19%	925,216
Net unrealised gain on forward foreign currency contracts (Note 7)		0.01%	31,824
Total Financial Assets at Fair Value through profit or loss		79.97%	398,518,202
<u>Financial Liabilities at Fair Value through profit or loss</u>			
<u>Contracts-for-Difference</u>			
<u>Sweden</u>			
Castellum AB	(110,000)	(0.10)%	(485,764)
Fabega AB	(100,000)	(0.05)%	(236,970)
Hufvudstaden AB	(83,000)	(0.04)%	(217,280)
Svenska Handelsbanken ser A	(142,000)	(0.60)%	(2,983,320)
Wallenstam AB-B Shares	(155,000)	(0.04)%	(228,641)
Total Sweden		(0.83)%	(4,151,975)
<u>Denmark</u>			
William Demant Holding	(81,000)	(0.06)%	(292,293)
Total Contracts-for-Difference		(0.89)%	(4,444,268)
<u>Option-Equity</u>			
January 17 Calls on BOL SS Call 250 20/01/2017	(400)	(0.02)%	(90,013)
January 17 Calls on SCAB SS Call 245 20/01/2017	(300)	(0.07)%	(373,080)
January 17 Calls on SCAB SS Call 260 20/01/2017	(300)	(0.02)%	(76,748)
January 17 Calls on SWEDA SS Call 215 20/01/2017	(600)	(0.09)%	(433,483)
Total Option-Equity		(0.20)%	(973,324)
Net unrealised loss on forward foreign currency contracts (Note 7)		(1.70)%	(8,483,394)
Total Financial Liabilities at Fair Value through profit or loss		(2.79)%	(13,900,986)
Total Investments at Fair Value		77.18%	384,617,216
Cash at bank and brokers		22.91%	114,149,788
Liabilities in excess of other assets		(0.09)%	(442,783)
Total Net Assets		100.00%	498,324,221

* Securities pledged, in whole or in part, as margin to cover derivative contracts-for-difference trading.

The accompanying notes form an integral part of the financial statements

SECTOR CAPITAL FUNDS PLC
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SCHEDULES OF INVESTMENTS (continued)

As at 31 December 2016

Sector Sigma Nordic Fund (Continued)

ALL SECURITIES ARE TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL EXCHANGE LISTING OR TRADED ON A REGULATED MARKET EXCEPT FOR CONTRACTS-FOR-DIFFERENCE, FORWARD FOREIGN CURRENCY CONTRACTS AND OPTIONS WHICH ARE FINANCIAL DERIVATIVE INSTRUMENTS

<u>Analysis of Total Assets</u>	<u>% of Total Assets</u>
Transferable securities admitted to an official exchange listing or traded on a regulated market	76.63%
Financial derivative instruments	0.85%
Other assets	22.52%
Total Assets	100.00%

The accompanying notes form an integral part of the financial statements

SECTOR CAPITAL FUNDS PLC
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NOTES TO THE FINANCIAL STATEMENTS

1. Organisation and Structure

Sector Capital Funds plc (the “Company”) was incorporated and registered in Ireland under the Companies Act 1963 (as amended) and is governed by the Companies Act 2014 as an open-ended umbrella investment company with variable capital and with segregated liability between sub-funds on 27 September 2010 with registered number 489443. The Company is authorised by the Central Bank of Ireland pursuant to European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48 (1) (Undertakings for Collective Investment in Transferable Securities) Regulations, 2015 (the “Regulations”).

As at 31 December 2016, the Company has three funds in existence (31 December 2015: three), Sector Global Equity Kernel, Sector Healthcare Value Fund and Sector Sigma Nordic Fund (the “Funds”).

Sector Healthcare Value Fund commenced trading on 17 November 2010. The base currency of Sector Healthcare Value Fund is U.S. Dollars (“USD”). As at 31 December 2016, six classes are currently subscribed to in the Fund (31 December 2015: six), Class A EUR Shares, Class A NOK Shares, Class A USD Shares, Class B NOK Shares, Class B SEK Shares and Class L NOK Shares. Class A EUR Shares, Class A NOK Shares and Class A USD Shares were listed on the Irish Stock Exchange on 18 November 2010 and Class B NOK Shares on 10 September 2013.

Sector Sigma Nordic Fund commenced trading on 25 June 2012. The base currency of Sector Sigma Nordic Fund is Norwegian Krone (“NOK”). As at 31 December 2016, ten classes are currently subscribed to in the Fund (31 December 2015: ten), Class A EUR Shares, Class A NOK Shares, Class A USD Shares, Class B EUR Shares, Class B NOK Shares, Class C NOK Shares, Class C SEK Shares, Class D NOK, Class D SEK Shares and Class L NOK Shares. No application has been made to list the shares on any stock exchange.

Sector Global Equity Kernel commenced trading on 19 March 2014. The base currency of Sector Global Equity Kernel is U.S. Dollars (“USD”). As at 31 December 2016, five classes are currently subscribed to in the Fund (31 December 2015: five), Class A NOK Shares, Class A USD Shares, Class P NOK Hedged Shares, Class P NOK Unhedged Shares and Class P USD Shares. Class O NOK Shares were fully redeemed during September 2016. Class P USD Shares were listed on the Irish Stock Exchange on 27 March 2014.

Investment Objective

The investment objective of the Sector Global Equity Kernel is to maximize long-term total return relative to MSCI ACWI Index (the “Index”). The Index is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices. There can be no guarantee that the investment objective of the Fund will be achieved.

The investment objective of Sector Healthcare Value Fund is to achieve attractive long term investment returns relative to the MSCI Daily TR World Net Health Care USD (the “Index”). The Index is a capitalisation weighted index that monitors the performance of health care stocks from around the world. The Fund may invest in equities and financial instruments that are not part of the Index. There can be no guarantee that the investment objective of the Fund will be achieved.

The investment objective of Sector Sigma Nordic Fund is to generate attractive risk adjusted return for its investors, primarily through investment in Norway, Sweden, Denmark, Finland and Iceland (the “Nordic Region”) with the aim of generating positive return over time in rising as well as falling equity markets. There can be no guarantee that the investment objective of the Fund will be achieved.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with the Financial Reporting Standard 102 (“FRS 102”), the Financial Reporting Standard applicable in the UK and Republic of Ireland, the Companies Act 2014, the Regulations and the listing rules of the Irish Stock Exchange.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss in accordance with the European Communities (Fair Value Accounting) Regulations 2011.

The Company has availed of certain exemptions available to open-ended investment funds in FRS 102 not to prepare a cash flow statement.

The preparation of financial statements in accordance with FRS102 requires Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the financial year. Actual results could differ from those estimates.

SECTOR CAPITAL FUNDS PLC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Change in accounting policies

The significant accounting policies and estimation techniques adopted by the Company for the financial year ended 31 December 2016 are consistent with those adopted for the prior year other than for Amendments to FRS – Fair Value Hierarchy Disclosures which was issued in March 2016 and is effective for annual years beginning on or after 1 January 2017. The Company has chosen to early adopt the standard. The amendments require disclosure of financial instruments held at fair value to be on the basis of a fair value hierarchy consistent with International Financial Reporting Standards (“IFRS”) as disclosed in note 7 (f).

(a) Portfolio valuation

Investment transactions

(i) Classification

The Company classifies all of its investments as financial assets or financial liabilities at fair value through profit or loss. These financial instruments are designated on the basis that their fair value can be reliably measured and their performance has been evaluated on a fair value basis in accordance with the risk management and/or investment strategy as set out in the Company’s Prospectus.

(ii) Recognition

The Company recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. Investment transactions are accounted for on a trade date basis at cost. Purchases and sales of securities are accounted for on the trade date on which the transaction takes place. Transaction costs are expensed immediately to the Profit and Loss Account and not capitalised as part of cost of the investment.

(iii) Measurement

Financial assets and financial liabilities held for trading are measured at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

Realised gains and losses on sales of investments are calculated on a First-In, First-Out (“FIFO”) basis. Unrealised gains and losses on investments are recognised in the Profit and Loss Account. Forward foreign currency contracts and any other instruments held by the Company and traded on an exchange will be measured at fair value based on the last reported traded price on such regulated market as at the relevant valuation point.

If an investment is quoted, listed or normally dealt in on more than one market, the Directors may, in their absolute discretion, select any of such markets for the valuation purposes.

(iv) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(b) Forward foreign currency contracts

The unrealised gain or loss on open forward foreign currency contracts is calculated by reference to the difference between the contracted rate and the rate to close out the contract. Realised gains or losses include net gains on contracts which have been settled or offset by other contracts.

(c) Options

When the Company writes or purchases put or call options, an amount equal to the premium received or paid is recorded as a liability or an asset and is subsequently marked-to-market based on quoted market prices in the Balance Sheet. Premiums received or paid from writing or purchasing put or call options which are expired or were unexercised are recognised on the expiration date as realised gains or losses in the Profit and Loss Account. If an option is exercised, the premium received or paid is included with the proceeds or the cost of the transaction to determine whether the Company has realised a gain or loss on the related investment transaction in the Profit and Loss Account. When the Company enters into a closing transaction, the Company will realise a gain or loss in the Profit or Loss Account depending upon whether the amount from the closing transaction is greater or less than the premium received or paid.

SECTOR CAPITAL FUNDS PLC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

(d) Contracts-for-difference

A contract-for-difference (“CFD”) is a contract between two parties, buyer and seller, stipulating that the seller will pay to the buyer the difference between the current value of an asset (a security, instrument, basket or index) and its value at contract time. The payment flows are usually netted against each other, with the differences being paid by one party to the other. The unrealised gain or loss depends upon the prices at which the underlying financial instruments of the CFD is valued at and is included in the Profit and Loss Account.

(e) Foreign exchange translation

Items included in the Company’s financial statements are measured using the currency of the primary economic environment in which it operates (the “functional currency”). The functional currency of Sector Global Equity Kernel is the United States Dollar (“USD”), due to the fact that the majority of the Fund’s assets are denominated in USD and that a substantial portion of capital is issued in USD. The functional currency of Sector Healthcare Value Fund is the United States Dollar (“USD”), due to the fact that the majority of the Fund’s assets are denominated in USD and that a substantial portion of capital is issued in USD. The functional currency of Sector Sigma Nordic Fund is Norwegian Krone (“NOK”), due to the fact that the majority of the Fund’s assets are denominated in NOK and that a substantial portion of capital is issued in NOK. Each Fund has adopted its functional currency as the presentation currency for these financial statements. Assets and liabilities expressed in foreign currencies are converted into the functional currency of each Fund using the exchange rates prevailing as at the balance sheet date. Transactions in foreign currencies are translated into the Fund’s functional currency at exchange rates ruling at the transaction dates. Gains and losses on foreign exchange transactions are recognised in the Profit and Loss Account in determining the result for the year.

At 31 December 2016, in accordance with FRS 102, a year end exchange rate of NOK/USD 0.1162 (31 December 2015: NOK/USD 0.1130) was used to translate the Balance Sheet of Sector Sigma Nordic Fund in arriving at the total USD value for the Company in the financial statements.

At 31 December 2016, the Profit and Loss Account and Statement of Changes in Net Assets attributable to holders of Redeemable Participating Shares of Sector Sigma Nordic Fund have been prepared using an average rate of exchange of NOK/USD 0.1192 (31 December 2015: NOK/USD 0.1242) in arriving at the total USD value for the Company in the financial statements. This results in a foreign currency translation loss in the Statement of Changes in Net Assets attributable to holders of Redeemable Participating Shares when compared to the NOK/USD rate used at year end. The adjustment recorded in the Statement of Changes in Net Assets attributable to holders of Redeemable Participating Shares for the year ended 31 December 2016 was a gain of USD3,305,840 (31 December 2015: loss USD11,717,150).

(f) Offsetting financial instruments

Financial assets and financial liabilities may be offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. As at 31 December 2016 and 31 December 2015 no offsetting has been presented in the Balance Sheet.

(g) Income

Dividends are recognised as income on the dates that securities are first quoted “ex-dividend” to the extent information thereon is reasonably available to the Company. Interest income is accrued on a daily basis. Deposit interest is recognised as income on an accruals basis.

(h) Expenses

Operating expenses are accounted for on an accruals basis.

(i) Net asset value per share

The Net Asset Value per Share of each class is calculated by dividing the Net Asset Value attributable to a class by the number of shares of a class in issue as at the relevant valuation point.

