

# BARINGS

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**Baring Korea Feeder Fund**  
Interim Report & Unaudited Financial  
Statements  
for the half year ended 8 February 2017

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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 Korea Trust (“the Trust”)

Baring Asset Management Limited  
155 Bishopsgate

London EC2M 3XY

United Kingdom

Telephone: + 44 207 628 6000

Facsimile: + 44 207 638 7928

Baring Asset Management (Asia) Limited

19<sup>th</sup> Floor, Edinburgh Tower

15 Queens Road Central

Hong Kong

Telephone: + 852 2 841 1411

Facsimile: + 852 2 973 3338

\* 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 Auditors

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

Oliver Burgel\*\* (German)

John Burns\*\* (British)

David Conway† (Irish)

Nicola Hayes\*\* (British)

Barbara Healy\*\* † (Irish)

Mark Thorne† (Irish)

Michel Schulz†† (German)

Julian Swayne\*\* (British)

\*\* Oliver Burgel was appointed as Director of the AIFM with effect from 29 November 2016.

John Burns resigned from his position as Director of the AIFM with effect from 9 December 2016.

Nicola Hayes resigned from her position as Director of the AIFM with effect from 18 December 2016.

Barbara Healy was appointed as Director of the AIFM with effect from 9 February 2017.

Julian Swayne was appointed as Director of the AIFM with effect 9 February 2017.

† 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 February 2017, the Fund held 16,492,405 units (8 August 2016: 16,544,946) in the Trust, which represents approximately 45.47% (8 August 2016: 33.36%) 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 interim accounts was 12:00pm on 8 February 2017.

## **Key changes during the period**

### **The AIFM**

Oliver Burgel was appointed as Director of the AIFM with effect from 29 November 2016.

John Burns resigned from his position as Director of the AIFM with effect from 9 December 2016.

Nicola Hayes also resigned from her position as Director of the AIFM with effect from 18 December 2016.

### **Baring Korea Trust (“the Trust”)**

Angus Woolhouse resigned from his position as Director of the Trust with effect from 31 August 2016.

Nicola Hayes resigned from her position as Director of the Trust with effect from 24 November 2016.

John Burns resigned from his position as Director of the Trust with effect from 25 November 2016.

Julian Swayne was appointed as Director of the Trust with effect from 20 December 2016.

The Trust converted from dual to single pricing on Monday 12 December 2016.

## Investment Manager's report

### Performance record

#### Summary of Fund performance

	Net Asset Value as at 08/02/2017 (Price per unit)	Net Asset Value as at 08/08/2016 (Price per unit)	Net Asset Value % change
Baring Korea Feeder Fund - Class A USD Acc	US\$20.37	US\$21.95	(7.20)

#### Performance record to 8 February 2017

	09/08/2016- 08/02/2017 %	09/08/2015- 08/08/2016 %	09/08/2014- 08/08/2015 %	09/08/2013- 08/08/2014 %	09/08/2012- 08/08/2013 %
Baring Korea Feeder Fund - Class A USD Acc (USD terms)	(7.20)	(8.20)	(0.95)	16.45	(1.33)
Korea SE Composite Index (KOSPI) (USD terms)	(1.78)	6.44	(12.13)	15.77	0.34

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 (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

The Fund maintained its focus on a long-term growth philosophy. We remain focused on stock specific, individual growth names and we remain agnostic in terms of sector and asset allocation. The Fund increased levels in key holdings such as data storage device maker SK Hynix and SK Materials, using the market volatility as an opportunity. We sold profit on cosmetic companies Medy-tox, Hugel and Amorepacific. We remain focused on key holdings in the Consumer and Healthcare sectors as has been the case over the last few years. However, we sold at a profit, some of the holdings that reached target prices and/or at full valuation.

## Investment Manager's report (continued)

### Strategy (continued)

Within the Healthcare sector, we started accumulating Samsung Biologics, a leading biologics CMO (contract manufacturing organisation) which boasts strong partnership with global pharmaceutical companies such as Roche, BMS, and Merck for example. We increased holdings in Financials via banks and insurance holdings. We also increased holdings in large cap materials such as POSCO. Despite the fragile nature of the global economic recovery, the potential for higher interest rates in key global financial markets, and turbulence in global financial markets, we believe South Korea is well positioned. This is partly due to the potential for South Korea to benefit from a normalisation of the growth outlook in China, and on a regional and global basis. We continue to see volatility as a good opportunity to gain exposure to long-term winners. We continuously monitor our conviction and key drivers of long-term earnings for our key holdings and remain vigilant of sustainable growth stories as well as valuation opportunities.

