

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 2022

Registration No. 489443

SECTOR CAPITAL FUNDS PLC
Annual Report and Audited Financial Statements
For the financial year ended 31 December 2022

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GENERAL INFORMATION

Directors

Michael Boyce (*Irish*)^
Lars Tell (*Swedish*)
Conor Walsh (*Irish*)^

Registered Office

32 Molesworth Street
Dublin 2
Ireland

^Independent non-executive Director

Manager

Sector Fund Services AS
Kristian Augusts gate 15 C
N-0164 Oslo
Norway

Independent Auditors

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

Investment Manager

Sector Healthcare Value Fund
Sector Gamma AS
Kristian Augusts gate 15 c
N-0164 Oslo
Norway

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

BAHR
Advokatfirmaet BAHR AS
Tjuvholmen allé 16
NO-0252 Oslo
Norway

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

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

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

Depositary

The Bank of New York Mellon SA/NV, Dublin Branch
Riverside Two
Sir John Rogerson's Quay
Grand Canal Dock
Dublin 2
Ireland

Global Distributor

Sector Capital AS
Kristian Augusts gate 15 c
N-0164 Oslo
Norway

Company Secretary

MFD Secretaries Limited
32 Molesworth Street
Dublin 2
Ireland

SECTOR CAPITAL FUNDS PLC
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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 2022 to 31 December 2022.

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 USD533,513,347 on 31 December 2022 (31 December 2021: USD480,884,750).

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, 2019 (as amended) (the "Regulations").

As at 31 December 2022, the Company has one fund in existence (31 December 2021: two), Sector Healthcare Value Fund. Harvest Equity Kernel ceased trading effective 15 January 2021. Effective 19 October 2022, Harvest Equity Kernel authorisation was revoked by the Central Bank, following the application that was made to the Central Bank of Ireland on 3 June 2022.

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 2022, fourteen classes are subscribed to in the Fund (31 December 2021: fourteen), Class A EUR Shares, Class A NOK Shares, Class A USD Shares, Class B EUR Shares, Class B NOK Shares, Class B SEK Shares, Class B USD Shares, Class X USD Shares, Class X EUR Shares, Class Y EUR Shares, Class Y GBP Shares, Class Y USD Shares, Class E NOK and Class E USD.

Harvest Equity Kernel commenced trading on 19 March 2014. The base currency of Harvest Equity Kernel was USD. Effective 2 January 2020, the Fund changed its name from Sector Global Equity Kernel to Harvest Equity Kernel.

Results, Activities and Future Developments

The results of operations are set out on page 13. A detailed review of the business and future developments for the Funds is contained in the Investment Manager's Report on page 7.

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 in accordance 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.

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) Designated Activity Company (the "Administrator"). During the financial 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 Manager's Report and note 7.

Significant events during the financial year

The Board of Directors have noted certain significant events during the financial year including the invasion of Ukraine in late February, and the severe economic sanctions being imposed on Russia by many countries in response. The Company is following all appropriate protocols to abide by the conditions of the sanctions and the Company continues to be managed according to stated investment objectives.

The situation in Ukraine continues to evolve, and whilst it is not expected to have a direct impact on the Company as the portfolio has no direct exposure to Russian or Ukraine securities, its impact on the global economy will have had an indirect impact on the performance of the Company.

On 17 June 2022, a new Prospectus was noted by the Central Bank of Ireland for Sector Capital Funds Plc.

On 17 June 2022, a new supplement was noted by the Central Bank of Ireland for Sector Healthcare Value Fund.

On 17 June 2022, the Company had appointed Sector Fund Services AS as the Manager.

Effective 19 October 2022, Harvest Equity Kernel authorisation was revoked by the Central Bank, following the application that was made to the Central Bank of Ireland on 3 June 2022.

On 28 October 2022, a new supplement was noted by the Central Bank of Ireland for Sector Healthcare Value Fund.

On 30 November 2022, a new supplement was noted by the Central Bank of Ireland for Sector Healthcare Value Fund.

There were no other significant events during the financial year.

Significant events after the balance sheet date

There were no significant events after the balance sheet date.

Business Continuity Planning

All relevant third party service providers, including the Investment Manager, have confirmed to the Board they have applied their contingency plans to ensure operational continuity in line with regulatory obligations of the Company. No operational disturbances have been identified as of now.

SECTOR CAPITAL FUNDS PLC
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DIRECTORS' REPORT (Continued)

Directors

Michael Boyce
Lars Tell
Conor Walsh

Directors' and Secretary's Interests

The Directors and Secretary and their families had no interest in the shares of the Company at 31 December 2022, other than as disclosed below:

As at 31 December 2022, Lars Tell, Director of the Company held 348 Class A NOK shares in Sector Healthcare Value Fund (31 December 2021: 326 Class A NOK).

Dividends

Under the Articles of Association dividends may be paid out of the profits. During the financial years ended 31 December 2022 and 31 December 2021, no dividends were paid.

Corporate Governance Statement

The Company is subject to and complies with the Regulations.

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.

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 Regulations.

Independent Auditors

Deloitte Ireland LLP, 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
Date: 28 March 2023



Lars Tell, Director
Date: 28 March 2023

**REPORT FROM THE DEPOSITARY TO THE SHAREHOLDERS
DATED 28 MARCH 2023**

For the period from 1 January 2022 to 31 December 2022 (the “**Period**”)

The Bank of New York Mellon SA/NV, Dublin Branch (the “**Depository**” “**us**”, “**we**”, or “**our**”) has enquired into the conduct of Sector Capital Funds plc (the “**Company**”) for the Period, 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 constitutional documentation 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 constitutional documentation and the Regulations; and
- (ii) otherwise in accordance with the provisions of the constitutional documentation and the Regulations.



For and on Behalf of
The Bank of New York Mellon SA/NV, Dublin Branch,
Riverside II,
Sir John Rogerson’s Quay,
Grand Canal Dock,
Dublin 2
Date: 28 March 2023

Registered in Ireland No. 907126, VAT No. IE9578054E

The Bank of New York Mellon SA/NV, trading as The Bank of New York Mellon SA/NV, Dublin Branch is authorised by the National Bank of Belgium.

The Bank of New York Mellon SA/NV, 46 Rue Montoyerstraat, B-1000 Brussels, Belgium - Tel. (32) 2 545 81 11, V.A.T. BE 0806.743.159 - RPM-RPR Brussels Company No. 0806.743.159. The Bank of New York Mellon SA/NV is a Belgian limited liability company, authorized and regulated as a significant credit institution by the European Central Bank and the National Bank of Belgium under the Single Supervisory Mechanism and by the Belgian Financial Services and Markets Authority.

SECTOR CAPITAL FUNDS PLC
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INVESTMENT MANAGER'S REPORT

Sector Healthcare Value Fund

The broad equity markets¹ fell 18.1% for the year and had its weakest year since 2008. US long term government interest rates rose sharply, experiencing the biggest yearly absolute increase in over 70 years, as inflation accelerated, and the FED raised interest rates. Energy and defensive stocks outperformed whereas technology and consumer discretionary stocks underperformed in 2022. Healthcare stocks² ended down 5.4% for the year. Dispersion between sub-sectors within the healthcare space was higher than usual. US large-cap drug stocks and healthcare services stocks rose, whereas European drug stocks, MedTech and mid/small-cap stocks fell significantly in 2022. It was an eventful year of healthcare specific and company specific news flow, driving high single stock dispersion.

Sector Healthcare Value Fund ended the year down 1.6%. This was the first down year in the Fund's 12 years of history. Gains in our Biotechnology and Healthcare Services holdings were more than offset by losses in our MedTech and, to a lesser degree, pharmaceutical holdings. The environment was a headwind overall, led by market, mid-cap and European exposures, but partly offset by tailwinds from the value factor. Stock selection and trading seemed to be the dominant driver of the funds excess returns of 3.8%. Top performing holdings were Gilead, Merck and Cardinal Health. Additional winning positions were in Biogen, Eisai, Alnylam and Biomarin, all driven by positive R&D pipeline news flow. Top losing positions were Glaxo, Medtronic and UCB.

The fundamental outlook for the healthcare sector is still attractive. Innovation trends are solid, unmet medical need remains high and healthcare utilisation are slowly normalising after years of COVID volatility. Continued inflation/interest rates/funding environment uncertainties as well as uncertainties around the implementation of the US Inflation Reduction Act, are biggest challenges as we enter 2023. We believe the portfolio is attractively valued and are optimistic about the stock picking opportunity set going into 2023.

Sector Gamma AS

January 2023

¹ MSCI World USD

² MSCI World Healthcare USD

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SECTOR CAPITAL FUNDS PLC

Report on the audit of the financial statements

Opinion on the financial statements of Sector Capital Funds Plc ("the company")

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 2022 and of the loss for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework, the applicable Regulations and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Balance Sheet;
- the Profit and Loss Account;
- the Statement of Changes in Net Assets attributable to holders of Redeemable Participating Shares;
- the Schedule of Investments; and
- the related notes 1 to 23, including a summary of significant accounting policies as set out in note 2.

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' issued by the Financial Reporting Council ("the relevant financial reporting framework").

The applicable regulations that have been applied in their preparation is 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, 2019 ("the applicable Regulations").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SECTOR CAPITAL FUNDS PLC

Other information

The other information comprises the information included in the Annual Report and Audited Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Audited Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on IAASA's website at: <https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes 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 financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SECTOR CAPITAL FUNDS PLC

identified material misstatements in the directors' report.

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

Use of our report

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.



