

**GAVEKAL MULTI-FUND PLC**  
**INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS**  
**For the financial period from 1 July 2016 to 31 December 2016**

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# GAVEKAL MULTI-FUND PLC

## INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS

For the financial period from 1 July 2016 to 31 December 2016

### General Information

#### Directors of the Company

David Hammond\*

Louis-Vincent Gave

John Mahon\*

*\* Independent Director. All Directors are non-executive*

#### Manager

GaveKal Fund Management (Ireland) Limited

33 Sir John Rogerson's Quay

Dublin 2, Ireland

#### Independent Auditors

Deloitte

Chartered Accountants and Statutory Audit Firm

Deloitte & Touche House

Earlsfort Terrace

Dublin 2, Ireland

#### Sub-Investment Advisor

GaveKal Capital LLC

370 17<sup>th</sup> Street

Suite 2780

Denver CO 80202, United States

#### Distributor

GaveKal Limited

Sea Meadow House

Blackburne Highway

P O Box 116

Road Town, Tortola

British Virgin Islands

#### Depository

Société Générale S.A (Dublin Branch)

3rd Floor, IFSC House

International Financial Services Centre

Dublin 1, Ireland

#### Legal Advisors (Hong Kong)

Deacons Solicitors

Alexandra House

5th Floor

16-20 Chater Road

Central, Hong Kong

#### Registered Office

33 Sir John Rogerson's Quay

Dublin 2, Ireland

#### Company Secretary

Tudor Trust Limited

33 Sir John Rogerson's Quay

Dublin 2, Ireland

#### Investment Advisor and Promoter

GaveKal Capital Limited

Suite 3101, Central Plaza

18 Harbour Road

Wanchai

Hong Kong

#### Governance Service Provider

Bridge Consulting

33 Sir John Rogerson's Quay

Dublin 2

Ireland

#### Administrator, Registrar and Transfer Agent

Société Générale Securities Services,

SGSS (Ireland) Limited

3rd Floor, IFSC House

International Financial Services Centre

Dublin 1, Ireland

#### Sub-Depository

Société Générale S.A.

29 Boulevard Haussmann

75009 Paris, France

#### Legal Advisors (Ireland)

Dillon Eustace

33 Sir John Rogerson's Quay

Dublin 2, Ireland

**GAVEKAL MULTI-FUND PLC**

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**General Information (continued)**

**Legal Advisors (Cayman)**

Conyers Dill & Pearman, Cayman  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**Swiss Representative Agent**

Hugo Fund Services SA  
6, Cours de Rive  
CH-1204 Geneva

## **GAVEKAL MULTI-FUND PLC**

### **INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS**

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#### **Background, Investment Objectives and Policies**

##### **Background**

GaveKal Multi-Fund plc (the “Company”) is an open-ended umbrella variable capital investment company with segregated liability between sub-funds incorporated with limited liability in Ireland under the Companies Act 2014 with registration number 422577. The Company is established as an undertaking for collective investment in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 and Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015, the (“Central Bank UCITS Regulations”).

The Company currently has one sub-fund, GaveKal Knowledge Leaders Fund.

GaveKal Fund Management (Ireland) Limited (the “Manager”) may create more than one class of shares in the Fund to which different levels of subscription fees (if any) and expenses (including the management fee), minimum subscription, minimum holding, designated currency, hedging strategy (if any) may be applied to the designated currency of the Class, distribution policy and such other features as the Manager may determine to be applicable. Only Class A shares in all Funds are currently active.

##### **Investment Objective and Policies**

###### GaveKal Knowledge Leaders Fund

The investment objective of GaveKal Knowledge Leaders Fund is to outperform the MSCI World Index, a free float-adjusted market capitalisation index, composed of companies representative of the market structure of 22 developed market countries in North America, Europe, and the Asia / Pacific region, that is designed to measure global developed market equity performance by capital appreciation through direct investment in listed equities around the world. The Fund measures its performance against the index.

The Fund's strategy for achieving its investment objective is by direct investment in equities listed on a Recognised Exchange, concentrating on OECD countries, Hong Kong and Singapore. Over any long period of time, listed equities have consistently outperformed all other liquid asset classes.

The investment policy of the Fund is to first identify, analyze and then invest in twenty to thirty of the world's leading Platform Companies, whose performance should beat the global equity markets' performance. Second, identify and invest in twenty to thirty companies in the process of shedding their vertically integrated business model and adopting the Platform Company model. Around 50% of the Fund's invested assets will be invested in the equities of companies identified as being in the midst of a business model transformation.

Platform Companies are business models, which entail producing nowhere, but selling everywhere. Producing is labour-intensive and ties up a lot of capital. Platform Companies keep the high value-added elements of the business such as research and development, treasury and marketing and outsource production. Platform Companies then simply organize the ordering by the clients and the delivery by the producers (and they place their own logo on the product just before delivery). Manufacturing businesses typically trade at discounts to non-manufacturing businesses in the market place, as they are typically more volatile, and offer lower returns on invested capital, so Platform Companies are a more popular business model.

## GAVEKAL MULTI-FUND PLC

### INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS

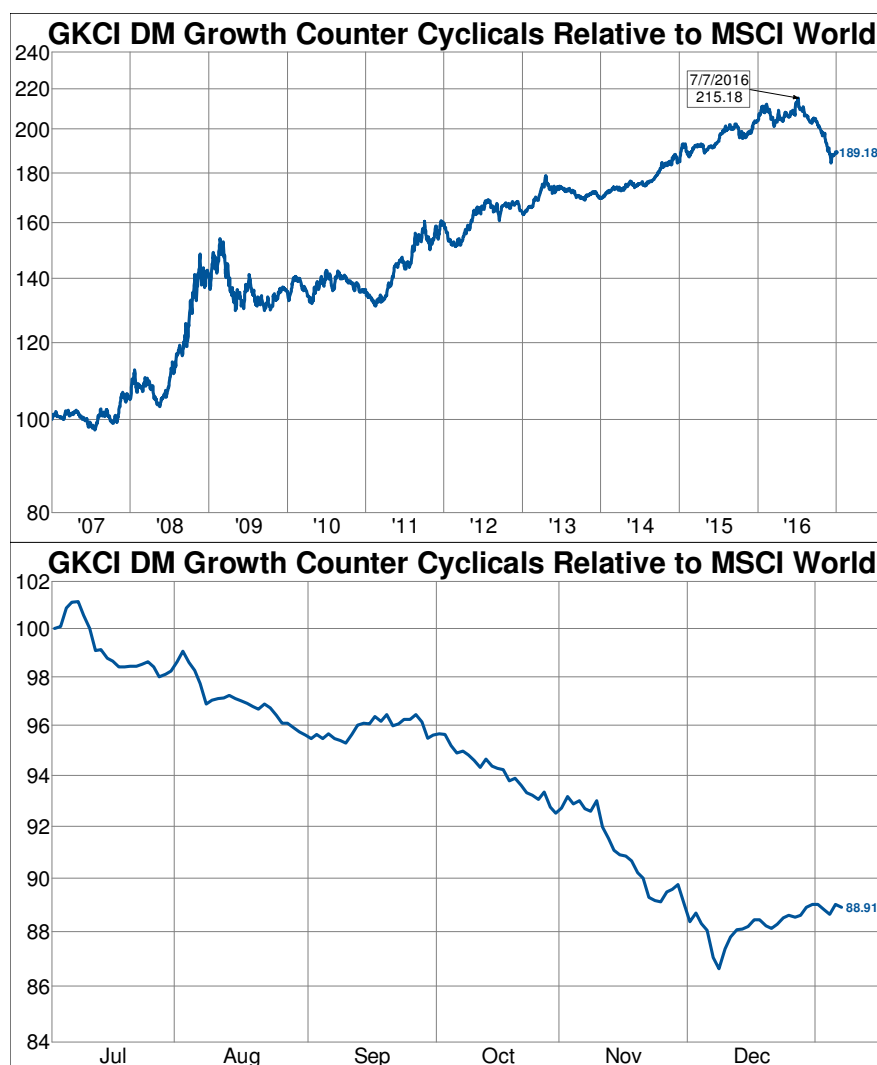
For the financial period from 1 July 2016 to 31 December 2016

