GUARANTEED RETURN FUND RANGE
DEPOSIT ADMINISTRATON FUND

EUR ANNUAL REPORT
2023

ECONOMIC BACK-DROP & MACRO SITUATION

Reviewing the past few years, towards the end of 2021 the Bank of England surprised the markets raising their benchmark "Base Rate". Prior to this, as a response to the Covid crisis, Central Banks across the globe had cut their benchmark rates, with some actually charging customers to place money with them. In addition, they also printed money and some Governments stimulated their respective economies further with handouts. The Bank of England were the first to signal an end to this stimulus package and soon after other Central Banks, including the European Central Bank (ECB), started to follow suit by raising rates in 2022.

With the benefit of hindsight, the stimulus response was too much, which arguably resulted in a massive increase in inflation. Most Central Banks have an inflation target of 2% and at one stage the EU saw their inflation rise to over 10%, with the UK's peaking at just over 11%. The situation in Ukraine disrupted oil, gas and grain supplies, which fuelled inflation to alarming levels. In response to this, in the summer of 2022 the ECB embarked on a program of raising interest rates in order to calm the pace of inflation. In the second half of 2022 we saw inflation eventually start to rise at a slower pace, but throughout 2023 it remained above the ECB's target level of 2%.

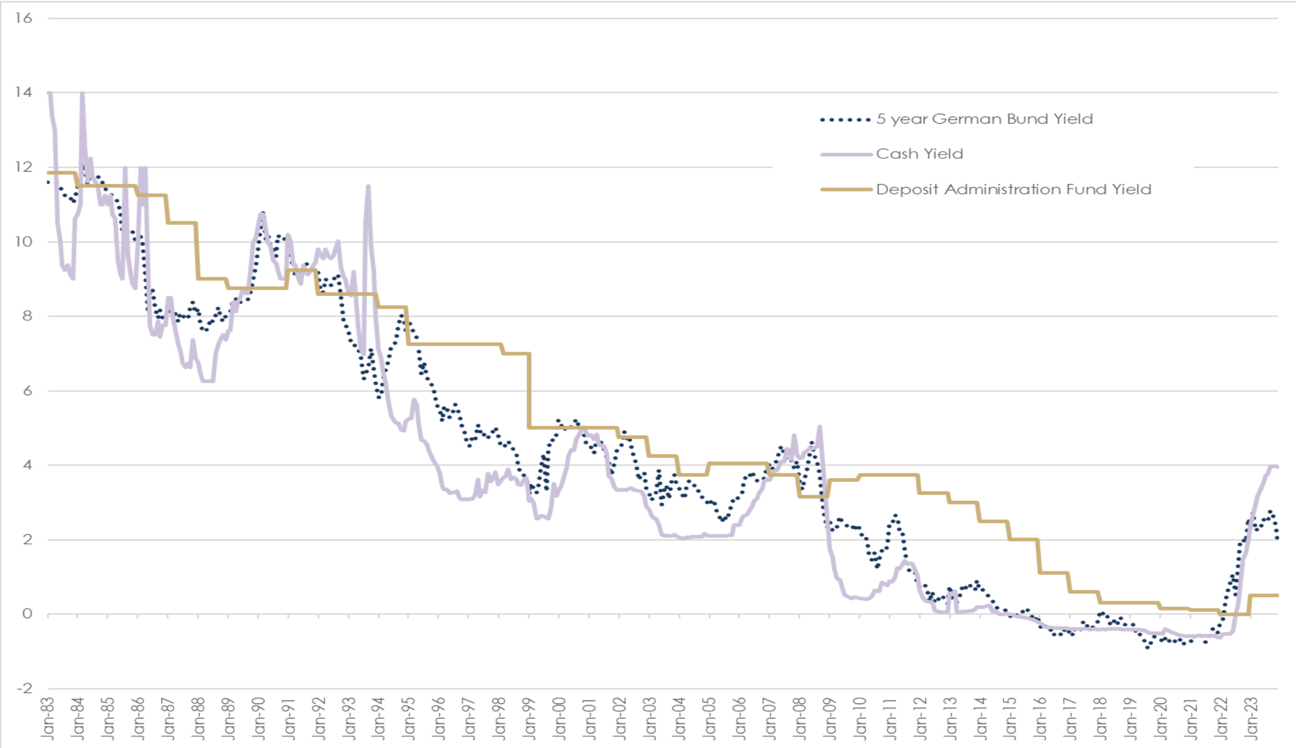
Against this background, the Eurozone unemployment level, which is seen as an indicator of how "healthy" their economy is, remained elevated. The dilemma for the ECB is that wage negotiations are still above 5% and that their level of interest rates is relatively low compared to the US and UK. In addition, they still have an active bond purchase program in place. Thus, it could be argued that although the Eurozone economy is not expanding, rate cuts are not necessary, as the current ECB policies are already quite accommodative. This leaves Eurozone interest rates vulnerable to events in the US and there we see falling inflation, robust employment and decent economic growth. Interest rates have been rising in the US this year and EU interest rates have followed them higher.