Christian Macmanus
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, 29 Earlsfort Terrace, Dublin 2

31 March 2023

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

As at 31 December 2022

	Note	Sector Healthcare Value Fund USD	Sector Capital Funds Plc USD
Current Assets			
Investments in financial assets held at fair value through profit or loss		538,316,153	538,316,153
Interest receivable		62,618	62,618
Dividends receivable		874,312	874,312
Other assets		918	918
Total Assets		539,254,001	539,254,001
Current Liabilities			
Investments in financial liabilities held at fair value through profit or loss		744,646	744,646
Bank overdraft	6	1,283,950	1,283,950
Subscriptions received in advance		410,000	410,000
Payable to investment manager	9	453,956	453,956
Incentive fee/performance fee	10	243,401	243,401
Administration fee	11	425,459	425,459
Directors' fees and expenses	12	9,233	9,233
Auditors' fee	13	15,705	15,705
Depository/Custodian fee	11	57,346	57,346
Legal fee		63,231	63,231
Equalisation credit payable		1,936,258	1,936,258
Trading and Research fees		2,560	2,560
Other creditors		94,909	94,909
Total Liabilities (excluding net assets attributable to holders of Redeemable Participating Shares)		5,740,654	5,740,654
Net assets attributable to holders of Redeemable Participating Shares	20	533,513,347	533,513,347

On behalf of the Board of Directors



Michael Boyce, Director

Date: 28 March 2023



Lars Tell, Director

Date: 28 March 2023

The accompanying notes form an integral part of the financial statements

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BALANCE SHEET (Continued)

As at 31 December 2021

	Note	Sector Healthcare Value Fund USD	Sector Capital Funds Plc USD
Current Assets			
Investments in financial assets held at fair value through profit or loss		483,115,725	483,115,725
Cash at bank and brokers	6	454,076	454,076
Subscriptions receivable		629,035	629,035
Interest receivable		73	73
Dividends receivable		926,744	926,744
Other assets		3,945	3,945
Total Assets		<u>485,129,598</u>	<u>485,129,598</u>
Current Liabilities			
Investments in financial liabilities held at fair value through profit or loss		625,568	625,568
Redemptions payable		422,516	422,516
Subscriptions received in advance		121,237	121,237
Payable to investment manager	9	391,047	391,047
Incentive fee/performance fee	10	199,820	199,820
Administration fee	11	91,600	91,600
Directors' fees and expenses	12	11,759	11,759
Auditors' fee	13	13,712	13,712
Depository/Custodian fee	11	13,399	13,399
Legal fee		28,197	28,197
Equalisation credit payable		2,249,863	2,249,863
Trading and Research fees		12,000	12,000
Other creditors		64,130	64,130
Total Liabilities (excluding net assets attributable to holders of Redeemable Participating Shares)		<u>4,244,848</u>	<u>4,244,848</u>
Net assets attributable to holders of Redeemable Participating Shares	20	<u><u>480,884,750</u></u>	<u><u>480,884,750</u></u>

The accompanying notes form an integral part of the financial statements

SECTOR CAPITAL FUNDS PLC
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PROFIT AND LOSS ACCOUNT

For the financial year ended 31 December 2022

	Note	Sector Healthcare Value Fund USD	Sector Capital Funds Plc USD
Income			
Dividend income		10,065,742	10,065,742
Interest income		276,940	276,940
Other income		16,491	16,491
		<u>10,359,173</u>	<u>10,359,173</u>
Net realised gain/(loss) on:			
- investments		5,757,079	5,757,079
- foreign currency		(21,901,824)	(21,901,824)
Net change in unrealised appreciation/(depreciation) on:			
- investments		(986,236)	(986,236)
- foreign currency		(6,339,840)	(6,339,840)
Net investment loss		<u>(13,111,648)</u>	<u>(13,111,648)</u>
Expenses			
Management fee	9	(4,689,054)	(4,689,054)
Incentive fee/performance fee	10	(51,233)	(51,233)
Administration fee	11	(550,183)	(550,183)
Depositary/Custodian fee	11	(179,091)	(179,091)
Directors' fees and expenses	12	(35,313)	(35,313)
Auditors' fee	13	(17,812)	(17,812)
Legal fee		(120,487)	(120,487)
Trading and research fees		(155,537)	(155,537)
Other expenses		(172,502)	(172,502)
Total expenses		<u>(5,971,212)</u>	<u>(5,971,212)</u>
Net (loss) before finance costs		<u>(19,082,860)</u>	<u>(19,082,860)</u>
Finance costs			
Interest expense		(5,940)	(5,940)
Total finance costs		<u>(5,940)</u>	<u>(5,940)</u>
Taxation			
Withholding tax and other taxation		(1,928,266)	(1,928,266)
Net decrease in net assets attributable to holders of Redeemable Participating Shares resulting from operations		<u>(21,017,066)</u>	<u>(21,017,066)</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 CAPITAL FUNDS PLC
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PROFIT AND LOSS ACCOUNT (Continued)

For the financial year ended 31 December 2021

	Note	Harvest Equity Kernel USD	Sector Healthcare Value Fund USD	Sector Capital Funds Plc USD
Income				
Dividend income		74,355	9,046,086	9,120,441
Interest income		3,016	953	3,969
Other income		5,607	35,302	40,909
		<u>82,978</u>	<u>9,082,341</u>	<u>9,165,319</u>
Net realised gain/(loss) on:				
- investments		25,027,418	49,081,573	74,108,991
- foreign currency		3,299,070	(2,073,615)	1,225,455
Net change in unrealised appreciation/(depreciation) on:				
- investments		(21,230,244)	(3,054,396)	(24,284,640)
- foreign currency		(3,259,718)	(10,922,673)	(14,182,391)
		<u>3,919,504</u>	<u>42,113,230</u>	<u>46,032,734</u>
Expenses				
Management fee	9	(27,604)	(4,542,612)	(4,570,216)
Incentive fee/performance fee	10	—	102,056	102,056
Administration fee	11	1,755	(492,926)	(491,171)
Depositary/Custodian fee	11	(6,812)	(172,204)	(179,016)
Directors' fees and expenses	12	—	(38,188)	(38,188)
Auditors' fee	13	(8,455)	(13,583)	(22,038)
Legal fee		—	(123,183)	(123,183)
Listing fee		(1,266)	—	(1,266)
Trading and research fees		—	(115,529)	(115,529)
Other expenses		(28,961)	(184,244)	(213,205)
Total expenses		<u>(71,343)</u>	<u>(5,580,413)</u>	<u>(5,651,756)</u>
Net gain before finance costs		<u>3,848,161</u>	<u>36,532,817</u>	<u>40,380,978</u>
Finance costs				
Interest expense		(20,050)	(5,402)	(25,452)
Total finance costs		<u>(20,050)</u>	<u>(5,402)</u>	<u>(25,452)</u>
Taxation				
Withholding tax and other taxation		(20,928)	(1,642,853)	(1,663,781)
Net increase in net assets attributable to holders of Redeemable Participating Shares resulting from operations		<u>3,807,183</u>	<u>34,884,562</u>	<u>38,691,745</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.

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STATEMENT OF NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

For the financial year ended 31 December 2022

	Sector Healthcare Value Fund USD	Sector Capital Funds Plc USD
Net Assets attributable to holders of Redeemable Participating Shares at beginning of the financial year	480,884,750	480,884,750
Capital transactions:		
Issue of Redeemable Participating Shares	160,584,846	160,584,846
Redemption of Redeemable Participating Shares	(86,346,965)	(86,346,965)
Equalisation applied	(592,218)	(592,218)
Net increase in net assets resulting from capital transactions of Redeemable Participating Shares	73,645,663	73,645,663
Net decrease in net assets attributable to holders of Redeemable Participating Shares resulting from operations	(21,017,066)	(21,017,066)
Net Assets attributable to holders of Redeemable Participating Shares at end of the financial year	533,513,347	533,513,347

The accompanying notes form an integral part of the financial statements

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STATEMENT OF NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES (Continued)

For the financial year ended 31 December 2021

	Harvest Equity Kernel USD	Sector Healthcare Value Fund USD	Sector Capital Funds Plc USD
Net Assets attributable to holders of Redeemable Participating Shares at beginning of the financial year	124,692,469	367,309,862	492,002,331
Capital transactions:			
Issue of Redeemable Participating Shares	629,011	150,653,709	151,282,720
Redemption of Redeemable Participating Shares	(129,128,663)	(72,066,426)	(201,195,089)
Equalisation applied	–	103,043	103,043
Net (decrease)/increase in net assets resulting from capital transactions of Redeemable Participating Shares	(128,499,652)	78,690,326	(49,809,326)
Net increase in net assets attributable to holders of Redeemable Participating Shares resulting from operations	3,807,183	34,884,562	38,691,745
Net Assets attributable to holders of Redeemable Participating Shares at end of the financial year	–	480,884,750	480,884,750

The accompanying notes form an integral part of the financial statements

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SCHEDULE OF INVESTMENTS

As at 31 December 2022

Sector Healthcare Value Fund

<i>Investment</i>	<i>Units/Contracts</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>			
Equities			
<u>Belgium</u>			
UCB S.A.	193,111	2.84%	15,160,548
Total Belgium		2.84%	15,160,548
<u>Denmark</u>			
H Lundbeck A/S	1,312,784	0.92%	4,907,974
Total Denmark		0.92%	4,907,974
<u>France</u>			
BioMerieux	73,019	1.43%	7,630,859
Sanofi	343,972	6.18%	32,980,634
Total France		7.61%	40,611,493
<u>Germany</u>			
BioNTech SE	14,982	0.42%	2,250,596
Evonik Industries AG	130,250	0.47%	2,493,132
Merck KGaA	32,000	1.16%	6,178,097
Total Germany		2.05%	10,921,825
<u>Ireland</u>			
Medtronic Plc	203,967	2.97%	15,852,315
Total Ireland		2.97%	15,852,315
<u>Japan</u>			
Eisai Co. Ltd.	145,053	1.79%	9,568,694
Kyowa Hakko Kogyo Co. Ltd.	117,626	0.51%	2,692,262
Otsuka Holdings Co. Ltd.	377,383	2.31%	12,312,962
Terumo Corp.	132,085	0.70%	3,749,975
Total Japan		5.31%	28,323,893
<u>Netherlands</u>			
Qiagen NV	170,004	1.59%	8,478,100
Total Netherlands		1.59%	8,478,100
<u>Sweden</u>			
Elektro AB	688,408	0.78%	4,149,146
Total Sweden		0.78%	4,149,146
<u>Switzerland</u>			
Alcon, Inc.	137,312	1.76%	9,376,753
Novartis AG	168,916	2.86%	15,261,228
Roche Holding AG	48,976	2.88%	15,377,787
Total Switzerland		7.50%	40,015,768
<u>United Kingdom</u>			
GSK PLC	2,342,258	7.59%	40,504,411
Smith & Nephew Plc	587,417	1.47%	7,839,770
Total United Kingdom		9.06%	48,344,181
<u>United States</u>			
Acadia Pharmaceuticals, Inc.	117,374	0.35%	1,868,594
Anthem, Inc.	35,602	3.42%	18,262,758
Baxter International, Inc.	162,025	1.55%	8,258,414
Biogen, Inc.	51,987	2.70%	14,396,240
BioMarin Pharmaceutical, Inc.	116,032	2.25%	12,008,152
Bio-Rad Laboratories, Inc.	11,741	0.93%	4,936,973
Boston Scientific Corp.	224,225	1.95%	10,374,891
Bristol-Myers Squibb Co.	285,755	3.85%	20,560,072
Bruker Corp.	142,392	1.82%	9,732,493
Cardinal Health, Inc.	251,309	3.62%	19,318,123
Catalent, Inc.	34,598	0.29%	1,557,256
Centene Corp.	146,069	2.25%	11,979,119

