Annual Report and Financial Statements for MGTS Greystone Cautious Managed Fund

For the year ended 30 September 2017

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T J Ricketts
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A J M Quy
M D Jealous
A S Weston
G M W Oakley (non-exec)
J M Vessey (non-exec)

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(Authorised and regulated by the Financial Conduct Authority)

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Investment Adviser's Report

For the year ended 30 September 2017

Investment Objective and Policy

To achieve positive returns by utilising a diversified portfolio of transferable securities, fixed interest securities, money market instruments, deposits, currencies, regulated and possibly unregulated collective investment schemes to the extent allowed by the FCA Rules and selected from a global marketplace.

The company will have a flexible but overall cautious investment strategy in terms of investment type and geographical or economic sectors, meaning that the Investment Adviser has the discretion to arrange the portfolio of the company towards investment types and/or sectors considered likely to achieve the cautious objective, including cash deposits.

Investment Review

MGTS Greystone Cautious Managed Fund:	7.23%
MGTS Greystone Cautious Managed Fund R:	7.88%

Benchmark

IMA Mixed Investment 20-60% shares:	6.28%

(*Source: Thomson Reuters Lipper for Investment Management. Performance is bid to bid with income reinvested.*)

Economic and Market Commentary

"The Long Unwinding Road"

Those of you who watch the popular HBO series "A Game of Thrones" (or have read the books) will be familiar with the motto of house Stark "Winter is Coming", a reminder to stand ready for hardship and a warning to always be prepared for leaner times ahead. A similar, perhaps less pessimistic idiom is "hope for the best, but prepare for the worst", although that would not sound half so fearsome below a growling direwolf on the Stark family crest. The sentiment is similar though and both statements sum up how we feel about markets at the moment and how we are positioning the portfolios.

Our investment philosophy focuses on providing the best possible risk-adjusted returns, and while we maintain a healthy suspicion about high valuations at the moment, the discipline and risk controls embedded in our process ensure we don't get too carried away. At Greystone we aim to grow in line with rising asset prices and defend capital when markets fall. Our primary aim will always be to consistently deliver on our stated fund objectives so our clients and their advisers can effectively plan for the future, be that wintery or otherwise.

If winter is coming, it is after an unusually long summer. The current Bull-run in the FTSE-All Share index is 103 months old, which is the longest sustained period of growth in over 50 years. The average annual return on the FTSE-All Share index over this period is around 10% after inflation, significantly above the long term average (the 50 year average is estimated to be more like 5.3% real return[1]). Despite this above average annual growth rate the total return since the end of the financial crisis, around 115%, is still well behind that of the last two longest bull markets which reached 200% (1990-1998 ending as the tech bubble burst) and over 450% (1979-1987 ending on Black Monday) at which times the annualised growth rates were 15% and 20% respectively[1]. A similar scenario is apparent in the US where the post-crisis gains have reached 270%, surpassing the 266% rise during the bull market of 1949-56 making this the second-longest bull market in modern US history[2].

It has to be said that the generous returns over this period have been driven more by rising valuations as opposed to rising profits. In fact in the US, companies in the S&P 500 have returned more money to shareholders via share buybacks and dividends in the last 10 years than they actually generated through profits[2]. This kind of financial engineering, basically borrowing against your future earnings in order to pay dividends now, has certainly helped buoy stock valuations but has also helped to generate an $8.6 trillion pile of US corporate debt (30% more than the previous peak in September 2008)[2]. The corporate equivalent of adding to your mortgage while interest rates are low so you can get that bigger house you have always wanted.

Investment Adviser's Report (continued)

Financial engineering aside, why are investors willing to pay so much more for similar or lower earnings versus previous economic cycles? The answer to that lies in the multi-trillion dollar money printing programs undertaken by the world's central banks. In the years since the financial crisis the four major central banks (the US Federal Reserve, Bank of Japan, European Central Bank and Bank of England) have purchased over $10 trillion of assets and the share of government debt markets owned by each central bank is now 23% in the US, 21% in the Eurozone, 22% in the UK and a staggering 44% in Japan[3]. Those numbers are a little bit mind-boggling but, to provide context, imagine a trillionaire turns up at your local food market and buys 20% of everything using her unlimited credit card. A couple of things are likely to happen. Firstly, unless you're being forced to shop there, you are probably going to go find a different market (the high yield hypermarket or out of town equity supermarket perhaps?) and secondly, prices are going to go up, which in the bond market means yields go down.

In that context we probably shouldn't be surprised that governments, businesses and consumers are making the most of this cheap money while it lasts. In September 2017 Austria issued a 100 year "Century" bond with a yield of 2.112%. The government raised €3.5bn in total but there were €11.4bn of bids. Argentina, a country which spent 15 of the last 17 years in default and which has failed to pay its sovereign debts on no less than eight occasions since independence in 1816 also issued a century bond (raising $2.75bn paying an annual coupon of 7.2%)[4]. Corporates are also in on the action. Tesla, on its very first entry into the debt markets, raised $1.8bn selling an 8 year bond at 5.3%. Amazon's $16bn August bond issue was almost 3 times oversubscribed, attracting orders equivalent to the GDP of Belarus[3].

So what happens next? There is no doubt that central bank intervention has inflated asset prices, the question is whether this represents a bubble which will burst or a balloon that can be slowly deflated. The Fed has been ahead of the curve since the financial crisis but the relative success of their program now means they are also the first to start tightening. In other words they need to let a little air out of the balloon. The preferred tool for this is interest rates and, barring a disaster greater than hurricanes Harvey & Irma, Fed Chairman Janet Yellen looks set to deliver three interest rates rises in 2017, as previously suggested. The focus this year however has been on how the Fed will unwind its $4.5 trillion balance sheet. Starting in October 2017, when the Fed's investments in US government bonds mature they will no longer immediately re-invest the whole amount. So, hypothetically speaking, if $100bn in bonds mature the Fed will only re-invest $90bn and the total debt they own will decrease by $10bn.