(j) Redeemable participating shares

Shares issued by each Fund provide shareholders with the right to redeem their shares, for cash equal to their proportional share of the net asset value of the Fund and are classified as financial liabilities in accordance with FRS 102. The Fund does not meet the requirement to be classified as equity as the Fund offers different classes of shares with varying rights attached to them. The liabilities to shareholders are presented on the Balance Sheet as “Net Assets Attributable to Shareholders” and are determined based on the residual assets of the Fund after deducting the Fund’s other liabilities.

SECTOR CAPITAL FUNDS PLC
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

(k) Amounts due from/to broker

Amounts due from/to broker relate to the outstanding amounts pending settlement on forward foreign currency contracts and upfront cash payments for fully funded contracts-for-difference.

(l) Taxation

The Company incurs dividend withholding tax imposed by certain countries on investment income. Dividend income is shown gross of any non-recoverable withholding taxes, which are disclosed separately in Profit and Loss Account.

(m) Transaction costs

Transaction costs are costs incurred to acquire financial assets or financial liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense. For the year ended 31 December 2016 Sector Global Equity Kernel incurred transaction costs of USD487,994 (31 December 2015: USD132,581), Sector Healthcare Value Fund incurred transaction costs of USD63,206 (31 December 2015: USD53,742) and Sector Sigma Nordic incurred transaction costs of NOK2,409,202 (31 December 2015: NOK2,423,102).

3. Dividend and Distribution Policy

The Directors do not currently intend to pay dividends. Accordingly, the price of the shares shall rise as income and capital gains accrue.

4. Taxation

The Company will not be liable to tax in respect of its income and gains, other than on the occurrence of a chargeable event. Generally a chargeable event arises on any distribution, redemption, repurchase, cancellation, transfer of shares or on the ending of a 'Relevant Year', a 'Relevant Year' being an eight year period beginning with the acquisition of the shares by the shareholders and each subsequent year of eight years beginning immediately after the preceding relevant year.

A chargeable event does not include:

- (i) Any transactions in relation to shares held in a recognised clearing system: or
- (ii) An exchange of shares representing a fund for another fund: or
- (iii) An exchange of shares arising on a qualifying amalgamation or reconstruction of a Fund with another fund: or
- (iv) Certain exchanges of shares between spouses and former spouses.

A chargeable event will not occur in respect of shareholders who are neither resident nor ordinarily resident in Ireland and who have provided the Company with a relevant declaration to that effect.

In the absence of an appropriate declaration, the Company will be liable to Irish Tax on the occurrence of a chargeable event. There were no chargeable events during the year under review. Capital gains, dividends and interest received may be subject to withholding taxes imposed by the country of origin and such taxes may not be recoverable by the Company or its shareholders.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Exchange Rates

The following exchange rates (against USD) were used to convert the investments and other assets and liabilities denominated in currencies other than USD as at 31 December 2016 and 31 December 2015:

Currency	31 December 2016	31 December 2015
Australian Dollar	1.3810	1.3744
Brazilian Real	3.2552	3.9557
British Pound	0.8093	0.6785
Canadian Dollar	1.3410	1.3891
Chinese Renminbi	6.9493	6.4935
Danish Krone	7.0472	6.8681
Euro	0.9480	0.9206
Hong Kong Dollar	7.7519	7.7519
Hungarian Forint	n/a	294.1176
Japanese Yen	116.2791	120.4819
Korean Won	1,250.000	1,111.1111
Norwegian Krone	8.6059	8.8496
Singapore Dollar	1.4447	n/a
Swedish Krona	9.0827	8.4317
Swiss Franc	1.0164	1.0010
Taiwan Dollar	32.2581	32.8947

The following exchange rates (against NOK) were used to convert the investments and other assets and liabilities denominated in currencies other than NOK as at 31 December 2016 and 31 December 2015:

Currency	31 December 2016	31 December 2015
British Pound	0.0940	0.0767
Danish Krone	0.8190	0.7762
Euro	0.1101	0.1040
Swedish Krona	1.0554	0.9525
US Dollar	0.1162	0.1130

An average exchange rate of 0.1192 was used to convert NOK to USD in the Income Statement (31 December 2015: 0.1242).

6. Cash

As at 31 December 2016 and 31 December 2015 all cash balances are held with BNY Mellon Trust Company (Ireland) Limited (the "Depository"), DNB, Goldman Sachs and Nordea.

	Sector Global Equity Kernel USD	Sector Healthcare Value Fund USD	Sector Sigma Nordic Fund NOK
31 December 2016			
BNY Mellon	2,159,554	5,291,495	59,907,052
DNB	-	-	40,075,515
Goldman Sachs	-	-	14,167,960
Nordea	-	-	(783)
SEB	-	-	44
	2,159,554	5,291,495	114,149,788
31 December 2015			
BNY Mellon	1,281,111	4,283,924	106,089,032
DNB	-	-	27,774,135
Goldman Sachs	(451,811)	-	27,002,974
Nordea	-	-	72,417,740
	829,300	4,283,924	233,283,881

As at 31 December 2016, Sector Sigma Nordic Fund pledged NOK13,836,044 and Sector Sigma Nordic Fund pledged USD1,590,797 as collateral with Goldman Sachs.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Financial Instruments and Associated Risks

Included in the Company's financial instruments, but not limited to, are global equities and equity related securities (including but not limited to American Depositary Receipts, Global Depositary Receipts, European Depositary Receipts and other equity based derivatives) that shall be listed or traded on any market.

The main risks arising from the Company's financial instruments are market price, liquidity, foreign currency and credit risks.

The Market Risk Group ("MRG") functions across all Sector Investment Manager entities and the group is responsible for defining risk management related limits in addition to the investment restrictions found in the Prospectus and related supplements, securing that the Funds have a portfolio construction and risk exposure that are in line with the intentions of the individual Funds. The limits are generally related to exposure towards single positions and sectors, total portfolio exposure and Value-at-Risk ("VaR"). MRG consists of the CEO of Sector Asset Management AS (leader of MRG), Head of Fund Operations and CEO of Sector Fund Services AS. The Head of Fund Operations has the mandate to give short term exceptions to the risk limits set by MRG if he/she finds that under certain market conditions, the limits have unintended adverse effects, for example in extreme market conditions. Such exceptions are reported to the other members of MRG and to the Group Chief Compliance Officer.

(a) Market price risk

Market price risk arises from uncertainty concerning future prices of financial instruments. The consequence might be a decline in the Fund's value. The risk related to the Funds – i.e. a combination of the probability of loss and the consequences – must be weighed against the potential gain for the Fund. To limit the risk, the Funds are both diversified and constructed through fundamental analyses of the expected behaviour and volatility of the individual instruments while following each Fund's investment objective.

The main risk management tool for VaR calculations was Bloomberg. The Bloomberg VaR calculation is based on Monte Carlo simulations at a 95% confidence interval i.e. that one in every 20 days is expected to be above this measure in the long run. The MRG utilises the commitment approach to calculate global exposure.

There are inherent limitations to VaR. While VaR offers a clear, quantifiable measure, predicting future behaviour involves extracting patterns from past data and applying judgment and modelling to project forward. There is no guarantee that any particular combination of past data modelling or judgment will actually predict future performance. For the purposes of the figures below, the holding year is 1 day and the length of data history used in the model is one year.

For the year ended 31 December 2016

		Gross	Net			
	Period end VaR	Exposure*	Exposure**	lowest VaR	highest VaR	average VaR
Sector Global Equity Kernel	1.23%	98.5%	98.5%	1.12%	1.36%	1.24%
		Gross	Net			
	Period end VaR	Exposure*	Exposure**	lowest VaR	highest VaR	average VaR
Sector Healthcare Value Fund	1.40%	95.5%	95.5%	1.37%	1.65%	1.49%
		Gross	Net			
	Period end VaR	Exposure*	Exposure**	lowest VaR	highest VaR	average VaR
Sector Sigma Nordic Fund	0.90%	117.8%	40.4%	0.34%	1.17%	0.77%

* Exposure as % of NAV

** Net open position as % of NAV

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Financial Instruments and Associated Risks (Continued)

(a) Market price risk (Continued)

For the year ended 31 December 2015

	Period end VaR	Gross Exposure*	Net Exposure**	lowest VaR	highest VaR	average VaR
Sector Global Equity Kernel	1.1%	99%	99%	0.6%	1.2%	1.0%
		Gross	Net			
	Period end VaR	Exposure*	Exposure**	lowest VaR	highest VaR	average VaR
Sector Healthcare Value Fund	1.4%	95%	95%	1.0%	1.5%	1.3%
		Gross	Net			
	Period end VaR	Exposure*	Exposure**	lowest VaR	highest VaR	average VaR
Sector Sigma Nordic Fund	0.7%	94%	45%	0.3%	1.0%	0.7%

* Exposure as % of NAV

** Net open position as % of NAV

Exposure

Exposure for pure equities is equal to the fair value of the securities. The total gross exposure of each Fund is the sum of the absolute values of all long and short exposures.

(b) Interest rate risk

Interest rate risk is the risk (variability in value) borne by an interest-bearing asset, due to variability of interest rates. In general, as rates rise, the price of a fixed rate bond will fall, and vice versa. Interest rate risk is commonly measured by the bond's duration. For the year ended 31 December 2016 and 31 December 2015 the Funds have not invested in interest bearing assets, other than cash amounts. As at 31 December 2016 and 31 December 2015, the Funds do not have any significant fair value interest rate risk exposure.

Tables outlining the currency and interest exposure as at 31 December 2016 and 31 December 2015 are outlined in note 7(d).

(c) Liquidity risk

Liquidity risk is linked to the Funds having to realise assets in unfavourable market conditions with large losses as a consequence due to for example, redemptions in a Fund or a collapse in long asset values. This means that there are two aspects that are monitored; what is the probability of the situation occurring and how fast can the Funds realise their positions without significant adverse effects on the value of the positions.

Liquidity of portfolio

The Company's Prospectus provides for daily subscription and redemption of shares in the Funds, therefore the Funds are exposed to a liquidity risk of meeting shareholder redemptions on a daily basis. The majority of the Funds' assets are comprised of publicly traded securities and are thus relatively easily realised. Still, with each Fund having positions in small cap equities, the ability of a Fund to realise assets within a short year of time without a large negative impact on the value of the assets is important. Some of the recognised exchanges on which a Fund may invest may prove to be less liquid or highly volatile from time to time. The Funds may invest a limited proportion of their assets in unquoted securities.

For the year ended 31 December 2016 and 31 December 2015, the Funds held very liquid assets and liquidity was monitored daily by the Investment Manager.

The reports below are snapshots of the estimated liquidity of the Funds as at 31 December 2016:

Sector Global Equity Kernel

Description	Cumulative
< 1 day	97%
1-2 days	99%
3-5 days	100%

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Financial Instruments and Associated Risks (Continued)

(c) Liquidity risk (Continued)

Sector Healthcare Value Fund

Description	Cumulative
< 1 day	100%
1-2 days	100%
3-5 days	100%

Sector Sigma Nordic Fund

Description	Cumulative
< 1 day	96%
1-2 days	100%
3-5 days	100%

The reports below are snapshots of the estimated liquidity of the Funds as at 31 December 2015:

Sector Global Equity Kernel

Description	Cumulative
< 1 day	99%
1-2 days	100%

Sector Healthcare Value Fund

Description	Cumulative
< 1 day	100%
1-2 days	100%

Sector Sigma Nordic Fund

Description	Cumulative
< 1 day	91%
1-2 days	97%
3-5 days	99%
1-2 weeks	100%
3-4 weeks	100%
> 4 weeks	100%

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Financial Instruments and Associated Risks (Continued)

(d) Foreign currency risk

A substantial portion of the financial assets of the Funds are denominated in currencies other than the relevant Fund's functional currency with the effect that the balance sheet of the Funds can be significantly affected by currency movements.

Foreign currency risk is in reality a sub-group of market risk, but with its own idiosyncrasies, both with respect to the Funds' portfolio as well as the investor classes denominated in different currencies. Certain currency related transactions may, for example, be employed by the Funds in order to hedge against foreign exchange risk subject to the conditions and limits laid down by the Central Bank of Ireland. Such transactions include forward foreign currency contracts and may for example be executed in cases where an investment is in a currency other than the Fund's functional currency.

