

ANNUAL REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2013

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*Authorised and regulated by the
Financial Conduct Authority No. 189302*

CITY FINANCIAL INVESTMENT FUNDS SERIES III ANNUAL REPORT – 30 SEPTEMBER 2013

CityFinancial

CITY FINANCIAL INVESTMENT FUNDS SERIES III

Head Office: 62 Queen Street,
London EC4R 1EB

AUTHORISED CORPORATE DIRECTOR ('ACD')

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Head Office:
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London EC3N 1DX
Telephone: 0870 607 2555
Fax: 0870 607 2550
Email: enquiries@capitafinancial.com
(Authorised and regulated by the Financial Conduct
Authority)
(to 30 June 2013)

City Financial Investment Company Limited
62 Queen Street
London EC4R 1EB
(Authorised and regulated by the Financial Conduct
Authority)
(from 1 July 2013)

INVESTMENT MANAGERS

CITY FINANCIAL MULTI ASSET BALANCED FUND
Collins Stewart Wealth Management Limited
8th Floor
88 Wood Street
London EC2V 7QR
(Authorised and regulated by the Financial Conduct
Authority)
(to 30 June 2013)

City Financial Investment Company Limited
62 Queen Street
London EC4R 1EB
(Authorised and regulated by the Financial Conduct
Authority)
(from 1 July 2013)

CITY FINANCIAL UK SELECT OPPORTUNITIES FUND
Collins Stewart Wealth Management Limited
8th Floor
88 Wood Street
London EC2V 7QR
(Authorised and regulated by the Financial Conduct
Authority)
(to 30 September 2012)

City Financial Investment Company Limited
62 Queen Street
London EC4R 1EB
(Authorised and regulated by the Financial Conduct
Authority)
(from 1 October 2012)

DEPOSITARY

BNY Mellon Trust & Depositary (UK) Limited
The Bank of New York Mellon Centre
160 Queen Victoria Street
London EC4V 4LA
(Authorised and regulated by the Financial Conduct
Authority)

DIRECTORS OF THE ACD

R.C. Hain
J.P. Hollihan
D.R. Beatty
M.L. Stein
A.N. Williams

ADMINISTRATOR AND REGISTRARS

Capita Financial Administrators Limited
Customer Service Centre:
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City West One Office Park
Gelderd Road
Leeds LS12 6NT
Telephone: 0845 922 0044
Fax: 0113 224 6001
(Authorised and regulated by the Financial Conduct
Authority)

INDEPENDENT AUDITOR

Kinetic Partners Audit LLP
One London Wall
Level 10
London EC2Y 5HB
(to 16 October 2013)

Grant Thornton UK LLP
Chartered Accountants and Registered Auditor
30 Finsbury Square
London EC2P 2YU
(from 16 October 2013)

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ACD'S REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2013

AUTHORISED STATUS

City Financial Investment Funds Series III ('the Company') is an umbrella fund and investment company with variable capital incorporated in England and Wales under registered number IC000584 and authorised by the Financial Services Authority (note that the Financial Services Authority was replaced by the Financial Conduct Authority on 1 April 2013) with effect from 8 October 2007. The Company has an unlimited duration.

The Company is a 'UCITS Scheme' and the base currency is pounds sterling.

Shareholders are not liable for the debts of the Company. A shareholder is not liable to make any further payment to the Company after they have paid the price on purchase of the shares.

We have updated the Prospectus to comply with the new Financial Conduct Authority rules introducing 'protected cells' for umbrella OEICs in the UK. The Company is an umbrella OEIC. Previously, each sub-fund of a UK umbrella OEIC effectively had its own pool of assets but could not be treated as a separate legal entity. As such, each of the sub-funds' assets were not legally ring-fenced and consequently it was possible that if the liabilities of another sub-fund within the same umbrella exceeded its assets, a creditor could pursue one or more other sub-funds in that umbrella to satisfy its debt. The effect of the new rules is to legally protect assets in each sub-fund from the creditors of other sub-funds and, as such, these changes are deemed to be in the investors' interest. Additionally, the investment and borrowing powers of the Company have been amended to allow a sub-fund to now invest in, or dispose of, shares in another sub-fund in the Company, providing that the second sub-fund does not invest in any other sub-fund in the Company.

IMPORTANT INFORMATION

The following changes were made effective from 1 July 2013:

- Change of ACD from Capita Financial Managers Limited to City Financial Investment Company Limited; and
- Change of Investment Manager for the City Financial Multi Asset Balanced Fund from Collins Stewart Wealth Management Limited to City Financial Investment Company Limited.

With effect from 1 October 2013 the name of the City Financial Global Multi-Strategy Fund changed to City Financial Multi Asset Balanced Fund.

On 1 October 2013, the Company received the assets of City Financial MultiManager Income Fund in to City Financial Multi Asset Balanced Fund, a sub-fund of the Company.

On 1 October 2013 the following changes were made to the City Financial Multi Asset Balanced Fund:

- Two new share classes, 'R' Income and 'R' Accumulation, were launched.
- The names of the 'C' Income and 'C' Accumulation share classes changed to 'I' Income and 'I' Accumulation respectively.

Effective 1 October 2013, the following changes took place in relation to the City Financial Multi Asset Balanced Fund for new investors from that date:

- Original investment minima for the 'I' share classes increased from £1,000 to £1,000,000, subsequent investment minima increased from £1,000 to £10,000 and minimum holdings increased from £1,000 to £1,000,000.
- Original investment minima for the 'A' share classes increased from £1,000 to £10,000 and minimum holdings increased from £1,000 to £10,000.

On 16 October 2013, Grant Thornton UK LLP were appointed as the auditors for the Company.

On 8 November 2013 two new sub-funds, the City Financial Multi Asset Growth Fund and the City Financial Multi Asset Diversified Fund were launched.

As a result of a scheme of arrangement, effective on 9 November 2013:

- the City Financial Multi Asset Growth Fund has received the property of the City Financial MultiManager Growth Fund.
- the City Financial Multi Asset Diversified Fund has received the property of the City Financial Diversified Fund, sub-fund of the City Financial Investment Funds Series II.

On 28 November two new share classes, 'IA' Income and 'IA' Accumulation were launched in the City Financial Multi Asset Growth Fund.

Full details of the changes can be found in the revised Prospectus dated 5 December 2013.

Approval for the City Financial UK Select Opportunities Fund to be terminated was granted by the Financial Conduct Authority on 2 January 2014.

DIRECTOR'S STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.

R.C. HAIN

A.N. WILLIAMS

CITY FINANCIAL INVESTMENT COMPANY LIMITED
ACD of City Financial Investment Funds Series III
22 January 2014

STATEMENT OF ACD'S RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The ACD is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (the 'COLL Sourcebook') requires the ACD to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the net revenue/expense and of the net capital gains/losses on the scheme property of the Company for that year. In preparing those financial statements, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements in accordance with the requirements of the IMA SORP; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The ACD is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable it to ensure that the financial statements comply with the COLL Sourcebook. The ACD is 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.

In so far as the ACD is aware:

- there is no relevant audit information of which the Company's Auditor is unaware; and
- the ACD has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the Auditor is aware of that information.

STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL), as amended, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended (the 'OEIC Regulations'), the Company's Instrument of Incorporation and Prospectus, in relation to the pricing of, and dealings in, shares in the Company; the application of revenue of the Company; and the investment and borrowing powers applicable to the Company.

REPORT OF THE DEPOSITARY FOR THE YEAR ENDED 30 SEPTEMBER 2013

Having carried out such procedures as we considered necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the Authorised Corporate Director:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's revenue in accordance with COLL and, where applicable, the OEIC Regulations, the Instrument of Incorporation and the Prospectus of the Company; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

BNY MELLON TRUST & DEPOSITARY (UK) LIMITED
Depositary of City Financial Investment Funds Series III
22 January 2014

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CITY FINANCIAL INVESTMENT FUNDS SERIES III

We have audited the financial statements of City Financial Investment Funds Series III ('the Company') for the year ended 30 September 2013. These financial statements consist of the aggregated financial statements of the Company, which comprise the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet and the related notes, and for each of the Company's sub-funds, the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet, the related notes and the distribution tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association in October 2010.

This report is made solely to the Company's shareholders, as a body, in accordance with regulation 67(2) of the Open-Ended Investment Companies Regulations 2001, and with Rule 4.5.12 of the Collective Investment Schemes sourcebook. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE AUTHORISED CORPORATE DIRECTOR AND THE AUDITOR

As explained more fully in the Statement of the Authorised Corporate Director's Responsibilities set out on page 6, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 30 September 2013 and of the net revenue and net capital gains on the scheme property of the Company and the net revenue and net capital gains of each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association in October 2010, the Collective Investment Schemes sourcebook, and the Instrument of Incorporation.

EMPHASIS OF MATTER – TERMINATION OF CITY FINANCIAL UK SELECT OPPORTUNITIES FUND

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1a to the financial statements. As described in that note, due to the City Financial UK Select Opportunities sub-fund having now obtained Financial Conduct Authority approval to terminate on the 2 January 2014 the financial statements of City Financial UK Select Opportunities Fund have been prepared on a break-up basis.

OTHER REPORTING RESPONSIBILITIES

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have been given all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and
- the information given in the Authorised Corporate Director's Report (which comprises the information on the inside cover, the Authorised Status, the Investment Objective and Policy, the Investment Manager's reports, the Synthetic Risk and Reward Indicators, the Portfolio Statements and the Summaries of Material Portfolio Changes) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if in our opinion:

- proper accounting records for the Company or a sub fund have not been kept, or
- the financial statements are not in agreement with the accounting records.

GRANT THORNTON UK LLP
Statutory Auditor, Chartered Accountants
London, United Kingdom
22 January 2014

AGGREGATED FINANCIAL STATEMENTS
AGGREGATED STATEMENT OF TOTAL RETURN
FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Notes	£	30.09.13 £	£	30.09.12 £
Income:					
Net capital gains	2		12,537,649		9,035,126
Revenue	3	1,934,946		1,574,880	
Expenses	4	(1,197,007)		(1,461,879)	
Finance costs: Interest	6	(2,798)		(8,068)	
Net revenue before taxation		735,141		104,933	
Taxation	5	72		23,100	
Net revenue after taxation			735,213		128,033
Total return before distributions			13,272,862		9,163,159
Finance costs: Distributions	6		(740,382)		(113,801)
Change in net assets attributable to shareholders from investment activities			12,532,480		9,049,358

AGGREGATED STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Notes	£	30.09.13 £	£	30.09.12 £
Opening net assets attributable to shareholders			94,469,187		70,770,982
Amounts receivable on issue of shares		20,493,398		28,235,019	
Amounts payable on cancellation of shares		(50,853,894)		(13,717,987)	
			(30,360,496)		14,517,032
Dilution levy charged	1(k)		141,130		–
Stamp duty reserve tax	1(g)		(22,318)		(13,454)
Change in net assets attributable to shareholders from investment activities			12,532,480		9,049,358
Retained distribution on Accumulation shares			582,956		145,269
Closing net assets attributable to shareholders			77,342,939		94,469,187

AGGREGATED BALANCE SHEET
AS AT 30 SEPTEMBER 2013

	Notes	£	30.09.13 £	£	30.09.12 £
ASSETS					
Investment assets			74,426,282		81,291,364
Other assets					
Debtors	7	557,849		3,164,631	
Cash and bank balances	8	3,418,568		12,312,895	
Total other assets			3,976,417		15,477,526
Total assets			78,402,699		96,768,890
LIABILITIES					
Investment liabilities			–		(232,080)
Other liabilities					
Creditors	9	(917,240)		(2,011,533)	
Bank overdrafts	8	(127,772)		(50,391)	
Distribution payable on Income shares		(14,748)		(5,699)	
Total other liabilities			(1,059,760)		(2,067,623)
Total liabilities			(1,059,760)		(2,299,703)
Net assets attributable to shareholders			77,342,939		94,469,187

1. ACCOUNTING POLICIES

The principal accounting policies, which have been applied in both the current and prior year, are set out below:

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice for Financial Statements of Authorised Funds issued by the Investment Management Association in October 2010.