A drop in the ocean you might say, but the amount they hold back each month will increase by $10bn to a cap of $50bn and that means over $2 trillion could roll off the books by 2021, assuming they stay the course. What happens to the $2 trillion they don't reinvest? *poof* it's gone, disappeared, a deleted line in a spread sheet. Central banks giveth and central banks taketh away.

Elsewhere in the world the strategy remains very much one of giving. While US rates are already 1% above the post crisis low, the BoE and ECB are still languishing at record lows and only hinting at stopping QE. To provide some context to just how accommodative they have been we looked back at Mark Carney's first UK inflation report. On 7 August 2013 the newly installed Governor of the Bank of England introduced the UK to the idea of "forward guidance" *by issuing the following (somewhat shortened) statement as part of the BoE's quarterly report: "The Committee intends at a minimum to maintain the current highly stimulative stance of monetary policy until economic slack has been substantially reduced… …in particular, the MPC intends not to raise Bank Rate from its current level of 0.5% at least until the Labour Force Survey headline measure of the unemployment rate has fallen to a threshold of 7%..."*[5].

At that time UK unemployment stood at 7.8% and the base rate of interest set was 0.5%. Fast forward to the August 2017 inflation report and unemployment is now at a record low of 4.3% and interest rates are 0.25%[6]. Although the hawkish comments following the September 2017 Monetary Policy Committee meeting have increased the likelihood of a November 2017 rate hike, not to mention the rebound in Sterling, that initial piece of forward guidance is a sobering reminder of just how accommodative the BoE has been and for how long.

Investment Adviser's Report (continued)

It also demonstrates the susceptibility of forecasting to changes in previously reliable relationships. Falling unemployment has traditionally been a good indicator of future inflation increases (a link described by the so-called Phillips curve) but this has manifestly failed in the post financial crisis era. The reasons for this are still hotly debated (the subject of 13 different MPC speeches in the last 3 years alone[5]) with productivity and structural changes to the labour market (the "gig economy") typically blamed. What is clear however is that real wage growth (wages less inflation) since the financial crisis has been the worst of any post war recovery, and the UK in particular stands out as the worst of any major developed economy (excluding Greece that is) with real wages still well behind where they were in 2008[3]. Theresa's Mays easing of the public sector pay cap may be one factor influencing the MPCs hawkish view but with around 20% of workers employed by the state, the government's magic money tree would have to receive a pretty rigorous shake to make up the difference between wage growth at 2.1% and inflation of 2.9% (although a pay increase in line with the 10% MPs handed themselves in 2015 might just about plug the gap).

Politics has proven to be a consistent source of uncertainty around the globe and the supposedly quiet summer months proved no different. Donald Trump, of course led the way. First by sacking some high profile figures from his administration and then by starting a war of words (so far) with North Korea. The reshuffling of his administration has seen some of the key figures from his election campaign replaced, in many cases by serving or former generals. Any hope that these changes would lead to a more disciplined and considered approach from the President quickly evaporated however when Donald Trump began prodding the hornets' nest that is North Korea. Threats of absolute destruction from the "rogue state" are nothing new but the reciprocation from Trump was unsettling for markets and in the President's own words "We can't let a madman with nuclear weapons on the loose like that".

In Europe the negotiations over the terms of the UK's exit from the Union continue. There are obviously a lot of moving parts to these discussions, be they metaphorical pieces of the future relationship or physical pieces of cars and machinery moving across borders. Theresa May's Florence address indicated a more pragmatic approach towards a transitional arrangement but the EU still refuses to discuss future trade arrangements until the key issues around the the Irish border, the financial settlement (a.k.a. divorce bill) and the rights of EU citizens are resolved.

It was hoped that Angela Merkel's re-election in Germany would provide some impetus and a more pragmatic approach to negotiations, but that has been complicated by the eventual result. Although Merkel's CDU won a 4th term the centre-left Social Democrats have categorically ruled out participation in yet another grand coalition and Merkel will likely form an uncomfortable alliance with the right of centre FDP (who came fourth) and the left of centre Greens (who polled sixth). She will also face a much more aggressive opposition, particularly from the far right-wing Alternative für Deutschland (AfD) which made its parliamentary debut as the country's third-largest party.

Europe may instead turn to Emmanuel Macron for leadership. Although the euphoria of his election landslide may have faded the French President has quietly passed labour reforms which literally caused riots when proposed by his predecessor. Macron's recent speeches suggest he has a bold vision for a reformed Europe but with Spain currently arresting Catalan secessionists and the strong populist vote in Germany once again creating doubts about the 2018 Italian elections, the European project remains just that.

In summary, the fundamental drivers of the post-crisis market rally are now slowing or reversing but underlying economic activity remains robust. The big question remains can the bond balloon be deflated in a controlled manner? Is global growth robust enough to replace the air released when QE ends? Even in a goldilocks scenario of moderate growth and stable inflation it's likely that market returns will "normalise" to historic levels and that means slimmer pickings than we have perhaps become used to in recent years. A benign, low growth scenario is vulnerable to corrections however and there remains a panoply of political risks, any one of which could send investors running for cover. All in all this puts us in mind of a famous quote attributed to semi-conductor pioneer and Intel co-founder Andy Grove, "Success breeds complacency and complacency breeds failure. Only the paranoid survive". We maintain a cautious approach to the known unknowns (Trump, N.Korea, Brexit etc) and a healthy paranoia about the unknown unknowns.

Investment Adviser's Report (continued)

We intend to enjoy autumn while it lasts but if winter is coming we will be prepared when it arrives. This means adequate diversification across asset classes and experienced expert managers who know the safest paths to walk in treacherous conditions. Our in-depth research processes and disciplined risk controls help to guide us and ensure we continue deliver performance in line with our client's investment objectives, as we have done for over a decade.

Thank you for your continued support. As always, please contact your usual adviser for further information or for access to our monthly updates.

Performance Summary
The fund rose 7.88% over the twelve month review period, versus the Investment Association (IA) Mixed Investment 20-60% Shares sector average 6.29%, and the IA Money Market 0.15%. (Data for the period 03.10.2016 to 02.10.2017. Data compiled from Thomson Reuters Lipper for Investment Management).

