# VERITAS COMMON CONTRACTUAL FUND

**AN OPEN-ENDED UMBRELLA COMMON CONTRACTUAL FUND ESTABLISHED UNDER THE LAWS OF IRELAND PURSUANT TO THE EUROPEAN COMMUNITIES (UNDERTAKINGS FOR COLLECTIVE INVESTMENT IN TRANSFERABLE SECURITIES) REGULATIONS 2011, AS AMENDED**

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 30 SEPTEMBER 2022**

## TABLE OF CONTENTS


| | |
|---|---|
| Directory | 1 |
| Background to the Veritas Common Contractual Fund | 2 |
| Statement of Manager's Responsibilities | 4 |
| Independent Auditors' Report | 6 |
| Depositary's Report | 8 |
| Investment Manager's Report | 9 |
| Schedule of Investments | 14 |
| Statement of Financial Position | 17 |
| Statement of Comprehensive Income | 18 |
| Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Units | 19 |
| Statement of Cash Flows | 20 |
| Notes to the Financial Statements | 21 |
| Supplemental Information (Unaudited): | |
| Significant Changes in Portfolio Composition | 37 |
| Remuneration Policy | 39 |
| Sustainable Finance Disclosure Regulation | 41 |

## DIRECTORY

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Peadar De Barra (Irish)
John Oppermann (Irish)*
Samantha McConnell (Irish)*
Frank Connolly (Irish) (until 31 January 2022)
Andrew Kehoe (Irish) (since 31 January 2022)
Barry Harrington (Irish) (since 10 May 2022)
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## BACKGROUND TO THE VERITAS COMMON CONTRACTUAL FUND

The Veritas Global Focus Common Contractual Fund (the "Sub-Fund"), is a sub-fund of Veritas Common Contractual Fund (the "CCF") which is an open-ended umbrella common contractual fund, authorised by the Central Bank of Ireland (the "Central Bank") as an Undertaking for Collective Investment in Transferable Securities ("UCITS") pursuant to the provisions of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended ("the UCITS Regulations").

There are currently no other sub-funds of the CCF in existence. The CCF is an umbrella common contractual fund initially constituted on 1 May 2015 by the Deed of Constitution entered into between KBA Consulting Management Limited (the "Manager") and State Street Custodial Services (Ireland) Limited, the previous depositary. An amended and restated Deed of Constitution was entered into between the Manager and Brown Brothers Harriman Trustee Services (Ireland) Limited (the "Depositary") effective from 1 July 2019. As such, neither the CCF nor any sub-fund is an incorporated entity and neither the CCF nor any sub-fund has a separate legal personality. Instead, it is simply a description of a form of undivided co-ownership by contractual arrangement whereby persons who acquire Units and become legal Unitholders in the CCF will have co-ownership rights to the property of the relevant sub-fund of the CCF and the income that is derived from such property. The rules of the CCF which are set out in the Deed of Constitution are binding on all persons acquiring Units in the CCF.

**Investment Objective**

The Sub-Fund's objective is to build capital over a number of years through investment in a focused portfolio of global companies.

**Calculation of Net Asset Value**

The Net Asset Value (the "NAV") of the Sub-Fund is calculated on each dealing day by ascertaining the value of the assets of the Sub-Fund on such dealing day and deducting from such value the liabilities of the Sub-Fund on such dealing day. The NAV per unit of the Sub-Fund is calculated by dividing the NAV of the Sub-Fund by the number of units in the Sub-Fund.

**Dealing**

The dealing day for the Sub-Fund is every Business Day or such other day or days as the Manager may determine. The dealing deadline for applications for Units and repurchases of Units is 11.00 a.m. (Irish time) on the relevant dealing day.

**Investment policy**

The Sub-Fund principally invests in equities, irrespective of specific geographical location listed or traded on recognised exchanges throughout the world. Where necessary or more efficient operationally, investments may also be made in equity related securities such as depositary receipts, preferred shares, equity linked notes (unleveraged debt securities linked to the performance of equities), warrants (not more than 5% of the Sub-Fund's NAV), or convertible securities (such as convertible preference shares, share purchase rights and bonds convertible into common or preferred shares).

It is the policy of the Sub-Fund that the portfolio will be invested in a relatively select group of global companies, identified through a bottom up (fundamental research based) stock picking approach by Veritas Asset Management LLP (the "Investment Manager"), with the aim of achieving positive returns. The investment approach is orientated to identifying and investing in businesses that the Investment Manager perceives to offer the best opportunities for profit. Industry leaders in what the Investment Manager considers to be relatively stable industries are sought where there is greater visibility of sustainable earnings and recurring revenues, but equity (and equity related) investments must satisfy a number of qualitative criteria applied by the Investment Manager relating to, for example, the level of free cash flow generation from the business. The importance of company management, and their alignment with public unitholders, cannot be overstated. No consideration will be given to country or global index weightings, nor will the Sub-Fund be always fully invested in equities, and as a result performance may be significantly different from that of the markets in which it is invested, or the performance of commonly followed global indices.

## BACKGROUND TO THE VERITAS COMMON CONTRACTUAL FUND (CONTINUED)

**Investment policy (continued)**

In certain instances, it may be more appropriate operationally or more efficient to gain exposure to targeted investments referred to above synthetically rather than investing in such securities directly. In such instances, the Sub-Fund may employ Financial Derivative Instruments ("FDI") (specifically futures, options, equity swaps or foreign currency forward contracts), subject to the conditions and within the limits laid down by the Central Bank. Please refer to the section of the Prospectus entitled "Use of Derivatives and Efficient Portfolio Management (EPM)" for further details.

Subject to the restrictions set out in the UCITS Regulations and in addition to any investments referred to above the Sub-Fund may be invested (pending investment, or if this is considered appropriate to the investment objective, invest on a short term basis), in Collective Investment Schemes ("CIS"), cash, deposits and short-term paper including treasury bills, investment grade fixed or floating rate corporate or government issued fixed income securities, certificates of deposit or bankers' acceptances. The Sub-Fund will invest no more than 10% of its NAV in other CIS. The Sub-Fund will only invest in non-UCITS CIS that satisfy the conditions applied from time to time by the Central Bank.

Notwithstanding the above, the Sub-Fund will not invest more than 20% of its net assets in securities listed or traded on recognised exchanges in emerging markets.

## STATEMENT OF MANAGER'S RESPONSIBILITIES

The Manager is responsible for preparing the annual report and CCF's financial statements in accordance with applicable Irish law and International Financial Reporting Standards ("IFRS"), as adopted by the European Union (“EU”).

The financial statements are required by law to give a true and fair view of the state of affairs of the CCF and of the profit or loss of the CCF for the year.

In preparing these financial statements, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS, as adopted by the EU, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the CCF will continue in business.

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the CCF and enable it to ensure that the financial statements are prepared in accordance with IFRS, as adopted by the EU, and comply with the provisions of the Deed of Constitution and Irish Statute comprising the UCITS Regulations and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2019 (the “Central Bank UCITS Regulations”). It is also responsible for safeguarding the assets of the CCF. In this regard it has entrusted the assets of the CCF to the Depositary. The Manager has appointed Brown Brothers Harriman Trustee Services (Ireland) Limited as Depositary. The Manager has a general responsibility for taking such steps as are reasonably open to it to prevent and detect fraud and other irregularities.

**Dealings with Connected Persons**

Regulation 43(1) of the Central Bank UCITS Regulations "Restrictions on transactions with connected persons" states that "a responsible person shall ensure that any transaction between a UCITS and a connected person is a) conducted at arm's length; and b) in the best interest of the unitholders of the UCITS".

As required under Central Bank's UCITS Regulation 81(4), the Directors of the Manager as the responsible person, are satisfied that (a) there are in place arrangements, evidenced by written procedures, to ensure that the obligations that are prescribed by Regulation 43(1) are applied to all transactions with a connected person; and (b) all transactions with a connected person that were entered into during the financial year ended 30 September 2022 complied with the obligations that are prescribed by Regulation 43(1).

The Investment Manager is responsible for the maintenance and integrity of the corporate and financial information included on the CCF’s website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

**Principal risks and uncertainties**

The principal risks facing the CCF relate primarily to the holding of financial instruments and markets in which it invests. The most significant types of financial risk to which the CCF is exposed are market risk, credit risk and liquidity risk. Market risk includes other price risk, currency risk and interest rate risk. Details of the risks associated with financial instruments are included in note 10 to the financial statements.

During the year ended 30 September 2022, the adverse economic impact caused by the COVID-19 pandemic lessened considerably. The quantitative easing programmes implemented by governments and central banks around the world in response to the COVID-19 pandemic ceased and the market environment is reacting to the new post-COVID world as markets navigate high inflation and interest rates. There has been no disruption or changes to the CCF's investment process, risk management process or operational processes as a result of the post-COVID market environment. The Manager of the CCF continues to monitor the impact of the pandemic and remain confident that the operational processes in place are robust and are set up to withstand any future stresses.

In February 2022, Russian armed forces invaded Ukraine with the intention of ousting the current Presidential regime. The hostile invasion caused severe market turmoil as the international community reacted by placing sanctions on Russian oligarchs and trading in Russian companies. The CCF has very minimal exposure with no direct quoted exposure to either Russia or the Ukraine.

## STATEMENT OF MANAGER'S RESPONSIBILITIES (CONTINUED)

*Operational risk*

Operational risk includes the possibility of loss caused by inadequate procedures and controls, human error and system failures by the Investment Manager or a service provider. For example, trading delays or errors (both human and systemic) could prevent the Sub-Fund from benefiting from potential investment gains or avoiding losses. The Investment Manager is not contractually liable to the Sub-Fund for losses associated with operational risk absent its fraud, gross negligence or willful misconduct.

Other Sub-Fund service providers also have limitations on their liability to the Sub-Fund for losses resulting from their errors. With the increased use of technologies such as the internet and the dependence on computer systems to perform necessary business functions, pooled investment vehicles (such as the Sub-Fund) and their service providers (including the Investment Manager) may be prone to operational and information security risks resulting from cyber-attacks and/or other technological malfunctions. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks include, among others, stealing or corrupting data maintained online or digitally, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorisation, and causing operational disruption. Successful cyber-attacks against, or security breakdowns of, the Sub-Fund, Investment Manager, Depositary, Transfer Agent, or other affiliated or third-party service provider may adversely affect the Sub-Fund or its unitholders.

For instance, cyber-attacks may interfere with the processing of unitholder transactions, affect the Sub-Fund's ability to calculate its NAV, cause the release of private investor information or confidential Sub-Fund information, impede trading, cause reputational damage, and subject the Sub-Fund to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and additional compliance costs.