#### Investment Advisor's Report

#### GaveKal Knowledge Leaders Fund

Fund performance from July 2016 through December 2016 was -4.97%. The MSCI World benchmark rose +6.81% from July to December, resulting in the Fund's relative underperformance of -11.78%. The Fund's volatility of 8.32% and maximum loss of -8.19% were both considerably lower than that of the benchmark of stocks (12.99% and -11.52%, respectively) over the last 12 months.

As market leadership shifted dramatically in the last half of the year—especially in the fourth quarter—the Fund's overweight allocations to leaders in developed market growth counter-cyclicals was a drag on performance for the first time since the bull market began. In the nine and a half years from the beginning of 2007 until early July 2016, developed market growth counter-cyclicals (health care and consumer staples sectors) rose more than +100% versus the MSCI World Index. From July through the end of December 2016, this group of stocks registered relative underperformance of ~12% while cyclicals outperformed, on average, by 6%.



Financials stocks, together with information technology stocks, were the best performing sectors, on an absolute and relative basis, in 2H16. After falling nearly -11% to start the year, financials turned around and gained almost +25% in the second half—nearly twice as much as information technology (up +13.54% in the period). While the Fund's exposure to information technology stocks helped performance to a certain degree, the runaway gains in financials shares, combined with underperformance of holdings in growth counter-cyclicals, proved overwhelming.

# GAVEKAL MULTI-FUND PLC

## INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS

For the financial period from 1 July 2016 to 31 December 2016

### Investment Advisor's Report (continued)

Intraday		Holdings		Characteristics		Tracking Error/Volatility		VaR		Scenarios		Performance		Attribution		
Main View		Summary														
Port UCITS		vs ISHARES MSC		by GICS Sectors		in USD		Time Cust		01/01/16		- 06/30/16				
Mo...		Total Return		Unit		Percentage		Curve		Sovereign						
Name		ISIN		Avg % Wgt		CTR		Tot Rtn								
		Port	Bmrk	+/-	Port	Bmrk	+/-	Port	Bmrk	+/-	Port	Bmrk	+/-	Port	Bmrk	+/-
	UCITS	100.00	100.00	0.00	5.83	1.00	4.83	5.83	1.00	4.83	5.83	1.00	4.83	5.83	1.00	4.83
	Energy	0.03	6.43	-6.40	0.00	1.03	-1.03	3.76	16.53	-12.78	3.76	16.53	-12.78	3.76	16.53	-12.78
	Utilities	0.02	3.43	-3.41	0.00	0.45	-0.45	1.95	13.71	-11.76	1.95	13.71	-11.76	1.95	13.71	-11.76
	Stocks	0.00	0.08	-0.08	0.01	-0.01		13.69	-13.69		13.69	-13.69		13.69	-13.69	
	Telecommunication Serv...	0.02	3.60	-3.59	0.00	0.36	-0.36	1.59	10.19	-8.60	1.59	10.19	-8.60	1.59	10.19	-8.60
	Real Estate	0.01	3.29	-3.28	0.00	0.32	-0.31	2.15	9.57	-7.42	2.15	9.57	-7.42	2.15	9.57	-7.42
	Consumer Staples	22.64	10.82	11.82	2.58	0.91	1.67	10.95	8.32	2.63	10.95	8.32	2.63	10.95	8.32	2.63
	Materials	5.17	4.50	0.67	0.96	0.37	0.59	19.38	8.29	11.09	19.38	8.29	11.09	19.38	8.29	11.09
	Industrials	6.67	10.73	-4.06	0.00	0.54	-0.54	-4.93	5.03	-9.96	-4.93	5.03	-9.96	-4.93	5.03	-9.96
	Indexes	0.00	0.33	-0.33	0.06	-0.06		0.28	-0.28		0.28	-0.28		0.28	-0.28	
	Funds	0.11	0.11	0.00	0.00	0.00	0.00	0.02	0.02	0.00	0.02	0.02	0.00	0.02	0.02	0.00
	Cash	7.43	0.29	7.15	0.00	0.00	0.00	0.18	-0.20	0.37	0.18	-0.20	0.37	0.18	-0.20	0.37
	Information Technology	13.65	14.00	-0.35	-0.60	-0.17	-0.43	-1.53	-1.31	-0.22	-1.53	-1.31	-0.22	-1.53	-1.31	-0.22
	Health Care	17.46	13.29	4.18	1.40	-0.26	1.66	12.46	-1.62	14.08	12.46	-1.62	14.08	12.46	-1.62	14.08
	Consumer Discretionary	5.19	12.74	-7.56	0.27	-0.60	0.86	8.09	-4.64	12.73	8.09	-4.64	12.73	8.09	-4.64	12.73
	Financials	0.13	16.37	-16.24	0.01	-2.02	2.03	1.47	-10.9	12.37	1.47	-10.9	12.37	1.47	-10.9	12.37
	Bonds	21.47	0.00	21.47	1.22	0.00	1.22	5.68		5.68	5.68		5.68	5.68		5.68

