



Slater Investments Limited

Slater Recovery Fund

Annual Report

For the year ended 30th November 2017

SLATER RECOVERY FUND

DIRECTORY

Registered Office

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Authorised Fund Manager (AFM)

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* Authorised and regulated by the Financial Conduct Authority.

** Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

SLATER RECOVERY FUND

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SLATER RECOVERY FUND

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised status

Slater Recovery Fund (the “Fund”) is an authorised unit trust scheme established by a Trust Deed dated 25 March 2002. It is a UCITS scheme as defined in the Collective Investment Schemes Sourcebook (COLL). The Fund is authorised and regulated by the Financial Conduct Authority with effect from 2 April 2002.

Unitholders of the Fund are not liable for the debts of the scheme.

Investment objectives

The investment objective of the Fund is to achieve capital growth.

The Fund will invest in companies both in the UK and overseas but concentrating mainly or, where appropriate, exclusively on UK shares. Other investments including bonds, warrants and options, within the limits imposed by the trust deed may also be used where it is considered that they meet the investment objective. It is also intended where appropriate to take advantage of underwritings and placings. At times it may be appropriate for the Fund not to be fully invested but to hold cash and near cash. The Fund has powers to borrow as specified in COLL and may invest in derivatives and forward transactions for hedging purposes only.

Rights and terms attaching to each unit class

Each unit of each class represents a proportional entitlement to the assets of the Fund. The allocation of income and taxation and the rights of each unit in the event the Fund is wound up are on the same proportional basis.

Change in prospectus

A letter was sent to Unitholders on 31 May 2017, notifying them of changes to Slater Recovery Fund, which became effective on 7 August 2017. These include a change of AFM, Trustee, Administrator and Registrar, consequential amendments to charges as a result of these changes, and a change in the name of the Scheme and the Fund.

Up to date key investor information documents, the full prospectus and reports and accounts for any fund can be requested by the investor at any time.

Remuneration Policy

The authorised fund manager is subject to a remuneration policy which is applicable to UCITS funds and is consistent with the principles outlined in the Alternative Investment Fund Managers Directive (AIFMD) and the FCA Handbook of Rules and Guidance. The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its senior staff is in line with the risk policies and objectives of the UCITS funds it manages.

The fixed remuneration paid by the authorised fund manager to its staff in respect of all funds that it manages in the financial year ended 31 December 2016 was £649,205 and was shared amongst 11 members of staff. The financial year of Slater Recovery Fund ran from 1 December 2016 to 30 November 2017, whereas the financial year of Slater Investments Limited runs from 1 January to 31 December. The above figures are taken from the financial report and accounts of Slater Investments Limited for the period 1 January 2016 to 31 December 2016. The financial statements of Slater Investments Limited have been independently audited.

All 11 authorised fund manager staff members were fully or partially involved in the activities of the Fund. The variable remuneration paid by the authorised fund manager to its staff in respect of all funds that it manages in the financial year ended 31 December 2016 was £858,609. The authorised fund manager staff remuneration is established with reference to the market remuneration of each equivalent position and is not linked to the performance of the Fund or any other fund of the authorised fund manager. None of the authorised fund manager's staff actions had a material impact on the risk profile of the Fund.

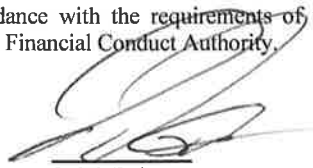
SLATER RECOVERY FUND

DIRECTOR'S STATEMENT

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



Mark Slater
Director



Ralph Baber
Director

SLATER INVESTMENTS LIMITED
Date: 30 January 2018

STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

The rules contained in the Collective Investment Schemes Sourcebook (the COLL) and made by the Financial Conduct Authority pursuant to the Financial Services and Markets Act 2000 require the authorised fund manager to prepare financial statements for each annual accounting period, reporting the financial position of the scheme as at the end of that period and of its income for the period. In preparing those financial statements the authorised fund manager is required to:

- Comply with the Statement of Recommended Practice relating to Authorised Funds issued by The Investment Association, the trust deed, and the rules in the COLL.
- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The authorised fund manager is required to keep proper accounting records and to manage the Trust in accordance with the regulations, the trust deed and the prospectus.

SLATER RECOVERY FUND

STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES AND REPORT OF THE TRUSTEE TO THE UNITHOLDERS OF SLATER RECOVERY FUND ('THE SCHEME') FOR THE YEAR ENDED 30 NOVEMBER 2017

The Trustee must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Scheme and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Scheme in accordance with the Regulations.

The Trustee must ensure that:

- the Scheme's cash flows are properly monitored and that cash of the Scheme is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units in the Scheme is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Scheme's assets is remitted to the Scheme within the usual time limits;
- the Scheme's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager (the "AFM") are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Scheme is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Scheme.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Scheme, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's income in accordance with the Regulations and the Scheme documents, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

30 January 2018

**Kevin Woodcock
Compliance Audit Manager
Trustee & Depositary Services**

SLATER RECOVERY FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE SLATER RECOVERY FUND

Opinion

We have audited the financial statements of the Slater Recovery Fund (the 'fund') for the year ended 30 November 2017 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the fund's affairs as at 30 November 2017 and of its net revenue and net capital gains or losses on the fund property for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by The Investment Association, the rules contained in the Collective Investment Schemes Sourcebook and the trust deed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the authorised fund manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the authorised fund manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The authorised fund manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the report of the authorised fund manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- we have been given all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

SLATER RECOVERY FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE SLATER RECOVERY FUND (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the fund and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the authorised fund manager.

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

- proper accounting records for the fund have not been kept; or
- the financial statements are not in agreement with those records.

Responsibilities of the authorised fund manager

As explained more fully in the Statement of Authorised Fund Manager's Responsibilities set out on page 2, the authorised fund manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the authorised fund 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 authorised fund manager is responsible for assessing the 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 authorised fund manager either intends to liquidate the fund or to cease activity, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the fund's unitholders, as a body, in accordance with paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook. Our audit work has been undertaken so that we might state to the fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund and the fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

BARLOW ANDREWS LLP
CHARTERED ACCOUNTANTS & STATUTORY AUDITOR
CARLYLE HOUSE
78 CHORLEY NEW ROAD, BOLTON

30 January 2018

SLATER RECOVERY FUND

FUND MANAGER'S REPORT

Report for the year to 30 November 2017

<u>Performance</u>	Six Months	1 year	3 years	5 years	Since launch*
Slater Recovery Fund P unit class	8.47%	33.18%	47.90%	116.68%	378.42%
Investment Association (IA) OE UK All Companies	0.87%	15.14%	28.43%	65.85%	301.46%

* A unit class launched 10 March 2003

In mid-December 2016 the US Federal Reserve raised key interest rates citing 'considerably' increased US inflation expectations. This has recalibrated investors' expectations for faster US rate hikes in 2017. At the beginning of the month oil prices rose as OPEC and Russia agreed a production cut which, when added to the fall in Sterling, will add to inflationary pressures in the UK.