While the Investment Manager and other service providers have established business continuity plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Similar types of cyber security risks also are present for issuers of securities in which the Sub-Fund invests, which could result in material adverse consequences for such issuers, and may cause the Sub-Fund's investment in such securities to lose value.

**On behalf of the Board of the Manager**

Director

KBA Consulting Management Limited

On behalf of Veritas Common Contractual Fund

15 December 2022

Director

KBA Consulting Management Limited

On behalf of Veritas Common Contractual Fund

15 December 2022

# *Independent auditors' report to the unitholders of Veritas Common Contractual Fund*

## Report on the audit of the financial statements

### Opinion

In our opinion, Veritas Common Contractual Fund's financial statements:

- give a true and fair view of the Common Contractual Fund's assets, liabilities and financial position as at 30 September 2022 and of its results and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended).

We have audited the financial statements, included within the Annual Report and Audited Financial Statements, which comprise:

- the Statement of Financial Position as at 30 September 2022;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Units for the year then ended;
- the Schedule of Investments as at 30 September 2022; and
- the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remained independent of the Common Contractual Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Common Contractual Fund's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Common Contractual Fund's ability to continue as a going concern.

Our responsibilities and the responsibilities of the manager with respect to going concern are described in the relevant sections of this report.

## Reporting on other information

The other information comprises all of the information in the Annual Report and Audited Financial Statements other than the financial statements and our auditors' report thereon. The manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

## Responsibilities for the financial statements and the audit

### *Responsibilities of the manager for the financial statements*

As explained more fully in the Statement of Manager's Responsibilities set out on page 4, the manager is responsible for the preparation of the financial statements in accordance with the applicable framework giving a true and fair view.

The manager is also responsible for such internal control as the manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the manager is responsible for assessing the Common Contractual Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the manager intends to cease operations, or has no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinion, has been prepared for and only for the unitholders as a body in accordance with the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended) and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin
15 December 2022

**Depositary's Report to the Unitholders of Veritas Common Contractual Fund**

We have enquired into the conduct of Veritas Common Contractual Fund (the "CCF") for the financial period from 1 October 2021 to 30 September 2022, in our capacity as Depositary to the CCF.

This report including the opinion has been prepared for and solely for the Unitholders in the CCF as a body, in accordance with Part 5 of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended ("the UCITS Regulations"), and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

**Responsibilities of the Depositary**

Our duties and responsibilities are outlined in Part 5 of the UCITS Regulations. One of those duties is to enquire into the conduct of the CCF in each annual accounting period and report thereon to the unitholders.

Our report shall state whether, in our opinion, the CCF has been managed in that period in accordance with the provisions of the CCF's Deed of Constitution and the UCITS Regulations. It is the overall responsibility of the CCF to comply with these provisions. If the CCF has not so complied, we as Depositary must state why this is the case and outline the steps which we have taken to rectify the situation.

**Basis of Depositary's Opinion**

The Depositary conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties as outlined in Part 5 of the UCITS Regulations and to ensure that, in all material respects, the CCF has been managed:

(i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of the Deed of Constitution and the appropriate regulations and

(ii) otherwise in accordance with the CCF's constitutional documentation and the appropriate regulations.

**Opinion**

In our opinion, the CCF has been managed during the period, in all material respects:

(i) in accordance with the limitations imposed on the investment and borrowing powers of the CCF by the Deed of Constitution, the UCITS Regulations and the Central Bank UCITS Regulations, and

(ii) otherwise in accordance with the provisions of the Deed of Constitution, the UCITS Regulations and the Central Bank UCITS Regulations.

**for and on behalf of**
**Brown Brothers Harriman Trustee Services (Ireland) Limited**
**30 Herbert Street**
**Dublin 2**
**Ireland**

**15 December 2022**

## THE VERITAS GLOBAL FOCUS COMMON CONTRACTUAL FUND

## INVESTMENT MANAGER'S REPORT

**Veritas Global Focus Common Contractual Fund**
**Report for the financial year ended 30 September 2022**

**Tumultuous**

Turbulent would be a good description for risk assets during Q3. With inflation remaining persistently high, central banks have been forced into using the tools at their disposal to try and bring down inflation before it becomes embedded in expectations. Accordingly, we are seeing interest rate rises, quantitative tightening and hawkish sounding statements from the world's central banks. The US Federal Reserve has rapidly increased the base rate from 0-0.25% at the start of the year to 3.0-3.25% currently with 1.5% of that rise coming in Q3. The Fed has also used their platform to indicate rates will likely rise to 4.25-4.50% by year end and at the same time has embarked on quantitative tightening, selling some of the bonds it bought during the many years of quantitative easing. These actions are affecting risk assets in two primary ways:

- Increasing rates across the term structure. The US 10-year Treasury yield has risen from c.1.5% at the start of the year to a peak of c.4.0% in September. This rate is seen as the reference risk free rate for all (US) assets and consequently this rise has led to all risk assets falling as they price in a higher risk free rate.

- Higher rates together with high inflation (leading to significant rises in the cost of living) will impact economic growth and lead to an economic slowdown and more likely a recession in many countries. With inflation largely being driven by supply side constraints, central banks need to reduce demand down to a level that is more consistent with supply. The primary tool at their disposal to achieve this is through raising rates so an economic slowdown is inevitable and while policy makers hope they can simply slow demand to the right level without causing a recession, this is, in practice, unlikely. Risk assets are therefore also pricing in a much greater likelihood of a recession occurring which will lead to lower earnings forecasts, particularly for companies more exposed to economic fluctuations.

In addition, as the US Federal Reserve has acted more decisively and swiftly than other central banks (and partly as a consequence of being better positioned economically) the US dollar has strengthened markedly against all other major currencies (the USD has appreciated a staggering 18% in 2022 on a trade weighted basis). This has caused major impacts for companies that are exposed to transactional currency difference as well as impacting the reported revenue and earnings for companies that have translational exposure only.

The impact on our investments of these factors is mixed – we have long viewed interest rates as being far too low for far too long right across the term structure. The risk-free rate we have consistently used has been 4-5% so with the 10-year Treasury now moving up to those levels, there has been no impact from higher rates on our valuations.

Conversely, slowing demand driven by higher rates does need to be taken into account in our forecasts and we have done that for all investments and potential investments. This has led to revising some intrinsic value estimates lower. However, we believe that many of our holdings will have fairly minimal impact from a recession as they are not very economically sensitive (especially areas such as healthcare).

Inflation is affecting our holdings in different ways. Most of our companies have high gross profit margins so while inflation may impact them, the impact of cost inflation on these companies earnings from input costs (goods and services) tends to be more limited. One area of concern is rising labour costs especially in companies that rely on intellectual property and where labour cost is high as a proportion of revenues (Google for example). At the moment, the highest increases in wage costs are in lower income workers but this remains something we are monitoring.

Lastly, foreign exchange is having a significant impact on some of our holdings: many of our US holdings have significant overseas revenue which suffers from a strong dollar as the revenues and earnings are translated back into US $ at a lower rate, thereby impacting the reported growth rates of these companies.

## THE VERITAS GLOBAL FOCUS COMMON CONTRACTUAL FUND

## INVESTMENT MANAGER'S REPORT (CONTINUED)

**Veritas Global Focus Common Contractual Fund (continued)**
**Report for the financial year ended 30 September 2022 (continued)**

Taking a step back it is worth considering our objective and what we think we can and can't do: our objective is to achieve good long-term risk adjusted real returns by investing in high quality companies with sustainable competitive advantages when they are attractively valued and then hold these companies to benefit from the compounding of their revenues and cash flows (as a consequence of their sustainable competitive advantages!). Identifying these companies and valuing them over the medium and longer term is something we believe we can do well. What we cannot do is anticipate every turn in the road and try and benefit from short term gyrations in either the stock market or in the fortunes of individual companies. A good example of this is Google: we made our initial investment in Google in June 2010 and have held it continuously since. During that period there have been 5 occasions when the share price has fallen more than 20% before recovering and we have held through each of these to generate a rate of return on our original investment of 19.7% per year (including the recent fall in the share price). Had we sold before one of the many declines in share price, we would likely have felt extremely smart at that point but unless we had then had the foresight and fortitude to buy back in at or near the trough we would have missed out on the subsequent gains.

We are continually monitoring the companies we hold for any cracks in our investment thesis – where the facts change, we hope to change our minds. However, we will rarely sell a position just because we fear its share price may suffer from a short-term impact if we have faith in the long term outlook and valuation. Given the volatility we have experienced this year, it is worth re-visiting the investment case for some of our larger holdings that have had large share price moves this year:

**Charter Communications**

The share price of Charter has fallen materially in 2022. Given the company's value lies in the provision of high-speed broadband to residential customers we see the company as relatively defensive given the must have subscription nature of broadband. Unfortunately, the share price has been anything but defensive largely due to the threat of greater competition from 5G fixed wireless broadband (FWA). We believe that this threat has been exaggerated by investors and expect over the next 2 years that the company will be able to demonstrate the continuing strength of its market position. In the 3 years prior to Covid, Charter added an average of 1.2m new internet subscribers per year. In 2020 this jumped to 2.1m before returning to 1.1m in 2021 so it is likely there has been some demand pull forward for the cable companies and Charter specifically. 2022 will most likely see very few new subscribers in a year when FWA will add c.3m new subscribers across the US. Consequently, many investors believe that FWA is, and will continue to erode the market share of the US cable companies in broadband provision. We think this is unlikely and see the share gain of FWA as a temporary phenomenon.

FWA is a good solution for a certain cohort of subscribers: those with no other broadband option (largely rural customers) or households that do not have high demand in terms of either speed or capacity (both are constrained with FWA) and are price sensitive. From the carrier perspective, FWA is only worth offering in areas where they do not have any capacity constraint on their mobile network. This point is important because the spectrum needed to offer FWA is expensive and a much higher return is generated if this spectrum can be used for traditional mobile telephony (both voice and data) rather than using the valuable spectrum to provide FWA where users will typically use c.20x the data for the same (or lower) price than a mobile subscriber (so the price per GB is typically less than 5% of a mobile subscribers). Currently, the carriers selling FWA are benefiting from offering a new service at a low price point to a (limited) cohort of customers, many of whom likely have no other broadband option. Over time (we believe within the next 2 years) these customers will be largely exhausted for the carriers and growth in FWA will stall. Furthermore, due to speed constraints in FWA (typically speeds are limited to c.100Mbps during peak times) it seems likely that as more data heavy applications are developed (4K TV / metaverse / virtual reality etc) that many FWA subscribers will become frustrated and will upgrade to "full fat" broadband as offered by fibre and coaxial cable. At this point, we anticipate growth in subscribers for the cable companies will reaccelerate. In the meantime, Charter is not standing still as the company extends its broadband network by around 1m residential passings per year into new rural areas and other under- served areas that are typically contiguous with its current network. Given the company has a c.50% penetration of households passed by its network and many of these new customers will have no other broadband option, we think that growth in net new subscribers will restart in 2023 albeit at a level below the historic c.1m per year.