Currency exposure for investor classes

The shares of the Company are denominated in United States Dollar (USD), Euro (EUR), Norwegian Krone (NOK) and Swedish Krona (SEK) and are issued and redeemed in those currencies. The Investment Manager may seek to hedge the foreign currency exposure of the assets attributable to the shares in order to neutralise as far as reasonably possible, the impact of fluctuations in exchange rates. This is done monthly in addition to when a Fund has more than 3% absolute return, month to date. There is no guarantee that such hedging will give returns that are equal regardless of which currency the shareholders have invested in. In addition, shareholders whose assets and liabilities are predominantly in currencies other than the currency of investment in the Company should take into account the potential risk of loss arising from fluctuations in value between USD, EUR, NOK or SEK being the currency of shareholder investment, and such other currencies as invested in by the Company.

Portfolio currency exposure

The Funds trade in many different markets across the world and in many different currencies. Thus, certain assets in the portfolio may, regardless of the shares of the Fund, be invested in securities which are denominated in currencies other than USD, EUR, NOK or SEK. Consequently, the value of such assets will be affected either favourably or unfavourably by fluctuations in currency rates. The exposure towards the different currencies based on the denomination of the securities is reported daily for each Fund. For each individual Fund, action towards currency exposure in the portfolio is taken by the Investment Manager based on reported exposure of the Fund's assets.

Amounts represented below primarily are monetary assets and monetary liabilities except for investments in non-interest bearing securities, which include equities and contracts-for-difference, which are non-monetary assets.

The foreign currency exposure as at 31 December 2016 is as follows:

Sector Global Equity Kernel	Cash at Bank and Brokers	Forward Currency Contracts	Investments in Interest Bearing Assets	Investments in Non-Interest Bearing Assets	Investments in Non-Interest Bearing Liabilities	Net Other Assets/ (Liabilities)	Total Net Asset Value
Currency	USD	–	USD	USD	USD	USD	USD
AUD	(659)	–	–	–	–	12,226	11,567
BRL	96	–	–	3,522,465	–	78,910	3,601,471
CAD	333	10,778	–	3,404,962	–	(20,207)	3,395,866
CHF	49	–	–	–	–	–	49
CNY	–	–	–	1,590,797	–	–	1,590,797
DKK	117	–	–	–	–	–	117
EUR	(187)	39,971	–	26,893,777	–	(2,538,552)	24,395,009
GBP	452	–	–	7,472,695	–	9,727	7,482,874
HKD	29	–	–	5,226,047	–	–	5,226,076
JPY	19	11,620	–	8,240,309	–	142,142	8,394,090
NOK	82,271	939,478	–	3,402,354	–	(1,506,257)	2,917,846
SEK	49	–	–	3,085,113	–	(1,252,161)	1,833,001
SGD	406	–	–	–	–	–	406
TWD	4,368	–	–	1,599,367	–	–	1,603,735
USD	2,072,211	–	–	111,738,237	–	5,256,825	119,067,273
Total	2,159,554	1,001,847	–	176,176,123	–	182,653	179,520,177

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Financial Instruments and Associated Risks (Continued)

(d) Foreign currency risk (Continued)

Sector Healthcare Value Fund	Cash at Bank and Brokers	Forward Currency Contracts	Investments in Interest Bearing Assets	Investments in Non-Interest Bearing Assets	Investments in Non-Interest Bearing Liabilities	Net Other Assets/(Liabilities)	Total Net Asset Value
Currency	USD	–	USD	USD	USD	USD	USD
CHF	1,072	–	–	1,670,665	–	–	1,671,737
DKK	238	–	–	683,492	–	–	683,730
EUR	233,147	158,494	–	7,651,068	–	(331,964)	7,710,745
GBP	37	–	–	6,347,093	–	28,886	6,376,016
HUF	2	–	–	920,369	–	–	920,371
JPY	6	–	–	4,107,629	–	13,069	4,120,704
NOK	46,188	394,808	–	–	–	(495,559)	(54,563)
SEK	4,597	1,875	–	644,669	–	4,042	655,183
USD	5,006,208	–	–	36,105,021	–	(2,344,634)	38,766,595
Total	5,291,495	555,177	–	58,130,006	–	(3,126,160)	60,850,518

Sector Sigma Nordic Fund	Cash at Bank and Brokers	Forward Currency Contracts	Investments in Interest Bearing Assets	Investments in Non-Interest Bearing Assets	Investments in Non-Interest Bearing Liabilities	Net Other Assets/(Liabilities)	Total Net Asset Value
Currency	NOK	–	NOK	NOK	NOK	NOK	NOK
DKK	517,035	(636,243)	–	44,647,144	(292,293)	–	44,235,643
EUR	156,391	(1,828,676)	–	123,446,305	–	122,786	121,896,806
GBP	414	–	–	–	–	–	414
NOK	117,911,521	(5,986,651)	–	68,115,700	–	(643,038)	179,397,532
SEK	(4,462,995)	–	–	123,749,078	(5,125,299)	–	114,160,784
USD	27,422	–	–	38,528,151	–	77,469	38,633,042
Total	114,149,788	(8,451,570)	–	398,486,378	(5,417,592)	(442,783)	498,324,221

The foreign currency exposure as at 31 December 2015 is as follows:

Sector Global Equity Kernel	Cash at Bank and Brokers	Forward Currency Contracts	Investments in Interest Bearing Assets	Investments in Non-Interest Bearing Assets	Investments in Non-Interest Bearing Liabilities	Net Other Assets/(Liabilities)	Total Net Asset Value
Currency	USD	USD	USD	USD	USD	USD	USD
AUD	40	(1,437)	–	871,843	–	–	870,446
BRL	111	–	–	–	–	–	111
CAD	284	–	–	–	–	–	284
CHF	7	(1,207)	–	1,373,846	–	–	1,372,646
CNY	–	–	–	1,203,737	–	–	1,203,737
DKK	24	–	–	507,729	–	–	507,753
EUR	835	(12,000)	–	8,756,406	–	389,040	9,134,281
GBP	978	(2,381)	–	1,757,100	–	3,761	1,759,458
HKD	1,269	–	–	800,913	–	–	802,182
JPY	5,134	(11,154)	–	5,957,620	–	10,826	5,962,426
NOK	8,982	(42,109)	–	1,401,461	–	–	1,368,334
SEK	8	–	–	460,565	–	–	460,573
TWD	1,132	–	–	885,798	–	–	886,930
USD	810,496	–	–	21,528,979	–	(473,454)	21,866,021
Total	829,300	(70,288)	–	45,505,997	–	(69,827)	46,195,182

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Financial Instruments and Associated Risks (Continued)

(d) Foreign currency risk (Continued)

Sector Healthcare Value Fund	Cash at Bank and Brokers	Forward Currency Contracts	Investments in Interest Bearing Assets	Investments in Non-Interest Bearing Assets	Investments in Non-Interest Bearing Liabilities	Net Other Assets/(Liabilities)	Total Net Asset Value
Currency	USD	–	USD	USD	USD	USD	USD
CHF	1,023	–	–	384,815	–	–	385,838
DKK	(33)	–	–	1,816,094	–	–	1,816,061
EUR	14,678	(136,752)	–	5,103,115	–	–	4,981,041
GBP	1,559	–	–	4,783,160	–	(183,634)	4,601,085
HUF	98	–	–	604,798	–	–	604,896
JPY	2,076	–	–	2,828,264	–	15,663	2,846,003
NOK	8,356	(379,322)	–	–	–	–	(370,966)
SEK	507	(1,089)	–	902,235	–	33	901,686
USD	4,255,660	–	–	29,187,195	–	(1,156,410)	32,286,445
Total	4,283,924	(517,163)	–	45,609,676	–	(1,324,348)	48,052,089

Sector Sigma Nordic Fund	Cash at Bank and Brokers	Forward Currency Contracts	Investments in Interest Bearing Assets	Investments in Non-Interest Bearing Assets	Investments in Non-Interest Bearing Liabilities	Net Other Assets/(Liabilities)	Total Net Asset Value
Currency	NOK	NOK	NOK	NOK	NOK	NOK	NOK
DKK	62,829	–	–	131,872,741	–	–	131,935,570
EUR	48,625	614,994	–	47,547,799	–	–	48,211,418
GBP	508	–	–	–	–	–	508
NOK	233,611,601	–	–	120,442,559	–	(2,887,240)	351,166,920
SEK	(449,720)	1,066,278	–	244,815,155	(2,529,516)	–	242,902,197
USD	10,038	2,107,569	–	–	–	–	2,117,607
Total	233,283,881	3,788,841	–	544,678,254	(2,529,516)	(2,887,240)	776,334,220

As at 31 December 2016 the following forward foreign currency contracts were held by the Funds:

Sector Global Equity Kernel		Sale		Purchase		Unrealised gain/(loss)
Maturity Date	Counterparty	Currency	Amount	Currency	Amount	
						USD
1/2/2017	BNY Mellon	CAD	56,291	NOK	363,288	225
1/2/2017	BNY Mellon	CAD	1,454,509	NOK	9,387,069	5,826
1/2/2017	BNY Mellon	CAD	55,621	NOK	358,569	176
1/2/2017	BNY Mellon	CAD	1,434,342	NOK	9,246,632	4,550
1/2/2017	BNY Mellon	EUR	588,778	NOK	5,366,127	1,502
1/2/2017	BNY Mellon	EUR	15,084,835	NOK	137,483,190	38,470
1/2/2017	BNY Mellon	GBP	624,630	NOK	6,686,505	4,509
1/2/2017	BNY Mellon	GBP	112,910	NOK	1,211,412	1,133
1/2/2017	BNY Mellon	GBP	2,577,355	NOK	27,652,443	25,867
1/2/2017	BNY Mellon	GBP	32,789	NOK	346,977	(231)
1/2/2017	BNY Mellon	GBP	541,354	NOK	5,728,605	(3,815)
1/2/2017	BNY Mellon	JPY	23,067,239	NOK	1,708,811	437
1/2/2017	BNY Mellon	JPY	590,995,480	NOK	43,780,686	11,183
1/2/2017	BNY Mellon	NOK	5,355,249	USD	618,156	(4,178)
1/2/2017	BNY Mellon	NOK	874,814	USD	100,551	(1,112)
1/2/2017	BNY Mellon	NOK	17,024,130	USD	1,956,745	(21,629)
1/2/2017	BNY Mellon	USD	3,264,111	NOK	3,299,385	35,275
1/2/2017	BNY Mellon	USD	83,619,328	NOK	84,522,988	903,659
Total unrealised gain on forward foreign currency contracts						<u>1,001,847</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Financial Instruments and Associated Risks (Continued)

(d) Foreign currency risk (Continued)

Sector Healthcare Value Fund						
Maturity		Sale		Purchase		Unrealised
Date	Counterparty	Currency	Amount	Currency	Amount	gain/(loss)
						USD
1/2/2017	BNY Mellon	EUR	4,045,917	USD	4,240,485	(34,384)
1/2/2017	BNY Mellon	EUR	2,500,000	USD	2,619,043	(22,428)
1/2/2017	BNY Mellon	EUR	17,809	USD	18,709	(108)
1/2/2017	BNY Mellon	USD	19,689,593	EUR	18,834,777	211,012
1/2/2017	BNY Mellon	USD	491,512	EUR	469,354	4,402
1/2/2017	BNY Mellon	USD	38,776	NOK	337,205	411
1/2/2017	BNY Mellon	USD	7,352,128	NOK	64,073,795	93,892
1/2/2017	BNY Mellon	USD	17,774,753	NOK	154,906,969	226,998
1/2/2017	BNY Mellon	USD	5,363,969	NOK	46,746,994	68,502
1/2/2017	BNY Mellon	USD	218,399	NOK	1,902,099	2,644
1/2/2017	BNY Mellon	USD	73,253	NOK	637,985	887
1/2/2017	BNY Mellon	USD	106,863	NOK	930,705	1,294
1/2/2017	BNY Mellon	USD	28,401	NOK	245,937	180
1/2/2017	BNY Mellon	USD	163,743	SEK	1,501,204	1,860
1/2/2017	BNY Mellon	USD	1,101	SEK	10,118	15
Total unrealised gain on forward foreign currency contracts						<u>555,177</u>