The sub-fund, City Financial UK Select Opportunities Fund, is no longer a going concern following Financial Conduct Authority approval to terminate, granted on 2 January 2014. The sub-fund's financial statements have been prepared on a break up basis. No termination costs have been provided for at the year end, as they have been covered by revenue generated between the year end and the effective date of termination.

(b) Basis of aggregation

The aggregated financial statements represent the sum of the relevant items from the financial statements of the individual sub-funds within the umbrella company.

(c) Recognition of revenue

Dividends on quoted equities and preference shares are recognised when the securities are quoted ex-dividend.

Distributions from collective investment schemes are recognised when the schemes are quoted ex-distribution. Equalisation returned with the distribution is deducted from the cost of the investment in the scheme and does not form part of the distributable revenue.

Reportable income from funds with 'Reporting Fund' status for UK tax purposes is recognised when the information is made available by the Reporting Fund.

Revenue on debt securities is accounted for on an effective yield basis.

Rebates of annual management charges (AMC rebates) from underlying investments are accounted for on an accruals basis and are recognised as revenue, or capital in line with the allocation between capital and revenue of the underlying investments.

Interest on bank and other cash deposits is recognised on an accruals basis.

Revenue is recognised gross of any withholding taxes but excludes attributable tax credits.

(d) Treatment of stock and special dividends

The ordinary element of stock dividend received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue. Amounts recognised as capital are deducted from the cost of the investment. The tax accounting treatment follows the treatment of the principal amount.

(e) Treatment of expenses

All expenses, except for those relating to the purchase and sale of investments and stamp duty reserve tax, are charged initially against revenue.

1. ACCOUNTING POLICIES (continued)

(f) Allocation of revenue and expenses to multiple share classes and sub-funds

Any revenue or expense not directly attributable to a particular share class or sub-fund will normally be allocated pro-rata to the net assets of the relevant share classes and sub-funds, unless a different allocation method is more appropriate.

All share classes are ranked pari passu and have no particular rights or terms attached, including rights on winding up.

(g) Taxation

Corporation tax is provided at 20% on taxable revenue, after deduction of allowable expenses.

Where overseas tax has been deducted from overseas revenue that tax can, in some instances, be set off against the corporation tax payable, by way of double tax relief and where this is the case the offset is reflected in the tax charge.

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

Stamp duty reserve tax suffered on surrender of shares is deducted from capital.

(h) Distribution policy

Surplus revenue after taxation, as disclosed in the financial statements, after adjustment for items of a capital nature, is distributable to shareholders. Any deficit of revenue is deducted from capital.

Interim distributions may be made at the ACD's discretion. Final distributions are made in accordance with the COLL Sourcebook.

Distributions which have remained unclaimed by shareholders for more than six years are credited to the capital property of the sub-fund.

(i) Basis of valuation of investments

Quoted investments are valued at closing bid prices excluding any accrued interest in the case of fixed interest securities, on the last business day of the accounting period. Accrued interest on fixed interest securities is included in revenue.

Collective investment schemes are valued at quoted bid prices for dual priced funds and at quoted prices for single priced funds, on the last business day of the accounting period.

The market value of over the counter (OTC) derivatives is determined based on valuation pricing models which take into account relevant market inputs as well as the time values, liquidity and volatility factors underlying the positions.

(j) Exchange rates

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the closing exchange rates ruling on that date.

1. ACCOUNTING POLICIES (continued)

(k) Dilution levy

The ACD may require a dilution levy on the purchase and redemption of shares if, in its opinion, the existing shareholders (for purchases) or remaining shareholders (for redemptions) might otherwise be adversely affected. For example, the dilution levy may be charged in the following circumstances: where the scheme property of a sub-fund is in continual decline; where a sub-fund is experiencing large levels of net purchases relative to its size; on 'large deals' (typically being a purchase or redemption of shares to a size exceeding 5% of the Net Asset Value of the relevant sub-fund); in any case where the ACD is of the opinion that the interests of existing or remaining shareholders require the imposition of a dilution levy.

	30.09.13 £	30.09.12 £
2. NET CAPITAL GAINS		
The net capital gains during the year comprise:		
Non-derivative securities	12,607,056	8,635,766
Derivative contracts	(13,706)	(62,748)
Forward currency contracts	(176,206)	683,079
Transaction charges	(16,404)	(16,301)
AMC rebates from underlying investments	3,860	961
Currency gains/(losses)	133,049	(205,631)
Net capital gains	<u>12,537,649</u>	<u>9,035,126</u>
3. REVENUE		
Non-taxable dividends	1,515,935	1,066,136
Taxable dividends	53,662	134,824
UK property income distributions	67,175	7,765
Unfranked interest	294,459	345,373
AMC rebates from underlying investments	3,661	13,963
Bank interest	–	6,158
Margin interest	2	53
Other interest	–	608
Total revenue	<u>1,934,894</u>	<u>1,574,880</u>

4. EXPENSES

Payable to the ACD, associates of the ACD and agents of either of them:

ACD's periodic charge	903,072	1,154,172
Administration fees	174,172	178,837
Legal and professional fees	15,938	24,362
Registration fees	11,294	10,614
	<u>1,104,476</u>	<u>1,367,985</u>

Payable to the Depositary, associates of the Depositary and agents of either of them:

Depositary's fees	35,391	39,834
Safe custody and other bank charges	13,967	14,160
	<u>49,358</u>	<u>53,994</u>

Other expenses:

Audit fee	11,520	11,644
FCA fee	122	89
Portfolio monitoring fees	4,800	2,380
Postage and distribution costs	546	348
Printing costs	9,709	9,466
Publication costs	13,236	10,264
Set up costs	–	2,709
Tax services	3,240	3,000
	<u>43,173</u>	<u>39,900</u>

Total expenses	<u>1,197,007</u>	<u>1,461,879</u>
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5. TAXATION

a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	(72)	6,981
Adjustments in respect of prior periods	–	(30,081)
Current tax charge (note 5b)	<u>(72)</u>	<u>(23,100)</u>
Deferred tax – origination and reversal of timing differences	–	–
Total taxation	<u>(72)</u>	<u>(23,100)</u>

5. TAXATION (continued)

b) Factors affecting current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (30.09.12 : 20%) for the reasons explained below.

	30.09.13 £	30.09.12 £
Net revenue before taxation	735,141	104,933
Corporation tax at 20%	147,029	20,987
Effects of:		
Non-taxable dividends	(303,187)	(213,227)
Corporation tax on offshore funds	–	14,739
AMC rebates taken to capital	772	192
Expenses not deductible for tax purposes	–	542
Foreign tax expensed	–	(948)
Unutilised excess management expenses	155,386	177,715
Corporation tax charge	–	–
Overseas tax	(72)	6,981
Adjustments in respect of prior periods	–	(30,081)
Current tax charge (note 5a)	(72)	(23,100)

6. FINANCE COSTS

Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	30.09.13 £	30.09.12 £
Interim	173,806	–
Final	434,452	150,968
	608,258	150,968
Add: Revenue deducted on cancellation of shares	177,726	5,530
Deduct: Revenue received on issue of shares	(45,602)	(42,697)
Net distributions for the year	740,382	113,801
Interest	2,746	8,068
Total finance costs	743,128	121,869

6. FINANCE COSTS (continued)

Distributions represented by:

Net revenue after taxation	735,213	128,033
Allocations to capital:		
Portfolio monitoring fees	4,800	2,380
Prior year tax adjustment	–	(30,081)
Revenue deficit	–	13,417
	4,800	(14,284)
Equalisation on conversions*	388	–
Balance brought forward	7	59
Balance carried forward	(26)	(7)
Net distributions for the year	740,382	113,801

* Where an investor converts to a class with a higher income yield, the investor will receive an equalisation as if they had held the new class throughout the period from the last distribution to the conversion date. The yield differential at the point of conversion is an equalisation which will be offset by capital erosion for the converted investor.

7. DEBTORS

Amounts receivable for issue of shares	129,517	46,725
Sales awaiting settlement	266,380	1,648,224
Accrued revenue:		
Non-taxable dividends	137,131	95,057
Unfranked interest	1,450	–
AMC rebates from underlying investments	1,275	4,584
Bank interest	379	573
	140,235	100,214
Prepaid expenses	–	2,388
Taxation recoverable:		
Income tax	20,369	596
Overseas withholding tax	1,348	6,363
	21,717	6,959

	30.09.13 £	30.09.12 £
7. DEBTORS (continued)		
Amount due from MF Global*	–	1,360,121
Total debtors	<u>557,849</u>	<u>3,164,631</u>

* In November 2011, MF Global UK Ltd, a fund broker, entered administration. On 6 January 2013 the ACD submitted a claim on behalf of the Fund and subsequently, during January 2013, the joint special administrators of MF Global UK Ltd made an interim distribution of approximately 26c in the \$1. During May 2013 the remainder of the debt was sold in the secondary market. The recovery of those amounts resulted in a gain of £91,860 (cash received over and above the balance brought forward) recognised in the statement of total return for the year ended 30 September 2013.

	30.09.13 £	30.09.12 £
8. CASH AND BANK BALANCES		
Bank balances:		
Capital account	2,594,238	12,121,263
Revenue account	340,425	191,632
Margin account	483,905	–
Total bank balances	<u>3,418,568</u>	<u>12,312,895</u>
Bank overdrafts:		
Capital account	(108,350)	–
Revenue account	–	(50,391)
Margin account	(19,422)	–
Total bank overdrafts	<u>(127,772)</u>	<u>(50,391)</u>
9. CREDITORS		
Amounts payable for cancellation of shares	304,825	865,793
Purchases awaiting settlement	477,357	972,315
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	71,401	103,719
Administration fees	30,393	18,038
Legal and professional fees	–	4,604
Registration fees	768	683
	<u>102,562</u>	<u>127,044</u>

	30.09.13 £	30.09.12 £
9. CREDITORS (continued)		
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	3,032	3,663
Transaction charges	2,190	11,276
Safe custody and other bank charges	2,549	10,770
Interest payable	158	–
	<u>7,929</u>	<u>25,709</u>
Other expenses	24,259	20,014
Taxation payable:		
Stamp duty reserve tax	308	658
Total creditors	<u>917,240</u>	<u>2,011,533</u>

10. RELATED PARTY TRANSACTIONS

Management fees payable to City Financial Investment Company Limited ('the ACD') for the period from 1 July 2013 to 30 September 2013, are disclosed in note 4 and amounts due at the year end are disclosed in note 9.

From 1 October 2012 to 30 June 2013 the ACD was Capita Financial Managers Limited. Management fees and legal and professional fees payable to Capita Financial Managers Limited and registration fees and administration fees payable to Capita Financial Administrators Limited (an associate of Capita Financial Managers Limited) are disclosed in note 4 and amounts due at the year end are disclosed in note 9.

The aggregate monies received by the ACD through the issue of shares and paid on cancellation of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 10. The amounts outstanding at the year end in respect of these monies are shown in notes 7 and 9.

As part of the investment strategy, the Funds may from time to time hold shares in other collective investment schemes for which City Financial Investment Company Limited is also the ACD or the Investment Manager.

	30.09.13 £	30.09.12 £
City Financial Multi Asset Balanced Fund		
ACD in common	<u>2,674,258</u>	<u>–</u>

11. SHAREHOLDER FUNDS

The Company has three share classes: 'A', 'B' and 'C'. The annual management charge for the share classes and sub-funds are as follows:

City Financial Multi Asset Balanced Fund	'A'	'B'	'I'
Income shares	1.50	1.00*	0.75
Accumulation shares	1.50	1.00*	0.75
City Financial UK Select Opportunities Fund	'A'	'B'	'C'
Income shares	1.50	1.00	–
Accumulation shares	1.50	1.00	0.75

* 'B' shares on City Financial Multi Asset Balanced Fund not yet launched.

The net asset value, the net asset value per share and the number of shares in issue are given in the Fund Information of each sub-fund.