## THE VERITAS GLOBAL FOCUS COMMON CONTRACTUAL FUND

## INVESTMENT MANAGER'S REPORT (CONTINUED)

**Veritas Global Focus Common Contractual Fund (continued)**
**Report for the financial year ended 30 September 2022 (continued)**

All this means that 2022 is likely to see subscriber numbers remaining level and revenues and earnings modestly increasing before growth improves in 2023 and again in 2024. However, even without any improvement the company appears extremely attractively valued with FCF per share in 2021 of $40 and a share price of $300 giving a FCF yield of 13% historic. Assuming NO increase in the valuation multiple AND very limited growth in FCF we would anticipate generating a >15% annualised return over the next 5 years.

**Moody's**

Moody's is an excellent company with strong quality characteristics secured by robust barriers to entry. It is a global risk assessment firm, allowing its customers make better informed decisions, surrounding the credit rating assessment of entities (Moody's Investors Service, about 60% of the company) or insights surrounding other risk vectors including ESG, compliance and regulatory risk (Moody's Analytics, the other 40%). Moody's has pricing power because it offers outsized value to customers for little cost and its revenues are mostly recurring because its customers value its services year-in, year-out.

On the credit-rating agency side, Moody's operates in a global duopoly with S&P Global. Having a credit rating from both MIS and S&P is cheap for borrowers issuing debt with large, outsized savings in interest costs that is very compelling: other firms are unable to provide savings to the same extent and attempts by new entrants have all failed. Strong structural tailwinds exist with debt capital markets growing faster than GDP through the cycle because capital-market debt is squeezing out traditional lending from banks. As such, debt issuance is usually supportive but at times, such as now with higher interest rates, issuance enters weak patches – but this is unlikely to persist, not least because of the need to refinance the ballooning $4 trillion of existing debt between now and 2025.

Moody's Analytics is a global provider of curated data and assessment aimed at helping customers make better and faster decisions. Growth has remained robust and acts as a stabiliser to weak spots in MIS as we are seeing right now. Organic growth has been supported by several good acquisitions that are complementary to its existing assets (in MA and across Moody's as a whole), supporting the value that Moody's builds for its customers, e.g. its MIS credit assessment are enhanced by climate and ESG risk data; so too for instance, its lending and underwriting assessment for commercial real estate. Meanwhile KYC and other regulatory analytics continue to grow strongly. MA is seeing margin expansion. Retention rates are improving and now stand around the mid-90s percent point and it is the major source of recurring revenue across the company. Chances are for better upside.

We originally invested in Moody's in early 2021 and it realised its value very rapidly, so we reduced most of our position in late 2021, but its share price plunged before we could exit fully. As expected, given record placements in recent years, issuance has been torrid – but with earnings downgrades overshooting, its share price offered a strong renewed opportunity, with a low-teen's estimated IRR for a quality company with enduring competitive positioning. So we have increased our investment once again and have strong conviction in its ability to realise its value once more.

**BAE Systems**

When we initiated our position in BAE at the start of 2019 sentiment towards the business was poor. The US Land division was suffering from the wind down of operations in Iraq and Afghanistan, and as a result group revenue had fallen 20% from a peak at the start of the decade. Meanwhile cash generation was weak as the company made onerous top up payments into its underfunded pension scheme and completed work for which it had been paid upfront in prior years.

Understandably the business was not perceived as "quality" despite having many of the attributes we look for: entrenched and often dominant market positions supplying products that will be of strategic importance to their customers for decades to come; benign contracting arrangements (often cost plus); and a capital light business model. Over the subsequent years many of the controversies that beset BAE have started to resolve positively: the business showed itself to be resilient in the face of a pandemic and growth has been reasonable; cash conversion has improved; a buyback has been initiated; and the pension funding gap has closed.

## THE VERITAS GLOBAL FOCUS COMMON CONTRACTUAL FUND

## INVESTMENT MANAGER'S REPORT (CONTINUED)

**Veritas Global Focus Common Contractual Fund (continued)**
**Report for the financial year ended 30 September 2022 (continued)**

Nevertheless, perception of the business (and the valuation) has been slow to change and it is only with the invasion of Ukraine that the market's view of the investment case has started to converge with our own. While the growth rate of BAE has undoubtably improved a little as a consequence of Russia's actions, the more significant change has been sentiment with regard to the importance of a well invested and resilient defence industrial base, and hence the vibrancy of the company's business model. Despite the recent re-rating we still see value in BAE and anticipate a 12% IRR as the company delivers against our expectations over the next few years.

**Illumina**

Illumina is the clear market leader in DNA sequencing with an installed base of over 20,000 sequencing instruments worldwide which generate an attractive stream of recurring revenue in the form of sequencing consumables and service. The company is well positioned to benefit from continued adoption of DNA sequencing across research and clinical applications as the cost of sequencing continues to decline. While the human genome was first sequenced in 2000 the DNA sequencing market is still nascent with less than 0.1% of the world's population sequenced to date.

Illumina's share price has come under pressure this year as their business has experienced lower than expected sequencing revenue growth. This comes at a time when several new entrants are looking to enter the sequencing market. While sequencing runs on Illumina's instruments have grown as expected a number of Illumina's customers have reduced their inventory of sequencing consumables as they look to manage their cash more conservatively in uncertain times. Furthermore, Illumina have seen some delays to instrument purchases due to supply chain issues which have affected certain customers laboratories. It is also likely some customers have held off on instrument purchase decisions while they assess competitor offerings and have waited to see Illumina's long anticipated new product launch at their customer event in late September 2022. The reduction in earnings experienced as result of lower sequencing revenue has been amplified by Illumina's heavy financial investment in their subsidiary Grail's multi cancer screening test that identifies cancer by detected fragments of tumour DNA in a patient's blood.

While sequencing competition has increased, and customers understandably would like to have the choice of different sequencing platforms we believe Illumina continues to hold a strong position. The key to Illumina maintaining their leadership position is continuing to drive down the cost of sequencing, increasing throughput and maintain best in class accuracy and their NovaSeq X instrument announced at their recent customer event continues this trend. NovaSeq X reduces sequencing costs to ~$200 per genome compared to ~$600 using the most powerful sequencing instrument on the market today Illumina's NovaSeq 6000. It provides three times the output and two times the speed of NovaSeq 6000. In addition, NovaSeq X provides further customer benefits such as data analysis capabilities built into the instrument reducing customer data analysis expenditure and it uses consumables that can be shipped at ambient temperature eliminating the need for dry ice during transportation and simplifying storage for customers.

In addition to the focus on competition for Illumina's sequencing business we believe the market is overly concerned about the dilutive impact Grail is having on earnings in the near term and the uncertainty caused by the ongoing antitrust litigation with the EU as a result of the acquisition of Grail. The potential opportunity for a multicancer screening test could exceed Illumina's existing sequencing business if it can increase the number of cancer cases identified at an early stage when the likelihood of patient survival is much higher. The outcome of the 140,000-patient real world evaluation of Grail's test by the NHS, which is expected to read out in 2024, could be a significant proof point of their test. If successful, the NHS will roll the test out to screen for cancer in an initial population of 1mn individuals over 50. This would likely lead to a significant reappraisal of the value of Grail by market participants. While there is no guarantee Grail will be successful, we support Illumina's decision to sacrifice earnings in the short term to pursue this opportunity. If Grail is unsuccessful or regulators require Illumina to divest Grail, then the earnings power of Illumina's core business will become apparent once more.

## THE VERITAS GLOBAL FOCUS COMMON CONTRACTUAL FUND

## INVESTMENT MANAGER'S REPORT (CONTINUED)

**Veritas Global Focus Common Contractual Fund (continued)**
**Report for the financial year ended 30 September 2022 (continued)**

At the current market price we believe Illumina offers a mid-teens IRR based solely on the valuation of the core business and assigning zero value to Grail beyond incorporating the cash burn expected over the next few years. If Grail were to succeed, we see significant upside to this IRR.

**Longer term Perspective**

With the recent decline in equity markets we would have anticipated greater short term outperformance than we have achieved. The reasons that our performance has not been relatively better this year to date is threefold. Firstly it is related to what we don't hold and most likely would never hold: energy, developed market banks and utilities. These areas have been particularly strong performers (MSCI World Energy +19% (USD) vs the overall MSCI World index -26% (USD)) and together have generated outperformance of c.400bp in areas we are not likely to invest. Secondly, our healthcare holdings, usually very resilient in downturns, have not been as resilient as we would have anticipated. We believe that they will prove more resilient as the impact of global interest rate rises take effect and economies weaken leading to lower earnings for companies that are more cyclically exposed. Our healthcare holdings are largely recession resilient and so should perform relatively well in the event of an earnings recession. Lastly, we have (as always) a number of companies whose share prices have performed better / worse than we would expect given the underlying performance of these businesses. In the first 9 months of 2022, the upside surprises include BAE Systems and Canadian Pacific and the negative performers include Charter and Meta (formerly Facebook).