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SCHEDULE OF INVESTMENTS (Continued)

As at 31 December 2022

Sector Healthcare Value Fund

<i>Investment</i>	<i>Units/Contracts</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>Equities (continued)</u>			
<u>United States (continued)</u>			
Cigna Corp.	22,252	1.38%	7,372,978
CVS Health Corp.	43,443	0.76%	4,048,453
Edwards Lifesciences Corp.	128,382	1.80%	9,578,581
Gilead Sciences, Inc.	440,232	7.08%	37,793,917
Illumina, Inc.	36,575	1.39%	7,395,465
Incyte Corp. Ltd.	295,909	4.46%	23,767,411
Ionis Pharmaceuticals, Inc.	104,957	0.74%	3,964,226
Laboratory Corporations of America Holdings	54,770	2.42%	12,897,239
Merck & Co., Inc.	155,522	3.23%	17,255,166
NuVasive, Inc.	131,099	1.01%	5,406,523
PTC Therapeutics, Inc.	55,839	0.40%	2,131,375
Seagen, Inc.	78,586	1.89%	10,099,087
Tenet Healthcare Corp.	141,864	1.30%	6,921,544
Ultragenyx Pharmaceutical, Inc.	27,728	0.24%	1,284,638
Vir Biotechnology, Inc.	60,904	0.29%	1,541,480
Zimmer Biomet Holdings, Inc.	115,962	2.77%	14,785,155
Total United States		56.14%	299,496,323
Total Equities		96.77%	516,261,566
<u>Money Market Funds</u>			
Goldman Sachs US\$ Treasury Liquid Reserves Fund	19,265,773	3.61%	19,265,773
Total Money Market Funds		3.61%	19,265,773
Net unrealised gain on forward foreign currency contracts (Note 7)		0.53%	2,788,814
Total Financial Assets at Fair Value through profit or loss		100.91%	538,316,153
<u>Financial Liabilities at Fair Value through profit or loss</u>			
Net unrealised loss on forward foreign currency contracts (Note 7)		(0.15)%	(744,646)
Total Financial Liabilities at Fair Value through profit or loss		(0.15)%	(744,646)
Total Investments at Fair Value		100.76%	537,571,507
Cash at bank and brokers		(0.24)%	(1,283,950)
Liabilities in excess of other assets		(0.52)%	(2,774,210)
Total Net Assets		100.00%	533,513,347

ALL SECURITIES ARE TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL EXCHANGE LISTING OR TRADED ON A REGULATED MARKET EXCEPT FOR FORWARD FOREIGN CURRENCY CONTRACTS AND CONTRACTS-FOR-DIFFERENCE 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	99.31%
Financial derivative instruments	0.38%
Other assets	0.31%
Total Assets	100.00%

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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 with registered number 489443 and is governed by the Companies Acts 2014 as an open-ended umbrella investment company with variable capital and with segregated liability between sub-funds on 27 September 2010. 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, 2019 (the “Regulations”).

The State of the origin of the Company is Ireland. In Switzerland, this document may only be provided to qualified investors within the meaning of art. 10 para. 3 and 3ter CISA. In Switzerland, the representative is Acolin Fund Services AG, Leutschenbachstrasse 50, 8050 Zurich, Switzerland, whilst the paying agent is Banque Héritage SA, Route de Chêne 61, CH-1208 Geneva, Switzerland. The basic documents of the Company as well as the annual and, if applicable, semi-annual report may be obtained free of charge from the representative. Past performance is no indication of current or future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares.

As at 31 December 2022, the Company has one fund in existence (31 December 2022: two), Sector Healthcare Value Fund. Harvest Equity Kernel ceased trading effective 15 January 2021. Effective 19 October 2022, Harvest Equity Kernel authorisation was revoked by the Central Bank, following the application that was made to the Central Bank of Ireland on 3 June 2022.

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 2022, fourteen classes are subscribed to in the Fund (31 December 2021: fourteen), Class A EUR Shares, Class A NOK Shares, Class A USD Shares, Class B EUR Shares, Class B NOK Shares, Class B SEK Shares, Class B USD Shares, Class X USD Shares, Class X EUR Shares, Class Y EUR Shares, Class Y GBP Shares, Class Y USD Shares, Class E NOK and Class E USD.

Harvest Equity Kernel commenced trading on 19 March 2014. The base currency of Harvest Equity Kernel was USD. Effective 2 January 2020, the Fund changed its name from Sector Global Equity Kernel to Harvest Equity Kernel.

Investment Objective

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 Harvest Equity Kernel was to maximise 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 was no guarantee that the investment objective of the Fund would be achieved.

2. Summary of Significant Accounting Policies

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

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 in paragraph 7.1A of FRS 102.

The preparation of financial statements in accordance with FRS 102 requires Directors to make judgements, 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)

The financial statements of the Company have been prepared on a going concern basis. The Company is able to meet all of its liabilities from its assets. The performance, marketability and risks of the Company are reviewed on a regular basis throughout the financial year. Therefore, the Directors believe that the Company will continue in operational existence for the foreseeable future and is financially sound. The Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements of the Company.

(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 arm's 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) 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 Harvest Equity Kernel was the United States Dollar ("USD"), due to the fact that the majority of the Fund's assets were denominated 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. 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.

(d) 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 2022 and 31 December 2021, no offsetting has been presented in the Balance Sheet.

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

2. Summary of Significant Accounting Policies (Continued)

(e) 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.

(f) Expenses

Operating expenses are accounted for on an accruals basis.

(g) 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.

(h) 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 holders of Redeemable Participating Shares” and are determined based on the residual assets of the Fund after deducting the Fund’s other liabilities.

(i) 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.

(j) Taxation

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

(k) 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 financial year ended 31 December 2022, Sector Healthcare Value Fund incurred transaction costs of USD336,158 (31 December 2021: USD267,541) and Harvest Equity Kernel incurred transaction costs of USDNil (31 December 2021: USD86,854).

(l) Cash

Cash at bank and brokers represents, cash and cash equivalents, with original maturities of three months or less held with the Depositary and brokers.

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.

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

4. Taxation (Continued)

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.

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 2022 and 31 December 2021:

Currency	31 December 2022	31 December 2021
British Pound	0.8313	0.7383
Danish Krone	6.9679	6.5403
Euro	0.9370	0.8794
Hungarian Forint	375.2345	324.1491
Japanese Yen	131.9435	115.1543
Norwegian Krone	9.8510	8.8183
Swedish Krona	10.4195	9.0539
Swiss Franc	0.9252	0.9112

6. Cash

As at 31 December 2022 and 31 December 2021 all cash balances (including overdrafts) are held with The Bank of New York Mellon SA/NV, Dublin Branch (the “Depositary”), DNB and Goldman Sachs.

31 December 2022	Sector Healthcare Value Fund USD
BNY Mellon	(1,283,950)
	(1,283,950)
31 December 2021	Sector Healthcare Value Fund USD
BNY Mellon	454,076
	454,076

Any overdrafts noted above are temporary in nature as they relate to timing differences only.

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), corporate bonds and government debt obligations that shall be listed or traded on any market.

The main risks arising from the Company’s financial instruments are market price, liquidity, interest rate, 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 (“soft limits”) in addition to the investment restrictions found in the Prospectus and related supplements, in cooperation with the respective Investment Manager, 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, the CCO 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.

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

7. Financial Instruments and Associated Risks (Continued)

(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.

Value-at-Risk

Value-at-Risk (VaR) represents the potential loss one might suffer given a defined confidence interval and time horizon. The measure is one of the main risk measures for the Company under normal market conditions.

One of the key metrics used by the Sector Group to measure market risk is VAR which encompasses currency, interest rate and price risk.

The main risk management tool for VaR calculations was Bloomberg. For all Funds, 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.

For the financial year ended 31 December 2022

	Period end VaR	Gross Exposure*	Net Exposure**	lowest VaR	highest VaR	average VaR
Sector Healthcare Value Fund	1.88%	96.7%	96.7%	1.51%	1.95%	1.75%

For the financial year ended 31 December 2021

	Period end VaR	Gross Exposure*	Net Exposure**	lowest VaR	highest VaR	average VaR
Sector Healthcare Value Fund	1.54%	97.4%	97.4%	1.52%	2.29%	1.83%

* 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 financial year ended 31 December 2022 and 31 December 2021 the Funds have not invested in interest bearing assets, other than cash amounts. As at 31 December 2022 and 31 December 2021, the Funds do not have any significant fair value interest rate risk exposure.

Tables outlining the currency and interest exposure as at 31 December 2022 and 31 December 2021 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 reducing the collateral held by counterparties leading to margin calls, if applicable. 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 the possibility to take positions in small cap equities, the ability of a Fund to realise assets within a short period 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 financial year ended 31 December 2022 and 31 December 2021, the Funds held very liquid assets and liquidity was monitored daily by the Investment Manager.

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

7. Financial Instruments and Associated Risks (Continued)

(c) Liquidity risk (Continued)

The reports below are snapshots of the estimated liquidity of the Funds as at 31 December 2022 and 31 December 2021:

31 December 2022		31 December 2021	
Sector Healthcare Value Fund		Sector Healthcare Value Fund	
Description	Cumulative	Description	Cumulative
< 1 day	92.9%	< 1 day	94.9%
1-2 days	98.4%	1-2 days	98.7%
3-5 days	100.0%	3-5 days	100%

(d) Foreign currency risk

Foreign currency risk is in reality a sub-group of market risk, but with its own idiosyncrasies, both with respect to a Fund's 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.

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.

