

# **The Value Catalyst Fund Limited**

## **Unaudited Interim Report**

For the Period from 1st July, 2006  
to 31st December, 2006

# The Value Catalyst Fund Limited

## Directors

John Bourbon\* (*Chairman*)  
Andrew Pegge (*Chief Executive Officer*)  
Christopher Bruce (*Finance Director*)  
Colin Kingsnorth  
Gordon Brough\*  
Caroline Cornish\*

\* independent non-executive directors

## Registered Office

P.O. Box 309  
Ugland House  
South Church Street  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

## Administrator

HSBC Securities Services  
(Isle of Man) Limited  
12-13 Hill Street  
Douglas  
Isle of Man  
IM1 1EF

## Prime Broker

Credit Suisse First Boston  
(Europe) Limited  
Canary Wharf  
One Cabot Square  
London  
E14 4Q3

## Investment Manager

Laxey Partners Limited  
The Old Chapel  
Summerhill Road  
Onchan  
Isle of Man  
IM3 1NA

## Custodian

The Royal Bank of Scotland Trust  
Company (I.O.M.) Limited  
Royal Bank House  
2 Victoria Street  
Douglas  
Isle of Man  
IM99 1NJ

## Auditors

KPMG  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man  
IM99 1HN

## Nominated Adviser and Broker

Smith & Williamson Corporate  
Finance Limited  
25 Moorgate  
London  
EC2R 6AY

## Legal Advisers to the Company

### For English Law

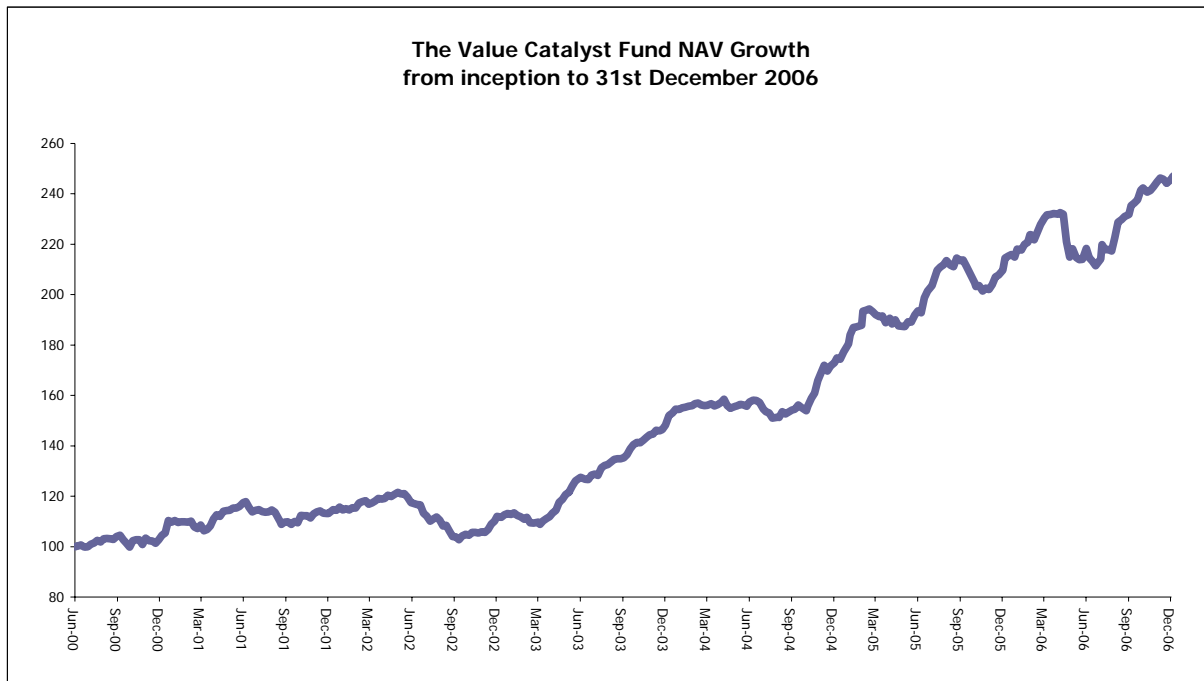
Maclay Murray & Spens  
One London Wall  
London  
EC2Y 5AB