Sector Sigma Nordic Fund						
Maturity		Sale		Purchase		Unrealised
Date	Counterparty	Currency	Amount	Currency	Amount	gain/(loss)
						NOK
17/1/2017	BNY Mellon	DKK	35,000,000	DKK	42,140,000	(636,243)
17/1/2017	BNY Mellon	EUR	13,000,000	EUR	116,468,300	(1,655,730)
17/1/2017	BNY Mellon	SEK	160,000,000	SEK	147,425,898	(4,338,276)
17/1/2017	BNY Mellon	USD	4,500,000	USD	37,894,005	(832,316)
1/2/2017	BNY Mellon	NOK	27,004,532	EUR	2,960,734	(85,376)
1/2/2017	BNY Mellon	NOK	27,698,723	EUR	3,036,844	(87,571)
1/2/2017	BNY Mellon	NOK	118,924	SEK	125,236	(42)
1/2/2017	BNY Mellon	NOK	6,984,848	SEK	7,355,604	(2,478)
1/2/2017	BNY Mellon	NOK	78,601,831	USD	9,036,085	(845,362)
1/2/2017	BNY Mellon	USD	325,096	NOK	2,829,310	31,824
Total unrealised loss on forward foreign currency contracts						<u>(8,451,570)</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Financial Instruments and Associated Risks (Continued)

(d) Foreign currency risk (Continued)

As at 31 December 2015 the following forward foreign currency contracts were held by the Funds:

Sector Global Equity Kernel						
Maturity		Sale		Purchase		Unrealised
Date	Counterparty	Currency	Amount	Currency	Amount	gain/(loss)
						USD
1/2/2016	BNY Mellon	AUD	119,641	NOK	756,800	(1,437)
1/2/2016	BNY Mellon	CHF	138,806	NOK	1,218,800	(1,207)
1/2/2016	BNY Mellon	EUR	939,777	NOK	8,940,000	(12,000)
1/2/2016	BNY Mellon	GBP	120,284	NOK	1,548,800	(2,381)
1/2/2016	BNY Mellon	JPY	71,153,273	NOK	5,142,100	(11,154)
1/2/2016	BNY Mellon	NOK	100	AUD	16	-
1/2/2016	BNY Mellon	NOK	1,000	CHF	114	1
1/2/2016	BNY Mellon	NOK	3,543	USD	407	7
1/2/2016	BNY Mellon	USD	2,425,970	NOK	21,107,291	(42,117)
Total unrealised gain on forward foreign currency contracts						<u>(70,288)</u>

Sector Healthcare Value Fund						
Maturity		Sale		Purchase		Unrealised
Date	Counterparty	Currency	Amount	Currency	Amount	gain/(loss)
						USD
1/2/2016	BNY Mellon	USD	20,959,616	NOK	182,223,553	(379,322)
1/2/2016	BNY Mellon	USD	118,493	SEK	988,859	(1,089)
2/2/2016	BNY Mellon	USD	13,889,054	EUR	12,649,820	(136,752)
Total unrealised gain on forward foreign currency contracts						<u>(517,163)</u>

Sector Sigma Nordic Fund						
Maturity		Sale		Purchase		Unrealised
Date	Counterparty	Currency	Amount	Currency	Amount	gain/(loss)
						NOK
1/2/2016	BNY Mellon	NOK	68,820,208	EUR	7,213,329	614,994
1/2/2016	BNY Mellon	NOK	119,296,418	SEK	114,495,930	1,066,278
1/2/2016	BNY Mellon	NOK	107,101,976	USD	12,334,106	2,107,569
Total unrealised loss on forward foreign currency contracts						<u>3,788,841</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Financial Instruments and Associated Risks (Continued)

(e) Credit risk

Credit risk is the risk that a counterparty will fail to discharge an obligation or commitment that it has entered into with the Funds.

The Funds are exposed to credit risk associated with counterparties with whom it trades or holds assets, and will also be exposed to the risk of settlement default. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Trade counterparty

The Funds mitigate counterparty risk by undertaking transactions with large and well capitalised counterparties. The Funds also seek to trade with more than one counterparty and have reduced the activity with counterparties when there have been questions raised regarding the robustness of counterparties in terms of credit risk.

Although it is the intention of the Investment Managers to follow a general policy of seeking to spread the Funds' capital at risk over a number of investments and counterparties, the Funds may at certain times hold relatively few positions with the result that a loss in any such position either to trading counterparty or settlement default could have a substantial adverse impact on a Fund's capital.

The table below shows the long-term S&P credit ratings for the counterparties that hold cash as at 31 December 2016 and 31 December 2015:

	31 December 2016	31 December 2015
BNY Mellon	A	A
DNB	A+	A+
Goldman Sachs International	BBB+	A+
Nordea Bank	AA-	AA-

The value of underlying securities, held by Sector Sigma Nordic Fund, pledged as collateral with Goldman Sachs, in relation to derivative contracts-for-difference trading as at 31 December 2016 is as outlined below:

Sector Sigma Nordic Fund

Security	Counterparty	Market Value of Margin NOK
Danske Bank A/s	Goldman Sachs	13,076,910
Huhtamaki Oyj	Goldman Sachs	11,210,749
Statoil ASA	Goldman Sachs	13,780,800
Investor AB SEK	Goldman Sachs	14,518,069

(f) Fair value estimation

The Company has early adopted the amendments made in Section 34.22 and 34.42 of FRS 102 issued in March 2016, revising the disclosure requirements for financial institutions. The amendments require financial institutions to categorise fair value measurements into levels consistent with the fair value hierarchy set out in IFRS 13. As a result, the Company used the following fair value hierarchy levels in categorizing its financial instruments by source of inputs used to determine its fair value:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Financial Instruments and Associated Risks (Continued)

(f) Fair value estimation (Continued)

Investments classified as Level 3 are those for which a quoted price at year end was unavailable and evidence of a recent transaction at that date could not be ascertained. These investments represent collective investment schemes where the net asset value is calculated by an underlying administrator. The net asset values represent their best evidence of the fair value of these assets at year end, however due to the lack of quoted price and evidence of a recent transaction, a Level 3 classification is considered appropriate.

The level in the fair value hierarchy within which the fair value measurement is categorised 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 inputs that are unobservable, 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.

There were no significant transfers between Levels during the year ended 31 December 2016 or 31 December 2015. Transfers between levels of the fair value hierarchy, for the purpose of disclosure in financial statements, are deemed to have occurred at the end of the reporting year.

The fair values of investments valued under levels 1 to 3 are as follows for the year ended 31 December 2016:

Sector Global Equity Kernel

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial assets at fair value through profit or loss				
Equity securities	174,585,326	-	-	174,585,326
Derivative Instruments	-	2,623,609	-	2,623,609
Financial liabilities at fair value through profit or loss				
Derivative Instruments	-	(30,965)	-	(30,965)
Total	174,585,326	2,592,644	-	177,177,970

Sector Healthcare Value Fund

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial assets at fair value through profit or loss				
Equity securities	58,130,006	-	-	58,130,006
Derivative instruments	-	612,097	-	612,097
Financial liabilities at fair value through profit or loss				
Derivative Instruments	-	(56,920)	-	(56,920)
Total	58,130,006	555,177	-	58,685,183

Sector Sigma Nordic Fund

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial assets at fair value through profit or loss				
Equity securities	394,151,459	-	-	394,151,459
Derivative Instruments	925,216	3,441,527	-	4,366,743
Financial liabilities at fair value through profit or loss				
Derivative Instruments	(973,324)	(12,927,662)	-	(13,900,986)
Total	394,103,351	(9,486,135)	-	384,617,216

The categories of investments above comprise:

- Equity securities (which include equities, real estate investment trusts and rights) and
- Derivative instruments (which includes forward foreign currency contracts, contracts-for-difference and options).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Financial Instruments and Associated Risks (Continued)

(f) Fair value estimation (Continued)

The fair values of investments valued under levels 1 to 3 are as follows for the year ended 31 December 2015:

Sector Global Equity Kernel

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial assets at fair value through profit or loss				
Equity securities	44,302,260	-	-	44,302,260
Derivative Instruments	-	1,203,745	-	1,203,745
Financial liabilities at fair value through profit or loss				
Derivative Instruments	-	(70,296)	-	(70,296)
Total	44,302,260	1,133,449	-	45,435,709

Sector Healthcare Value Fund

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial assets at fair value through profit or loss				
Equity securities	45,609,676	-	-	45,609,676
Financial liabilities at fair value through profit or loss				
Derivative Instruments	-	(517,163)	-	(517,163)
Total	45,609,676	(517,163)	-	45,092,513

Sector Sigma Nordic Fund

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial assets at fair value through profit or loss				
Equity securities	538,979,786	-	-	538,979,786
Derivative Instruments	1,779,593	7,707,716	-	9,487,309
Financial liabilities at fair value through profit or loss				
Derivative Instruments	-	(2,529,516)	-	(2,529,516)
Total	540,759,380	5,178,200	-	545,937,579

The categories of investments above comprise:

- Equity securities (which include equities, real estate investment trusts and rights) and
- Derivative instruments (which includes forward foreign currency contracts, contracts-for-difference and options).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Share Capital

The authorised share capital of the Company is 1,000,000,000,000 Shares of no par value initially designated as unclassified shares. The issued share capital of the Company is €2 represented by 2 shares (the “Subscriber Shares”) issued for the purposes of the incorporation of the Company at an issue price of €1 per Share which are fully paid up and which are beneficially owned by Sector Asset Management AS and Sector Fund Services AS.

Sector Global Equity Kernel may issue Class A EUR Shares, Class A NOK Hedged Shares, Class A NOK Unhedged Share, Class A SEK Shares and Class A USD Shares (the “Class A Shares”), Class B EUR Shares, Class B NOK Hedged Shares, Class B NOK Unhedged Shares, Class B SEK Shares and Class B USD Shares (the “Class B Shares”), Class C EUR Shares, Class C NOK Shares, Class C SEK Shares and Class C USD Shares (the “Class C Shares”), Class L NOK Shares, Class O NOK Shares, and Class P NOK Hedged Shares, Class P NOK Unhedged Shares and Class P USD Shares (“the Class P Shares”).

Sector Healthcare Value Fund may issue Class A EUR Shares, Class A NOK Shares, Class A SEK Shares and Class A USD Shares (the “Class A Shares”), Class B EUR Shares, Class B NOK Shares, Class B SEK Shares and Class B USD Shares (the “Class B Shares”) and Class L NOK Shares.

Sector Sigma Nordic Fund may issue Class A EUR Shares, Class A NOK Shares, Class A SEK Shares and Class A USD Shares (the “Class A Shares”), Class B EUR Shares, Class B NOK Shares, Class B SEK Shares and Class B USD Shares (the “Class B Shares”), Class C NOK Shares and Class C SEK Shares (the “Class C Shares”), Class D EUR Shares, Class D NOK Shares, Class D SEK Shares and Class D USD Shares (the “Class D Shares”) and Class L NOK Shares.

On a show of hands every holder who is present in person or by proxy shall have one vote and the holders of Subscriber Shares present or in person or by proxy shall have one vote.

The rights attached to any class may be varied or abrogated with the consent in writing of the holders of three-fourths in number of the issued Shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of the class, and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. The quorum at any such separate general meeting, other than an adjourned meeting, shall be two persons holding or representing by proxy at least one third of the issued Shares of the class in question and the quorum at an adjourned meeting shall be one person holding Shares of the class in question or his proxy.

Class L NOK Shares and Class O NOK (issued by Sector Global Equity Kernel) are only available for subscription by (i) other funds, (including sub-funds of the Company), or similar collective investment schemes that a Sector Group (as defined in the Company’s prospectus) company manages; (ii) the Directors; (iii) any person or investor connected with any such person or entity referred to in parts (i) and (ii) including, without limitation, a trustee of a trust established by or for such an entity, (iv) any company, partnership or other entity controlled by a Sector Group company (v) any company, partnership or other entity which has been appointed or acts as investment manager or investment adviser of an entity referred to in part (i), (vi) any employee of the Sector Group or (vii) any nominee of any of the foregoing.

The Class L NOK Shares (issued by Sector Healthcare Value Fund and Sector Sigma Nordic Fund) are open for public participation. However, the Investment Manager intends the Class L NOK Shares will be primarily invested in by any employees of a Sector Group company, any spouse of such employee, or any company controlled by (one or more) such employee or spouse.

Class L NOK Shares (issued by all Funds) are exempt from paying investment management fees.

