



Baring Korea Feeder Fund
Annual Report & Audited Financial
Statements
for the year ended 8 August 2016

Baring Korea Feeder Fund

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Management and administration

Alternative Investment Fund Manager (“AIFM”)

Baring International Fund Managers (Ireland) Limited
Registered Office
Georges Court
54-62 Townsend Street
Dublin 2
Ireland

Telephone: + 353 1 542 2930

Facsimile: + 353 1 670 1185

Investment Manager of the Baring Korea Feeder Fund

(the Alternative Investment Fund (“AIF”)) and Baring

Baring Korea Trust (“the Trust”)

Baring Asset Management Limited
155 Bishopsgate
London EC2M 3XY
United Kingdom

Telephone: + 44 207 628 6000

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Baring Asset Management (Asia) Limited

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Hong Kong

Telephone + 852 2 841 1411

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* Baring Asset Management (Asia) Limited is the delegated

Sub-Investment Manager for the Trust as detailed in the

Investment Manager’s report

Depository

Northern Trust Fiduciary Services (Ireland) Limited

Georges Court

54-62 Townsend Street

Dublin 2

Ireland

Administrator and Registrar

Northern Trust International Fund Administration Services (Ireland) Limited

Georges Court

54-62 Townsend Street

Dublin 2

Ireland

Independent Auditor

PricewaterhouseCoopers

One Spencer Dock

North Wall Quay

Dublin 1

Ireland

Sponsor Broker

Dillon Eustace

33 Sir John Rogerson’s Quay

Dublin 2

Ireland

Legal Advisors

As to Irish Law

Dillon Eustace

33 Sir John Rogerson’s Quay

Dublin 2

Ireland

As to Hong Kong Law

Deacons Graham & James

Alexandra House

16-20 Chater Road

Central Hong Kong

Directors of the AIFM

John Burns (British)

David Conway* (Irish)

Nicola Hayes (British)

Michael Schulz** (German)

Mark Thorne* (Irish)

* Non-executive Directors independent of the investment
Manager.

**Non-executive director.

Introduction

Baring Korea Feeder Fund (“the Fund”) is a unit trust scheme constituted under the laws of Ireland and was authorised as a feeder fund into Baring Korea Trust (“the Trust”). The Manager, Baring International Fund Managers (Ireland) Limited, is authorised by the Central Bank of Ireland (“CBI”) as an Alternative Investment Fund Manager (“AIFM”) pursuant to the European Union (AIFM) Regulations 2013 and therefore the Fund is classified as a Retail Investor Alternative Investment Fund (“RIAIF”) in accordance with the AIF Rulebook issued by the CBI. The Trust is authorised and regulated by the Financial Conduct Authority. The Fund is managed by Baring International Fund Managers (Ireland) Limited (“the AIFM”) and the Trust is managed by Baring Fund Managers Limited.

As an investor in the Trust, the Fund’s money is pooled with that of other investors in the Trust and invested in the securities of South Korean companies listed on the Korean Stock Exchange. The Trust will also participate in investments such as convertible bonds, fixed interest stocks and mutual funds. As with all Trusts managed by Baring Fund Managers Limited, the risk assumed in this portfolio is carefully monitored.

As at 8 August 2016, the Fund held 16,544,946 units (8 August 2015: 19,104,131) in the Trust, which represents approximately 33.36% (8 August 2015: 51.70%) of the authorised units in the Trust. The performance of the Fund is directly dependent on the performance of the Trust. The financial statements of the Trust are attached and should be read in conjunction with the Fund's financial statements.

Accumulation (“Acc”) units are available in the Fund in the following denomination and class:

Fund and Class	Unit type (ACC)	Base currency	Unit denomination	Unit class and launch date	ISIN
Baring Korea Feeder Fund					
Class A	Acc	US\$	USD	04/11/1992	IE0000838189

* The trade receipt and valuation deadline for the annual accounts was 12:00pm on 8 August 2016.

Independent Auditors' report to the unitholders of the Baring Korea Feeder Fund

Report on the financial statements

Our opinion

In our opinion, Baring Korea Feeder Fund's financial statements (the "financial statements"):

- give a true and fair view of the Fund's assets, liabilities and financial position as at 8 August 2016 and of its results for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland; and
- have been properly prepared in accordance with the requirements of the Unit Trusts Act 1990.

What we have audited

The financial statements, included within the Annual Report & Audited Financial Statements, comprise:

- the Balance sheet as at 8 August 2016;
- the Profit and loss account for the year then ended;
- the Statement of changes in equity for the year then ended;
- the Portfolio statement as at 8 August 2016; and
- the notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In applying the financial reporting framework, the AIFM has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, the AIFM has made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the AIFM

As explained more fully in the Statement of Alternative Investment Fund Manager's responsibilities set out on page 5 the AIFM is responsible for the preparation of the financial statements giving a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the unitholders as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditors' report to the unitholders of the Baring Korea Feeder Fund (continued)

Responsibilities for the financial statements and the audit (continued)

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the AIFM; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the AIFM's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report & Audited Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Dublin

9 November 2016

Report of the Alternative Investment Fund Manager

Statement of Alternative Investment Fund Manager's responsibilities

The European Union (AIFM) Regulations, 2013 requires Baring International Fund Managers (Ireland) Limited ("the Alternative Investment Fund Manager (AIFM)") to prepare financial statements for each financial year. The Directors have elected to prepare the financial statements in accordance with applicable Irish Law and the accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland, (generally accepted accounting practice in Ireland), including FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland to give a true and fair view of the state of affairs of Baring Korea Feeder Fund ("the Fund") at year-end and the Fund's results for the year then ended. In preparing those financial statements, the AIFM must:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Fund will continue in operation.

The AIFM is responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Fund and to enable it to ensure that the financial statements are prepared in accordance with FRS 102 and comply with the provisions of the Trust Deed and the Unit Trusts Act, 1990. The AIFM is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under the Central Bank of Ireland's ("CBI's") AIF Rulebook, the assets of the Fund shall be entrusted to the Depositary for safekeeping and therefore custody of the Fund's assets rests with Northern Trust Fiduciary Services (Ireland) Limited.

The financial statements are published at www.barings.com. The Directors together with the AIFM and Investment Manager are responsible for the maintenance and integrity of the website as far as it relates to Barings funds. Legislation in the Republic of Ireland governing the presentation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Transactions with connected parties

The CBI's Alternative Investment Fund ("AIF") Rulebook requires that any transactions carried out with the Fund by a Promoter, Alternative Investment Fund Manager ("AIFM"), Depositary, Investment Manager and/or associated group of companies of these ("connected parties") are carried out as if negotiated at arm's length and are in the best interests of the unitholders.

The Directors of the AIFM are satisfied that there are arrangements in place to ensure that this requirement is applied to all transactions with connected parties, and that all transactions with connected parties during the year complied with this requirement.

