



M E R I L L
F U N D S

Annual Report

and

Financial Statements

31 July 2016

Company Registration number: SV 384

Contents

MANAGEMENT AND ADMINISTRATION	3
DESCRIPTION	5
MANAGER'S REPORT	6
DIRECTORS' REPORT	10
CUSTODIAN REPORT	12
INDEPENDENT AUDITOR'S REPORT	13
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	15
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS	16
STATEMENT OF COMPREHENSIVE INCOME	17
STATEMENT OF CASH FLOWS	18
ACCOUNTING POLICIES	19
NOTES TO THE FINANCIAL STATEMENTS	23
PORTFOLIO STATEMENTS	35

MANAGEMENT AND ADMINISTRATION

DIRECTORS	<p>Mr. Jesmond Mizzi Campbell Close G2, Triq San-Pawl, Attard, Malta</p> <p>Dr. Mark Azzopardi 38, Ivoire, Paul Borg Street Attard, Malta</p> <p>Mr. John Bonett 37/8 Sunsea Mansions Nicolo Isouard Street Sliema, Malta</p> <p>Mr. Paul Mercieca 20, Casa Tidapah Triq Cafcaf, Madliena, Malta</p>
INVESTMENT COMMITTEE	<p>Mr. Jesmond Mizzi Mr. John Catania Dr. Mark Azzopardi Mr. Gianmarco Guadalupi</p>
COMPANY SECRETARY	<p>Valletta Fund Services Limited TG Complex Suite 2, Level 3, Brewery Street Mrieħel, BKR 3000 Malta.</p>
INVESTMENT MANAGER	<p>Jesmond Mizzi Financial Advisors Limited 67, Level 3 South Street Valletta, Malta</p>
CUSTODIAN	<p>Bank of Valletta p.l.c. BOV Centre Canon Road Santa Venera SVR9030 Malta</p>
GLOBAL CUSTODIAN	<p>RBC Investor Services Trust, London Branch Riverbank House, 2 Swan Lane London EC4R 3AF United Kingdom</p>
ADMINISTRATOR, REGISTRAR AND TRANSFER AGENT	<p>Valletta Fund Services Limited TG Complex Suite 2, Level 3, Brewery Street Mrieħel, BKR 3000 Malta. <i>Recognised to provide Fund Administration services by the Malta Financial Services Authority</i></p>

MANAGEMENT AND ADMINISTRATION - *continued*

AUDITORS

PricewaterhouseCoopers
78 Mill Street
Qormi, QRM 3101
Malta

LEGAL ADVISORS

MamoTCV Advocates
Palazzo Pietro Stiges, 103, Strait Street
Valletta VLT 1436
Malta

DESCRIPTION

Merill SICAV p.l.c. (“the Company”) is an open-ended collective investment scheme organised as a multi-fund public limited liability investment company with variable share capital under the laws of the Republic of Malta and licensed by the Malta Financial Services Authority (“MFSA”) under the Investment Services Act (Chapter 370 of the Laws of Malta), and qualifying as a self-managed “Maltese UCITS” in terms of the Investment Services Act (Marketing of UCITS) Regulations (Legal Notice 241 of 2011, as amended from time to time)

The principal investment objective of Merill Total Return Income Fund is to achieve long-term total return growth and income from a diversified portfolio of investments.

MANAGER'S REPORT

Investment Objective

The investment objective of the fund is to achieve long-term total return growth and income from a diversified portfolio of investments.

Market Overview

Despite the volatility witnessed in the global equity markets, it was a positive six months for the fixed income sector on a total return basis - both for investment grade bonds, which locked in solid returns across the globe as well as high yield bonds, particularly the United States (US) high yield sector, which benefited from the pick-up in the energy sector. In July, the fixed income front retained its positive direction, as bond markets continued to trend higher since the post Brexit sell-off late in June. On a year-to-date basis, the broader European government bond market registered an advancement of more than 6.5 per cent, whereas the investment-grade corporate bond market advanced by just under six per cent.

Conversely, in the equity market, the recovery witnessed from mid-February onwards, fuelled by continued support from major Central Banks and a rally in oil prices, was halted by the surprise result of the Brexit vote on June 23 – albeit significant recoveries were witnessed by the end of July on the basis of further central bank accommodative policies in major economies. The historic decision of United Kingdom (UK) voters to leave the European Union (EU) was a narrow one - 51.9 per cent supported the Brexit vote versus a 48.1 per cent wanting the UK to remain a member of the EU. This outcome elevated market volatility, sent the pound tumbling to a 30-year low of \$1.32, and pushed global financial markets into a market wide sell-off. Nevertheless, the decline against the Euro reached a three-year low of €1.17. Consequently, safe haven assets have been in demand since.

In the **US**, quarterly corporate reports were mixed - the weaker dollar and higher commodity prices boosted the resource sector, while financials' earnings were not as bad as expected. Interest rate hike expectations characterised financial markets from the beginning of the year. The US Federal Reserve Chair, Janet Yellen kept changes in monetary policy on hold as Brexit concerns weighed in, amid mixed economic data and strength in the US labour market. Indeed, this was reflected in the US equity markets and the high yield sector which outperformed their European peers. However, as global economic concerns were factored in following the Brexit vote, investment grade issues and US Treasuries surged as yields declined. Despite positive second quarter corporate data, domestic product growth at 1.2% missed expectations, on tentative global demand and sluggish US corporate activity. This contrasts with the 4.2% increase in consumer spending, indicating that US corporations are sitting on cash, buying back shares and paying higher dividends instead of investing in new economic activity.

On the **European front**, the main catalyst was the increased stimulus by the European Central Bank (ECB), which exceeded market expectations. Mario Draghi, the President of the ECB, announced an expansion of the Quantitative Easing (QE) Programme to purchase 80 billion euros in monthly assets, including corporate debt, while cutting the main refinancing rate to zero and the ECB deposit rate to a negative 0.4 per cent. The aim of these measures is to stimulate the Eurozone economy. Over the second quarter of the year, Draghi reiterated that additional fiscal measures would further enhance economic growth. Furthermore, it was stated that interest rates will stay at current or lower levels for an extended period, well beyond the current horizon for the QE Programme of asset purchases. It was made clear that the ECB "would not hesitate to act" if further monetary easing is necessary. However, we can raise the question on effectiveness of European monetary policy without a harmonious fiscal policy among the European members, we still remember the mistake of Japanese government increasing taxes in 1997 and bringing Japan into recession even with accommodative monetary policy in place. Furthermore, one of the remaining major problems of Europe is the banking sector which is still under-capitalized compared to the US especially in Italy and represents an important weight on the indexes.

MANAGER'S REPORT - continued

European markets traded higher on the back of this monetary stimulus. However, by the end of June, the fixed income sector outperformed the European equity markets as the latter came under pressure due to unclear economic implications of the Brexit vote for the European Union. Having said that, bond yields fell to historic lows as prices of investment grade issues ticked higher. During the month of June, the yield on the 10-year benchmark German bund fell into negative territory for the first time ahead of the UK's referendum, while thereafter a total of \$11.7 trillion were recorded to be invested in negative yielding issues. The fixed income front continued to trend higher over the month of July, as European equity indices posted their best monthly gain year to date. Technology shares followed by industrial shares, headed the list of gainers. Oppositely, oil and gas companies declined amid earnings misses and lower oil prices.

In the **UK**, the Brexit vote was reflected primarily in the British pound and on domestically focused sectors. Financial markets woke up to a surprise result on Friday June 24 which saw the pound tumbling to the lowest since 1985 and a sell-off across the board. The UK's domestically focused FTSE 250 reacted with a decline of seven per cent, while the FTSE 100, composed of multi-national exporting companies, recovered from its lows to finish 3.2 per cent down. Moreover, political risk brought about by David Cameron's resignation and the probability of another Scotland Independence Referendum exacerbated economic uncertainty. This was reflected in US Treasuries, UK Gilts and German Bunds, which have outperformed the high yield and equity markets.

However, albeit uncertainty remains high, UK equity markets in July recovered significantly from the post-Brexit declines, on the back of anticipated support from the Bank of England (BOE). The swift appointment of Theresa May as prime minister provided further re-assurance to the markets.