Since the fund's mandate change on 24th July 2009 it has delivered a return of 79.46%, outperforming the IA sector average 74.92%, and IA Money Market 3.57%. The fund's share price as at 1st October 2017 was; 157.12p. *(Data for the period 24.07.2009 to 02.10.2016. Data compiled from Thomson Reuters Lipper for Investment Management. Performance is bid to bid with income reinvested)*.

The fund continues to offer investors a high level of income and the potential for strong capital growth. The natural yield is delivered through high yielding equities and dynamic fixed income strategies.

Fund Review & Outlook
The fund performed well in absolute and relative terms. Equity markets continued to rise over the period with Europe leading the way up followed by Emerging Markets, Asia, North America, Japan and the UK. Bond markets relatively struggled as the US Federal Reserve reiterated its commitment to raising interest rates.

Europe and the UK remain behind the US in normalising monetary policy but both ECB President Mario Draghi and Bank of England Governor Mark Carney have suggested they will begin to tighten policy in the near future, leading to volatility in bond prices. Speculation over interest rate rises also led to foreign exchange volatility as Sterling gained against the US Dollar and Japanese Yen.

Turning to the portfolio, all of our fixed interest managers offered positive returns. Telecoms and consumer services buoyed performance for our core high yield fund, the strategy also benefitted from low interest rate sensitivity. Banks and financials drove returns for our strategic manager, he was the top performer within the fixed interest component of the portfolio. Global real estate bonds had another solid quarter.

Turning to the UK, a logistics company boosted returns for our multi-cap income fund, whilst a food and drug retailer powered performance for the newly purchased mid cap manager. A profit warning from a sub-prime consumer loan company was the key detractor for our large cap income specialist, he was the laggard over the period.

All of our international equity funds were positive over the period. An online data storage provider delivered for our flexible North American manager, whilst our European small cap fund benefitted from exposure to Swiss finance. Currency weakness offset gains made in South Korean electronics for our Asian income specialist.

Italian toll roads helped our global listed infrastructure manager to be the top performer within alternatives component of the portfolio. A profit warning from a construction services company held back returns for our UK focused infrastructure fund.

Commercial property recovered strongly. Industrial warehouses in the Midlands and an out of town shopping centre in West Yorkshire, powered returns for our top real estate fund, whilst London offices and a South East shopping centre, held back the laggard.

Investment Adviser's Report (continued)

The above are the views and opinions of the Greystone Investment Committee and are correct at the time of writing. All performance data compiled from Thomson Reuters Lipper for Investment Management, data correct to 30.09.2017. Sources: 1 – Fidelity Perspectives, Fidelity International, 2 – Artemis Fund Managers, 3 – Deutsche Bank, 4 – The Financial Times, 5 – Bank of England, 6 – Office of National Statistics

Foundation Investment Management Limited
Investment Adviser
7 November 2017

Certification of Accounts by Directors of the ACD

This report is signed in accordance with the requirements of the Collective Investment Schemes Sourcebook (COLL) as issued and amended by the Financial Conduct Authority.

T J Ricketts **M D Jealous**

Margetts Fund Management Ltd
26 January 2017

Authorised Status

The MGTS Greystone Cautious Managed Fund is an open-ended investment company with variable capital incorporated in England and Wales under registration number IC407 and authorised by the Financial Conduct Authority on 17 October 2005.

The fund is classed as a NURS scheme. Shareholders are not liable for the debts of the fund.

Significant purchases and sales

For the year ended 30 September 2017

Total purchases for the year	**£33,953,736**
Purchases	**Cost (£)**
VT UK INFRASTRUCTURE INCOME I GBP ACC	3,965,000
ARTEMIS US EXTENDED ALPHA I GBP ACC	3,170,000
MAN GLG GLBL EMRKTS DEBT TR I H GBP ACC	3,040,000
MUZINICH GLOBAL TACTICAL CREDIT GBP INC H	2,925,000
TB EVENLODE INCOME C ACC	2,682,239
SCHRODER INCOME MAXIMISER Z ACC	2,420,000
AVIVA PROPERTY FEEDER ACC 2	2,042,410
SLI UK REAL ESTATE FEEDER INST ACC	1,673,378
THREADNEEDLE UK PROPERTY AIF I NET ACC	1,654,835
ROYAL LONDON SHORT DUR GBL HIGH YIELD BOND Z INC	1,530,000

Total sales for the year	**£22,882,805**
Sales	**Proceeds (£)**
VANGUARD GLOBAL BOND INDEX INSTITUTIONAL USD HEDGE	4,232,230
EVENLODE INCOME C ACC	3,332,239
CF WOODFORD EQUITY INCOME C ACC	3,298,738
FIDELITY AMERICAN SPECIAL SITS W ACC	2,966,041
SCHRODER INCOME MAXIMISER Z ACC	2,100,000
AVIVA INVESTORS PROPERTY TRUST 2 ACC	2,042,410
SLI IGNIS UK PROPERTY I ACC	1,673,378
THREADNEEDLE UK PROPERTY AIF I GROSS ACC	1,654,835
TROJAN INCOME O ACC	1,580,000