Remuneration policy

As part of its authorisation as an AIFM, the AIFM has implemented a Remuneration Policy consistent with European Securities and Markets Authority's ("ESMA's") remuneration guidelines and, in particular, the provisions of Annex II of Directive 2011/61/EU (see Appendix 2 – Remuneration Policy).

Report of the Alternative Investment Fund Manager (continued)

Conflicts of interest

The Directors of the AIFM, the AIFM, the Investment Manager, the Administrator and the Depositary and their respective affiliates, officers, directors and shareholders, employees and agents (collectively the "Parties") are or may be involved in other financial, investment and professional activities which may on occasion cause a conflict of interest with the management of the Fund and/or their respective roles with respect to the Fund. These activities may include managing or advising other funds (including other collective investment schemes), purchases and sales of securities, banking and investment management services, brokerage services, valuation of unlisted securities (in circumstances in which fees payable to the entity valuing such securities may increase as the value of assets increases) and serving as directors, officers, advisers or agents of other funds or companies, including funds or companies in which Baring Korea Trust ("the Trust") may invest. In particular, the AIFM and other companies within the Barings Group may be involved in advising or managing other investment funds (including other collective investment schemes) which have similar or overlapping investment objectives to or with the Trust or the Fund. Each of the Parties will use its reasonable endeavours to ensure that the performance of their respective duties will not be impaired by any such involvement they may have and that any conflicts which may arise will be resolved fairly and in the best interests of unitholders.

Alternative Investment Fund Manager's statement

These financial statements were approved by the Directors of the Alternative Investment Fund Manager, Baring International Fund Managers (Ireland) Limited, on 9 November 2016 and signed by on its behalf by:

Directors

David Conway

Mark Thorne

9 November 2016

Report of the Depositary to the unitholders for the year ended 8 August 2016

We, Northern Trust Fiduciary Services (Ireland) Limited, appointed Depositary to Baring Korea Feeder Fund (“the Fund”) provide this report solely in favour of the unitholders of the Fund as at 8 August 2016 (“the Accounting Period”). This report is provided in accordance with the current Depositary obligation under the Central Bank of Ireland Alternative Investment Fund (“AIF”) Rulebook, Chapter 6 (iii). We do not, in the provision of this report, accept nor assume responsibility for any other purpose or person to whom this report is shown.

In accordance with our Depositary obligation under the AIF Rulebook, we have enquired into the conduct of Baring Asset Management Limited (“the Investment Manager”) and the Alternative Investment Fund Manager (“AIFM”) for this annual accounting period and we hereby report thereon to the unitholders of the Fund as follows;

We are of the opinion that the Fund has been managed by the Investment Manager and the AIFM during the year, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Fund by the constitutional document and by the Central Bank of Ireland under the powers granted to the Central Bank of Ireland by the investment fund legislation; and
- (ii) otherwise in accordance with the provisions of the constitutional document and the investment fund legislation.

For and on behalf of
Northern Trust Fiduciary Services (Ireland) Limited

9 November 2015

Key changes since the last report

Disclosures relating to the Investor Money Regulations (“IMR”), 2015 for Fund Service Providers.

The Prospectus has been updated to reflect the following additional disclosures:

- Disclosure has been made to inform investors that a collection account will be opened in the name of the Administrator which complies with the IMR. The subscription and redemption monies in the IMR account will be ring-fenced from the assets of the Fund.
- Wording to clarify that subscription monies received on or after the trade date will be property of the relevant Fund.
- Wording to clarify that where the Administrator has not received full Anti Money Laundering (“AML”) documentation that any redemption or proceeds or dividend payments will be held in the respective Investor Money collection account.

On 23 June 2016, the UK electorate voted to leave the European Union. This decision will start a process that is likely to take a minimum of two years to complete, and it is important to note that during this time the UK remains a member of the EU. This means that the rules and regulations governing asset management as well as the protections that were in place for clients prior to the referendum remain unchanged. However, the result is likely to usher in a period of uncertainty for the UK economy and financial markets, which could lead to increased volatility.

Investment Manager's Report – Unaudited

Performance record

Summary of Fund performance

	Net Asset Value as at 08/08/2016 (Price per unit)	Net Asset Value as at 08/08/2015 (Price per unit)	Net Asset Value % change
Baring Korea Feeder Fund – Class A USD Acc	US\$21.95	US\$23.91	(8.20)

Performance record to 8 August 2016

	09/08/2015- 08/08/2016 %	09/08/2014- 08/08/2015 %	09/08/2013- 08/08/2014 %	09/08/2012- 08/08/2013 %	09/08/2011- 08/08/2012 %
Baring Korea Feeder Fund – Class A USD Acc (USD terms)	(8.20)	(0.95)	16.45	(1.33)	(7.61)
Korea SE Composite Index (KOSPI) (USD terms)	6.44	(12.13)	15.77	0.34	(2.31)

Performance figures are shown net of fees and charges, on an NAV per unit basis, with gross income reinvested.

Source: Morningstar/Barings/KOSPI.

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The Fund was launched on 4 November 1992.

Past performance is no indication of current or future performance. The performance data does not take account of the commissions and costs incurred on the issue and redemption of units. Please note that changes in the rates of exchange may have an adverse effect on the value, price or income of an investment.

Investment Manager’s Report – Unaudited (continued)

Investment objective and policy

The investment objective of Baring Korea Feeder Fund (“the Fund”) is to achieve long-term growth in the value of assets by investing in units of Baring Korea Trust (“the Trust”), a unit trust constituted in the United Kingdom and authorised by the Financial Conduct Authority. The investment objective of the Trust is to achieve capital growth by investing directly or indirectly in securities of South Korean companies or other entities or subsidiaries of South Korean companies and securities listed on the South Korean securities markets. Please refer to the Prospectus for the full investment objective and policy.

How the Trust is managed

Baring Asset Management Limited, in its capacity as investment manager to the Trust (“the Investment Manager”), invests the Trust in the South Korean equity market, and manages it using a “Growth at a Reasonable Price” (“GARP”) approach. This means that when researching candidates for the portfolio, just as much emphasis is placed on the likely growth in corporate earnings of a company as is placed on the share price valuation before deciding whether to invest or not. This approach combines the best features of both “growth” and “value” investment styles, to the benefit of investors. A significant emphasis is placed on fundamental research, looking for companies which have the potential to deliver better-than-expected earnings growth. Over the long-term, the Investment Manager aims to deliver the majority of returns through active stock picking and expects to achieve most of the added value from stock selection.

The Investment Manager has further appointed Baring Asset Management (Asia) Limited as Sub-Investment Manager to the Trust.