Currency exposure for investor classes

The shares of the Company are denominated in United States Dollar (USD), Euro (EUR), Norwegian Krone (NOK), British Pound (GBP) 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, GBP 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, GBP 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 2022 and 31 December 2021 are as follows:

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	USD
CHF	183	–	–	40,015,768	–	–	40,015,951
DKK	103	–	–	4,907,974	–	–	4,908,077
EUR	23,969	1,013,551	–	64,443,270	–	–	65,480,790
GBP	20,922	–	–	48,344,181	–	349,168	48,714,271
JPY	(90)	–	–	28,323,893	–	(270,776)	28,053,027
NOK	(1,365)	1,026,670	–	–	–	–	1,025,305
SEK	722	3,947	–	4,149,146	–	–	4,153,815
USD	(1,328,394)	–	–	345,343,107	–	(2,852,602)	341,162,111
Total	(1,283,950)	2,044,168	–	535,527,339	–	(2,774,210)	533,513,347

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Financial Instruments and Associated Risks (Continued)

(d) Foreign currency risk (Continued)

Sector	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
Healthcare Value Fund							
Currency	USD	USD	USD	USD	USD	USD	USD
CHF	(915)	—	—	21,022,232	—	—	21,021,317
DKK	110	—	—	8,716,922	—	—	8,717,032
EUR	29,893	252,718	—	55,571,486	—	—	55,854,097
GBP	22,690	—	—	51,048,966	—	482,932	51,554,588
JPY	50	—	—	17,270,903	—	78,718	17,349,671
NOK	33,853	3,531,576	—	—	—	—	3,565,429
SEK	4,796	21,534	—	—	—	—	26,330
USD	363,599	—	—	325,053,820	—	(2,621,133)	322,796,286
Total	454,076	3,805,828	—	478,684,329	—	(2,059,483)	480,884,750

As at 31 December 2022 the following forward foreign currency contracts were held by Sector Healthcare Value Fund.

Sector Healthcare Value Fund						
Maturity Date	Counterparty	Sale Currency	Amount	Purchase Currency	Amount	Unrealised gain/(loss) USD
02 January 2023	BNY Mellon	USD	(6,084,961)	EUR	5,701,266	13,842
02 January 2023	BNY Mellon	USD	(416,141)	EUR	389,901	947
02 January 2023	BNY Mellon	USD	(35,625,852)	EUR	33,379,417	81,040
03 January 2023	BNY Mellon	EUR	(176,934)	USD	188,310	(577)
03 January 2023	BNY Mellon	EUR	(11,863)	USD	12,626	(38)
03 January 2023	BNY Mellon	EUR	(1,007,844)	USD	1,072,644	(3,284)
03 January 2023	BNY Mellon	EUR	(5,701,266)	USD	6,072,418	(13,989)
03 January 2023	BNY Mellon	EUR	(389,901)	USD	415,284	(956)
03 January 2023	BNY Mellon	EUR	(33,379,417)	USD	35,552,417	(81,901)
03 January 2023	BNY Mellon	USD	(5,952,678)	EUR	5,713,801	147,111
03 January 2023	BNY Mellon	USD	(406,892)	EUR	390,564	10,056
03 January 2023	BNY Mellon	USD	(34,795,360)	EUR	33,399,046	859,913
03 January 2023	BNY Mellon	USD	(175,309)	EUR	164,399	196
03 January 2023	BNY Mellon	USD	(11,943)	EUR	11,200	14
03 January 2023	BNY Mellon	USD	(1,053,794)	EUR	988,215	1,178
02 January 2023	BNY Mellon	USD	(24,949,761)	NOK	246,640,865	122,138
02 January 2023	BNY Mellon	USD	(72,035,699)	NOK	712,108,900	352,639
02 January 2023	BNY Mellon	USD	(21,290)	NOK	210,237	81
02 January 2023	BNY Mellon	USD	(4,291)	NOK	42,376	17
02 January 2023	BNY Mellon	USD	(13,556,038)	NOK	134,008,209	66,361
02 January 2023	BNY Mellon	USD	(14,282)	NOK	140,594	10
03 January 2023	BNY Mellon	NOK	(637,202)	USD	65,442	747
03 January 2023	BNY Mellon	NOK	(2,038,903)	USD	209,097	2,087
03 January 2023	BNY Mellon	NOK	(133,938)	USD	13,626	27
03 January 2023	BNY Mellon	NOK	(248,464)	USD	25,181	(46)
03 January 2023	BNY Mellon	NOK	(7,547,195)	USD	764,036	(2,230)
03 January 2023	BNY Mellon	NOK	(21,438,266)	USD	2,170,291	(6,335)
03 January 2023	BNY Mellon	NOK	(4,159,134)	USD	421,048	(1,229)
03 January 2023	BNY Mellon	NOK	(246,640,865)	USD	24,918,253	(123,180)
03 January 2023	BNY Mellon	NOK	(712,108,900)	USD	71,944,726	(355,650)
03 January 2023	BNY Mellon	NOK	(134,008,209)	USD	13,538,918	(66,928)
03 January 2023	BNY Mellon	NOK	(92,239)	USD	9,285	(80)
03 January 2023	BNY Mellon	NOK	(28,931,821)	USD	2,903,190	(34,256)
03 January 2023	BNY Mellon	NOK	(5,647,898)	USD	566,761	(6,670)
03 January 2023	BNY Mellon	NOK	(214,485)	USD	21,515	(262)
03 January 2023	BNY Mellon	NOK	(76,405)	USD	7,656	(101)
03 January 2023	BNY Mellon	USD	(24,822,593)	NOK	246,889,726	244,107
03 January 2023	BNY Mellon	USD	(74,268,379)	NOK	738,685,928	730,361
03 January 2023	BNY Mellon	USD	(10,572,975)	NOK	105,160,607	103,975
03 January 2023	BNY Mellon	USD	(555,495)	NOK	5,533,318	6,302
03 January 2023	BNY Mellon	USD	(2,872,954)	NOK	28,630,501	33,899
03 January 2023	BNY Mellon	USD	(4,067)	NOK	39,604	(46)
03 January 2023	BNY Mellon	USD	(61,334)	NOK	605,073	99
03 January 2023	BNY Mellon	USD	(8,782)	NOK	86,634	14
03 January 2023	BNY Mellon	USD	(11,867)	NOK	118,592	174
03 January 2023	BNY Mellon	USD	(743,044)	NOK	7,228,334	(9,152)
03 January 2023	BNY Mellon	USD	(2,190,868)	NOK	21,312,761	(26,985)
03 January 2023	BNY Mellon	USD	(426,603)	NOK	4,149,998	(5,254)

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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 (continued)

Maturity Date	Counterparty	Sale Currency	Amount	Purchase Currency	Amount	Unrealised gain/(loss) USD
03 January 2023	BNY Mellon	USD	(10,840)	NOK	107,376	62
03 January 2023	BNY Mellon	USD	(6,478)	NOK	64,356	56
03 January 2023	BNY Mellon	USD	(7,082)	NOK	70,000	25
03 January 2023	BNY Mellon	USD	(437,628)	NOK	4,325,896	1,580
03 January 2023	BNY Mellon	USD	(3,311)	NOK	32,673	6
03 January 2023	BNY Mellon	USD	(88,999)	NOK	879,577	304
03 January 2023	BNY Mellon	USD	(301)	NOK	2,970	1
02 January 2023	BNY Mellon	USD	(916,599)	SEK	9,582,488	4,871
03 January 2023	BNY Mellon	SEK	(12,139)	USD	1,175	10
03 January 2023	BNY Mellon	SEK	(5,075)	USD	491	4
03 January 2023	BNY Mellon	SEK	(40,826)	USD	3,950	31
03 January 2023	BNY Mellon	SEK	(293,090)	USD	28,262	126
03 January 2023	BNY Mellon	SEK	(126,831)	USD	12,220	45
03 January 2023	BNY Mellon	SEK	(57,096)	USD	5,486	5
03 January 2023	BNY Mellon	SEK	(9,582,488)	USD	914,979	(4,912)
03 January 2023	BNY Mellon	USD	(941,310)	SEK	9,850,955	4,353
03 January 2023	BNY Mellon	USD	(26,177)	SEK	266,590	(585)
Total unrealised gain on forward foreign currency contracts						2,044,168

As at 31 December 2021 the following forward foreign currency contracts were held by the Funds:

Sector Healthcare Value Fund

Maturity Date	Counterparty	Sale Currency	Amount	Purchase Currency	Amount	Unrealised gain/(loss) USD
02 January 2022	BNY Mellon	SEK	(650,809)	USD	71,917	17
02 January 2022	BNY Mellon	USD	(7,730,892)	EUR	6,833,195	44,769
02 January 2022	BNY Mellon	USD	(460,355)	EUR	406,899	2,665
02 January 2022	BNY Mellon	USD	(38,823,877)	EUR	34,315,718	224,826
02 January 2022	BNY Mellon	USD	(27,496,525)	NOK	242,939,800	37,051
02 January 2022	BNY Mellon	USD	(91,049,996)	NOK	804,453,214	122,689
02 January 2022	BNY Mellon	USD	(3,689,387)	NOK	32,596,808	4,971
02 January 2022	BNY Mellon	USD	(179,977)	NOK	1,585,093	(331)
02 January 2022	BNY Mellon	USD	(11,519)	NOK	101,541	(11)
02 January 2022	BNY Mellon	USD	(3,000,732)	SEK	27,171,947	1,188
01 March 2022	BNY Mellon	EUR	(265,955)	USD	300,766	(1,696)
01 March 2022	BNY Mellon	EUR	(11,877)	USD	13,432	(75)
01 March 2022	BNY Mellon	EUR	(1,152,095)	USD	1,302,892	(7,347)
01 March 2022	BNY Mellon	EUR	(6,833,195)	USD	7,725,542	(45,621)
01 March 2022	BNY Mellon	EUR	(406,899)	USD	460,036	(2,716)
01 March 2022	BNY Mellon	EUR	(34,315,718)	USD	38,797,008	(229,106)
01 March 2022	BNY Mellon	EUR	(1,763,076)	USD	1,988,926	(16,161)
01 March 2022	BNY Mellon	NOK	(242,939,800)	USD	27,508,328	(39,611)
01 March 2022	BNY Mellon	NOK	(804,453,214)	USD	91,089,080	(131,166)
01 March 2022	BNY Mellon	NOK	(32,596,808)	USD	3,690,971	(5,315)
01 March 2022	BNY Mellon	NOK	(43,335)	USD	4,827	(87)
01 March 2022	BNY Mellon	NOK	(667,195)	USD	74,244	(1,412)
01 March 2022	BNY Mellon	NOK	(158,439)	USD	17,595	(371)
01 March 2022	BNY Mellon	NOK	(80,401)	USD	8,898	(219)
01 March 2022	BNY Mellon	NOK	(1,330,264)	USD	146,654	(4,190)
01 March 2022	BNY Mellon	NOK	(6,933,968)	USD	762,922	(23,349)
01 March 2022	BNY Mellon	NOK	(27,155,457)	USD	2,987,826	(91,443)
01 March 2022	BNY Mellon	NOK	(1,113,559)	USD	122,521	(3,750)
01 March 2022	BNY Mellon	NOK	(186,173)	USD	20,467	(644)
01 March 2022	BNY Mellon	NOK	(1,717,218)	USD	188,591	(6,131)
01 March 2022	BNY Mellon	NOK	(129,541)	USD	14,219	(470)
01 March 2022	BNY Mellon	NOK	(1,169,012)	USD	128,110	(4,449)
01 March 2022	BNY Mellon	NOK	(517,917)	USD	56,407	(2,322)
01 March 2022	BNY Mellon	SEK	(666,787)	USD	73,757	108
01 March 2022	BNY Mellon	SEK	(27,171,947)	USD	2,999,818	(1,410)
01 March 2022	BNY Mellon	SEK	(853,087)	USD	93,870	(356)
01 March 2022	BNY Mellon	SEK	(166,173)	USD	18,270	(84)
01 March 2022	BNY Mellon	SEK	(52,281)	USD	5,746	(29)