Intraday		Holdings		Characteristics		Tracking Error/Volatility		VaR		Scenarios		Performance		Attribution																	
Main View		Summary																													
Port		UCITS		vs		ISHARES MSC		by		GICS Sectors		in		USD		Time		Custd		07/01/16		-		12/30/16							
Mo...		Total Return		Unit		Percentage		Curve		Sovereign																					
		Name				ISIN				Avg % Wgt				CTR						Tot Rtn											
										Port		Bmrk		+/-				Port		Bmrk		+/-				Port		Bmrk		+/-	
		UCITS								100.00		100.00		0.00				-4.56		6.67		-11.22				-4.56		6.67		-11.22	
		Financials								0.66		16.56		-15.90				0.03		3.77		-3.74				-2.84		24.56		-27.40	
		Information Technology								13.50		14.64		-1.14				1.75		1.89		-0.14				13.51		13.54		-0.03	
		Materials								5.36		4.89		0.47				-0.02		0.59		-0.61				6.01		12.33		-6.32	
		Energy								2.34		6.83		-4.50				-0.59		0.60		-1.19				11.58		8.79		2.79	
		Industrials								12.67		11.09		1.58				1.04		0.92		0.12				9.33		8.36		0.97	
		Consumer Discretionary								5.08		12.42		-7.33				-0.52		0.91		-1.43				-12.37		7.33		-19.70	
		Stocks								0.00		0.03		-0.03				0.00		0.00		0.00				42.86		3.72		39.13	
		Funds								0.07		0.10		-0.02				0.00		0.00		0.00				0.14		0.14		0.00	
		Cash								4.59		0.27		4.32				-0.28		-0.01		-0.27				-4.57		-3.82		-0.75	
		Telecommunication Serv...								0.03		3.43		-3.40				0.00		-0.16		0.17				17.47		-4.07		21.53	
		Health Care								15.35		12.77		2.58				-1.74		-0.75		-0.99				-10.45		-5.65		-4.80	
		Real Estate								0.14		3.31		-3.17				0.06		-0.20		0.26				4.22		-5.72		9.94	
		Utilities								0.09		3.33		-3.24				0.00		-0.21		0.21				-4.99		-5.78		0.79	
		Consumer Staples								14.91		10.34		4.58				-1.90		-0.68		-1.22				-12.88		-6.09		-6.79	
		Bonds								25.20		0.00		25.20				-2.39				-2.39				-8.81				-8.81	

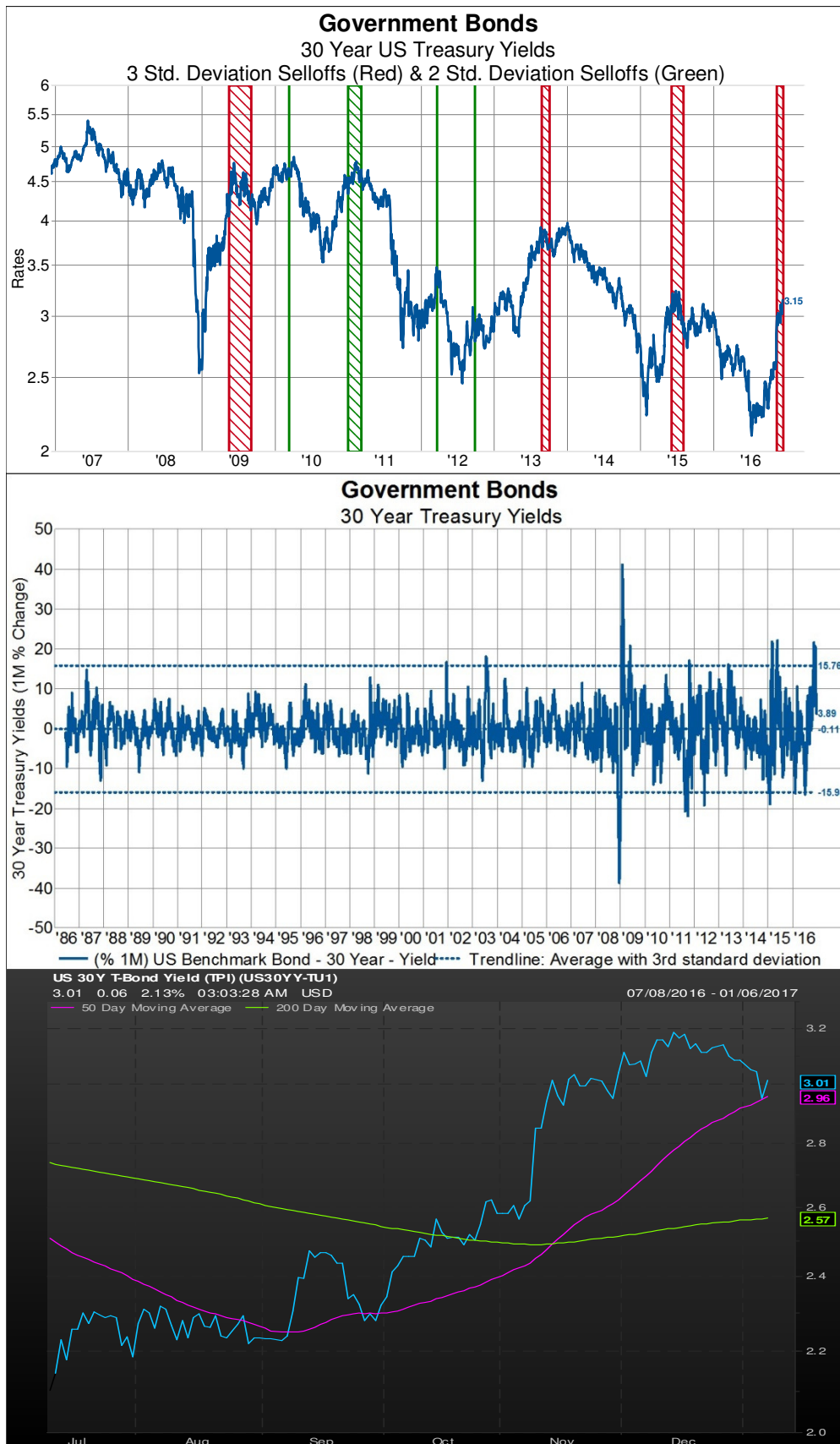
Capital market performance since the election has been peculiar, with US long rates, stocks, commodities, and the US dollar all moving higher together. This aberrant combination is unlikely to last long. To begin with, we expect the selloff in US long duration (30 year) bonds—a three standard deviation event that has only happened six times in the last 50 years—to reverse over the months to come. As a result, the fund's roughly 30% combined position in cash and fixed income assets will remain stable for the time being.

# GAVEKAL MULTI-FUND PLC

## INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS

For the financial period from 1 July 2016 to 31 December 2016

### Investment Advisor's Report (continued)





## GAVEKAL MULTI-FUND PLC

### INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS

For the financial period from 1 July 2016 to 31 December 2016

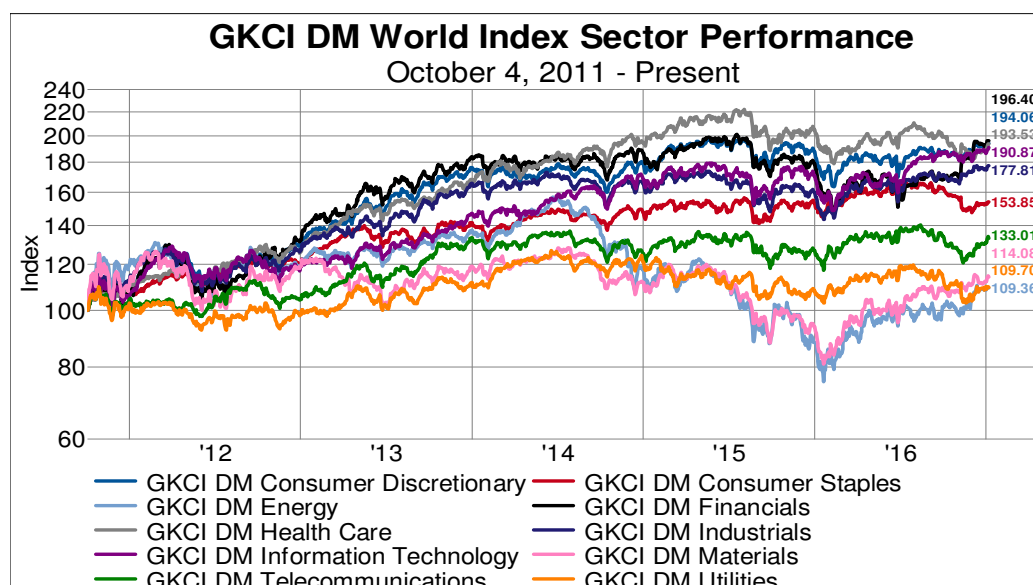
#### Investment Advisor's Report (continued)