### For Cayman Islands Law

Maples and Calder Europe  
7 Princes Street  
London  
EC2R 8AQ

# The Value Catalyst Fund Limited

## Investment Manager's Report



For the six months ended 31<sup>st</sup> December, 2006 the Net Asset Value (“NAV”) of The Value Catalyst Fund (“VCF” or the “Company”) grew by 12.58% (with dividends reinvested). For the twelve months to the 31<sup>st</sup> December, 2006 the NAV grew by 17.20% (with dividends reinvested).

For the period from inception to the 31<sup>st</sup> December, 2006 the Company’s NAV has increased by 145.79% (dividends reinvested).

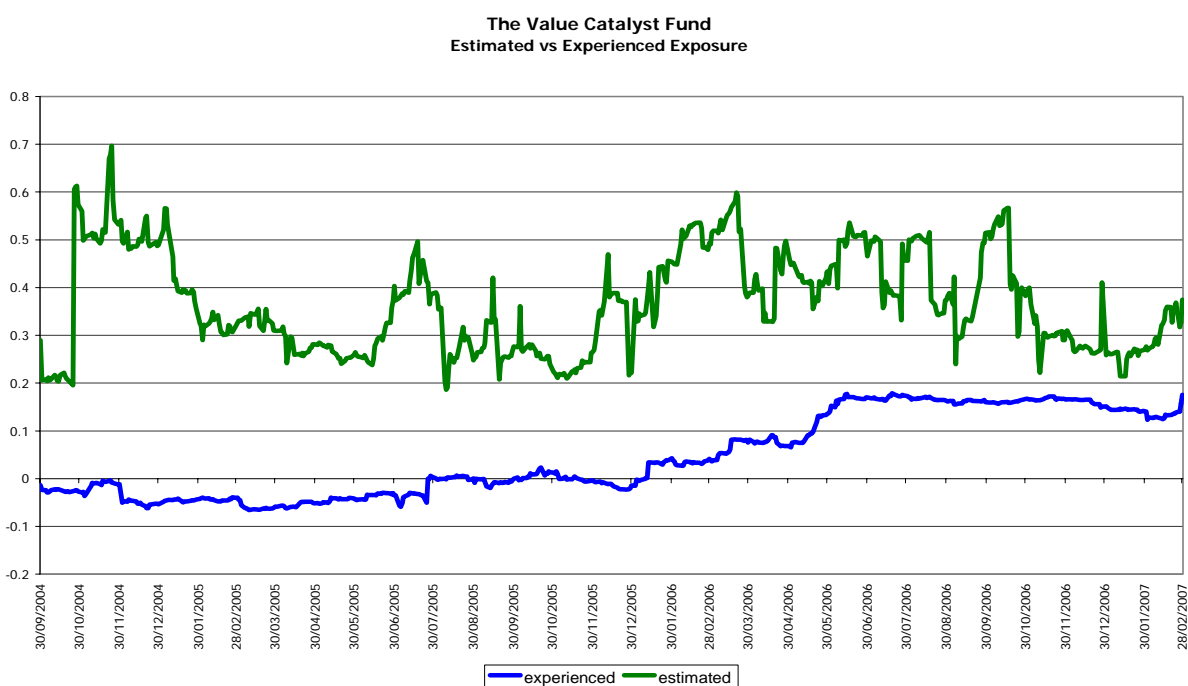
Over the last year we have come across one particular problem time and time again. We have identified a company we like, spent considerable time and effort working up models, developed a strategy and then started to buy a position. What happens next, the share takes off. At least to levels that makes us put our hands back in our pockets. “Great!” might be your response, “Damn!” is ours. Yes, this makes money but a fraction of what we would have hoped for if we had managed to build up a position. Never before have we felt such a high level of liquidity all around us, as we do now. This may be no huge surprise and as an activist I think we are well placed to make money out of such a phenomenon, but where has it all come from? We can’t say with any certainty, but we have done some numbers on the back of an envelope that might help you think about some of it.