Risk profile

The Fund is a feeder fund for Baring Korea Trust. Please see detailed below the key risks applicable to the Fund:

- Changes in exchange rates between the currency of the Fund and the currencies in which the assets of the Fund are valued can have the effect of increasing or decreasing the value of the Fund and any income generated.
- One of the main risk factors associated with South Korean investments is the proximity to North Korea and the possibility of increased political tension which may mean your money is at greater risk.
- Country specific funds have a narrower focus than those which invest broadly across markets and are therefore considered to be more risky.
- Derivative instruments can make a profit or a loss and there is no guarantee that a financial derivative contract will achieve its intended outcome. The use of derivatives can increase the amount by which the Fund’s value rises and falls and could expose the Fund to losses that are significantly greater than the cost of the derivative. Some derivative transactions may be entered into directly with an eligible person or institution (a “counterparty”). There is a risk that the counterparty may not meet its obligations or becomes insolvent which could cause the Fund to incur a loss.

Please refer to the Prospectus for the full risk profile.

Strategy

Despite the still-fragile nature of the global economic recovery, the potential of higher interest rates in key global financial markets, and other risk factors including turbulence in global financial markets, South Korea is well positioned in relation to other global markets as well as its own history to benefit from a normalisation of the growth outlook in China, the region, and globally. We continue to see volatility as a good opportunity to gain exposure to long-term winners. The Trust is positioned to favour South Korean companies which we believe are likely to benefit from a benign economic environment and where we see potential for earnings to exceed expectations. The Trust will continue to maintain its focus on solid long-term beneficiaries across different sectors.

Investment Manager's Report – Unaudited (continued)

Strategy (continued)

Key themes include:

- Beneficiaries of changing growth dynamics in the Technology and Mobile Internet sectors;
- Beneficiaries of changing automobile dynamics such as ADAS (Advanced Drive Assistance System) and xEV (Electrical Vehicle);
- Globally competitive Asian brands gaining market share;
- Beneficiaries of new technologies, growth segments or niches, and leading edge research and development (“R&D”);
- Beneficiaries of benign input costs and superior manufacturing processes/competitiveness.

Performance

During the year under review the Fund underperformed the performance comparator. A large part of the under performance came from the sectors such as Consumer Staples and Healthcare. These names include Hanssem, Hyundai Development, LG Household & Healthcare, and Hotel Shilla. The Fund's position in Samsung Electronics was the single largest detracting factor. A large part of the positive performance came from strong stock selection in various sectors including Industrials, Consumer Staples and Consumer Discretionary. These names include Hanwha Techwin, NutriBiotech, Woory Industrial, SK Materials and Mando. The Fund's strategic positions in automobile original equipment manufacturer (“OEM”) companies and financial companies have also contributed positively.

Review of the market

During the 1 year period under review the Fund posted negative 8.2% return compared with the performance comparator which posted a positive 6.44% return. The single largest detracting factor was Samsung Electronics strong outperformance during the period which returned 45% in absolute USD terms. The Fund's investment in Samsung Electronics is limited due to single stock limit of 10% regulation, while Samsung Electronics account for close to 20% of the Index. A large part of underperformance happened during February and March 2016 when market saw aggressive shifts in sentiment and sector performance where sectors such as steel, shipbuilding, heavy machinery posted strong gains following a sharp bounce of the crude oil price. On the other hand, there has been short-term profit taking in quality consumption such as cosmetics and the pharmaceutical sector, where the Fund's core holdings are positioned. Due to the heavy rotational movements in Korea during the period, these names have not only not participated in the rally, but have been sold down 10~20% or more in some cases.

Market outlook

Risk factors, at a global and regional level, remain. One key factor will be China's growth outlook as a decelerating economy and the government's efforts to improve structural issues continues to impact equity markets. Lower commodity prices and the prospect of higher interest rates in developed markets such as the US will also be important. South Korea is in a key position in terms of economic development and technological advancement. It is usually at the top of the list of research and development (“R&D”) investment versus GDP, investing in new technologies and manufacturing areas. It is in these cutting-edge sectors and companies where much of South Korea's growth will come. We see a myriad of potential strong growth names that will benefit from new trends in technology in the global economy.

Investment Manager's Report – Unaudited (continued)

Market outlook (continued)

Despite these variables, South Korea remains well positioned in terms of its long-term growth, as South Korean manufacturers retain strong competitiveness in many key industries. We expect the combination of a positive change in money supply growth and an improving dividend policy to drive further multiple expansions of the South Korean market. Among the key themes, we think that higher dividend payments, stable domestic demand, beneficiaries of developed market economic growth, and rising new South Korean brands and increasing Asian consumption (Cosmetics, Healthcare) will continue to be key market drivers in the long run.

**Baring Asset Management (Asia) Limited,
appointed as Sub-Investment Manager to the Trust by
Baring Asset Management Limited.**

August 2016

Baring Asset Management Limited ("the Investment Manager") gives their portfolio managers full authority to manage their funds as they see fit, within the established guidelines set down. This includes the views that managers may take of the markets and sectors they invest in, which may differ from the views of other Barings' portfolio managers.

Portfolio statement

As at 8 August 2016

Investment Unit Trust	Holding as at 08/08/2015	Nominal purchases	Nominal sales	Holding as at 08/08/2016	Fair value US\$ as at 08/08/2016	% of NAV
Baring Korea Trust	19,104,131	4,907,478	(7,466,663)	16,544,946	68,122,354	100.05
Cash and cash equivalents					75,832	0.11
Other net liabilities					(108,388)	(0.16)
Net assets attributable to equity holders					68,089,798	100.00

As at 8 August 2015

Investment Unit Trust	Holding as at 08/08/2014	Nominal purchases	Nominal sales	Holding as at 08/08/2015	Fair value US\$ as at 08/08/2015	% of NAV
Baring Korea Trust	24,000,374	8,100,013	(12,996,256)	19,104,131	84,958,879	100.03
Cash and cash equivalents					69,643	0.08
Other net liabilities					(92,600)	(0.11)
Net assets attributable to equity holders					84,935,922	100.00

Balance sheet

As at 8 August 2016

		Baring Korea Feeder Fund 08/08/2016	Baring Korea Feeder Fund 08/08/2015
	Notes	US\$	US\$
Assets			
Financial assets at fair value through profit or loss	1	68,122,354	84,958,879
Funds due from the Baring Korea Trust	1	908,379	19,041
Cash and cash equivalents	1	75,832	69,643
Receivable for units sold	1	23,818	145,526
Trade and other receivables	1	5,346	517
Total assets		69,135,729	85,193,606
Liabilities			
Payable for units redeemed	1	(944,529)	(142,577)
Funds due to the Baring Korea Trust	1	-	(22,826)
Management fees payable	2	(7,313)	(9,135)
Administration fees payable	2	(19,794)	(24,804)
Depositary fees payable	2	(3,111)	(2,314)
Trade and other payables	1	(71,184)	(56,028)
Total liabilities (excluding net assets attributable to equity holders)		(1,045,931)	(257,684)
Equity			
Net assets attributable to equity holders		68,089,798	84,935,922
Total equity		68,089,798	84,935,922
Total equity and liabilities		69,135,729	85,193,606
Units in issue (Note 4)			
	Class A USD Acc	3,102,083	3,551,980