The Fund will continue to maintain its focus on solid long-term beneficiaries across different sectors. Key themes include:

- Beneficiaries of changing growth dynamics of the technology and mobile internet
- 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 R&D
- Beneficiaries of benign input costs and superior manufacturing process / competitiveness

### Performance

The Fund underperformed the performance comparator during the period.

A large part of negative attribution came from the Fund's exposure to sectors such as Consumer Staples, Healthcare. These names include Medy-tox, LG Household & Healthcare, Hugel, Korea Kolmar. The Fund's structural underexposure in Samsung Electronics was the single largest detracting factor.

A large part of positive attribution came from Information Technology and Chemical sectors. These names include SK Hynix, SK Materials, Lotte Chemical. The Fund's position in Industrials and Utilities also contributed positively.

### Review of the market

Amidst ongoing global macro volatility, the South Korean won depreciated against the US dollar by 3.5% in the period.

The Information Technology sector led by Samsung Electronics and SK Hynix posted strong gains due to better than expected earnings and improved shareholder return policies. Notably, large cap deep cyclicals such as the Refining, Chemical, and Steel sectors also continued to post strong gains. Food and Beverage, and Healthcare stocks continued to underperform during the period.



## **Investment Manager's report (continued)**

### **Market outlook**

Risk factors, both global and intra-regional, remain. One key factor will be China's growth outlook as a decelerating economy and government efforts to improve structural issues continue to impact equity markets. Stable 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 at the technological level. It is usually at the top of the list of research and development investment versus GDP, investing in new technologies and manufacturing. We believe that it is in these leading edge sectors and companies where much of South Korea's growth will come.

We believe 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 positive change in money supply growth, and improving dividend policy to drive a further expansion of the South Korean market.

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

**February 2017**

*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 February 2017

Investment Unit Trust	Holding as at 08/08/2016	Nominal purchases	Nominal sales	Holding as at 08/02/2017	Fair value US\$ as at 08/02/2017	% of NAV
Baring Korea Trust	16,544,946	2,334,609	(2,387,150)	16,492,405	63,197,775	99.98
Cash and cash equivalents					105,435	0.17
Other net liabilities					(95,724)	(0.15)
<b>Net assets attributable to equity holders</b>					<b>63,207,486</b>	<b>100.00</b>

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)
<b>Net assets attributable to equity holders</b>					<b>68,089,798</b>	<b>100.00</b>

## Balance sheet

As at 8 February 2017

	Notes	Baring Korea Feeder Fund 08/02/2017 US\$	Baring Korea Feeder Fund 08/08/2016 US\$
<b>Assets</b>			
Financial assets at fair value through profit or loss		63,197,775	68,122,354
Funds due from the Baring Korea Trust		-	908,379
Cash and cash equivalents		105,435	75,832
Receivable for units sold		69,683	23,818
Trade and other receivables		22,262	5,346
<b>Total assets</b>		<b>63,395,155</b>	<b>69,135,729</b>
<b>Liabilities</b>			
Payable for units redeemed		(32,914)	(944,529)
Funds due to the Baring Korea Trust		(75,239)	-
Management fees payable	3	(6,625)	(7,313)
Administration fees payable	3	(17,901)	(19,794)
Depository fees payable	3	(1,875)	(3,111)
Trade and other payables	3	(53,115)	(71,184)
<b>Total liabilities (excluding net assets attributable to equity holders)</b>		<b>(187,669)</b>	<b>(1,045,931)</b>
<b>Equity</b>			
Net assets attributable to equity holders		63,207,486	68,089,798
<b>Total equity</b>		<b>63,207,486</b>	<b>68,089,798</b>
<b>Total equity and liabilities</b>		<b>63,395,155</b>	<b>69,135,729</b>
<b>Units in issue (Note 5)</b>			
	Class A USD Acc	3,102,682	3,102,083

## Statement of changes in equity For the period ended 8 February 2017

	Notes	Baring Korea Feeder Fund 08/02/2017 US\$	Baring Korea Feeder Fund 08/02/2016 US\$
Net assets attributable to equity holders at the beginning of the period		68,089,798	84,935,922
Decrease in net assets for the period attributable to equity holders		(4,876,395)	(12,304,620)
Issue of redeemable participating units for the period	5	11,382,281	13,291,852
Redemption of redeemable participating units for the period	5	(11,388,198)	(18,581,433)
<b>Net assets attributable to equity holders at the end of the period*</b>		<b>63,207,486</b>	<b>67,341,721</b>

\* The opening net asset attributed to unitholders for 2017 differ from the closing position in 2016 by the change in net assets attributable to unitholders for the second half of the comparative financial year.

