Annual Report and Financial Statements for Margetts International Strategy Fund

For the year ended 30 June 2017

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MARGETTS FUND MANAGEMENT LTD

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VAT No. (GB) 795 0415 16
Registered in England No. 4158249

Authorised and Regulated by
the Financial Conduct Authority

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Manager

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Directors of the Manager

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

Trustee

BNY Mellon Trust & Depositary (UK) Ltd
The Bank of New York Mellon Centre
160 Queen Victoria Street
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Administrator and Registrar

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Auditors

Shipleys LLP
Chartered Accountants & Statutory Auditors
10 Orange Street
Haymarket
London
WC2H 7DQ

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Fund Manager's Report

For the year ended 30 June 2017

Investment Objective and Policy

To provide long term capital growth on a medium risk basis from an actively managed spread of collective investment schemes investing predominantly in equity, equity-linked and fixed interest and money market investments in the various world markets.

The Fund is designed with a global investment strategy and a risk rating of 5 to 6 on a scale of 1 to 10.

Investment Review

International Strategy R	22.96%
International Strategy	22.00%

Benchmarks:

FTSE World TR GBP	22.11%
IA Global	20.94%

(Source – Analytics)

The Margetts International Strategy Fund has provided a strong positive return over the period which has been ahead of both benchmarks during the period. This strong performance has occurred during a period of considerable change, illustrated by the decision of the UK to leave the EU and the election of President Trump.

Equities have performed strongly over this period as the economic recovery has become more robust in the eyes of investors and levels of anxiety have reduced. Fixed interest markets have been held back by concerns that the economic recovery may increase inflation and lead to interest rate increases which have already begun in the US economy.

Generally robust company earnings in the second quarter of 2017 have underpinned recent optimism in the short term. However, from a macro-economic perspective the two key factors which primarily influenced global markets have been future inflation expectations and the possibility of future interest rate increases in the US and other major markets. Whilst the Federal Reserve and its chairperson, Janet Yellen, appear keen to push interest rates higher, market commentators have repeatedly highlighted the case for keeping rates lower for longer and focus on any weak data as a reason to postpone or cancel possible rate rises.

The likelihood of Donald Trump pushing through his promised tax reductions and infrastructure spending program have been dealt a significant blow by his inability to deliver his Obamacare repeal act and on-going concerns around his connections to Russia. The appointment of a grand jury is a further step towards possible impeachment, but this remains a long way off, even if it happens. Politics seems to have been subject to a sense of drama in recent times, either due to populism, social media, or the interaction between the two, and current problems reflect this new trend. The idea of a 'comeback' is not totally preposterous given Mr Trump's previous life story and therefore we should not write off the spending plans altogether just yet.

The political influence on investment markets appears to be reducing and therefore these developments are less concerning than they might have been a few years ago.

In a normal market environment the banking sector provides capital to businesses whilst solvent companies and consumers provide opportunities for economic activity and growth. Following the shock of the credit crisis it became apparent that banks were unable to perform their function and central banks and politicians became essential to the survival of the global economy. In this environment the impact of political speeches and central banks was amplified considerably with certain speeches moving markets significantly. The speech by Mario Draghi in July 2012, at a time where the global banking system remained on life support, in which he stated that he would do whatever was required and it would be enough, springs to mind. In the end he didn't need to do anything as bond yields fell significantly on his promise and equities rallied showing the power of words alone.

Fund Manager's Report (continued)

As the real economy has gradually strengthened it has become more self-supporting once again, reducing the effect of political events on asset prices. The discussion around Brexit has received extensive media coverage although investment markets have not shown any significant reaction recently. This should continue in the short term as the initial discussions were always expected to open with many areas of difference and some hostility. However markets will be looking for progress after the summer months and either hostilities will continue, suggesting a harder Brexit, or common ground will emerge suggesting the reverse. This is something which investors will need to consider in terms of investment allocations in Q4 2017 and beyond.

At the Federal Reserve meeting on 14th June 2017 (shortly after the end of the reporting period but prior to this commentary being written), interest rates were increased from 1% to 1.25% and the associated commentary indicated a slow but steady continued upward direction. The so called 'dot plot', which shows the various Fed committee member estimates of future interest rates, has not changed and continues to estimate rates rising to 2% during 2018 and hitting the 'long run' target of 3% in 2019.