The following are the share class transactions during the year ended 31 December 2016:

	Sector Global Equity Kernel	Sector Healthcare Value Fund	Sector Sigma Nordic Fund
Class A EUR			
Shares in issue at beginning of year	–	63,745	47,693
Number of shares issued	–	54,108	2,350
Number of shares redeemed	–	(53,525)	(23,751)
Number in issue at end of year	–	64,328	26,292
Class A NOK			
Shares in issue at beginning of year	115	21,945	192,251
Number of shares issued	45,288	15,342	27,896
Number of shares redeemed	(4,072)	–	(67,028)
Number in issue at end of year	41,331	37,287	153,119

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Share Capital (Continued)

	Sector Global Equity Kernel	Sector Healthcare Value Fund	Sector Sigma Nordic Fund
Class A USD			
Shares in issue at beginning of year	100	52,318	106,372
Number of shares issued	19,907	37,820	326
Number of shares redeemed	(101)	(34,486)	(33,065)
Number in issue at end of year	19,906	55,652	73,633
Class B EUR			
Shares in issue at beginning of year	–	–	12,513
Number of shares issued	–	–	12,242
Number of shares redeemed	–	–	(3,529)
Number in issue at end of year	–	–	21,226
Class B NOK			
Shares in issue at beginning of year	–	100,487	82,430
Number of shares issued	–	110,438	4,505
Number of shares redeemed	–	(50,014)	(22,565)
Number in issue at end of year	–	160,911	64,370
Class B SEK			
Shares in issue at beginning of year	–	1,034	–
Number of shares issued	–	14,140	–
Number of shares redeemed	–	(13,610)	–
Number in issue at end of year	–	1,564	–
Class C NOK			
Shares in issue at beginning of year	–	–	2,927
Number of shares issued	–	–	337
Number of shares redeemed	–	–	(804)
Number in issue at end of year	–	–	2,460
Class C SEK			
Shares in issue at beginning of year	–	–	39,105
Number of shares issued	–	–	10,397
Number of shares redeemed	–	–	(42,370)
Number in issue at end of year	–	–	7,132
Class D NOK			
Shares in issue at beginning of year	–	–	12,315
Number of shares issued	–	–	10,378
Number of shares redeemed	–	–	(17,358)
Number in issue at end of year	–	–	5,335
Class D SEK			
Shares in issue at beginning of year	–	–	73,684
Number of shares issued	–	–	9,836
Number of shares redeemed	–	–	(83,393)
Number in issue at end of year	–	–	127
Class L NOK			
Shares in issue at beginning of year	–	25,492	20,188
Number of shares issued	–	48	–
Number of shares redeemed	–	(1,648)	(12,093)
Number in issue at end of year	–	23,892	8,095
Class O NOK			
Shares in issue at beginning of year	1,634	–	–
Number of shares issued	3,200	–	–
Number of shares redeemed	(4,834)	–	–
Number in issue at end of year	–	–	–

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Share Capital (Continued)

	Sector Global Equity Kernel	Sector Healthcare Value Fund	Sector Sigma Nordic Fund
Class P NOK Hedged			
Shares in issue at beginning of year	53,246	–	–
Number of shares issued	1,134,039	–	–
Number of shares redeemed	(3,997)	–	–
Number in issue at end of year	1,183,288	–	–
Class P NOK Unhedged			
Shares in issue at beginning of year	218,499	–	–
Number of shares issued	202,457	–	–
Number of shares redeemed	(65,633)	–	–
Number in issue at end of year	355,323	–	–
Class P USD			
Shares in issue at beginning of year	182,955	–	–
Number of shares issued	21,191	–	–
Number of shares redeemed	(2,421)	–	–
Number in issue at end of year	201,725	–	–

The following are the share class transactions during the year ended 31 December 2015:

	Sector Global Equity Kernel	Sector Healthcare Value Fund	Sector Sigma Nordic Fund
Class A EUR			
Shares in issue at beginning of year	–	97,848	47,121
Number of shares issued	–	19,856	31,966
Number of shares redeemed	–	(53,959)	(31,394)
Number in issue at end of year	–	63,745	47,693
Class A NOK			
Shares in issue at beginning of year	–	15,692	74,103
Number of shares issued	115	6,253	123,296
Number of shares redeemed	–	–	(5,148)
Number in issue at end of year	115	21,945	192,251
Class A USD			
Shares in issue at beginning of year	–	85,070	1,355
Number of shares issued	100	10,123	105,363
Number of shares redeemed	–	(42,875)	(346)
Number in issue at end of year	100	52,318	106,372
Class B EUR			
Shares in issue at beginning of year	–	–	10,416
Number of shares issued	–	–	11,401
Number of shares redeemed	–	–	(9,304)
Number in issue at end of year	–	–	12,513
Class B NOK			
Shares in issue at beginning of year	–	96,094	88,301
Number of shares issued	–	59,451	22,996
Number of shares redeemed	–	(55,058)	(28,867)
Number in issue at end of year	–	100,487	82,430
Class B SEK			
Shares in issue at beginning of year	–	–	–
Number of shares issued	–	3,792	–
Number of shares redeemed	–	(2,758)	–
Number in issue at end of year	–	1,034	–

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Share Capital (Continued)

	Sector Global Equity Kernel	Sector Healthcare Value Fund	Sector Sigma Nordic Fund
Class C NOK			
Shares in issue at beginning of year	–	–	2,498
Number of shares issued	–	–	1,607
Number of shares redeemed	–	–	(1,178)
Number in issue at end of year	–	–	2,927
Class C SEK			
Shares in issue at beginning of year	–	–	–
Number of shares issued	–	–	58,085
Number of shares redeemed	–	–	(18,980)
Number in issue at end of year	–	–	39,105
Class D NOK			
Shares in issue at beginning of year	–	–	–
Number of shares issued	–	–	12,315
Number of shares redeemed	–	–	–
Number in issue at end of year	–	–	12,315
Class D SEK			
Shares in issue at beginning of year	–	–	–
Number of shares issued	–	–	74,417
Number of shares redeemed	–	–	(733)
Number in issue at end of year	–	–	73,684
Class L NOK			
Shares in issue at beginning of year	4,000	25,492	20,184
Number of shares issued	–	–	91
Number of shares redeemed	(4,000)	–	(87)
Number in issue at end of year	–	25,492	20,188
Class O NOK			
Shares in issue at beginning of year	1,623	–	–
Number of shares issued	17,567	–	–
Number of shares redeemed	(17,556)	–	–
Number in issue at end of year	1,634	–	–
Class P NOK Hedged			
Shares in issue at beginning of year	–	–	–
Number of shares issued	105,173	–	–
Number of shares redeemed	(51,927)	–	–
Number in issue at end of year	53,246	–	–
Class P NOK Unhedged			
Shares in issue at beginning of year	–	–	–
Number of shares issued	220,367	–	–
Number of shares redeemed	(1,868)	–	–
Number in issue at end of year	218,499	–	–
Class P USD			
Shares in issue at beginning of year	90,075	–	–
Number of shares issued	120,782	–	–
Number of shares redeemed	(27,902)	–	–
Number in issue at end of year	182,955	–	–

9. Investment Management Fees

The Company has appointed Sector Omega AS as Investment Manager to Sector Global Equity Kernel, Sector Gamma AS as Investment Manager to Sector Healthcare Value Fund and has appointed Sigma Fondsförvaltning AS as Investment Manager to Sector Sigma Nordic Fund to provide investment management services pursuant to the investment management agreement between the Company and the Investment Manager.

Sector Global Equity Kernel pays the Investment Manager a management fee of up to 1.5 per cent per annum of the Net Asset Value of the Class A Shares, up to 0.75 per cent (0.7 per cent from 16 December 2016) per annum of the Net Asset Value of the Class B Shares, up to 0.5 per cent per

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Investment Management Fees (Continued)

annum of the Net Asset Value of the Class C Shares, up to 0.3 per cent per annum of the Net Asset Value of the Class P Shares and up to 3.0 per cent per annum of the Net Asset Value of the Class O Shares. The Investment Manager does not charge a fee in respect of the Class L NOK Shares.

Sector Healthcare Value Fund pays the Investment Manager a management fee of 1 per cent per annum of the Net Asset Value of Class A Shares and 2 per cent per annum of the Net Asset Value of Class B Shares. The Investment Manager does not charge a fee in respect of the Class L NOK Shares.

Sector Sigma Nordic Fund pays the Investment Manager a management fee of 1 per cent per annum of the Net Asset Value of Class A Shares, 1.5 per cent per annum of the Net Asset Value of Class B Shares, 2 per cent per annum of the Net Asset Value of Class C Shares and 1.5 per cent per annum of the Net Asset Value of Class D Shares. The Investment Manager will not charge a fee in respect of Class L NOK Shares.

The management fees accrued for the year ended 31 December 2016 were USD1,795,651 (31 December 2015: USD1,459,847) and the amount outstanding at 31 December 2016 was USD165,630 (31 December 2015: USD248,370).

The Investment Manager to Sector Global Equity Kernel does not anticipate that the "Total Expense Ratio" which includes but is not limited to the management fee, administration fees and expenses, custodian/depositary fees and expenses, establishment costs of the Fund and other operating expenses of the Fund will exceed 0.5% of the Net Asset Value of Class P USD Shares each year of the Fund's operation (the "TER Threshold"). If the Total Expense Ratio exceeds the TER Threshold, the Investment Manager has undertaken to discharge that proportion of the Total Expense Ratio of Class P USD Shares above the TER Threshold and shall rebate the Fund accordingly.

The Investment Manager will invest in Class O NOK Shares in Sector Global Equity Kernel and beginning on the date the Class O NOK subscription is booked to the Fund, the aggregate fees for Class P USD above the Class P USD threshold will be funded in this order on an ongoing basis; i) by utilising the 3% management fee attributable to Class O NOK, then ii) by utilising any preliminary charges attributable to Class O NOK accrued on the Fund. If the amounts funded in accordance with (i) and (ii) are not sufficient to achieve the Class P USD TER Threshold, then this excess cost shall accrue and be offset against future fees attributable to the Investment Manager, including future preliminary charges attributable to future investments in Class O NOK.

The total fees waived by the Investment Manager for the year ended 31 December 2016 was USD213,443 (31 December 2015: USD188,238) and the net amount payable at 31 December 2016 was USD44,323 (31 December 2015: USD5,620).

10. Incentive Fees

The Investment Manager is also entitled to receive an incentive fee, as calculated on the following basis:

Sector Global Equity Kernel

The Fund, in respect of the Class B Shares, Class C Shares and Class O NOK Shares pays the Investment Manager an incentive fee (the "Incentive Fee") equal to 10 per cent of the amount by which the Net Asset Value (before the deduction of any performance fee) of the relevant Class exceeds the MSCI ACWI Index ("Index") adjusted Prior High Net Asset Value ("Index adjusted Prior High Net Asset Value") (as defined below). No Incentive Fee is charged in respect of the Class A Shares, Class P Shares and Class L NOK Shares. Per the revised Supplement issued 16 December 2016, Class B Shares will no longer incur an Incentive Fee.

The Incentive Fee is calculated on a share-by-share basis so that each share is charged a fee which equates precisely with that share's performance over each Calculation Year (as defined below). This method of calculation ensures that (i) any Incentive Fee paid to the Investment Manager is charged only to those shares which have outperformed their respective Prior High Net Asset Value over the course of a Calculation Year, (ii) all holders of shares have the same amount of capital per share at risk in the Fund, and (iii) all shares in a particular class have the same net asset value per share.

The Incentive Fee shall only be payable on the amount by which each share outperforms the previous high watermark or Index adjusted Prior High Net Asset Value for the relevant share. For each Calculation Year, an Incentive Fee will only be payable by a particular share if the net asset value of that share at the end of a Calculation Year is greater than the prevailing Prior High Net Asset Value for that share.

The "Prior High Net Asset Value" of each share is the highest net asset value per share on which Incentive Fee was paid in respect of any previous Calculation Year (or, if no Incentive Fee has yet been paid with respect to any such Calculation Year, the Initial Issue Price of the relevant share). The "Index adjusted Prior High Net Asset Value" of each share is the Prior High Net Asset Value adjusted by the performance of the Index for the relevant Calculation Year.