During the first calendar quarter of 2017 most major indices posted solid gains with many attaining new highs coupled with negligible volatility. Markets, in the main, took their lead from a Trump-inspired rally with investors expecting higher rates of growth boosted by deregulation and tax cuts.

In mid-March, with one eye on US wage inflation, the US Federal Reserve raised key interest rates again, moving the Federal funds rate up to a range of 0.75% to 1%, albeit still not much above historic lows. Despite OPEC and Russia agreeing to an oil production cut in December, West Texas Intermediate Crude oil fell by approximately 10% during the first calendar quarter of 2017, only to be outdone by a 19% fall in the price of natural gas. Since then the price of crude oil has been in a downtrend, which is beneficial for consumers.

As evidenced by spending on the High Street, since the turn of the year the UK consumer has started to feel the pinch as once-off currency-led inflation hit the price of imports. The surprise General Election result in the UK added to this uncertainty.

Commodity stocks led the market in the third calendar quarter of 2017 driven by strong economic growth in Asia, the Americas and the Eurozone. Companies serving UK consumers reported more difficult conditions as sterling's weakness continued to dampen spending on the High Street. This was compounded by an increase in the cost of petrol fuelled by a double digit increase in the crude oil price.

The London stock market has moved largely sideways since the first half of the calendar year, marking time with bulls and bears evenly poised. Brent crude moved above \$60 per barrel towards the end of October as a result of OPEC and non-OPEC producers agreeing to production cuts and appears to have found some form of equilibrium for now.

We continue to live in uncertain economic and political times. Commentary continues to focus on how the economy and the pound will be impacted by the hung parliament, the risk of a Corbyn government and 'harder' and 'softer' Brexit outcomes.

There were 14 companies making a positive contribution of greater than +0.70% to the Fund.

Contributors (+0.70% or greater)	% Contribution to performance
Hutchison China MediTech	+10.45
First Derivatives	+3.60
Restore	+2.03
DotDigital	+1.48
Paysafe Group	+1.31
XLMedia	+1.27
Taptica International	+1.19
Entertainment One	+1.00
Alliance Pharma	+0.99
Footasylum	+0.92
Trifast	+0.78
Hotel Chocolat	+0.77
Redrow	+0.72
CML Microsystems	+0.72

SLATER RECOVERY FUND

FUND MANAGER'S REPORT (CONTINUED)

Report for the year to 30 November 2017

The star performer during the period was the Fund's largest holding **Hutchison China MediTech**, a Chinese health care business and drug developer with significant growth potential. 2017 has been a stellar period for the company. The shares rose 130% on the back of continued momentum created by its first positive set of Phase III clinical results announced earlier in the year for Fruquintinib, an advanced colorectal cancer treatment. Based on this, the company filed its first new drug application with the China Food and Drug Administration. Fruquintinib is just one of eight clinical programmes underway at Hutchison China. The impressive Phase III result validates the company's approach over the last 15 years to focus on highly targeted therapies, which we believe provides a positive read-across to the rest of the drug development programme. The first potential blockbuster represents just one of the company's "shots at pivotal success". The company has also initiated a Phase III trial of Fruquintinib targeting gastric cancer. At the end of October 2017 the company raised \$301m on the Nasdaq to fund the on-going research and development of its drug pipeline.

Shares in **First Derivatives** rose 77% as it continued to trade strongly. In its latest interims to 31 August revenues increased 21% and earnings per share by 17%. The company continues to explore new vertical market opportunities for its world leading Kx database technology outside its core capital markets niche. In aggregate it estimates that this addressable market is worth \$450bn and that its current market penetration is just 0.1%. Its Software division (60% of revenue) is the main source of growth over the medium term as it looks to leverage its Kx technology, where it has a significant advantage over competitors such as Oracle. It already has traction in digital marketing where revenues increased by 30% to £18.3m during the period and it is now harnessing the power of its proprietary Kx database technology through the application of 'machine learning' in other areas such as finance, the internet of things, which includes manufacturing, and retail.

Restore (shares up 45% over the period) released strong interim results. Revenues grew by 57% and earnings per share increased by 38%. The shredding and scanning businesses delivered double-digit organic growth. The company is an industry consolidator and has established itself as the number two player in the UK records management industry and a leading player in the UK shredding sector primarily via bolt-on acquisitions. These core business areas are non-cyclical and, therefore, resilient. Although the document storage division is starting to look mature, the shredding and scanning businesses are at a relatively early stage of development. Seven acquisitions have been completed this year with five in shredding, one in document storage, and one IT recycling business. The mergers and acquisitions pipeline remains strong and the company has set itself the target to double the shredding business within 2-3 years. The company also believes it can lift scanning profits from £1.8m in 2016 to £5m-£10m within 3-5 years. Demand for its services should get a good boost from the introduction of the General Data Protection Regulation in May next year.

Shares in **DotDigital** rose 67%. In its latest financials the company reported strong growth with earnings per share up 32% on turnover up 19%. Operational metrics continue to underpin the strong momentum with average revenue per user increasing by 24% to £715 and the overall volume of messages sent out up by 38% to 11.9bn. Revenue generated from premium features and enhanced functionality, which encourages stickier customers, increased by 53%. The company is enjoying a strong tailwind with the underlying marketing automation market forecast to grow at 9.8% per annum and new e-commerce connectors, such as Shopify, have doubled the company's addressable market. Post period end, the company acquired Comapi adding features to its email marketing functionality including SMS (text), Facebook messenger, Twitter and Live.

Paysafe Group (shares up 51%) is subject to an approved cash bid of 590p, which pushed the share to an all-time high. Shareholders have now voted to approve the recommended cash offer after the company hit the required 75% threshold of shareholders approving the deal.

Shares in **XLMedia** rose 91%. The company lifted interim profits by 23% as it actively pursues a strategy of diversification. Following a number of bolt-on acquisitions the company's revenues are now less skewed towards gambling, which accounts for 57% of the group total, down from 70%. The remaining 43% is now derived from other verticals including gaming, mobile applications, software, utilities, e-commerce and finance. Most recent acquisitions include a mobile performance marketing platform, a leading Canadian credit card comparison website and a US cyber security comparison website. The company's business model continues to be asset-light with a high degree of recurring revenue which delivers high levels of free cash flow. In November the company said that it expects profit to be ahead of expectations.