After availing from taking monetary policy action on the 14th of July meeting, early in August, the BOE, cut interest rates to 0.25%, and increased the scope of its asset purchase facility to £435 billion. Such measures aim to stimulate the UK economy. Second quarter domestic product growth came in at 0.6%, beating expectations. However, retail sales for July were less positive as they slowed down at the fastest rate since June 2012.

On the other hand, the **local** market provided a diversification element from the turmoil witnessed in the global equity markets at the beginning of the year and at the end of the second quarter. As a result of the lack of correlation, the MSE index started the year on a positive note, retreated during the months of April and May to then lock in gains over the month of June – although reversing such gains in July. During the first seven months of the year, FIMBank plc shares locked in the best performance, up 60 per cent year-to-date, while volatility spiked across GO plc shares following the announcement of the voluntary bid of €2.87 by La Société Nationale des Télécommunications (Tunisie Telecom). Over the year, returns on the local corporate bond market were mixed. Meanwhile, the Government Stocks yield curve flattened - as prices of long dated sovereign debt issues gained ground and yields fell, while short dated issues declined in value.

Portfolio Activity

International Exposure - Merill

Central banks continued to successfully boost asset prices as economic activity would have been more limited without such aggressive monetary policy. However, we think there is a limit as to how far this can be done, as interest rates cannot be pushed much lower. In this context, where macro-economic factors dominate the market in the developed world, we have enlarged our scope in terms of diversification of our exposure as well as the return. Our investment philosophy continues to follow a prudent approach as a priority, by the acquisition of top quality assets like sovereign or quasi sovereign bonds. These bonds could act as a shock absorber in case of an adverse market movement. In this perspective, we bought **Kingdom of Norway** and **European Investment Bank** in local currency, both rated AAA. A better quality asset does not necessarily mean a low explicit yield. In fact, we have increased our exposure in **Norwegian Kroner**, as the currency looks undervalued to Euro and a safe place to get indirect exposure to the oil market, in this case North Sea (Brent Crude Oil). The recovery of oil price is one of our favourite themes for the next two years as oil supply glut will not persist. Regarding oil and de-risking, earlier this year, we sold our **Petrobras holding** and bought **Pemex** moving from a Brazilian oil producer to a Mexican oil producer with a better rating and thus avoiding the impact of Brazilian recession.

MANAGER'S REPORT - continued

We cannot ignore the emerging market these days as investors are worried and disappointed by the European market, having started to move their money from Europe to the emerging market which is a reverse trend of what we had witnessed in 2015. We can easily notice investors' attention on Italian or Greek banks which seem under-capitalized compared to their peers in the US. We are convinced that Europe has opportunities and a promising growth path, however after the Brexit, we have increased our exposure to the US market in accordance with our prudential investment philosophy. In emerging markets, we bought **Codelco** a quasi sovereign bond in Euro. **Codelco** is one of the biggest copper producers, even with a deceleration of Chinese demand for this industrial metal, the infrastructure projects are flourishing in many countries especially in India. We started to add exposure to **India** as we think the Prime Minister, Mr Modi, is a good reformer and will probably manage to implement structural changes in the Indian economy, by maintaining an impressive growth for the coming years.

Local Exposure – Merill

Fixed-Income

Since last February, we have been participating in a number of new Malta Government Bond Issues such that we have increased our exposure, particularly toward the far-end of the yield curve. We deemed this to be opportune given the current interest rate environment and forecasting that interest rates will remain at current low levels (or lower) for an extended period of time. We also managed to add to an existing long-dated MGS, the **4.1% Malta Government Stock 2034 (I)** issue. The yield which we managed to lock-in in such issuances ranged between 2%-to-2.3%.

We have also considered a number of local corporate bond issuances, whereby we have been adding to the portfolio progressively and when offers were made available, managing to lock-in a yield in the range of 3.8-to-4% across a few issues, such as the **4.5% Izola Bank p.l.c Unsecured Bond 2025 EUR**, **4.5% Medserv 2026 EUR** and **5% Halmann Vella Plc 2024 EUR**. We have also participated in two new corporate issues, the **4% International Hotel Investments Plc Secured Bonds 2026** and the **4% MIDI Plc Secured Bonds 2026**, albeit acquisitions were limited as both issues were significantly oversubscribed.

We opted to participate in the above two issues to lock in a yield of 4% on a par bond price, knowing that the strong demand experienced across local corporate issues (particularly new issues) would be beneficial from a total return perspective.

Managing to lock in a YTM of just under 3% on a 3 year BOV bond issue, we opted to increase our exposure from 200,000 nominal to around 250,000 nominal in the **4.25% Bank of Valletta plc EUR Notes 2019 Series 2 Tranche 1**. Likewise, we were able to lock in a YTM of just under 3% on a short-dated HSBC bond issue - **5.9% HSBC Bank Malta plc Subordinated Bonds 2018** – and managed to acquire 93.6k nominal at a price of EUR106.25.

Moreover, we opted to increase our weighting within the **6.2% Tumas Investments p.l.c Bonds 2017-2020** issue, as we managed to lock-in a yield of just under 3% should the issue be called next year. Should the bond be called as early as 2017, we anticipate that preference will be granted to existing bond holders. Similarly, as with the execution in the Tumas bond, we managed to lock an even better yield to worst of around 4% on a short-dated security – the **6.25% International Hotel Investments plc Bonds 2017-2020**.

Given the lack of liquidity across the broader local corporate bond market, we have increased our exposure in the **Vilhena Malta Bond Fund**, currently offering a distribution yield of around 2.7%.

MANAGER'S REPORT - continued

Equity

We opted to double our strategic position within the most liquid, and highest dividend paying equity on the MSE, **Bank of Valletta plc**, we continue to be positive on this equity.

The decision to open a position in **Go plc** was taken at the time following the anticipated takeover bid to acquire GO's 60% stake by Emirates. Nevertheless, following the announcement of the takeover price at EUR2.87, the equity has been hammered, albeit recovering some ground since then. We continue to review our position.

As part of our strategic positions, we opted to gradually increase our weighting in **Malita Investments Plc** to average down our cost, knowing that lack of liquidity might have quite an impact on its share price.

We had placed an order to increase gradually our positioning in **Malta Properties Company plc** at a price of EUR0.56 or better. However, following the company's results and the given the fact that no dividends were announced as yet, we removed the remaining pending balance from the market. Nevertheless, we might reconsider further additions in the future, given our current minimal weighting as a percentage of NAV, and the company's and industry's prospects. Property sector in Malta is booming, particularly, with regards to rental income.

We increased slightly our positioning in one of Malta's leading insurance companies, **Mapfre Middlesea plc**, knowing that its market share has been trending higher, particularly following last year's acquisition of *Allcare Insurance's* client base.

RS2 Software plc – As a growth company, we strongly believe that the company's flagship product, *BankWORKS*, offers substantial upside potential for the company to grow bigger. The company also seems to focus onto further expanding its operations across other regions, particularly in the US and Asia. We have increased our position following the recent downward pressure on the company's stock price over the recent weeks. Although the company's results may not have met investors' expectations, we still believe in the company's long-term story and potential.

Simonds Farsons Cisk plc – We opted to include Malta's leading company in the beverage/brewery industry. Nevertheless, given the lack of liquidity in the said security, adding exposure has been quite challenging.

Outlook

Given that the outlook for the UK economy depends on the new trading relationship with the EU, which will take years to finalise, job creation and investment in the UK economy might be impaired. On a positive note, while the drop in the pound could signify a weaker domestic economy, UK multi-national companies are likely to benefit; gaining a price advantage through their exports. Moreover, markets have witnessed a rebound in some of the major indices by end-July – with the S&P500 at an-all time high, fuelled by US economy's relative resilience.

24 November 2016

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the period ended 31 July 2016. The company was incorporated on the 8th October 2015 and licensed by MFSA on the 16th October 2015. These are the first financial statements of the Company which reflect the period from incorporation on the 8th October 2015 to 31st July 2016 and therefore no comparative figures are included in the financial statements.

Principal activities

The company is an open-ended collective investment scheme organised as a multi-fund public limited liability investment company with variable share capital under the laws of the Republic of Malta and licensed by the Malta Financial Services Authority ("MFSA") under the Investment Services Act (Chapter 370 of the Laws of Malta), and qualifying as a self-managed "Maltese UCITS" in terms of the Investment Services Act (Marketing of UCITS) Regulations (Legal Notice 241 of 2011, as amended from time to time). As at the date of this report, the Company consists of one sub-fund:

Merill Total Return Income Fund

Review of business

The net assets attributable to holders of redeemable shares as at 31st July 2016 stood at €20,074,096 an increase of 17.30% from that registered on first trading day 15th February 2016, which stood at €17,110,750.