Whilst the increase in interest rates was widely expected by markets there was a surprise element. Janet Yellen outlined a future plan to begin the process of reversing quantitative easing. This essentially means pulling some of the vast quantities of printed money used to support bond markets back out again. The numbers discussed were very low with an initial figure of $6bn per month rising to $36bn, but based only on maturing bonds. The process was described by one member as watching paint dry to underline how gentle it would be, however the change in direction from easing to tightening is significant in our view.

The first increase in US interest rates occurred in late 2015 and there have now been four rate increases since this time. The UK has not followed this trend, as the most recent change in interest rates was downwards in June 2016 to 0.25%, as an emergency measure following the Brexit referendum result. The uncertainty of Brexit is likely to keep rates on hold for now, but nevertheless this is expected to be the bottom of the cycle and the next move will be upwards whenever that might be.

On the face of it, the seemingly loud voices pushing for continued low interest rates have a pretty thin argument. In total, more than $14trn has been printed by major central banks following the credit crisis to reduce the cost of borrowing. This has been effective in stimulating global growth and employment which has continually risen to the point where levels are now at or near historic highs. Therefore it appears to be 'job done' for the central banks and time to normalise the position to avoid an overshoot in inflation.

That may all be true, say the voices against interest rate rises, but where is the inflation? Without evidence of rising core inflation and wage inflation there is no need to increase interest rates and, in fact, to do so would risk the current recovery and cause a recession. The amount of consumer debt has risen due to low interest rates and this would become unaffordable if rates rise, forcing a downturn in consumer spending.

It has long been clear that investors have a tendency to talk their own book and the upward cycle in bond markets has been in place since the late 1980s. At the start of this cycle the number of equity brokers significantly outweighed the number of bond traders due to the moribund reputation of bond markets. Although yields of 15% were available on 10 year gilts, investors generally preferred the excitement and higher expected returns of equities.

Nearly 30 years later the position has reversed entirely with bond traders outnumbering equity traders by around 5 to 1. Investors have become increasingly attracted to 'lower risk' investments due to a mixture of past performance, regulation and accountancy requirements. Far from being shunned by investors, this market is now arguably significantly overcrowded, with returns now down to historically low levels.

Bond managers and traders need to find reasons for this market to be investable in order to remain employed and it is possible that some of the noise calling for lower rates is part of a survival mechanism rather than based on economic fundamentals. If the historic performance record of bond markets, which have given low volatility and high returns, breaks down then the bond markets look overstaffed at present.

Fund Manager's Report (continued)

For those tuned to short term data, the reality is that bond markets have already become more volatile with lower returns, which is a reversal of the longer term trend. To the end of this reporting period the one year volatility for UK Gilts, measured by the FTSE Actuaries UK Conventional Gilts All Stocks Index, was higher than the MSCI World Index, whilst providing a capital loss against a double digit rise in global equities. Risk without return will quickly become unattractive to investors if this trend continues.

The case for bonds having peaked already is strong in our view. The two key factors are firstly; bond yields are too low to provide any return in any case and secondly; inflation may be about to increase. On-going global growth coupled with high employment is more likely, than not, to be inflationary. The fact that inflation has not appeared yet is not a good reason to suppose it will not occur when economic growth is robust and the position of full employment is fast approaching.

Rising debt levels may be a concern, however the low cost of debt reduces this risk considerably. Rising employment and low interest charges suggest that defaults will not be a problem in the short term. In fact interest rates are so low that affordability remains strong even if rates move up a little. The risk is on the side of investors who have lent too cheaply, making returns which may become uneconomical.

In conclusion, we expect that inflationary pressures will rise gradually and interest rates will increase very slowly. The fiscal tightening will be slow enough to be absorbed by on-going economic growth and increasing company earnings whilst fixed interest markets will face lower or negative returns, with elevated volatility, as a consequence of inflation rising ahead of current expectations.

It is important to be alert for a shock fall in bond markets. If inflation suddenly spiked upwards, this would cause a fall in most asset classes and cash would be attractive in these circumstances. At present we have assigned a low probability against this outcome.

The fund continues to be invested on the basis that global equity markets will remain supported by improving economic fundamentals. A small cash level of circa. 4% is being maintained to provide the opportunity to increase positions if sharp falls occur, which may be expected from time to time, as a result of normal market volatility.

