



Margetts Select Strategy Fund

Interim Financial Statements

For the six months ended 31 December 2023 (Unaudited)

Manager

Margetts Fund Management Limited
1 Sovereign Court
Graham Street
Birmingham
B1 3JR

Tel: 0121 236 2380

Fax: 0121 236 2330

Company Registration No: 4158249

VAT No: (GB) 795 0415 16

(Authorised and regulated by the Financial Conduct Authority)

Directors of the Manager

T J Ricketts

M D Jealous

A Ogunnowo

J M Vessey (non-exec)

N Volpe (non-exec)

Trustee

The Bank of New York Mellon (International) Limited
160 Queen Victoria Street
London
EC4V 4LA

(Authorised by the Prudential Regulation Authority

and regulated by the Financial Conduct Authority and the Prudential Regulation Authority)

Administrator and Registrar

Margetts Fund Management Limited
1 Sovereign Court
Graham Street
Birmingham
B1 3JR

Tel: 0121 236 2380

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(Authorised and regulated by the Financial Conduct Authority)

Auditors

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

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Fund Manager's Report

For the period ended 31 December 2023

Investment Objective

The objective of the Margetts Select Strategy Fund is to provide long term (more than 5 years) capital growth.

Capital is at risk and there is no guarantee that the objective will be achieved.

Investment Policy

The Fund will provide exposure to a range of economic sectors and geographic areas, across a wide range of assets. This includes units, bonds, cash and near cash instruments. The Fund will be actively managed and therefore the manager will use their expertise to select investments, rather than tracking a stock exchange or index.

A minimum of 70% of the portfolio will be invested in collective investment schemes (which may include schemes operated by the manager, associates, or controllers of the manager) to provide a minimum of 40% and a maximum of 85% exposure to units. Usually, the allocation to units will be close to the upper limit. A minimum of 30% of the portfolio will be invested in assets which are denominated in Sterling or hedged back to Sterling.

The Fund may also invest directly (maximum of 30%) in units, bonds, cash, near cash instruments, investment trusts and structured products which may embed derivatives.

The Fund will be fully invested save for an amount to enable ready settlement of liabilities (including redemption of units) and efficient management of the Fund both generally and in relation to its objective. This amount will vary depending upon prevailing circumstances and although it would normally not exceed 10% of the total value of the Fund, there may be times when the Manager considers stock markets around the world to be overpriced or that a period of instability exists which presents unusual risks. In such cases or during such periods, a higher level of liquidity may be maintained and, if considered prudent, the exposure of cash or near cash instruments held would be increased. Unless market conditions were deemed unusually risky, the increased exposure and period would not be expected to exceed 30% and six months respectively.

Performance Comparison

There are three types of benchmarks which can be used:

1. A target - an index or similar factor that is part of a target a fund manager has set for a fund's performance to match or exceed, which includes anything used for performance fee calculation
2. A constraint - an index or similar factor that fund managers use to limit or constrain how they construct a fund's portfolio
3. A comparator - an index or similar factor against which a fund manager invites investors to compare a fund's performance

The Fund does not have a performance target and is not constrained by any index, IA sector or similar factor.

The IA (Investment Association) Mixed Investment 40-85% Units Sector is used as the comparator. This is considered appropriate for investors to use when comparing performance as the Fund is a member of this sector, which is made up of funds with a similar strategy as defined by the IA. The sector is not constructed as an Index, therefore as funds enter or leave the sector composition can change, but it is considered that the sector remains a useful and relevant comparator for investors to assess performance within a relevant peer group.

Investment Review

Margetts Select Strategy Fund Acc	5.70%
Margetts Select Strategy Fund R Acc	6.04%
Margetts Select Strategy Fund S Acc	6.21%

Source: Morningstar. Performance is bid to bid with income reinvested.

Fund Manager's Report (continued)

Benchmarks

IA Mixed Investment 40-85% Units

5.45%

Source: Morningstar. Performance is bid to bid with income reinvested.

The Margetts Select Strategy Fund has provided a positive return over the period and rose in value by 6.04% ('R' share class). The fund performance is ahead of the reference peer group, the IA Mixed Investment 40-85% Share sector, which rose by 5.45%.

During this reporting period all major markets provided positive returns following comments from the Federal Reserve that interest rates were near peak levels and that cuts were anticipated from May 2024.

The Magnificent Seven (Amazon, Apple, Alphabet, Meta, Microsoft, Nvidia and Tesla) have continued to lead the returns of US markets. The level of concentration within these stocks is a source of concern and investors should carefully consider the potential risk to capital caused by concentration within highly valued stocks.