Result and dividends

The result for the period under review can be found on the Statement of Comprehensive Income on page 17. Dividends declared for the period ended 31st July 2016 amounted to €17,097.

Directors

The directors of the company who held office during the period were:

Mr. Jesmond Mizzi – Chairman
Mr. Paul Mercieca
Mr. John Bonett
Dr. Mark Azzopardi

In accordance with Article 22.5 of the Company's Memorandum and Articles of Association the Directors shall serve till the end of the next annual general meeting at which point they will retire and shall be eligible for re-election.

Standard license conditions and regulatory sanctions

The initial seed capital of the fund was received in specie. Among the holdings received were iShares MSCI Global Energy Producers ETF and iShares MSCI India ETF it later transpired that the said two holdings did not fulfil all the regulatory requirements for an eligible investment in a UCITS fund. MFSA was notified accordingly on 26th April 2016. The holdings were disposed on 27th April 2016. The Fund incurred no loss upon disposal.

There were no other breaches and no regulatory sanctions imposed on the Company.

Statement of directors' responsibilities for the financial statements

The directors are required by the Companies Act, 1995 to prepare financial statements that give a true and fair view of the state of affairs of the company as at the end of each reporting period and of the profit or loss for that period.

DIRECTORS' REPORT - continued**Statement of directors' responsibilities for the financial statements - continued**

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Merrill SICAV p.l.c for the period ended 31 July 2016 are included in the Annual Report 2016, which is published in hard-copy printed form and may be made available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Subsequent events

The company is in the process of applying for licences of two new sub-funds. This process is still in progress at the date of this report.

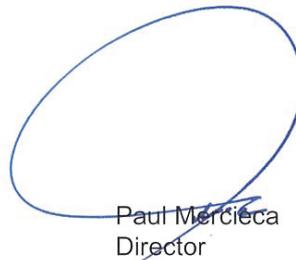
Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



Jesmond Mizzi
Chairman



Paul Mercieca
Director

Registered office

1/2, St. Joseph High Street,
Hamrun,
Malta

24 November 2016

Custodian Report

BOV

Bank of Valletta

Finance
BOV Centre, Triq il-Kanun, Santa Venera SVR 9030 - Malta
T: (356) 2131 2020 F: (356) 2275 3729
E: customercare@bov.com bov.com

24 November 2016

Report of the Custodian

Merill SICAV p.l.c. (the "Company")

We, Bank of Valletta p.l.c., as Custodian to the Merill SICAV p.l.c ("the Scheme"), and its sub-Fund Merill Total Return Income Fund (the "Fund"), hereby confirm that having enquired into the conduct of the Manager during the year ended 31st July 2016, it is our opinion that during this year, the Company and its Funds have been managed:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of each Fund by the constitutional documents and by the Malta Financial Services Authority; with the exception of;

The Fund held two assets in the portfolio, the iShares MSCI Global Energy Producers ETF (US4642863439) and the iShares MSCI India ETF (US46429B5984), which were not in line with the eligibility criteria for investment in Collective Investment Schemes as imposed by the Standard Licence Condition 4.1(V) of the Part BII Standard Licence Conditions applicable to Malta based UCITS Collective Investment Schemes.

The matter was resolved with the assets being disposed of on the 27 April 2016.

- (ii) otherwise in accordance with the provisions of the constitutional documents and the Fund's license conditions.



Kevin Portelli
Bank of Valletta p.l.c.



Annabelle Muscat
Bank of Valletta p.l.c.



Independent auditor's report

To the Shareholders of Merrill SICAV plc.

Report on the Financial Statements

We have audited the financial statements of Merrill SICAV plc on pages 15 to 34, which comprise the statement of financial position as at 31 July 2016, and the statements of income, comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 6, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements

- give a true and fair view of the financial position of the company as at 31 July 2016, and of its financial performance and its cash flows for the period then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.



Independent auditor's report - continued

Report on Other Legal and Regulatory Requirements

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

A large, stylized handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke at the end.

Joseph A. Camilleri
Partner

24 November 2016

FINANCIAL STATEMENTS

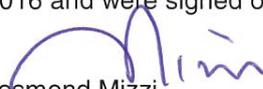
STATEMENT OF FINANCIAL POSITION

as at 31st July 2016

	Notes	MERILL FUND 2016 €
Assets		
Financial assets at fair value through profit or loss	3	17,653,201
Accrued income	4	143,241
Trade and other receivables	4	1,618
Cash and cash equivalents	5	2,316,725
Total assets		20,114,785
Liabilities		
Accrued Expenses	6	65,889
Trade and other payables	6	13,516
		79,405
Net assets attributable to holders of redeemable shares		20,035,380
Represented by:		
Net Assets attributable to holders of redeemable shares (at trading value)		20,074,096
Adjustment for organisation costs	8	(38,716)
		20,035,380
Shares in issue as at 31 July 2016 (note 6)		
Class A	7	33,273,638.86
Class B	7	5,606,501.72
		€
Net asset value as at 31 July 2016		20,035,380
Net asset value per share as at 31 July 2016		
Class A		0.5167
Class B		0.5141

The accounting policies and notes on pages 19 to 34 are an integral part of the financial statements.

The financial statements on pages 15 to 34 were authorised for issue by the Board of Directors on 24 November 2016 and were signed on its behalf by:


Jesmond Mizzi
Director


Paul Mercieca
Director

Merill SICAV p.l.c.
2016 Annual Report and Financial Statements

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

for the period 8th October, 2015 to 31st July, 2016

**MERILL
 FUND
 2016
 €**

Net assets at beginning of the period	-
Amounts received on creation of shares	19,512,278
Amounts paid on redemption of shares	(12,085)
Total comprehensive income	535,187
Net assets attributable to holders of redeemable shares at the end of the period	20,035,380

The accounting policies and notes on pages 16 to 31 are an integral part of the financial statements.

Merill SICAV p.l.c.
2016 Annual Report and Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

for the period 8th October, 2015 to 31st July, 2016

	Notes	MERILL FUND 2016 €
Investment income		
Interest income		197,280
Gross dividend income		82,447
Net gain on financial assets at fair value through profit or loss		503,164
Net investment income		782,891
Administration fees	9	10,473
Audit fee	9	5,192
Directors' fees	9	21,227
Legal and professional fees		6,942
Management fees	9	67,441
Custody fees	9	7,138
Other operating expenses		5,832
Formation expenses		42,681
Transaction costs		5,621
Transaction management fee	9	44,104
Operating expenses		216,651
Change in net assets attributable to holders of redeemable shares before withholding tax		566,240
Distribution paid		(17,097)
Withholding tax paid		(13,956)
Total comprehensive income		535,187

The accounting policies and notes on pages 19 to 34 are an integral part of the financial statements.

Merill SICAV p.l.c.
2016 Annual Report and Financial Statements

STATEMENT OF CASH FLOWS

for the period 8th October, 2015 to 31st July, 2016

MERILL
FUND
2016
€

Notes

Cash flows from operating activities

Interest received	57,461
Dividend received	79,025
Operating expenses paid	(146,885)
Tax paid	(13,957)
<i>Net cash used in operating activities</i>	<u>(24,356)</u>

Cash flows from investing activities

Purchase of investments	(4,358,677)
Proceeds from sale of investments	1,123,141
<i>Net cash used in investing activities</i>	<u>(3,235,536)</u>

Cash flows from financing activities

Amounts received on creation shares	5,594,147
Amounts paid on redemption of shares	(12,085)
Distributions paid	(5,445)
<i>Net cash generated from financing activities</i>	<u>5,576,617</u>

Movements in cash & cash equivalents	2,316,725
Cash & cash equivalents at beginning of period	-
Cash & cash equivalents at end of period	<u>2,316,725</u>

5

The accounting policies and notes on pages 19 to 34 are an integral part of the financial statements.

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted for use in the European Union (“EU”), and comply with the Maltese Companies Act, 1995. They have also been prepared in accordance with the requirements of the Investment Services rules for Collective Investment Schemes of the Malta Financial Services Authority (“MFSA”). These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain accounting estimates. It also requires Directors to exercise their judgement in the process of applying the Company’s accounting policies (note 2 - Critical accounting estimates and judgements).