The calculation year for the Incentive Fee shall be a calendar year, closing on the 31 December each year (or if the 31 December is not a Business Day, on the last Business Day of the year) (the "Calculation Year"). The Incentive Fee will accrue as at each valuation point and shall be payable

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Incentive Fees (Continued)

annually in arrears (on or after the first business day of the following year).

At the end of each Calculation Year, where an Incentive Fee has been paid, and only then, the Prior High Net Asset Value per share will be reset to the Net Asset Value per share of the relevant class at the end of such Calculation Year. For the avoidance of doubt, where the relevant class has underperformed, (i.e. its net asset value per share at the end of a Calculation Year is below the Index adjusted Prior High Net Asset Value per share), no Incentive Fee will be payable until the underperformance is clawed back.

The Incentive Fee will be verified by the Depositary.

As the Incentive Fee is based on net realised and net unrealised gains and losses as at the end of each Calculation Year and as a result, it may be paid on unrealised gains which may subsequently never be realised.

Sector Healthcare Value Fund

The Fund, in respect of the Class A Shares, pays the Investment Manager a fee equal to 20% of the amount by which the net asset value (before the deduction of any performance fee) of the relevant share exceeds the MSCI Daily TR World Net Healthcare USD (the "Index") (the "Incentive Fee"). The relevant share's subscription price or the initial issue price (where shares are issued during the initial offer year) is taken as the starting price for the purposes of determining the Incentive Fee. The Incentive Fee is accrued on a daily basis and reflected in the net asset value per share at each valuation point. The accrued Incentive Fee will only be paid to the Investment Manager once a shareholder redeems its investment in the Fund or when the Fund closes down where the performance of the relevant shares has exceeded the performance of the Index. The Incentive Fee may be payable even if the absolute return on the shareholder's investment is zero or negative. For example, if during the year of a shareholder's investment in the Fund, the net asset value per share on redemption is less than or equal to the net asset value per share that that shareholder paid on its initial subscription into the Fund, the Incentive Fee may still be payable if the net asset value per share on redemption exceeds the Index Net Asset Value per share, i.e. the Fund has outperformed the Index for the year of the shareholder's investment.

The Incentive Fee will be verified by the Depositary.

No Incentive Fee will be charged in respect of the Class B Shares and Class L NOK Shares.

Sector Sigma Nordic Fund

The Investment Manager is also entitled to receive an incentive fee (the "Incentive Fee") of the aggregate appreciation in value of the Class A Shares, the Class B Shares and the Class C Shares (each a "Class") during the relevant Calculation Year (as defined below). No Incentive Fee will be charged in respect of the Class L NOK Shares.

The Incentive Fee equals 15% of the aggregate appreciation in value of the Class A Shares and 20% of the aggregate appreciation in value of the Class B Shares and the Class C Shares.

The Incentive Fee accrues as at each valuation point and is calculated annually on the rate of return (net of the Investment Manager's fees) of each class, and will be payable annually in arrears (on or after the first business day of the following year), or upon redemption, if earlier. The calculation year shall be a calendar year, closing on the last business day each year (the "Calculation Year"). The first Calculation Year in respect of Class A USD Shares, Class A EUR Shares, Class A SEK Shares, Class B SEK Shares and Class C SEK Shares were from the close of the Initial Offer Year until the last business day of 2013. The Incentive Fee will be verified by the Depositary.

The Incentive Fee is calculated on a share-by-share basis so that each share is charged a fee which equates precisely with that share's performance over each Calculation Year. This method of calculation ensures that (i) any Incentive Fee paid to the Investment Manager is charged only to those shares which have outperformed their respective Prior High Net Asset Value (as defined below) over the course of a Calculation Year, (ii) all holders of shares have the same amount of capital per share at risk in the Fund, and (iii) all shares in a particular Class have the same net asset value per share.

The Incentive Fee shall only be payable on the amount by which each share outperforms the previous high watermark or "Prior High Net Asset Value" (as defined below) for the relevant share. For each Calculation Year, an Incentive Fee will only be payable by a particular share if the net asset value of that share at the end of a Calculation Year is greater than the prevailing Prior High Net Asset Value for that share.

The "Prior High Net Asset Value" of each share is the highest net asset value per share on which the Incentive Fee was paid in respect of any previous Calculation Year (or, if no Incentive Fee has yet been paid with respect to any such Calculation Year, the initial issue price of the relevant share). As the Incentive Fee is based on net realised and net unrealised gains and losses as at the end of each Calculation Year and as a result, it may be paid on unrealised gains which may subsequently never be realised.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Incentive Fees (Continued)

At the end of each Calculation Year, where Incentive Fee has been paid, and only then, the Prior High Net Asset Value per share will be reset to the net asset value per share of the relevant class at the end of such Calculation Year. For the avoidance of doubt, where the relevant class has underperformed, (i.e. its net asset value per share at the end of a Calculation Year is below the Prior High Net Asset Value per share), no Incentive Fee will be payable until the underperformance is clawed back.

The Investment Manager shall also be entitled to an incentive fee ("Class D Incentive Fee") equal to 20% of the aggregated appreciation in value of the Class D Shares, in excess of the Prior High Net Asset Value (as defined below) adjusted by the performance of the following hurdle rates, (each a "Hurdle Rate"); Class D SEK Shares the return of 3 month Swedish treasury bills (Bloomberg Ticker: GSGT3M Index). The Investment Manager has agreed to waive the 3 month Swedish Treasury bill as hurdle rate whenever the return of the 3 month Swedish treasury bills is negative. In this instance the hurdle rate is set at zero;

- Class D USD Shares the return of 3 month US treasury bills (Bloomberg Ticker: USGG3M Index);
- Class D NOK Shares the return of 3 month Norwegian treasury bills (Bloomberg Ticker: GNGT3M Index); and
- Class D EUR Shares the return of 3 month German treasury bills (Bloomberg Ticker: GETB1 Index).

"Prior High Net Asset Value per Share" is the greater of (i) the Initial Issue Price for the relevant Class D Shares or (ii) the Net Asset Value per Class D Share on which the Class D Incentive Fee was paid in respect of any previous Class D Calculation Year.

The first calculation year for the Class D Shares shall commence from the close of the relevant initial offer year for the Class D Shares and conclude on the next Business Day thereafter. The calculation year thereafter shall be each Business Day (the "Class D Calculation Year"). The Class D Incentive Fee will be calculated and crystallised as at each Valuation Point (net of the Investment Manager's fees), and will be payable monthly in arrears (on or after the first Business Day of the following month), or upon redemption, if earlier. The Class D Incentive Fee will be verified by the Depositary.

Equalisation Credit

The equalisation credit policy is applied to the calculation of the Incentive Fee payable by all Funds. The Incentive Fee is calculated on a share-by-share basis so that each relevant share is charged an Incentive Fee that equates precisely with that relevant share's performance. This method of calculation ensures that (i) the Incentive Fee is charged only to those relevant shares that have appreciated in value relative to the Index, (ii) all relevant shareholders have the same amount per relevant share of the relevant class at risk in the Fund, and (iii) all shares of the same class have the same net asset value per share. If a shareholder subscribes for relevant shares at a time when the net asset value per relevant share is other than the Index Net Asset Value, certain adjustments will be made to reduce inequities that could otherwise result to the subscriber or beneficiary of the Incentive Fee.

The Incentive Fees accrued for the year ended 31 December 2016 were USD750,987 (31 December 2015: USD1,517,715) and the amount outstanding at 31 December 2016 was USD1,148,136 (31 December 2015: USD1,593,724).

For the year ended 31 December 2016 an equalisation credit of USD1,288,849 (31 December 2015: USD368,591) was applied.

11. Administration Fees and Depositary/Custodian Fees

The Company has appointed BNY Mellon Fund Services (Ireland) DAC (replaced BNY Mellon Investment Servicing (International) Limited effective 1 July 2016), ("BNY Mellon") to act as Administrator, registrar and transfer agent and BNY Mellon Trust Company (Ireland) Limited to act as Depositary (the "Depositary" from 14 April 2016 and the "Custodian" up to 14 April 2016). BNY Mellon is entitled to receive out of the assets of the Funds an annual administration fee, accrued and calculated on each dealing day and payable monthly in arrears of up to 0.105% of the aggregated Net Assets. BNY Mellon is also entitled to a shareholding services fee of USD1,875 per share class per month together with agreed upon transaction charges. The Administrator is also entitled a financial reporting fee of up to USD5,000 per set of financial statements, a fees for FATCA services and other out of pocket expenses out of the assets of the Funds (plus VAT thereon if any).

The Administration fee accrued for the year ended 31 December 2016 was USD685,549 (31 December 2015: USD524,790) and the amount outstanding at 31 December 2016 was USD181,821 (31 December 2015: USD146,962).

The Depositary/Custodian is/was entitled to an asset based fee of up to 0.02% per annum payable monthly together with sub-custodians' fees (which will be charged at normal commercial rates) as well as agreed upon transaction charges (which will be at normal commercial rates) and other out of pocket expenses (plus VAT thereon if any).

The Depositary/Custodian fee accrued for the year ended 31 December 2016 was USD163,185 (31 December 2015: USD116,760) and the amount outstanding at 31 December 2016 was USD30,810 (31 December 2015: USD16,665).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Directors' Fees and Expenses

The Directors are entitled to a fee in remuneration for their services at a rate to be determined from time to time by the Directors, but so that the aggregate amount of Directors' remuneration in any one year shall not exceed €20,000 or such higher amount as may be approved by resolution of the Directors and notified to Shareholders. The Directors may also be paid all travelling, hotel and other expenses, properly incurred by them, in attending and returning from meetings of the Directors or general meetings of the Company or in connection with the business of the Company.

The Directors' fees and expenses accrued for the year ended 31 December 2016 was USD17,831 (31 December 2015: USD18,872) and the amount outstanding at 31 December 2016 was USD5,005 (31 December 2015: USD4,732).

13. Auditors' Fee

Fees and expenses paid to the statutory auditors, Deloitte, in respect of the financial period, entirely relate to the audit of the financial statements of the Company. There were no fees and expenses paid in respect of other assurance, tax advisory or non-audit services provided by the auditors for the year ended 31 December 2016 and 31 December 2015.

Audit fees charged for the year ended 31 December 2016 were EUR20,625 ex VAT (31 December 2016: EUR20,625). Tax advisory fees charged for the year ended 31 December 2016 were EUR10,000 ex VAT (31 December 2016: EUR10,000).

14. Efficient Portfolio Management

The Company may enter into a variety of derivative instruments including, but not limited to, forward foreign exchange contracts, futures, options, swaps, contracts-for-difference, stock lending and repurchase agreements for the purposes of efficient portfolio management only, subject to the conditions and limits set out in the Central Bank (Supervision and Enforcement) Act 2013 (Section 48 (1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 (the "Central Bank UCITS Regulations") and within any further limits laid down by the Central Bank of Ireland from time to time. In particular, the Funds may engage in forward foreign exchange contracts to provide protection against exchange rate risks, including cross-currency hedging, and in order to hedge foreign currency exposure of the underlying assets of the Funds into the base currency of the Funds or into a currency institutionally linked to the base currency. It is intended that the use of such forwards may reduce the currency risk in respect of the Funds and will better enable the Funds to manage its assets and liabilities. Futures contracts may be used to hedge or gain exposure to an increase in the value of an asset, market, currency, or deposit. Options may be used to hedge or achieve exposure to a particular market instead of using a physical security. Swaps may be used to achieve profit as well as to hedge existing long positions. Contracts-for-difference ("CFDs") are bilateral agreements to exchange the difference between opening and closing contracts, which represent the performance of an underlying share.

At the discretion of the Directors, the Funds may use financial derivative instruments as a primary investment policy and details of the investment policy will be set out in the applicable Supplement in accordance with the requirements of the Central Bank of Ireland.

For the year ended 31 December 2016 and 31 December 2015, the Company has utilised forward foreign currency contracts, contracts-for-difference and options for efficient portfolio management. As at 31 December 2016, all options are exchanged traded derivatives and forward foreign currency contracts and CFDs are OTC derivatives. All options held as at 31 December 2016, by Sector Sigma Nordic Fund are considered to be covered options. All open derivative positions are disclosed in the schedule of investments except for forward currency contracts which are disclosed in note 7 (d) above.

Net gains/(losses) earned by the Funds in trading financial derivative instruments for the year ended 31 December 2016 were loss of USD1,179,558, USD1,014,861 and NOK43,987,125 by Sector Global Equity Kernel, Sector Healthcare Value Fund and Sector Sigma Nordic Fund respectively.