Conditions look very similar to early 2014, when rates sold off in a flurry of emotion during the “taper tantrum”, only to then begin an 18 month up-move into July 2016. For this reason, the likelihood of long-term leadership by the financials sector seems to be slim. In addition, while the US dollar has benefitted from the increase in rates, fundamental economic forces should re-assert themselves to halt the rise in the dollar. This runs counter to the optimism surrounding the US\$, highlighted by the recent Economist cover. However, much as in 2005 when the Economist featured the US\$ on the front page at its lows, this is likely to serve as a contrarian indicator.

Fundamental economic forces, valuations, and exuberant sentiment suggest a rotation away from US stocks. Changes in portfolio allocation over the last year, and in particular the last six months, reflects the relative opportunity in foreign stocks. Many groups outside the US have been overlooked but do, in fact, represent good value and growth opportunities. With a focus on positioning the portfolio for the long term (i.e. the next few years as opposed to just the next few weeks or months), the rotation away from US stocks—which subsequently outperformed—has been a source of recent portfolio underperformance. In addition to shifts in geographic allocation, on a sector basis, energy and materials stocks are showing signs of becoming the new leadership groups. Respectively, they gained +27.5% and +22.7% in 2016.

Intraday		Holdings		Characteristics		Tracking Error/Volatility		VaR		Scenarios		Performance		Attribution																													
Main View		Summary																																									
Port		UCITS		vs		ISHARES MSC		by		GICS Sectors		in		USD		Time		Cust		01/01/16		-		12/30/16																			
Mo...		Total Return		Unit		Percentage		Curve		Sovereign																																	
Name				ISIN				Avg % Wgt				CTR				Tot Rtn																											
								Port				Bmrk				+/-				Port				Bmrk				+/-															
UCITS								100.00				100.00				0.00				1.76				8.15				-6.39															
Energy								1.18				6.63				-5.45				-0.60				1.72				-2.32				16.02				27.50				-11.48			
Materials								5.27				4.70				0.57				0.96				1.02				-0.06				27.27				22.69				4.58			
Stocks								0.00				0.05				-0.05				0.00				0.01				-0.01				42.86				17.50				25.36			
Industrials								9.68				10.91				-1.23				1.07				1.54				-0.47				3.88				14.36				-10.49			
Information Technology								13.57				14.32				-0.75				1.18				1.74				-0.56				11.48				12.19				-0.70			
Financials								0.39				16.46				-16.07				0.04				1.70				-1.67				-1.16				10.96				-12.12			
Utilities								0.06				3.38				-3.33				0.00				0.25				-0.25				-2.96				7.14				-10.10			
Telecommunication Serv...								0.02				3.52				-3.49				0.00				0.23				-0.23				19.57				6.27				13.30			
Real Estate								0.08				3.30				-3.22				0.06				0.13				-0.07				6.61				3.44				3.16			
Consumer Discretionary								5.13				12.58				-7.45				-0.12				0.42				-0.54				-1.76				3.37				-5.14			
Consumer Staples								18.77				10.58				8.20				0.78				0.27				0.52				-2.39				1.81				-4.21			
Indexes								0.00				0.17				-0.17				0.06				-0.06				0.00				0.28				-0.28							
Funds								0.09				0.10				-0.01				0.00				0.00				0.00				0.17				0.16				0.00			
Cash								5.99				0.28				5.71				-0.29				-0.01				-0.28				-4.41				-4.01				-0.40			
Health Care								16.40				13.03				3.37				-0.13				-0.94				0.80				2.58				-6.60				9.18			
Bonds								23.36				0.00				23.36				-1.19				0.00				-1.19				-3.35								-3.35			

Together, they have been the worst performers on a global basis over the last four years.

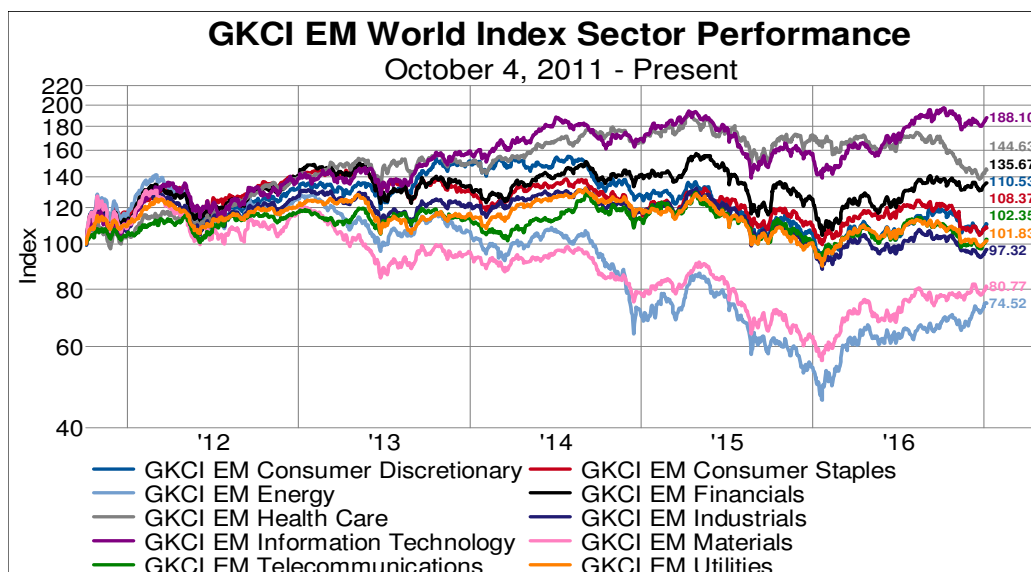


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## INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS

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### Investment Advisor's Report (continued)



As innovative new extraction and processing technologies enable many companies to thrive in the current price environment, these sectors have emerged as candidates for increased investment.

With respect to the general outlook for the economy, there appears to still be plenty of slack in the labor market, as evidenced by average hourly earnings at just +2.5% year-over-year. The broad U6 unemployment rate remains low around 9%, having gotten down to 6.9% and 6.8% in the last two cycles. The employment-to-population ratio of 25 to 34-year-olds is 78%, down from 82% in 2000. The employment-to-population ratio among 35 to 44-year-olds is a little over 79%, while as recently as 2000 it was over 82%. The employment-to-population ratio of 45 to 54-year-olds is just 77.5%, down from over 80% in 2000. The CBO Output Gap is -1.48%, still below the levels that typically lead to inflation. Capacity utilization in the US is at 75%, a level similar to recessions in 1982 and 2001. Structural inflation, defined as the trailing 10-year average, is at 1.78%, the lowest since 1967. Our CPI diffusion index is at levels similar to past recessions.