As at 31 July 2016, the Company had one sub-fund, the Merrill Total Return Income Fund (the “Fund”). Each participating share which the Company issues is allocated to a class representing the Fund. The Company maintains a separate account for the Fund to which the proceeds are credited, and against which expenses are charged. Upon redemption, shareholders are entitled only to their proportion of the net assets held in the account relating to the Fund in which their participating shares are designated.

The statements of financial position present assets and liabilities in increasing order of liquidity and do not distinguish between current and non-current items. Financial assets and liabilities at fair value through profit or loss are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in accordance to the Investment Managers’ recommendations. All other assets and liabilities are expected to be realised within one year.

These are the first financial statements of the Company which reflect the period from incorporation on the 8th October 2015 to 31st July 2016 and therefore no comparative figures are included in the financial statements.

Standards, interpretations and amendments to published standards effective 1 January 2016

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial period that would be expected to have a material impact on the company.

New standards, interpretations and amendments effective after 1 January 2016 and have not been early adopted

A number of new standards, interpretations and amendments to standards and interpretations that maybe relevant to investments funds have been issued to date but are not effective for the financial statements of the Company for the period ended 31 July 2016. These have not been early adopted in preparing this financial statement.

The standards, amendments and interpretations issued but not yet effective at the date of the issuance of the Company’s financial statement are listed below:

<i>Standard</i>	<i>Narrative</i>	<i>Effective date</i>
<i>IFRS 9</i>	<i>Financial instruments: classification and measurement</i>	<i>1 January 2018</i>

IFRS 9, issued on 24 July 2014, is the International Accounting Standard Board’s (“IASB”) replacement of IAS 39, Financial instruments: recognition and measurement (“IAS 39”). IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

ACCOUNTING POLICIES - continued

1. BASIS OF PREPARATION - continued

The IASB completed its project to replace IAS 39 in phases, adding to the standard in each phase. The complete standard issued on 24 July 2014, includes requirements previously issued and additional amendments to incorporate a new expected loss impairment model and to introduce limited amendments to the classification and measurement requirements for financial assets. This version of IFRS 9 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements).

IFRS 9 uses business models and contractual cash flow characteristics to determine whether a financial asset is measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income, replacing the four category classification in IAS 39.

The approach is also based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets.

2. FOREIGN EXCHANGE TRANSLATION

a) Functional and presentation currency

The Company's designated currency is the Euro (€), which is the presentation currency used for the statements.

The Fund's functional currency is the currency of denomination of the Fund as stipulated in the offering memorandum. The Euro (€) is the functional currency of Merrill Total Return Income Fund.

b) Transactions and balances

Transactions carried out in currencies other than the functional currency of each Fund, are translated at exchange rates ruling at the transaction dates. Assets and liabilities designated in currencies other than the functional currency are translated into the functional currency at exchange rates ruling at the Company's period-end. All resulting differences are taken to the Statements of Comprehensive Income.

Translation differences on financial assets held at fair value through profit or loss are reported as part of the 'other net fair value movements on financial assets at fair value through profit or loss'.

3. FINANCIAL ASSETS

(a) Classification

The Company classifies its financial assets into two categories being financial instruments designated at fair value through profit or loss, and loans and receivables. The classification is dependent on the purpose for which the investments were acquired. The Directors determine the appropriate classification of investments at the time of purchase and re-evaluate such designation at the reporting date.

The category financial assets at fair value through profit or loss has two sub-categories being those designated at inception and those held for trading.

- Financial assets and liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Funds' documented investment strategy and/or to eliminate or significantly reduce an accounting mismatch.

ACCOUNTING POLICIES – continued

3. FINANCIAL ASSETS – continued

- Derivatives are also categorised as held for trading. The Company does not classify any derivatives as hedges in a hedging relationship.

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Loans and receivables consist of term deposits, accrued income, other receivables and cash and cash equivalents.

(b) Recognition, de-recognition and measurement

Purchases and sales of investments are recognised on trade date, the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value, and transaction costs for all financial assets and liabilities carried at fair value through profit or loss are expensed as incurred. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities at fair value through profit or loss are subsequently re-measured at fair value. Realised and unrealised gains and losses arising from changes in the 'fair value of the financial assets and liabilities at fair value through profit or loss' category are included in the Statement of Comprehensive Income in the period in which they arise. Loans and receivables are carried at amortised cost using the effective interest method less any provision for impairment. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Fair value estimation

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments listed or dealt on a regulated market, is based on the latest available price, appearing to the Directors. In the case of financial instruments which are quoted, listed or normally dealt in or under the rules of a regulated market but in respect of which, for any reason, prices on that regulated market may not be available at any relevant time, the value thereof is determined by reference to prices sought from dealers, brokers or pricing service providers. The fair values of unquoted investments are established by using valuation techniques. These include reference to recent financial statements and similar financial instruments as well as option pricing models.

4. OTHER RECEIVABLES AND ACCRUED EXPENSES

Other receivables and accrued expenses represent amounts receivable and payable respectively, for transactions contracted for but not yet delivered by the end of the period. These amounts are initially recognised at fair value and subsequently measured at amortised cost less any provision for impairment (in the case of other receivables). A provision for impairment of other receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due. These are recognised within the Statement of Comprehensive Income.

ACCOUNTING POLICIES – continued

5. REDEEMABLE SHARES

The Company issues redeemable shares, which are redeemable at the holder's option and are classified as a financial liability. Redeemable shares can be put back to the respective Fund at any time for cash equal to a proportionate share of that Fund's net asset value ("NAV"). The share capital is carried at redemption amount that is payable at period-end if the shareholder exercises the right to put the shares back to the respective Fund.

The NAV per share is calculated by dividing the net assets attributable to the holders of redeemable shares with the total number of outstanding redeemable shares. In accordance with the offering memorandum, investment positions are valued based on the last traded market price for the purpose of determining the NAV per share for subscriptions and redemptions.

6. INCOME RECOGNITION

All distributions from financial assets included in the statements of comprehensive income are recognised on the date on which the stock is quoted ex-dividend. Interest income from financial assets not classified at 'fair value through profit or loss' is recognised using the effective interest method. Other gains or losses, including interest income, arising from changes in the fair value of the financial assets and liabilities at fair value through profit or loss category are presented in the statements of comprehensive income within 'Other net fair value movements on financial assets at fair value through profit or loss' in the period in which they arise.

7. EXPENSES

Expenses are accounted for on an accrual basis and are expensed as incurred.

8. DISTRIBUTION POLICY

The Company has issued Class 'B' distribution shares in relation to the Fund. Accordingly, the Company may as it from time to time thinks fit, and subject to the applicable laws, pay such dividends attributable to the Class 'B' shares of the Fund as appear to the Company to be justified. Dividends may be paid in such currency, as the Company may deem appropriate subject to the observance of any applicable law. Proposed distributions to holders of the Class 'B' distribution shares are recognised as a finance cost in the statement of comprehensive income when they are appropriately authorised and no longer at the discretion of the Fund. When part or all of the income attributable to the Class 'B' distribution shares is not distributed as dividends, such income will be accumulated within the Fund and reflected in the price of the Class 'B' distribution shares.

9. CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments, that are readily convertible to known amounts of cash, and which are subject to insignificant changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

10. TAXATION

The Company is registered in Malta. The fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statements of comprehensive income. Withholding taxes are shown as a separate line item in the statements of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Merill SICAV p.l.c. ("The Company") is a multi-fund public limited liability investment company with variable share capital (SICAV) under registration number SV384. The Company was incorporated on the 8th October 2015 and licensed by the MFSA on the 16th October 2015. The Company is structured as an open-ended self-managed collective investment scheme and qualifies as a 'Maltese UCITS' in terms of the UCITS Regulations and the UCITS Directive.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ significantly from these estimates.