Portfolio statement

As at 30 September 2017

Holding	Portfolio of Investments	Value (£)	Total Net Assets 30.09.17 %	Total Net Assets 30.09.16 %
	UK			
1,946,579	CF Miton UK Multi Cap Income Inst B	5,028,404	4.98	
1,126,955	Evenlode Income C	3,095,407	3.07	
3,472,202	Fidelity Enhanced Income W	5,045,109	5.00	
2,068,845	Majedie Asset UK Income X	4,057,006	4.02	
387,122	Man GLG UK Income Fund Professional	1,025,098	1.02	
436,323	MI Chelverton UK Equity Income Fund B	1,026,449	1.02	
6,138,568	Schroder Income Maximiser Z	5,149,645	5.10	
638,188	Trojan Income O	2,043,031	2.02	
3,512,262	VT Gravis UK Infrastructure Income Fund I	4,060,877	4.02	
	Total UK	**30,531,026**	**30.25**	**29.97**
	Bonds			
586,773	Gam Star Credit Opportunities Inst	7,027,189	6.96	
28,091	Man GLG Global Emerging Markets Debt Total Return Class I H GBP	3,002,349	2.98	
100,079	Rogge Short Duration Global Real Estate Bond	1,034,821	1.03	
7,820,824	Royal London Short Duration Global High Yield Bond Z	7,156,836	7.09	
88,184	Rubrics Global Credit C	1,036,696	1.03	
	Total Bonds	**19,257,891**	**19.09**	**20.78**
	Europe (excl. UK)			
2,155,608	Montanaro European Income GBP	3,979,251	3.94	
	Total Europe (excl. UK)	**3,979,251**	**3.94**	**4.13**
	Global			
2,258,562	Artemis Global Income I	2,935,228	2.91	
185,339	Capital International Global High Inc Z	5,977,192	5.94	
2,111,047	Edentree Higher Income Fund B Income	3,023,019	3.00	
1,678,575	Lazard Global Infrastructure Equity Inst	3,122,988	3.10	
28,955	Muzinich Global Tactical Credit Fund Hedged GBP Inc	2,947,290	2.92	
1,167,271	Sarasin Global Higher Dividend Fund	2,984,711	2.96	
	Total Global	**20,990,428**	**20.83**	**18.03**
	US			
1,757,927	Artemis US Extended Aplha I	3,150,029	3.12	
	Total US	**3,150,029**	**3.12**	**2.96**
	Far East (excl Japan)			
50,660	Prusik Asian Equity Income X	6,894,321	6.83	
	Total Far East (excl Japan)	**6,894,321**	**6.83**	**7.49**
	Alternatives			
893,888	CF Ruffer Total Return I	4,095,882	4.06	
	Total Alternatives	**4,095,882**	**4.06**	**4.10**

Portfolio statement (continued)

Holding	Portfolio of Investments	Value (£)	Total Net Assets 30.09.17 %	Total Net Assets 30.09.16 %
	Property			
1,544,932	Aberdeen UK Property Feeder I	2,286,190	2.27	
2,022,041	Aviva Property Feeder Acc 2	2,020,828	2.00	
4	L&G UK Property I	3	0.00	
2,791,657	L&G UK Property I Feeder I	2,233,046	2.21	
1,304,958	Standard Life Investments UK Property Inst	1,675,566	1.66	
330,117	Threadneedle UK Property Trust I	1,778,010	1.76	
	Total Property	**9,993,643**	**9.90**	**10.53**
	Portfolio of Investments	**98,892,471**	**98.02**	**97.98**
	Net Current Assets	**2,000,739**	**1.98**	**2.02**
	Net Assets	**100,893,210**	**100**	**100**

The investments have been valued in accordance with note 1(b) and are authorised Collective Investment Schemes.

Statement of ACD's Responsibilities

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

The Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL") requires the Authorised Corporate Director to ensure that the financial statements for each accounting period give a true and fair view of the financial affairs of the Scheme and of the net income / expenses and of the net gains / losses on the property of the Scheme for that year.

In preparing the financial statements the ACD is required to:

- select suitable accounting policies, as described in the attached financial statements, and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- comply with the Prospectus, generally accepted accounting principles and applicable accounting standards subject to any material departures which are required to be disclosed and explained in the financial statements;
- comply with the disclosure requirements of the Statement of Recommended Practice for Financial Statements and Authorised Funds;
- keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Scheme will continue in operation.

The ACD is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Scheme and to enable them to ensure that the financial statements comply with the COLL Sourcebook. The ACD is also responsible for safeguarding the assets of the Scheme and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. This function is performed by the ACD and references to the ACD include the AIFM as applicable.

In so far as the ACD is aware:

- There is no relevant audit information of which the Scheme's auditors are unaware; and
- The ACD has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Shareholders of the MGTS Greystone Cautious Managed Fund of the Greystone Fund (“the Company”) for the Year Ended 30 September 2017

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority’s Collective Investment Schemes Sourcebook, and, from the 22nd July 2014 the Investment Funds Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together “the Regulations”), the Company’s Instrument of Incorporation and Prospectus (together “the Scheme documents”) as detailed below.

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

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

The Depositary must ensure that:

- the Company’s cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company’s assets is remitted to the Company within the usual time limits;
- the Company’s income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager (“the AIFM”) are carried out (unless they conflict with the Regulations).

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

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

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company’s shares and the application of the Company’s income in accordance with the Regulations and the Scheme documents of the Company; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Company in accordance with the Regulations and Scheme documents of the Company.

For and on behalf of
BNY Mellon Trust & Depositary (UK) Limited
160 Queen Victoria Street
London EC4V 4LA

Manager
26 January 2018

Independent Auditor's Report

To the shareholders of MGTS Greystone Cautious Managed Fund

Opinion

We have audited the financial statements of MGTS Greystone Cautious Managed Fund (the Fund), for the year ending 30 September 2017 which comprise the Statement of Change in Net Assets Attributable to shareholders, the Balance Sheet, the Statement of Total Return, the related notes and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Association (the 'Statement of Recommended Practice for Authorised Funds').

This report is made solely to the shareholders of the fund, as a body, in accordance with Rule 4.5.12 of the Collective Investment Scheme Sourcebook (COLL) of the Financial Conduct Authority (FCA).

Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund and the fund's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 30 September 2017 and of the net income and net capital gains on the property of the Fund for the year then ended;
- have been properly prepared in accordance with the Prospectus, the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook issued by the Financial Conduct Authority and United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 ACD's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the ACD have 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.

Independent Auditor's Report (continued)

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 ACD 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 Companies Act 2006

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

- the information given in the ACD's report and the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the ACD's report and the ACD's report have been prepared in accordance with applicable legal requirements.

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 ACD's report or the ACD's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Alternative Investment ACD remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of Authorised Corporate Director

As explained more fully in the ACD's responsibilities statement, the ACD 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 ACD 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 ACD 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 ACD either intends to liquidate the Fund or to cease operations, 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the ACD.