What is the market capital of all stock markets put together in the world? Well, we know it was \$43 trillion in March 2006 and with the market up a bit from there, let’s say \$45 trillion. How big is the hedge fund industry? Again, numbers vary but \$2.5 trillion of net assets seems close and for the Private Equity world, slightly less perhaps at circa \$1.5 trillion. This \$4 trillion has come from many sources but we think it is fair to say that five years ago a good proportion of it, if not most of it, would have been in some form of traditional equity fund. Our point is that a massive multiplier applies when one \$ gets taken out of a traditional fund and placed into a hedge fund or private equity. We think that there could be as much as \$10 trillion of leverage to add to that \$2.5 trillion of net assets. An extra \$10 trillion goes a long way and if we add in leverage that’s available for the Private Equity world as well, it is no surprise it has trouble squeezing into the total of \$45 trillion. Now, we have ignored oil wealth and we all know the Middle East has been buying assets around the world, and also ignore property leverage, and it still looks concerning. When and why will it stop? That’s the difficult bit because traditional managers, certainly in the UK, continue to lose funds under management to the hedge fund industry and we don’t know anybody predicting a fall in the total size of hedge fund or private equity assets.

## Investment Manager's Report (continued)

We also know that the move lower in markets towards the end of February was in reality a very small move but one that seemed to cause much anxiety. A 5% market move should not concern us as investors but if the leverage in the markets is so high that it translates into much nastier numbers for some, we perhaps have an explanation for the level of anxiety it caused. Something we have not been able to find out is the percentage of the market that is bought on debt. If anyone knows such numbers we would be interested to learn them.

The practical implication of all this to us is how we hedge our portfolios and what risk we take. We would also make a distinction between financial leverage i.e. what do we borrow from the bank and asset leverage i.e. what kind of derivative exposure do we need to add back to get a true picture. We have seen numbers for financial leverage but we believe it massively underestimates the asset leverage. In reality we have continued to increase our hedging and carry low net market exposures. The chart below demonstrates this.



We have had an extremely busy second half of the year, realising some of our bigger positions to bids. Our biggest position at the end of June was **Saurer**, a Swiss manufacturing conglomerate. We had contested the AGM back in May and gained one board seat in opposition to the board's efforts. However, it became clear that the Saurer board did not intend to take notice of the reasons behind the shareholders' AGM vote, therefore we put forward a resolution to replace the majority of the board with a different team among which were credible new executives. This was a substantial amount of work and effort to put together and it became clear quickly after we delivered our notice that our resolution was likely to win. This prompted a corporate buyer to emerge who bid for the company at a substantial premium, realising our largest ever \$ profit. Corporate buyers can move so much quicker than private equity buyers, something we have found time and time again. They also know the products, how they fit in the market place and what they would do differently. Meanwhile, Private Equity is still down the Job Centre looking for a candidate to help them understand the business. (Editor's note: these are UK Government run centres where jobs are advertised. They used to be called Labour Exchanges, which sound like a blue collar version of a stock exchange.)

As at the 31<sup>st</sup> December, 2006 your Company had a 0.51% economic interest in Saurer AG, worth \$8,095,296, 3.29% of the Company's NAV.

## Investment Manager's Report (continued)

**Pergo** was also another one of our larger positions that has been bid for after a lengthy discussion process over the right price and the best way to conduct a sale. Again, we were the largest shareholder and we also held a board seat. Pergo AB is a Swedish company that develops, designs and markets laminate flooring for residential and commercial real estate. Pergo manufactures in Sweden and the US and sells through retail chains and dealers primarily in Europe and North America, where its brand is particularly well recognised.