**Veritas Asset Management LLP**

**15 December 2022**

## VERITAS GLOBAL FOCUS COMMON CONTRACTUAL FUND

## SCHEDULE OF INVESTMENTS
## AS AT 30 SEPTEMBER 2022

| Holdings | Financial assets at fair value through profit or loss | Fair Value USD | % of Net Asset Value |
|---|---|---|---|
| | **Equities (92.63%) (2021: 94.17%)** | | |
| | **Australia (2.78%) (2021: 3.52%)** | | |
| 880,562 | Sonic Healthcare Ltd. | 17,236,093 | 2.78 |
| | | **17,236,093** | **2.78** |
| | **Canada (5.43%) (2021: 3.91%)** | | |
| 504,489 | Canadian Pacific Railway Ltd. | 33,684,731 | 5.43 |
| | | **33,684,731** | **5.43** |
| | **China (Nil) (2021: 2.02%)** | | |
| | **France (8.40%) (2021: 9.28%)** | | |
| 279,645 | Safran S.A. | 25,764,895 | 4.16 |
| 322,688 | Vinci S.A. | 26,300,722 | 4.24 |
| | | **52,065,617** | **8.40** |
| | **Spain (2.71%) (2021: 2.87%)** | | |
| 160,338 | Aena SME S.A. | 16,802,972 | 2.71 |
| | | **16,802,972** | **2.71** |
| | **United Kingdom (9.01%) (2021: 8.28%)** | | |
| 2,964,710 | BAE Systems PLC | 26,149,779 | 4.22 |
| 669,762 | Unilever PLC | 29,677,368 | 4.79 |
| | | **55,827,147** | **9.01** |
| | **United States (64.30%) (2021: 64.29%)** | | |
| 377,800 | Alphabet, Inc. | 36,146,015 | 5.84 |
| 258,728 | Amazon.com, Inc. | 29,253,081 | 4.72 |
| 317,267 | Baxter International, Inc. | 17,111,796 | 2.76 |
| 99,604 | Becton Dickinson & Co. | 22,198,743 | 3.58 |
| 40,200 | Bio-Rad Laboratories, Inc. | 16,789,731 | 2.71 |
| 280,954 | Catalent, Inc. | 20,356,522 | 3.29 |
| 90,743 | Charter Communications, Inc. | 27,535,963 | 4.44 |
| 68,333 | Cooper Cos, Inc. | 18,056,995 | 2.91 |
| 222,769 | CVS Health Corp. | 21,262,187 | 3.43 |
| 22,200 | Embecta Corp. | 639,249 | 0.10 |
| 334,737 | Fiserv, Inc. | 31,328,036 | 5.05 |
| 64,846 | Illumina, Inc. | 12,366,781 | 2.00 |
| 151,850 | Intercontinental Exchange, Inc. | 13,740,147 | 2.22 |

## VERITAS GLOBAL FOCUS COMMON CONTRACTUAL FUND

### SCHEDULE OF INVESTMENTS
### AS AT 30 SEPTEMBER 2022
### (CONTINUED)

| Holdings | Financial assets at fair value through profit or loss | Fair Value USD | % of Net Asset Value |
|---|---|---|---|
| | **Equities (92.63%) (2021: 94.17%) (continued)** | | |
| | **United States (64.30%) (2021: 64.29%) (continued)** | | |
| 88,729 | Mastercard, Inc. | 25,281,998 | 4.08 |
| 157,919 | Meta Platforms, Inc. | 21,429,608 | 3.46 |
| 113,990 | Microsoft Corp. | 26,539,722 | 4.28 |
| 52,237 | Moody's Corp. | 12,714,225 | 2.05 |
| 41,182 | Thermo Fisher Scientific, Inc. | 20,903,983 | 3.37 |
| 49,096 | UnitedHealth Group, Inc. | 24,841,103 | 4.01 |
| | | **398,495,885** | **64.30** |
| | **Total Equities (92.63%) (2021: 94.17%)** | **574,112,445** | **92.63** |
| | **UCITS Investment Funds (5.37%) (2021: 3.09%)** | | |
| | **Luxembourg (5.37%) (2021: 3.09%)** | | |
| 9,096,350 | JP Morgan US Dollar Liquidity Fund | 9,096,350 | 1.47 |
| 24,199,835 | Morgan Stanley US Dollar Liquidity Fund | 24,199,836 | 3.90 |
| | | **33,296,186** | **5.37** |
| | **Total UCITS Investment Funds (5.37%) (2021: 3.09%)** | **33,296,186** | **5.37** |
| | **Total Financial assets at Fair Value through Profit or Loss (98.00%) (2021: 97.26%)** | **607,408,631** | **98.00** |
| | **Other Net Assets (2.00%) (2021: 2.74%)** | **12,424,123** | **2.00** |
| | **Net assets attributable to Holders of Redeemable Participating Units** | **619,832,754** | **100.00** |

## VERITAS GLOBAL FOCUS COMMON CONTRACTUAL FUND

## SCHEDULE OF INVESTMENTS
## AS AT 30 SEPTEMBER 2022
## (CONTINUED)

| Analysis of Total Assets | % of Total Assets 30 September 2022 | % of Total Assets 30 September 2021 |
|---|---|---|
| Transferable securities admitted to official stock exchange listing | 92.48% | 94.06% |
| UCITS investment funds | 5.36% | 3.08% |
| Other current Assets | 2.16% | 2.86% |
| **Total Assets** | **100.00%** | **100.00%** |

## STATEMENT OF FINANCIAL POSITION
## AS AT 30 SEPTEMBER 2022

| | Note | Veritas Global Focus Common Contractual Fund 2022 USD | Veritas Global Focus Common Contractual Fund 2021 USD |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Financial assets at fair value through profit or loss | 2(c),5 | 607,408,631 | 885,602,764 |
| Cash and cash equivalents | 4 | 12,997,132 | 25,592,671 |
| Dividends receivable | | 373,145 | 435,841 |
| Other debtors | | 3,885 | 3,886 |
| **TOTAL CURRENT ASSETS** | | **620,782,793** | **911,635,162** |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Bank overdraft | 4 | – | 310 |
| Due to brokers | 2(d) | 57,131 | – |
| Management fee payable | 3 | 15,206 | 42,596 |
| Investment management fee payable | 3 | 416,666 | 579,861 |
| Distribution payable | 13 | 304,506 | 203,965 |
| Other creditors | 3 | 156,530 | 262,646 |
| **CURRENT LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING UNITS)** | | **950,039** | **1,089,378** |
| | | | |
| **NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING UNITS** | | **619,832,754** | **910,545,784** |

**On behalf of the Board of the Manager**

Director

KBA Consulting Management Limited

On behalf of Veritas Common Contractual Fund

15 December 2022

Director

KBA Consulting Management Limited

On behalf of Veritas Common Contractual Fund

15 December 2022

The notes to the financial statements form an integral part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 SEPTEMBER 2022

| | Note | Veritas Global Focus Common Contractual Fund 2022 USD | Veritas Global Focus Common Contractual Fund 2021 USD |
|---|---|---|---|
| **INCOME** | | | |
| Interest income | 2(e) | 247,605 | 20,587 |
| Dividend income | 2(e) | 8,000,526 | 11,598,139 |
| Net (loss)/gain on financial assets and liabilities at fair value through profit or loss | 6 | (183,423,785) | 254,938,665 |
| Net loss on foreign exchange | 6 | (769,783) | (1,173,567) |
| Other income | | 11,194 | 39 |
| **TOTAL INVESTMENT (LOSS)/INCOME** | | **(175,934,243)** | **265,383,863** |
| **EXPENSES** | | | |
| Management fees | 3 | 150,670 | 204,008 |
| Investment management fees | 3 | 6,177,329 | 8,706,057 |
| Transaction fees | 3 | 261,151 | 483,178 |
| Administration fees | 3 | 59,220 | 233,662 |
| Depositary fees | 3 | 37,170 | 159,130 |
| Audit fees | 3 | 27,251 | 27,467 |
| Legal fees | | 49,675 | 62,750 |
| Other expenses | | 2,297 | 27,168 |
| **TOTAL EXPENSES** | | **6,764,763** | **9,903,420** |
| **NET (LOSS)/INCOME** | | **(182,699,006)** | **255,480,443** |
| **FINANCE COSTS** | | | |
| Distributions to holders of redeemable participating units | 13 | (304,506) | (203,965) |
| Interest expense | 2(e) | (4,059) | (12,120) |
| **(LOSS)/GAIN FOR THE FINANCIAL YEAR BEFORE WITHHOLDING TAX** | | **(183,007,571)** | **255,264,358** |
| Withholding tax | | (152,208) | (506,701) |
| **(DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING UNITS FROM OPERATIONS** | | **(183,159,779)** | **254,757,657** |

Gain and losses arose solely from continuing activities. There were no gains and losses other than those dealt with in the Statement of Comprehensive Income.

The notes to the financial statements form an integral part of these financial statements.

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING UNITS FOR THE YEAR ENDED 30 SEPTEMBER 2022

| | Note | Veritas Global Focus Common Contractual Fund 2022 USD | Veritas Global Focus Common Contractual Fund 2021 USD |
|---|---|---|---|
| Net Assets attributable to holders of redeemable participating units at the start of the year | | 910,545,784 | 1,065,553,482 |
| (Decrease)/increase in net assets attributable to holders of redeemable participating units from operations | | (183,159,779) | 254,757,657 |
| Redeemable participating units issued | | 13,227,150 | 158,691,618 |
| Redemption of redeemable participating units | | (120,780,401) | (568,456,973) |
| **NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING UNITS AT THE END OF THE YEAR** | | **619,832,754** | **910,545,784** |

The notes to the financial statements form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 SEPTEMBER 2022

| | Veritas Global Focus Common Contractual Fund 2022 USD | Veritas Global Focus Common Contractual Fund 2021 USD |
|---|---|---|
| **Cash flows from operating activities** | | |
| (Decrease)/Increase in net assets attributable to holders of redeemable participating units from operations | (183,159,779) | 254,757,657 |
| Adjustment for: | | |
| - Interest income | (247,605) | (20,587) |
| - Interest expense | 4,059 | 12,120 |
| - Distributions to holders of redeemable participating units | 304,506 | 203,965 |
| - Dividend income | (8,000,526) | (11,598,139) |
| - Withholding tax | 152,208 | 506,701 |
| - Net loss on foreign exchange | 769,783 | 1,173,567 |
| | **(190,177,354)** | **245,035,284** |
| Net decrease in financial assets at fair value through profit or loss | 278,194,133 | 173,045,319 |
| Net decrease/(increase) in due from/to brokers | 57,131 | (7,528,434) |
| Decrease/(Increase) in other operating debtors | 1 | (884) |
| Decrease in other operating creditors | (296,701) | (94,075) |
| **Cash provided by operations** | **87,777,210** | **410,457,210** |
| Interest received | 247,605 | 20,587 |
| Interest paid | (4,059) | (12,120) |
| Dividend received | 8,063,222 | 12,383,593 |
| Taxation paid | (152,208) | (506,701) |
| **Net cash inflow from operating activities** | **95,931,770** | **422,342,569** |
| **Cash flows from financing activities** | | |
| Distributions paid to holders of redeemable participating units | (203,965) | (363,587) |
| Proceeds from redeemable participating units issued | 13,227,150 | 158,701,674 |
| Payment on redemption of redeemable participating units | (120,780,401) | (568,456,973) |
| **Net cash outflow from financing activities** | **(107,757,216)** | **(410,118,886)** |
| **Net (decrease)/increase in cash and cash equivalents** | **(11,825,446)** | **12,223,683** |
| Cash and cash equivalents at beginning of year | 25,592,361 | 14,542,245 |
| Net loss on foreign exchange | (769,783) | (1,173,567) |
| **Cash and cash equivalents at end of year** | **12,997,132** | **25,592,361*** |

* Cash and cash equivalents include bank overdraft.