12. CONTINGENT LIABILITIES AND COMMITMENTS

Disclosure is made in note 12 of the Notes to the Financial Statements of the sub-funds.

13. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

In pursuing the investment objectives a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for hedging and investment purposes.

The main risks from the Company's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

i. 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 an obligation. This includes counterparty and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis.

Certain transactions in securities that the Company enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Company has fulfilled its obligations. The Company only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty and these are reviewed on an ongoing basis.

The bond investments held are exposed to credit risk which reflects the ability of the issuer to meet its obligations. All bonds in which the sub-funds invest are government securities which are lower risk.

13. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

ii. Interest rate risk

Interest rate risk is the risk that the value of the Company's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in interest rates, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate securities and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates.

Investment in collective investment schemes exposes the Company to indirect interest rate risk to the extent that they invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

Numerical disclosure of the interest rate risk profile is made in note 13i of the Notes to the Financial Statements of the sub-funds.

iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

Numerical disclosure of the foreign currency risk profile is made in note 13ii of the Notes to the Financial Statements of the sub-funds.

iv. Liquidity risk

The main liability of the Company is the cancellation of any shares that investors want to sell. Investments may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

To reduce liquidity risk the Investment Manager will ensure that a substantial portion of the Company's assets consist of readily realisable securities.

All financial liabilities are payable in one year or less, or on demand.

v. Market price risk

Market price risk is the risk that the value of the Company's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Company holds.

Market price risk represents the potential loss the Company may suffer through holding market positions in the face of price movements. The Company's investment portfolio's are exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objectives and policies. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adherence to investment guidelines and avoidance of excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

13. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

vi. Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

vii. Derivatives

Disclosure is made in note 13iii of the Notes to the Financial Statements of the sub-funds.

14. PORTFOLIO TRANSACTION COSTS

Disclosure is made in note 14 of the Notes to the Financial Statements of the sub-funds.

15. POST BALANCE SHEET EVENTS

On 1 October 2013, City Financial Investment Funds Series III received the assets of City Financial MultiManager Income Fund into City Financial Multi Asset Balanced Fund, a sub-fund of City Financial Investment Funds Series III. City Financial MultiManager Income Fund had a net asset value of £11,590,637 at the merger date.

CITY FINANCIAL MULTI ASSET BALANCED FUND

ACD'S REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2013

INVESTMENT OBJECTIVE AND POLICY

The investment objective of the City Financial Multi Asset Balanced Fund ('the Fund') is to achieve consistent long term returns from both capital and income by investing across a balanced global portfolio of assets.

The Investment Manager uses a global asset allocation framework to invest across a balanced range of asset classes, geographies, sectors and investment styles. The portfolio invests in a combination of specialist funds, ETFs, listed investment vehicles, individual securities and cash, and uses derivatives for hedging and investment purposes to both reduce market risk and enhance returns. As a consequence, the portfolio exhibits modest correlation to traditional asset classes. Positions are generally held with a three to five year time horizon. However, the management of the portfolio is active and the investment strategy is liquid and dynamic in order to adapt to changing market conditions.

INVESTMENT MANAGER'S REPORT

We entered the period with a number of major concerns still overhanging the markets, despite effective European Central Bank ('ECB') intervention, a third round of Quantitative Easing ('QE') in the US and resolution of the US fiscal cliff. At the time, we stated that we were positive on the outlook for developed market economies and equities. It now seems evident that, despite the nervousness of many investors who have dwelt on the negative effects of debt deleveraging, the healing processes are really gaining traction globally. More and more of the underlying fundamental data point to this conclusion and our positive views are becoming widely accepted.

We have argued that a more positive outlook should be adopted, given the improvements that we could see. This led us to believe that returns from risk asset returns would be positive, but we were unlikely to see a wholesale switch from bonds to equities or 'great rotation', as uncertainty was pronounced.

Our main concern centred on the possible debate about the requirement for further stimulus, and the potential threat of withdrawal of ongoing measures. This point has been the major focus of investors' attention in the period and in our opinion will continue to be for the foreseeable future. This debate is of great significance and has many ramifications for asset pricing conditions that are intentional and unintentional.

For the moment, policy remains highly constructive, with extremely supportive central banks anchoring interest rates at very low levels. Unorthodox policies remain a significant feature of the landscape. However, we have seen a major change in the intent of the US Federal Reserve ('the Fed'). In May 2013, Chairman Bernanke outlined the circumstances in which he could envisage a reduction in the level of QE pursued by the Fed. Markets priced this 'tapering' statement as if it was the first step on the path to normalisation or tightening of interest rates. As a result, we saw a reasonable correction in developed market equities and sharp falls in developed market and emerging market bonds, along with large corrections in most emerging market equities. The threat of a liquidity withdrawal fostered a complete reassessment of risk assets by large swathes of investors.

In our opinion, and as events have unfolded, this was a mistake. The Fed outlined the conditions for a tapering and they are yet to be fulfilled. Pricing in not only a reduction in stimulus but an early rise in interest rates as a foregone conclusion was a very premature move. Since then, we

CITY FINANCIAL MULTI ASSET BALANCED FUND

ACD's Report (continued)

Investment Manager's Report (continued)

have had some policy clarification and the Fed has not tapered at its last meeting in September. However, it currently appears that this has created an environment in which equity and bond markets are pricing in two different effects. The former looks to be driven by improving globally growth conditions, whilst the latter has been driven by concerns over the path to normalisation of interest rates and most importantly, policy uncertainty. This policy worry has led to a trend of higher volatility, especially in bond markets.

In the UK, the Bank of England, under Carney's stewardship, has tried to be clear on forward interest rate guidance, but the markets remain sceptical and are concerned that policy may be behind the curve. This has led to questions over credibility and is a worrying sign. The UK recovery is showing signs of increased improvement and it is highly likely rates will be pressured on the upside. These are important developments and should be closely watched.

European bond yields, especially periphery bonds, have remained stable at lower levels on the back of marked improvements on leading indicators of economic activity. Consequently, these areas have been very rewarding for those who have invested in periphery government bonds, smaller companies and bank stocks.

Abenomics shows signs of working in Japan, although we still await the very important structural reforms that were promised early in the year. It is important that the government pursue such reform, if we are to see economic improvements take hold and equities move higher.

Signs of improvement in the US recovery supported a strong US dollar, but as growth has gained traction in the UK and Europe, it has weakened significantly. We suspect that this may continue to be the case in the shorter term, as the debate rages on about the growth drag from the impasse on US fiscal discussions.

Emerging market bonds and equities performed very poorly in the period, as investors recognised that easy money had left many of these countries with current account, currency and inflation issues. These were the favoured markets of many investors and, as a result of their marked under performance, we have seen a lot of selling, especially via exchange traded funds.

CITY FINANCIAL MULTI ASSET BALANCED FUND PORTFOLIO ACTIVITY

In the year to 30 September 2013, the Fund returned 12.03% against a return of 8.93% for the IMA Mixed Investments 20-60% Shares sector¹. The Fund was managed by Mark Harris of City Financial Investment Company Limited from July 2013.

Our optimistic view on most equity markets has meant that we maintained a reasonable high equity allocation, along with some equity biased alternative strategies. We have actively managed our interest rate exposure and used derivatives to insulate the Fund from equity market falls. This has added significant value when markets sold off around mid May into early June as a result of the tapering debate.

The main thrust of our activity has been to reduce cash and tilt the portfolio towards the continued global recovery. However, we initiated a position in the SPDR S&P US Dividend Aristocrats UCITS ETF as a lower volatility counterbalance to our increasing cyclical exposures. We are now more heavily positioned in smaller company and cyclical shares, although defensive dividend growth style exposure remains a continuing theme.

After a very strong run, the weighting to US equities was marginally reduced through the partial sales of Polar Capital North American fund and Polar Capital Healthcare Opportunities fund. We could see better value in Europe and felt that area would be more rewarding going forwards.

We increased the UK and European small cap exposure with the purchase of db x-trackers MSCI Europe Small Cap TRN Index and the River and Mercantile UK Long Term Recovery fund managed by Hugh Sergeant. The portfolio mainly consists of mid to smaller cap type UK recovery stocks and for liquidity reasons has over 170 names. Whilst the fund is higher risk, it gives us the type of cyclical exposure that should be highly rewarding under the conditions we envisage.

The exchange traded fund gives us cheap exposure to an extremely wide basket of 925 stocks from 27 countries, with a heavy weighting to industrials, financials and consumer discretionary stocks. UK and Germany combine to make up just under 50% of the geographical weighting. The fund should perform well with the improvement in European growth.

The db x-trackers STOXX Europe 600 Banks UCITS ETF was actively traded through the period. This is an exchange traded fund that gives exposure to 47 European incorporated UK banks, which had heavily underperformed global equities early in 2013. However, around the time of the taper debate we reduced exposure, only to take it back up when we gained policy clarity.

We bought the Legg Mason Japan Equity fund managed by Hideo Shiozumi. This is a concentrated portfolio of smaller sized companies that are beneficiaries of Japan's ageing demographic and changing domestic spending habits. The companies have gained as a result of the government's new policies and, consequently, the fund has delivered sector topping returns.

The portfolio has been moved further away from the rather over-exploited traditional fixed interest components of investment grade and high yield credits. Whilst we have maintained a small exposure to investment grade credit as a risk diversifier and volatility dampener, we believe the real value continues to be seen in the non core areas, such as loans and mortgage backed securities.

The Fund subscribed at the launch of the JP Morgan Global Convertibles Income fund managed by Anthony Vallee. The timing was extremely opportune, as markets had already corrected heavily and offered some excellent value. This, combined with investors' appetite for income, meant that the fund got off to a great start.

The threat of interest rate rises continues to loom large in investors' psyche, so we have continued to increase our exposure to instruments tied to floating rates. These funds will benefit if and when interest rates rise. Consequently, we sold Carador Income, as the path to normalisation of interest rates is likely to have a negative effect on this fund's US based Collateralised Loan Obligations. Whilst it still offers a very attractive yield, it is of some concern that the capital could be negative impacted, given the levered nature of the vehicle. Whilst we are probably a little early on our exit, we felt it prudent to err on the side of caution.

Exposure to BH Credit Catalysts was increased and this is now one of the largest portfolio holdings. Their depth of expertise and resource allows this hedge strategy to employ a credit specific approach but remain well diversified. It appears to be a well hedged portfolio, with tail risk mitigated at all times. We believe that this offers a good stream of returns of low risk returns with downside protection.

The positioning in Alternatives was also increased with the purchase of Neuberger Berman Private Equity. Neuberger Berman is the manager of this \$340 million closed ended fund but has over \$15 billion invested in this asset class. They can demonstrate strength and depth with a team of 60 investment professionals that specialise in private equity. Whilst the portfolio is

CITY FINANCIAL MULTI ASSET BALANCED FUND

ACD's Report (continued)

Investment Manager's Report (continued)

CITY FINANCIAL MULTI ASSET BALANCED FUND PORTFOLIO ACTIVITY (continued)

predominately (78%) invested in the US, it is extremely well diversified by industry, vintage and type. The portfolio is mature and cash generative, which means that the yield of 4.5% is well funded and there is the potential for distributions of capital.

On the 1 October 2013, the City Financial Global Multi-Strategy Fund was renamed the City Financial Multi Asset Balanced Fund.

OUTLOOK

Whilst there is a lot of noise, the trend seems to be of fundamental global economic improvement. A number of PMIs measures amongst other evidence continue to build the picture of a global recovery. Whilst this is at different stages globally, it appears to be gaining meaningful traction. It is our view that this will continue to be the case, bar a major policy error. We believe that whilst we may see some short term softness in economic data, we are more likely to see upside surprises as we move into 2014.

These growth surprises are leading investors to re-evaluate their investment strategy. We believe investors are starting to price in the improving outlook and we expect to see an ongoing rotation into cyclical sectors such as mining and industrials. In response, our focus is moving towards cyclical equities.