Before considering the concentration risk within equity stocks, a review of bond market performance in recent years provides useful context. During the low interest rate period following the Global Financial Crisis and Covid-19 pandemic, the yield on 20-year gilts reached a low of approximately 0.5% during 2020. The capital value of these stocks is very sensitive to interest rates and this historically low yield presented a material risk to capital if interest rate expectations rose, which subsequently occurred.

Index based investors place confidence in the market to determine prices accurately however, inflation expectations appear to have been based on complacency built over a decade and failed to reflect the reality of excess money and a failing geo-political environment. Inflation expectations rose continually from September 2020 to March 2022, leading central banks to increase interest rates aggressively. The consequential fall in the value of the IA Gilts sector from 22 May 2020 to the 11 October 2022 low was approximately 34% and similar losses occurred within US treasury markets.

Active managers appear to have anticipated these risks and protected capital more effectively than equivalent index tracking strategies. During the period from 10 December 2021 to 14 October 2022, which represents the violent sell-off in government bonds, the Vanguard Life Strategy 20% Equity Fund (a tracker strategy) fell by over 20%, whereas the relevant active IA peer group fell around 14%.

This experience illustrates that whilst stock markets can be relied upon to value assets effectively over the long run, there remains significant scope for peaks and troughs to occur, especially when long standing expectations change. This risk is increased when long standing trends change, in this case a sustained increase for inflation expectations.

Within equity markets there has been a long and sustained increase in the use of index-based (passive) investment strategies which track well know indices such as the S&P 500 or MSCI World Index. The general concept of passive investment is that active investors create effective price discovery within the market which is accessed without bearing the burden of any research, cost, or effort, by holding a relevant index to provide diversification.

In theory, if investment moves from active strategies to passive strategies, or vice versa, there is little global effect as active strategies, on average, hold the entire market as do passive strategies. However, this theory could be seriously flawed when you look at the patterns within actively managed funds. Unsurprisingly, if you look at fund flows for active funds which are outperforming, they are generally positive whilst flows for underperforming funds are negative. This creates higher active demand for the stocks which are outperforming and is believed to contribute to momentum trends in stock prices.

Place a passive strategy in the background and it becomes the transistor in a radio, potentially amplifying the market pulses, creating a larger signal and causing momentum trends to increase. The larger the passive strategy is, the greater the amplification of the active management processes which increasingly relies on fewer market participants. To what extent can passive investors look to benefit from efficient markets, without contribution of work or cost, before the efficiency is compromised, or to put it another way, when does the metaphorical tail wag the metaphorical dog?

According to Bloomberg, passively held assets will exceed actively held assets by 2026 with the current split estimated to be around 45% / 55% in favour of active. Could this be driving recent trends of market concentration? The US market has risen from around 32% of global market capitalisation in the mid-1980s to approximately 70% today with less than 5% of the global population. The S&P 500 has nearly 30% exposure to the Magnificent Seven whose value exceeds the total value of the Japanese, UK, Chinese and French stock markets.

Fund Manager's Report (continued)

As bond yields in the early 2020s appeared too low from an active management perspective, equity markets now appear too concentrated in one market and a few number stocks. The US market is currently more expensive on a traditional price/earnings measure than other global markets and the only major market to be above its long-term average. According to J P Morgan, the US has never been more expensive on a comparative basis and the discount to the UK is around 45% and over 50% to China.

Although the arguments above indicate a possible reversal of recent trends, this is likely to require a catalyst. The first crack may have appeared as Tesla acknowledged that earnings for 2024 would be lower due to competition from Chinese electric vehicles resulting in a 10% plus fall in share price. This trend could widen as US investors are expecting strong earnings this year coupled with lower interest rates as inflation moderates. This outcome is difficult as higher earnings generally reflect higher prices and therefore higher inflation. If earnings are realised, inflation is likely to surprise on the upside or vice versa. Given the high valuations, any earnings downgrades could trigger a strong reaction leading to the momentum also reversing.

Encouragingly, the global economy has avoided a widely predicted recession in 2023 and inflation is now moderating providing some scope for interest rate reductions as discussed previously. Although in December the Federal Reserve suggested three 0.25% rate cuts could occur in 2024, markets seemed to price in five or six which appears a little optimistic. We expect that some of the gains in bond markets will reverse over this year favouring shorter and medium dated bonds over longer durations which provide higher yields and lower capital sensitivity as expectations moderate.