Margetts Fund Management Ltd
Manager
13 September 2017

Certification of Accounts by Directors of the Manager

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
Date: 20 October 2017

Authorised Status

The fund is an authorised unit trust scheme established on 03 June 1992.

It is a Non UCITS Retail Fund (NURS) authorised under Section 243 of the Financial Services and Markets Act 2000, and the currency of the fund is Pounds Sterling.

Significant purchases and sales

For the year ended 30 June 2017

Total purchases for the year	**£33,252,010**
Purchases	**Cost (£)**
FIDELITY INDEX US P ACC	9,150,000
SCHRODER TOKYO FUND L GBP HEDGED ACCUMULATION	6,557,010
JP MORGAN EUROPE DYNAMIC (EX-UK) C ACC	5,700,000
STANDARD LIFE GLOBAL EMERGING MARKETS EQUITY INCOM	5,490,000
JP MORGAN US SELECT C NET ACC	2,565,000
ROYAL LONDON US TRACKER Z ACC	950,000
VANGUARD US EQUITY INDEX GBP ACC	950,000
VANGUARD FTSE UK ALL SHARE INDEX UNIT TRUST ACC	920,000
L&G US INDEX I ACC	507,000

Total sales for the year	**£40,812,498**
Sales	**Proceeds (£)**
L&G US INDEX I ACC	9,013,450
LEGG MASON IF MARTIN CURRIE NORTH AMERICAN X	7,662,901
JUPITER EUROPEAN I ACC	6,464,283
SCHRODER TOKYO FUND L GBP ACCUMULATION	6,237,010
MI SOMERSET EMERG MKTS DIV GROWTH FUND A NET ACC	5,405,355
BLACKROCK CONTINENTAL EUROPE X ACC	1,692,500
HENDERSON EUROPEAN FOCUS I ACC	1,622,000
L&G ASIAN INCOME TRUST I ACC	588,000

Portfolio statement
As at 30 June 2017

Holding	Portfolio of Investments	Value (£)	Total Net Assets 30.06.17 %	Total Net Assets 30.06.16 %
	UK			
3,036,542	Majedie Asset UK Equity X	5,301,196	4.88	
3,554,509	Threadneedle UK Growth & Income ZNI	5,535,792	5.10	
29,699	Vanguard FTSE UK All Share Index Unit Trust	5,650,779	5.21	
	Total UK	**16,487,767**	**15.19**	**14.89**
	Europe (excl UK)			
4,583,905	Blackrock Continental Europe X	5,945,325	5.48	
2,821,467	Henderson European Focus I	6,190,299	5.70	
2,734,943	JP Morgan Europe Dynamic (Ex-Uk) C	6,260,286	5.77	
	Total Europe (excl UK)	**18,395,910**	**16.95**	**20.69**
	US			
5,183,745	Fidelity Index US P	9,286,161	8.56	
2,389,755	JP Morgan US Select C Net	9,293,758	8.56	
3,102,301	Royal London US Tracker Z	9,334,823	8.60	
23,639	Vanguard US Equity Index GBP	9,286,848	8.56	
	Total US	**37,201,590**	**34.28**	**36.23**
	Japan			
10,882,953	Schroder Tokyo Fund L GBP	7,560,387	6.97	
	Total Japan	**7,560,387**	**6.97**	**5.45**
	Asia Pacific (excl Japan)			
1,110,762	Baillie Gifford Pacific B	7,109,990	6.55	
807,153	L&G Asian Income Trust I	6,646,905	6.12	
	Total Asia Pacific (excl Japan)	**13,756,895**	**12.67**	**12.31**
	Emerging Markets			
7,482,622	Standard Life Global Emerging Markets Equity Income	5,630,672	5.18	
3,740,371	Threadneedle Global Emerging Markets Equity ZNA	5,114,584	4.71	
	Total Emerging Markets	**10,745,256**	**9.89**	**9.58**
	Portfolio of Investments	**104,147,805**	**95.95**	**99.15**
	Net Current Assets	**4,395,980**	**4.05**	**0.85**
	Net Assets	**108,543,785**	**100**	**100**

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

Statement of Manager's responsibilities

The Manager 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 Manager to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Fund and of the net revenue / expenses and of the net gains / losses on the property of the Fund for that year.