Part of an industry that is consolidating and whose competitors are bigger than it, Pergo - with its European and North American coverage - was a natural takeover target, provided it could undertake a much needed restructuring. For example, despite its brand recognition in the United States, the company's operations and management were largely based in Sweden.

Laxey Partners began to buy shares in Pergo in February 2004. As the largest shareholder, a Laxey representative was elected to the Pergo board in 2005 with a mandate to conduct a strategic review. The review led to a significant restructuring (as well as the election of new board members and changes in top management) and without neglecting its lucrative European market, the company improved its US distribution network and existing customer base. For much of 2006 the Pergo board considered various offers for the company. On the 15th January, 2007 Pflleiderer announced a public offer to the Pergo shareholders. Pflleiderer is a German manufacturer of engineered woods and infrastructure products. Pflleiderer itself underwent restructuring (ahead of Pergo) with the sale of all non-core business divisions. It sees the acquisition of Pergo as a means to enhance its presence in North America and accelerate its move into the European laminate flooring market. Pflleiderer offered a cash bid of 51 SEK per Pergo share. This represents a premium of 17% to the pre-offer share price (SEK 43.3 as at 31st December, 2006) and compares to our cost of SEK 21 per share.

As at the 31<sup>st</sup> December, 2006 your Company had a 5.92% economic interest in Pergo AB, worth \$20,829,495, 8.45% of the Company's NAV.

The **Absolute** family of closed-end funds in Switzerland is something we have been invested in for a while. The takeover of Absolute Europe (*focus*: European hedge funds) by Absolute US (*focus*: North American hedge funds) is proceeding as planned. In anticipation, Absolute Europe AG distributed 40% of its market capitalisation tax-free to shareholders last October. Following the distribution, Laxey Partners tendered its Absolute Europe stake to Absolute US at a small discount to NAV. At the time of writing, Absolute US was just short of the 98% required share ownership of Absolute Europe to complete the squeeze-out procedure. The transaction was NAV accreditive for Absolute US in which our holding is much larger than it was in Absolute Europe.

The takeover followed a similar pattern as previously experienced with Absolute Private Equity and Absolute Managers. We still hold a stake in Absolute Private Equity and we are impressed how the company increases its NAV continuously and takes proactive measures to manage its discount.

As at the 31<sup>st</sup> December, 2006 your Company had a 0.74% economic interest in Absolute Europe AG, worth \$2,166,200, 0.88% of the Company's NAV.

As at the 31<sup>st</sup> December, 2006 your Company had a 0.43% economic interest in Absolute US AG, worth \$2,530,353, 1.03% of the Company's NAV.

## Investment Manager's Report (continued)

**United International Securities Limited** ("UIS") is a Singapore listed fund that makes equity and fixed-income investments across Asia, the United States, China, Japan, Australia and Germany. At the time of writing we have just called a meeting to have the company bring forward *“proposals which the Directors believe will substantially and permanently reduce the discount to net asset value at which the Company’s ordinary shares trade in the market and pursuant to which shareholders who wish it will be afforded the opportunity to realise their investment in the Company at a price as near as practicable to the Company’s then net asset value.”*

At present we are unsure whether this situation will be realised through a process of collaboration with the company and its management or through an antagonistic process but either way we look forward to telling you more in our next review.

As at the 31<sup>st</sup> December, 2006 your Company had a 2.32% economic interest in UIS, worth \$5,289,822, 2.15% of the Company’s NAV.