Statement of changes in equity

For the year ended 8 August 2016

		Baring Korea Feeder Fund 08/08/2016	Baring Korea Feeder Fund 08/08/2015
	Notes	US\$	US\$
Net assets attributable to equity holders at the beginning of the year		84,935,922	106,693,673
Decrease in net assets for the year attributable to equity holders from operations		(7,260,190)	(2,614,119)
Issue of redeemable participating units for the year	4	25,294,270	52,399,904
Redemption of redeemable participating units for the year	4	(34,880,204)	(71,543,536)
Net assets attributable to equity holders at the end of the year		68,089,798	84,935,922

The accompanying notes form an integral part of these financial statements

BARINGS

Profit and loss account

For the year ended 8 August 2016

	Notes	Baring Korea Feeder Fund 08/08/2016 US\$	Baring Korea Feeder Fund 08/08/2015 US\$
Investment income			
Net fair value loss on financial assets and liabilities at fair value through profit or loss	3	(6,824,532)	(2,057,771)
Total investment expense		<u>(6,824,532)</u>	<u>(2,057,771)</u>
Expenses			
Management fees	2	(69,947)	(93,975)
Administration fees	2	(192,353)	(258,431)
Depository fees	2	(16,278)	(23,494)
General expenses	2	(156,972)	(179,922)
Total operating expenses		<u>(435,550)</u>	<u>(555,822)</u>
Net expense before finance costs		(7,260,082)	(2,613,593)
Finance costs			
Bank interest expense	1	(108)	(526)
Total finance costs		<u>(108)</u>	<u>(526)</u>
Decrease in net assets for the year from operations attributable to equity holders		<u>(7,260,190)</u>	<u>(2,614,119)</u>

The accompanying notes form an integral part of these financial statements

BARINGS

Notes to the financial statements

1. Principal accounting policies

The principal accounting policies adopted by Baring Korea Feeder Fund (“the Fund”) are as follows:

Basis of preparation

In preparing the financial statements for the financial year ended 8 August 2016, Baring International Fund Managers (Ireland) Limited (“the Alternative Investment Fund Manager (AIFM)”) has applied ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (“FRS 102”) and these financial statements comply with that standard.

The Fund has been authorised by the Central Bank of Ireland (“the CBI”) and the Hong Kong Securities and Futures Commission pursuant to the Unit Trusts Act, 1990 and the provisions of the Hong Kong Code on Unit Trusts and Mutual Funds and the Trust Deed, supplemented or consolidated from time to time.

The annual report has been prepared on a going concern basis and in accordance with FRS 102 and Irish Statute comprising the Unit Trusts Act, 1990 and the provisions of the Hong Kong Code on Unit Trusts and Mutual Funds.

The Fund meets all the conditions set out in FRS 102, Section 7, and consequently has availed of the exemption available to certain funds not to prepare a statement of cash flows.

The last business day of the Fund in the current financial year is 8 August 2016. The last valuation point on that day was 12.00pm.

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Change to accounting policies

The Fund has applied Amendments to FRS 102 – Fair value hierarchy disclosures, which was issued in March 2016 and is applicable for accounting periods beginning on or after 1 January 2017 with early application permitted. The Fund has taken the option to early adopt the amendments.

Historical cost convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities, including derivative financial instruments held at fair value through profit or loss.

Foreign exchange translation

(a) Functional and presentation currency

Items included in the Fund’s financial statements are presented using the currency of the primary economic environment in which it operates (“the functional currency”). The functional and presentation currency of the Fund is the US dollar, which reflects the fact that all the redeemable participating units have been subscribed and redeemed in US dollars. The presentation currency of the Baring Korea Trust (“the Trust”) is sterling.

(b) Transactions and balances

Foreign currency transactions are translated into the functional and presentation currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Proceeds from subscriptions and amounts paid on redemption of redeemable participating units are translated into the functional and presentation currency using the exchange rates prevailing at the dates of the transactions.

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Financial assets and liabilities at fair value through profit or loss

(a) Classification

The Fund classifies its investments in the Trust as financial assets at fair value through profit or loss. These financial assets are classified as held for trading or designated by the Directors of the AIFM at fair value through profit or loss.

Financial assets designated at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for Baring Asset Management Limited ("the Investment Manager") and the Directors of the AIFM to evaluate the information about these financial assets on a fair value basis together with other related financial information.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. The financial statements include all the trades received up until the valuation point for the Fund as discussed in the basis of preparation paragraph on page 14. Any trades received subsequent to this point are not reflected in the financial statements. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. Realised gains and losses on disposals of financial assets and liabilities classified as 'at fair value through profit or loss' are calculated using the First In First Out ("FIFO") method.

(c) Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value at the relevant valuation point of the Fund as disclosed on page 2. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the year in which they arise.

Interest income from financial assets at fair value through profit or loss is recognised in the profit and loss account within interest income using an effective interest method.

The Fund invests primarily in the Trust. The quoted market price used for the Trust is the last traded price where the last traded price falls within the bid-ask spread.

(d) Fair value estimation

The fair value of financial instruments is based on quoted market prices at the balance sheet date. The investments in the Trust are valued as at the year-end date using the unaudited Net Asset Value price of the Trust.

On initial application of FRS 102, in accounting for its financial instruments, a reporting entity is required to apply either: a) the full requirements of FRS 102 relating to Basic Financial Instruments and Other Financial Instruments, b) the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and only the disclosure requirements of FRS 102 relating to Basic Financial Instruments and Other Financial Instruments, or c) the recognition and measurement provisions of IFRS 9 Financial Instruments and only the disclosure requirements of FRS 102 relating to Basic Financial Instruments and Other Financial Instruments. The Unit Trust has chosen to implement (b) the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and only the disclosure requirements of FRS 102 relating to Basic Financial Instruments and Other Financial Instruments.

As a result of the Fund's decision to implement the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition, the fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at 12pm on the reporting date.

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Financial assets and liabilities at fair value through profit or loss (continued)

(e) Subsidiaries

The Trust, which is the only holding on the Fund's investment portfolio, is considered a subsidiary of the Fund.

Any subsidiary that is held as part of an investment portfolio is required to be measured at fair value with changes in fair value recognised in profit or loss. All financial instruments held by the Fund are held as part of an investment portfolio and are measured at fair value with changes in fair value recognised in the profit and loss account.

Operating expenses

The Fund's AIFM is responsible for all normal operating expenses including audit fees, stamp and other duties and charges incurred on the acquisition and realisation of investments. Operating expenses are recognised on an accruals basis. The AIFM meets all other expenses incurred by the Fund in connection with its services.

Distribution policy

It is not intended to distribute to unitholders any income, all such income being accumulated within the Fund.

Trade and other receivables and cash and cash equivalents

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables and cash and cash equivalents are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition origination. They are subsequently measured at amortised cost less provision for impairment.