The accompanying notes form an integral part of these financial statements

## Profit and loss account

For the period ended 8 February 2017

	Notes	Baring Korea Feeder Fund 08/02/2017 US\$	Baring Korea Feeder Fund 08/02/2016 US\$
<b>Investment income</b>			
Net fair value loss on financial assets and liabilities at fair value through profit or loss	4	(4,737,924)	(12,048,430)
<b>Total investment expense</b>		<b>(4,737,924)</b>	<b>(12,048,430)</b>
<b>Expenses</b>			
Management fees	3	(31,841)	(36,898)
Administration fees	3	(87,560)	(101,469)
Trustee fees	3	(6,687)	(9,224)
General expenses	3	(12,370)	(108,520)
<b>Total operating expenses</b>		<b>(138,458)</b>	<b>(256,111)</b>
<b>Net expense before finance costs</b>		<b>(4,876,382)</b>	<b>(12,304,541)</b>
<b>Finance costs</b>			
Bank interest expense		(13)	(79)
<b>Total finance costs</b>		<b>(13)</b>	<b>(79)</b>
<b>Decrease in net assets for the period from operations attributable to equity holders</b>		<b>(4,876,395)</b>	<b>(12,304,620)</b>

Gains and losses arose solely from continuing operations. There were no gains or losses other than those dealt with in the profit and loss account.

The accompanying notes form an integral part of these financial statements

## 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 period ended 8 February 2017, the Directors of Baring International Fund Managers (Ireland) Limited (“the Alternative Investment Fund Manager (AIFM)”) have applied Financial Reporting Standard 104 (“FRS 104”) ‘Interim Financial Reporting’ 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 (“SFC”) 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 condensed interim financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish Statute comprising the Unit Trusts Act, 1990 and the provisions of the Hong Kong Code on Unit Trusts and Mutual Funds. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those promulgated by the Institute of Chartered Accountants in Ireland and issued by the Financial Reporting Council.

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 8 August 2016, which have been prepared in accordance with accounting standards generally accepted in Ireland.

The Fund has availed of the exemption under Section 7 of FRS 102 not to prepare a cash flow statement.

The last business day of the Fund in the current financial period is 8 February 2017. The last valuation point on that day was 12.00pm.

The accounting policies used in the preparation of these financial statements are consistent with those used in the annual financial statements for the year ended 8 August 2016.

FRS 104 requires that the profit and loss account and the statement of changes in net assets attributable to holders of redeemable participating units for the current interim period show the comparable interim period of the immediately preceding financial year. The balance sheet as of the end of the current interim period is required, under FRS104, to disclose a comparative balance sheet as of the end of the immediately preceding financial year.

### 2. Fair value information

#### Fair value hierarchy

FRS 102 (as amended) requires the Fund 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. 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

## Notes to the financial statements (continued)

### 2. Fair value information (continued)

#### Fair value hierarchy (continued)

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 08/02/2017	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Baring Korea Feeder Fund</b>				
Collective Investment Schemes	-	63,197,775	-	63,197,775
<b>Total</b>	<b>-</b>	<b>63,197,775</b>	<b>-</b>	<b>63,197,775</b>

  

As at 08/08/2016	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Baring Korea Feeder Fund</b>				
Collective Investment Schemes	-	62,122,354	-	62,122,354
<b>Total</b>	<b>-</b>	<b>62,122,354</b>	<b>-</b>	<b>62,122,354</b>

### 3. 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 period 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. Oliver Burgel\*, John Burns\*, Nicola Hayes\* and Michael Schulz are/were connected to the Investment Manager through employment with the AIFM 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.

\* Oliver Burgel was appointed as Director of the AIFM with effect from 29 November 2016.

\* John Burns has resigned from his position as Director of the AIFM with effect from 9 December 2016.

\* Nicola Hayes has resigned from her position as Director of the AIFM with effect from 18 December 2016.

## Notes to the financial statements (continued)

### 3. Fees and related party disclosures (continued)

#### 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\$1,363 (8 February 2016: US\$11,425).

#### 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.

#### 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 Baring Korea Trust (“the Trust”) 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 February 2017, 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 or affiliates
Baring Korea Feeder Fund	2 (08/08/2016: 2)	44.39% (08/08/2016: 46.09%)	4.56% (08/08/2016: 4.11%)

## Notes to the financial statements (continued)

### 3. Fees and related party disclosures (continued)

#### Transaction costs

There were no transaction costs incurred by the Fund for the year ended 8 February 2017 (8 August 2016: Nil).