SLATER RECOVERY FUND

FUND MANAGER'S REPORT (CONTINUED)

Report for the year to 30 November 2017

Shares in **Taptica** rose 169%. In its latest interims the company continued on its growth trajectory with revenues up 27%. A key measure of its added value for customers was the 500bps increase in the gross margin to 39.4%, which delivered a 42% increase in profits. Mobile accounts for 91% of the business so Taptica is aligned with future trends in the ad tech sector. The company expects to benefit from advertisers shifting their ad spend to in-app advertising to circumnavigate Apple's new operating system restriction, which limits the tracking of users browsing websites. Post period end, the company acquired a US-based industry-leading optimisation platform for video advertising complimenting its already strong capabilities in mobile and social media.

In its latest interims **Entertainment One** (shares up 39%) increased pre-tax profit by 53%. Full-year guidance by the company is maintained, but there is expected to be a change in the business mix. Revenue from the Family division is now anticipated to be higher in the second half, which includes Peppa Pig, while TV and Film are looking weaker. In TV, the Mark Gordon studio saw its established shows mostly renewed and the Designated Survivor series 2 has now launched. There is still a good film slate with the likes of Molly's Game and The Post, a Spielberg movie. On the children's side, Peppa Pig is strong in its established markets and has growing momentum in the US and China. PJ Masks is to be launched in China next year. An independent report raised the value of the company's content library by 13% to \$1.7bn, in part due to an uplift in the PJ Masks and Designated Survivor franchises.

The shares in **Alliance Pharma** rose 31%. In its latest interims the company reported revenues in line with expectations, up 8%. The company reported strong first half performances from two of its key international growth brands. The first, targeting macular degeneration, is forecast as having a £25m peak sales opportunity, and, the second, its scar tissue therapy, a £45m peak sales opportunity. The former, its eye treatment product, doubled sales in the UK during the reporting period whilst the latter increased sales by 52% and together these products now account for 19% of group sales. This performance was offset by a tougher UK market and a softer market in France. The company continues to be highly cash generative with free cash flow of £11.1m in the first half and indicated that it was in a position again to do bolt-on acquisitions. Post period end it acquired another international brand for the treatment of human head lice.

The Fund participated in the Initial Public Offering of retail footwear specialist **Footasylum** following which the shares raced to a premium. The company is a UK-based lifestyle fashion retailer focused on footwear (in particular trainers) and apparel collections predominantly aimed at 16 to 24 year old fashion-conscious customers. It operates a multi-channel model combining a 61-strong store division (71% of revenue) with a fast growing e-commerce platform (29% of revenue) and a recently launched wholesale arm for distributing its own brand ranges via a network of partners. Future growth will be driven primarily from new store openings (circa 8-10 per annum) and increased digital marketing spend.

Trifast (shares up 29%) delivered another solid set of interims with adjusted earnings per share up 23% on turnover up 9%. It is now very much an international business with over 70% of revenue generated outside of the UK serving a wide spread of industries including automotive (32% of sales), domestic appliances (22%) and electronics (17%). It is present across most major geographies but the business is still relatively nascent in the US where it still needs an acquisition to gain critical mass. Sales of fasteners (its core market) tend to grow at a similar rate to global growth domestic product (circa 3-4% per annum). The company continues to invest in its manufacturing and distribution capabilities. It designs its components into other companies' products embedding them into a 5-7 year product cycle. A new innovation centre has been set up in Sweden to access electric vehicle development work there. The second half has started well.

Shares in **Hotel Chocolat**, the premium British chocolatier and omni-channel retailer, rose 42%. Full year earnings per share rose 100% on revenue up 12%. During the trading period the company opened 12 new stores taking the total to 94, 15 of which are of the more lucrative Shop cafe format. On the production side the truffle making production line is now complete, increasing capacity by 70%. Other highlights included the signing of six new wholesale accounts, including Amazon, Ocado and Fenwicks, and two franchised stores opening in Hong Kong. Future growth drivers include an acceleration of the UK store roll-out where the company sees the potential for 200 stores, the wholesale opportunity, e-commerce sales fuelled by the new web site, the international rollout of the brand and building up the subscriber base.

SLATER RECOVERY FUND

FUND MANAGER'S REPORT (CONTINUED)

Report for the year to 30 November 2017

Shares in industrial silicon chip manufacturer **CML Microsystems** rose 40%. In its interims basic earnings per share rose 14% on revenues up 23%. The business currently has an addressable market approaching \$350m. It will however, due to new product development, increase this addressable market by around \$100m over the next four to five years, a significant boost in potential sales on top of underlying markets growing between 5% and 15% per annum. New product cycles are driving growth in both its storage and communications divisions as well as an increasing number of components being designed into customer end products. Products for the automotive infotainment and industrial Internet of Things markets are now delivering greater than 1million units each annually into the market. The digital revolution is driving demand for products for cars and industrial communications equipment alike.

There were two detractors making a contribution of greater than -0.70% to the Fund.

Detractors (-0.70% or greater)	% Contribution to performance
WYG	-1.28
OPG Power Ventures	-0.97

The shares of **WYG** fell 64% during the period after it was subject to profit warnings. Having reviewed the trading budget, the new Chief Executive revised market guidance, which led to a sharp downgrade of 2018 broker earnings estimates. This was due to a combination of slower starts to some projects and weaker profitability in others. Contracts in Turkey are now not expected to materialise until the second half and the company has significant outstanding debt there still to collect. A work in progress. We are actively engaging with the board.

During the period **OPG Power Ventures** (shares down 67%) was hit adversely by the rise in the price of imported coal and an increase in distribution and finance costs. The market appears to be pricing in significant impairments to the company's coal-fired energy assets, notwithstanding their cash generative nature. The problems at its Gujarat plant are also likely to be rectified over the short term. Management is hoping for tariff increases, which coupled with coal price decreases, would be supportive of an improved financial performance.

The Fund sold its positions in **Bonmarche, Mercantile Ports, NewRiver Reit, Revolution Bars** and **Safestay**. The Fund also exited its positions in housebuilders **Bellway, Bovis Homes, Galliford Try** and **Redrow**. Though sales rates and house prices remain robust, we are fearful that the Government will be forced to take more radical action to address the housing shortage. The Help to Buy scheme, which funds 40% of new house sales, is driving up prices and not increasing supply. After very strong gains in recent years, valuations are at levels which would not accommodate any changes to Government support schemes, labour costs or house prices.