Developed government bond markets remain at higher yields than at the start of the year and appear focused on the threat of tapering. The Fed has stated that tapering will not occur until conditions are in place for sustainable improvement in employment, but mixed messaging by governors has created confusion amongst investors. We reiterate that now this genie has been let out of the bottle it is extremely unlikely that it can be put back in. We expect to see bond yields on a slow trajectory to higher levels unless a policy mistake is made.

Whilst many sovereign fixed income markets and investment grade corporates do not represent good value, we believe they are likely to remain safe havens and are unlikely to sell off dramatically, given central bank support.

Recently ECB officials have made strongly worded statements that aim to encourage the stability of European banks and highlight their attractive valuations. European banks' divestment of noncore or impaired assets seems to be gaining pace and we feel that there is value in European bank stocks and their assets. We continue to search out beneficiaries of the need for many European and UK banks to reduce risk assets which we predict will be a very long running story.

We still believe that we are likely to see an abrupt rotation as investors will continue to wrestle with the implications of broadening global growth for asset pricing conditions. Correlations should continue to fall across securities and asset classes, with security selection increasingly important. This should lead to a more rewarding environment for stock pickers and one in which they can differentiate themselves.

It should be remembered that, globally, central bank policy currently remains highly constructive and only when rising rates become a serious threat, are equities likely to meaningfully correct. However, we remain vigilant to downside threats and are conscious that the unsettling effects of

the current impasse on Obamacare, the US Fiscal position and the US debt ceiling should not be underestimated. We believe that when these issues are resolved, equities will reward and move substantially higher into 2014.

¹ Source: Morningstar Direct, 01/10/2012-30/09/2013.

CITY FINANCIAL INVESTMENT COMPANY LIMITED

Authorised Corporate Director

22 October 2013

CITY FINANCIAL MULTI ASSET BALANCED FUND

ACD's Report (continued)

FUND INFORMATION

PERFORMANCE RECORD

'A' Income shares

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2008#	101.80	71.46	0.4710
2009	90.87	70.98	1.6259
2010	100.05	89.03	1.2544
2011	102.21	88.81	0.8354
2012	99.94	91.41	–
2013*	110.18	99.78	1.0173

'A' Accumulation shares

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2008#	101.80	71.87	0.4724
2009	93.43	71.39	1.6681
2010	104.25	91.53	1.2975
2011	107.05	93.86	0.8805
2012	105.05	96.08	–
2013*	116.32	104.89	1.0762

'I' Income shares (formerly 'C' Income shares)

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2012##	104.39	99.90	–
2013*	115.13	104.23	1.5560

'I' Accumulation shares (formerly 'C' Accumulation shares)

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2012##	104.39	99.90	–
2013*	115.86	104.23	1.5640

From 1 May 2008.

From 28 August 2012.

* To 30 September 2013.

NET ASSET VALUE

Date	Share Class	Net Asset Value £	Shares in Issue	Net Asset Value pence per share
30.09.11	'A' Income	4,870,314	5,389,744	90.36
	'A' Accumulation	58,415,577	61,501,641	94.98
30.09.12	'A' Income	4,622,171	4,709,192	98.15
	'A' Accumulation	59,501,872	57,673,391	103.17
	'I' Income	256	250	102.48
	'I' Accumulation	256	250	102.48
30.09.13	'A' Income	2,142,765	1,975,092	108.49
	'A' Accumulation	20,300,667	17,635,620	115.11
	'I' Income	283	250	113.33
	'I' Accumulation	287	250	114.86

CITY FINANCIAL MULTI ASSET BALANCED FUND

ACD's Report (continued)

Fund Information (continued)

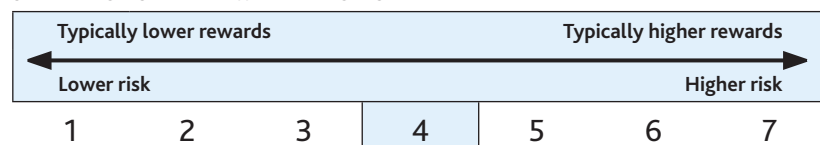
ONGOING CHARGES FIGURE

Expense Type	30.09.13		30.09.12	
	% 'A'	'I'	% 'A'	'I'
ACD's periodic charge	1.50	0.75	1.50	0.75
Other expenses	0.44	0.44	0.32	0.32
	1.94	1.19	1.82	1.07
Collective investment scheme costs	0.61	0.61	0.48	0.48
Ongoing charges figure	2.55	1.80	2.30	1.55

The Ongoing Charges Figure ('OCF') represents the total operating expenses of the Fund expressed as a percentage of the average net assets during the accounting period.

The collective investment scheme costs represent the OCFs, or a reasonable substitute, of the underlying funds which are held as portfolio investments. Their inclusion has been calculated on a weighted basis against the Fund's net assets at the balance sheet date.

SYNTHETIC RISK AND REWARD INDICATOR



The risk category above is not a measure of capital loss or gains, but of how significant the rises and falls in the share class have been historically.

For example a share class whose price has experienced significant rises and falls will be in a higher risk category, whereas, a share class whose price has experienced less significant rises and falls will be in a lower category.

The risk reward category shown is not guaranteed to remain unchanged and may shift over time.

The lowest risk category does not equal a risk free investment.

The share class is in risk category 4 as its prices have experienced moderate rises and falls historically.

FUND PERFORMANCE TO 30 SEPTEMBER 2013 (%)

	6 months	1 year	3 years	5 years
City Financial Multi Asset Balanced Fund	1.96	12.03	16.56	35.39
IMA Mixed Investments 20-60% Shares sector	0.62	8.93	17.73	37.42

Source: Morningstar Direct to 30 September, mid to mid based on 'A' Accumulation shares which includes reinvested income.

Details of the distributions per share for the year are shown in the Distribution Table on pages 47 and 48.

CITY FINANCIAL MULTI ASSET BALANCED FUND

ACD's Report (continued)

PORTFOLIO STATEMENT

AS AT 30 SEPTEMBER 2013

Holding	Portfolio of Investments	Value £	Total Net Assets	
			30.09.13 %	30.09.12 %
DEBT SECURITIES				
£1,250,000	Treasury 1.75% 2022	1,172,094	5.22	–
EQUITIES				
UNITED KINGDOM				
1,052,930	Ardevora UK Income*	1,329,746	5.92	
944,000	City Financial UK Select Opportunities*#	1,456,498	6.49	
995,000	Invesco Perpetual High Income*	1,405,139	6.26	
140,000	River and Mercantile UK Equity Long Term Recovery*	1,025,514	4.57	
	TOTAL UNITED KINGDOM	5,216,897	23.24	17.54
RUSSIA				
		–	–	1.81
EUROPE				
200,000	BlackRock European Dynamic*	671,800	2.99	
31,500	db x-trackers MSCI Europe Small Cap TRN Index ETF	671,895	3.00	
	TOTAL EUROPE	1,343,695	5.99	–
NORTH AMERICA				
4,250	Legg Mason ClearBridge US Aggressive Growth*	453,050	2.02	
126,731	NB Private Equity Partners	704,319	3.14	
32,952	Polar Capital North American*	469,564	2.09	
25,000	SPDR S&P US Dividend Aristocrats UCITS ETF	525,038	2.34	
	TOTAL NORTH AMERICA	2,151,971	9.59	5.64
ASIA				
320,000	Legg Mason Japan Equity*	492,480	2.20	
9,270	Prusik Asian Equity Income*	1,282,104	5.71	
	TOTAL ASIA	1,774,584	7.91	3.49

Holding	Portfolio of Investments	Value £	Total Net Assets	
			30.09.13 %	30.09.12 %
GLOBAL				
111,000	BH Credit Catalysts	1,327,560	5.91	
1,600,000	City Financial Defensive Global Bond (formerly City Financial Strategic Global Bond)*#	1,217,760	5.43	
800,000	JPMorgan Global Convertibles Income	848,000	3.78	
56,522	Polar Capital Healthcare Opportunities*	889,660	3.96	
138,000	Polar Capital Technology subscription shares	12,144	0.05	
	TOTAL GLOBAL	4,295,124	19.13	4.15
TOTAL EQUITIES				
		14,782,271	65.86	32.63
ALTERNATIVES				
1,500,000	CATCo Reinsurance Opportunities	935,527	4.17	
610,000	CQS Diversified	610,000	2.72	
	TOTAL ALTERNATIVES	1,545,527	6.89	23.98
FIXED INCOME				
2,674,969	Jupiter Strategic Bond*	1,735,787	7.74	
772,300	Real Estate Credit Investments	1,146,865	5.11	
513,950	Real Estate Credit Investments preference shares	534,508	2.38	
	TOTAL FIXED INCOME	3,417,160	15.23	26.22
OPTIONS				
112	Eurostoxx 50 Nov 13 Put 2,750	27,899	0.12	
89	FTSE 100 Oct 13 Put 6,000	6,230	0.03	
80	FTSE 100 Nov 13 Put 6,250	51,600	0.23	
16	S&P 500 Emini Oct 13 Put 1,600	2,594	0.01	
32	S&P 500 Emini Nov 13 Put 1,645	22,477	0.10	
	TOTAL OPTIONS	110,800	0.49	(0.01)
FORWARD CURRENCY CONTRACTS				
		–	–	(0.04)

CITY FINANCIAL MULTI ASSET BALANCED FUND

ACD's Report (continued)

Portfolio Statement (continued)

	Value £	Total Net Assets	
		30.09.13 %	30.09.12 %
Portfolio of investments	21,027,852	93.69	82.78
Net other assets	1,416,150	6.31	17.22
Net assets	<u>22,444,002</u>	<u>100.00</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(i) of the Notes to the Aggregated Financial Statements and are ordinary shares unless stated otherwise.

* Collective investment scheme.

Related party holding (see note 10 of the Notes to the Aggregated Financial Statements).

SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 30 SEPTEMBER 2013

Total purchases for the year (note 14) **£23,323,326**

Major purchases	Cost £
Treasury 2.25% 2014	3,283,090
Jupiter Strategic Bond	2,112,132
M&G Strategic Corporate Bond	2,079,763
BH Credit Catalysts	1,321,021
New Capital Wealthy Nations Bond	1,262,000
Polar Capital North American	1,244,000
City Financial Defensive Global Bond (formerly City Financial Strategic Global Bond)	1,227,360
Treasury 1.75% 2022	1,216,956
iShares MSCI Europe ex-UK	1,216,735
BlackRock European Dynamic	1,192,000
iShares MSCI Emerging Markets	971,807
River and Mercantile UK Equity Long Term Recovery	942,578
JPMorgan Global Convertibles Income	820,001
NB Private Equity Partners	767,352
db x-trackers MSCI Europe Small Cap TRN Index	659,369
SPDR S&P US Dividend Aristocrats UCITS ETF	566,719
db x-trackers STOXX Europe 600 Banks	557,691
Legg Mason ClearBridge US Aggressive Growth	458,065
Legg Mason Japan Equity	450,560
CATCo Reinsurance Opportunities	446,155

CITY FINANCIAL MULTI ASSET BALANCED FUND

ACD's Report (continued)

Summary of Material Portfolio Changes (continued)

Total sales for the year (note 14) **£58,531,592**

Major sales	Proceeds £
CATCo Reinsurance Opportunities	4,415,444
Cazenove UK Smaller Companies	3,769,754
Carador Income	3,685,859
Salar	3,453,857
Treasury 2.25% 2014	3,268,686
ETFS Gold	3,163,496
BH Credit Catalysts	2,987,145
Real Estate Credit Investments	2,804,107
iShares Markit iBoxx \$ High Yield Capped Bond	2,742,381
Legg Mason Opportunity	2,509,739
BlueBay Emerging Market Absolute Return Bond	2,250,688
BlueCrest AllBlue	2,186,797
M&G Strategic Corporate Bond	2,066,483
Financial Select Sector <i>SPDR</i>	1,664,893
Invesco Perpetual High Income	1,601,265
Polar Capital Technology Trust	1,476,854
Real Estate Credit Investments <i>preference shares</i>	1,392,986
iShares MSCI Europe ex-UK	1,301,725
New Capital Wealthy Nations Bond	1,235,657
Prusik Asian Equity Income	1,229,331

The summary of material portfolio changes represents the 20 largest purchases and sales during the year.