Economic growth is a function of two ingredients: labor force growth and labor productivity. Over the last 5 years, labor force growth has averaged +0.7%. Over the last five years, labor productivity has averaged +0.57%. Combined, this suggests the economy's potential growth rate is around +1.25%. Politics can't change demographics. The combination of a recently rising US dollar and rising interest rates should negatively impact economic growth in early 2017. US mortgage rates have increased 70bps from their September lows, which should be a drag on housing activity. US BAA rates have increased 72bps from their July lows, likely a headwind to corporate capex. The dollar's sharp rise from August lows should represent a headwind to exports, manufacturing activity, and company earnings. Finally, China's two-year swap spread has spiked 60bps over the last month. In 2014, a similar spike was a prelude to a significant economic slowdown in China, which spread to the rest of the world. In the first half of 2016, China's government spending grew at a +20% annualized rate. In the second half of the year, it has slowed to +10%. The stimulus in the first half of the year amounted to roughly 2% of China's GDP and is now on a downward trajectory.

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**Investment Advisor's Report (continued)**

The implications of the above analysis can be summarized as follows:

<b>Assets</b>	<b>Forecast</b>
Currency	USD Weakens
US Government Rates	Long Rates Decline
US Stock vs. Bond Allocation	Favor Long Bonds
Knowledge Leader Regional Equity Leadership	Favor Non-US Developed and Emerging Markets
Knowledge Leader Sector Leadership	Late Cyclical
Knowledge Leader Resources	Overweight

**GAVEKAL MULTI-FUND PLC**  
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**Statement of Financial Position**

	<b>GaveKal Knowledge Leaders Fund*</b>	
	<b>31-Dec-2016</b>	<b>30-Jun-2016</b>
	<b>USD</b>	<b>USD</b>
<b>Assets</b>		
Financial assets at fair value through profit or loss	109,914,286	115,336,037
Cash and cash equivalents	6,439,522	3,825,458
Dividends receivable	59,879	91,159
<i>Total assets</i>	<u>116,413,687</u>	<u>119,252,654</u>
<b>Liabilities</b>		
Accrued expenses	(246,971)	(268,334)
Redemptions payable	(3,245,222)	(374,267)
Payable for investments purchased	-	(376,021)
<i>Total liabilities (excluding net assets attributable to holders of redeemable participating shares)</i>	<u>(3,492,193)</u>	<u>(1,018,622)</u>
<b>Net assets attributable to holders of redeemable participating shares</b>	<b><u>112,921,494</u></b>	<b><u>118,234,032</u></b>
 Redeemable participating shares outstanding	 <u>669,598</u>	 <u>666,258</u>
 Net Asset Value per share	 <u>168.64</u>	 <u>177.46</u>

\*These figures represent the Company as a whole, given there is only one sub-fund.

**GAVEKAL MULTI-FUND PLC**

**INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS**

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**Statement of Comprehensive Income**

	<b>GaveKal Knowledge Leaders Fund*</b>	
	<b>Period ended</b>	<b>Period ended</b>
	<b>31-Dec-2016</b>	<b>31-Dec-2015</b>
	<b>USD</b>	<b>USD</b>
<b>Income</b>		
Dividend income	1,113,236	671,470
Bank interest income	-	1,108
Net (loss)/gain on financial assets at fair value through profit or loss	(5,579,836)	3,534,583
<b>Total investment (loss)/gain</b>	<b>(4,446,600)</b>	<b>4,207,161</b>
<b>Expenses</b>		
Management fees	(1,225,164)	(1,231,177)
Depository and trustee fees	(15,294)	(14,795)
Administration and transfer agent fees	(47,046)	(47,897)
Audit fees	(13,135)	(6,271)
Directors fees	(12,271)	(5,562)
Transaction fees	(203,547)	(199,532)
Other fees	(44,449)	(37,641)
<b>Total expenses</b>	<b>(1,560,906)</b>	<b>(1,542,875)</b>
<b>Operating (loss)/gain</b>	<b>(6,027,506)</b>	<b>2,664,286</b>
Withholding tax on dividends	(250,352)	(160,779)
<b>(Decrease)/increase in net assets attributable to holders of redeemable participating shares from operations</b>	<b>(6,277,858)</b>	<b>2,503,507</b>

Gains and losses arose solely from continuing operations. There are no recognised gains or losses during the period other than those included in the Statement of Comprehensive Income.

\*These figures represent the Company as a whole, given there is only one sub-fund.

**GAVEKAL MULTI-FUND PLC**

**INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS**

**For the financial period from 1 July 2016 to 31 December 2016**

**Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares**

	<b>GaveKal Knowledge Leaders Fund*</b>	
	<b>Period ended</b>	<b>Period ended</b>
	<b>31-Dec-2016</b>	<b>31-Dec-2015</b>
	<b>USD</b>	<b>USD</b>
<b>Net assets attributable to holders of redeemable participating shares at beginning of the financial period</b>	<b>118,234,032</b>	<b>122,494,594</b>
Proceeds from redeemable participating shares issued	12,551,790	10,657,041
Payments for redeemable participating shares redeemed	(11,568,470)	(18,116,604)
	965,620	(7,459,563)
(Decrease)/increase in net assets attributable to holders of redeemable participating shares from operations	(6,277,858)	2,503,507
<b>Net assets attributable to holders of redeemable participating shares at end of the financial period</b>	<b>112,921,494</b>	<b>117,538,538</b>

\*These figures represent the Company as a whole, given there is only one sub-fund.

**GAVEKAL MULTI-FUND PLC**

**INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS**

**For the financial period from 1 July 2016 to 31 December 2016**

**Statement of Cash Flows**

	<b>GaveKal Knowledge Leaders Fund*</b>	
	<b>Period ended</b>	<b>Period ended</b>
	<b>31-Dec-2016</b>	<b>31-Dec-2015</b>
	<b>USD</b>	<b>USD</b>
<b>Operating activities</b>		
(Decrease)/increase in assets attributable to holders of redeemable participating shares	(6,277,858)	2,503,507
<i><u>Adjustments to reconcile increase in assets attributable to holders of participating redeemable shares resulting from operations to net cash provided by operating activities</u></i>		
Net unrealised loss/(gain) on financial assets at fair value through profit or loss	15,832,961	(1,483,119)
Purchase of financial assets	(102,648,467)	(66,149,845)
Sale of financial assets	92,237,257	82,720,476
Increase/(decrease) in dividends receivable	31,280	(22,992)
Decrease in payable for investments purchased	(376,021)	(6,109,248)
Increase in receivable for investments sold	-	9,772,892
Decrease in accrued expenses	(21,363)	(12,612)
Net cash provided by operating activities	<u>(1,222,211)</u>	<u>21,219,059</u>
<b>Financing activities</b>		
Proceeds from redeemable participating shares issued	12,551,790	9,702,080
Payments for redeemable participating shares redeemed	<u>(8,715,515)</u>	<u>(17,843,064)</u>
Net cash used in financing activities	<u>3,836,275</u>	<u>(8,140,984)</u>
<b>Net increase in cash and cash equivalents</b>	<b>2,614,064</b>	<b>13,078,075</b>
Cash and cash equivalents at beginning of the financial period	3,825,458	4,925,500
<b>Cash and cash equivalents at end of the financial period</b>	<b><u>6,439,522</u></b>	<b><u>18,003,575</u></b>

\*These figures represent the Company as a whole, given there is only one sub-fund.