- Conclude on the appropriateness of the ACD's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Robert Wood
Senior Statutory Auditor
For and on behalf of Shipleys LLP
Chartered Accountants and Statutory Auditors
10 Orange Street
Haymarket
London
WC2H 7DQ

26 January 2018

Net Asset Value per Share and Comparative Tables

Accumulation share class

Change in net assets per share	30/09/2017	30/09/2016	30/09/2015
Opening net asset value per share	142.1425	126.1500	124.0100
Return before operating charges *	10.2192	18.1025	4.2100
Operating charges	-0.1500	-2.1100	-2.0700
Return after operating charges	10.0692	15.9925	2.1400
Distribution on income shares	0.0000	0.0000	0.0000
Closing NAV per share	152.2117	142.1425	126.1500
Retained distribution on acc shares	5.5133	4.4377	4.2025
* After direct transaction costs of	0.0013	0.0013	0.0022
Performance			
Return after charges	7.08%	12.68%	1.73%
Other Information			
Closing net asset value (£)	5,622,652	7,111,331	8,373,090
Closing number of shares	3,693,969	5,002,959	6,637,406
OCF	2.43%	2.43%	2.44%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price (pence)	154.45	142.72	136.62
Lowest share price (pence)	140.39	122.68	120.52

Income share class

Change in net assets per share	30/09/2017	30/09/2016	30/09/2015
Opening net asset value per share	105.4144	96.6700	98.1700
Return before operating charges *	7.5489	13.7277	3.4326
Operating charges	-0.1100	-1.6100	-1.6300
Return after operating charges	7.4389	12.1177	1.8026
Distribution on income shares	-4.0506	-3.3733	-3.3026
Closing NAV per share	108.8027	105.4144	96.6700
* After direct transaction costs of	0.0009	0.0010	0.0011
Performance			
Return after charges	7.06%	12.54%	1.84%
Other Information			
Closing net asset value (£)	4,210,856	4,659,657	5,330,325
Closing number of shares	3,870,177	4,420,324	5,513,910
OCF	2.43%	2.43%	2.44%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price (pence)	112.50	107.43	106.36
Lowest share price (pence)	104.12	94.01	95.35

Net Asset Value per Share and Comparative Tables (continued)

R accumulation share class

Change in net assets per share	30/09/2017	30/09/2016	30/09/2015
Opening net asset value per share	145.5466	128.4000	125.4600
Return before operating charges *	11.4064	18.2966	4.0600
Operating charges	-0.1600	-1.1500	-1.1200
Return after operating charges	11.2464	17.1466	2.9400
Distribution on income shares	0.0000	0.0000	0.0000
Closing NAV per share	156.7930	145.5466	128.4000
Retained distribution on acc shares	5.4316	4.3276	4.0654
* After direct transaction costs of	0.0014	0.0014	0.0015
Performance			
Return after charges	7.73%	13.35%	2.34%
Other Information			
Closing net asset value (£)	66,014,996	49,562,368	43,812,706
Closing number of shares	42,103,280	34,052,576	34,123,026
OCF	1.68%	1.68%	1.69%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price (pence)	158.83	146.13	138.66
Lowest share price (pence)	143.91	125.14	121.96

Institutional income share class

Change in net assets per share	30/09/2017	30/09/2016	30/09/2015
Opening net asset value per share	108.5732	98.8300	99.6100
Return before operating charges *	8.4755	13.9284	3.3055
Operating charges	-0.1200	-0.8800	-0.8800
Return after operating charges	8.3555	13.0484	2.4255
Distribution on income shares	-4.0175	-3.3052	-3.2055
Closing NAV per share	112.9112	108.5732	98.8300
* After direct transaction costs of	0.0010	0.0010	0.0011
Performance			
Return after charges	7.70%	13.20%	2.43%
Other Information			
Closing net asset value (£)	25,044,706	21,750,478	17,492,458
Closing number of shares	22,180,887	20,033,010	17,700,553
OCF	1.68%	1.68%	1.69%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price (pence)	116.46	110.56	108.22
Lowest share price (pence)	107.35	96.32	96.77

Net Asset Value per Share and Comparative Tables (continued)

Risk Warning

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

Synthetic Risk and Reward Indicator

Typically Lower Returns | Typically Higher Returns

1	2	3	4	5	6	7

Lower Risk | Higher Risk

The risk and reward score is based on past performance and calculated in accordance with European legislation. It may not be a reliable indication of the future risk profile.

Financial statements

Statement of total return

For the year ended 30 September 2017

	Notes		30.09.17		30.09.16
Income		£	£	£	£
Net capital gains/(losses)	4		4,008,720		7,918,164
Revenue	6	3,597,545		2,635,349	
Expenses	7	(865,852)		(757,387)	
Finance costs: Interest	9	-		(4)	
Net revenue before taxation		2,731,693		1,877,958	
Taxation	8	(172,651)		(37,343)	
Net revenue after taxation			2,559,042		1,840,615
Total return before distributions			**6,567,762**		**9,758,779**
Finance costs: Distribution	9		(3,329,794)		(2,518,391)
Change in net assets attributable to shareholders from investment activities			**3,237,968**		**7,240,388**

Statement of change in net assets attributable to shareholders

For the year ended 30 September 2017

	£	£	£	£
Opening net assets attributable to shareholders		83,083,834		75,008,580
Amounts receivable on issue of shares	21,163,920		13,290,171	
Amounts payable on cancellation of shares	(8,953,783)		(14,174,067)	
		12,210,137		(883,896)
Change in net assets attributable to shareholders from investment activities		3,237,968		7,240,388
Retained distribution on accumulation shares		2,361,271		1,718,762
Closing net assets attributable to shareholders		**100,893,210**		**83,083,834**