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Notes	£	30.09.13 £	30.09.12 £
Income:				
Net capital gains	2		2,904,077	5,298,950
Revenue	3	1,018,787		1,176,012
Expenses	4	(633,148)		(1,176,879)
Finance costs: Interest	6	(2,746)		(8,040)
Net revenue/(expense) before taxation		382,893		(8,907)
Taxation	5	71		23,132
Net revenue after taxation			382,964	14,225
Total return before distributions			3,287,041	5,313,175
Finance costs: Distributions	6		(387,753)	–
Change in net assets attributable to shareholders from investment activities			2,899,288	5,313,175

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Notes	£	30.09.13 £	30.09.12 £
Opening net assets attributable to shareholders			64,124,555	63,285,891
Amounts receivable on issue of shares		708,709		6,546,934
Amounts payable on cancellation of shares		(45,630,533)		(11,016,042)
			(44,921,824)	(4,469,108)
Dilution levy charged	1(k)		141,130	–
Stamp duty reserve tax	1(g)		(659)	(5,403)
Change in net assets attributable to shareholders from investment activities			2,899,288	5,313,175
Retained distribution on Accumulation shares			201,512	–
Closing net assets attributable to shareholders			22,444,002	64,124,555

CITY FINANCIAL MULTI ASSET BALANCED FUND

Financial Statements (continued)

BALANCE SHEET

AS AT 30 SEPTEMBER 2013

	Notes	£	30.09.13 £	£	30.09.12 £
ASSETS					
Investment assets			21,027,852		53,316,747
Other assets					
Debtors	7	26,003		1,402,237	
Cash and bank balances	8	1,621,174		10,433,979	
Total other assets			1,647,177		11,836,216
Total assets			<u>22,675,029</u>		<u>65,152,963</u>
LIABILITIES					
Investment liabilities			–		(232,080)
Other liabilities					
Creditors	9	(92,412)		(745,937)	
Bank overdrafts	8	(127,772)		(50,391)	
Distribution payable on Income shares		(10,843)		–	
Total other liabilities			(231,027)		(796,328)
Total liabilities			<u>(231,027)</u>		<u>(1,028,408)</u>
Net assets attributable to shareholders			<u>22,444,002</u>		<u>64,124,555</u>

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2013

1. ACCOUNTING POLICIES

The Fund's Financial Statements have been prepared on the same basis as the Aggregated Financial Statements.

2. NET CAPITAL GAINS

The net capital gains during the year comprise:

	30.09.13 £	30.09.12 £
Non-derivative securities	2,960,266	4,889,380
Derivative contracts	(13,706)	(62,748)
Forward currency contracts	(176,206)	683,079
Transaction charges	(3,186)	(6,091)
AMC rebates from underlying investments	3,860	961
Currency gains/(losses)	133,049	(205,631)
Net capital gains	<u>2,904,077</u>	<u>5,298,950</u>

3. REVENUE

Non-taxable dividends	669,320	675,631
Taxable dividends	53,662	134,824
Unfranked interest	288,684	345,373
AMC rebates from underlying investments	3,661	13,963
Bank interest	3,460	5,560
Margin interest	–	53
Other interest	–	608
Total revenue	<u>1,018,787</u>	<u>1,176,012</u>

4. EXPENSES

Payable to the ACD, associates of the ACD and agents of either of them:

ACD's periodic charge	492,764	976,222
Administration fees	82,933	127,198
Legal and professional fees	7,125	9,534
Registration fees	3,800	3,800
	<u>586,622</u>	<u>1,116,754</u>

Payable to the Depositary, associates of the Depositary and agents of either of them:

Depositary's fees	15,769	31,239
Safe custody and other bank charges	6,648	10,117
	<u>22,417</u>	<u>41,356</u>

CITY FINANCIAL MULTI ASSET BALANCED FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

	30.09.13 £	30.09.12 £
4. EXPENSES (continued)		
Other expenses:		
Audit fee	6,600	6,724
FCA fee	61	59
Portfolio monitoring fees	4,800	2,380
Postage and distribution costs	217	234
Printing costs	4,753	4,458
Publication costs	6,058	3,414
Tax services	1,620	1,500
	24,109	18,769
Total expenses	633,148	1,176,879
5. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	(71)	6,949
Adjustments in respect of prior periods	–	(30,081)
Current tax charge (note 5b)	(71)	(23,132)
Deferred tax – origination and reversal of timing differences (note 5c)	–	–
Total taxation	(71)	(23,132)
b) Factors affecting current tax charge for the year		
The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (30.09.12 : 20%). The difference is explained below.		
	30.09.13 £	30.09.12 £
Net revenue/(expense) before taxation	382,893	(8,907)
Corporation tax at 20%	76,579	(1,781)

	30.09.13 £	30.09.12 £
5. TAXATION (continued)		
Effects of:		
Non-taxable dividends	(133,864)	(135,126)
Offshore income gains	–	14,739
AMC rebates taken to capital	772	192
Foreign tax expensed	–	(948)
Unutilised excess management expenses	56,513	122,924
Corporation tax charge	–	–
Overseas tax	(71)	6,949
Adjustments in respect of prior periods	–	(30,081)
Current tax charge (note 5a)	(71)	(23,132)
c) Deferred tax		
At the year end there is a potential deferred tax asset of £179,437 (30.09.12 : £122,924) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.		
6. FINANCE COSTS		
Distributions		
The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:		
	30.09.13 £	30.09.12 £
Interim	109,499	–
Final	112,215	–
	221,714	–
Add: Revenue deducted on cancellation of shares	167,064	–
Deduct: Revenue received on issue of shares	(1,025)	–
Net distributions for the year	387,753	–
Interest	2,746	8,040
Total finance costs	390,499	8,040

Details of the distributions per share are set out in the table on pages 47 and 48.

CITY FINANCIAL MULTI ASSET BALANCED FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

	30.09.13 £	30.09.12 £
6. FINANCE COSTS (continued)		
Distributions represented by:		
Net revenue after taxation	382,964	14,225
Allocations to capital:		
Portfolio monitoring fees	4,800	2,380
Prior period tax adjustment	–	(30,081)
Revenue deficit	–	13,417
	4,800	(14,284)
Balance brought forward	–	59
Balance carried forward	(11)	–
Net distributions for the year	387,753	–
7. DEBTORS		
Sales awaiting settlement	–	24,638
Accrued revenue:		
Non-taxable dividends	1,995	6,090
Unfranked interest	1,450	–
AMC rebates from underlying investments	1,275	4,584
Bank interest	130	387
	4,850	11,061
Prepaid expenses	–	549
Taxation recoverable:		
Income tax	20,369	69
Overseas withholding tax	784	5,799
	21,153	5,868
Amount due from MF Global*	–	1,360,121
Total debtors	26,003	1,402,237

* In November 2011, MF Global UK Ltd, a fund broker, entered administration. On 6 January 2013 the ACD submitted a claim on behalf of the Fund and subsequently, during January 2013, the joint special administrators of MF Global UK Ltd made an interim distribution of approximately 26c in the \$1. During May 2013 the remainder of the debt was sold in the secondary market. The recovery of those amounts resulted in a gain of £91,860 (cash received over and above the balance brought forward) recognised in the statement of total return for the year ended 30 September 2013.

	30.09.13 £	30.09.12 £
8. CASH AND BANK BALANCES		
Bank balances:		
Capital account	1,060,022	10,350,073
Revenue account	77,247	83,906
Margin account	483,905	–
Total bank balances	1,621,174	10,433,979
Bank overdrafts:		
Capital account	(108,350)	–
Revenue account	–	(50,391)
Margin account	(19,422)	–
Total bank overdrafts	(127,772)	(50,391)
9. CREDITORS		
Amounts payable for cancellation of shares	35,000	628,643
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	28,150	79,212
Administration fees	13,417	11,314
Legal and professional fees	–	1,666
Registration fees	317	317
	41,884	92,509
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	901	2,535
Transaction charges	540	3,686
Safe custody and other bank charges	1,190	7,455
Interest payable	158	–
	2,789	13,676
Other expenses	12,695	10,828
Taxation payable:		
Stamp duty reserve tax	44	281
Total creditors	92,412	745,937

10. RELATED PARTY TRANSACTIONS

Disclosure is made in note 10 of the Notes to the Aggregated Financial Statements.

CITY FINANCIAL MULTI ASSET BALANCED FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

11. SHAREHOLDER FUNDS

Disclosure is made in note 11 of the Notes to the Aggregated Financial Statements.

12. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (30.09.12 : none).

13. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are disclosed in note 13 of the Notes to the Aggregated Financial Statements. Disclosures specific to this sub-fund are made below in relation to numeric disclosure of interest rate risk, numeric disclosure of foreign currency risk, and derivatives.

i. Interest rate risk

The table below shows the direct interest rate risk profile:

	30.09.13 £	30.09.12 £
Floating rate assets:		
Euros	6	596,134
US dollars	770,848	4,672,583
Pounds sterling	850,320	10,132,690
	1,621,174	15,401,407
Floating rate liabilities:		
Euros	(126,135)	–
US dollars	(406)	(50,391)
Pounds sterling	(1,231)	–
	(127,772)	(50,391)
Fixed rate assets:		
Pounds sterling	1,172,094	–
Assets on which interest is not paid:		
Euros	28,184	198
Swiss franc	–	1,170
US dollars	2,192,449	15,693,771
Pounds sterling	17,661,128	46,421,331
	19,881,761	62,116,470
Liabilities on which interest is not paid:		
Euros	–	(43,022)
US dollars	–	(12,553,972)
Pounds sterling	(103,255)	(745,937)
	(103,255)	(13,342,931)
Net assets	22,444,002	64,124,555

13. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

i. Interest rate risk (continued)

The floating rate financial assets and liabilities comprise bank balances and bank overdraft positions which earn or pay interest at rates linked to the Bank of England base rate or its international equivalents and collective investment schemes that pay UK interest distributions.

Fixed rate financial assets have a weighted average yield of 1.75% and a weighted average period for which income is fixed of 8.94 years.

There are no material amounts of non-interest bearing financial assets and liabilities other than equities, which do not have maturity dates.

ii. Foreign currency risk

The table below shows the direct foreign currency risk profile:

	30.09.13 Gross £	30.09.13 Hedged £	30.09.13 £
Currency:			
Euros	(97,945)	–	(97,945)
US dollars	2,962,891	–	2,962,891
	2,864,946	–	2,864,946
Pounds sterling	19,579,056	–	19,579,056
Net assets	22,444,002	–	22,444,002

	30.09.12 Gross £	30.09.12 Hedged £	30.09.12 £
Currency:			
Euros	123,238	–	123,238
Swiss franc	1,170	–	1,170
US dollars	19,490,168	(12,388,187)	7,071,981
	19,584,576	(12,388,187)	7,196,389
Pounds sterling	44,563,252	12,364,914	56,928,166
Net assets	64,147,828	(23,273)	64,124,555

iii. Derivatives

The Fund's market exposure is monitored under the commitment approach, whereby all positions on financial derivatives instruments are converted into equivalent positions on the underlying assets.

CITY FINANCIAL MULTI ASSET BALANCED FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

13. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

iii. Derivatives (continued)

The Fund uses derivatives for both hedging and investment purposes to both reduce market risk and enhance returns. Where it is consistent with the Fund's investment objectives and policy, transactions in derivatives may be used for the purposes of hedging in accordance with Efficient Portfolio Management ('EPM') and/or meeting the investment objectives of the Fund.

In pursuing the Fund's investment objectives the Investment Manager may make use of a variety of financial instruments in accordance with the Prospectus and in accordance with its risk management policy. The Fund is able to use derivatives for investment purposes and the Fund can use derivatives for EPM purposes. It is not intended that the use of derivatives by the Fund will cause the Net Asset Value of the Fund to have high volatility or otherwise cause their existing risk profile to change.