With attractive valuations being offered by many of the major equity markets outside of the US, we continue to believe that diversification offers many benefits, including higher potential returns and lower risk. The post Covid-19 era is beginning to become more defined and market distortions more apparent. Although it remains entirely possible the US equity market could continue to increase in value, we expect the rest of the world to correlate more closely with better prospects of outperformance.

Strategy

Equities with attractive valuations and able to benefit from a 'higher for longer' inflationary environment remain favoured, particularly in the UK, Asia and Emerging Markets.

We are underweighting US mega-cap stocks due to the potential downside risks discussed within this update.

We currently favour the 'value' style which are generally cash generative businesses rather than those with debt or that require further borrowing.

Margetts Fund Management Limited
Manager
14th February 2024

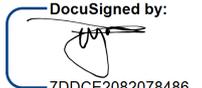
Authorised Status

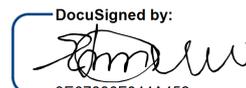
The Margetts Select Strategy Fund is an Authorised Unit Trust established on 10th February 1995.

The Fund is classed as a Non-UCITS Retail Scheme, which complies with the requirements of the FCA FUND and COLL handbooks. Unitholders are not liable for the debts of the Fund.

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.

DocuSigned by:

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M D Jealous

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A Ogunnowo

Margetts Fund Management Limited
 28 February 2024

Value for Money Assessment

A detailed value assessment report for the Margetts Select Strategy Fund can be found by visiting our website, <https://investors.mgtsfunds.com/>, and selecting the Literature and Prices tab.

Investor Notification

Investors Notification Details	Effective Date	Notification to Investors	Event Classification
Compulsory conversion of non-advised shareholders from Legacy Class to R Class	02-Jan-24	30-Oct-23	Pre-Notifiable

Portfolio Statement

As at 31 December 2023

HOLDING	INVESTMENT	VALUE (£)	% OF NET ASSETS	
			31.12.2023	30.06.2023
COLLECTIVE INVESTMENT SCHEMES				
£ CORPORATE BOND				
8,216,723	L&G SHORT DATED STERLING CORPORATE BOND INDEX FUND C ACC	4,902,919	4.39	
9,943,739	ROYAL LONDON STERLING CREDIT Z ACC	9,993,457	8.94	
	TOTAL £ CORPORATE BOND	14,896,376	13.33	13.64
ASIA PACIFIC EXCLUDING JAPAN				
417,272	FIDELITY ASIA FUND W ACC	6,217,348	5.56	
6,337,342	SCHRODER ASIAN INCOME L GBP ACCUMULATION	7,009,101	6.28	
	TOTAL ASIA PACIFIC EXCLUDING JAPAN	13,226,449	11.84	11.54
EUROPE EXCLUDING UK				
1,272,020	BLACKROCK EUROPEAN DYNAMIC FUND FX ACCUMULATION	3,376,324	3.02	
1,359,079	INVESCO PERPETUAL EUROPEAN EQUITY INCOME NO TRAIL ACC	3,530,750	3.16	
	TOTAL EUROPE EXCLUDING UK	6,907,074	6.18	6.01
GBP GOVERNMENT BOND				
114,000	GOLDMAN SACHS ACCESS UK GILTS 1-10 YEARS UCITS ETF	5,107,200	4.57	
	TOTAL GBP GOVERNMENT BOND	5,107,200	4.57	-
GLOBAL EMERGING MARKETS				
7,531,578	UBS GLOBAL EMERGING MARKETS EQUITY C ACC	6,575,068	5.88	
	TOTAL GLOBAL EMERGING MARKETS	6,575,068	5.88	6.09
	TOTAL GLOBAL INFLATION LINKED BOND	-	-	4.43
NORTH AMERICA				
1,377,153	FIDELITY INDEX US FUND P ACCUMULATION	5,452,837	4.88	
6,912	VANGUARD US EQUITY INDEX ACC	5,747,961	5.14	
	TOTAL NORTH AMERICA	11,200,798	10.02	10.45
UK ALL COMPANIES				
4,265,192	ISHARES UK EQUITY INDEX FUND (UK) D ACC	12,033,813	10.77	
2,562,532	JUPITER UK SPECIAL SITUATIONS I ACC	8,226,498	7.36	
	TOTAL UK ALL COMPANIES	20,260,311	18.13	18.28
UK EQUITY INCOME				
7,533,018	ALLIANZ UK EQUITY INCOME FUND CLASS E SHARES INCOME	8,524,363	7.63	
4,890,023	BLACKROCK UK INCOME FUND CLASS X GBP ACC	8,324,776	7.45	
397,075	RATHBONE INCOME S ACC	8,235,102	7.37	
	TOTAL UK EQUITY INCOME	25,084,241	22.45	22.02
UK SMALLER COMPANIES				
728,925	JP MORGAN UK SMALLER COMPANIES FUND C SHARES NET ACC	4,752,594	4.25	
	TOTAL UK SMALLER COMPANIES	4,752,594	4.25	3.96
GOVERNMENT OR PUBLIC BONDS				
GBP GOVERNMENT BOND				
2,262,164	UK TREASURY 0.125 31/01/24	2,253,363	2.02	
	TOTAL GBP GOVERNMENT BOND	2,253,363	2.02	2.00
	PORTFOLIO OF INVESTMENTS	110,263,474	98.68	98.42
	NET CURRENT ASSETS	1,478,963	1.32	1.58
	TOTAL NET ASSETS	111,742,437	100.00	100.00