The notes to the financial statements form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2022

**1. Basis of Presentation**

The financial statements of the CCF have been prepared on a going concern basis in accordance with IFRS, as adopted by the EU, the UCITS Regulations and the Central Bank UCITS Regulations. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The principal accounting policies applied in the preparation of these financial statements are set out below. All references to net assets throughout this document refer to net assets attributable to unitholders.

**2. Significant Accounting Policies**

**a) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 October 2021 and not early adopted**

There are no new standards, amendments to existing standards and interpretations that are not yet effective that would be expected to have a significant impact on the financial statements of the CCF.

**New standards, amendments and interpretations issued and effective for the financial year beginning 1 October 2021**

There are no new standards, amendments to existing standards or interpretations issued and effective for the financial year beginning 1 October 2021 that have a significant impact on the CCF.

**b) Foreign exchange translation**

**(i) Functional and presentation currency**

The functional currency of the Sub-Fund is United States Dollar ("USD"), as the Directors of the Manager have determined that this reflects the Sub-Fund's primary economic environment. The presentation currency of the Sub-Fund is also USD.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in net gains/(losses) on foreign exchange in the Statement of Comprehensive Income.

Proceeds from subscriptions and amounts paid on redemption of units are translated at the rate on valuation date, which approximate the rates prevailing at the dates of the transactions. Translation differences on non-monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss and are recognised in net gains/(losses) on financial assets and liabilities at fair value through profit or loss in the Statement of Comprehensive Income.

**c) Financial assets/liabilities at fair value through profit or loss**

Investments categorised as financial assets and financial liabilities at fair value through profit or loss have two sub-categories: financial assets and liabilities held for trading, and those designated by management at fair value through profit or loss at inception. Financial assets or liabilities held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the short term. Derivatives are also categorised as held for trading, as the Sub-Fund does not designate any derivatives as hedges in a hedging relationship.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

**2. Significant Accounting Policies (continued)**

**c) Financial assets/liabilities at fair value through profit or loss (continued)**

Regular purchases and sales of investments are recognised on trade date - the date on which the Sub-Fund commits to purchase or sell the asset. Investments are initially recognised at fair value, and transaction costs for all financial assets and liabilities carried at fair value through profit or loss are expensed as incurred. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

Gains and losses arising from changes in the fair value of the 'financial assets and financial liabilities at fair value through profit or loss' category are included in the Statement of Comprehensive Income in the period in which they arise.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. Investments are presented using mid-market prices to be consistent with the inputs used for the purpose of determining dealing prices.

The Sub-Fund may from time to time invest in financial instruments that are not traded in an active market (for example in over-the-counter derivatives). The fair value is determined by using valuation techniques. The Sub-Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Deposits with credit institutions are valued at par.

Units or shares in investment funds are valued at the latest available net asset value or if listed or traded on a recognised exchange are based on quoted market prices at the close of trading on the reporting date.

Profits and losses on the disposal of investments are computed on an average cost basis and included as realised gains and losses in net gains/(losses) on financial assets and liabilities at fair value through profit or loss in the Statement of Comprehensive Income. Unrealised gains and losses on investments are recognised in net gains/(losses) on financial assets and liabilities at fair value through profit or loss in the Statement of Comprehensive Income.

**d) Due from/to brokers**

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year.

**e) Income and expense**

Interest income and interest expense on cash balances are recorded on cash basis. Dividend income is recorded on the ex-dividend date gross of withholding taxes, with the withholding tax shown separately in the Statement of Comprehensive Income. All expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

**f) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

**2. Significant Accounting Policies (continued)**

**g) Units**

Units are redeemable at the unitholder's option and are classified as financial liabilities.

Units can be put back to the Sub-Fund at any time for cash equal to a proportionate share of the Sub-Fund's NAV. Units are carried at the redemption amount that is payable at the Statement of Financial Position date if the unitholder exercised its right to put the units back to the Sub-Fund.

**h) Use of estimates**

The preparation of financial statements in accordance with IFRS, as adopted by the EU requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the financial year. Actual results could differ from those estimates and the differences could be material.

The area of the CCF's business that typically requires such estimates is the fair valuation of financial assets and liabilities, as described in Note 2 (c).

**i) Taxation**

Capital gains, dividends and interest received may be subject to capital gains tax and withholding tax imposed by country of origin and such taxes may not be recoverable by the CCF or its unitholders. These taxes are included in the Statement of Comprehensive Income.

**j) Transaction costs**

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument. When a financial asset or liability at fair value through profit or loss is recognised initially, an entity shall measure it at its fair value with transaction costs for such instruments being recognised directly in the Statement of Comprehensive Income.

Transaction costs charged by the Depositary on the settlement of purchases and sales of investments are included in Transaction fees in the Statement of Comprehensive Income.

Brokerage charges, taxes and linked charges on purchases and sales of investments are embedded in the cost of the investment and are included in Transaction fees in the Statement of Comprehensive Income.

Transaction costs incurred during the financial years ended 30 September 2022 and 30 September 2021 are detailed in Note 3.

**k) Distributions**

Distributions payable on units are recognised in the Statement of Comprehensive Income as finance costs, and are detailed in Note 13.

The Deed of Constitution empowers the Manager to declare distributions in respect of any units in the Sub-Fund out of the net income of the Sub-Fund (i.e. income less expenses) (whether in the form of distributions, interest or otherwise) and net realised and unrealised gains (i.e. realised and unrealised gains net of all realised and unrealised losses) subject to certain adjustments and, in accordance with the requirements of the Central Bank partially or fully out of the capital of the Sub-Fund.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2022
## (CONTINUED)

**3. Fees and expenses**

**Management and Investment Management fees**

The CCF pays to the Manager a management fee at an annual rate up to 0.02% of the NAV of the Sub-Fund. The management fee for the financial year amounted to USD 150,670 (2021: USD 204,008) and the amount outstanding as at 30 September 2022 was USD 15,206 (2021: USD 42,596).

The CCF pays to the Investment Manager an investment management fee at an annual rate of 0.75% of the NAV of the Sub-Fund. The Investment Manager fee for the financial year amounted to USD 6,177,329 (2021: USD 8,706,057) and the amount outstanding as at 30 September 2022 was USD 416,666 (2021: USD 579,861).

**Transaction Costs**

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense. During the financial year ended 30 September 2022, the Sub-Fund incurred transaction costs of USD 261,151 (2021: USD 483,178).

**Administration fees**

The Administrator receives an annual fee at the applicable rate specified in the table below based on the total net asset value of the CCF that is advised by the Investment Manager.

| **Total Net Assets (USD)** | **Rate (basis points)** |
|---|---|
| First 4 billion | 1.10 |
| 4 – 8 billion | 0.90 |
| 8 – 12 billion | 0.65 |
| Above 12 billion | 0.45 |

The administration fee is subject to a minimum monthly charge of USD 3,000.

The Administrator shall also be entitled to be repaid out of the assets of the Sub-Fund all of its reasonable out-of-pocket expenses incurred on behalf of the Sub-Fund. The administration fees noted on the primary statements are inclusive of the unit class fees and transfer agent fees. The administration fee for the financial year amounted to USD 59,220 (2021: USD 233,662) and the amount outstanding as at 30 September 2022 was USD 22,916 (2021: USD 99,470), which is included in the Other creditors line item on the Statement of Financial Position.

**Depositary fees**

The Depositary receives a monthly fee at the applicable annual rate specified in the table below based on the aggregate net asset value of the CCF.

| **The Aggregate Net Assets (USD)** | **Rate (basis points)** |
|---|---|
| First 4 billion | 0.80 |
| Above 4 billion | 0.60 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 SEPTEMBER 2022
# (CONTINUED)

**3. Fees and expenses (continued)**

**Depositary fees (continued)**

The Depositary shall also be entitled to be repaid all of its disbursements out of the assets of the Sub-Fund, including the expenses of any sub-custodian appointed by it which shall be at normal commercial rates. The depositary fee for the financial year amounted to USD 37,170 (2021: USD 159,130) and the amount outstanding as at 30 September 2022 was USD 15,999 (2021: USD 70,041), which is included in the Other creditors line item on the Statement of Financial Position.

**Auditors' fees**

Audit fees for the year ended 30 September 2022 amounted to USD 27,251 (2021: USD 27,467), and USD 27,251 (2021: USD 25,968) was payable at the year end for services to the CCF, which is included in the Other creditors line item on the Statement of Financial Position.

**Remaining fees payable**

All below fees are included in the Other creditors line item on the Statement of Financial Position.

| | Veritas Global Focus Common Contractual Fund 30 September 2022 USD | Veritas Global Focus Common Contractual Fund 30 September 2021 USD |
|---|---|---|
| Legal fees | (73,920) | (40,054) |
| Miscellaneous fees | (16,444) | (27,113) |
| | (90,364) | (67,167) |

**4. Cash and cash equivalents and bank overdraft**

Cash and cash equivalents include cash in hand and overnight deposits and bank overdrafts. Cash balances presented in the Statement of Financial Position were held with the following institutions, with credit rating as presented in Note 10 (Credit Risk):

| | 30 September 2022 USD | 30 September 2021 USD |
|---|---|---|
| **Cash and cash equivalents** | | |
| ANZ | - | 23,467,989 |
| Brown Brothers Harriman & Co. | 23,939 | - |
| Sumitomo | 12,973,193 | 2,124,682 |
| | **12,997,132** | **25,592,671** |
| **Bank overdraft** | | |
| Brown Brothers Harriman & Co. | - | (310) |
| | - | **(310)** |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 5. Fair value hierarchy

In accordance with IFRS 13 the CCF classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

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

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

The determination of what constitutes 'observable' requires significant judgement by the Sub-Fund. The Sub-Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy financial assets (by class) measured at fair value at 30 September 2022 and 30 September 2021 for the Sub-Fund:

| | 30 September 2022 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial asset at fair value through profit or loss** | **USD** | **USD** | **USD** | **USD** |
| *Designated at fair value through profit or loss* | | | | |
| Equities | 574,112,445 | - | - | 574,112,445 |
| Investment funds | 33,296,186 | - | - | 33,296,186 |
| | **607,408,631** | **-** | **-** | **607,408,631** |

| | 30 September 2021 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial asset at fair value through profit or loss** | **USD** | **USD** | **USD** | **USD** |
| *Designated at fair value through profit or loss* | | | | |
| Equities | 857,487,436 | - | - | 857,487,436 |
| Investment funds | 28,115,328 | - | - | 28,115,328 |
| | **885,602,764** | **-** | **-** | **885,602,764** |

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the year and are deemed to have occurred when the pricing source or methodology used to price an investment has changed which triggers a change in level as defined under IFRS 13.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

## 5. Fair value hierarchy (continued)

There were no transfers between levels during the financial years ended 30 September 2022 and 30 September 2021.