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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 (continued)

Maturity Date	Counterparty	Sale Currency	Amount	Purchase Currency	Amount	Unrealised gain/(loss) USD
01 March 2022	BNY Mellon	SEK	(386,396)	USD	42,398	(281)
01 March 2022	BNY Mellon	SEK	(1,182,198)	USD	129,629	(948)
01 March 2022	BNY Mellon	SEK	(2,815,405)	USD	308,294	(2,676)
01 March 2022	BNY Mellon	SEK	(488,908)	USD	53,464	(537)
01 March 2022	BNY Mellon	SEK	(981,662)	USD	107,174	(1,254)
01 March 2022	BNY Mellon	USD	(9,774,582)	EUR	8,643,273	55,122
01 March 2022	BNY Mellon	USD	(461,973)	EUR	408,504	2,605
01 March 2022	BNY Mellon	USD	(39,095,509)	EUR	34,570,598	220,471
01 March 2022	BNY Mellon	USD	(248,039)	EUR	218,953	969
01 March 2022	BNY Mellon	USD	(11,637)	EUR	10,272	45
01 March 2022	BNY Mellon	USD	(1,016,404)	EUR	897,215	3,968
01 March 2022	BNY Mellon	USD	(26,876,866)	NOK	244,275,769	822,564
01 March 2022	BNY Mellon	USD	(87,086,906)	NOK	791,506,762	2,665,289
01 March 2022	BNY Mellon	USD	(3,613,125)	NOK	32,838,611	110,580
01 March 2022	BNY Mellon	USD	(2,310,376)	NOK	20,904,026	60,017
01 March 2022	BNY Mellon	USD	(2,945)	NOK	26,593	71
01 March 2022	BNY Mellon	USD	(115,308)	NOK	1,052,187	4,004
01 March 2022	BNY Mellon	USD	(47,528)	NOK	422,668	400
01 March 2022	BNY Mellon	USD	(20,526)	NOK	186,116	578
01 March 2022	BNY Mellon	USD	(98,781)	NOK	878,148	796
01 March 2022	BNY Mellon	USD	(23,269)	NOK	205,537	38
01 March 2022	BNY Mellon	USD	(763,171)	NOK	6,767,011	4,168
01 March 2022	BNY Mellon	USD	(2,397,338)	NOK	21,257,117	13,094
01 March 2022	BNY Mellon	USD	(98,315)	NOK	871,756	537
01 March 2022	BNY Mellon	USD	(3,731,115)	SEK	34,027,301	27,308
01 March 2022	BNY Mellon	USD	(80,976)	SEK	737,543	488
Total unrealised gain on forward foreign currency contracts						3,805,828

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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, resulting in a financial loss to 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 made payment. Payment is made on a purchase once the securities have been delivered by the broker. The trade will fail if either party fails to meet its obligation.

Management of credit risk

The Investment Manager is complying with the Central Bank UCITS Regulations in terms of investment restrictions and otherwise with the investment policy of the Sub-Funds.

Exposure to credit risk

The Sub-Fund's maximum credit risk exposure at the Balance Sheet date is represented by the respective carrying amounts of the financial assets in the Balance Sheet with the exception of derivatives whose maximum credit risk exposure is notional exposure.

Derivative financial instruments

The Funds may also invest in financial derivative instruments for investment purposes and for efficient portfolio management ("EPM"), including (but not limited to) futures, forwards, options, contracts for difference and warrants.

All cleared derivative positions entered into on behalf of the Funds are cleared via Goldman Sachs as appointed Futures Commission Merchant ("FCMs"). Bilateral (non-cleared) derivatives face BNY as OTC credit counterparty.

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 Manager 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 relevant Standard and Poor's ratings are as follows:

	31 December 2022	31 December 2021
The Bank of New York Mellon SA/NV	AA-	AA-

(f) Fair value estimation

The Company used the following fair value hierarchy levels in categorising 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Financial Instruments and Associated Risks (Continued)

(f) Fair value estimation (Continued)

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 financial year ended 31 December 2022 or 31 December 2021. 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 period.

The fair values of investments valued under Levels 1 to 3 for Sector Healthcare Value Fund as at 31 December 2022 are as follows.

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	516,261,566	—	—	516,261,566
Derivative instruments	—	2,788,814	—	2,788,814
Money market instrument	19,265,773	—	—	19,265,773
Financial liabilities at fair value through profit or loss				
Derivative instruments	—	(744,646)	—	(744,646)
Total	535,527,339	2,044,168	—	537,571,507

The categories of investments above comprise:

- Equity securities (which includes equities and money market funds).
- Derivative instruments (forward foreign currency contracts).

The fair values of investments valued under Levels 1 to 3 as at 31 December 2021 are as follows:

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	468,479,092	—	—	468,479,092
Derivative instruments	—	4,431,396	—	4,431,396
Money market instrument	10,205,237	—	—	10,205,237
Financial liabilities at fair value through profit or loss				
Derivative instruments	—	(625,568)	—	(625,568)
Total	478,684,329	3,805,828	—	482,490,157

The categories of investments above comprise:

- Equity securities (which includes equities and money market funds).
- Derivative instruments (forward foreign currency contracts).

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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 Prieren AS.

Harvest Equity Kernel may have issued Class A EUR Shares, Class A USD Shares, Class A NOK Shares Hedged, Shares, Class A NOK Unhedged Shares and Class A SEK Shares (the “Class A Shares”), Class B Shares, which are comprised of Class B EUR Shares, Class B USD Shares, Class B NOK Hedged Shares, Class B NOK Unhedged Shares and Class B SEK (the “Class B Shares”), Class C EUR Shares, Class C USD Shares, Class C NOK Shares and Class C SEK Shares (the “Class C Shares”), Class P USD Shares, Class P NOK Hedged Shares and Class P NOK Unhedged Shares (“the Class P Shares”) and Class O NOK Shares.

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Share Capital (Continued)

The following are the share class transactions for the financial year ended 31 December 2022 were as follows:

	Sector Healthcare Value Fund
Class A EUR	
Shares in issue at beginning of year	19,729
Number of shares issued	7,499
Number of shares redeemed	(10,219)
Number in issue at end of year	<u>17,009</u>
Class A NOK	
Shares in issue at beginning of year	78,290
Number of shares issued	3,256
Number of shares redeemed	(224)
Number in issue at end of year	<u>81,322</u>
Class A USD	
Shares in issue at beginning of year	55,831
Number of shares issued	9,563
Number of shares redeemed	(32,502)
Number in issue at end of year	<u>32,892</u>
Class B EUR	
Shares in issue at beginning of year	2,840
Number of shares issued	—
Number of shares redeemed	—
Number in issue at end of year	<u>2,840</u>
Class B NOK	
Shares in issue at beginning of year	485,271
Number of shares issued	68,810
Number of shares redeemed	(109,985)
Number in issue at end of year	<u>444,096</u>
Class B SEK	
Shares in issue at beginning of year	16,855
Number of shares issued	493
Number of shares redeemed	(10,987)
Number in issue at end of year	<u>6,361</u>
Class B USD	
Shares in issue at beginning of year	283,700
Number of shares issued	300,020
Number of shares redeemed	(146,715)
Number in issue at end of year	<u>437,005</u>
Class X EUR	
Shares in issue at beginning of year	309,159
Number of shares issued	—
Number of shares redeemed	—
Number in issue at end of year	<u>309,159</u>
Class X USD	
Shares in issue at beginning of year	268,132
Number of shares issued	24,954
Number of shares redeemed	(57,266)
Number in issue at end of year	<u>235,820</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Share Capital (Continued)

**Sector Healthcare
Value Fund**

Class E NOK

Shares in issue at beginning of year	306,725
Number of shares issued	1,014,403
Number of shares redeemed	(22,924)
Number in issue at end of year	1,298,204

Class E USD

Shares in issue at beginning of year	73,494
Number of shares issued	50,434
Number of shares redeemed	(7,179)
Number in issue at end of year	116,749

Class Y EUR

Shares in issue at beginning of year	38,054
Number of shares issued	1,284
Number of shares redeemed	(6,118)
Number in issue at end of year	33,220

Class Y GBP

Shares in issue at beginning of year	657,122
Number of shares issued	366,391
Number of shares redeemed	(25,462)
Number in issue at end of year	998,051

Class Y USD

Shares in issue at beginning of year	506,802
Number of shares issued	123,618
Number of shares redeemed	(66,625)
Number in issue at end of year	563,795

The following are the share class transactions for the financial year ended 31 December 2021 were as follows:

**Harvest Equity Sector Healthcare
Kernel Value Fund**

Class A EUR

Shares in issue at beginning of year	—	11,959
Number of shares issued	—	13,541
Number of shares redeemed	—	(5,771)
Number in issue at end of year	—	19,729

Class A NOK

Shares in issue at beginning of year	104,603	77,368
Number of shares issued	1,888	4,906
Number of shares redeemed	(106,491)	(3,984)
Number in issue at end of year	—	78,290

Class A USD

Shares in issue at beginning of year	164	65,122
Number of shares issued	—	16,672
Number of shares redeemed	(164)	(25,963)
Number in issue at end of year	—	55,831

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Share Capital (Continued)

	Harvest Equity Sector Healthcare	
	Kernel	Value Fund
Class B EUR		
Shares in issue at beginning of year	—	2,107
Number of shares issued	—	2,090
Number of shares redeemed	—	(1,357)
Number in issue at end of year	—	2,840
Class B NOK		
Shares in issue at beginning of year	—	490,694
Number of shares issued	—	102,941
Number of shares redeemed	—	(108,364)
Number in issue at end of year	—	485,271
Class B SEK		
Shares in issue at beginning of year	—	16,371
Number of shares issued	—	9,888
Number of shares redeemed	—	(9,404)
Number in issue at end of year	—	16,855
Class B USD		
Shares in issue at beginning of year	—	187,407
Number of shares issued	—	238,381
Number of shares redeemed	—	(142,088)
Number in issue at end of year	—	283,700
Class P NOK		
Shares in issue at beginning of year	640,165	—
Number of shares issued	—	—
Number of shares redeemed	(640,165)	—
Number in issue at end of year	—	—
Class P NOK Unhedged		
Shares in issue at beginning of year	227,923	—
Number of shares issued	2,505	—
Number of shares redeemed	(230,428)	—
Number in issue at end of year	—	—
Class P USD		
Shares in issue at beginning of year	327	—
Number of shares issued	—	—
Number of shares redeemed	(327)	—
Number in issue at end of year	—	—
Class X EUR		
Shares in issue at beginning of year	—	309,159
Number of shares issued	—	—
Number of shares redeemed	—	—
Number in issue at end of year	—	309,159
Class X USD		
Shares in issue at beginning of year	—	176,532
Number of shares issued	—	99,914
Number of shares redeemed	—	(8,314)
Number in issue at end of year	—	268,132

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Share Capital (Continued)

	Harvest Equity Sector Healthcare	
	Kernel	Value Fund
Class E NOK		
Shares in issue at beginning of year	—	—
Number of shares issued	—	312,914
Number of shares redeemed	—	(6,189)
Number in issue at end of year	<u>—</u>	<u>306,725</u>
Class E USD		
Shares in issue at beginning of year	—	—
Number of shares issued	—	73,494
Number of shares redeemed	—	—
Number in issue at end of year	<u>—</u>	<u>73,494</u>
Class Y EUR		
Shares in issue at beginning of year	—	39,316
Number of shares issued	—	1,509
Number of shares redeemed	—	(2,771)
Number in issue at end of year	<u>—</u>	<u>38,054</u>
Class Y GBP		
Shares in issue at beginning of year	—	479,279
Number of shares issued	—	181,881
Number of shares redeemed	—	(4,038)
Number in issue at end of year	<u>—</u>	<u>657,122</u>
Class Y USD		
Shares in issue at beginning of year	—	419,660
Number of shares issued	—	149,300
Number of shares redeemed	—	(62,158)
Number in issue at end of year	<u>—</u>	<u>506,802</u>

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

9. Investment Management Fees

The Company has appointed Sector Fund Services AS as the Investment Manager.

Harvest Equity Kernel and Sector Healthcare Value Fund pays the Investment Manager a management fee per annum of the Net Asset Value of each of the following classes:

Harvest Equity Kernel		Sector Healthcare Value Fund	
Class	Management Fee	Class	Management Fee
Class A Shares	Up to 1.50%	Class A Shares	Up to 1.0%
Class B Shares	Up to 0.75%	Class B Shares	Up to 2.0%
Class C Shares	Up to 0.50%	Class E Shares	Up to 1.0%
Class P Shares	Up to 0.50%	Class X Shares	Up to 0.50%
Class O Shares	Up to 3.00%	Class Y Shares	Up to 0.40%

The Investment Manager does not charge a fee in respect of the Class L NOK Shares.

The total management fees accrued for the financial year ended 31 December 2022 were USD4,689,054 (31 December 2021: USD4,570,216) and the net amount outstanding at 31 December 2022 was USD453,956 (31 December 2021: USD391,047).

10. Incentive Fees/Performance Fees

The Investment Manager is also entitled to receive an incentive fee/performance fee ("Incentive Fee" / "Performance Fee"), as calculated for each Fund as disclosed below. The Incentive Fee/Performance Fee will be verified by the Depositary.

Harvest Equity Kernel

The Fund, in respect of the Class C Shares and Class O Shares paid the Investment Manager an incentive fee (the "Incentive Fee") equal to 10% 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 B Shares, Class P Shares and Class L NOK Shares.

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Incentive Fees/Performance Fees (Continued)

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”). In respect of Class E Shares, 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 Index adjusted Prior High Net Asset Value (the “Incentive Fee”). In respect of Class X Shares and Class Y Shares, a fee equal to 15% of the amount by which the net asset value (before the deduction of any performance fee) of the relevant share exceeds the Index Net Asset Value (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. No Incentive Fee will be charged in respect of the Class B Shares.

The total performance fees accrued for the financial year ended 31 December 2022 were USD51,233 and the net amount outstanding was USD243,401. During the year ended 31 December 2021, there was a reversal of accrued Performance Fees which resulted in a net credit of USD102,056 to the profit and loss account with USD199,820 payable at the year end.

Equalisation Credit

The equalisation credit policy is applied to the calculation of the Incentive Fee payable for certain classes in each Fund (see the Fund's relevant Supplement for further details). 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. For the financial year ended 31 December 2022 an equalisation of USD592,218 (31 December 2021: equalisation of USD(103,043)) was applied by the Company.

11. Administration Fees and Depositary/Custodian Fees

The Company has appointed BNY Mellon Fund Services (Ireland) Designated Activity Company (“BNY Mellon”) to act as Administrator, registrar and transfer agent and The Bank of New York Mellon SA/NV, Dublin Branch to act as Depositary (the “Depositary”). BNY Mellon is entitled to a shareholding services fee of USD1,875 per share class per month together with agreed upon transaction charges. Up to 31 March 2022, the Administrator was also entitled to a financial reporting fee of up to USD5,000 per set of financial statements and other out of pocket expenses out of the assets of the Funds (plus VAT thereon if any). With effect from 1 April 2022, the Administrator is also entitled to a financial reporting fee of up to USD7,000 per set of annual financial statements and a financial reporting fee of USD2,000 per set of interim financial statements and other out of pocket expenses out of the assets of the Funds (plus VAT thereon if any). Up to 31 March 2022, BNY Mellon was 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. With effect from 1 April 2022, 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 and is illustrated in more detail in the table overleaf.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Administration Fees and Depositary/Custodian Fees (Continued)

Administration fees	
Nil - USD 250 Million	7.00 bps
USD250 Million - USD500 Million	5.75 bps
USD500 Million - USD750 Million	4.25 bps
USD750 Million - USD1 Billion	3.00 bps
USD1 Billion	2.00 bps
Minimum Fee	USD40,000

The Administration fee accrued for the financial year ended 31 December 2022 was USD550,183 (31 December 2021: USD491,171) and the amount outstanding at 31 December 2022 was USD425,459 (31 December 2021: USD91,600).

Up to 31 March 2022, the Depositary was entitled to an asset based fee of up to 0.02% per annum payable monthly together with sub-custodians' fees (which was charged at normal commercial rates) as well as agreed upon transaction charges (which was at normal commercial rates) and other out of pocket expenses (plus VAT thereon if any). With effect from 1 April 2022, the Depositary is entitled to an asset based fee 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) and as illustrated in the table below.

Depositary fees	
Nil - USD 200 Million	2.00 bps
USD200 Million+	1.50 bps
Minimum Fee	USD30,000

The Depositary fee accrued for the financial year ended 31 December 2022 was USD179,091 (31 December 2021: USD179,016) and the amount outstanding at 31 December 2022 was USD57,346 (31 December 2021: USD13,399).

12. Directors' Fees and Expenses

The Directors shall be 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 each Director's remuneration in any one year shall not exceed EUR18,000 (31 December 2021: EUR18,000) 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 may in addition to such remuneration as aforesaid grant special remuneration to any Director who, being called upon, shall perform any special or extra services to or at the request of the Company and such remuneration will be at normal commercial rates. The Directors' fees and expenses accrued for the financial year ended 31 December 2022 was USD35,313 (31 December 2021: USD38,188) and the amount outstanding at 31 December 2022 was USD9,233 (31 December 2021: USD11,759).

13. Auditors' Fees

Fees and expenses paid to the statutory auditors, Deloitte Ireland LLP, in respect of the financial year, entirely relate to the audit of the financial statements of the Company.

Audit fees charged for the financial year ended 31 December 2022 were EUR13,250 ex VAT (31 December 2021: EUR17,000). Tax compliance fees charged for the financial year ended 31 December 2022 were EUR8,600 ex VAT (31 December 2021: EUR8,600).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2019 (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 2022 and 31 December 2021, the Company has utilised forward foreign currency contracts. As at 31 December 2022, all derivatives are OTC derivatives. All open derivative positions are disclosed in the schedule of investments except for forward currency contracts which are disclosed in note 7 (d) above.

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

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

Depository 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 “Depository” and its “associated or group companies” to be “connected persons” to the Company. As such, The Bank of New York Mellon SA/NV, Dublin Branch, the Depository, and BNY Mellon Fund Services (Ireland) Designated Activity Company, the Administrator, are connected persons 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, depository/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.