# GAVEKAL MULTI-FUND PLC

## INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS

For the financial period from 1 July 2016 to 31 December 2016

### Notes to the Financial Statements

#### 1 Basis of Preparation

The condensed financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

#### 2 Significant Accounting Policies

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the Company's financial statements for the year ended 30 June 2016.

Realised gains and losses on sales of non-derivative investments are calculated on a weighted average cost basis. Realised gains and losses on the closure of derivative contracts are calculated using the first-in-first-out basis. Unrealised gains and losses on investments arising during the period are taken to the Statement of Comprehensive Income.

#### 3 Redeemable participating shares

The net assets attributable to holders of redeemable participating shares in the Funds are at all times equal to the Net Asset Value of the Funds. Participating shares, which comprise the capital of the Company, are for financial reporting purposes a liability of the Company to shareholders. The shares are freely transferable and are all entitled to participate equally in profit and distributions (if any) of the Funds and in the assets in the event of termination. The participating shares carry no preferential or pre-emptive rights and are in registered form. Non-participating shares do not entitle the holders to any dividends and on winding up entitle the holders to receive the amount paid up but not otherwise entitle them to participate in the assets of the Company. The movement in the number of participating and non-participating shares is as follows:

	<b>GaveKal Knowledge Leaders Fund Participating shares</b>
Shares in issue at 1 July 2015	735,351
Issued during the financial year	122,845
Redeemed during the financial year	(191,938)
Shares in issue at 30 June 2016 and 1 July 2016	<u>666,258</u>
Issued during the financial period	70,863
Redeemed during the financial period	(67,524)
<b>Shares in issue at 31 December 2016</b>	<b><u>669,597</u></b>

On incorporation the authorised share capital of the Company was represented by 500,000,000,000 Participating Shares of no par value and 300,000 Management Shares of EUR 1 each. Of these 3 shares are issued and beneficially held by GaveKal Capital Ltd. The Management Shares do not form part of shareholders' funds and have been disclosed by way of note only.



## GAVEKAL MULTI-FUND PLC

### INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS

For the financial period from 1 July 2016 to 31 December 2016

#### Notes to the Financial Statements (continued)

#### 4 Taxation

Under current law and practice, the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended. On that basis it is not chargeable to Irish tax on its income or capital gains.

However, Irish tax may arise on the happening of a "chargeable event" in the Company. A chargeable event includes any distribution payments to shareholders or any encashment, redemption, cancellation or transfer of shares, and the holding of shares at the end of each eight year period beginning with the acquisition of the shares.

No Irish tax will arise on the Company in respect of chargeable events in respect of:

- A shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided that appropriate valid declarations in accordance with the provisions of the Taxes Consolidation Act, 1997, as amended, are held by the Funds.
- Certain exempted Irish resident shareholders who have provided the Funds with the necessary signed statutory declarations.

Dividends and capital gains (if any) received on investments made by the Company may be subject to withholding taxes imposed by the country from which the investment income or capital gains are received and such taxes may not be recoverable by the Company.

#### 5 Exchange rates used in this report

The financial statements are prepared in US Dollars (USD) for GaveKal Knowledge Leaders Fund. The following exchange rates at 31 December have been used to translate assets and liabilities denominated in other currencies:

Currency	31-Dec-2016	30-Jun-2016
	USD	USD
AUD	0.72411	0.74460
CAD	0.74570	0.76999
DKK	0.14185	N/A
EUR	1.05475	1.11095
GBP	1.23564	1.33680
HKD	0.12898	N/A
JPY	0.00857	0.00874
NOK	0.11617	N/A
SEK	0.11008	N/A
SGD	0.69218	N/A

#### 6 Soft commissions

There are no soft commission arrangements in place for the financial period ended 31 December 2016.

#### 7 Distributions

It is the present intention of the Directors not to declare or pay dividends out of the assets of the Company.

## GAVEKAL MULTI-FUND PLC

### INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS

For the financial period from 1 July 2016 to 31 December 2016

#### Notes to the Financial Statements (continued)

#### 8 Efficient portfolio management

The Company may employ investment techniques and derivative instruments for efficient portfolio management purposes, subject to the conditions and within the limits from time to time laid down by the Central Bank of Ireland.

As at 31 December 2016 there were no forward currency contracts in place in the Fund (2015: None).

#### 9 Related party transactions

##### Distributor

The Company entered into a distribution agreement with GaveKal Limited, which is a related party by virtue of significant influence. For this service the Distributor receives a fee paid by the Company of 35% of the management fees paid by GaveKal Knowledge Leaders Fund up to 30 September 2016, and 42.5% thereafter. GaveKal Limited also holds the following shares in the Company:

	31-Dec-2016	30-Jun-2016
GaveKal Knowledge Leaders Fund	803	803

##### Directors

The independent non-executive Directors, John Mahon and David Hammond, are entitled to receive EUR 30,000 per annum for Directors' fees. Louis-Vincent Gave is not entitled to receive any fees from the Company.

The Central Bank UCITS regulations requires that any transaction carried out with the Company by a manager, depositary, and associated or group companies of these ("connected parties") are carried out as if negotiated at arm's length and are in the best interests of the shareholders.

The Directors of the Company are satisfied that there are arrangements in place to ensure that this requirement is applied to transactions with connected parties, and that transactions with connected parties during the period complied with this requirement.

#### 10 Fair value hierarchy

IFRS 13 establishes a three-tier fair value hierarchy that prioritises the inputs to valuation techniques to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and lowest priority to unobservable inputs (Level 3 measurement). Investments measured and reported at fair value are classified and disclosed in one of the following fair value hierarchy levels based on the significance of the inputs used in measuring it's fair value:

Level 1- Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2- Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly. Fair value is determined through the use of models or other valuation methodologies;

Level 3- Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable. Unobservable inputs are developed based on the best information available in the circumstances and reflect the Fund's own assumptions about how market participants would be expected to value the asset or liability.

## **GAVEKAL MULTI-FUND PLC**

### **INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS**

**For the financial period from 1 July 2016 to 31 December 2016**

#### **Notes to the Financial Statements (continued)**

**10 Fair value hierarchy (continued)**

An investment is always categorised as Level 1, 2 or 3 in its entirety. In certain cases, the fair value measurement for an investment may use a number of different inputs that fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The Company's financial instruments are measured at fair value and it is usually possible to determine their fair values within a reasonable range of estimates. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties that may require significant judgement (e.g. interest rates, volatility, estimated cash flows etc.) Actual results could differ from these estimates.

At 31 December 2016 and 30 June 2016 all financial assets at fair value through profit or loss held in the Company were classified as Level 1 financial assets.

As there were no Level 3 securities held in the Company during the financial period, a table of movements in Level 3 investments is not required to be presented.