**Chinese closed-end funds** have been a big winner for us in the second half of 2006. We had spent considerable time and effort trying to understand the legal framework for them and how the interaction of the manager, the board and shareholders worked. We also visited most of the managers in China. The summary of our legal work was very encouraging and what we were trying to establish was the likelihood that when they finished their initial stated life, shareholders would be offered a chance to get their money back at Net Asset Value. There was huge scepticism that this would occur but when the first fund announced its plans, it was very hard to fault them in any way. The initial redemption was at 98% of Net Asset Value with the 2% going to the fund. This then rose to 99.5% after six months, with the 0.5% going to the manager. Even more surprising, four times more people applied for units in the open-ended fund than wished to redeem. Needless to say this caused quite a change of perception. We were able to put together a portfolio at around a 45% discount, hedge most of it with SWAPS and capture the discount.

As at the 31<sup>st</sup> December, 2006 your Company had a 2.33% economic interest in Chinese closed-end funds, worth \$9,936,439, 4.03% of the Company’s NAV.

### **Close Finsbury Eurotech Trust PLC (“Close Finsbury”)**

Close Finsbury is an investment trust incorporated in the UK. The aim of the trust is to achieve long-term capital growth by investing in quoted European technology companies.

We bought the majority of our stake in Close Finsbury at around a 20% discount to NAV during the summer of 2005. Back then the company was about eighteen months away from a continuation vote. The board were keen that the fund continue and then go on to raise more capital. We made it clear that we supported that in principle provided that the board give existing shareholders an opportunity to exit at NAV (or very close to).

Despite our repeated calls for an exit option the board failed to come up with anything workable.

By way of addressing the board’s reluctance to consider providing shareholders with an exit, Laxey Partners proposed the election of new board members to replace some of the incumbents and voted against the company’s continuation. In all, 89% of votes cast voted against continuation and the new, replacement board members, one of whom was Andy Pegge, were elected to the board.

The new board then had 120 days to bring forward alternative proposals and despite exploring alternatives to liquidation the new board concluded that liquidation was the only feasible way ahead for all shareholders. An EGM to put this to shareholders will be held on the 28<sup>th</sup> March.

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

As at the 31<sup>st</sup> December, 2006 your Company had a 5.05% economic interest in Close Finsbury, worth \$1,249,599, 0.51% of the Company's NAV.

### **Falcon Investment Trust PLC (“Falcon”)**

Falcon is a closed-end fund incorporated in the UK. The aim of the fund is to achieve a capital return in excess of the Hoare Govett Smaller Companies Index (ex Investment Companies) from investment in companies quoted in the UK with a market cap of between £75m and £1bn at the point of the initial investment.

No stranger to re-organisations, a previous reconstruction of Falcon which Laxey was involved in had left it with too large a proportion of the register seeking an exit and an untenable quarterly tender that saw 40-50% of the shareholder register tender its shares every quarter. Laxey Partners pointed out that this amounted to a lingering death for the fund and urged the board to deal with the situation. The board has now announced that they will shortly call an EGM to consider a scheme to offer the opportunity to realise investments for cash or roll over into an OEIC.

Laxey Partners acquired its stake in Falcon at a 20% discount to NAV.

As at the 31<sup>st</sup> December, 2006 your Company had a 5.57% economic interest in Falcon, worth \$2,700,972, 1.10% of the Company's NAV.

### **New Germany Fund, Inc.**

New Germany Fund, Inc. is a non-diversified closed-end management investment company incorporated in the USA. The fund pursues investments in German equities; mostly small and mid-cap.

Laxey Partners is a member of the *Coalition for Shareholder Democracy* along with Phil Goldstein, the veteran American activist, and Karpus. The coalition was formed in response to the board of the New Germany Fund Inc repeatedly ignoring **PASSED** resolutions to open-end the fund (that's shareholder rights in US closed-end funds for you, but don't get us started on that) and failing to recognise the **SUCCESSFUL** election of new directors.

To get around the issue of taking on the new directors, the board, without shareholder approval, introduced the requirement that new directors pass a “German-ness test” Of course, existing directors are deemed to pass the German-ness test, by virtue of being existing directors!