Trade and other payables

Payables are recognised initially at fair value plus transaction costs and subsequently stated at fair value. The difference between the proceeds and the amount payable is recognised over the year of the payables using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are 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.

Equity

Equity units are redeemable at the unitholder's option. The Fund's Net Asset Value per unit is calculated by dividing the net assets attributable to the holders of equity units by the total number of outstanding redeemable units.

In accordance with the provisions of the Trust Deed, the investment in the Trust is fair valued by reference to the last traded market price of the Trust where the last traded price falls within the bid-ask spread. This is consistent with the accounting policy of the Fund for the purpose of compliance with FRS 102.

Notes to the financial statements (continued)

2. Fees and related party disclosures

Management fees

The AIFM is entitled under the Trust Deed to make a management charge at a rate not exceeding 0.5% per annum (or such higher percentage per annum as may be approved by an Extraordinary Resolution of unitholders) of the value of the net assets of the Fund (“the Management Charge”). The Management Charge is payable monthly in arrears and is calculated by reference to the value of the net assets of the Fund as at each day on which the value of the net assets of the Fund is calculated. The AIFM currently makes a charge at the rate of 0.1% per annum, which may be increased to an amount not exceeding 0.5% per annum on giving not less than three months’ notice to the unitholders.

The Fund is managed by Baring International Fund Managers (Ireland) Limited, who have appointed the Investment Manager, an investment management company incorporated in London on 6 April 1994. The Investment Manager is part of the Baring Asset Management group and is a wholly-owned subsidiary of Massachusetts Mutual Life Insurance Company (“MassMutual”). The outstanding amounts payable as at the end of the year for management fees are disclosed on the Fund’s balance sheet. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. John Burns, Nicola Hayes and Michel Schulz are connected to the AIFM through employment with the Investment Manager and its subsidiaries.

The foregoing charges may be increased up to the relevant amount specified in the Prospectus on giving not less than three months’ notice to unitholders. The rates have not changed from the previous year.

Administration fees

The AIFM shall be entitled to receive an administration fee out of the assets of the Fund at the rate of 0.275% per annum of the Net Asset Value of the Fund calculated by reference to the daily calculation of asset values and paid monthly in arrears. The fee will be subject to a minimum of £12,000 per annum. The AIFM will pay the fees of the Administrator and Registrar out of the administration fee. The Administrator and Registrar are entitled to be reimbursed certain out-of-pocket expenses out of the assets of the Fund.

Depositary fees

Northern Trust Fiduciary Services (Ireland) Limited (“the Depositary”) is entitled under the Trust Deed to receive out of the assets of the Fund a Trustee fee at the rate of up to 0.025% per annum of the value of the net assets of the Fund, payable monthly in arrears. In addition, the Depositary will also charge transaction fees, safekeeping fees and account maintenance charges out of the assets of the Fund which shall be at normal commercial rates. The Depositary is entitled to be reimbursed all fees and charges of sub-custodians appointed by it and all other out-of-pocket expenses incurred by it. Any sub-custodian fees will be charged at normal commercial fees.

Legal fee

Mark Thorne is a partner of Dillon Eustace, the Legal Adviser, and a Director of the AIFM. The fees paid to Dillon Eustace during the period amounted to US\$3,993 (8 August 2015: US\$11,205).

Other expenses

The Fund pays out of the assets of the Fund the above fees and expenses, stamp duties, taxes, brokerage or other expenses of acquiring and disposing of investments, the fees and expenses of the auditors, listing fees and legal expenses of the AIFM. The costs of printing and distributing reports, accounts and any prospectus, publishing prices and any costs incurred as a result of a change in law or the introduction of any new law (including any costs incurred as a result of compliance with any code relating to unit trusts, whether or not having the force of law) are also paid out of the assets of the Fund.

Notes to the financial statements (continued)

2. Fees and related party disclosures (continued)

Collective Investment Schemes

The Fund invests in another investment fund managed by the Investment Manager. This holding is detailed in the portfolio statement. The investment in the investment fund managed by the Investment Manager is at arm's length and at normal commercial rates. The management fee rate is also charged at the Trust level. Please refer to the Trust's Prospectus for further details.

Significant unitholdings

The following table details significant concentrations in unitholdings of the Fund or instances where the units are beneficially held by other investment funds managed by the Investment Manager or one of its affiliates. As at 8 August 2015, the following had significant unitholdings in the Fund.

Fund Name	Number of unitholders with beneficial interest greater than 20% of the units in issue	Total % of units held by unitholders with beneficial interest greater than 20% of the units in issue	Total % of units held by investment funds managed by Baring International Fund Managers (Ireland) Limited
Baring Korea Feeder Fur	2 (08/08/2015: 1)	46.09% (08/08/2015: 26.06%)	4.11% (08/08/2015: 4.04%)

Transaction costs

There were no transaction costs incurred by the Fund for the year ended 8 August 2016 (8 August 2015: Nil).

3. Net gains/losses on investments

The following table analyses the realised and unrealised gains and losses on investments and currencies from the profit and loss account on page 13. This requirement complies with the CBI's AIF Rulebook.

Net gains/losses on investments

	08/08/2016 US\$	08/08/2015 US\$
Realised gains on sale of investments	80,274	2,766,505
Realised losses on sale of investments	(1,372,606)	(1,266,415)
Realised currency gains	528,340	1,166,332
Realised currency losses	(571,936)	(1,311,426)
Unrealised losses on investments	(5,481,209)	(3,413,217)
Unrealised currency gains	4,765	666
Unrealised currency losses	(12,160)	(216)
	<u>(6,824,532)</u>	<u>(2,057,771)</u>

Notes to the financial statements (continued)

4. Units issued and redeemed

	Class A USD Acc 08/08/2016	Class A USD Acc 08/08/2015
By units:	Units	Units
Units in issue	3,551,980	4,419,111
Units issued during the year	1,201,778	2,242,809
Units redeemed during the year	(1,651,675)	(3,109,940)
Units in issue at the end of the year	3,102,083	3,551,980
By value:	US\$	US\$
Value of units issued during the year	25,294,270	52,399,904
Value of units redeemed during the year	(34,880,204)	(71,543,536)
Value of units redeemed during the year	(9,585,934)	(19,143,632)

5. Comparative statistics

	08/08/2016	08/08/2015	08/08/2014
Dealing Net Asset Value per unit	US\$	US\$	US\$
Baring Korea Feeder Fund - Class A USD Acc	US\$21.95	US\$23.91	US\$24.14

6. Exchange Rates

The exchange rates were as follows:

	Exchange rate to US\$ 08/08/2016	Exchange rate to US\$ 08/08/2015
Euro	0.9024	0.9141
Pound sterling	0.7653	0.6464

7. Financial risk management

Strategy in using financial instruments

The Fund is exposed to a variety of financial risks in pursuing its stated investment objectives and policies. These risks are defined in FRS 102 as market risk (which in turn includes price risk, foreign currency risk, and interest rate risk), liquidity risk and credit risk. The Fund assumes exposure to these risks to generate investment returns on its portfolios, although these risks can also potentially result in a reduction in the Fund's net assets. The Investment Manager will use its best endeavours to minimise the potentially adverse effects of these risks on the Fund's performance where it can do so while still managing the investments of the Fund in a way that is consistent with the Fund's investment objectives and policy.