There were no movements of financial assets between the levels during the financial period.

**10 Significant events during the period**

There have been no significant events during the period which require reporting in these financial statements.

**11 Subsequent events**

There have been no significant events since 31 December 2016 which require reporting in these financial statements.

**12 Approval of Financial Statements**

The financial statements were approved by the Directors on 23 January 2017.

**GAVEKAL MULTI-FUND PLC**

**INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS**

**For the financial period from 1 July 2016 to 31 December 2016**

**Schedule of Investments**

**Gavekal Knowledge Leaders Fund**

<b>Description</b>	<b>Quantity</b>	<b>Ccy</b>	<b>Fair value USD</b>	<b>% TNA</b>
<b><i>Exchange Traded Equities</i></b>				
<b><i>Australia</i></b>				
Origin Energy	259,812	AUD	1,239,806	1.10%
Rio Tinto Ltd	27,163	AUD	1,178,186	1.04%
			<u>2,417,992</u>	<u>2.14%</u>
<b><i>Belgium</i></b>				
Tate & Lyle Plc	99,181	GBP	867,062	0.77%
<b><i>Canada</i></b>				
Cenovus Energy Corp	80,777	USD	1,222,156	1.08%
Cgi Group Inc A	17,872	CAD	858,797	0.76%
Imperial Oil	23,852	CAD	830,800	0.74%
Suncor Energy Inc	51,660	CAD	1,691,145	1.50%
			<u>4,602,898</u>	<u>4.08%</u>
<b><i>China</i></b>				
Belle International Holdings	711,989	HKD	400,388	0.35%
China Resources Beer Holding Company Ltd	416,956	HKD	828,194	0.73%
China Shenhua Energy Co	404,556	HKD	761,820	0.67%
Cnooc Ltd	959,092	HKD	1,199,922	1.06%
Fuyao Glass Industry Group Co Ltd	143,946	HKD	446,515	0.40%
MGM China Holdings Ltd	403,058	HKD	835,939	0.74%
Petrochina Co Ltd	1,808,876	HKD	1,348,521	1.19%
Sun Art Retail Group Ltd	942,213	HKD	826,379	0.73%
Tingyi Holding	766,377	HKD	932,127	0.83%
Tsingtao Brewery Co Ltd	231,770	HKD	875,883	0.78%
			<u>8,455,686</u>	<u>7.49%</u>
<b><i>Denmark</i></b>				
Statoilhydro ASA	93,911	NOK	1,728,157	1.53%
Subsea 7 SA	65,834	NOK	835,953	0.74%
TGS-NOPEC Geophysical	19,110	NOK	425,593	0.38%
William Demant Holding	73,970	DKK	1,288,518	1.14%
			<u>4,278,221</u>	<u>3.79%</u>
<b><i>Finland</i></b>				
Metso Oyj	43,955	EUR	1,256,398	1.11%
<b><i>Germany</i></b>				
Siemens AG	20,193	EUR	2,487,673	2.20%
<b><i>Japan</i></b>				
Hitachi Construction Machinery	37,800	JPY	820,266	0.73%
Horiba Ltd	19,100	JPY	885,935	0.78%
Inpex Holdings Inc	117,000	JPY	1,174,664	1.04%
Jsr Corp	53,100	JPY	839,056	0.74%
Komatsu Ltd	52,300	JPY	1,187,158	1.05%
Misumi	50,000	JPY	824,795	0.73%

**GAVEKAL MULTI-FUND PLC**

**INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS**

**For the financial period from 1 July 2016 to 31 December 2016**

**Schedule of Investments (continued)**

<b>Description</b>	<b>Quantity</b>	<b>Ccy</b>	<b>Fair value USD</b>	<b>% TNA</b>
<u><i>Japan (continued)</i></u>				
Mitsubishi Electric Corp	58,200	JPY	813,108	0.72%
Mitsubishi Heavy Industries	172,700	JPY	788,614	0.70%
Nikon Corp	55,400	JPY	863,049	0.76%
Otsuka Holdings Co Ltd	21,700	JPY	947,555	0.84%
Recruit Holding Co Ltd	22,500	JPY	904,745	0.80%
Sumitomo Metal Mining Co Ltd	87,700	JPY	1,133,141	1.00%
Sekisui Chemical Co Ltd	53,200	JPY	850,215	0.75%
Tsumura & Co	48,000	JPY	1,325,159	1.17%
Toto Ltd	32,500	JPY	1,288,742	1.14%
Ube Industries Ltd	372,800	JPY	783,092	0.69%
Yaskawa Electric Corp	79,400	JPY	1,237,614	1.10%
			16,666,910	14.76%
<u><i>Singapore</i></u>				
Singapore Airport Terminal	254,671	SGD	854,954	0.76%
<u><i>Sweden</i></u>				
Elektro AB	151,229	SEK	1,341,725	1.19%
Sandvik	103,525	SEK	1,284,288	1.14%
SKF AB Atkie	44,493	SEK	820,841	0.73%
			3,446,854	3.05%
<u><i>United Kingdom</i></u>				
Antofagasta Plc	178,238	GBP	1,486,617	1.32%
Bhp Billiton Plc	74,459	GBP	1,202,048	1.06%
Rolls Royce Holdings Plc Preferred	5,977,010	GBP	7,385	0.01%
			2,696,051	2.39%
<u><i>United States of America</i></u>				
Adobe Systems Inc	12,455	USD	1,282,242	1.14%
Alphabet Inc	1,500	USD	1,188,675	1.05%
Baxter International Inc	18,766	USD	832,084	0.74%
Becton Dickinson & Co	7,616	USD	1,260,829	1.12%
Celanese Ser A	15,320	USD	1,206,297	1.07%
Chevron Corp	10,950	USD	1,288,815	1.14%
Coach Inc	32,871	USD	1,151,142	1.02%
Dover Corp	16,508	USD	1,236,944	1.10%
Dow Chemical Co	21,975	USD	1,257,410	1.11%
Exxon Mobil Corp	14,249	USD	1,286,115	1.14%
Fmc Technologies	35,788	USD	1,271,548	1.13%
Ingersoll Rand Plc	16,165	USD	1,213,022	1.07%
Intuit	7,193	USD	824,390	0.73%
Laboratory Corp	6,585	USD	845,382	0.75%
Merck And Co Inc	20,711	USD	1,219,257	1.08%
Microchip Technology Inc	13,040	USD	836,516	0.74%
Microsoft Corp	20,464	USD	1,271,633	1.13%
Mosaic Co	40,362	USD	1,183,817	1.05%
National Oilwell Varco	42,605	USD	1,595,131	1.41%