Estimates and judgements are continually evaluated and based on experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

3. (a) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Merill Total Return Income Fund

	Fair value 2016 €	% of net assets 2016
Local equities	1,632,024	8.15%
European equities	28,501	0.14%
UK equities	222,926	1.11%
US equities	62,578	0.31%
Asian equities	24,159	0.12%
Quoted local corporate bonds	2,777,365	13.86%
Quoted Malta government bonds	3,271,604	16.33%
Quoted foreign corporate bonds	2,976,471	14.86%
Quoted foreign sovereign bonds	76,810	0.38%
Collective investment schemes	5,485,382	27.38%
Exchange traded funds	608,888	3.04%
Structured products	486,493	2.43%
	17,653,201	88.11%

All investments are held under nominee through the respective custodian. The other net fair value movements on financial assets at fair value movement' disclosed in the statements of comprehensive income are derived from financial assets at fair value through profit or loss designated at inception.

NOTES TO THE FINANCIAL STATEMENTS - continued**(b) FAIR VALUE MOVEMENT / OTHER MARKET MOVEMENTS**

The components of the fair value movement within financial assets at fair value through profit or loss are as follows:

Merill Total Return Income Fund

	2016 €
Dividend Income from quoted equities	82,447
Interest from quoted bonds	197,280
Net realised gain on sale of financial assets	1,536
Net change in unrealised fair value movement	501,628
Total fair value movements	782,891

4. OTHER RECEIVABLES

	Merill Total Return Income Fund 2016 €
Accrued Interest	143,241
Other receivables	1,618
Other receivables	144,859

Accrued income represents mainly accrued interest from bonds and dividend income not yet received as at period-end.

5. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, the period-end cash and cash equivalents comprise bank balances held at call as follows:

	2016 €	% of net assets 2016
Bank of Valletta	2,316,725	12%
Cash and cash equivalents	2,316,725	12%

Transactions in specie:

On 12 February 2016, a subscription in specie was made by an investor resulting in assets amounting to € 13,918,131 being taken over by the Fund.

NOTES TO THE FINANCIAL STATEMENTS - continued**6. ACCRUED EXPENSES, TRADE AND OTHER PAYABLES**

	Merill Total Return Income Fund 2016 €
<i>Accrued expenses</i>	
Management fees	12,989
Administration fees	5,863
Custody fees	5,589
Legal and professional fees	29,074
Other expenses	12,375
Accrued expenses	65,889
 <i>Trade and other payables</i>	
Distribution payable	11,652
Purchases for settlement	1,864
Trade and other payables	13,516

7. SHARE CAPITAL**Company**

The share capital of the Company shall be equal at any time to the value of the issued share capital of the Company. The Company may issue up to a maximum of 10,000,001,000 shares without any nominal value assigned to them.

Founder shares

The Company has issued 1,000 founder shares with no nominal value, which founder shares constitute a separate class of shares of the Company but does not constitute a sub-fund.

The Founder Shares are ordinary shares which participate in the net assets of the Company on dissolution and liquidation after all the redeemable participating shares have been repurchased.

Sub-Fund*Redeemable participating shares*

Redeemable participating shares are issued in relation to a particular Sub-Fund. Each Sub-Fund can be constituted by multiple classes of redeemable participating shares. Each class represents an interest in the Sub-Fund's portfolio, but may have its own characteristics, such as fee structure, minimum investment, minimum holding, dividend policy or base currency. Redeemable participating shares in issue must be fully paid up. Redeemable participating shares have no par value and carry no preferential or pre-emptive rights. Unless otherwise provided in the offering supplement in respect of a Sub-Fund, each redeemable participating share, regardless of class, is entitled to one vote in all matters brought before a general meeting of shareholders.

The Sub-Fund has currently issued Class A and Class B redeemable participating shares. The Company may create further classes within the Sub-Fund in the future. As at 31 July 2016, 33,273,638.8620 Class A redeemable participating shares and 5,606,501.7180 Class B redeemable participating shares were in issue.

NOTES TO THE FINANCIAL STATEMENTS - continued**7. SHARE CAPITAL - continued**

The relevant movements are shown above and in the Statement Changes in Equity. In accordance with the objectives outlined in the prospectus, the Company endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions.

Movement in redeemable shares is as follows:

	Merill Total Return Income Fund 2016
Shares in issue at beginning of period	-
Creation of shares - Class A	33,273,638.862
Creation of shares - Class B	5,704,103.345
Reinvestments - Class A	-
Reinvestments - Class B	358.746
Redemption of shares - Class A	-
Redemption of shares - Class B	(97,960.373)
Shares in issue at end of period - Class A	33,273,638.862
Shares in issue at end of period - Class B	5,606,501.718

8. NET ASSET VALUE

Net assets attributable to a shareholder represent a liability in the Statement of Financial Position, and is carried at the value of the Fund's net asset value per redeemable share at date of the transaction. The Fund's net asset value per redeemable unit is calculated by dividing the Fund's net assets with the total number of outstanding units in issue.

Timing differences exist in recognition of formation expenses between IFRS and the methodology applied by the Fund in determining net asset value per share in accordance with the Fund's prospectus. These differences are recognised as finance credits in the Statement of Comprehensive Income and classified as equity within the Statement of Financial Position.

A difference existed as at 31 July 2016, amounting to €38,716, relating to the initial set-up fees charged by the investment manager which was expensed in full for IFRS financial statements but amortised over five years for pricing purposes

Given the timing nature, these differences have therefore been reflected within the 'net assets attributable to holders of redeemable shares (valued in accordance with offering memorandum)' in the Statement of Financial Position and are explained in the table below:

	2016 €
Net assets attributable to holders of redeemable shares (<i>as determined for pricing purposes</i>)	20,074,096
Adjustments for:	
Initial formation expenses	(38,716)
Net assets attributable to holders of redeemable shares (<i>valued in accordance with IFRS</i>)	20,035,380

NOTES TO THE FINANCIAL STATEMENTS - continued

9. FEES

a) Management fees

Under the terms of the investment management agreement, each Sub-Fund is bound to pay an investment management fee as specified in the related Offered Supplement of each Sub-Fund.

The Company may apply different fees to different Sub-Funds and to different class of redeemable participating shares in any Sub-Fund of the Company.

The investment manager will also be entitled to recover from the Company all properly incurred and approved out-of-pocket expenses.

Jesmond Mizzi Financial Advisors Ltd. charges a fee of 0.75% per annum for Class A and 1% per annum for Class B, pro-rated for the period for which the fee is due, and on the net asset value of the Sub-Fund as at the end of such period. The fee will be payable monthly in arrears.

b) Transaction management fee

In addition, the Investment Manager will also receive a fee in an amount equivalent to 2% of the (acquisition) transaction value of units of collective investment schemes which are acquired for or on behalf of the Fund, and in an amount equivalent to 1% of the (acquisition or disposal) transaction value of each and every other asset (other than units of collective investment schemes) which are acquired or disposed of on behalf of the Fund, which fee shall be payable out of the assets of the Fund attributable to the Fund Class A shares.

The Investment manager will also receive a fee in an amount equivalent to 0.2% of the (acquisition or disposal) transaction value of each and every other asset (other than units of collective investment schemes) which are acquired or disposed of on behalf of the Fund, which fee shall be payable out of the assets of the Fund attributable to the Fund Class B shares.

c) Administration fees

Valletta Fund Services Limited, Administrator to the Company, provides administration services to the Company.

The Administrator receives an administration fee based on the NAV of the Funds. The following tiered structure applies:

- less than €10 million - 0.125% p.a. of the NAV
- over €10 million up to €30 million - 0.100% p.a. of the NAV
- over €30 million up to €50 million - 0.080% p.a. of the NAV
- amounts in excess of €50 million - 0.065% p.a. of the NAV

A minimum fee of €16,000 per annum for the first six months applies, after which the minimum rises to €18,000 for the following six months. The annual minimum fee following the first year will be €20,000

Fees incurred during the period ended 31 July 2016 are disclosed in the statement of comprehensive income. The outstanding balances as at period-end are disclosed in note 6.

d) Custodian fees

Bank of Valletta p.l.c. is entitled to receive out of the net assets of the Sub-Fund, the following custody fees:

- 0.04% of the NAV subject to a minimum fee of €15,000 p.a. reduced to €12,000 for the first year
- Transaction charge of €15 per listed security, which fee is waived if trades are executed with BOV trading desk.

NOTES TO THE FINANCIAL STATEMENTS - continued**9. FEES - continued***e) Auditor's remuneration*

Fees charged by the auditor (exclusive of VAT) for services rendered to the Company during the financial period ended 31 July relate to:

	2016
	€
Annual statutory audit	5,192
	5,192

f) Directors' fee

Directors' fees amount to €21,227 for the period. As per the directors' agreements, total fees amount to €6,500 for each director per year.