For assets and liabilities not measured at fair value, their carrying values are a reasonable approximation of fair value.

## 6. Net gain/(loss) on financial assets and liabilities at fair value through profit or loss and foreign exchange

| | Veritas Global Focus Common Contractual Fund For the financial year ended 30 September 2022 USD | Veritas Global Focus Common Contractual Fund For the financial year ended 30 September 2021 USD |
|---|---|---|
| Net realised gains on investments | 62,357,660 | 200,286,461 |
| Net change in unrealised appreciation/depreciation on investments | (245,781,445) | 54,652,204 |
| Net gain/(loss) on foreign exchange | (769,783) | (1,173,567) |
| | (184,193,568) | 253,765,098 |

## 7. Taxation

The CCF is a common contractual fund within the meaning of section 739I Tax Consolidation Act, 1997 (the "TCA"), in which the unitholders by contractual arrangement participate and share in the property of the CCF as co-owners.

Section 739I of the TCA provides that a common contractual fund shall not be chargeable to Irish tax in respect of its relevant income and relevant gains ("relevant profits"). Instead, the relevant profits of the CCF shall be treated as arising, or as the case may be, accruing to each unitholder of the CCF or its Sub-Fund in proportion to the value of the unit beneficially owned by the unitholder, as if the relevant profits had arisen or as the case may be, accrued, to the unitholders in the CCF or its Sub-Fund without passing through the CCF. This tax treatment is subject to each of the units of the CCF:

- being an asset of a pension fund or being beneficially owned by a person other than an individual, or
- being held by an intermediary, a custodian or trustee for the benefit of a person other than an individual.

It is the intention of the Manager that units are not held by natural persons and that the CCF will be tax transparent. The CCF does not have a separate legal personality.

On the basis that the units of the CCF or its Sub-Fund are held by persons described above and that the CCF is constituted other than under trust or statute law, the CCF shall not be chargeable to Irish tax in respect of its relevant profits.

Distributions, interest or gains derived from securities may be subject to taxes, including withholding taxes imposed by the country of source. The CCF has been constituted by the Manager with the objective that it would be viewed as tax transparent. Providing such transparency is respected, where double taxation treaties apply, those treaties between the countries where the unitholders and the investments are located will be relevant. The objective of the Manager is that the CCF may effectively be ignored for double taxation treaty purposes although the Manager makes no representations or warranties as to the tax transparency of the CCF or its Sub-Fund in any jurisdictions.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

**7. Taxation (continued)**

The unitholders in the CCF may not be able to benefit from a reduction in the rate of withholding tax and may not therefore be able to prevent withholding taxes being deducted or be able to reclaim withholding taxes suffered in particular countries. If this position changes in the future and the application for a higher or lower rate results in an additional payment of tax or repayment to the Sub-Fund, the NAV of the Sub-Fund will not be re-stated and the benefit or the cost will be allocated to the existing unitholders of the Sub-Fund ratably at the time of the adjustment.

There were no chargeable events during the financial year. Dividends, interest and capital gains (if any) received on investments made by the CCF may be subject to withholding taxes imposed by the country from which the investment income/gains are received and such taxes may not be recoverable by the CCF or its unitholders.

**8. Units**

Units means one undivided beneficial interest in the assets of the Sub-Fund which may be further divided into different classes of units. Units in a CCF are not akin to shares in a corporate vehicle but are interests that serve to determine the proportion of the underlying assets of the CCF to which each investor is beneficially entitled.

Where the amount subscribed is not equivalent to an exact number of units, fractions of units may be issued up to the number of decimal places specified in the Supplement of the Sub-Fund. Units in the CCF are issued in registered form. Units will be evidenced by written confirmation of entry on the Register.

The following table shows the minimum unitholding for the Sub-Fund's classes:

| Class | Initial Offer Period | Initial Issue Price | Sales Charge | Minimum Unitholding | Minimum Initial Investment Amount | Minimum Additional Investment Amount |
|---|---|---|---|---|---|---|
| Class A (UK Pension Funds Distributing) Units | Closed on 21 March 2016 | GBP 100 | None | GBP 10,000,000 | GBP 10,000,000 | GBP 100,000 |
| Class B (UK Pension Funds Accumulating) Units | Closed on 8 July 2015 | GBP 100 | None | GBP 10,000,000 | GBP 10,000,000 | GBP 100,000 |
| Class F (Canadian Pension Funds Accumulating) Units | Closed on 24 March 2017 | CAD 100 | None | CAD 20,000,000 | CAD 20,000,000 | CAD 200,000 |
| Class G (South African Pension Funds Accumulating) Units | Closed on 9 January 2019 | USD 100 | None | USD 15,000,000 | USD 15,000,000 | USD 150,000 |
| Class H (South African Insurance Companies Accumulating) Units | Closed on 24 July 2019 | USD 100 | None | USD 15,000,000 | USD 15,000,000 | USD 150,000 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 SEPTEMBER 2022
## (CONTINUED)

**8. Units (continued)**

The following table shows the movement in the number of units for the financial years ended 30 September 2022 and 30 September 2021:

| | Veritas Global Focus Common Contractual Fund 30 September 2022 Units | Veritas Global Focus Common Contractual Fund 30 September 2021 Units |
|---|---|---|
| **Class A (UK Pension Funds Distributing)** | | |
| Balance at start of the year | 678,002 | 441,100 |
| Issue of units during the year | 243 | 333,673 |
| Redemption of units during the year | (156,393) | (96,771) |
| Balance at end of year | 521,852 | 678,002 |
| | | |
| **Class B (UK Pension Funds Accumulating)** | | |
| Balance at start of the year | 982,597 | 2,552,981 |
| Issue of units during the year | 700 | 232,475 |
| Redemption of units during the year | (215,311) | (1,802,859) |
| Balance at end of year | 767,986 | 982,597 |
| | | |
| **Class F (Canadian Pension Funds Accumulating)** | | |
| Balance at start of the year | 2,104,953 | 1,998,627 |
| Issue of units during the year | 6,921 | 106,326 |
| Redemption of units during the year | - | - |
| Balance at end of year | 2,111,874 | 2,104,953 |
| | | |
| **Class G (South African Pension Funds Accumulating)** | | |
| Balance at start of the year | 697,457 | 695,779 |
| Issue of units during the year | 1,806 | 1,678 |
| Redemption of units during the year | - | - |
| Balance at end of year | 699,263 | 697,457 |
| | | |
| **Class H (South African Insurance Companies Accumulating)** | | |
| Balance at start of the year | 355,114 | 398,103 |
| Issue of units during the year | 82,998 | 14,254 |
| Redemption of units during the year | (163,462) | (57,243) |
| Balance at end of year | 274,650 | 355,114 |

All unit classes are unhedged.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

## 9. Related Parties

The Directors of the Manager, the Manager, the Investment Manager, Promoter and Distributor and the Secretary to the Manager are the related parties under IAS 24 "Related Party Disclosures". The names of the Directors of the Manager who served office during the financial year are detailed on page 1.

Manager fees and Investment Manager fees for the financial years ended 30 September 2022 and 30 September 2021 are disclosed in note 3.

The Money Laundering Reporting Officer (the "MLRO") is an employee of Clifton Fund Consulting Limited, which is part of the same economic group as the Manager. The MLRO fee for the financial year amounted to USD 11,147 (2021: USD 10,955) and the amount outstanding as at 30 September 2022 was USD Nil (2021: USD Nil).

**Significant unitholders**
At 30 September 2022, one unitholder owned 33.46% (30 September 2021: 28.93%) of the units of the CCF.

## 10. Financial Instruments and Risk

In accordance with its investment objective and policy, the CCF holds financial instruments, which at any one time may comprise the following:

- securities held in accordance with the investment objectives and policies
- cash and short-term debtors and creditors arising directly from operations
- borrowing used to finance investment activity

The specific risks arising from the CCF's exposure to these instruments, and the Investment Manager's policies for managing these risks, which have been applied throughout the financial year are summarised below.

The Investment Manager uses the commitment approach to calculate the Sub-Fund's global exposure as a result of the use of Financial Derivative Instruments (FDIs). Accordingly, global exposure and leverage as a result of its investment in FDI shall not exceed 100% of the NAV of the Sub-Fund. There were no FDI held by the Sub-Fund during the financial years ended 30 September 2022 and 30 September 2021.

The valuation policy for the CCF's assets and liabilities is disclosed in Note 2.

**Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is divided into three distinct sections; market price risk, currency risk and interest rate risk.

**Market Price Risk**

Market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market. The Investment Manager considers the asset allocation of the portfolio in order to manage the risk associated with particular countries or industry sectors whilst continuing to follow the Sub-Fund's investment objectives.

Market price risk arises mainly from uncertainties about prices of financial instruments in the portfolio of the CCF. The CCF's investment portfolio is exposed to market price fluctuations which are monitored by the Investment Manager in pursuance of the investment objectives and policies. Adherence to investment restrictions and to investment and borrowing powers set out in the Prospectus mitigates the risk of excessive exposure to any particular type of security or issuer.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

**10. Financial Instruments and Risk (continued)**

**Market Price Risk (continued)**

At 30 September 2022 and at 30 September 2021, the overall market exposures for the Sub-Fund were as follows:

| | **Veritas Global Focus Common Contractual Fund 30 September 2022** | | **Veritas Global Focus Common Contractual Fund 30 September 2021** | |
|---|---|---|---|---|
| | **Fair Value USD** | **% of net assets valued at fair value USD** | **Fair Value USD** | **% of net assets valued at fair value USD** |
| Financial assets at fair value through profit or loss* | 574,112,445 | 92.63% | 857,487,436 | 94.17% |
| Total | 574,112,445 | 92.63% | 857,487,436 | 94.17% |

* Excluding Investment funds.

*Value at Risk*

The CCF's financial instruments principally comprise equity investments. The Investment Manager employs Returns Based Analysis when monitoring and reporting the Sub-Fund's sensitivity to market factors. This analysis allows for a variety of complimentary measures which combine to create a holistic view of the CCF's sensitivity profile. The key measures employed are correlation, beta and Value-at-Risk. Collectively these three measures show the scale of the connection between the Sub-Fund and the relevant index (MSCI World), together with the likelihood of significant drawdown.