31 December 2022

Key personnel	Role/Team	Fund/Class	Number of Shares held
Tellaviva AS/Lars Tell	Director/Manager	Sector Healthcare Value Fund, Class A NOK	348
ETHO AS/ Trond Horneland	Investment Manager	Sector Healthcare Value Fund, Class A NOK	22,040
Sector Gamma AS	Investment Manager	Sector Healthcare Value Fund, Class B SEK	118

31 December 2021

Key personnel	Role/Team	Fund/Class	Number of Shares held
Tellaviva AS/Lars Tell	Director/Manager	Sector Healthcare Value Fund, Class A NOK	326
ETHO AS/ Trond Horneland	Investment Manager	Sector Healthcare Value Fund, Class A NOK	22,040
Sector Gamma AS	Investment Manager	Sector Healthcare Value Fund, Class B SEK	118

As at 31 December 2022 and 31 December 2021, Sector Asset Management AS held 3 Class A EUR Shares, 2 Class A NOK Shares and 3 Class A USD Shares in Sector Healthcare Value Fund.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Fund's obligations against another Fund.

As at 31 December 2022 and 31 December 2021 there were no known contingent liabilities.

17. Soft Commission

There were no soft commissions for the financial year ended 31 December 2022 and 31 December 2021

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 2022 and at 31 December 2021 the Fund has received subscriptions in advance and these amounts are reflected on the Balance Sheet.

19. Comparative Year

The prior year comparatives are for the financial year 1 January 2021 to 31 December 2021.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

31 December 2022

Sector Healthcare Value Fund

USD

Total Net Asset Value

533,513,347

Shares outstanding

Class A EUR	17,009
Class A NOK	81,322
Class A USD	32,892
Class B EUR	2,840
Class B NOK	444,096
Class B SEK	6,361
Class B USD	437,005
Class X EUR	309,159
Class X USD	235,820
Class E NOK	1,298,204
Class E USD	116,749
Class Y EUR	33,220
Class Y GBP	998,051
Class Y USD	563,795

Net Asset Value per Share

Class A EUR	337.04
Class A NOK	3,049.87
Class A USD	518.75
Class B EUR	137.94
Class B NOK	1,612.07
Class B SEK	1,513.20
Class B USD	166.57
Class X EUR	108.53
Class X USD	179.46
Class E NOK	103.87
Class E USD	101.39
Class Y EUR	132.47
Class Y GBP	137.31
Class Y USD	115.56

31 December 2021

Sector Healthcare Value Fund

USD

Total Net Asset Value

480,884,750

Shares outstanding

Class A EUR	19,729
Class A NOK	78,290
Class A USD	55,831
Class B EUR	2,840
Class B NOK	485,271
Class B SEK	16,855
Class B USD	283,700
Class X EUR	309,159
Class X USD	268,132
Class E NOK	306,725
Class E USD	73,494
Class Y EUR	38,054
Class Y GBP	657,122
Class Y USD	506,802

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Three Year Historical Net Asset Value (Continued)

31 December 2021 (Continued)		Sector Healthcare Value Fund
		USD
Net Asset Value per Share		
Class A EUR		349.87
Class A NOK		3,132.26
Class A USD		527.12
Class B EUR		144.51
Class B NOK		1,675.18
Class B SEK		1,586.41
Class B USD		169.79
Class X EUR		111.98
Class X USD		180.40
Class E NOK		107.21
Class E USD		102.57
Class Y EUR		124.71
Class Y GBP		122.32
Class Y USD		115.92
31 December 2020		
	Harvest Equity Kernel	Sector Healthcare Value Fund
	USD	USD
Total Net Asset Value	124,692,469	367,309,862
Shares outstanding		
Class A EUR	—	11,959
Class A NOK	104,603	77,368
Class A USD	164	65,122
Class B EUR	—	2,107
Class B NOK	—	490,694
Class B SEK	—	16,371
Class B USD	—	187,407
Class P NOK	640,165	—
Class P NOK Unhedged	227,923	—
Class P USD	327	—
Class X EUR	—	309,159
Class X USD	—	176,532
Class Y EUR	—	39,316
Class Y GBP	—	479,279
Class Y USD	—	419,660
Net Asset Value per Share		
Class A EUR	—	315.87
Class A NOK	1,096.67	2,823.79
Class A USD	143.30	474.05
Class B EUR	—	133.94
Class B NOK	—	1,544.85
Class B SEK	—	1,468.78
Class B USD	—	155.66
Class P NOK	1,032.92	—
Class P NOK Unhedged	1,276.70	—
Class P USD	166.26	—
Class X EUR	—	102.27
Class X USD	—	162.20
Class Y EUR	—	105.19
Class Y GBP	—	105.40
Class Y USD	—	104.59

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Significant Events during the financial year

The Board of Directors have noted certain significant events during the financial year including the invasion of Ukraine in late February, and the severe economic sanctions being imposed on Russia by many countries in response. The Company is following all appropriate protocols to abide by the conditions of the sanctions and the Company continues to be managed according to stated investment objectives.

The situation in Ukraine continues to evolve, and whilst it is not expected to have a direct impact on the Company as the portfolio has no direct exposure to Russian or Ukraine securities, its impact on the global economy will have had an indirect impact on the performance of the Company.

On 17 June 2022, a new Prospectus was noted by the Central Bank of Ireland for Sector Capital Funds Plc.

On 17 June 2022, a new supplement was noted by the Central Bank of Ireland for Sector Healthcare Value Fund.

On 17 June 2022, the Company had appointed Sector Fund Services AS as the Manager.

Effective 19 October 2022, Harvest Equity Kernel authorisation was revoked by the Central Bank, following the application that was made to the Central Bank of Ireland on 3 June 2022.

On 28 October 2022, a new supplement was noted by the Central Bank of Ireland for Sector Healthcare Value Fund.

On 30 November 2022, a new supplement was noted by the Central Bank of Ireland for Sector Healthcare Value Fund.

There were no other significant events during the financial 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 28 March 2023.

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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, 2019, 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 Healthcare Value Fund

LARGEST PURCHASES	COST
	\$
Goldman Sachs US\$ Treasury Liquid Reserves Fund	119,051,086
Roche Holding AG	30,356,244
Gilead Sciences, Inc.	29,495,777
GSK PLC	25,652,656
Novartis AG	24,307,851
Zimmer Biomet Holdings, Inc.	17,063,858
Seagen, Inc.	13,236,358
Illumina, Inc.	12,803,559
Bristol-Myers Squibb Co.	12,082,947
Medtronic Plc	11,931,518
Laboratory Corporations of America Holdings	11,854,726
Biogen, Inc.	11,668,992
UCB S.A.	11,516,824
BioMarin Pharmaceutical, Inc.	11,462,202
Edwards Lifesciences Corp.	11,409,522
Baxter International, Inc.	11,075,945
AstraZeneca Plc, ADR	10,249,832
Pfizer, Inc.	9,371,765
Alcon, Inc.	8,805,754
Alnylam Pharmaceuticals, Inc.	8,610,481
LARGEST SALES	PROCEEDS
	\$
Goldman Sachs US\$ Treasury Liquid Reserves Fund	109,990,548
Novartis AG	29,975,831
Merck & Co., Inc.	26,824,562
Pfizer, Inc.	23,022,562
Becton Dickinson & Co.	21,232,110
Gilead Sciences, Inc.	15,598,534
Roche Holding AG	13,961,354
Vertex Pharmaceuticals, Inc.	12,036,298
Alnylam Pharmaceuticals, Inc.	11,580,264
AstraZeneca Plc, ADR	11,418,684
Boston Scientific Corp.	11,171,717
GSK PLC	10,829,864
Biogen Inc	10,785,835
Bristol-Myers Squibb Co.	10,273,756
CVS Health Corp.	10,088,480
Cigna Corp.	9,739,717
Organon & Co.	9,732,517
Koninklijke Philips NV	8,648,386
BioMarin Pharmaceutical, Inc.	8,361,117
Medtronic Plc	8,072,867

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REMUNERATION INFORMATION (Unaudited)

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 2018.
- No annual reviews have as yet been undertaken and no material changes have been made to the remuneration policy since 1 January 2020.

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 2022 EUR36,000 (31 December 2021: EUR36,000) 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.

Periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or



Product name: Sector Healthcare Value Fund (the "Fund")
Legal entity identifier: 635400AIUDDOVUMNIX04

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?	
☒ ☐ ☐ Yes	☒ ☐ ☒ No
☐ It made sustainable investments with an environmental objective : ____% ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy ☐ It made sustainable investments with a social objective : ____%	☐ It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of ____% of sustainable investments ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy ☐ with a social objective ☒ It promoted E/S characteristics, but did not make any sustainable investments

To what extent were the environmental and/or social characteristics promoted by this financial product met?

The following environmental and social characteristics were promoted by the Fund:

Environmental Characteristics

- Biodiversity and the environment

Social characteristics

- Ethical marketing and pricing practices
- Health and Safety
- Product Safety and Integrity

Performance in relation to these environmental and social characteristics was measured through the use of an exclusion list and third-party ESG data analysis.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

How did the sustainability indicators perform?

As part of the investment process, the Investment Manager considered a variety of sustainability indicators to measure the environmental and social characteristics promoted by the Fund. These sustainability indicators are as follows:

(i) Exclusion List

To ensure that the environmental and social characteristics promoted by the Fund were attained, the Investment Manager applied specific investment exclusions when determining what investments to make as part of the portfolio construction.

The Investment Manager adhered to the Norges Bank observation and exclusion of companies list (the "**Exclusion List**"), ensuring that the Fund did not invest in companies in contravention of the Exclusion List. The Exclusion list can be found at <https://www.nbim.no/en/the-fund/responsible-investment/exclusion-of-companies>

(ii) Third-party ESG data analysis

In addition to integrating the aforementioned Exclusion List into the portfolio construction process, the Investment Manager measured portfolio companies using information provided by a third-party ESG data provider which allocated a specific ESG rating to company holdings in the Fund and investee companies that the Investment Manager was looking at as potential investments (the "**ESG Rating**").

Investee companies were assigned a value creation score where the company's resilience to long-term industry material environmental, social and governance risks forms part of the value score through the use of third party ESG ratings. Industry ESG leaders were positively impacted, whereas laggards were negatively impacted in the Investment Manager's value creation score.

This ESG Rating measured an investee company's resilience to long-term industry material environmental, social and governance risks. A rules-based methodology was used to identify companies that are (i) industry leaders (ii) average or (iii) laggards, according to their exposure to ESG risks and how well they manage those risks relative to peers.

The Investment Manager also tracked and reported on the performance of the above sustainability indicators namely, (i) the adherence to the Exclusion List applied to the Fund; and (ii) the ESG Rating.