Balance sheet

As at 30 September 2017

	Notes		30.09.17		30.09.16
Assets		**£**	**£**	**£**	**£**
Investment assets			98,892,471		81,407,785
Debtors	10	403,844		157,286	
Bank balances		11,262,414		8,876,751	
Total other assets			**11,666,258**		**9,034,037**
Total assets			**110,558,729**		**90,441,822**
Liabilities					
Creditors	11	829,694		264,991	
Distribution payable on income shares		536,272		381,434	
Bank overdrafts		8,299,553		6,711,563	
Total other liabilities			**9,665,519**		**7,357,988**
Net assets attributable to shareholders			**100,893,210**		**83,083,834**

Notes to the financial statements

As at 30 September 2017

1 Accounting policies

a) Basis of accounting

The financial statements have been prepared under the historical cost basis in accordance with Financial Reporting Standard (FRS) 102, as modified by the revaluation of investments, and in accordance with the revised Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014.

b) Basis of valuation of investments

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

c) Foreign exchange rates

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

d) Revenue

All income allocations and distributions declared by the managers of the underlying funds up to the accounting date are included in Income, net of attributable tax credits. The net allocations which are retained in Income are included in the fund's own income allocation. Bank and other interest receivable is accrued up to the accounting date. Equalisation on distributions received is deducted from the cost of the investment and not included in the fund's income available for distribution.

e) Expenses

The ACD's periodic charge is deducted from Capital. All of the other expenses are charged against Income except for costs associated with the purchase and sale of investments which are charged against Capital.

f) Taxation

(i) The fund is treated as a corporate shareholder with respect to its underlying holdings and its income is subject to streaming into franked and unfranked.

(ii) Corporation tax is provided at 20% on income, other than the franked portion of distributions from collective investment schemes, after deduction of expenses.

(iii) The charge for deferred tax is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

2 Distribution policy

Income arising from investments accumulates during each accounting period. Surplus income is allocated to shareholders in accordance with the COLL regulations. In order to conduct a controlled dividend flow to shareholders, interim distributions will be made at the ACD's discretion, up to a maximum of the distributable income available for the period. All remaining income is distributed in accordance with the COLL regulations.

3 Risk management policies

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

Political and economic events in the major economies of the world, such as the United States, Japan and the European Union, will influence stock and securities markets worldwide.

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

i. **Credit Risk** – The fund may find that collective investment schemes in which it invests fail to settle their debts or deliver the investments purchased on a timely basis.

ii. **Interest Rate Risk** – Debt securities may be held by the underlying investments of the fund. The Interest Rate Risk of these securities is managed by the relevant manager.

iii. **Foreign Currency Risk** – Although the net assets of the fund are denominated in sterling, a proportion of the fund's investments in collective investment schemes have currency exposure with the effect that the balance sheet and total return can be affected by currency movements.

iv. **Liquidity Risk** – The main liability of the fund is the cancellation of any shares that investors want to sell. Securities may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

Smaller companies by their nature, tend to have relatively modest traded share capital, and the market in such shares can, at times, prove illiquid. Shifts in investor sentiment, or the announcement of new price-sensitive information, can provoke significant movement in share prices, and make dealing in any quantity difficult.

The equity markets of emerging countries tend to be more volatile than the more developed markets of the world. Standards of disclosure and accounting regimes may not always fully comply with international criteria, and can make it difficult to establish accurate estimates of fundamental value. The dearth of accurate and meaningful information and insufficiencies in its distribution, can leave emerging markets prone to sudden and unpredictable changes in sentiment. The resultant investment flows can trigger significant volatility in these relatively small and illiquid markets. At the same time, this lack of liquidity, together with the low dealing volumes, can restrict the ACD's ability to execute substantial deals.

v. **Market Price Risk** – Market Price Risk is the risk that the value of the fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rates or foreign currency movement. The Market Price Risk arises primarily from uncertainty about the future prices of financial instruments that the fund holds.

Market Price Risk represents the potential loss the fund may suffer through holding market positions in the face of price movements. This risk is generally regarded as consisting of two elements – Stock Specific Risk and Market Risk. The fund's exposure to Stock Specific Risk is reduced for equities and bonds through the holding of a diversified portfolio in accordance with the investment and borrowing powers set out in the Instrument of Incorporation.

vi. **Counterparty Risk** – Transactions in securities entered into by the fund give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction.

vii. **Fair Value of Financial Assets and Financial Liabilities** – There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

4 Net capital gains

	30.09.17	30.09.16
	£	£
Proceeds from sales on investments during the year	22,882,805	29,635,350
Original cost of investments sold during the year	(20,968,855)	(28,438,716)
Gains realised on investments sold during the year	1,913,950	1,196,634
Net appreciation thereon already recognised in prior periods	(1,735,941)	(644,700)
Net realised appreciation for the year	178,009	551,934
Net unrealised appreciation for the year	3,813,809	7,367,060
Net gains on non-derivative securities	3,991,818	7,918,994
Net gains/(losses) on currency	16,902	(830)
Net capital gains on investments	**4,008,720**	**7,918,164**

5 Purchases, sales and transaction costs

Collective Investment Schemes		
Purchases excluding transaction costs	33,953,736	29,709,896
Trustee transaction charges: 0.00% [0.00%]	590	410
Purchases including transaction costs	**33,954,326**	**29,710,306**
Sales excluding transaction costs	22,882,805	29,635,350
Trustee transaction charges: 0.00% [0.00%]	(220)	(380)
Sales including transaction costs	**22,882,585**	**29,634,970**

Trustee transaction charges have been deducted in determining net capital

Transaction charges are displayed as percentage of purchase/sale

Total trustee transaction charges : 0.00% [0.00%]	810	790

Total charges displayed as percentage of average net asset value

Average portfolio dealing spread : 0.17% [0.21%]

6 Revenue

UK franked dividends	1,647,928	1,422,523
UK unfranked dividends	340,026	373,866
Bond interest	374,145	112,493
Gross bond interest	474,088	219,265
Overseas franked income	241,846	248,307
Overseas gross unfranked income	519,379	256,537
Rebate of annual management charges / renewal commission	33	44
Bank interest	100	2,314
Total revenue	**3,597,545**	**2,635,349**