The below table provides an analysis of the CCF's equity exposure and the management's best estimate of the effect on net assets and profit of a 5% increase in value of the index as at the Statement of Financial Position date. A 5% decrease would have an equal but opposite effect.

| | *As at 30 September 2022* | *As at 30 September 2021* |
|---|---|---|
| Equity exposure – Long | 92.63% | 94.11% |
| Beta | 0.86 | 0.87 |
| Correlation | 0.93 | 0.93 |
| Effect on net assets of a 5% increase in index | 4.3% | 4.7% |

Beta, Correlation and VaR statistics require a minimum of 36 data points in order to be classified as statistically relevant. All statistics quoted have been constructed using the Sub-Fund's actual performance history on an ex-post basis. VaR has been calculated on a variance-covariance basis at a 95% confidence level.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

**10. Financial Instruments and Risk (continued)**

**Market Price Risk (continued)**

*Value at Risk (continued)*

| | *As at 30 September 2022* | *As at 30 September 2021* |
|---|---|---|
| VaR as at the financial year end | (10.21)% | (10.00)% |
| Lowest VaR during the financial year | (9.19)% | (8.61)% |
| Highest VaR during the financial year | (10.57)% | (11.23)% |
| Average VaR during the financial year | (9.83)% | (10.07)% |
| Lowest leverage level employed during the financial year | 0.00% | 0.00% |
| Highest leverage level employed during the financial year | 0.00% | 0.00% |
| Average leverage level employed during the financial year | 0.00% | 0.00% |

Value-at-Risk, as quoted above, has been calculated using Sapiat’s risk system: Excerpt. The Value-at-Risk is based on a 25,000 sample Monte Carlo simulation, at 99% confidence level. The holding period and the historical observation period are defined as 20 days and 5 years, respectively. Leverage is quoted in terms of % greater than Net Asset Value. A 10% level of leverage can be defined as the Sub-Fund having 110% market exposure of the NAV. Leverage is based on monthly calculations.

*Limitations of VaR*

The models are based on historical data and cannot take account of the fact that future market price movements, correlations between markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns.

The market price risk information is a relative estimate of risk rather than a precise and accurate number.

The market price information represents a hypothetical outcome and is not intended to be predictive (in the case of probability-based methods, such as VaR, profits and losses are almost certain to exceed the reported amount with a frequency depending on the confidence interval chosen); and future market conditions could vary significantly from those experienced in the past.

**Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Changes to prevailing interest rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held. In general, if interest rates rise, the value of fixed income securities will decline. A decline in interest rates will in general have the opposite effect. Other assets and liabilities bear no interest rate risk. The Investment Manager monitors positions, if any, on a daily basis. The CCF has not invested in any fixed income securities during the financial years ended 30 September 2022 and 30 September 2021.

At 30 September 2022 and 30 September 2021, the Sub-Fund's interest rate risk exposure was limited to the interest on its cash and cash equivalents, 30 September 2022: USD 12,997,132 (30 September 2021: USD 25,592,361). At 30 September 2022 and 30 September 2021, the CCF did not have material interest rate exposure.

**Foreign Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The CCF invests in financial instruments and enters into transactions denominated in currencies other than its functional currency. Consequently, the CCF is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the CCF's assets or liabilities denominated in currencies other than the functional currency, USD.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 SEPTEMBER 2022
# (CONTINUED)

## 10. Financial Instruments and Risk (continued)

**Foreign Currency Risk (continued)**

A substantial portion of the financial assets and liabilities of the CCF may be denominated in a currency other than the functional currency with the effect that the Statement of Financial Position can be significantly affected by currency movements. Accordingly, the value of the units may be affected by any currency movement between the currency of the financial assets and financial liabilities and the functional currency. The main exposure to foreign exchange risk is for investments. The risk can be hedged, if management deems it useful, however there was no hedge in place as at 30 September 2022 or 30 September 2021.

The following tables show the total net exposure to foreign currencies at 30 September 2022 and 30 September 2021:

| | 2022<br>Total net exposure<br>USD | 2021<br>Total net exposure<br>USD |
|---|---|---|
| **Veritas Global Focus Common Contractual Fund** | | |
| **Currency** | | |
| Australian dollar | 17,236,156 | 32,110,784 |
| Euro | 99,063,394 | 149,184,857 |
| Sterling | 27,404,481 | 38,985,090 |
| Swiss franc | 218,655 | 231,608 |
| | 143,922,686 | 220,512,339 |

**Liquidity Risk**

Liquidity risk is the risk that the CCF will encounter difficulty in meeting obligations associated with financial liabilities.

The CCF's listed securities are considered readily realisable as they are listed on recognised exchanges. The CCF has the ability to restrict redemptions and to borrow in the short term to ensure settlement. No such borrowings have arisen during the financial years ended 30 September 2022 and 30 September 2021.

The CCF may from time to time invest in derivative contracts traded over-the-counter, which are not traded in an organised public market and may be illiquid. As a result, the CCF may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements or to respond to specific events such as a deterioration in the creditworthiness of any particular issuer. No such illiquid investments were held at the financial years ended 30 September 2022 and 30 September 2021.

There were no financial liabilities that fall due within over 1 month as at 30 September 2022 and as at 30 September 2021.

**Credit Risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it entered into with the CCF on behalf of the Sub-Fund. The CCF takes on exposure to credit risk. The CCF held no FDIs during the financial years ended 30 September 2022 and 30 September 2021.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the Statement of Financial Position date. As at 30 September 2022 and as at 30 September 2021, all securities are held by the Depositary, Brown Brothers Harriman Trustee Services (Ireland) Limited, whose parent company Brown Brothers Harriman & Co. was rated A+ by Fitch rating agency.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

**10. Financial Instruments and Risk (continued)**

**Credit Risk (continued)**

The following table shows credit ratings for financial institutions where cash balances were held as at 30 September 2022 and 30 September 2021:

| | 30 September 2022 Standard & Poor's | 30 September 2021 Standard & Poor's |
|---|---|---|
| ANZ | - | AA- |
| Brown Brothers Harriman & Co. | A+* | A+* |
| Sumitomo | A- | A- |

* Fitch rating.

**11. Efficient Portfolio Management**

The Investment Manager, in consultation with the Manager, on behalf of the Sub-Fund may employ techniques and instruments as described in the Prospectus or the Supplement of the Sub-Fund for efficient portfolio management.

The CCF has not entered into any FDIs during the financial years ended 30 September 2022 and 30 September 2021.

**12. Foreign Exchange Rates**

The following exchange rates (against the USD) were used to convert the investments and other assets and liabilities denominated in currencies other than USD at 30 September 2022 and 30 September 2021:

| | 30 September 2022 | 30 September 2021 |
|---|---|---|
| Australian dollar | 1.5618 | 1.3837 |
| Canadian dollar | 1.3830 | 1.2683 |
| Euro | 1.0203 | 0.8637 |
| Sterling | 0.8957 | 0.7423 |
| Swiss franc | 0.9870 | 0.9318 |

**13. Distributions**

Distributions for the financial years ended 30 September 2022 and 30 September 2021 are detailed in the table below. The amount outstanding as at 30 September 2022 was USD 304,506 (2021: USD 203,965).

| Unit Class | Distribution value | Distribution per unit | Ex-Date | Payment Date |
|---|---|---|---|---|
| Class A (UK Pension Funds Distributing) Units | USD 304,506 | 0.5835 | 30 September 2022 | 06 October 2022 |

| Unit Class | Distribution value | Distribution per unit | Ex-Date | Payment Date |
|---|---|---|---|---|
| Class A (UK Pension Funds Distributing) Units | USD 203,965 | 0.3008 | 30 September 2021 | 07 October 2021 |

**14. Soft Commissions and Direct Brokerage Services**

The CCF has not entered into any soft commission or direct brokerage services arrangements during the financial years ended 30 September 2022 and 30 September 2021.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 SEPTEMBER 2022
# (CONTINUED)

## 15. Net Asset Values

| | 30 September 2022 | 30 September 2021 | 30 September 2020 |
|---|---|---|---|
| **Published Net Asset Value** | | | |
| Class A (UK Pension Funds Distributing) Units | GBP 97,744,248 | GBP 135,013,748 | GBP 74,375,295 |
| Class B (UK Pension Funds Accumulating) Units | GBP 162,348,561 | GBP 220,224,100 | GBP 483,920,398 |
| Class F (Canadian Pension Funds Accumulating) Units | CAD 299,843,104 | CAD 350,630,786 | CAD 283,698,934 |
| Class G (South African Pension Funds Accumulating) Units | USD 81,536,989 | USD 104,082,631 | USD 84,285,456 |
| Class H (South African Insurance Companies Accumulating) Units | USD 31,070,231 | USD 51,413,878 | USD 46,778,711 |
| **Number of Units** | | | |
| Class A (UK Pension Funds Distributing) Units | 521,852 | 678,002 | 441,100 |
| Class B (UK Pension Funds Accumulating) Units | 767,986 | 982,597 | 2,552,981 |
| Class F (Canadian Pension Funds Accumulating) Units | 2,111,874 | 2,104,953 | 1,998,627 |
| Class G (South African Pension Funds Accumulating) Units | 699,263 | 697,457 | 695,779 |
| Class H (South African Insurance Companies Accumulating) Units | 274,650 | 355,114 | 398,103 |
| **Published Net Asset Value per Unit** | | | |
| Class A (UK Pension Funds Distributing) Units | GBP 187.30 | GBP 199.13 | GBP 168.61 |
| Class B (UK Pension Funds Accumulating) Units | GBP 211.40 | GBP 224.12 | GBP 189.55 |
| Class F (Canadian Pension Funds Accumulating) Units | CAD 141.98 | CAD 166.57 | CAD 141.95 |
| Class G (South African Pension Funds Accumulating) Units | USD 116.60 | USD 149.23 | USD 121.14 |
| Class H (South African Insurance Companies Accumulating) Units | USD 113.13 | USD 144.78 | USD 117.50 |

## 16. Commitment and Contingent Liabilities

There are no significant commitments or contingent liabilities as at 30 September 2022 and 30 September 2021.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 SEPTEMBER 2022
# (CONTINUED)

**17. Significant events during the reporting financial year**

A revised Prospectus for the CCF was issued on 14 December 2021. The revised Prospectus did not contain any material changes.

Frank Connolly resigned from his position as a Director of the Manager effective 31 January 2022.

Andrew Kehoe was appointed as a Director of the Manager effective 31 January 2022.

During the year ended 30 September 2022, the adverse economic impact caused by the COVID-19 pandemic lessened considerably. The quantitative easing programmes implemented by governments and central banks around the world in response to the COVID-19 pandemic ceased and the market environment is reacting to the new post-COVID world as markets navigate high inflation and interest rates. There has been no disruption or changes to the CCF's investment process, risk management process or operational processes as a result of the post-COVID market environment. The Manager of the CCF continues to monitor the impact of the pandemic and remain confident that the operational processes in place are robust and are set up to withstand any future stresses.