	30.09.13 £	30.09.12 £
14. PORTFOLIO TRANSACTION COSTS		
Analysis of total purchase costs		
Purchases in year before transaction costs	23,316,190	110,615,349
Transaction costs:		
Commissions	7,131	79,944
Stamp duty and other charges	5	23,825
	7,136	103,769
Gross purchases total	23,323,326	110,719,118
Analysis of total sales costs		
Gross sales before transaction costs	58,556,834	111,286,713
Transaction costs:		
Commissions	(24,891)	(69,236)
Other charges	(351)	(12,658)
	(25,242)	(81,894)
Total sales net of transaction costs	58,531,592	111,204,819

15. POST BALANCE SHEET EVENTS

On 1 October 2013, City Financial Investment Funds Series III received the assets of City Financial MultiManager Income Fund into City Financial Multi Asset Balanced Fund, a sub-fund of City Financial Investment Funds Series III. City Financial MultiManager Income Fund had a net asset value of £11,590,637 at the merger date.

DISTRIBUTION TABLE

FOR THE YEAR ENDED 30 SEPTEMBER 2013 – IN PENCE PER SHARE

Interim

Group 1 – Shares purchased prior to 1 October 2012

Group 2 – Shares purchased on or after 1 October 2012 and on or before 31 March 2013

'A' Income Shares	Net Revenue	Equalisation	Paid 31.05.13	Paid 31.05.12
Group 1	0.4684	–	0.4684	0.0000
Group 2	–	0.4684	0.4684	0.0000

'A' Accumulation Shares	Net Revenue	Equalisation	Allocated 31.05.13	Allocated 31.05.12
Group 1	0.5014	–	0.5014	0.0000
Group 2	0.1261	0.3753	0.5014	0.0000

'I' Income Shares	Net Revenue	Equalisation	Paid 31.05.13	Paid 31.05.12
Group 1	0.7240	–	0.7240	0.0000
Group 2	0.7240	0.0000	0.7240	0.0000

'I' Accumulation Shares	Net Revenue	Equalisation	Allocated 31.05.13	Allocated 31.05.12
Group 1	0.7240	–	0.7240	0.0000
Group 2	0.7240	0.0000	0.7240	0.0000

Final

Group 1 – Shares purchased prior to 1 April 2013

Group 2 – Shares purchased on or after 1 April 2013 and on or before 30 September 2013

'A' Income Shares	Net Revenue	Equalisation	Payable 30.11.13	Paid 30.11.12
Group 1	0.5489	–	0.5489	0.0000
Group 2	0.4661	0.0828	0.5489	0.0000

'A' Accumulation Shares	Net Revenue	Equalisation	Allocation 30.11.13	Allocated 30.11.12
Group 1	0.5748	–	0.5748	0.0000
Group 2	0.4596	0.1152	0.5748	0.0000

CITY FINANCIAL MULTI ASSET BALANCED FUND

Financial Statements (continued)

Distribution Table (continued)

Final (continued)

'I' Income Shares	Net Revenue	Equalisation	Payable 30.11.13	Paid 30.11.12
Group 1	0.8320	–	0.8320	0.0000
Group 2	0.8320	0.0000	0.8320	0.0000

'I' Accumulation Shares	Net Revenue	Equalisation	Allocation 30.11.13	Allocated 30.11.12
Group 1	0.8400	–	0.8400	0.0000
Group 2	0.8400	0.0000	0.8400	0.0000

EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

CITY FINANCIAL UK SELECT OPPORTUNITIES FUND

ACD'S REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2013

INVESTMENT OBJECTIVE AND POLICY

The investment objective of the City Financial UK Select Opportunities Fund ('the Fund') is to provide investors with consistent long term total return predominantly through investment in a concentrated portfolio of UK listed companies. There will be no particular emphasis on any economic or industrial sector. From time to time the Fund may also invest in collective investment schemes, money market instruments and cash.

INVESTMENT MANAGER'S REPORT

INVESTMENT REVIEW

The past year has proved to be a positive one for the UK stock market as investors have raised risk in their portfolios by increasing their general exposure to equities. The year has also seen a desire to reinvest back into areas driven in large part by the consumer, with General Retail, Leisure Goods and Personal Goods all performing strongly. In contrast however, Mining as a sector has suffered a poor period and has fallen for much of the year.

For most of this year we have been subjected to the ongoing debate regarding the US fiscal position, the so called 'debt-ceiling,' the cost of American borrowing and the long bond yield. At the time of writing, the US governmental impasse continues to cast a long shadow over the market. Investors, however, do appear to be taking it in their stride and seem comfortable that the risks are 'priced in' to the market – that they are aware the problem exists but consider this a known quantity.

It feels as if the current situation will persist for some considerable time to come. It is likely that monetary stimulus in some form will remain, either through ongoing Quantitative Easing ('QE') or simply very low levels of interest rates. Additionally, we are likely to see continued fiscal stimulus, hence the debate in the US to raise the debt ceiling to allow further spending. These strains to the world economy prove that significant risks threaten markets, but they also provide opportunities, and it is these that we hope to take advantage of to continue to generate attractive returns whilst trying to control risk at all times with a well-diversified portfolio.

CITY FINANCIAL UK SELECT OPPORTUNITIES FUND PORTFOLIO ACTIVITY

In the year to 30 September 2013 the Fund returned 25.36%ⁱ. By comparison, the main UK market index returned 19.1%ⁱⁱ.

Pleasingly, the Fund has enjoyed some strong individual stock performances through the year, in a range of sectors. Telecoms group BT Group have proved to be one of the most rewarding positions, generating a total return in excess of 50%ⁱⁱ which has come about through an improving outlook that has seen forecasts consistently upgraded through the year. Another stock that has risen strongly is gaming group William Hill, with a total return of more than 40%ⁱⁱ. The company has one of the best overall offerings in the sector and should continue to benefit from a general thawing of attitudes towards gaming, particularly in the US, and a widening variety of devices one can now game through. Lastly of note has been the position in oil equipment group, Kentz Corporation. We have held the view for some time that the group are substantially undervalued with a strong underlying business and a broadening geographic spread, a stance vindicated recently with the business attracting two independent bids for the group.

On a more negative note, there have been a few stock disappointments. These have related primarily to the poor sector performance of Mining, with Hochschild and Kenmare struggling in the early part of the year. These positions are no longer held.

CITY FINANCIAL UK SELECT OPPORTUNITIES FUND

ACD's Report (continued)

Investment Manager's Report (continued)

OUTLOOK

Due to the persistent macro-economic worries, the market continues to trade on an attractive multiple, a forward price to earnings ratio of 12.4x with a yield of 3.8% and earnings estimated to grow at 8.2%ⁱⁱⁱ. Given the appeal of equity markets, the Fund is fully invested and broadly spread, continuing to find attractive opportunities across the whole of the market. As always, the approach is thorough and we have a keen eye on controlling the risk, and as ever we are confident that the Fund will generate attractive returns for investors.

ⁱ Bloomberg – B Accumulation shares.

ⁱⁱ Bloomberg.

ⁱⁱⁱ Peel Hunt UK Market Valuations 14 October 2013.

CITY FINANCIAL INVESTMENT COMPANY LIMITED

Authorised Corporate Director

22 October 2013

FUND INFORMATION

PERFORMANCE RECORD

'A' Income shares

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2011#	100.42	88.79	–
2012	121.36	96.52	0.3055
2013*	150.72	121.42	0.4030

'A' Accumulation shares

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2011#	100.41	88.78	–
2012	121.66	96.52	0.3099
2013*	151.11	121.73	0.4189

'B' Income shares

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2011#	100.49	88.82	–
2012	121.84	96.67	0.5595
2013*	151.64	121.97	1.0281

'B' Accumulation shares

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2011#	100.48	88.82	–
2012	122.34	96.67	0.5600
2013*	152.64	122.53	1.0679

CITY FINANCIAL UK SELECT OPPORTUNITIES FUND

ACD's Report (continued)

Fund Information (continued)

PERFORMANCE RECORD (continued)

'C' Accumulation shares

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2011##	100.00	94.43	–
2012	125.17	98.73	0.9809
2013*	156.55	125.44	1.4308

From 1 September 2011.

From 5 December 2011.

* To 30 September 2013.

NET ASSET VALUE

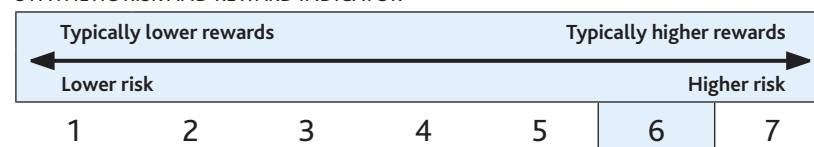
Date	Share Class	Net Asset Value £	Shares in Issue	Net Asset Value pence per share
30.09.11	'A' Income	16,991	18,324	92.73
	'A' Accumulation	250,393	270,070	92.71
	'B' Income	32,720	35,277	92.75
	'B' Accumulation	7,184,987	7,746,784	92.75
30.09.12	'A' Income	860,989	724,644	118.82
	'A' Accumulation	4,545,797	3,816,308	119.12
	'B' Income	742,458	622,912	119.19
	'B' Accumulation	18,104,255	15,119,223	119.74
	'C' Accumulation	6,091,133	4,972,393	122.50
30.09.13	'A' Income	976,310	658,400	148.29
	'A' Accumulation	6,489,729	4,353,646	149.06
	'B' Income	221,056	148,582	148.78
	'B' Accumulation	26,359,156	17,502,305	150.60
	'C' Accumulation	20,852,686	13,498,510	154.48

ONGOING CHARGES FIGURE

Expense Type	30.09.13 %			30.09.12 %		
	'A'	'B'	'C'	'A'	'B'	'C'
ACD's periodic charge	1.50	1.00	0.75	1.50	1.00	0.75
Other expenses	0.41	0.41	0.41	0.68	0.68	0.68
Ongoing charges figure	1.91	1.41	1.16	2.18	1.68	1.43

The Ongoing Charges Figure represents the total operating expenses of the Fund expressed as a percentage of the average net assets during the accounting period.

SYNTHETIC RISK AND REWARD INDICATOR



The risk category above is not a measure of capital loss or gains, but of how significant the rises and falls in the share class have been historically.

For example a share class whose price has experienced significant rises and falls will be in a higher risk category, whereas, a share class whose price has experienced less significant rises and falls will be in a lower category.

The risk reward category shown is not guaranteed to remain unchanged and may shift over time.

The lowest risk category does not equal a risk free investment.

The share class is in risk category 6 as its prices have experienced moderate rises and falls historically.

FUND PERFORMANCE TO 30 SEPTEMBER 2013 (%)

	6 months	1 year	Since launch*
City Financial UK Select Opportunities Fund	13.83	24.77	48.93
Sector	6.32	22.66	39.40

* Launch date 1 September 2011.

Source: Morningstar Direct to 30 September, mid to mid based on 'A' Accumulation shares which includes reinvested income.

Details of the distributions per share for the year are shown in the Distribution Table on pages 70 and 71.