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

In so far as the Manager is aware:

- There is no relevant audit information of which the Fund's auditors are unaware; and
- The Manager 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 Trustee's Responsibilities in Respect of the Scheme and Report of the Trustee to the Unitholders of the Margetts International Strategy fund ("the Trust") for the Period Ended 30th June 2017.

The Trustee in its capacity as Trustee of Margetts International Strategy fund must ensure that the Trust 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 Trust and its investors.

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

The Trustee must ensure that:

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

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

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

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

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

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

Manager
20 October 2017

Independent Auditor's Report

To the unitholders of Margetts International Strategy fund

Opinion

We have audited the financial statements of Margetts International Strategy Fund (the Fund), for the year ending 30 June 2017 which comprise the Statement of Change in Net Assets Attributable to unitholders, 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 unitholders 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 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 30 June 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 Fund Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Fund Manager 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 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 Companies Act 2006

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

- the information given in the Fund Manager’s report and the Fund Manager’s report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Fund Manager’s report and the Fund Manager’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 Fund Manager’s report or the Fund Manager’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 Fund Manager remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit

Independent Auditor’s Report (continued)

Responsibilities of Authorised Corporate Director

As explained more fully in the Fund Manager’s responsibilities statement, the 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 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 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 Fund Manager 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 Fund Manager.

- Conclude on the appropriateness of the Fund Manager’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

Date: 20 October 2017

Net Asset Value per Unit and Comparative Tables

Accumulation share class

Change in net assets per share	30/06/2017	30/06/2016	30/06/2015
Opening net asset value per share	286.0700	268.6900	249.2400
Return before operating charges *	68.1900	21.6600	23.7000
Operating charges	-5.2100	-4.2800	-4.2500
Return after operating charges	62.9800	17.3800	19.4500
Distribution on income shares	0.0000	0.0000	0.0000
Closing NAV per share	349.0500	286.0700	268.6900
Retained distribution on acc shares	0.0000	0.0000	0.0000
* After direct transaction costs of	0.0061	0.0009	0.0023
Performance			
Return after charges	22.02%	6.47%	7.80%
Other Information			
Closing net asset value (£)	49,507,485	46,491,181	51,896,723
Closing number of shares	14,183,699	16,251,771	19,315,100
OCF	2.18%	2.26%	2.33%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price (pence)	346.32	300.69	306.83
Lowest share price (pence)	286.09	241.96	238.40

R accumulation share class

Change in net assets per share	30/06/2017	30/06/2016	30/06/2015
Opening net asset value per share	293.9900	273.9700	252.1600
Return before operating charges *	70.2900	22.2900	24.0500
Operating charges	-2.7600	-2.2700	-2.2400
Return after operating charges	67.5300	20.0200	21.8100
Distribution on income shares	0.0000	0.0000	0.0000
Closing NAV per share	361.5200	293.9900	273.9700
Retained distribution on acc shares	2.4728	1.7884	1.2978
* After direct transaction costs of	0.0063	0.0009	0.0022
Performance			
Return after charges	22.97%	7.31%	8.65%
Other Information			
Closing net asset value (£)	59,036,300	44,750,627	35,795,650
Closing number of shares	16,330,266	15,222,053	13,065,636
OCF	1.40%	1.48%	1.55%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price (pence)	340.26	294.30	297.47
Lowest share price (pence)	294.01	247.93	241.76

Net Asset Value per Unit and Comparative Tables (continued)

Risk Warning

An investment in a unit trust should be regarded as a medium to long term investment. Investors should be aware that the price of units 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.

Fund Performance

The performance of the fund is shown in the Fund Manager’s Report.

Financial statements

Statement of total return

For the year ended 30 June 2017

	Notes		30.06.17		30.06.16
Income		£	£	£	£
Net capital gains/(losses)	4		19,845,241		5,638,251
Revenue	6	1,624,669		1,322,462	
Expenses	7	(1,262,619)		(1,115,897)	
Finance costs: Interest	9	(255)		(551)	
Net revenue before taxation		361,795		206,014	
Taxation	8	(961)		(76)	
Net revenue after taxation			360,834		205,938
Total return before distributions			**20,206,075**		**5,844,189**
Finance costs: Distribution	9		(383,143)		(258,421)
Change in net assets attributable to unitholders from investment activities			**19,822,932**		**5,585,768**