THE EUR DEPOSIT ADMINISTRATION FUND

In response to the above global events, the Fund reduced risk by reducing the duration of the Portfolio, in an effort to protect the value of the assets in a rising interest rate environment. However, it must be noted that the Deposit Administration fund is designed to smooth returns to its shareholders and so the shareholders did not "experience" the turbulence that sharp increases in ECB base rates caused to Fixed Income markets.

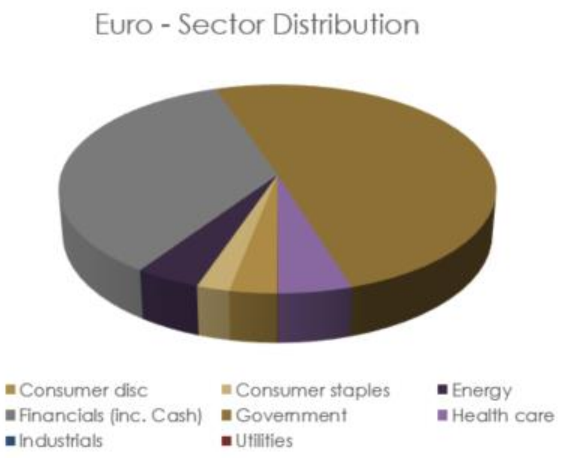
The following chart details the fund's 2024 declared rate along with the cash and 5 year German Government Bond yields.

PERFORMANCE COMPARISON CHART

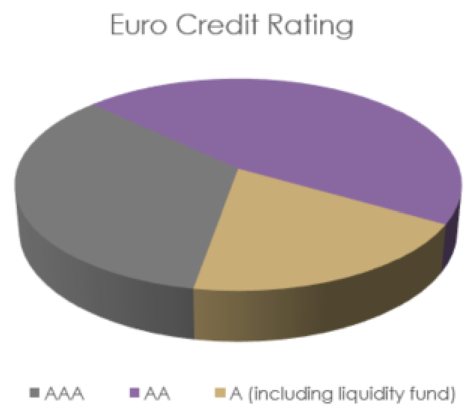


Investments in German Government bonds has been volatile over the 5 year period. For direct investors gains would have been achieved in the run up to Covid, but then as the world recovered from Covid and interest rates started rising, these gains would have been given back and losses would have generated. Only towards the end of 2023 would investments in German Government Bonds have again generated profits.

ASSET DISTRIBUTION BY SECTOR



ASSET DISTRIBUTION BY CREDIT RATING



At the year end the portfolio was 50% allocated to government and government related bonds with the balance in covered bonds, corporate bonds and cash.

The Portfolio was cautiously positioned throughout 2022 and 2023 amid concerns over the potential peak in interest rates. With interest rates currently below other developed markets, expectations are that rates may remain on hold for a sustained period, but over the medium term interest rate cuts are inevitable and they will most likely support bond prices as the market adjusts. With the potential for volatility to remain the manager is likely to maintain a cautious stance as we enter a new phase in the economic cycle.

A WORLD *of* DIFFERENCE

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