A range of investments were reduced. These included **City of London Investment Group, Communis, Entertainment One, First Derivatives, Hotel Chocolat, Hutchison China MediTech, Mears, Paysafe, Photo-Me International, Restore, Trifast, Vectura** and **XLMedia**.

The proceeds were reinvested in a range of existing holdings including **Castleton Technology, Lakehouse, Marlowe, Marston's, NCC Group** and **Staffline Group**.

A number of new holdings were also established. These included **AFH Financial Group, Aggregated Micro Power, Footasylum, Franchise Brands, Future, Iomart, On The Beach, Quiz, Randall & Quilter, RedstoneConnect, River & Mercantile** and **Safecharge**.

The Fund has performed solidly since inception and continues to offer the potential for medium term capital appreciation. Our focus remains on the underlying operating performance of the businesses we own. With very few exceptions they are trading robustly. If they continue to deliver operationally then we confidently expect their share prices to appreciate significantly over the medium term.

Slater Investments Limited.
30 January 2018

SLATER RECOVERY FUND

FUND MANAGER'S REPORT (CONTINUED)

Distributions (pence per unit)

	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>Class A Accumulation</u>				
Net income paid 31 January	-	0.6581	0.1933	0.1715
Net income paid 31 July		0.2666	0.3569	0.2445
<u>Class B Accumulation</u>				
Net income paid 31 January	0.2850	1.1041	0.6308	0.9093
Net income paid 31 July		0.7726	0.8006	0.6504
<u>Class P Accumulation</u>				
Net income paid 31 January	0.5727	1.3306	0.8547	1.2962
Net income paid 31 July		1.0323	1.0309	0.8563

Material portfolio changes

For the year ended 30 November 2017

Major Purchases	Cost (£)	Major Sales	Proceeds (£)
UK Govt Treasury 0% 20-11-17	2,999,478	UK Govt Treasury 0% 20-11-17	3,000,000
Footasylum	1,166,676	Hutchison China MediTech	1,743,127
On the Beach	709,785	Bellway	1,312,936
Franchise Brands	595,000	Redrow	880,313
Randall & Quilter	551,000	NewRiver Reit	692,295
Iomart Group	485,039	Revolution Bars Group	643,762
AFH Financial Group	481,750	XLMedia	566,180
Redstone Connect	437,965	Castleton Technology	522,738
Aggregated Micro Power	400,001	Restore	519,235
Future	400,000	Footasylum	473,546
Quiz	362,250	First Derivatives	464,302
Tasty	300,150	Bovis Homes Group	456,884
Revolution Bars Group	255,735	Market Tech Holdings	453,601
Staffline Group	156,188	Communisys	438,125
Marlowe	147,364	Galliford Try	428,478
Castleton Technology	137,800	Entertainment One	284,377
Lakehouse	120,236	Trifast	278,200
Marston's	76,720	Hotel Chocolat Group	269,826
NCC Group	51,508	Safestay	263,104
Other purchases	84,097	Other sales	813,959
Total purchases for the year	9,918,742	Total sales for the year	14,504,988

SLATER RECOVERY FUND

FUND INFORMATION

Comparative tables

Class A accumulation units	Year to	Year to	Year to
Change in net assets per unit	30.11.17	30.11.16	30.11.15
	pence	pence	pence
Opening net asset value per unit	174.26	179.55	156.55
Return before operating charges*	54.74	(2.60)	25.60
Operating charges	(3.26)	(2.69)	(2.60)
Return after operating charges*	51.48	(5.29)	23.00
Gross distribution on accumulation units	(0.27)	(1.02)	(0.44)
Accumulation distributions reinvested	0.27	1.02	0.44
Closing net asset value per unit	225.74	174.26	179.55
*after direct transaction costs of	0.08	0.05	0.06
Performance			
Return after charges	29.54%	(2.95%)	14.69%
Other information			
Closing net asset value	£19,231,534	£16,513,635	£21,596,170
Closing number of units	8,519,150	9,476,432	12,027,986
Operating charges	1.60%	1.57%	1.57%
Direct transaction costs	0.04%	0.03%	0.04%
Prices			
Highest unit price	225.54p	196.80p	193.37p
Lowest unit price	174.64p	148.63p	152.58p
Class B accumulation units	Year to	Year to	Year to
Change in net assets per unit	30.11.17	30.11.16	30.11.15
	Pence	pence	pence
Opening net asset value per unit	177.69	182.11	158.02
Return before operating charges*	55.96	(2.56)	25.88
Operating charges	(2.29)	(1.86)	(1.79)
Return after operating charges*	53.67	(4.42)	24.09
Gross distribution on accumulation units	(1.06)	(1.90)	(1.28)
Accumulation distributions reinvested	1.06	1.90	1.28
Closing net asset value per unit	231.36	177.69	182.11
*after direct transaction costs of	0.08	0.05	0.07
Performance			
Return after charges	30.21%	(2.43%)	15.24%
Other information			
Closing net asset value	£4,561,477	£4,124,196	£4,993,528
Closing number of units	1,971,564	2,321,011	2,742,081
Operating charges	1.10%	1.07%	1.07%
Direct transaction costs	0.04%	0.03%	0.04%
Prices			
Highest unit price	231.14p	191.54p	188.20p
Lowest unit price	178.08p	151.24p	157.39p

SLATER RECOVERY FUND

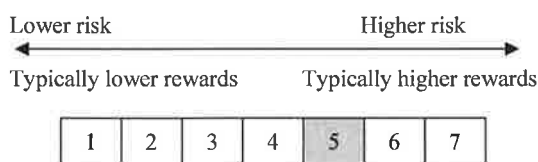
FUND INFORMATION (CONTINUED)

Comparative tables (continued)

Class P accumulation units	Year to	Year to	Year to
Change in net assets per unit	30.11.17	30.11.16	30.11.15
	pence	pence	pence
Opening net asset value per unit	179.59	183.32	158.70
Return before operating charges*	57.40	(2.29)	26.01
Operating charges	(1.78)	(1.44)	(1.39)
Return after operating charges*	55.62	(3.73)	24.62
Gross distribution on accumulation units	(1.60)	(2.36)	(1.71)
Accumulation distributions reinvested	1.60	2.36	1.71
Closing net asset value per unit	235.21	179.59	183.32
*after direct transaction costs of	0.08	0.05	0.07
Performance			
Return after charges	30.97%	(2.03%)	15.51%
Other information			
Closing net asset value	£16,388,240	£9,842,718	£7,904,802
Closing number of units	6,967,591	5,480,647	4,311,908
Operating charges	0.84%	0.82%	0.82%
Direct transaction costs	0.04%	0.03%	0.04%
Prices			
Highest unit price	234.82p	192.82p	189.45p
Lowest unit price	179.98p	152.75p	154.85p

Operating charges are the same as the ongoing charges and are the total expenses paid by each unit class in the year. Direct transaction costs are the total charges for the year, included in the purchase and sale of investments in the portfolio of the Fund. These amounts are expressed as a percentage of the weighted average net asset value over the year and the weighted average units in issue for the pence per unit figures.