### 4. Net gains 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 10. This requirement complies with the CBI's AIF Rulebook.

	08/02/2017 US\$	08/02/2016 US\$
Realised gains on sale of investments	19,016	67,884
Realised losses on sale of investments	(750,995)	(443,602)
Realised currency gains	120,212	176,156
Realised currency losses	(130,246)	(193,819)
Unrealised losses on investments	(4,003,559)	(11,656,869)
Unrealised currency gains	11,903	3,483
Unrealised currency losses	(4,255)	(1,663)
	<u><u>(4,737,924)</u></u>	<u><u>(12,048,430)</u></u>

### 5. Units issued and redeemed

	Class A USD Acc 08/02/2017 Units	Class A USD Acc 08/08/2016 Units
<b>By units:</b>		
Units in issue as at 09/08/2016	3,102,083	3,551,980
Units issued during the period/year	568,946	1,201,778
Units redeemed during the period/year	(568,347)	(1,651,675)
<b>Units in issue as at 08/02/2017</b>	<u><u>3,102,682</u></u>	<u><u>3,102,083</u></u>
<b>By value:</b>	<b>US\$</b>	<b>US\$</b>
Value of units issued during the period/year	11,382,281	25,294,270
Value of units redeemed during the period/year	(11,388,198)	(34,880,204)
<b>Net value of units redeemed during the period/year</b>	<u><u>(5,917)</u></u>	<u><u>(9,585,934)</u></u>

### 6. Soft commission arrangements

The AIFM and its associates will not receive cash from, or offer rebates to, brokers or dealers in respect of transactions for the Investment Manager. The Investment Manager uses dealing commission generated on equity transactions to purchase goods and services that relate to the execution of trades or the provision of research for the benefit of the Fund. Execution of transactions will be consistent with best execution standards. The Fund did not engage in soft commission arrangements during the period.

### 7. Comparative statistics

	08/02/2017 US\$	08/08/2016 US\$	08/08/2015 US\$
<b>Dealing Net Asset Value per unit</b>			
Baring Korea Feeder Fund - Class A USD Acc	US\$20.37	US\$21.95	US\$23.91



## Notes to the financial statements (continued)

### 8. Exchange Rates

The exchange rates were as follows:

	Exchange rate to US\$ 08/02/2017	Exchange rate to US\$ 08/08/2016
Euro	0.9391	0.9024
Pound sterling	0.8006	0.7653

### 9. 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.

### 10. Bank facilities

There is a bank overdraft facility in place with The Northern Trust Company, London branch ("TNTC"). An "uncommitted" multi-currency loan facility has been made available by TNTC to the Fund. The Fund has not drawn down on this facility as at 8 February 2017 (8 August 2016: same).

### 11. Efficient portfolio management

During the period ended 8 February 2017, the Fund did not engage in any efficient portfolio management techniques. (8 August 2016: same)

### 12. 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)

### 13. Subsequent events

Barbara Healy was appointed as Director of the AIFM with effect from 9 February 2017.

Julian Swayne was appointed as Director of the AIFM with effect from 9 February 2017.

From 01 April 2017 the Fund currently listed will transfer its Irish Stock Exchange (“ISE”) listing from the ISE Main Securities Market (“MSM”) to be listed on the ISE Global Exchange Market (“GEM”).

There have been no other events subsequent to the period-end which, in the opinion of the Directors of the AIFM, may have had an impact on the financial statements for the period ended 8 February 2017.

### 14. Approval of financial statements

The financial statements were approved by the Directors of the AIFM on 15 March 2017.

## General information

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

### Highest issue and lowest redemption prices

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

	<b>08/02/2017</b>	<b>08/08/2016</b>	<b>08/08/2015</b>	<b>08/08/2014</b>	<b>08/08/2013</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Highest issue price during the period	22.38	24.27	25.95	24.69	24.05
Lowest redemption price during the period	18.54	18.87	20.63	20.12	19.13

  

	<b>08/08/2012</b>	<b>08/08/2011</b>	<b>08/08/2010</b>	<b>08/08/2009</b>	<b>08/08/2008</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Highest issue price during the period	23.50	27.66	20.30	20.65	34.31
Lowest redemption price during the period	19.01	18.56	15.50	8.22	19.68

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