15. Directors' Interests, Connected Persons and Related Party Transactions

Fees payable to the relevant Investment Manager are disclosed in notes 9 and 10.

Depositary and Administrator

Although not deemed to be related parties under FRS 102 as they do not exercise "significant influence" over the activities of the Company, the Regulations also deem a "Depositary" and its "associated or group companies" to be "connected parties" to the Company. As such, BNY Mellon Trust Company (Ireland) Limited, the Depositary, and BNY Mellon Fund Services (Ireland) DAC (BNY Mellon Investment Servicing (International) Limited up to 1 July 2016), the Administrator, are connected parties to the Company.

The Board of Directors is satisfied that there are arrangements (evidenced by written procedures) in place, to ensure that any transaction carried out with the Company by a promoter, manager, depositary/custodian, investment manager and/or associated or group companies of these ("connected persons") are carried out as if negotiated at arm's length and that all such transactions are carried out in the best interests of the shareholders. The Board of Directors are satisfied that transactions with connected persons entered into during the year complied with the obligations set out in the Regulations.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Directors' Interests, Connected Persons and Related Party Transactions (Continued)

Distributor

The Company has appointed Sector Capital AS of Flipstad Brygge 2, 0250 Oslo, Norway as the global non-exclusive distributor of the Funds. The fees of Sector Capital AS will be discharged by the Investment Manager out of the management fee.

The Board of Directors is not aware of any transactions with connected persons during the year ended 31 December 2016 or 31 December 2015 other than as disclosed in these financial statements.

Key personnel	Role/Team	Fund/Class	Number of Shares held
Trond Horneland	Investment Manager, Sector Gamma AS	Sector Healthcare Value Fund, Class L NOK	15,665
Trond Tviberg	Investment Manager, Sector Gamma AS	Sector Healthcare Value Fund, Class L NOK	7,945
Lars Tell	Director, Sector Capital Funds Plc	Sector Sigma Nordic Fund, Class L NOK	91
Lars Tell	Director, Sector Capital Funds Plc	Sector Healthcare Value Fund, Class L NOK	48
Jan Henrik Arvesen	Investment Manager, Sigma Fondsforvaltning AS	Sector Sigma Nordic Fund, Class L NOK	3,341
Sector Polaris	Related party fund	Sector Sigma Nordic Fund, Class A USD	13
Sector Polaris	Related party fund	Sector Sigma Nordic Fund, Class B NOK	6,496

As at 31 December 2016 and 31 December 2015, Sector Asset Management AS, ultimate parent company of the Investment Manager, held 3 Class A EUR Shares, 2 Class A NOK Shares and 2 Class A USD Shares in Sector Healthcare Value Fund.

As at 31 December 2015 the following key personnel as defined within Section 33 of FRS 102 held a beneficial interest in the Funds as follows:

Key personnel	Role/Team	Fund/Class	Number of Shares held
Trond Horneland	Investment Manager, Sector Gamma AS	Sector Healthcare Value Fund, Class L NOK	15,665
Trond Tviberg	Investment Manager, Sector Gamma AS	Sector Healthcare Value Fund, Class L NOK	7,945
Lars Tell	Director, Sector Capital Funds Plc	Sector Sigma Nordic Fund, Class L NOK	91
Jan Henrik Arvesen	Investment Manager, Sigma Fondsforvaltning AS	Sector Sigma Nordic Fund, Class L NOK	3,341
Sector Polaris	Related party fund	Sector Sigma Nordic Fund, Class A USD	20
Sector Polaris	Related party fund	Sector Sigma Nordic Fund, Class B NOK	6,391

16. Contingent Liabilities

The Company is established as a segregated portfolio company. As a matter of Irish law, the assets of one Fund will not be available to satisfy the liabilities of another. However, the Company is a single legal entity which may operate or have assets held on its behalf or be subject to claims in other jurisdictions which may not necessarily recognise such segregation. There is no guarantee that the courts of any jurisdiction outside Ireland will respect the limitations on liability associated with segregated portfolio companies nor is there any guarantee that the creditors of one Fund will not seek to enforce such Funds' obligations against another Fund.

As at 31 December 2016 there were three Funds in operation (31 December 2015: three) and there were no known contingent liabilities.

17. Soft Commission

There were no soft commissions for the years ended 31 December 2016 or 31 December 2015.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. IMR Regulations

In response to the CBI publishing the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 for Fund Service Providers (the “Investor Money Regulations” or “IMR”) issued in March 2015, subscription and redemption monies will (effective from 1 July 2016), be channeled through a sub-fund cash collection account in the name of the sub-fund. Pending issue of the shares and/or payment of subscription proceeds to an account in the name of the sub-fund(s), and pending payment of redemption proceeds or distributions, the relevant investor will be an unsecured creditor of the sub-fund in respect of amounts paid by or due to it. As at 31 December 2016 the Funds have received subscription in advance and these amounts are reflected on the Balance Sheet.

19. Comparative Year

The prior year comparatives are for the period ended 1 January 2015 to 31 December 2015.

20. Three Year Historical Net Asset Value

The following tables outline the number of shares outstanding and the Net Asset Value per share for each share class for the last three reporting periods.

As at 31 December 2016

		Sector Global Equity Kernel USD	Sector Healthcare Value Fund USD	Sector Sigma Nordic Fund NOK
Shares outstanding	8			
Class A EUR		–	64,328	26,292
Class A NOK		41,331	37,287	153,119
Class A USD		19,906	55,652	73,633
Class B EUR		–	–	21,226
Class B NOK		–	160,911	64,370
Class B SEK		–	1,564	–
Class C NOK		–	–	2,460
Class C SEK		–	–	7,132
Class D NOK		–	–	5,335
Class D SEK		–	–	127
Class L NOK		–	23,892	8,095
Class P NOK Hedged		1,183,288	–	–
Class P NOK Unhedged		355,323	–	–
Class P USD		201,725	–	–
Net Asset Value per Share				
Class A EUR		–	200.86	116.19
Class A NOK		905.21	1,751.61	1,572.55
Class A USD		105.31	279.33	118.93
Class B EUR		–	–	140.28
Class B NOK		–	983.46	1,504.52
Class B SEK		–	970.94	–
Class C NOK		–	–	1,461.23
Class C SEK		–	–	1,036.46
Class D NOK		–	–	1,017.21
Class D SEK		–	–	991.03
Class L NOK		–	1,994.95	1,779.15
Class P NOK Hedged		813.00	–	–
Class P NOK Unhedged		909.63	–	–
Class P USD		117.81	–	–

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Three Year Historical Net Asset Value (Continued)

As at 31 December 2015

		Sector Global Equity Kernel USD	Sector Healthcare Value Fund USD	Sector Sigma Fund NOK
Shares outstanding	8			
Class A EUR		–	63,745	47,693
Class A NOK		115	21,945	192,251
Class A USD		100	52,318	106,372
Class B EUR		–	–	12,513
Class B NOK		–	100,487	82,430
Class B SEK		–	1,034	–
Class C NOK		–	–	2,927
Class C SEK		–	–	39,105
Class D NOK		–	–	12,315
Class D SEK		–	–	73,684
Class L NOK		–	25,492	20,188
Class O NOK		1,634	–	–
Class P NOK Hedged		53,246	–	–
Class P NOK Unhedged		218,499	–	–
Class P USD		182,955	–	–

Net Asset Value per Share

Class A EUR		–	195.79	116.21
Class A NOK		857.61	1,696.66	1,554.85
Class A USD		99.12	269.48	117.67
Class B EUR		–	–	141.03
Class B NOK		–	941.14	1,494.54
Class B SEK		–	943.30	–
Class C NOK		–	–	1,457.37
Class C SEK		–	–	1,050.78
Class D NOK		–	–	1,009.91
Class D SEK		–	–	1,011.21
Class L NOK		–	1,870.97	1,738.16
Class O NOK		875.61	–	–
Class P NOK Hedged		760.27	–	–
Class P NOK Unhedged		868.22	–	–
Class P USD		109.35	–	–

As at 31 December 2014

		Sector Global Equity Kernel USD	Sector Healthcare Value Fund USD	Sector Sigma Fund NOK
Shares outstanding	8			
Class A EUR		–	97,848	47,121
Class A NOK		–	15,692	74,103
Class A USD		–	85,070	1,355
Class B EUR		–	–	10,416
Class B NOK		–	96,094	88,301
Class C NOK		–	–	2,498
Class L NOK		4,000	25,492	20,184
Class O NOK		1,623	–	–
Class P USD		90,075	–	–
Net Asset Value per Share				
Class A EUR		–	169.75	110.34
Class A NOK		–	1,454.91	1,452.59
Class A USD		–	233.38	111.61
Class B EUR		–	–	135.20
Class B NOK		–	802.06	1,407.23
Class C NOK		–	–	1,377.75
Class L NOK		1,004.45	1,561.53	1,589.47
Class O NOK		728.02	–	–
Class P USD		105.01	–	–

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Significant Events during the Year

On 9 August 2016, the Company issued a revised Prospectus and Supplements for each Fund. The significant amendments relate to the change in the name of the administrator and revisions to certain risk disclosures and commentary in relation to Brexit.

The Prospectus and each of the Supplements for (i) Sector Global Equity Kernel (ii) Sector Sigma Nordic Fund and (iii) Sector Healthcare Value Fund were approved by the Central Bank on 14 April 2016. The Depositary Agreement was also approved on this date.

Updates made to the Prospectus in order to reflect current legislative and regulatory requirements including: UCITS V requirements including all relevant disclosures on depositary functions, liability provisions and manager remuneration provisions; Investor Money Regulations; Central Bank Regulations (i.e. SI No. 420 of 2015 Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015); OECD Common Reporting Standards; Taxation updates, including but not limited to, CRS updates and the repeal of the European Savings Directive (Directive 2003/48/EC) on 10 November 2015 by the European Council Updates to each of the Supplements for Sector Global Equity Kernel, Sector Sigma Nordic Fund and Sector Healthcare Value Fund to reflect the above regulatory updates as relevant, updates to initial offer periods and miscellaneous tidy-up amendments to ensure alignment with other Sector Group documents (i.e. share class definitions etc.) Additional non-UCITS V updates were made to Sector Global Equity Kernel in respect of amendments to settlement cycle in order to change to T+2.

On 16 December 2016, revised Supplements to the Prospectus were issued for each Fund. Sector Global Equity Kernel may issue Class A NOK Hedged Shares, Class A NOK Unhedged Shares, Class B NOK Unhedged Shares and Class B NOK Hedged Shares. Sector Global Equity Kernel Class B Shares will no longer incur an Incentive Fee. The revised Supplements also reflected the appointment of Sector Capital AS as Global Distributor.

There were no other significant events during the year.

22. Significant Events after the Balance Sheet Date

There were no significant events after the Balance Sheet date.

23. Approval of Financial Statements

The financial statements were authorised for issue by the Directors on 27 March 2017.

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SIGNIFICANT PORTFOLIO MOVEMENTS (Unaudited)

In accordance with the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48 (1) (Undertakings for Collective Investment in Transferable Securities) Regulations, 2015, a statement of the largest changes in the composition of the Schedule of Investments during the year is provided to ensure that the shareholders can identify changes in the investments held by the Fund. These statements present the aggregate purchases and sales of an investment, exceeding 1% of the total value of purchases and sales for the year. At a minimum the largest 20 purchases and sales are listed. If the Fund enters into less than 20 purchases or sales during the year, then all transactions are presented.