Synthetic risk and reward indicator



The risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the Fund. It is calculated based on the volatility of the Fund using weekly historic returns over the last five years. If five years data is not available for a fund, the returns of a representative portfolio are used.

This Fund has been measured as 5 because it has experienced moderate to high volatility historically.

SLATER RECOVERY FUND

FUND INFORMATION (CONTINUED)

Portfolio statement

as at 30 November 2017

Holding or nominal value		Bid value £	Percentage of total net assets	
			30 Nov'17 %	30 Nov'16 %
APPAREL RETAILERS				
474,259	Footasylum	972,231	2.41	
225,000	Quiz	355,500	0.89	
	Total Apparel Retailers	1,327,731	3.30	-
CONSUMER SERVICES				
888,060	Franchise Brands	506,194	1.26	
207,000	Tasty	72,450	0.18	
	Total Consumer Services	578,644	1.44	-
ELECTRICITY				
406,092	Aggregated Micro Power	345,178	0.86	
676,839	OPG Power Ventures	152,289	0.38	
	Total Electricity	497,467	1.24	1.49
FINANCIAL SERVICES				
251,200	AFH Financial Group	678,240	1.69	
135,000	City of London Investment Group	553,500	1.38	
427,132	Randall & Quilter	555,272	1.37	
13,846	River & Mercantile	50,399	0.13	
	Total Financial Services	1,837,411	4.57	2.00
FOOD PRODUCERS				
139,310	Hotel Chocolat Group	487,585	1.21	
	Total Food Producers	487,585	1.21	1.72
GENERAL RETAILERS				
	Total General Retailers	-	-	0.37
HOUSEHOLD GOODS & HOME CONSTRUCTION				
	Total Household Goods & Home Construction	-	-	8.80
INDUSTRIAL ENGINEERING				
367,933	Trifast	894,077	2.23	
	Total Industrial Engineering	894,077	2.23	3.07
INDUSTRIAL TRANSPORTATION				
550,000	Avation	1,215,500	3.02	
70,000	Ocean Wilsons Holdings	763,000	1.90	
	Total Industrial Transportation	1,978,500	4.92	5.89

SLATER RECOVERY FUND

FUND INFORMATION (CONTINUED)

Portfolio statement (continued)

as at 30 November 2017

Holding or nominal value		Bid value £	Percentage of total net assets	
			30 Nov'17 %	30 Nov'16 %
LEISURE GOODS				
436,079	Photo-Me International	793,664	1.98	
	Total Leisure Goods	793,664	1.98	2.09
MEDIA				
343,238	Entertainment One	1,049,622	2.61	
160,000	Future	560,000	1.39	
229,410	Matomy Media Group	178,940	0.45	
280,000	Next Fifteen Communications Group	1,064,000	2.65	
185,001	STV Group	604,953	1.51	
145,125	Taptica International	580,500	1.44	
300,000	XLMedia	570,000	1.42	
	Total Media	4,608,015	11.47	12.37
OIL & GAS PRODUCERS				
1,100,000	Amerisur Resources	200,750	0.50	
	Total Oil & Gas Producers	200,750	0.50	0.97
PHARMACEUTICALS & BIOTECHNOLOGY				
2,200,000	Alliance Pharma	1,287,000	3.20	
10,000	Clinigen Group	101,100	0.25	
88,505	Hutchison China MediTech	4,460,780	11.10	
165,853	Vectura Group	158,967	0.40	
	Total Pharmaceuticals & Biotechnology	6,007,847	14.95	13.92
REAL ESTATE INVESTMENT & SERVICES				
256,675	Lok'nStore Group	1,065,201	2.65	
	Total Real Estate Investment & Services	1,065,201	2.65	4.57
REAL ESTATE INVESTMENT TRUSTS				
	Total Real Estate Investment Trusts	-	-	2.24
SOFTWARE & COMPUTER SERVICES				
635,000	Castleton Technology	400,050	1.00	
1,225,000	DotDigital Group	1,139,250	2.84	
60,000	First Derivatives	2,233,200	5.56	
157,552	Iomart Group	586,487	1.46	
404,253	NCC Group	891,378	2.21	
211,982	Redcentric	180,185	0.45	
293,333	Redstone Connect	272,800	0.67	
	Total Software & Computer Services	5,703,350	14.19	12.55

SLATER RECOVERY FUND

FUND INFORMATION (CONTINUED)

Portfolio statement (continued)

as at 30 November 2017

Holding or nominal value		Bid value £	Percentage of total net assets	
			30 Nov'17 %	30 Nov'16 %
SUPPORT SERVICES				
98,685	Communis	60,437	0.15	
310,000	IWG	610,700	1.52	
1,029,999	Lakehouse	381,100	0.95	
196,855	Marlowe	659,464	1.64	
125,000	Mears Group	515,625	1.28	
195,000	Paysafe Group	1,141,725	2.84	
370,000	Restore	2,035,000	5.07	
12,241	Safecharge	36,723	0.09	
57,397	Staffline Group	596,929	1.49	
596,000	WYG	226,480	0.56	
	Total Support Services	6,264,183	15.59	20.14
TECHNOLOGY HARDWARE & EQUIPMENT				
147,500	CML Microsystems	767,000	1.91	
	Total Technology Hardware & Equipment	767,000	1.91	1.79
TOBACCO				
6,071	British American Tobacco	284,669	0.71	
	Total Tobacco	284,669	0.71	0.89
TRAVEL & LEISURE				
616,000	Marston's	700,392	1.74	
180,000	On the Beach	797,400	1.99	
	Total Travel & Leisure	1,497,792	3.73	4.67
UNQUOTED SECURITIES				
1,653,028	Genagro	50,452	0.13	
	Total Unquoted Securities	50,452	0.13	0.17
	Portfolio of investments	34,844,338	86.72	99.71
	Net current assets	5,336,913	13.28	0.29
	Net assets	40,181,251	100.00	100.00

SLATER RECOVERY FUND

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 November 2017

Statement of total return

	Notes	30 November 2017		30 November 2016	
		£	£	£	£
Income					
Net capital gains/(losses)	4		9,039,554		(1,297,282)
Revenue	6	573,359		675,506	
Expenses	7	(459,503)		(394,287)	
Net revenue before taxation		113,856		281,219	
Taxation	8	(669)		(4,644)	
Net revenue after taxation			113,187		276,575
Total return before distributions			9,152,741		(1,020,707)
Distributions	9		(140,957)		(276,575)
Change in net assets attributable to unitholders from investment activities			9,011,784		(1,297,282)