These sustainability indicators were used to measure the attainment of each of the environmental and social characteristics promoted by the Fund.

The table below shows the weighted performance for the positions held in the Fund by the ESG Rating for the reference period.

Rating	Sector Healthcare Value Fund	
	Weight	Return
AAA	0.3%	12.2%
AA	27.5%	0.4%
A	30.8%	12.7%
BBB	18.3%	-6.0%
BB	8.1%	-5.3%
B	1.4%	-17.6%
CCC	0.7%	1.6%
Not Classified	12.9%	-18.0%

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The Investment Manager believed the ESG ratings had limited impact on the performance of the Fund during the reference period. The investee companies categorised as "Not Classified" were the worst performing bucket, but these companies had lower market capitalisation on average and a higher exposure to biotech. Both small/mid-caps and biotech significantly underperformed the rest of the healthcare market during the reference period.

● **and compared to previous periods?**

N/A – this is the first reference period.

● **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

N/A – the Fund did not commit to holding sustainable investments.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

N/A – the Fund did not commit to holding sustainable investments.

How were the indicators for adverse impacts on sustainability factors taken into account?

N/A

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

N/A - the Fund did not commit to holding sustainable investments.
N/A - the Fund did not commit to holding Taxonomy-aligned investments.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



How did this financial product consider principal adverse impacts on sustainability factors?

N/A – the Investment Manager did not consider PAIs with respect to the Fund.



What were the top investments of this financial product?

The list includes the investments constituting the greatest proportion of investments of the financial product during the reference period which is: complete

	Sector	% Assets	Country
GSK PLC	Healthcare	6.55	BRITAIN
GILEAD SCIENCES INC	Healthcare	6.43	UNITED STATES
SANOFI	Healthcare	5.63	FRANCE
MERCK & CO. INC.	Healthcare	5.10	UNITED STATES
NOVARTIS AG-REG	Healthcare	4.65	SWITZERLAND
INCYTE CORP	Healthcare	4.42	UNITED STATES
BRISTOL-MYERS SQUIBB CO	Healthcare	3.79	UNITED STATES
MEDTRONIC PLC	Healthcare	3.34	IRELAND
CARDINAL HEALTH INC	Healthcare	3.31	UNITED STATES
ELEVANCE HEALTH INC	Healthcare	2.66	UNITED STATES
BIOGEN INC	Healthcare	2.61	UNITED STATES
BOSTON SCIENTIFIC CORP	Healthcare	2.55	UNITED STATES
CENTENE CORP	Healthcare	2.40	UNITED STATES
UCB SA	Healthcare	2.35	BELGIUM
SMITH & NEPHEW PLC	Healthcare	2.25	BRITAIN



What was the proportion of sustainability-related investments?

What was the asset allocation?

The proportion of investments aligned with the environmental and social characteristics promoted by the Fund was 88.4% during the reference period.

Asset allocation describes the share of investments in specific assets.

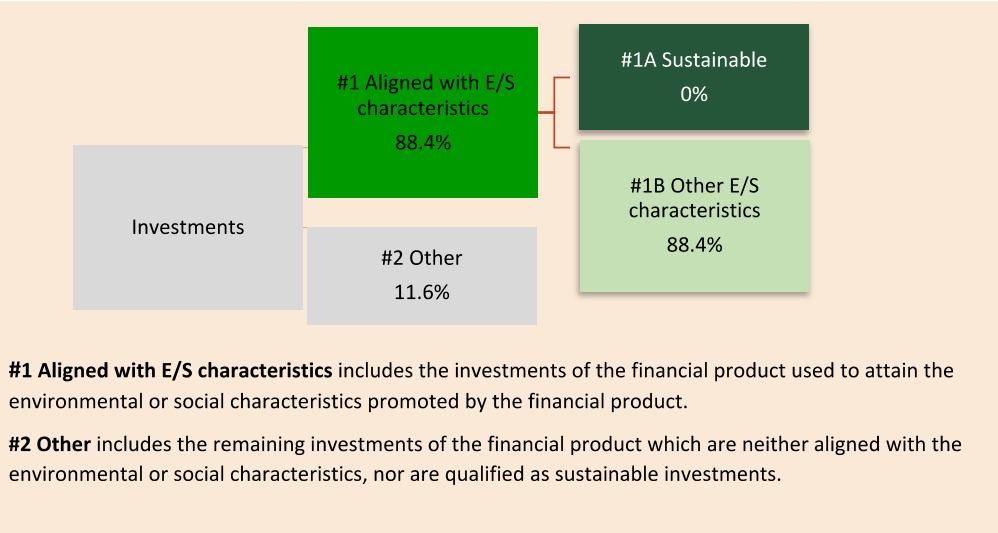
A company was considered aligned with the environmental and social characteristics of the Fund if the company was not on the aforementioned exclusion list and if the Investment Manager was able to obtain the third party ESG-rating. The ESG-rating impacted the portfolio weight by punishing laggards and rewarding winners in our scorecard model which was used as input to the Funds investment portfolio process.

The Fund aimed to hold a minimum of 80% investments that were aligned with the environmental or social characteristics promoted by the Fund.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



In which economic sectors were the investments made?	
Data as of 31 December 2022	
GICS	% Assets
Healthcare	96.3
Materials	0.5
Cash	3.2



To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

N/A – the Fund did not commit to holding Taxonomy-aligned investments.

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy¹?

☐ Yes:

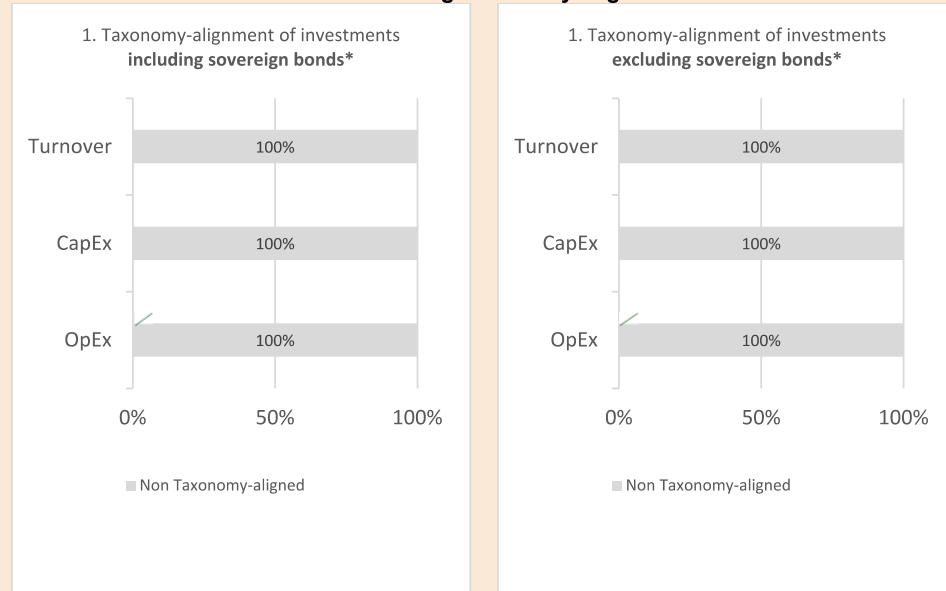
☐ In fossil gas

☐ In nuclear energy

☒ No

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*

N/A – the Fund did not commit to holding Taxonomy-aligned investments.



What was the share of investments made in transitional and enabling activities?

N/A – the Fund did not commit to holding Taxonomy-aligned investments.

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

N/A – the Fund did not commit to holding Taxonomy-aligned investments.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

N/A – the Fund did not commit to holding Taxonomy-aligned investments.



What was the share of socially sustainable investments?

N/A – the Fund did not commit to holding Taxonomy-aligned investments.



What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

“Other” included the remaining investments of the Fund which were neither aligned with the environmental or social characteristics, nor qualified as sustainable investments. This “Other” section in the Fund included companies that were not well covered by third party ESG rating agencies, thereby reducing the Investment Manager's visibility on ESG matters in respect of these companies. Typically newer and smaller market capitalization companies fall into this category.

The “Other” section in the Fund also included cash that was held for a number of reasons that the Investment Manager felt was beneficial to the Fund, such as, but not limited to, achieving risk management, and/or to ensure adequate liquidity and hedging.

A lack of disclosure and visibility on ESG matters impacted the capital allocation towards this “Other” segment but the investee companies that comprise the “Other” were not strictly excluded from the Fund as the Investment Manager believed there were mis-pricings that could be capitalised on within this segment.

As noted above, the Fund was invested in compliance with the Exclusion List, on a continuous basis. The Investment Manager believes that compliance with the Exclusion List prevents investments in companies that breach environmental and/or social minimum standards and ensures that the Fund can successfully promote its environmental and social characteristics. By adhering to the Exclusion List, the Investment Manager ensured that robust environmental and social safeguards were in place.



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The Fund was managed in-line with the investment objective and the following actions were taken:

(i) Exclusion List:

To ensure that the environmental and social characteristics promoted by the Fund were attained, the Fund applied the Exclusion List referenced above, which placed limitations on the investable universe.

(ii) Integrating third-party ESG analysis:

In addition to integrating the aforementioned Exclusion List into the portfolio construction process, the Investment Manager measured all portfolio companies using the aforementioned ESG Rating. The ESG Rating was used to measure the environmental and social characteristics promoted by the Fund.

As noted above, this ESG Rating was designed to measure an investee company's resilience to long-term industry material environmental, social and governance risks. A rules-based methodology was used to identify companies that were (i) industry leaders (ii) average or (iii) laggards, according to their exposure to ESG risks and how well they manage those risks relative to peers.

Investee companies were assigned a value creation score where the company's resilience to long-term industry material environmental, social and governance risks forms part of the value score through the use of third party ESG ratings. Industry ESG leaders were positively impacted, whereas laggards were negatively impacted in the Investment Manager's value creation score.



How did this financial product perform compared to the reference benchmark?

N/A – the Fund did not designate a reference benchmark the purpose of attaining the environmental or social characteristics promoted.

Reference benchmarks
are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How does the reference benchmark differ from a broad market index?***
N/A
- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***
N/A
- ***How did this financial product perform compared with the reference benchmark?***
N/A
- ***How did this financial product perform compared with the broad market index?***
N/A