10. TAX EXPENSE ON INCOME

The tax regime for collective investment schemes in Malta is based on the classification of funds into prescribed or non-prescribed funds in terms of the conditions set out in the Collective Investment Schemes (Investment Income) Regulations, 2001, as amended. In general, a prescribed fund is defined as a resident fund, which has declared that the value of its assets situated in Malta amount to at least 85% of the value of the total assets of the fund. A non-prescribed fund is a fund which does not qualify as a prescribed fund.

On the basis that the Merrill Total Return Income Fund is currently classified as a non-prescribed fund for Maltese income tax purposes, then the Fund should not be subject to Maltese income tax in respect of the income or gains derived by such fund other than on any income from immovable property situated in Malta, if any.

However, Maltese resident investors therein may be subject to a 15% final withholding tax on capital gains realised on redemption, liquidation or cancellation of units. Nevertheless, the Maltese resident investor may request the Fund not to effect the deduction of the said 15% final withholding tax, in which case the said investor would be required to declare the gains in his/her Maltese income tax return and will be subject to tax at the normal rates of tax. Gains or profits derived on the transfer or redemption of units in the fund by investors who are not resident in Malta should not be chargeable to Maltese income tax, subject to the satisfaction of applicable statutory conditions.

If there are distributions by the Fund, dividends paid from Malta source taxed profits, Malta source profits which are exempt from tax up to the level of the ultimate shareholder, or profits received by the Fund from the Foreign Income Account of another Maltese company should not be subject to further tax in the hands of the shareholders. In the case of distributions from the Fund's Final Tax Account (if any) the shareholders should not be subject to further tax on such dividend but should not be entitled to claim a credit or refund of any tax directly or indirectly paid on such profits.

Distributions from the Fund's foreign source profits allocated to its Untaxed Account or distributions of any Malta source profits which are not subject to tax and which are allocated to its Untaxed Account, to a Maltese resident person (other than a company) or to a non-resident person or individual in certain circumstances should be subject to a withholding tax of 15%.

Distributions from the Fund's equalisation reserve are treated as dividends for income tax purposes and should be subject to a withholding tax of 15% when paid to a Maltese resident person (other than a company) or to a non-resident person or individual in certain circumstances.

In the case of the Fund's foreign investments, any capital gains, dividends, interest and other gains or profits may be subject to tax imposed by the country of origin concerned and such taxes may not be recoverable by the Fund or by its shareholders under Maltese domestic tax law.

The redemption or transfer of shares and any distribution on a winding-up of the Fund may result in a tax liability for the shareholders according to the tax regime applicable in their respective countries of incorporation, establishment, residence, citizenship, nationality, domicile or other relevant jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS - continued

11. RELATED PARTIES

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.

The Company's related parties include key management and investment managers as described below.

The Company operated under an investment management with Jesmond Mizzi Financial Advisors Ltd. All investment management fees paid to the investment manager are disclosed separately in the statement of comprehensive income. As at 31 July 2016 Jesmond Mizzi Financial Advisors Limited held 100,000 Class B shares. Amounts payable at 31 July 2016 are included in the statement of financial position.

During the period, Mr. Jesmond Mizzi, Mr. John Catania, Dr. Mark Azzopardi and Mr. Gianmarco Guadalupi acted as members of the Investment Committee. Atlas Insurance PLC which holds 27,836,262 units in the Class A Shares is also considered to be a related party by virtue of an indirect holding in the investment manager. These units were acquired on 12 February 2016 by virtue of a transfer in specie of a number holdings in securities and cash amounting to a value of € 13,918,131.

Transactions with related parties during the period are included in the table below:

	2016 €
Director's fees	21,227
Management fees	67,441
Transaction management fees	44,104
	132,772

12. FINANCIAL RISK MANAGEMENT

The Funds' activities expose them to a variety of financial risks: market risk (including price risk, fair value interest rate risk, cash flow interest rate risk and currency risk), credit risk and liquidity risk.

The Funds are also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that aims to eliminate the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Funds to transfer the securities might be temporarily impaired.

Market risk

(a) Equity price risk

The Fund is subject to equity price risk. The risk arises from trading and investing in publicly traded equities or other financial instruments. All positions in securities present a risk of loss of capital. The Investment Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits. The maximum risk resulting from securities positions, other than leveraged positions, is determined by the fair value of the securities, whereas in the case of the leveraged positions, the maximum risk is determined by the nature of the instrument and can exceed the fair value of the position. The Fund's overall market positions are monitored on an ongoing basis by the Funds' Investment Manager.

NOTES TO THE FINANCIAL STATEMENTS – continued**12. FINANCIAL RISK MANAGEMENT – continued****Market risk – continued**

The Fund's exposures to equity price risk are summarised in the table below and includes Collective Investment Schemes which invest primarily in equities. Collective Investment Schemes which primarily invest in bonds and other asset classes may also have small equity exposures however these are not considered to be material and are not disclosed. The table below also provides an analysis of the impact on the Funds' net assets attributable to shareholders (gross of expenses), of a general price movement in equities, with all other variables held constant.

31 July 2016	Exposure as a % of NAV	General price movement change	+/- impact of NAV
Merill Total Return Income Fund	21.05% (Inclusive of Equity Collective investment schemes)	+/-10%	+/- 2.105%

(b) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Fund is exposed to interest rate risk through directly holding interest-bearing financial assets, including debt securities (note 3a) and cash and cash equivalents (note 4). Assets earning interest at variable rates expose the Fund to cash flow interest rate risk, whereas assets earning interest at fixed rates expose the Fund to fair value interest rate risk. The Fund's exposure to interest rate risk is summarised in the table below.

	Assets held at fixed rates (as a % of NAV) 2016	Assets held at variable rates (as a % of NAV) 2016
Merill Total Return Income Fund	(including direct fixed income bonds, Exchange traded fund, Non equity collective investment schemes cash) 67.6%	(Cash) 11.6%

The table below provides a sensitivity analysis for interest rate risk (with all other variables remaining constant) and considers the impact of a shift in interest rates of 50 basis points on the net assets attributable to shareholders of the Fund.

	+/- impact on NAV of an increase/decrease in interest rates 2016
Merill Total Return Income Fund	-1.40% (these include any increases in yields by 50bp on the EUR, GBP,USD,AUD and NOK). +1.49% (these include a decrease yields by 50bp on the EUR,GBP,USD,AUD and NOK)

NOTES TO THE FINANCIAL STATEMENTS – continued**12. FINANCIAL RISK MANAGEMENT – continued****Market risk – continued**

The direct exposure in interest rate risk is managed through investments in debt securities with different maturity rates as illustrated in the table below. The Investment Manager monitors such exposure on a regular basis.

Maturities of debt securities as at 31 July 2016:

	Up to 1 year	1 to 5 years	Over 5 years
Merill Total Return Income Fund	0.50%	14.21%	32.79%

(c) Currency risk

Currency fluctuations between the functional currency of the Fund and the currency of the respective underlying investments may adversely affect the value of investments and the income derived therefrom. The table below summarises the Fund's principal exposures to different currencies other than the functional currencies of the Fund.

31 July 2016	Functional Currency	EUR % of net assets	GBP % of net assets	USD % of net assets	NOK % of net assets	AUD % of net assets
Merill Total Return Income Fund		93.29%	2.48%	2.73%	0.87	0.63%

The Fund operates internationally and holds both monetary and non-monetary assets denominated in currencies other than the Euro, the functional currency. Foreign currency risk arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. The Investment Manager monitors the exposure on all foreign currency denominated assets and liabilities.

When the Investment Manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Fund, the Investment Manager factors that into its portfolio allocation decisions. While the Fund has direct exposure to foreign exchange rate changes on the price of non-euro/sterling-denominated securities, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain companies in which the Fund invests, even if those companies' securities are denominated in Euro.

For that reason, the below sensitivity analysis may not necessarily indicate the total effect on the Fund's net assets attributable to holders of redeemable shares of future movements in foreign exchange rates.

The following analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased against the Funds' functional currency by the percentage disclosed in the table below with all other variables held constant. This represents management's best estimate of a reasonable shift in the foreign exchange rates, having regard to historical volatility of those rates.