Statement of changes in net assets attributable to unitholders

	30 November 2017		30 November 2016	
	£	£	£	£
Opening net assets attributable to unitholders		30,480,549		34,494,500
Amounts receivable on issue of units	5,208,509		1,477,077	
Amounts payable on cancellation of units	(4,667,705)		(4,462,727)	
Amounts payable on unit class conversions	-		(5,772)	
		540,804		(2,991,422)
Change in net assets attributable to unitholders from investment activities		9,011,784		(1,297,282)
Retained distributions on accumulation units		148,114		274,753
Closing net assets attributable to unitholders		40,181,251		30,480,549

SLATER RECOVERY FUND

ANNUAL FINANCIAL STATEMENTS (CONTINUED) For the year ended 30 November 2017

Balance sheet

	Notes	30 November 2017		30 November 2016	
		£	£	£	£
ASSETS					
Fixed Assets					
Investments			34,844,338		30,391,886
Current Assets					
Debtors	10	320,578		21,038	
Cash	11	<u>5,273,072</u>		<u>174,930</u>	
Total current assets			<u>5,593,650</u>		<u>195,968</u>
Total assets			<u>40,437,988</u>		<u>30,587,854</u>
LIABILITIES					
Creditors					
Bank overdrafts		-		9,589	
Other creditors	12	<u>256,737</u>		<u>97,716</u>	
Total liabilities			<u>256,737</u>		<u>107,305</u>
Net assets attributable to unitholders			<u>40,181,251</u>		<u>30,480,549</u>

SLATER RECOVERY FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 November 2017

1. ACCOUNTING POLICIES

a. Basis of preparation

The financial statements have been prepared in compliance with FRS102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by The Investment Association in May 2014.

The financial statements are prepared in sterling, which is the functional currency of the Fund. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of investments and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

Adoption of Revised Accounting Standards

The Financial Reporting Council issued “Amendments to FRS 102” in March 2016 which amends the valuation hierarchy disclosures in section 34 of FRS 102 to align with the existing International Financial Reporting Standard (“IFRS”) 13. These changes will be effective for periods commencing on or after 1 January 2017, but may be adopted earlier with immediate effect.

The authorised fund manager has elected to early adopt the “Amendments to FRS 102”, section 34 for the preparation of the 30 November 2017 financial statements.

b. Going concern

The authorised fund manager has at the time of approving the financial statements, a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

c. Revenue

Dividends from equities are recognised when the security is quoted ex-dividend. Bank interest is accounted for on an accruals basis.

In the case of an ordinary stock dividend the whole amount is recognised as revenue. In the case of an enhanced stock dividend, the value of the enhancement, calculated as the amount by which the total market value of the shares on the date they are quoted ex-dividend exceeds the cash dividend is treated as capital. The balance is treated as revenue.

d. Expenses

All expenses are accounted for on an accruals basis and, other than those relating to purchase and sale of investments and dealing in the units of the scheme, are charged against income as shown in these accounts.

e. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on net revenue for the year. The taxable amount differs from net revenue as reported in the Statement of Total Return (SOTR) because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Fund's liability for current tax is calculated using tax rates that have been enacted by the reporting end date.

SLATER RECOVERY FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2017

1. ACCOUNTING POLICIES (CONTINUED)

e. Taxation (continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the SOTR. Deferred tax assets and liabilities are offset when the Fund has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

f. Valuation of investments

The investments of the Fund have been valued at their fair value using closing bid prices on the last business day of the accounting period. Fair value is normally the bid value of each security by reference to quoted prices from reputable sources; that is the market price. If the authorised fund manager believes that the quoted price is unreliable, or if no price exists, a valuation technique is used whereby fair value is the authorised fund manager's best estimate of a fair and reasonable value for that investment. The fair value excludes any element of accrued interest.

g. Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange ruling at the date of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the net capital gains/(losses) for the period.

h. Cash and cash equivalents

Cash and cash equivalents include deposits held on call with banks and bank overdrafts. Bank overdrafts are shown within creditors under liabilities.

i. Financial assets

The authorised fund manager has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of the Fund's financial instruments.

Financial assets are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

SLATER RECOVERY FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2017

1. ACCOUNTING POLICIES (CONTINUED)

i. Financial assets (continued)

Basic financial assets, which include amounts receivable for the issue of units, accrued income and cash and cash equivalents, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost. Amortised cost is the amount at which the financial asset is measured at initial recognition, less any reduction for impairment or un-collectability.

Basic financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the SOTR.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

j. Financial liabilities

Financial liabilities are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified into specified categories. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of recognition.

Basic financial liabilities, which include amounts payable for cancellation of units and accrued expenses, are initially measured at transaction price. Other financial liabilities are measured at fair value.

Financial liabilities are derecognised when, and only when, the Fund's obligations are discharged, cancelled, or they expire.

2. DISTRIBUTION POLICIES

a. Basis of distribution

The policy of the Fund is to distribute any net revenue shown as such in the statement of total return adjusted for any dealing expenses incurred and allocated to capital. Revenue attributable to accumulation unitholders is retained at the end of each distribution period and represents a reinvestment of revenue.

b. Apportionment of multiple unit classes

The authorised fund manager's periodic charge is directly attributable to individual unit classes. All other income and expenses are allocated to the unit classes pro-rata to the value of the net assets of the relevant unit class on the day that the income or expenses are recognised.

c. Equalisation

Equalisation applies only to units purchased during the period. It is the average amount of income included in the purchase price of all group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to UK income tax but must be deducted from the cost of the units for UK capital gains tax purposes.

SLATER RECOVERY FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2017

3. RISK MANAGEMENT POLICIES

In pursuing its investment objective as stated on page 1, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities, together with cash, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued income.

The main risks arising from the Fund's financial instruments and the authorised fund manager's policies for managing these risks are summarised below. These policies have been applied throughout the year.

Market price risk

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the manager in pursuance of the investment objective and policy as set out in the Prospectus.

Investment limits set out in the Trust Deed, Prospectus and in the rules contained in the Collective Investment Schemes Sourcebook mitigate the risk of excessive exposure to any particular security or issuer.

Foreign currency risk

The income and capital value of the Fund's investments can be affected by foreign currency translation movements as some of the Fund's assets and income may be denominated in currencies other than sterling which is the Fund's functional currency.