Statement of change in net assets attributable to unitholders

For the year ended 30 June 2017

	£	£	£	£
Opening net assets attributable to unitholders		91,241,809		87,692,373
Amounts receivable on issue of units	8,433,035		9,310,113	
Amounts payable on cancellation of units	(11,357,806)		(11,618,676)	
		(2,924,771)		(2,308,563)
Change in net assets attributable to unitholders from investment activities		19,822,932		5,585,768
Retained distribution on accumulation units		403,815		272,231
Closing net assets attributable to unitholders		**108,543,785**		**91,241,809**

Balance sheet

As at 30 June 2017

	Notes		30.06.17		30.06.16
Assets		**£**	**£**	**£**	**£**
Investment assets			104,147,804		90,460,596
Debtors	10	258,257		16,264	
Bank balances		8,869,539		4,145,339	
Total other assets			**9,127,796**		**4,161,603**
Total assets			**113,275,600**		**94,622,199**
Liabilities					
Creditors	11	321,727		243,959	
Bank overdrafts		4,410,088		3,136,431	
Total other liabilities			**4,731,815**		**3,380,390**
Net assets attributable to unitholders			**108,543,785**		**91,241,809**

Notes to the financial statements

As at 30 June 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 manager's periodic charge is deducted from Income. 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 manager'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 manager'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 manager'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

	30.06.17	30.06.16
	£	£
Proceeds from sales on investments during the year	40,812,498	20,357,632
Original cost of investments sold during the year	(29,561,063)	(18,575,579)
Gains realised on investments sold during the year	11,251,435	1,782,053
Net appreciation thereon already recognised in prior periods	(6,372,609)	(2,283,737)
Net realised appreciation/(depreciation) for the year	4,878,826	(501,684)
Trustee transaction charge	(690)	(290)
Net unrealised appreciation for the year	14,966,415	6,140,225
Net gains on non-derivative securities	19,845,241	5,638,251
Net capital gains on investments	**19,845,241**	**5,638,251**

5 Purchases, sales and transaction costs

Collective Investment Schemes		
Purchases excluding transaction costs	33,250,173	18,736,175
Dilution levy: 0.00% [0.05%]	629	8,970
Commissions & stamp duty: 0.00% [0.00%]	1,208	-
Trustee transaction charges: 0.00% [0.00%]	260	100
Purchases including transaction costs	**33,252,270**	**18,745,245**
Sales excluding transaction costs	40,834,206	20,357,632
Dilution levy: 0.05% [0.00%]	(21,708)	-
Trustee transaction charges: 0.00% [0.00%]	(430)	(190)
Sales including transaction costs	**40,812,068**	**20,357,442**

Trustee transaction charges have been deducted in determining net capital
Transaction charges are displayed as percentage of purchase/sale

Total dilution levy: 0.02% [0.01%]	22,337	8,970
Total commission & stamp duty: 0.00% [0.00%]	1,208	-
Total trustee transaction charges: 0.00% [0.00%]	690	290

Total charges displayed as percentage of average net asset value

Average portfolio dealing spread : 0.07% [0.10%]

6 Revenue

UK franked dividends	1,574,403	1,299,847
UK unfranked dividends	4,806	382
Rebate of annual management charges / renewal commission	45,460	22,233
Total revenue	**1,624,669**	**1,322,462**

7 Expenses

Payable to the Manager, associates of the Manager and agents of either:		
Manager's periodic charge	1,098,141	975,720
Payable to the Trustee associates of the Trustee and agents of either:		
Trustee's fee	54,691	47,815
Safe custody	11,830	11,347
	66,521	59,162
Other expenses:		
FCA fee	173	235
Audit fee	7,422	7,280
Registration fees	48,450	56,331
Sundry charges	1,431	-
Underlying AMC charge	40,481	17,169
Total expenses	**1,262,619**	**1,115,897**

8 Taxation

	30.06.17	30.06.16
	£	£
a) Analysis of the tax charge for the year:		
Irrecoverable income tax	961	76
Current tax charge (note 8b)	961	76
Total tax charge	**961**	**76**

	30.06.17	30.06.16
b) Factors affecting the tax charge for the year:		
Net income before taxation	361,795	206,014
Corporation tax at 20%	72,359	41,203
Effects of:		
UK dividends	(314,881)	(259,969)
Utilisation of excess management expenses	242,522	218,766
Irrecoverable income tax	961	76
Current tax charge for the year (note 8a)	**961**	**76**

c) Provision for deferred taxation

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

d) Factors that may affect future tax changes

The fund has unutilised management expenses of £8,440,203 (prior year £7,227,593). The fund does not expect to be able to utilise this in the forseeable future.