CITY FINANCIAL UK SELECT OPPORTUNITIES FUND

ACD's Report (continued)

PORTFOLIO STATEMENT

AS AT 30 SEPTEMBER 2013

Holding	Portfolio of Investments	Value £	Total Net Assets	
			30.09.13 %	30.09.12 %
	UNITED KINGDOM			
	OIL & GAS			
	<i>OIL & GAS PRODUCERS</i>			
550,000	Afren	760,650	1.38	
1,275,000	BowLeven*	720,375	1.31	
80,000	Genel Energy	751,200	1.37	
625,000	Gulf Keystone Petroleum*	1,200,000	2.19	
		<u>3,432,225</u>	<u>6.25</u>	<u>7.97</u>
	<i>OIL EQUIPMENT, SERVICES & DISTRIBUTION</i>			
292,500	Kentz Corporation	1,397,272	2.54	
75,000	Wood Group	601,500	1.10	
		<u>1,998,772</u>	<u>3.64</u>	<u>2.18</u>
	TOTAL OIL & GAS	<u>5,430,997</u>	<u>9.89</u>	<u>10.15</u>
	BASIC MATERIALS			
	<i>CHEMICALS</i>			
465,000	Elementis	1,114,605	2.03	
70,000	Trealtt	413,000	0.75	
		<u>1,527,605</u>	<u>2.78</u>	<u>–</u>
	<i>MINING</i>			
27,500	Rio Tinto	831,325	1.52	5.90
	TOTAL BASIC MATERIALS	<u>2,358,930</u>	<u>4.30</u>	<u>5.90</u>
	INDUSTRIALS			
	<i>CONSTRUCTION & MATERIALS</i>			
2,200,000	Breedon Aggregates*	682,000	1.24	
65,000	Kier Group	1,095,250	2.00	
		<u>1,777,250</u>	<u>3.24</u>	<u>–</u>
	<i>AEROSPACE & DEFENCE</i>			
400,000	QinetiQ Group	764,400	1.39	4.23

Holding	Portfolio of Investments	Value £	Total Net Assets	
			30.09.13 %	30.09.12 %
	<i>GENERAL INDUSTRIALS</i>	<u>–</u>	<u>–</u>	<u>0.92</u>
	<i>ELECTRONIC & ELECTRICAL EQUIPMENT</i>			
275,000	TT Electronics	532,125	0.97	–
	<i>INDUSTRIAL ENGINEERING</i>			
300,000	Melrose Industries	899,100	1.64	–
	<i>SUPPORT SERVICES</i>			
925,000	Hays	1,093,350	1.99	
175,000	Hyder Consulting	885,500	1.61	
376,000	Optimal Payments*	1,048,100	1.91	
1,200,000	Speedy Hire	780,000	1.42	
487,151	St. Ives	843,989	1.54	
975,000	Xchanging	1,233,375	2.25	
		<u>5,884,314</u>	<u>10.72</u>	<u>6.39</u>
	TOTAL INDUSTRIALS	<u>9,857,189</u>	<u>17.96</u>	<u>11.54</u>
	CONSUMER GOODS			
	<i>FOOD PRODUCERS</i>			
76,000	Cranswick	887,680	1.61	
625,000	Premier Foods	970,313	1.77	
		<u>1,857,993</u>	<u>3.38</u>	<u>3.03</u>
	<i>HOUSEHOLD GOODS & HOME CONSTRUCTION</i>			
37,000	Berkley Group Holdings	765,900	1.40	–
	TOTAL CONSUMER GOODS	<u>2,623,893</u>	<u>4.78</u>	<u>3.03</u>
	HEALTH CARE			
	<i>HEALTH CARE EQUIPMENT & SERVICES</i>			
90,000	Consort Medical	783,000	1.43	
100,000	Smith & Nephew	770,000	1.40	
		<u>1,553,000</u>	<u>2.83</u>	<u>–</u>

CITY FINANCIAL UK SELECT OPPORTUNITIES FUND

ACD's Report (continued)

Portfolio Statement (continued)

Holding	Portfolio of Investments	Value £	Total Net Assets	
			30.09.13 %	30.09.12 %
<i>PHARMACEUTICALS & BIOTECHNOLOGY</i>				
30,000	Genus	429,300	0.78	3.40
	TOTAL HEALTH CARE	1,982,300	3.61	3.40
<i>CONSUMER SERVICES</i>				
<i>FOOD & DRUG RETAILERS</i>				
925,000	Booker Group	1,240,425	2.26	–
<i>GENERAL RETAILERS</i>				
135,000	Brown (N) Group	706,725	1.29	
450,000	Home Retail Group	756,450	1.38	
		1,463,175	2.67	–
<i>MEDIA</i>				
185,000	4imprint Group	1,014,725	1.85	
625,000	Entertainment One	1,368,750	2.49	
		2,383,475	4.34	3.70
<i>TRAVEL & LEISURE</i>				
900,000	BWIM Party Digital Entertainment	1,098,900	2.00	
1,500,000	Sportech	1,252,500	2.28	
275,000	William Hill	1,108,250	2.02	
		3,459,650	6.30	9.51
	TOTAL CONSUMER SERVICES	8,546,725	15.57	13.21
<i>TELECOMMUNICATIONS</i>				
<i>FIXED LINE TELECOMMUNICATIONS</i>				
275,000	BT Group	941,600	1.71	
730,000	Colt Group	848,260	1.55	
677,444	KCOM Group	614,780	1.12	
		2,404,640	4.38	3.86

Holding	Portfolio of Investments	Value £	Total Net Assets	
			30.09.13 %	30.09.12 %
<i>MOBILE TELECOMMUNICATIONS</i>				
725,000	Vodafone Group	1,565,638	2.85	3.74
	TOTAL TELECOMMUNICATIONS	3,970,278	7.23	7.60
<i>UTILITIES</i>				
<i>ELECTRICITY</i>				
		–	–	2.17
<i>GAS, WATER & MULTIUTILITIES</i>				
225,000	Centrica	831,600	1.52	
52,500	Seven Trent	924,525	1.68	
		1,756,125	3.20	2.38
	TOTAL UTILITIES	1,756,125	3.20	4.55
<i>FINANCIALS</i>				
<i>BANKS</i>				
2,600,000	Lloyds Banking Group	1,913,080	3.49	–
<i>NON-LIFE INSURANCE</i>				
215,000	Lancashire Holdings	1,644,750	3.00	
675,000	RSA Insurance	815,400	1.48	
		2,460,150	4.48	4.03
<i>LIFE INSURANCE</i>				
800,000	Legal & General Group	1,569,600	2.86	1.20
<i>REAL ESTATE INVESTMENT & SERVICES</i>				
195,000	Countrywide	1,012,050	1.85	–
<i>REAL ESTATE INVESTMENT TRUSTS</i>				
725,000	London & Stamford Property	866,375	1.58	
391,250	Newriver Retail*	923,350	1.68	
275,000	Segro	852,225	1.55	
		2,641,950	4.81	3.86

CITY FINANCIAL UK SELECT OPPORTUNITIES FUND

ACD's Report (continued)

Portfolio Statement (continued)

Holding	Portfolio of Investments	Value £	Total Net Assets	
			30.09.13 %	30.09.12 %
	<i>FINANCIAL SERVICES</i>			
625,000	Ashcourt Rowan*	1,187,500	2.16	
985,000	F & C Asset Management	952,003	1.73	
325,000	IP Group	454,675	0.83	
400,000	SVG Capital	1,553,200	2.83	
		<u>4,147,378</u>	<u>7.55</u>	<u>8.98</u>
	TOTAL FINANCIALS	<u>13,744,208</u>	<u>25.04</u>	<u>18.07</u>
	<i>TECHNOLOGY</i>			
	<i>SOFTWARE & COMPUTER SERVICES</i>			
500,000	GB Group*	585,000	1.07	
1,325,000	Globo*	960,625	1.75	
500,000	Outsourcery*	590,000	1.07	
		<u>2,135,625</u>	<u>3.89</u>	<u>10.20</u>
	<i>TECHNOLOGY HARDWARE & EQUIPMENT</i>			
477,000	Ubisense Group*	992,160	1.80	4.54
	TOTAL TECHNOLOGY	<u>3,127,785</u>	<u>5.69</u>	<u>14.74</u>
	TOTAL UNITED KINGDOM	<u>53,398,430</u>	<u>97.27</u>	<u>92.19</u>
	Portfolio of investments	53,398,430	97.27	92.19
	Net other assets	1,500,507	2.73	7.81
	Net assets	<u>54,898,937</u>	<u>100.00</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(i) and are ordinary shares listed on a regulated market unless stated otherwise.

* Alternative Investment Market listed.

SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 30 SEPTEMBER 2013

Total purchases for the year (note 14)	£80,480,052
Major purchases	Cost £
Xchanging	2,194,749
Lloyds Banking Group	2,179,214
SVG Capital	2,090,392
William Hill	1,852,163
Kier Group	1,691,713
Lancashire Holdings	1,553,325
Brown (N) Group	1,521,858
Legal & General Group	1,474,753
Sportech	1,444,584
BWIM Party Digital Entertainment	1,399,490
Petrofac	1,397,391
Home Retail Group	1,332,080
Ophir Energy	1,224,894
Elementis	1,216,150
Centrica	1,154,983
Booker Group	1,103,823
Rio Tinto	1,096,144
Countrywide	1,082,901
National Express Group	1,078,092
Entertainment One	1,070,637

CITY FINANCIAL UK SELECT OPPORTUNITIES FUND

ACD's Report (continued)

Summary of Material Portfolio Changes (continued)

Total sales for the year (note 14) **£64,703,029**

Major sales	Proceeds £
Petrofac	1,553,297
National Express Group	1,288,258
PayPoint	1,117,413
Perform Group	1,112,762
Drax Group	1,079,228
Brown (N) Group	1,069,417
Kier Group	1,044,272
Liontrust Asset Management	1,041,510
Anite	1,018,949
Grainger	979,052
Fiberweb	947,283
NCC Group	938,608
Cranswick	925,179
Domino's Pizza Group	920,475
Ophir Energy	907,186
Pennon Group	865,248
FirstGroup	848,482
ITE Group	814,163
Morgan Sindall Group	798,006
Ladbroke's	796,849

The summary of material portfolio changes represents the 20 largest purchases and sales during the year.

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN

FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Notes	£	30.09.13 £	30.09.12 £
Income:				
Net capital gains	2		9,633,572	3,736,176
Revenue	3	916,107		398,868
Expenses	4	(563,859)		(285,000)
Finance costs: Interest	6	—		(28)
Net revenue before taxation		352,248		113,840
Taxation	5	1		(32)
Net revenue after taxation			352,249	113,808
Total return before distributions			9,985,821	3,849,984
Finance costs: Distributions	6		(352,629)	(113,801)
Change in net assets attributable to shareholders from investment activities			9,633,192	3,736,183

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Note	£	30.09.13 £	30.09.12 £
Opening net assets attributable to shareholders			30,344,632	7,485,091
Amounts receivable on issue of shares		19,784,689		21,688,085
Amounts payable on cancellation of shares		(5,223,361)		(2,701,945)
			14,561,328	18,986,140
Stamp duty reserve tax	1(g)		(21,659)	(8,051)
Change in net assets attributable to shareholders from investment activities			9,633,192	3,736,183
Retained distribution on Accumulation shares			381,444	145,269
Closing net assets attributable to shareholders			54,898,937	30,344,632

CITY FINANCIAL UK SELECT OPPORTUNITIES FUND

Financial Statements (continued)

BALANCE SHEET

AS AT 30 SEPTEMBER 2013

	Notes	£	30.09.13 £	£	30.09.12 £
ASSETS					
Investment assets			53,398,430		27,974,617
Other assets					
Debtors	7	531,846		1,762,394	
Cash and bank balances	8	1,797,394		1,878,916	
Total other assets			2,329,240		3,641,310
Total assets			<u>55,727,670</u>		<u>31,615,927</u>
LIABILITIES					
Other liabilities					
Creditors	9	(824,828)		(1,265,596)	
Distribution payable on Income shares		(3,905)		(5,699)	
Total other liabilities			(828,733)		(1,271,295)
Total liabilities			<u>(828,733)</u>		<u>(1,271,295)</u>
Net assets attributable to shareholders			<u>54,898,937</u>		<u>30,344,632</u>

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2013

1. ACCOUNTING POLICIES

The Fund's Financial Statements have been prepared on the basis of the accounting policies set out on pages 12-14. Approval of the City Financial UK Select Opportunities Fund to be terminated was granted by the Financial Conduct Authority on 2 January 2014.