The authorised fund manager has identified three principal areas where foreign currency risk could impact the Fund. These are, movements in exchange rates affecting the value of investments, short-term timing differences such as exposure to exchange rate movements during the period between when an investment purchase or sale is entered into and the date when settlement of the investment occurs, and finally movements in exchange rates affecting income received by the Fund. The Fund converts all receipts of income received in foreign currency, into sterling on the day of receipt.

Credit risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the authorised fund manager as an acceptable counterparty.

Interest rate risk

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The Fund's cash holdings are held in deposit accounts, whose rates are determined by the banks concerned on a daily basis.

Liquidity risk

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell. Assets of the Fund may need to be sold if insufficient cash is available to finance such redemptions. The liquidity of the Fund's assets is regularly reviewed by the authorised fund manager.

SLATER RECOVERY FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2017

4. NET CAPITAL GAINS/(LOSSES)

	30 November 2017 £	30 November 2016 £
The net gains/(losses) on investments during the year comprise:		
Non-derivative securities	9,039,470	(1,293,116)
Currency gains/(losses)	4,547	(1,539)
Transaction charges	(4,463)	(2,627)
Net capital gains/(losses)	9,039,554	(1,297,282)

5. PURCHASES, SALES AND TRANSACTION COSTS

	30 November 2017 £	30 November 2016 £
Purchases excluding transaction costs	8,747,591	1,986,214
Corporate actions	1,166,676	1,395,999
	<u>9,914,267</u>	<u>3,382,213</u>
Commissions	1,959	1,935
Taxes and other charges	2,516	1,478
Total purchase transaction costs	<u>4,475</u>	<u>3,413</u>
Purchases including transaction costs	9,918,742	3,385,626

Purchase transaction costs expressed as a percentage of the principal amount:

Commissions	0.02%	0.10%
Taxes and other charges	0.03%	0.07%

Sales excluding transaction costs	11,514,937	4,979,014
Corporate actions	3,000,000	5,140
	<u>14,514,937</u>	<u>4,984,154</u>
Commissions	(9,933)	(4,737)
Taxes and other charges	(17)	(73)
Total sale transaction costs	<u>(9,950)</u>	<u>(4,810)</u>
Sales net of transaction costs	14,504,987	4,979,344

Sales transaction costs expressed as a percentage of the principal amount:

Commissions	0.09%	0.10%
Taxes and other charges	0.00%	0.00%

Total purchases and sales transaction costs expressed as a percentage of the weighted average net asset value over the year:

	<u>0.04%</u>	<u>0.03%</u>
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Transaction handling charges

These are total charges payable to the depositary in respect of each transaction.

	<u>4,463</u>	<u>2,627</u>
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Average portfolio dealing spread

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Average portfolio dealing spread at the balance sheet date	<u>1.90%</u>	<u>1.77%</u>
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SLATER RECOVERY FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2017

6. REVENUE

	30 November 2017 £	30 November 2016 £
UK dividends	463,468	536,726
UK dividends (unfranked)	2,263	39,666
Overseas dividends	107,478	98,932
Bank interest	150	182
Total revenue	573,359	675,506

7. EXPENSES

	30 November 2017 £	30 November 2016 £
Payable to the AFM or associates:		
AFM's periodic charge	144,566	-
AFM's periodic charge paid to previous AFM*	280,919	375,018
Registration fees^	1,000	1,544
	426,485	376,562
Payable to the trustee or associates:		
Trustee's fees	4,488	11,251
Safe Custody fees	18,752	2,562
Exit fees paid to previous Trustee*	6,000	-
Interest	-	441
	29,240	14,254
Other expenses:		
Financial Conduct Authority Fee	79	194
Audit fee	3,659	3,277
Other expenses	40	-
	3,778	3,471
Total expenses	459,503	394,287

*From August 2017 Slater Investments Limited replaced Marlborough Fund Managers Limited as authorised fund manager of the Fund and National Westminster Bank replaced HSBC Bank as Trustee of the Fund. HSBC Bank charged an exit fee to the Fund.

^This fee was paid to the previous authorised fund manager, Marlborough Fund Managers Limited, and is no longer charged by the new authorised fund manager, Slater Investments Limited.

8. TAXATION

	30 November 2017 £	30 November 2016 £
Analysis of the tax charge for the year		
UK Corporation tax at 20% (2016: 20%)	-	-
Overseas tax	669	4,644
Total tax charge	669	4,644
Factors affecting the tax charge for the year		
Net revenue before taxation	113,856	281,219
Corporation tax at 20% (2016: 20%)	22,771	56,244
Effects of:		
Revenue not subject to taxation	(114,189)	(127,132)
Unrelieved excess management expenses	91,418	70,888
Overseas tax	669	4,644
Current tax charge	669	4,644

SLATER RECOVERY FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2017

8. TAXATION (CONTINUED)

At 30 November 2017 the Fund has deferred tax assets of £1,447,904 (2016: £1,356,486) arising from surplus management expenses which have not been recognised due to uncertainty over the availability of future taxable profits.

9. DISTRIBUTIONS

	30 November 2017 £	30 November 2016 £
The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:		
Interim - Income to May	102,594	113,846
Final - Income to November	45,520	160,924
Amounts deducted on cancellation of units	2,497	10,198
Amounts added on issue of units	(9,654)	(2,604)
Amounts payable on unit class conversions	-	(5,772)
Revenue brought forward	-	(17)
Distributions	140,957	276,575
Distributions represented by:		
Net revenue after taxation	113,187	276,575
Add: Other capital expenses	28,238	-
Balance brought forward	-	-
Balance carried forward	(468)	-
	140,957	276,575

Details of the distribution per unit are set out in the distribution table in note 18.

10. DEBTORS

	30 November 2017 £	30 November 2016 £
Amounts receivable for issue of units	173,401	-
Accrued income	33,394	20,748
Securities sold receivable	113,396	-
Prepaid expenses	97	-
Taxation recoverable	290	290
Total debtors	320,578	21,038

11. CASH

	30 November 2017 £	30 November 2016 £
Capital bank account	411,149	-
Revenue bank account	61,903	174,930
Deposit account	4,800,020	-
Total cash	5,273,072	174,930

SLATER RECOVERY FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2017

12. OTHER CREDITORS

	30 November 2017 £	30 November 2016 £
Securities purchased payable	143,437	-
Amounts payable for cancellation of units	93,928	63,048
Accrued expenses	19,372	34,668
Total other creditors	256,737	97,716

13. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 November 2017 there were no commitments or contingent liabilities or assets in place (2016: £300,150 in respect of the placing of Tasty).