In February 2022, Russian armed forces invaded Ukraine with the intention of ousting the current Presidential regime. The hostile invasion caused severe market turmoil as the international community reacted by placing sanctions on Russian oligarchs and trading in Russian companies. The CCF has very minimal exposure with no direct quoted exposure to either Russia or the Ukraine.

Barry Harrington was appointed as a Director of the Manager effective 10 May 2022.

There were no significant events during the financial year, other than that disclosed above, which require disclosure in the financial statements.

**18. Significant events after the reporting financial year**

On 28 October 2022 the Manager became a member of the Waystone Group.

Mike Kirby resigned from his position as a Director of the Manager effective 1 November 2022.

Tim Madigan was appointed as a Director of the Manager effective 1 November 2022.

Tim Madigan assumed the role as Independent Chair of the KBA management company effective from 1 November 2022 where he replaces Mike Kirby. Mr Kirby has assumed the role of Chairman of Waystone Global Management Company Solutions from 1 November 2022.

A revised Prospectus for the CCF was issued on 1 December 2022.

Effective from 12 December 2022 KBA Consulting Management Limited changed their registered office address to 35 Shelbourne Road, Ballsbridge, Dublin, D04 A4EO.

There have been no other significant events after the reporting financial year end.

**19. Approval of Financial Statements**

The Financial Statements were approved by the Directors of the Manager on 15 December 2022.

## SUPPLEMENTAL INFORMATION (UNAUDITED)
## FOR THE YEAR ENDED 30 SEPTEMBER 2022

**Significant Changes in Portfolio Composition (unaudited)**

Listed below are cumulative investment purchases during the financial year ended 30 September 2022 in excess of 1% of total purchases. At minimum, the 20 largest purchases are to be disclosed.

| **Purchases** | **Cost USD** |
|---|---|
| JP Morgan US Dollar Liquidity Fund | 30,000,000 |
| Morgan Stanley US Dollar Liquidity Fund | 20,180,907 |
| Bio-Rad Laboratories, Inc. | 20,149,696 |
| Charter Communications, Inc. | 16,959,729 |
| Meta Platforms, Inc. | 15,857,939 |
| CVS Health Corp. | 15,561,724 |
| Catalent, Inc. | 11,519,295 |
| Illumina, Inc. | 10,437,710 |
| BAE Systems PLC | 9,267,802 |
| Safran S.A. | 8,309,204 |
| Moody's Corp. | 8,110,542 |
| Cooper Cos, Inc. | 7,729,775 |
| Microsoft Corp. | 7,332,256 |
| Thermo Fisher Scientific, Inc. | 7,197,101 |
| Fiserv, Inc. | 5,869,271 |
| Canadian Pacific Railway Ltd. | 5,783,823 |
| Amazon.com, Inc. | 5,645,755 |
| Baxter International, Inc. | 5,382,821 |
| Intercontinental Exchange, Inc. | 5,361,625 |
| Mastercard, Inc. | 5,244,694 |
| Aena SME S.A. | 3,377,072 |

## SUPPLEMENTAL INFORMATION (UNAUDITED)
## FOR THE YEAR ENDED 30 SEPTEMBER 2022
## (CONTINUED)

**Significant Changes in Portfolio Composition (unaudited) (continued)**

Listed below are cumulative investment sales during the financial year ended 30 September 2022 in excess of 1% of total sales. At minimum, the 20 largest sales are to be disclosed.

| Sales | Proceeds USD |
|---|---|
| JP Morgan US Dollar Liquidity Fund | 35,000,000 |
| CVS Health Corp. | 32,163,391 |
| BAE Systems PLC | 29,621,554 |
| Alphabet, Inc. | 21,469,741 |
| Thermo Fisher Scientific, Inc. | 21,111,285 |
| Airbus SE | 19,512,299 |
| UnitedHealth Group, Inc. | 19,473,035 |
| Alibaba Group Holding Ltd. | 17,143,522 |
| Microsoft Corp. | 16,862,600 |
| Moody's Corp. | 15,607,940 |
| CoStar Group, Inc. | 14,875,638 |
| Intercontinental Exchange, Inc. | 14,111,358 |
| Morgan Stanley US Dollar Liquidity Fund | 10,000,000 |
| Baxter International, Inc. | 9,076,569 |
| Canadian Pacific Railway Ltd. | 8,470,859 |
| Cooper Cos, Inc. | 7,428,034 |
| Cochlear Ltd. | 4,901,736 |
| Becton Dickinson & Co. | 3,828,140 |
| Charter Communications, Inc. | 3,819,231 |
| Meta Platforms, Inc. | 3,040,094 |

## SUPPLEMENTAL INFORMATION (UNAUDITED) FOR THE YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

**Remuneration Policy**

The Manager has designed and implemented a remuneration policy (the "Policy") in line with the provisions of S.I. 257 of 2013 European Union (Alternative Investment Fund Managers) Regulations 2013 (the "AIFM Regulations"), S.I. 352 of 2011 European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended) (the "UCITS Regulations") and of the ESMA Guidelines on sound remuneration policies under the UCITS Directive and AIFMD (the "ESMA Guidelines"). The Policy is designed to ensure that the remuneration of key decision makers is aligned with the management of short and long-term risks, including the oversight and where appropriate the management of sustainability risks in line with the Sustainable Finance Disclosure Regulations.

The Manager's remuneration policy applies to its identified staff whose professional activities might have a material impact on the CCF's risk profile and so covers senior management, risk takers, control functions and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers and whose professional activities have a material impact on the risk profile of the CCF. The Manager's policy is to pay identified staff a fixed component with the potential for identified staff to receive a variable component. It is intended that the fixed component will represent a sufficiently high proportion of the total remuneration of the individual to allow the Manager to operate a fully flexible policy, with the possibility of not paying any variable component. When the Manager pays a variable component as performance related pay certain criteria, as set out in the Manager's remuneration policy, must be adhered to. The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the relevant staff rank and professional activity as well as best market practice. The Manager's remuneration policy is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the funds it manages.

These disclosures are made in respect of the remuneration policies of the Manager. The disclosures are made in accordance with the ESMA guidelines.

Total remuneration (in EUR) paid to the identified staff of the Manager fully or partly involved in the activities of the CCF that have a material impact on the CCF's risk profile during the financial year to 31 December 2021 (the Manager's financial year):

| | EUR |
|---|---|
| **Fixed remuneration** | |
| Senior management | 1,232,664 |
| Other identified staff | - |
| **Variable remuneration** | |
| Senior management | 110,724 |
| Other identified staff | - |
| Total remuneration paid | 1,343,388 |

No of identified staff – 16

Neither the Manager nor the CCF pays any fixed or variable remuneration to identified staff of the Investment Manager.

Note 10 to the financial statements describes the risks associated with investing in the CCF. For additional information regarding the CCF's risk profile and information regarding how the Manager seeks to manage conflicts of interest, please refer to the CCF's Prospectus.

Veritas Asset Management LLP has been appointed as the Investment Manager to the CCF. The Investment Manager has remuneration policies and practices which apply to its staff whose professional activities might have a material impact on the CCF's risk profile and so covers senior management, risk takers, control functions and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers and whose professional activities have a material impact on the risk profile of the CCF ("Identified Staff") which it believes are: (i) consistent with and promote sound and effective risk management and do not encourage risk-taking which is inconsistent with the investment objectives and policies and the investment restrictions and (ii) appropriate to the size, internal organisation and the nature, scope and complexity of the Investment Manager's activities.

## SUPPLEMENTAL INFORMATION (UNAUDITED)
## FOR THE YEAR ENDED 30 SEPTEMBER 2022
## (CONTINUED)

**Remuneration Policy (continued)**

The current remuneration policy of the Investment Manager is to pay all Identified Staff a fixed component and a variable component. Where variable remuneration is paid to the Identified Staff of the Investment Manager, this will be based on a combination of the assessment of the performance of the individual, of the relevant UCITS Managed Fund and of the overall performance of the Investment Manager. When assessing individual performance, financial as well as non-financial criteria are taken into account. The discretionary process for allocating variable remuneration takes a variety of factors into account. The assessment of performance is set in a multi-year framework appropriate to the life-cycle of the relevant UCITS Managed Fund in order to ensure that the assessment process is based on longer term performance.

The Investment Manager (i) does not pay guaranteed variable remuneration to the staff responsible for managing the assets of the CCF; and (ii) ensures that payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure.

The total number of Identified Staff of the Investment Manager as at 30 September 2022 was 21.

The Investment Manager's pay to Identified Staff relates to all funds and mandates which the Identified Staff currently manage. The assets under management of the Identified Staff as at 30 September 2022 was USD 23.143bn of which the CCF represents USD 0.620bn or 2.68% of total assets managed by the Identified Staff.

## SUPPLEMENTAL INFORMATION (UNAUDITED)
## FOR THE YEAR ENDED 30 SEPTEMBER 2022
## (CONTINUED)

**Sustainable Finance Disclosure Regulation**

The CCF is classified as an Article 8 financial product or a 'Light Green Fund' pursuant to the Regulation (EU) 2019/2088 of the Sustainable Finance Disclosure Regulation ("SFDR”). The CCF may be regarded as "promoting, among other characteristics, environmental characteristics, provided that the companies in which the investments are made follow good governance practices" within the meaning of Article 8 of Regulation (EU) 2019/2088 ("SFDR").

Governance is a fundamental factor in determining whether a company will be a quality investment, and due to the multi-faceted nature of governance, good practices in this area will need to be considered from a variety of standpoints. The Investment Manager will conduct research to assess any environmental or social issues that have the most potential to affect the investee company's ability to create value for shareholders. For example, if the investee company engages in an activity that may adversely impact the sustainability of its operations or demonstrates a lack of vision to adapt, this will be taken into consideration prior to investment. The assessment includes ESG risks that are company and sector specific. Post investment, the Investment Manager continues to monitor these areas, which includes an assessment of compliance with Global Norms Frameworks such as the United Nations Global Compact ("UNGC") and the United Nations Guiding Principles on Business and Human Rights ("UNGP"). Should any issues arise, the materiality of the issue will be assessed, and the Investment Manager may engage with the company to determine the potential impact on the business, which will be taken into consideration when determining the retention of the investment. We also report regularly on our voting record and our engagement with companies on sustainability risks and impacts.

The CCF has not committed to making sustainable investments or taxonomy-aligned investments. The Investment Manager is not obliged to consider principal adverse impacts on sustainability factors ("PAIs") as it is not subject to the reporting requirements under Article 4 of SFDR, which would require a full PAI review as part of the "do no significant harm" test.

It should be noted that the investments underlying the CCF do not take into account the EU criteria for environmentally sustainable economic activities.