**GAVEKAL MULTI-FUND PLC**

**INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS**

**For the financial period from 1 July 2016 to 31 December 2016**

**Schedule of Investments (continued)**

<b>Description</b>	<b>Quantity</b>	<b>Ccy</b>	<b>Fair value USD</b>	<b>% TNA</b>
<i><u>United States of America (continued)</u></i>				
Noble Energy	43,125	USD	1,641,338	1.45%
Occidental Petroleum Corp	24,013	USD	1,710,446	1.51%
Rockwell Collins Inc	13,438	USD	1,246,509	1.10%
Schlumberger Ltd	19,991	USD	1,678,244	1.49%
Stanley Black And Decker Inc	10,524	USD	1,206,998	1.07%
Varian Medical Systems Inc	13,899	USD	1,247,852	1.11%
Waters Corp	9,090	USD	1,221,605	1.08%
			<b>32,204,241</b>	<b>28.52%</b>
<b>Total financial assets at fair value through profit or loss</b>			<b>80,234,939</b>	<b>71.05 %</b>
<i><b>Exchange Traded Funds</b></i>				
Ishares 10-20 Year Treasury Bond	17,218	USD	2,288,789	2.03%
Ishares Barclays 3-7 Year Treasury Bond Fund	34,165	USD	4,185,554	3.71%
Ishares Lehman 20+Y Treasury Bond	36,661	USD	4,366,325	3.87%
Ishares Lehman 7-10Y Treasury Bond	44,364	USD	4,650,234	4.12%
Pimco Trust	14,177	USD	1,540,048	1.36%
SPDR Bloomberg Barclays Long Term Treasury	55,798	USD	3,843,924	3.40%
Vanguard Extended Duration Treasury	37,165	USD	4,066,594	3.60%
Vanguard Intermediate -Term Government	74,122	USD	4,737,878	4.20%
<b>Total financial assets at fair value through profit or loss</b>			<b>109,914,286</b>	<b>97.34 %</b>
Cash and cash equivalents			6,439,522	5.70%
Other assets and liabilities			3,432,314	(3.04%)
<b>Net assets attributable to holders of redeemable participating shares</b>			<b>112,921,494</b>	<b>100.00 %</b>

**GAVEKAL MULTI-FUND PLC**

**INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS**

**For the financial period from 1 July 2016 to 31 December 2016**

**Schedule of Significant Portfolio Movements**

**Gavekal Knowledge Leaders Fund**

<b>Largest Purchases</b>	<b>Proceeds USD</b>	<b>Largest Sales</b>	<b>Proceeds USD</b>
Vanguard Extnd	4,899,848.47	Schwab Intermediate	4,610,389.27
Spdr Barclays Lt	4,296,155.85	Vangd Inter Term Bond	4,057,169.24
Ishares 10-20 Year Term Bond	2,463,293.17	Schwab Short-Term	3,436,089.88
Pimco Trust	1,835,609.61	Ishs Lehmn 1-3Y Term Bond	2,943,328.81
Noble Energy	1,784,728.13	Pepsico	2,401,182.38
Occid. Petroleum	1,738,466.76	Lawson Inc	2,282,031.87
Schlumberger Ltd	1,722,648.46	Nvidia Corp	1,863,070.55
Ntal Oilwell Varco	1,718,519.54	Albemarle	1,724,899.10
Suncor Energy Inc	1,717,996.21	Skyworks Solutions	1,388,725.65
Statoilhydro Asa	1,708,369.88	Kirin Holdings Co Ltd	1,323,890.76
Antofagasta Plc	1,695,211.06	Kuraray	1,303,944.63
Skyworks Solutions	1,382,857.82	Stryker Corp	1,302,665.94
Exxon Mobil	1,319,797.95	Intercont Hotels	1,289,619.77
Petrochina Co Ltd	1,318,539.37	Rolls-Royce Holdings	1,263,910.64
Origin Energy	1,305,961.54	Citrix Systems	1,251,528.78
Bhp Billiton Plc	1,301,124.60	Bard (Cr) Inc	1,249,747.72
Misumi	1,296,945.05	Ansys Atkie	1,249,018.58
William Demant Holdings	1,295,757.60	Life Healthcare Group	1,235,259.74
Cenovus Energy	1,294,031.69	Cisco Systems Inc	1,213,274.49
Chevron Corp	1,285,258.44	Stanley Black & Decker	1,211,659.13
Sysmex	1,279,605.49	Johnson & Johnson	1,207,736.78
CNOOC Limited	1,275,990.46	Toho Co Ltd	1,200,428.95
Elektro B	1,269,622.29	General Mills Inc	1,196,729.26
Inpex Holdings Inc	1,268,647.70	Sumi Dai Pharma	1,194,477.14
Baxter Intl	1,263,360.47	Koninklijke Ahold De	1,192,112.62
Husqvarna AB	1,261,201.80	Nitori	1,191,641.81
Intercont Hotels	1,260,626.81	Familymt Uny Holdings	1,182,297.61
Rio Tinto Ltd	1,255,095.43	Dover Corp	1,179,321.20
Coach Inc	1,253,867.58	Johnson & Johnson	1,179,212.48
Toho Co Ltd	1,252,103.52	Loblaw Companies	1,173,292.50
Rolls-Royce Holdings	1,249,905.95	JM Smucker	1,163,779.07
Hexagon B	1,245,350.63	General Mills Inc	1,157,492.79
Sandvik	1,243,680.92	Henry Schein Inc	1,154,207.40
Varian Medical Sys	1,237,452.27	WPP Plc	1,149,815.72
Nissin Food Produc	1,237,245.96	Terumo Corp	1,139,002.14
Astellas Pharma Inc	1,237,128.88	Daiichi Sankyo Co	1,135,845.53
Sumitomo Metal Min	1,235,628.19	Dena Co Ltd	1,129,581.58
Asahi Group Holding	1,235,149.85	Kurita Water Ind	1,125,712.00
Kone B	1,230,872.76	Avery Dennison	1,120,859.01
Dassault Systemes	1,228,197.26	Unilever	1,114,722.82
Ansys Atkie	1,227,771.94	Estee Lauder Co	1,108,459.47
Jm Smucker	1,227,700.85	Astellas Pharma Inc	1,106,701.25
Toto Ltd	1,222,591.71	Reckitt Benckiser	1,098,301.87

**GAVEKAL MULTI-FUND PLC**

**INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS**

**For the financial period from 1 July 2016 to 31 December 2016**

**Schedule of Significant Portfolio Movements (continued)**

**Gavekal Knowledge Leaders Fund**

<b>Largest Purchases</b>	<b>Proceeds USD</b>	<b>Largest Sales</b>	<b>Proceeds USD</b>
Sekisui Chemical	1,215,359.41	Asahi Group Holding	1,089,444.86
Recruit Holding Co	1,210,551.81	Kao Corp	1,084,923.59
Yaskawa Electric	1,200,643.45	Taisho Pharm	1,078,672.13
Tate & Lyle Plc	1,199,334.87	Kone B	1,073,334.86
Merck And Co Inc	1,199,005.09	Dassault Systemes	1,064,388.83
Mosaic Co The	1,188,721.44	Shimamura	1,039,135.27
Mitsub. Heavy Ind.	1,174,888.82	Sage Grp	1,038,132.69
Ingersoll Rand Plc	1,169,288.91	Nisshin Seifun	1,035,000.44
Siemens AG	1,164,646.57	Sysmex	1,034,867.67
Fmc Technologies	1,164,147.85	Fujifilm Holdings	1,029,758.59
Nikon Corp	1,146,180.61	Hexagon B	1,027,306.95
Metso Oyj	1,098,309.25	Meiji Holdings	1,025,303.73
Siemens AG	1,087,296.75		