In accordance with the investment objectives and policies of the Fund, it may only invest in redeemable participating units in the Trust.

The Fund may hold ancillary liquid assets in order to cover the ongoing costs and expenses of the Fund. Liquid assets in this context include bank deposits, commercial paper and treasury bills.

A review of the performance for the year is available in the Investment Manager's report.

The underlying investments in the Trust are subject to normal market fluctuations and other risks inherent in investing in securities and there can be no assurance that any appreciation in value will occur. The value of investments, and therefore the value of the units relating to them, can go down as well as up and an investor may not realise the amount originally invested.

Notes to the financial statements (continued)

7. Financial risk management (continued)

Strategy in using financial instruments (continued)

The risks, and the measures adopted for managing these risks, are detailed below.

(a) Market price risk

Market price risk is defined in FRS 102 as the risk that the fair value of a financial instrument or its future cash flows will fluctuate because of changes in market prices.

The Fund invests solely in the Trust and is therefore impacted by the inherent risks of the Trust's investments. The AIFM monitors the Trust's positions on a monthly basis and reviews the information on the Trust's overall market exposures provided by the Investment Manager at its periodic meetings.

In addition, the Investment Manager manages the exposure of the portfolio to the risk of adverse changes in the general level of market prices through adhering to its formal risk management process, which includes the use of systems and technology to monitor overall market and position risk on a daily basis. The maximum risk arising from an investment is determined by the fair value of the financial instruments. The overall market exposures and concentration of risk can be seen on the portfolio statement and balance sheet of the Fund. The Fund's market price risk is affected by two components: changes in market prices and currency exchange rates. The Fund's exposure to market risk is disclosed in the portfolio statement.

The method used to determine the global exposure is the relative Value at Risk ("VaR"). VaR is calculated daily for the Fund and the performance comparison or reference portfolio using RiskMetrics (one of the leading suppliers of risk management software).

Where relative VaR is used, the calculation uses Monte Carlo methodology and utilises a 99% confidence interval, ten-day holding period and uses one year of daily returns. Monte Carlo methodology was implemented on 1 July 2016; data prior to this date will be using the Historical method. Any positions in the Fund with a shorter history have the missing returns backfilled using the appropriate local market sector index returns. The Fund's VaR is shown as a percentage of the VaR of the performance comparator or reference portfolio fund VaR for the underlying Fund to ensure that the relative figure is within an internal limit. This limit is set lower than a multiple of two (or 200%) of the performance comparator or reference portfolio VaR.

Where absolute VaR is used, the VaR calculation uses a Monte Carlo methodology and utilises a 99% confidence interval, 10-day holding period and uses one year of daily returns. The Fund's VaR is shown as a percentage of the Fund's Net Asset Value and is monitored against an internal limit. This limit is set lower than 20%.

Fund name	Fund relative VaR over the past financial year					Performance comparator or reference portfolio
	08/08/2016	08/08/2015	Lowest	Highest	Average	
Baring Korea Feeder Fund	94.97%	93.26%	88.25%	113.08%	99.39%	Korea SE Composite Index

Fund name	Absolute VaR over the past financial year				
	08/08/2016	08/08/2015	Lowest	Highest	Average
Baring Korea Feeder Fund	8.58%	6.62%	6.72%	11.42%	8.11%
Korea SE Composite Index	9.03%	7.10%	7.10%	11.04%	8.16%

Notes to the financial statements (continued)

7. Financial risk management (continued)

(a) Market price risk (continued)

Some limitations of VaR analysis are:

- the methodology is based on historical data and cannot take account of the fact that future market price movements, correlations between markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns; and
- the VaR is a point-in-time calculation, and does not necessarily reflect the risk position of the Fund at any time other than the date and time at which it is calculated.

Political and/or regulatory risks

The value of the assets of the Fund may be adversely affected by uncertainties such as international, political and economic developments and changes in market conditions, government policies and legal, regulatory and tax requirements.

(b) Foreign currency risk

Currency risk is defined in FRS 102 as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk as assets and liabilities of the Fund may be denominated in a currency other than the functional currency of the Fund, which is the US dollar.

The fluctuations in the rate of exchange between the currency in which the asset or liability is denominated and the functional currency could result in an appreciation or depreciation in the fair value of those assets and liabilities. The Investment Manager may attempt to mitigate this risk by using financial derivative instruments.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's currency exposures on a daily basis and reports regularly to the Directors of the AIFM, which reviews the information provided by the Investment Manager on any significant exposures at its periodic meetings.

The Investment Manager may have used Forward Foreign Currency Contracts on the Fund as a tool and technique to hedge this Fund's currency exposure.

The Fund's sensitivity to changes in foreign currency rates is included in the VaR risk analysis above.

(c) Interest rate risk

Interest rate risk is defined in FRS 102 as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates.

As the Fund invests substantially all of its assets into the Trust and has a relatively small cash/overdraft balance, it has an insignificant level of direct exposure to interest rate risk. The Fund would, however, be indirectly subject to fluctuations in the prevailing levels of market interest rates impacting on the underlying investments of the Trust.

(d) Liquidity risk

Liquidity risk is defined in FRS 102 as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund and the Trust are exposed to daily cash redemptions of units. The Fund invests the majority of its assets in the Trust which is considered to be liquid, as it can be readily disposed of in the event that cash needs to be raised to meet redemptions or to pay expenses. There are a number of circumstances when the AIFM may, with the approval of the Depositary, temporarily suspend the right of unitholders to require the realisation of units of any class and/or may delay the payment of any monies in respect of any such realisation.

Notes to the financial statements (continued)

7. Financial risk management (continued)

(d) Liquidity risk (continued)

In accordance with the Fund's policy, the AIFM monitors the Fund's liquidity on a daily basis and reviews any significant exposures at its periodic meetings. At 8 August 2016 and 8 August 2015, the Fund's financial liabilities, as disclosed on the balance sheet, were all due within one month.

(e) Credit risk

Credit risk is defined in FRS 102 as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is indirectly exposed to credit risk due to the investment in the Trust.

With respect to any trading in securities, repurchase agreements and forward contracts on a principal basis, as applicable, the Trust is subject to the risk of the inability or refusal to perform with respect to such transactions on the part of issuers of securities, such as commercial paper, and the principals with whom the Trust trades. Any such failure or refusal, whether due to insolvency, bankruptcy or other causes, could subject the Trust and the Fund to substantial losses.