Woeful corporate governance and unspectacular performance, this is definitely one to watch.

As at the 31<sup>st</sup> December, 2006 your Company had a 1.17% economic interest in New Germany Fund, Inc., worth \$4,166,133, 1.69% of the Company's NAV.

### **Amanah Millenia Fund Berhad (“Amanah”)**

Amanah is a closed-end fund registered in Malaysia. It pursues investments in small and mid-cap companies listed on the Kuala Lumpur Stock Exchange, and other regional stock exchanges.

Amanah is facing a continuation vote later this year (June). With a fairly evenly split shareholder register, one half local pension funds and institutions and the other, “agents for change” (like us) and the usual suspects. Laxey Partners is encouraging the board to pre-empt the vote and come up with a scheme that will please all of its shareholders: an exit for those that want it and continuation for those that want that.

As at the 31<sup>st</sup> December, 2006 your Company had a 2.58% economic interest in Amanah, worth \$3,148,198, 1.28% of the Company's NAV.

This has only been a sample of the activity in the last six months and we would be happy to go through all the various transactions in more detail as long as you have sufficient time!

# The Value Catalyst Fund Limited

## Income Statement (Unaudited)

For the period from 1st July, 2006 to 31st December, 2006

	Note	2006 US\$	2005 US\$
<b>Income</b>			
Dividends		3,851,053	5,486,242
Interest		670,605	464,228
Net realised gains on realisation of financial assets and liabilities at fair value through the profit and loss		23,693,977	41,245,942
Net unrealised gains/(losses) on financial assets and liabilities other than currency forwards at fair value through the profit and loss		13,622,913	(18,062,042)
Net unrealised losses on currency forwards at fair value through the profit and loss		(1,839,463)	(4,206,807)
Total investment income		<u>39,999,085</u>	<u>24,927,563</u>
<b>Expenses</b>			
Dividends payable on short positions		409,215	731,919
Investment management fee		2,676,956	2,633,316
Performance fee		2,931,039	1,136,900
Administration fee		207,476	173,756
Audit fees		16,455	15,976
Directors' fees		52,494	36,566
Other expenses	7	733,560	664,132
Interest expense		5,456,348	4,206,771
Total expenses		<u>12,483,543</u>	<u>9,599,336</u>
<b>Net profit</b>		<u>27,515,542</u>	<u>15,328,227</u>
<b>Earnings per ordinary share</b>			
Basic and fully diluted		<u>US\$22.19</u>	<u>US\$13.74</u>