14. RELATED PARTIES

Slater Investments Limited (the 'AFM') is regarded as a related party by virtue of having the ability to act in respect of the operations of the Fund. Marlborough Fund Managers Limited, the previous authorised fund manager, is regarded as a related party.

Management fees paid to Slater Investments Limited for the year amounted to £144,566 (2016: nil). Amounts due and payable at the year end to Slater Investments Limited total £7,352 (2016: nil). Management fees paid to Marlborough Fund Managers Limited, the previous AFM, amounted to £280,919 (2016: £375,018). Amounts due and payable at the year end total £nil (2016: £93,191).

The aggregate monies received by the AFM through the issue of units and paid on cancellation of units are disclosed in the statement of changes in net assets attributable to unitholders. Amounts outstanding at year end for the issue of units is £173,401 (2016: nil), amounts payable at year end for units redeemed total £93,928 (2016: £63,048).

As at the year end the AFM, Directors of the AFM and Northglen Investments Limited, parent of the AFM, held units in the Fund as follows:

Investor	% Holdings
Proportion of class A units owned by Slater Investments Limited	0.85%
Proportion of class A units owned by Northglen Investments Limited	40.70%
Proportion of class A and P units owned by directors beneficially and non-beneficially	9.47%

15. UNITHOLDERS' FUNDS

The Fund currently has three unit classes: Class A (minimum investment £3,000); Class B (minimum investment £100,000); and Class P (minimum investment £5,000,000). The annual management charges are 1.5%, 1% and 0.75% respectively.

During the year the authorised fund manager has issued or cancelled units as set out below:

Accumulation units	Class A	Class B	Class P
Opening units in issue at 1 December 2016	9,476,431	2,321,011	5,480,647
Units issued	88,090	283	2,263,642
Units cancelled	(1,045,371)	(349,730)	(776,698)
Closing units in issue at 30 November 2017	8,519,150	1,971,564	6,967,591

SLATER RECOVERY FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2017

16. RISK DISCLOSURES

Market price risk sensitivity

A five per cent increase in the market prices of the Fund's portfolio would have the effect of increasing the return and the net assets by £1,742,217 (2016: £1,519,594). A five per cent decrease would have an equal and opposite effect.

Foreign currency risk

At the year end date a portion of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements. These net assets consist of the following:

Foreign currency exposure at 30 November 2017	Investments (£)	Net current assets (£)	Total (£)
Brazilian Real	50,452	-	50,452
Foreign currency exposure at 30 November 2016	Investments (£)	Net current assets (£)	Total (£)
Brazilian Real	52,668	-	52,668

Foreign currency risk sensitivity

A five per cent decrease in the value of sterling relative to the Brazilian Real would have the effect of increasing the return and net assets of the Fund by £2,523 (2016: £2,633). A five per cent increase would have the equal and opposite effect.

Liquidity risk

The following table provides a maturity analysis of the Fund's financial liabilities:

	30 November 2017 £	30 November 2016 £
Other creditors		
Less than 1 year	256,737	97,716
Total	256,737	97,716

17. FAIR VALUE DISCLOSURE

Fair value hierarchy as at 30 November 2017

	30 November 2017		30 November 2016	
Valuation technique	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1	34,793,886	-	30,339,218	-
Level 2	-	-	-	-
Level 3	50,452	-	52,668	-
	34,844,338	-	30,391,886	-

The intention of a fair value measurement is to estimate the price at which an asset or liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

SLATER RECOVERY FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2017

17. FAIR VALUE DISCLOSURE (CONTINUED)

The Fund has adopted "Amendments to FRS 102", Section 34 which establishes a hierarchy to be used to estimate the fair value of investments that are publicly traded or whose fair value can be reliably measured if they are not publicly traded. The levels of the hierarchy are as follows:

- (1) Fair value based on a quoted price for an identical instrument in an active market.
- (2) Fair value based on a valuation technique using observable market data.
- (3) Fair value based on a valuation technique that relies significantly on non-observable market data and will include values not primarily derived from observable market data.

The determination of what constitutes "observable" requires significant judgement by the authorised fund manager. The authorised fund manager 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. Where investments have final redeemable prices supported by the underlying administrators, these would have been classified as Level 2.

Genagro is being priced based on the latest shareholder update from the company.

18. DISTRIBUTION TABLE

ACCUMULATION UNITS

For the period from 1 December 2016 to 31 May 2017

Group 1: units purchased prior to 1 December 2016

Group 2: units purchased on or after 1 December 2016

		Net revenue to 31-May-17 pence per unit	Equalisation to 31-May-17 pence per unit	Distribution payable 31-Jul-17 pence per unit	Distribution paid 31-Jul-16 pence per unit
Class A	Group 1	0.2666p	0.0000p	0.2666p	0.3569p
	Group 2	0.1587p	0.1079p	0.2666p	0.3569p
Class B	Group 1	0.7726p	0.0000p	0.7726p	0.8006p
	Group 2	0.2306p	0.5420p	0.7726p	0.8006p
Class P	Group 1	1.0323p	0.0000p	1.0323p	1.0309p
	Group 2	0.4357p	0.5966p	1.0323p	1.0309p

For Corporate Unitholders the percentage split between Franked and Unfranked income relating to this distribution was:

Franked	100.00%	Unfranked	0.00%
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'£0.00 is the trustee's net liability to corporation tax in respect of the gross revenue.

'0.0000p is the trustee's net liability to corporation tax per unit.

SLATER RECOVERY FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 November 2017

18. DISTRIBUTION TABLE (CONTINUED)

ACCUMULATION UNITS

For the period from 1 June 2017 to 30 November 2017

Group 1: units purchased prior to 1 June 2017

Group 2: units purchased on or after 1 June 2017

		Net revenue to 30-Nov-17 pence per unit	Equalisation to 30-Nov-17 pence per unit	Distribution payable 31-Jan-18 pence per unit	Distribution paid 31-Jan-17 pence per unit
Class A	Group 1	0.0000p	0.0000p	0.0000p	0.6581p
	Group 2	0.0000p	0.0000p	0.0000p	0.6581p
Class B	Group 1	0.2850p	0.0000p	0.2850p	1.1041p
	Group 2	0.1315p	0.1535p	0.2850p	1.1041p
Class P	Group 1	0.5727p	0.0000p	0.5727p	1.3306p
	Group 2	0.2523p	0.3204p	0.5727p	1.3306p

For Corporate Unitholders the percentage split between Franked and Unfranked income relating to this distribution was:

Franked	99.58%	Unfranked	0.42%
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'£0.00 is the trustee's net liability to corporation tax in respect of the gross revenue.

'0.0000p is the trustee's net liability to corporation tax per unit.



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