7 Expenses

Payable to the ACD, associates of the ACD and agents of either:		
ACD's periodic charge	770,782	677,753
Payable to the Depositary associates of the Depositary and agents of either:		
Depositary's fee	50,250	43,361
Safe custody	11,926	10,854
	62,176	54,215
Other expenses:		
FCA fee	161	248
Audit fee	7,730	7,280
Registration fees	11,660	12,029
Sundry charges	7,056	-
Printing costs	1,701	1,854
Distribution costs	4,586	4,008
Total expenses	**865,852**	**757,387**

8 Taxation

	30.09.17	30.09.16
	£	£
a) Analysis of the tax charge for the year:		
UK Corporation tax	168,384	41,426
Irrecoverable income tax	4,267	(4,083)
Current tax charge (note 8b)	172,651	37,343
Total tax charge	**172,651**	**37,343**
b) Factors affecting the tax charge for the year:		
Net income before taxation	2,731,693	1,877,958
Corporation tax at 20%	546,339	375,592
Effects of:		
UK dividends	(377,955)	(334,166)
Corporation tax charge	168,384	41,426
Irrecoverable income tax	4,267	(4,083)
Current tax charge for the year (note 8a)	**172,651**	**37,343**

c) Provision for deferred taxation

No provision for deferred taxation has been made in the current or prior accounting year.

9 Finance costs

	30.09.17	30.09.16
	£	£
Distributions		
Interim	1,578,721	1,314,991
Final	1,822,158	1,186,457
	3,400,879	2,501,448
Amounts deducted on cancellation of shares	56,140	119,694
Amounts received on issue of shares	(127,225)	(102,751)
Finance costs: Distributions	3,329,794	2,518,391
Finance costs: Interest	-	4
Total finance costs	**3,329,794**	**2,518,395**
Represented by:		
Net revenue after taxation	2,559,042	1,840,615
Expenses charged to capital		
ACD's periodic charge	770,782	677,753
Balance of revenue brought forward	24	46
Balance of revenue carried forward	(54)	(24)
Finance costs: Distributions	**3,329,794**	**2,518,390**

10 Debtors

	30.09.17	30.09.16
	£	£
Amounts receivable for issue of shares	379,810	56,994
Accrued income:		
Overseas gross unfranked income	16,503	-
	16,503	-
Prepayments	123	100,027
Other receivables	220	265
Taxation recoverable	7,188	-
Total debtors	**403,844**	**157,286**

11 Creditors

	30.09.17	30.09.16
Amounts payable for cancellation of shares	173,741	148,691
Amounts payable for investment securities purchased	400,000	
Accrued expenses:		
Amounts payable to the ACD, associates and agents:		
ACD's periodic charge	68,481	58,708
Amounts payable to the Depositary, associates and agents:		
Depositary's fees	4,465	3,771
Transaction charges	160	-
Safe custody fee	1,594	940
	6,219	4,711
Other expenses	12,870	16,100
Taxation payable:		
Corporation tax	168,383	36,781
Total creditors	**829,694**	**264,991**

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date [30.09.16 : £Nil].

13 Related party transactions

Margetts Fund Management Ltd as ACD, is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issues, and paid on cancellations are disclosed in the statement of change in net assets attributable to shareholders and note 9.

Amounts paid to Margetts Fund Management Ltd in respect of management services are disclosed in note 7 and amounts due at the end of the year in note 11.

14 Shareholders' funds

	Acc	Inc	R Acc	R Inc
Opening number of shares	5,002,959	4,420,324	34,052,576	20,033,010
Shares issued	2,728	1,860	13,148,828	3,815,366
Shares converted	(302,258)	(253,029)	172,212	408,699
Shares redeemed	(1,009,460)	(298,978)	(5,270,336)	(2,076,188)
Closing number of shares	3,693,969	3,870,177	42,103,280	22,180,887

15 Post balance sheet events

There were no material post balance sheet events which have a bearing on the understanding of the financial statements.

16 Risk disclosures – interest risk

Debt securities may be held by the underlying investments of the fund. The Interest Rate Risk of these securities is managed by the relevant manager. The table below shows the Interest Rate Risk profile at the balance sheet date:

	30.09.17	30.09.16
	£	£
Floating rate assets (pounds sterling):	11,262,414	8,876,751
Floating rate liabilities (pounds sterling):	(8,299,553)	(6,711,563)
Assets on which interest is not paid (pounds sterling):	92,401,994	71,085,620
Assets on which interest is not paid (dollars):	6,894,321	10,479,451
Liabilities on which interest is not paid (pounds sterling):	(1,365,966)	(646,425)
Net Assets	**100,893,210**	**83,083,834**

ii. Currency risk	**30.09.17**	**30.09.16**
	£	£
GBP	93,998,889	72,604,383
US Dollars	6,894,321	10,479,451
Net Assets	**100,893,210**	**83,083,834**

The floating rate financial assets and liabilities comprise bank balances, which earn or pay interest at rates linked to the UK base rate.

The fund has no interest bearing securities with maturity dates, other than collective investment schemes, which do not have maturity dates.

17 Fair Value Techniques

Assets	**30.09.17**	**30.09.16**
	£	£
Quoted prices for identical instruments in active markets	98,892,471	81,407,785
Prices of recent transactions for identical instruments	-	-
Valuation techniques using observable data	-	-
Valuation techniques using non-observable data	-	-
	98,892,471	**81,407,785**

18 Periodic Disclosure

Margetts Fund Management Ltd is required to disclose certain information periodically in relation to the Fund which is shown below.

At the end of the reporting period the percentage of the Fund’s assets subject to special arrangements arising from their illiquid nature was 0%.

Periodic Disclosure (continued)

There have been no new arrangements introduced for managing the liquidity of the Fund. The risk characteristics of the Fund are explained in the Prospectus.

In order to assess the sensitivity of the Fund's portfolio to the risks to which the Fund is or could be exposed, Margetts Fund Management Ltd monitors relative value at risk, commitment, gross leverage and the results of stress tests.