2. NET CAPITAL GAINS

The net capital gains during the year comprise:

	30.09.13 £	30.09.12 £
Non-derivative securities	9,646,790	3,746,386
Transaction charges	(13,218)	(10,210)
Net capital gains	<u>9,633,572</u>	<u>3,736,176</u>

3. REVENUE

Non-taxable dividends	846,615	390,505
UK property income distributions	67,175	7,765
Bank interest	2,315	598
Other interest	2	–
Total revenue	<u>916,107</u>	<u>398,868</u>

4. EXPENSES

Payable to the ACD, associates of the ACD and agents of either of them:

ACD's periodic charge	410,308	177,950
Administration fees	91,239	51,639
Legal and professional fees	8,813	14,828
Registration fees	7,494	6,814
	<u>517,854</u>	<u>251,231</u>

Payable to the Depositary, associates of the Depositary and agents of either of them:

Depositary's fees	19,622	8,595
Safe custody and other bank charges	7,319	4,043
	<u>26,941</u>	<u>12,638</u>

CITY FINANCIAL UK SELECT OPPORTUNITIES FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

	30.09.13 £	30.09.12 £
4. EXPENSES (continued)		
Other expenses:		
Audit fee	4,920	4,920
FCA fee	61	30
Postage and distribution costs	329	114
Printing costs	4,956	5,008
Publication costs	7,178	6,850
Set up costs	–	2,709
Tax services	1,620	1,500
	19,064	21,131
Total expenses	563,859	285,000
5. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	(1)	32
Current tax charge (note 5b)	(1)	32
Deferred tax – origination and reversal of timing differences (note 5c)	–	–
Total taxation	(1)	32
b) Factors affecting current tax charge for the year		
The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (30.09.12 : 20%). The difference is explained below.		
	30.09.13 £	30.09.12 £
Net revenue before taxation	352,248	113,840
Corporation tax at 20%	70,450	22,768
Effects of:		
Non-taxable dividends	(169,323)	(78,101)
Expenses not deductible for tax purposes	–	542
Unutilised excess management expenses	98,873	54,791
Corporation tax charge	–	–

	30.09.13 £	30.09.12 £
5. TAXATION (continued)		
Overseas tax	(1)	32
Current tax charge (note 5a)	(1)	32
c) Deferred tax		
At the year end there is a potential deferred tax asset of £157,107 (30.09.12 : £58,234) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.		
6. FINANCE COSTS		
Distributions		
The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:		
	30.09.13 £	30.09.12 £
Interim	64,307	–
Final	322,237	150,968
	386,544	150,968
Add: Revenue deducted on cancellation of shares	10,662	5,530
Deduct: Revenue received on issue of shares	(44,577)	(42,697)
Net distributions for the year	352,629	113,801
Interest	–	28
Total finance costs	352,629	113,829

Details of the distributions per share are set out in the table on pages 70 and 71.

CITY FINANCIAL UK SELECT OPPORTUNITIES FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

	30.09.13 £	30.09.12 £
6. FINANCE COSTS (continued)		
Distributions represented by:		
Net revenue after taxation	352,249	113,808
Equalisation on conversions*	387	–
Balance brought forward	7	–
Balance carried forward	(14)	(7)
Net distributions for the year	<u>352,629</u>	<u>113,801</u>
* Where an investor converts to a class with a higher income yield, the investor will receive an equalisation as if they had held the new class throughout the period from the last distribution to the conversion date. The yield differential at the point of conversion is an equalisation which will be offset by capital erosion for the converted investor.		
	30.09.13 £	30.09.12 £
7. DEBTORS		
Amounts receivable for issue of shares	129,517	46,725
Sales awaiting settlement	266,380	1,623,586
Accrued revenue:		
Non-taxable dividends	135,136	88,967
Bank interest	249	186
	135,385	89,153
Amounts prepaid to the ACD, associates of the ACD and agents of either of them:		
Prepaid expenses	–	1,839
Amounts due from the Investment Manager:		
Taxation recoverable:		
Income tax	–	527
Overseas withholding tax	564	564
	564	1,091
Total debtors	<u>531,846</u>	<u>1,762,394</u>

	30.09.13 £	30.09.12 £
8. CASH AND BANK BALANCES		
Bank balances:		
Capital account	1,534,216	1,771,190
Revenue account	263,178	107,726
Total bank balances	<u>1,797,394</u>	<u>1,878,916</u>
9. CREDITORS		
Amounts payable for cancellation of shares	269,825	237,150
Purchases awaiting settlement	477,357	972,315
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	43,251	24,507
Administration fees	16,976	6,724
Legal and professional fees	–	2,938
Registration fees	451	366
	60,678	34,535
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	2,131	1,128
Transaction charges	1,650	7,590
Safe custody and other bank charges	1,359	3,315
	5,140	12,033
Other expenses	11,564	9,186
Taxation payable:		
Stamp duty reserve tax	264	377
Total creditors	<u>824,828</u>	<u>1,265,596</u>

10. RELATED PARTY TRANSACTIONS

Disclosure is made in note 10 of the Notes to the Aggregated Financial Statements.

11. SHAREHOLDER FUNDS

Disclosure is made in note 11 of the Notes to the Aggregated Financial Statements.

12. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (30.09.12 : none).

CITY FINANCIAL UK SELECT OPPORTUNITIES FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

13. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are disclosed in note 13 of the Notes to the Aggregated Financial Statements. Disclosures specific to this sub-fund are made below in relation to numeric disclosure of interest rate risk, numeric disclosure of foreign currency risk, and derivatives.

i. Interest rate risk

The table below shows the direct interest rate risk profile:

	30.09.13 £	30.09.12 £
Floating rate assets:		
US dollars	1,827	1,831
Pounds sterling	1,795,568	1,877,085
	1,797,395	1,878,916
Assets on which interest is not paid:		
Swiss francs	564	–
US dollars	–	5,843
Pounds sterling	53,929,711	29,731,168
	53,930,275	29,737,011
Liabilities on which interest is not paid:		
Pounds sterling	(828,733)	(1,271,295)
Net assets	54,898,937	30,344,632

The floating rate financial assets comprise bank balances positions which earn interest at rates linked to the Bank of England base rate or its international equivalents.

There are no material amounts of non-interest bearing financial assets and liabilities other than equities, which do not have maturity dates.

ii. Foreign currency risk

The table below shows the direct foreign currency risk profile:

	30.09.13 £	30.09.12 £
Currency:		
Swiss francs	564	–
US dollars	1,827	7,674
	2,391	7,674
Pounds sterling	54,896,546	30,336,958
Net assets	54,898,937	30,344,632

13. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

iii. Derivatives

The Investment Manager may employ derivatives for the purposes of hedging with the aim of reducing the risk profile of the Fund, or reducing costs, or generating additional capital or income, in accordance with Efficient Portfolio Management.

To the extent that derivative instruments are utilised for hedging purposes, the risk of loss to the Fund may be increased where the value of the derivative instrument and the value of the security or position which it is hedging are insufficiently correlated.

14. PORTFOLIO TRANSACTION COSTS

Analysis of total purchase costs

Purchases in year before transaction costs	79,974,723	56,918,982
Transaction costs:		
Commissions	158,190	113,533
Stamp duty and other charges	347,139	242,916
	505,329	356,449
Gross purchases total	80,480,052	57,275,431

Analysis of total sales costs

Gross sales before transaction costs	64,834,010	40,555,479
Transaction costs:		
Commissions	(129,958)	(81,110)
Other charges	(1,023)	(356)
	(130,981)	(81,466)
Total sales net of transaction costs	64,703,029	40,474,013

CITY FINANCIAL UK SELECT OPPORTUNITIES FUND

Financial Statements (continued)

DISTRIBUTION TABLE

FOR THE YEAR ENDED 30 SEPTEMBER 2013 – IN PENCE PER SHARE

Interim

Group 1 – Shares purchased prior to 1 October 2012

Group 2 – Shares purchased on or after 1 October 2012 and on or before 31 March 2013

'A' Income Shares	Net Revenue	Equalisation	Paid 31.05.13	Paid 31.05.12
Group 1	0.0000	–	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000

'A' Accumulation Shares	Net Revenue	Equalisation	Allocated 31.05.13	Allocated 31.05.12
Group 1	0.0000	–	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000

'B' Income Shares	Net Revenue	Equalisation	Paid 31.05.13	Paid 31.05.12
Group 1	0.1855	–	0.1855	0.0000
Group 2	0.0521	0.1334	0.1855	0.0000

'B' Accumulation Shares	Net Revenue	Equalisation	Allocated 31.05.13	Allocated 31.05.12
Group 1	0.1874	–	0.1874	0.0000
Group 2	0.1487	0.0387	0.1874	0.0000

'C' Accumulation Shares	Net Revenue	Equalisation	Allocated 31.05.13	Allocated 31.05.12
Group 1	0.3493	–	0.3493	0.0000
Group 2	0.1673	0.182	0.3493	0.0000

Final

Group 1 – Shares purchased prior to 1 April 2013

Group 2 – Shares purchased on or after 1 April 2013 and on or before 30 September 2013

'A' Income Shares	Net Revenue	Equalisation	Payable 30.11.13	Paid 30.11.12
Group 1	0.4030	–	0.4030	0.3055
Group 2	0.2280	0.1750	0.4030	0.3055

'A' Accumulation Shares	Net Revenue	Equalisation	Allocation 30.11.13	Allocated 30.11.12
Group 1	0.4189	–	0.4189	0.3099
Group 2	0.1962	0.2227	0.4189	0.3099

'B' Income Shares	Net Revenue	Equalisation	Payable 30.11.13	Paid 30.11.12
Group 1	0.8426	–	0.8426	0.5595
Group 2	0.4338	0.4088	0.8426	0.5595

'B' Accumulation Shares	Net Revenue	Equalisation	Allocation 30.11.13	Allocated 30.11.12
Group 1	0.8805	–	0.8805	0.5600
Group 2	0.4248	0.4557	0.8805	0.5600

'C' Accumulation Shares	Net Revenue	Equalisation	Allocation 30.11.13	Allocated 30.11.12
Group 1	1.0815	–	1.0815	0.9809
Group 2	0.4606	0.6209	1.0815	0.9809

EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

GENERAL INFORMATION

STRUCTURE OF THE COMPANY

The Company is structured as an umbrella company, in that different sub-funds may be established from time to time by the ACD with the approval of the Financial Conduct Authority and the agreement of the Depositary. On the introduction of any new sub-funds or class, a revised prospectus will be prepared setting out the relevant details of each sub-fund or class within the sub-fund.

The sub-funds are operated separately and the assets of each sub-fund are managed in accordance with the investment objective and policy applicable to that sub-fund.

The sub-funds which are currently available are:

City Financial Multi Asset Balanced Fund
City Financial UK Select Opportunities Fund
City Financial Multi Asset Growth Fund (launched 8 November 2013)
City Financial Multi Asset Diversified Fund (launched 8 November 2013)

In the future there may be other sub-funds of the Company.

CLASSES OF SHARES

The Company can issue different classes of shares in respect of any sub-fund.

Holders of Income shares are entitled to be paid the income attributable to such shares, in respect of each annual or interim accounting period.

Holders of Accumulation shares are not entitled to be paid the income attributable to such shares, but that income is retained and accumulated for the benefit of shareholders and is reflected in the price of shares.

VALUATION POINT

The valuation point for the Funds is 12.00 noon on each business day. Valuations may be made at other times under the terms contained within the Prospectus.

BUYING AND SELLING SHARES

The ACD will accept orders to deal in the shares on normal business days between 9.00am and 5.30pm and transactions will be effected at prices determined by the following valuation. Instructions to buy or sell shares may be either in writing to: 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT or by telephone on 0845 300 2107. A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

PRICES

The most recent buying and selling prices of shares are available on the website of the Investment Management Association at www.fundlistings.com and are published in the *Financial Times* under the heading City Financial Investment Company.

OTHER INFORMATION

The Instrument of Incorporation, Prospectus, Key Investor Information Document and the most recent interim and annual reports may be inspected at the office of the ACD which is also the Head Office. Copies of these may be obtained upon application.

Shareholders who have any complaints about the operation of the Company should contact the ACD or the Depositary in the first instance. In the event that a shareholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

DATA PROTECTION ACT

Shareholders' names will be added to a mailing list which may be used by the ACD, its associates or third parties to inform investors of other products by sending details of such products. Shareholders who do not want to receive such details should write to the ACD requesting their removal from any such mailing list.

RISK WARNING

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