NOTES TO THE FINANCIAL STATEMENTS – continued**12. FINANCIAL RISK MANAGEMENT - continued**

31 July 2016	Reasonable possible shift in GBP rate	Impact of possible shift in GBP rate	Reasonable possible shift in USD rate	Impact of possible shift in USD rate
Merill Total Return Income Fund	Depreciation (Based on volatility GBPEUR of 360 days (-11.45%))	+/-0.28%	Depreciation (Based on volatility USDEUR of 360 days -9.39%)	+/-0.25%
31 July 2016	Reasonable possible shift in AUD rate	Impact of possible shift in AUD rate	Reasonable possible shift in NOK rate	Impact of possible shift in NOK rate
Merill Total Return Income Fund	Depreciation (Based on volatility AUDEUR of 360 days(-12.73%))	+/-0.08%	Depreciation Based on volatility NOKEUR of 360 days -9.2%	+/-0.06%

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge on obligations. Financial assets, which potentially subject the Funds to credit risk consist principally of debt securities and loans and receivables. Loans and receivables comprise accrued income, other receivables and cash and cash equivalents as disclosed in the statements of financial position.

The maximum exposure to credit risk at 31 July 2016 is the carrying amount of the financial assets as set out below:

	Merill Fund €
Debt securities	9,102,250
Accrued income	139,819
Cash and cash equivalents	2,316,725
Total exposure to credit risk	11,558,794

The following table provides information regarding the Fund's aggregated credit risk exposure with external credit ratings. Exposure to accrued income is not deemed to be material and is not included in the table below. The credit rating analysis below takes into account the rating of the respective debt security which is categorised by Moody's rating or equivalent.

NOTES TO THE FINANCIAL STATEMENTS – continued

12. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

31 July 2016

Debt securities and cash and cash equivalents as a % of NAV

AAA	1.40%
AA-	3.00%
A+	1.51%
A	21.23%
A-	12.82%
BBB+	15.21%
BBB	2.82%
BBB-	2.61%
BB+	0.88%
BB	0.76%
Not Rated	13.86%

The Fund does not hold any collateral as security.

All transactions in listed debt securities are settled for upon delivery through clearing houses. The risk of default is considered minimal, as delivery of securities sold is only made once the clearing house has received payment. Payment is made on a purchase once the securities have been received by the clearing house. The trade will fail if either party fails to meet its obligation.

Accrued income constitutes of dividend income, interest income, and rebate income outstanding as at period-end. These receivables are short-term in nature. Accordingly, the Fund has no significant credit risk in respect of accrued income.

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Investment Manager monitors the Funds' liquidity position on a regular basis. Redeemable shares are redeemed on demand at the holder's option. All other liabilities are due within less than one year.

Fair value hierarchy

IFRS 7 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 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS – continued**12. FINANCIAL RISK MANAGEMENT - continued****Credit risk - continued**

The following tables analyse the fair value hierarchy within the Funds' financial assets at fair value through profit or loss:

Merill Total Return Income Fund

	Level 1 €	Level 2 €	Total €
As at 31 July 2016			
Financial assets at value through profit or loss			
Local equities	1,632,024	-	1,632,024
European equities	28,501	-	28,501
UK equities	222,926	-	222,926
US equities	62,578	-	62,578
Asian equities	24,159	-	24,159
Quoted local corporate bonds	2,777,365	-	2,777,365
Quoted Malta government bonds	3,271,604	-	3,271,604
Quoted corporate bonds	2,976,471	-	2,976,471
Quoted foreign sovereign bonds	76,810	-	76,810
Collective investment schemes	5,485,382	-	5,485,382
Exchange traded funds	608,888	-	608,888
Structured products	-	486,493	486,493
	17,166,708	486,493	17,653,201

13. CAPITAL RISK MANAGEMENT

The capital of the Fund is represented by the net assets attributable to holders of redeemable shares as disclosed in the statements of financial position. The amount of net assets attributable to holders of redeemable shares can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of shareholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Company's policy is to perform the following:

- Monitor the level of daily subscriptions and redemptions relative to the assets it expects to be able to liquidate within one month and adjust the amount of distributions the Fund pays to redeemable shareholders.
- Redeem and issue new shares in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Investment Manager monitors capital on the basis of the value of net assets attributable to redeemable shareholders.

14. SUBSEQUENT EVENTS

The company is in the process of applying for licences of two new sub-funds. This process is still in progress at the date of this report.

Portfolio Statements

31 July 2016

	Market value 31.07.16 €	% of total Assets	% of net Assets
LISTED EQUITIES			
MALTA			
6PM HOLDINGS PLC	123,466	0.70%	0.62%
BANK OF VALLETTA	201,241	1.14%	1.00%
FIMBank p.l.c.	56,404	0.32%	0.28%
GO PLC	104,300	0.59%	0.52%
HSBC BANK	24,691	0.14%	0.12%
LOMBARD BANK	188,021	1.07%	0.94%
MALITA INVESTMENTS PLC B	134,835	0.76%	0.67%
MALTA PROPERTIES COMPANY	30,179	0.17%	0.15%
MALTAPOST PLC	64,480	0.37%	0.32%
MAPFRE MIDDLE SEA	118,320	0.67%	0.59%
MIA PLC	262,164	1.49%	1.31%
RS2 SOFTWARE PLC	37,254	0.21%	0.19%
SIMONDS FARSONS CISK plc	24,169	0.14%	0.12%
TIGNE MALL PLC	262,500	1.49%	1.31%
TOTAL	1,632,024	9.24%	8.15%
UNITED KINGDOM			
BORDERS & SOUTHERN PTL.	77	0.00%	0.00%
GLAXOSMITHKLINE	19,581	0.11%	0.10%
HENDERSON INVESTMENT	203,268	1.15%	1.01%
TOTAL	222,926	1.26%	1.11%
IRELAND			
RYANAIR HOLDINGS	28,501	0.16%	0.14%
TOTAL	28,501	0.16%	0.14%
INDIA			
HDFC BANK ADR 1:3	24,159	0.14%	0.12%
TOTAL	24,159	0.14%	0.12%

Portfolio Statements - continued

31 July 2016

	Market value 31.07.16 €	% of total Assets	% of net Assets
LISTED EQUITIES - continued			
UNITED STATES			
APPLE	11,462	0.06%	0.06%
BAIDU 'A' ADR 10:1	6,423	0.04%	0.03%
DELTA AIR LINES	15,074	0.09%	0.08%
GENERAL ELECTRIC	10,303	0.06%	0.05%
UNITED CONTINENTAL HDG.	15,389	0.09%	0.08%
YAHOO	3,927	0.02%	0.02%
TOTAL	62,578	0.35%	0.31%
LISTED BONDS			
LOCAL BONDS			
6PM UNSEC BONDS 5.1% 2025	114,642	0.65%	0.57%
BOV NOTES 2018 4.8%	48,755	0.28%	0.24%
BOV NT 2019 4.25% ii TR1	260,865	1.48%	1.30%
BOV NT 2030 3.50% SERIES2	136,514	0.77%	0.68%
BOV SUB BONDS 2019 5.35%	36,187	0.20%	0.18%
BOV SUB BONDS 2020 4.8%	43,354	0.25%	0.22%
HAL MANN GROUP 2024 5%	220,702	1.25%	1.10%
HSBC EURO BONDS 4.6% 2017	33,151	0.19%	0.17%
HSBC EURO BONDS 5.9% 2018	99,403	0.56%	0.50%
IZOLA UNSEC BDS 2025 4.5%	101,576	0.58%	0.51%
MARINER FINANCE 2024 5.3%	221,260	1.25%	1.10%
MEDSERV 4.5% EUR 2026	83,600	0.47%	0.42%
MEDSERV PLC 6% 2020-2023	109,000	0.62%	0.54%
PENDERGARDEN 2020 5.5% S1	123,753	0.70%	0.62%
PENDERGARDEN 2022 6% S2	62,985	0.36%	0.31%
4% IHI Secured Bonds 2026	15,000	0.08%	0.07%
4% MIDI Sec Bonds 2026	31,100	0.18%	0.16%
4.5% Hili Unsec Bds 2025	56,376	0.32%	0.28%
6.25% IHI EBonds 2017/20	11,498	0.07%	0.06%
6.80% Premier Cap 2017/20	22,440	0.13%	0.11%
AX INV PLC 6% 2024	108,874	0.62%	0.54%
EDEN FIN BDS 2017-20 6.6%	281,732	1.60%	1.41%
GASAN BDS 4.9% 2019/21	630	0.00%	0.00%
IHG BONDS 2024 6.0%	22,140	0.13%	0.11%