9 Finance costs

	30.06.17	30.06.16
	£	£
Distributions		
Final	403,815	272,231
	403,815	272,231
Amounts deducted on cancellation of units	16,925	22,654
Amounts received on issue of units	(37,597)	(36,464)
Finance costs: Distributions	383,143	258,421
Finance costs: Interest	255	551
Total finance costs	**383,398**	**258,972**

	30.06.17	30.06.16
Represented by:		
Net revenue after taxation	360,834	205,938
Shortfall on legacy class income taken to capital	22,297	52,493
Balance of revenue brought forward	-	(10)
Balance of revenue carried forward	13	-
Finance costs: Distributions	**383,144**	**258,421**

10 Debtors

	30.06.17	30.06.16
	£	£
Amounts receivable for issue of units	251,942	-
Prepayments	15	27
Other receivables	6,300	16,237
Total debtors	**258,257**	**16,264**

11 Creditors

Amounts payable for cancellation of units	193,539	119,734
Amounts payable to the Manager, associates and agents:		
Manager's periodic charge	95,271	78,329
Amounts payable to the Truste, associates and agents:		
Trustee's fees	4,732	3,933
Transaction charges	-	50
Safe custody fee	-	860
	4,732	4,843
Other expenses	28,185	41,053
Total creditors	**321,727**	**243,959**

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date [30.06.16 : £Nil].

13 Related party transactions

Margetts Fund Management Ltd as manager, 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 Unitholders' funds

	Acc	R Acc
Opening number of units	16,251,771	15,222,053
Units issued	188,056	3,334,876
Units converted	(295,310)	285,782
Units redeemed	(1,960,817)	(2,512,445)
Closing number of units	14,183,699	16,330,266

15 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:

	30.06.17	30.06.16
	£	£
Floating rate assets (pounds sterling):	8,869,539	4,145,339
Floating rate liabilities (pounds sterling):	(4,410,088)	(3,136,431)
Assets on which interest is not paid (pounds sterling):	104,406,061	90,476,860
Liabilities on which interest is not paid (pounds sterling):	(321,727)	(243,959)
Net Assets	**108,543,785**	**91,241,809**

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.

16 Post balance sheet events

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

17 Fair Value Techniques

Assets	30.06.17	30.06.16
	£	£
Quoted prices for identical instruments in active markets	104,147,804	90,460,596
Prices of recent transactions for identical instruments	-	-
Valuation techniques using observable data	-	-
Valuation techniques using non-observable data	-	-
	104,147,804	**90,460,596**

18 Periodic disclosure

As required by FUND 3.2.5R the ACD 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% (2016: 0%) of the NAV.

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.

The ACD 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 0.96:1 and using the gross method was 0.96:1.

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 Sub-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 2016 is:

	£
Fixed Remuneration	1,351,756
Variable Remuneration	1,573,101
Total Remuneration	**2,924,857**
Full Time Equivalent number of staff	**38**
Analysis of senior management	
Senior management	1,813,059
Staff whose actions may have a material impact on the funds	-
Other	-
	1,813,059

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 June 2017 – in pence per unit

Final
Group 1 – units purchased prior to 01 January 2017
Group 2 – units purchased on or after 01 January 2017

R Accumulation Units

Units	Net Income	Equalisation	Allocating 31.08.17	Allocated 31.08.16
Group 1	2.4728	-	2.4728	1.7884
Group 2	0.8595	1.6133	2.4728	1.7884

Equalisation only applies to units purchased during the distribution period (group 2 units). It represents the accrued income included in the purchase price of the units. 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 units for capital gains tax purposes.

General information

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

Buying and Selling of Units
The Manager will accept orders to buy or sell units 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 units 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 bid prices of units are published on the Margetts website at www.margetts.com. The associated cancellation price is available on request from the Manager.

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

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

Unitholders who have any complaints about the operation of the fund should contact the Manager or the Trustee 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
Unitholders' names will be added to a mailing list which may be used by the Manager, its associates or third parties, to inform investors of other products by sending details of such products. Unitholders who do not want to receive such details should write to the Manager, requesting their removal from any such mailing list.