Sector Global Equity Kernel d

LARGEST PURCHASES

**COST
USD**

iShares MSCI ACWI Index Fund	30,633,899
Swisscom AG	3,342,403
Ecolab, Inc.	3,054,417
Deluxe Corp.	3,045,950
RenaissanceRe Holdings Ltd.	2,974,100
Devon Energy Corp.	2,915,758
BP PLC, ADR	2,832,607
Baxter International, Inc.	2,829,916
Taiwan Semiconductor Manufacturing Co. Ltd.	2,768,176
Ross Stores, Inc.	2,679,599
Walgreens Boots Alliance, Inc.	2,503,746
Johnson & Johnson	2,420,519
Exxon Mobil Corp.	2,320,485
Everest Re Group Ltd.	2,165,028
Foot Locker, Inc.	2,153,480
Ingredion Inc.	2,088,747
Bayer AG	1,981,364
Scottish & Southern Energy PLC	1,940,914
Cia de Saneamento Basico do Estado de Sao Paulo, ADR	1,914,675
Mitsubishi Tanabe Pharma Corp.	1,854,810

LARGEST SALES

**PROCEEDS
USD**

iShares MSCI ACWI Index Fund	33,073,331
Swisscom AG	3,270,551
Johnson & Johnson	2,969,133
Baxter International, Inc.	2,847,013
Walgreens Boots Alliance, Inc.	2,370,045
Steel Dynamics, Inc.	2,285,043
Sika AG	2,139,937
Capella Education Co.	1,938,309
ISHARES MSCI EUROPE SRI	1,812,749
Carlisle Cos., Inc.	1,776,842
Great Plains Energy, Inc.	1,773,731
LyondellBasell Industries NV	1,773,213
Centrais Eletricas Brasileiras SA (Preferred)	1,719,471
Mitsubishi Tanabe Pharma Corp.	1,695,802
Synopsys, Inc.	1,685,259
Northern Star Resources Ltd.	1,679,332
Richmont Mines, Inc.	1,669,265
SAP AG	1,652,932
Fluor Corp.	1,652,091
Cia de Saneamento Basico do Estado de Sao Paulo, ADR	1,635,307

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SIGNIFICANT PORTFOLIO MOVEMENTS (Unaudited) (Continued)

Sector Healthcare Value Fund

LARGEST PURCHASES	COST USD
Sanofi-Aventis S.A.	3,656,158
Eli Lilly & Co.	3,151,640
Bristol-Myers Squibb Co.	3,108,887
GlaxoSmithKline Plc	2,957,319
Abbott Laboratories	2,758,897
Roche Holding AG	2,721,255
Merck & Co., Inc.	2,621,330
Shire Plc, ADR	2,588,210
Gilead Sciences, Inc.	2,466,597
Perrigo Co. Plc	1,911,302
Vertex Pharmaceuticals, Inc.	1,648,275
Smith & Nephew Plc	1,507,230
Patterson Cos., Inc.	1,355,104
Astellas Pharmaceutical Co. Ltd.	1,349,400
Koninklijke Philips NV	1,303,116
Anthem, Inc.	1,302,594
Bayer AG	1,300,920
Biogen, Inc.	1,183,138
Baxter International, Inc.	986,296
PerkinElmer, Inc.	974,372
Exelixis, Inc.	951,340
Impax Laboratories, Inc.	949,046
McKesson Corp.	882,873
St. Jude Medical, Inc.	832,714
Ironwood Pharmaceuticals, Inc.	831,865
Boston Scientific Corp.	800,065
United Therapeutics Corp.	704,697
Momenta Pharmaceuticals, Inc.	684,662
LifePoint Hospitals, Inc.	622,602
Daiichi Sankyo Co. Ltd.	616,590
Otsuka Holdings Co. Ltd.	573,214

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SIGNIFICANT PORTFOLIO MOVEMENTS (Unaudited) (Continued)

Sector Healthcare Value Fund (continued)

LARGEST SALES

PROCEEDS

USD

Biogen, Inc.	3,030,107
Sanofi-Aventis S.A.	2,764,084
Eli Lilly & Co.	2,506,784
Bristol-Myers Squibb Co.	2,426,513
Baxalta, Inc.	2,376,411
Johnson & Johnson	2,364,905
GlaxoSmithKline Plc	1,871,334
H Lundbeck A/S	1,804,447
St. Jude Medical, Inc.	1,798,206
Exelixis, Inc.	1,754,844
Mylan NV	1,630,365
Merck & Co., Inc.	1,611,708
Bayer AG	1,347,101
Medivation, Inc.	1,156,951
Shire Plc, ADR	1,071,836
Roche Holding AG	965,357
Baxter International, Inc.	958,425
Boston Scientific Corp.	951,599
Otsuka Holdings Co. Ltd.	940,449
WellCare Health Plans, Inc.	902,657
Cardinal Health, Inc.	726,641
Perrigo Co. Plc	641,358
Gilead Sciences, Inc.	638,586
Daiichi Sankyo Co. Ltd.	588,758
Owens & Minor, Inc.	545,549
Ironwood Pharmaceuticals, Inc.	538,255
Cigna Corp.	455,376
Bio-Rad Laboratories, Inc.	448,189

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SIGNIFICANT PORTFOLIO MOVEMENTS (Unaudited) (Continued)

Sector Sigma Nordic Fund

LARGEST PURCHASES	COST NOK
Swedbank AB, Class A	50,378,283
Autoliv, Inc.	49,333,044
Statoil ASA	49,106,483
Boliden AB	35,853,838
Volvo AB, Class B	33,087,865
Bakkafrost P/F	30,987,462
Novo Nordisk A/S	28,088,227
Assa Abloy AB	23,803,056
Danske Bank A/S	23,114,826
Svenska Cellulosa AB, Class B	21,187,415
Nordea Bank AB	20,824,759
Skandinaviska Enskilda Banken AB, Class A	20,228,159
Yara International ASA	18,639,171
JM AB	18,496,991
Trelleborg AB, Class B	17,212,807
Outokumpu Oyj	17,078,690
M-real Oyj, Class B	16,750,992
Royal Dutch Shell PLC, Class A	16,382,045
Total S.A.	16,338,629
Hennes & Mauritz AB, Class B	15,573,128
Norsk Hydro ASA	15,572,615
Schlumberger Ltd.	12,125,711
Baker Hughes, Inc.	12,096,646
Stora Enso Oyj, Class R	11,966,258
Helmerich & Payne, Inc.	11,951,005
Orkla ASA	11,054,126
Pandora A/S	10,775,272
Huhtamaki Oyj, Class B	9,400,386
Investor AB	8,155,269
Gjensidige Forsikring ASA, Series W/I	7,987,297
Telefonaktiebolaget LM Ericsson	7,748,662

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SIGNIFICANT PORTFOLIO MOVEMENTS (Unaudited) (Continued)

Sector Sigma Nordic Fund (continued)

LARGEST SALES

PROCEEDS

NOK

Autoliv, Inc.	47,948,707
Volvo AB, Class B	39,856,914
Assa Abloy AB	39,188,415
Novo Nordisk A/S	38,834,291
Swedbank AB, Class A	38,037,097
Yara International ASA	35,084,329
Telefonaktiebolaget LM Ericsson	33,859,964
Bakkafrost P/F	32,137,189
Marine Harvest ASA	31,637,870
Orkla ASA	31,558,552
Salmar ASA	31,275,598
Hennes & Mauritz AB, Class B	29,840,746
Boliden AB	29,089,785
Skandinaviska Enskilda Banken AB, Class A	27,005,915
Danske Bank A/S	26,791,646
Statoil ASA	24,517,971
Royal Unibrew A/S	23,696,163
Det Norske Oljeselskap ASA	23,399,729
Coloplast A/S	22,569,215
AAK AB	22,263,155
Tomra Systems ASA	19,926,834
JM AB	19,394,552
Nordea Bank AB	18,838,836
Investor AB	18,712,627
Sandvik AB	18,031,049
DSV A/S	17,306,537
Pandora A/S	17,058,858
Hexagon AB, Class B	16,852,037
Huhtamaki Oyj, Class B	16,172,958
Hexpol AB	15,890,059

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REMUNERATION INFORMATION (Unaudited)

Background

The requirements relating to fixed/variable remuneration only need to be disclosed for the first full performance period commencing after 1 January 2017 i.e. in the annual report of the Company ending 31 December 2017.

For the intervening period i.e. for the annual report of the Company ending 31 December 2016, the Company should include the remuneration related information in the annual report for the Company on a best efforts basis and to the extent possible, explaining the basis for any omission.

Sample Disclosure:

Regulation 89(3A) of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (S.I. No. 352 of 2011), as amended (the "UCITS Regulations") (as introduced pursuant to the European Union (Undertakings for Collective Investment in Transferable Securities) (Amendment) Regulations 2016 (the "UCITS V Regulations") on 21 March 2016) requires that the annual report of the Company contains certain disclosures on remuneration paid by the Company to its staff during the financial year and details of any material changes to the Company's remuneration policy made during the period.

In this regard, the following points are to be noted:

- The Company has prepared a remuneration policy outlining how it adheres to the remuneration requirements set out in the UCITS Regulations and ESMA's Guidelines on sound remuneration policies under the UCITS Directive (ESMA/2016/575) (the "Guidelines"). This policy was adopted with effect from 1 January 2017.
- No annual reviews have as yet been undertaken and no material changes have been made to the remuneration policy since 1 January 2017.
- The first annual performance period in which the Company has to comply with the remuneration requirements set out in the UCITS Regulations shall be the year ending 31 December 2017, i.e. the Company's next financial year.
- The Company has no employees or staff that it employs and pays directly. The Company has a Board of Directors, one of whom is an employee of the Sector group and receives no remuneration from the Company. The remaining two directors, each of whom is independent, receive a fixed fee only (for the year ended 31 December 2016; € 16,000 in aggregate) and do not receive variable remuneration. These fees are set at a level that reflects the qualifications and contribution required taking into account the Company's size, internal organisation and the nature, scope and complexity of its activities.

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SFTR REGULATIONS DISCLOSURES (Unaudited)

Securities Financing Transactions Regulation (Regulation (EU) 2015/2365) (“SFTR”) came into force on 12 January 2016 and, amongst other requirements, introduces new disclosure requirements in the Company’s annual and interim reports published after 13 January 2017 detailing the Funds’ use of securities financing transactions. Securities financing transactions are defined as repurchase/reverse repurchase transactions, total return swaps (including contracts for difference (“CFDs”)), securities borrowing and lending and margin lending transactions. For the year ended 31 December 2016, the Funds have entered into total return swaps (including contracts for difference). As a result, additional disclosures have been included this supplement to the financial statements.

The following table details the Funds’ exposure to total return swaps (including contracts for difference) as at 31 December 2016 and the total returns for the year end 31 December 2016.

Fund	Currency of Fund	Counterparty	Counterparty country of incorporation	Total return swaps (including CFDs*)	% of net assets	Net gain/(loss) on trading Total return swaps (including CFDs)
				Amount		Amount
Sector Global Equity Kernel Fund	USD	Goldman Sachs	United Kingdom	1,590,797	0.89%	(676,941)
Sector Sigma Nordic Fund	NOK	Goldman Sachs	United Kingdom	135,865,756	27.26%	(31,116,450)

**the value of total TRS’s is based on the aggregate gross notional value of all open positions.*

For the year ended 31 December 2016, the Funds have not entered into any repurchase/reverse repurchase, stock lending transactions, stock borrowing transactions or margin lending transactions.

Maturity Tenor

All CFDs have an open maturity tenor as at 31 December 2016 as they are callable or terminable on a daily basis.

Settlement and Clearing

All OTC derivative transactions and total return swaps (including CFDs) are entered into by the Fund under an International Swap and Derivatives Association, Inc. Master Agreement (“ISDA Master Agreement”) or similar agreement. An ISDA Master Agreement is a bilateral agreement between the Fund and a counterparty that governs OTC derivative transactions (including total return swaps and CFDs) entered into by the parties.

Collateral and Safekeeping

All collateral received/pledged by the Fund under the ISDA Master Agreement is transferred bilaterally under a title transfer arrangement. Collateral received/pledged by the Fund is held by the Depositary in the name of the Fund and is segregated by the Depositary from the assets belonging to the Fund.

Non-cash collateral received by way of title transfer collateral arrangement in relation to OTC derivative transactions, cannot be sold, re-invested or pledged.

Details of securities pledged as collateral as at 31 December 2016 is disclosed in note 7(e) in the notes to the financial statements. The Funds have not received any cash or non-cash collateral. All securities pledged as collateral are listed equities. All cash collateral has an open maturity tenor and is callable or terminable on a daily basis.

The following table details the cash collateral placed analysed by counterparty and currency, as in respect of OTC financial derivative instruments (including CFDs) as at 31 December 2016.

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SFTR REGULATIONS DISCLOSURES (Unaudited) (Continued)

Fund	Counterparty	Currency	Cash collateral placed
Sector Global Equity Kernel Fund	Goldman Sachs	USD	1,590,797
Sector Sigma Nordic Fund	Goldman Sachs	NOK	5,871,382