Portfolio Statements - continued

31 July 2016

	Market value 31.07.16 €	% of total Assets	% of net Assets
LOCAL BONDS - continued			
IHI BOND UNS 2025 5.75%	22,896	0.13%	0.11%
IHI BONDS 2021 5.8%	15,347	0.09%	0.08%
IHI EUR BOND 2023 5.8%	1,819	0.01%	0.01%
MED BANK 2019 7.5%	165,375	0.94%	0.83%
MED BANK SUB 2019-2024 6%	80,674	0.46%	0.40%
PTL HLDS. UNSEC 5.1% 2024	154,239	0.87%	0.77%
SFC 6% Bonds 2017/2020	11,913	0.07%	0.06%
TUMAS INV. PLC 6.2%	50,681	0.29%	0.25%
TUMAS PLC UNSEC 5% 2024	20,522	0.12%	0.10%
UTD FIN UNS BDS 5.3% 2023	8,362	0.05%	0.04%
MGS 2019 (III) 3%	109,400	0.62%	0.55%
MGS 2022 (ii) 4.3%	123,150	0.70%	0.61%
MGS 2024 (I) 3.3%	120,710	0.68%	0.60%
MGS 2028 (I) 4.8%	121,078	0.69%	0.60%
MGS 2028 (II) 4.5%	298,748	1.69%	1.49%
MGS 2029 5.1% (I)	274,132	1.55%	1.37%
MGS 2032 (I) 4.65%	423,090	2.40%	2.11%
MGS 2032 (II) 4.45%	408,457	2.31%	2.04%
MGS 2033 (I) 4.30%	204,270	1.16%	1.02%
MGS 2034 (I) 4.1%	403,864	2.29%	2.02%
MGS 2036 (I) 2.5%	200,626	1.14%	1.00%
MGS 2040 3% (I)	65,065	0.37%	0.32%
MGS 5.2% 2031 (I)	371,825	2.11%	1.86%
MGS 5.25% 2030(1)	147,190	0.83%	0.73%
TOTAL	6,048,968.78	34.27%	30.19%
FOREIGN BONDS			
BARCLAYS BAN 6 2021/	116,917	0.66%	0.58%
BK OF AMERIC 4.625 2017/	102,160	0.58%	0.51%
BK OF AMERIC 5 2021/	15,041	0.09%	0.08%
CIMIC FINANC 5.95 2022/	47,481	0.27%	0.24%
COMMERZBANK 5.064 2016/	100,550	0.57%	0.50%
COOPERATIEVE 4.5 2020/	35,985	0.20%	0.18%

Portfolio Statements - continued

31 July 2016

	Market value 31.07.16 €	% of total Assets	% of net Assets
FOREIGN BONDS - continued			
DTBK 2.75 2025/	45,717	0.26%	0.23%
DTBK 5 2020/	52,042	0.29%	0.26%
FIL 6.875 2017/	103,740	0.59%	0.52%
GE CAP EUR F 2.625 2023/	115,635	0.66%	0.58%
GEN ELEC CO 4.125 2035/	150,836	0.85%	0.75%
GLDS 3.25 2023/	115,413	0.65%	0.58%
GLDS 4.7 2021/	79,664	0.45%	0.40%
HEATHROW 4.13/F 2018/	100,850	0.57%	0.50%
HEATHROW 4.6/FR 2020/	267,515	1.52%	1.34%
MACQUARIE BA 6 2020/	118,660	0.67%	0.59%
MORGAN STANL 5.375 2020/	180,292	1.02%	0.90%
PROVIDENT FI 5.125 2023/	63,582	0.36%	0.32%
RAIFF BK INT 6.625 2021/	107,370	0.61%	0.54%
CARREFOUR 4 2020/	115,068	0.65%	0.57%
CEZ AS 5 2021/	123,750	0.70%	0.62%
CORPN COBRE 2.25 2024/	203,450	1.15%	1.02%
ELTE DE FRAN 4 2025/	130,690	0.74%	0.65%
PEMEX 1.875 2022/	96,327	0.55%	0.48%
SKY PLC 6 2027/	159,660	0.90%	0.80%
STAPLES 4.375 2023/	23,431	0.13%	0.12%
EIB 1.5 2022/	97,812	0.55%	0.49%
EIB 4.5 2025/	106,832	0.61%	0.53%
NORWAY 1.5 2026/	76,810	0.44%	0.38%
TOTAL	3,053,281.25	17.30%	15.24%

COLLECTIVE INVESTMENT SCHEMES

VILHENA EURO INCOME FD A	96,867	0.55%	0.48%
VILHENA MALTA BOND FUND D	469,261	2.66%	2.34%
FIDELITY FUNDS - GL MA	186,778	1.06%	0.93%
FIDELITY FUNDS AM.FD.A	132,170	0.75%	0.66%
FIDELITY INTL.LUX	19,728	0.11%	0.10%
FRANK.TMPLTN.INV.FUNDS	100,412	0.57%	0.50%
FT INVT. GLOB TOT RTN.	202,943	1.15%	1.01%
HENDERSON FD.MAN.LX.SA	160,827	0.91%	0.80%
HENDERSON HF ASIAN	44,918	0.25%	0.22%
HENDERSON HF GLOBAL	107,708	0.61%	0.54%

Portfolio Statements - continued

31 July 2016

	Market value 31.07.16 €	% of total Assets	% of net Assets
COLLECTIVE INVESTMENT SCHEMES - continued			
HENDERSON HF TOTAL	298,469	1.69%	1.49%
HENDERSON MAN.HRZ.	601,436	3.41%	3.00%
HENDERSON MAN.SA	117,411	0.67%	0.59%
INVESCO EURO CORPORATE	731,034	4.14%	3.65%
INVESCO PAN EUROPEAN	259,228	1.47%	1.29%
INVESCO STERLING BOND A	17,809	0.10%	0.09%
LEGG MASON GLB.FUNDS BW	213,607	1.21%	1.07%
LEGG MASON INVS.EU.GLB.	84,964	0.48%	0.42%
LEGG MASON WEST GL MULTI	178,829	1.01%	0.89%
LGMN. WA EM MKTS TOTAL	149,980	0.85%	0.75%
LLDS.TSB.OFFS.FUND.INTL.	83,673	0.47%	0.42%
LM.CLEARBRIDGE TCT DIV	101,094	0.57%	0.50%
MONTANARO EUROPEAN SM.	406,550	2.30%	2.03%
SCHDR.INTL.SELECTION FD.	17,680	0.10%	0.09%
SCHRODER ISF GLBL CORP	299,541	1.70%	1.50%
SCHRODER ISF GLBL MULT-	100,703	0.57%	0.50%
SCHRODER ISF GLOBAL BOND	301,762	1.71%	1.51%
TOTAL	5,485,382	31.07%	27.38%
STRUCTURED PRODUCTS			
Twin-Win Certi- DAXK Indx	105,660	0.60%	0.53%
EFG 10.5 2017/	74,753	0.42%	0.37%
EFG 7.0 2017/	140,982	0.80%	0.70%
NOTNSEIN 8.32 2017/	43,372	0.25%	0.22%
NOTNSTEIN 8.18 2017/	121,726	0.69%	0.61%
TOTAL	486,493	2.76%	2.43%
EXCHANGE TRADED FUNDS			
ISHARES EURO CORPORATE	156,286	0.89%	0.78%
ISHARES GBP CPRT.BOND	109,955	0.62%	0.55%
GOU MSCI CHINA ETF (LON)	2,461	0.01%	0.01%
WISDOMTREE ISEQ 20	102,469	0.58%	0.51%
ETFS CMOD.SEC.S. CRUDE OIL	2,227	0.01%	0.01%
ISHARES ER.GVT.BD. (AMS)	235,490	1.33%	1.18%
TOTAL	608,888	3.45%	3.04%



Merill SICAV p.l.c
1/2, St. Joseph High Street
Hamrun
Malta

www.merillfunds.com