# The Value Catalyst Fund Limited

## Balance Sheet (Unaudited)

As at 31st December, 2006

	31st December, 2006 US\$	30th June, 2006 US\$	31st December, 2005 US\$
<b>Assets</b>			
Investment funds - long	142,757,708	173,249,948	164,159,053
Investment funds - long swaps	10,040,811	2,774,824	1,981,540
Investment funds - short swaps	-	5,220	-
Equities - long	197,413,157	245,788,469	210,844,228
Equities - long swaps	-	704,516	21,301
Equities - warrants	110,050	320,178	342,368
Index swaps - short	-	360,607	-
Debt securities	22,799	27,466	-
Futures - long	-	643,289	34,785
Futures - short	56,963	157,274	408,280
Amounts receivable on currency forwards	3,479,029	5,374,306	5,765,381
Cash at bank and brokers	5,220,906	3,932,564	13,362,190
Cash held as margin at brokers	24,648,534	27,114,413	20,980,363
Amounts due from outstanding sale settlements	1,725,242	11,516,901	8,298,908
Other debtors and accrued income	619,103	1,690,020	3,042,694
<b>Total assets</b>	<u>386,094,302</u>	<u>473,659,995</u>	<u>429,241,091</u>
<b>Equity</b>			
Share capital	1,361	1,327	1,327
Share premium	141,572,265	135,071,990	135,071,990
Retained earnings	104,847,634	87,571,852	78,796,466
<b>Total shareholders' funds</b>	<u>246,421,260</u>	<u>222,645,169</u>	<u>213,869,783</u>
<b>Liabilities</b>			
Investment funds - short	13,197,551	5,769,759	5,091,404
Investment funds - short swaps	241,349	168,135	95,498
Investment funds - long swaps	721,315	1,225,228	-
Equities - long swaps	-	1,050,146	165,800
Equities - short	14,709,060	51,470,723	25,525,377
Equities - short swaps	2,858,612	828,751	84,462
Index swaps - short	1,187,449	821,658	504,006
Futures - short	1,284,473	2,792,907	980,911
Amounts payable on currency forwards	7,058,543	7,114,357	2,448,648
Overdrawn balances at brokers	92,253,331	166,677,377	175,665,145
Amounts due for outstanding purchase settlements	502,737	7,274,001	683,194
Other creditors and accrued expenses	5,658,622	5,821,784	4,126,863
<b>Total liabilities</b>	<u>139,673,042</u>	<u>251,014,826</u>	<u>215,371,308</u>
<b>Total liabilities and equity</b>	<u>386,094,302</u>	<u>473,659,995</u>	<u>429,241,091</u>
<b>Net asset value per ordinary share</b>	<u>US\$195.31</u>	<u>US\$181.33</u>	<u>US\$174.19</u>

# The Value Catalyst Fund Limited

## Statement of Changes in Net Assets (Unaudited)

For the period from 1st July, 2006 to 31st December, 2006

	<b>2006</b>	<b>2005</b>
	<b>Total</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>
<b>Balance at 1st July</b>	222,645,169	179,052,915
Increase in net assets arising from operations	27,515,542	15,328,227
Dividend	(10,239,760)	(4,899,538)
Issue of ordinary shares	6,500,309	24,388,179
<b>Balance at 31st December</b>	<u><u>246,421,260</u></u>	<u><u>213,869,783</u></u>

# The Value Catalyst Fund Limited

## Cash Flow Statement (Unaudited)

For the period from 1st July, 2006 to 31st December, 2006

	2006 US\$	2005 US\$
<b>Operating activities</b>		
Net gain arising from operations	27,515,542	15,328,227
Adjustments:		
Net realised gain on investments	(23,693,977)	(41,245,942)
Net movement in unrealised (appreciation)/depreciation on:		
- investments	(13,622,913)	18,062,042
- currency forwards	1,839,463	4,206,807
Decrease/(increase) in debtors	1,070,917	(2,794,069)
(Decrease) in creditors	(163,162)	(2,262,801)
Net cash outflow from operating activities	<u>(7,054,130)</u>	<u>(8,705,736)</u>
<b>Investing activities</b>		
Purchase of investments	(235,264,988)	(235,969,523)
Sale of investments	319,305,078	177,364,594
Decrease/(increase) in cash held as margin	2,465,879	(564,280)
Net cash inflow/(outflow) from investing activities	<u>86,505,969</u>	<u>(59,169,209)</u>
<b>Financing activities</b>		
Dividend paid	(3,739,451)	(756,111)
Issue of shares	-	24,388,179
Net cash (outflow)/inflow from financing activities	<u>(3,739,451)</u>	<u>23,632,068</u>
<b>Increase/(decrease) in cash and cash equivalents</b>	<u>75,712,388</u>	<u>(44,242,877)</u>
Cash and cash equivalents at the beginning of the period	(162,744,813)	(118,060,078)
<b>Cash and cash equivalents at the end of the period</b>	<u>(87,032,425)</u>	<u>(162,302,955)</u>

# The Value Catalyst Fund Limited

## Notes to the Financial Statements (Unaudited)

For the period from 1st July, 2006 to 31st December, 2006

### 1. Accounting policy

The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of investments, and in accordance with International Financial Reporting Standards.