Margetts Fund Management Ltd has set limits considered appropriate to the risk profile of the fund. Any breaches of these limits are investigated by the Margetts risk committee and appropriate action taken if necessary.

During the reporting period there have been no changes to the maximum level of leverage that the Fund can employ or any right of reuse of collateral or any guarantee granted under leveraging arrangements.

At the end of the reporting period the total amount of leverage, expressed as a ratio, calculated using the commitment approach was 1:0.98 and using the gross method was 1:0.98.

Leverage is limited to overdraft use and the gross exposure from EPM techniques. Although the ACD may use derivatives for EPM, no collateral arrangements are currently in place and no asset re-use arrangements are in place.

The maximum leverage expressed as the ratio of the exposure to net asset value using the commitment method is 1.1:1.0 and using the gross method 3.3:1.0. Please note that the maximum leverage under the gross method is theoretical and would only occur if market risk and currency risk were hedged across the entire Fund whilst it was using the maximum borrowing facility of 10%. It is not anticipated that both market risk and currency risk would be simultaneously hedged and therefore the likely maximum leverage which would be used in normal circumstances using the commitment method is 1.1:1.0 and using the gross method 2.2:1.0.

The fund does not engage in securities financing transactions or loan securities or commodities to third parties.

19 Remuneration

In accordance with the requirements of FUND 3.3.5(5) the total amount of remuneration paid by the ACD to its staff for the financial year ended 30 September 2017 is:

	£
Fixed Remuneration	2,077,507
Variable Remuneration	1,223,483
Total Remuneration	**3,300,990**
Full Time Equivalent number of staff	**45**
Analysis of senior management	
Senior management	1,964,095
Staff whose actions may have a material impact on the funds	-
Other	-
	1,964,095

The remuneration for senior management has been calculated in accordance with the Remuneration Policy and is reviewed annually. The remuneration policy and, where required by the FCA, how benefits are calculated together with details of the remuneration committee can be found on the website: www.margetts.com. A paper copy of this is available free of charge upon request by writing to the compliance officer at 1 Sovereign Court, Graham Street, Birmingham B1 3JR. No material changes were made to the Policy or irregularities reported at the last review.

20 Securities Financing Transactions (SFT) and Total Return Swaps (TRS)

As at the Balance Sheet date, the amount of securities and commodities on loan as a proportion of total lendable assets is 0.00%

Distribution table

For the year ended 30 September 2017 – in pence per share

Interim
Group 1 – shares purchased prior to 01 October 2016
Group 2 – shares purchased on or after 01 October 2016

Accumulation Shares

Shares	Net Income	Equalisation	Allocated 31.05.17	Allocated 31.05.16
Group 1	2.6727	-	2.6727	2.3266
Group 2	2.2895	0.3832	2.6727	2.3266

Income Shares

Shares	Net Income	Equalisation	Paid 31.05.17	Paid 31.05.16
Group 1	1.9815	-	1.9815	1.7847
Group 2	1.4922	0.4893	1.9815	1.7847

R Accumulation Shares

Shares	Net Income	Equalisation	Allocated 31.05.17	Allocated 31.05.16
Group 1	2.6267	-	2.6267	2.2737
Group 2	2.029	0.5977	2.6267	2.2737

R Income Shares

Shares	Net Income	Equalisation	Paid 31.05.17	Paid 31.05.16
Group 1	1.9608	-	1.9608	1.7517
Group 2	0.9893	0.9715	1.9608	1.7517

Final
Group 1 – shares purchased prior to 01 April 2017
Group 2 – shares purchased on or after 01 April 2017

Accumulation shares

Units	Net Income	Equalisation	Allocating 30.11.17	Allocated 30.11.16
Group 1	2.8406	-	2.8406	2.1111
Group 2	1.8202	1.0204	2.8406	2.1111

Income shares

Units	Net Income	Equalisation	Payable 30.11.17	Paid 30.11.16
Group 1	2.0691	-	2.0691	1.5886
Group 2	1.8066	0.2625	2.0691	1.5886

R Accumulation shares

Units	Net Income	Equalisation	Allocating 30.11.17	Allocated 30.11.16
Group 1	2.8049	-	2.8049	2.0539
Group 2	1.9981	0.8068	2.8049	2.0539

Distribution table (continued)

R Income shares

Units	Net Income	Equalisation	Payable 30.11.17	Paid 30.11.16
Group 1	2.0567	-	2.0567	1.5535
Group 2	1.3018	0.7549	2.0567	1.5535

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

General Information

Valuation Point
The Valuation Point of the fund is at 8.30am each business day. Valuations may be made at other times with the Depositary's approval.

Buying and Selling of Shares
The ACD will accept orders to buy or sell shares on normal business days between 9.00am and 5.00pm and transactions will be effected at prices determined by the following valuation. Instructions to buy or sell shares may be made either in writing to: Margetts Fund Management Ltd, PO Box 17067, Birmingham, B2 2HL or by telephone on 0345 607 6808. A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

Prices
The most recent mid prices of shares are published on the Margetts website at www.margetts.com.

Other Information
The Instrument of Incorporation, Prospectus, Key Investor Information Document, Supplementary Information Document and the latest annual and interim reports may be inspected at the offices of the ACD, with a copy available, free of charge, on written request.

The register of shareholders can be inspected by shareholders during normal business hours at the offices of the Administrator.

The Head Office of the Company is at 1 Sovereign Court, Graham Street, Birmingham B1 3JR and is also the address of the place in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it.

The base currency of the Company is pounds (£) sterling.

The maximum share capital of the Company is currently £10,000,000,000 and the minimum is £100. Shares in the Company have no par value and therefore the share capital of the Company at all times equals the Company's current net asset value.

Shareholders who have any complaints about the operation of the fund should contact the ACD or the Depositary in the first instance. In the event that a unitholder finds the response unsatisfactory, they may make their complaint direct to the Financial Ombudsman Service at Exchange Tower, London E14 9SR or email to: complaint.info@financial-ombudsman.org.uk or by telephone to 0800 023 4567.

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