The Trust is exposed to a credit risk on parties with whom it trades and will bear the risk of settlement default. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. The Fund is exposed to credit risk on cash and investment balances held with the Depository. Substantially all of the cash assets are held with the Northern Trust Company, London Branch ("NTC"). Cash deposited with NTC is deposited as banker and is held on its balance sheet. In accordance with usual banking practice, NTC's liability to the Fund in respect of such cash deposits shall be that of debtor and the Fund will rank as a general creditor of NTC. The financial assets are held with the Depository. These assets are held distinctly and separately from the proprietary assets of the Depository. Securities are clearly recorded to ensure that they are held on behalf of the Fund. Bankruptcy or insolvency of the Depository and/or one of its agents or affiliates may cause the Fund's rights with respect to the securities held by the Depository to be delayed.

Both the Depository and NTC are wholly-owned subsidiaries of Northern Trust Corporation.

As at 8 August 2016, Northern Trust Corporation had a long-term rating from Standard & Poor's of A+ (8 August 2015: A+).

Risk is managed by monitoring the credit quality and financial positions of the Depository the Fund uses.

Northern Trust acts as its own sub-custodian in the U.S., the U.K., Ireland and Canada. In all other markets, Northern Trust appoints a local sub-custodian. Northern Trust continually reviews its sub-custodian network to ensure clients have access to the most efficient, creditworthy and cost-effective provider in each market.

The Investment Manager reviews concentrations of credit risk on a fortnightly basis. All exposures to counterparty credit risk are monitored by the Investment Manager's Counterparty Credit Committee and are subject to the Counterparty Credit Policy ("CCP").

The Investment Manager requires a minimum credit rating of Dunn and Bradstreet 3, but also actively avoids exposure to entities having an S&P rating of less than AA-, even where the D&B rating is 3 or better. Adherence to the CCP is very rigidly enforced.

Any changes to ratings which cause divergence from CCP are acted on immediately without exception. Application for Initial Public Offerings, for example, is subject to the credit rating of the entity to whose balance sheet the application will expose the investing fund.

Where no satisfactory rating is applied, the Investment Manager insists that monies are paid into a ring-fenced 'Client Money' account, hence avoiding exposure not permitted by the CCP.

Notes to the financial statements (continued)

7. Financial risk management (continued)

(f) Credit risk (continued)

The Trust only buys and sells investments through brokers which have been approved as an acceptable counterparty. In addition, limits are set as to the maximum exposure to any individual broker that may exist at any time; these limits are reviewed regularly.

- Fair value – there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet of the Trust, and their fair value.
- Derivatives and other financial instruments – transactions in derivatives, warrants and forward currency contracts may be used for the purpose of hedging and meeting the investment objective of the Trust. In pursuing the Trust's objectives, Baring Fund Managers Limited may make use of a variety of instruments in accordance with the rules.

Credit risk arising from receivables relating to unsettled trades is considered small due to the short settlement period involved. The maximum exposure related to unsettled trades equals the amounts shown on the balance sheet. There were no past due or impaired assets as of 8 August 2016 and 8 August 2015.

The Fund invests solely into the Trust and is therefore indirectly exposed to the Trust's investments.

The net assets (fair value of investments, cash and receivables relating to securities) exposed to credit risk at year-end amounted to:

Fund	08/08/2016	08/08/2015
	US\$	US\$
Baring Korea Feeder Fund	69,106,565	85,047,563

(f) Fair value hierarchy

FRS 102 (as amended) requires the Funds to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

Notes to the financial statements (continued)

7. Financial risk management (continued)

(f) Fair value hierarchy

The determination of what constitutes 'observable' requires significant judgement by the AIFM. The AIFM considers observable data to be 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. The tables below set out the classification of the Fund's financial instruments measured at fair value in accordance with FRS 102:

As at 08/08/2016	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Baring Korea Feeder Fund				
Collective Investment Schemes	-	68,122,354	-	68,122,354
Total	-	68,122,354	-	68,122,354

As at 08/08/2015	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Baring Korea Feeder Fund				
Collective Investment Schemes	-	84,958,879	-	84,958,879
Total	-	84,958,879	-	84,958,879

8. Bank Facilities

There is a bank overdraft facility in place with NTC. An "uncommitted" multi-currency loan facility has been made available by NTC to the Fund. On 8 August 2016, there was no amount drawn down on this facility (8 August 2015: same).

9. Efficient portfolio management

During the year ended 8 August 2016, the Fund did not engage in any efficient portfolio management techniques (8 August 2015: same).

10. Taxation

Under current law and practice, the Fund qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended ("the TCA"). On that basis, it is not chargeable to Irish tax on its income or capital gains.

However, Irish tax can arise on the happening of a chargeable event in the Fund. A chargeable event includes any distribution payments to unitholders or any encashment, redemption, transfer or cancellation of units and any deemed disposal of units for Irish tax purposes arising as a result of holding units in the Fund for a period of eight years or more.

No Irish tax will arise in respect of chargeable events due to a unitholder who is an Exempt Irish Investor (as defined in Section 739D of the TCA) or who is neither an Irish resident nor ordinarily resident in Ireland for tax purposes at the time of the chargeable event, provided, in each case, that an appropriate valid declaration in accordance with Schedule 2B of the TCA is held by the Fund or where the Fund has been authorised by Irish Revenue to make gross payments in absence of appropriate declarations.

Capital gains, dividends and interest received on investments made by the Fund may be subject to withholding taxes imposed by the country of origin and such taxes may not be recoverable by the Fund or its unitholders.

Notes to the financial statements (continued)

11. Subsequent events

There have been no events subsequent to the year-end which, in the opinion of the Directors of the AIFM, may have had an impact on the financial statements for the year ended 8 August 2016.

12. Approval of financial statements

The financial statements were approved by the Directors of the AIFM on 9 November 2016.

General information – Unaudited

Baring Korea Feeder Fund (“the Fund”) is a unit trust managed by Baring International Fund Managers (Ireland) Limited (“the Alternative Investment Fund Manager (AIFM)”). The Fund is a feeder fund investing solely in the units of Baring Korea Trust (“the Trust”), a United Kingdom authorised unit trust scheme, which has also been authorised by the Securities and Futures Commission in Hong Kong.

Each redeemable participating unit in the Fund represents one undivided share in the property of the Fund.

The Fund is valued on each dealing day following the initial issue of units of the relevant class and such units may normally be purchased or realised by application to the AIFM c/o the administrator on a dealing day. Dealing days are every business day and/or such other day or days as the AIFM may, with the approval of Northern Trust Fiduciary Services (Ireland) Limited (“the Depositary”), determine (as will be notified in advance to unitholders) provided that such day is also a dealing day in respect of the Trust and provided further that there shall be at least two dealing days in each month. A business day is any day, other than a Saturday or Sunday, on which banks in both Dublin and London are open for business.