#### *Comparative figures*

The comparative figures shown in the Income Statement, the Statement of Changes in Net Assets and the Cash Flow Statement relate to the corresponding interim period for the preceding financial year, 1st July, 2005 to 31st December, 2005.

### 2. Investments

	31st December, 2006 US\$	30th June, 2006 US\$	31st December, 2005 US\$
Long positions:			
Market value	<u>349,623,210</u>	<u>421,233,316</u>	<u>377,217,475</u>
Cost	<u>284,722,459</u>	<u>371,213,177</u>	<u>328,889,451</u>
Short positions:			
Market value	<u>(33,421,531)</u>	<u>(61,328,832)</u>	<u>(31,873,378)</u>
Proceeds	<u>(22,703,410)</u>	<u>(51,868,410)</u>	<u>(26,230,977)</u>

All of the Company's investments are classified as held for trading.

### 3. Issued Share capital

	Period ended 31st December, 2006 US\$	Period ended 31st December, 2005 US\$
<b>Ordinary shares of US\$0.001 each</b>		
At 1st July	1,227	1,086
Issued during period	<u>34</u>	<u>141</u>
At 31st December	<u>1,261</u>	<u>1,227</u>
<b>Founder shares of US\$1 each</b>		
At 31st December	<u>100</u>	<u>100</u>
Total issued share capital	<u>1,361</u>	<u>1,327</u>

# The Value Catalyst Fund Limited

## Notes to the Financial Statements (Unaudited)

For the period from 1st July, 2006 to 31st December, 2006 (continued)

### 3. Issued Share capital (continued)

	Period ended 31st December, 2006 Number	Period ended 31st December, 2005 Number
<b>Number of ordinary shares</b>		
At 1st July	1,227,789	1,086,372
Issued during period	<u>33,887</u>	<u>141,417</u>
At 31st December	<u><u>1,261,676</u></u>	<u><u>1,227,789</u></u>
<b>Number of founder shares</b>		
At 31st December	<u><u>100</u></u>	<u><u>100</u></u>

### 4. Share premium

	Period ended 31st December, 2006 US\$	Period ended 31st December, 2005 US\$
At 1st July	135,071,990	110,683,952
Relating to issues	<u>6,500,275</u>	<u>24,388,038</u>
At 31st December	<u><u>141,572,265</u></u>	<u><u>135,071,990</u></u>

### 5. Retained earnings

	Period ended 31st December, 2006 US\$	Period ended 31st December, 2005 US\$
At 1st July	87,571,852	68,367,777
Operating profit for the period	27,515,542	15,328,227
Dividend	<u>(10,239,760)</u>	<u>(4,899,538)</u>
At 31st December	<u><u>104,847,634</u></u>	<u><u>78,796,466</u></u>

# The Value Catalyst Fund Limited

## Notes to the Financial Statements (Unaudited)

For the period from 1st July, 2006 to 31st December, 2006 (continued)

### 6. Dividend

<b>2006 Dividend (in respect of year ended 30th June, 2006)</b>	<b>Total</b>
Paid 30th September, 2006	<b>US\$</b>
Dividend of US\$8.34 per ordinary share	<u>10,239,760</u>

<b>2005 Dividend (in respect of year ended 30th June, 2005)</b>	<b>Total</b>
Paid 30th September, 2005	<b>US\$</b>
Dividend of US\$4.51 per ordinary share	<u>4,899,538</u>

### 7. Other expenses

	<b>Period ended 31st December, 2006 US\$</b>	<b>Period ended 31st December, 2005 US\$</b>
Legal and professional fees	638,559	522,795
Insurance	65,630	71,497
Miscellaneous expenses	<u>29,371</u>	<u>69,840</u>
	<u>733,560</u>	<u>664,132</u>

### 8. Gearing

Gearing, or leverage, is the percentage of borrowing compared to the percentage of assets. For VCF, this borrowing should not exceed 200% of the net asset value.