The AIFM may decline any application for redeemable participating units in whole or in part and will not accept subscriptions for units of an amount (inclusive of the preliminary charge) which is less than US\$5,000. A preliminary charge of up to 6% (or such higher amounts as may be approved by an extraordinary resolution) of the amount invested may be made and retained by the AIFM but it is the intention of the AIFM that such charge should not, until further notice, exceed 5%. Redeemable participating units in the Trust will, however, be acquired by the Fund at the creation price, the effect of which is that there will be no initial charge made on the acquisition of units in the Trust.

The Fund is constituted under the laws of Ireland by a Trust Deed dated 2 October 1992, as amended (such deed as amended from time to time being hereinafter referred to as the “Trust Deed”) made between the AIFM and the Depositary.

All unitholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Trust Deed, copies of which are available as mentioned below.

Information in this section is selective and should be read in conjunction with the full text of the Prospectus.

Market timing

Repeatedly purchasing and selling redeemable participating units in the Fund in response to short-term market fluctuations – known as ‘market timing’ – can disrupt the AIFM’s investment strategy and increase the Fund’s expenses to the prejudice of all unitholders. The Fund is not intended for market timing or excessive trading. To deter these activities, the AIFM may refuse to accept an application for redeemable participating units from persons that it reasonably believes are engaged in market timing or are otherwise excessive or potentially disruptive to the Trust.

The AIFM reserves the right to redeem redeemable participating units from a unitholder on the basis of the circumstances of the unitholder concerned, or if it has reasonable grounds to believe that the unitholders are engaging in any activity which might result in the Fund or its unitholders as a whole suffering any legal, regulatory, reputational or other material disadvantage which the Fund or its unitholders as a whole might not otherwise have suffered.

Particulars relating to the Trust

Particulars relating to the Trust are contained in the Prospectus, copies of which, together with the latest published Manager’s report, can be obtained, free of charge, from Baring International Fund Managers Limited at 155 Bishopsgate, London EC2M 3XY, United Kingdom.

Appendix 1 - additional information Hong Kong code – Unaudited

Highest issue and lowest redemption prices

The highest issue and lowest redemption prices of the Fund during the year are stated below:

	08/08/2016	08/08/2015	08/08/2014	08/08/2013	08/08/2012	08/08/2011	08/08/2010
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Highest issue price during the year	24.27	25.95	24.69	24.05	23.50	27.66	20.30
Lowest redemption price during the year	18.87	20.63	20.12	19.13	19.01	18.56	15.50
	08/08/2009	08/08/2008	08/08/2007				
	US\$	US\$	US\$				
Highest issue price during the year	20.65	34.31	31.02				
Lowest redemption price during the year	8.22	19.68	18.44				

Appendix 2 - Baring International Fund Managers (Ireland) Limited Remuneration Policy – Baring Korea feeder fund - Unaudited

The Manager of the Baring Korea Feeder Fund (“the Fund”) is Baring International Fund Managers (Ireland) Limited (“BIFML”), authorised by the Central Bank of Ireland as an Alternative Investment Fund Manager (“AIFM”) under the Alternative Investment Fund Managers Directive (“AIFMD”).

BIFML’s Remuneration Policy ensures the remuneration arrangements of AIFMD remuneration ‘identified staff’ as defined in “ESMA’s Guidelines on Sound Remuneration Policy under AIFMD, ESMA 2013/201” (the “ESMA Guidelines”), (as amended) are:

- (i) consistent with and promote sound and effective risk management and do not encourage risk-taking which is inconsistent with the risk profile, rules or instruments of incorporation of BIFML or the Funds; and
- (ii) consistent with BIFML’s business strategy, objectives, values and interests and includes measures to avoid conflicts of interest.

BIFML must comply with the AIFMD remuneration principles in a way and to the extent that is appropriate to its size and business.

Remuneration Committee

Due to the size and nature of BIFML the Board considers it appropriate to dis-apply the requirement to appoint a remuneration committee.

Baring Asset Management Limited (“BAML”) employs and remunerates staff within the Barings group. BAML is also the appointed delegate to carry out Investment Management and is authorised in the UK by the Financial Conduct Authority (“FCA”).

BAML has an HR and Salaries Committee as well as a Remuneration Committee to ensure the fair and proportionate application of the remuneration rules and requirements across the Barings’ group. The Committees ensure that potential conflicts arising from remuneration are managed and mitigated appropriately. All staff are subject to the Barings’ Performance Management Review process, which includes both financial and non-financial criteria as appropriate.

AIFMD Remuneration Code Staff

BIFML must determine its ‘Identified Staff’, whose professional activities have a material impact on its risk profile. Identified Staff consist of staff whose professional activities have a material impact on the risk profiles of the AIFM or the Funds, which includes senior managers, controlled functions and risk takers.

a) Senior Managers and controlled functions

BIFML has a Board of Directors (the “Board”) which is comprised of five directors. Two directors are independent and receive a fixed director’s fee (they do not receive any variable remuneration or performance based pay). Three directors are employed and remunerated by BAML and have waived their entitlement to receive a director’s fee from BIFML.

Designated persons perform the managerial functions of risk management and monitoring investment performance. The Designated Persons are seconded from Duff & Phelps Financial Services (Ireland) Limited, are not employed by BIFML and do not receive a salary from BIFML.

BIFML has no employees and therefore there are no other controlled functions or senior management employed by BIFML.

b) Risk takers

Investment Managers: BIFML has delegated investment management to BAML and accordingly the Investment Managers are remunerated by BAML under an equivalent remuneration regime (BAML and its subsidiaries are subject to the Capital Requirements Directive (“CRD”) which are considered to be equally as effective as those under the AIFMD).

Appendix 2 - Baring International Fund Managers (Ireland) Limited Remuneration Policy – Baring Korea feeder fund –Unaudited (continued)

Remuneration Disclosure: Baring Korea Feeder Fund

The table below summarises the fixed and variable remuneration paid to Identified Staff as well as other Barings' staff (remunerated by BAML) that carry out activities for the AIFM, for the financial year ending 31 December 2015. The disclosures below show remuneration relevant to the Funds, apportioned using total Barings Assets Under Management ("AUM").

	Number of Beneficiaries	Total Fixed Remuneration for the period	Total Variable Remuneration for the period	Total remuneration
Baring Korea Feeder Fund				
AIFM Staff	338	€97,630	€59,020	€156,650
Identified Staff	7	€72,164	€56,743	€128,907

Notes:

1. AIFM staff: this assumes all UK staff employed by BAML carry out some activities for BIFML. The remuneration is apportioned on an AUM basis. Other than the Identified Staff noted, none of the staff are considered to be senior managers or others whose actions may have a material impact on the risk profile of the Funds.
2. Identified Staff: These are as defined in the BIFML Remuneration Policy.
3. Variable remuneration consists of cash bonus and deferred awards awarded in the period.
4. The Funds do not pay either performance related fees or carried interests to any person.

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Important information:

This document is approved and issued by Baring Asset Management Limited.

Disclosure:

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BARINGS

The logo for Barings, featuring the word "BARINGS" in a bold, blue, sans-serif font. Below the text is a horizontal line with a green-to-blue gradient.