The investments have been valued in accordance with note 1(b).

Financial Statements

Statement of Total Return

For the period ended 31 December 2023

		31.12.23		31.12.22
	£	£	£	£
Income				
Net capital gains		4,622,723		1,308,097
Revenue	2,100,591		1,817,942	
Expenses	(508,583)		(547,612)	
Net revenue before taxation	<u>1,592,008</u>		<u>1,270,330</u>	
Taxation	(11,339)		-	
Net revenue after taxation		<u>1,580,669</u>		<u>1,270,330</u>
Total return before distributions		6,203,392		2,578,427
Finance costs: Distributions		<u>(1,580,668)</u>		<u>(1,270,335)</u>
Change in net assets attributable to unitholders from investment activities		4,622,724		1,308,092

Statement of Change in Net Asset Attributable to Unitholders

For the period ended 31 December 2023

		31.12.23		31.12.22
	£	£	£	£
Opening net assets attributable to unitholders		110,004,598		113,616,312
Amounts receivable on issue of units	3,596,457		2,633,394	
Amounts payable on cancellation of units	(8,020,247)		(6,553,366)	
Dilution adjustment	<u>1,815</u>		-	
		<u>(4,421,975)</u>		<u>(3,919,972)</u>
Change in net assets attributable to unitholders from investment activities		4,622,724		1,308,092
Retained distribution on accumulation units		1,537,090		1,242,930
Closing net assets attributable to unitholders		111,742,437		112,247,362

Balance Sheet

As at 31 December 2023

		31.12.23		30.06.23
Assets	£	£	£	£
Investment assets		110,263,474		108,270,687
Debtors	27,017		2,466,753	
Cash and bank balances	1,971,752		1,723,732	
Total other assets		1,998,769		4,190,485
Total assets		112,262,243		112,461,172
Liabilities				
Creditors	519,806		2,456,574	
Total other liabilities		519,806		2,456,574
Net assets attributable to unitholders		111,742,437		110,004,598

Distribution Table

For the period ended 31 December 2023 – in pence per unit

Interim payment/allocation date 28 February 2024

Group 1 – units purchased prior to 01.07.2023

Group 2 – units purchased on or after 01.07.2023

Margetts Select Strategy Fund Acc Units

Units	Net Income	Equalisation	Allocating 28.02.2024	Allocated 28.02.2023
Group 1	5.7867	-	5.7867	3.8637
Group 2	2.3374	3.4493	5.7867	3.8637

Margetts Select Strategy Fund R Acc Units

Units	Net Income	Equalisation	Allocating 28.02.2024	Allocated 28.02.2023
Group 1	7.9951	-	7.9951	6.1045
Group 2	5.0761	2.9190	7.9951	6.1045

Margetts Select Strategy Fund S Acc Units

Units	Net Income	Equalisation	Allocating 28.02.2024	Allocated 28.02.2023
Group 1	8.9982	-	8.9982	7.0587
Group 2	5.9734	3.0248	8.9982	7.0587

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.

Net Asset Value per Unit and Comparative Tables

Accumulation

Change in net assets per share	31/12/2023	30/06/2023	30/06/2022	30/06/2021
Opening net asset value per share	498.0000	480.2400	519.3700	437.1600
Return before operating charges *	31.4600	25.9200	(30.6400)	89.6200
Operating charges	(4.1400)	(8.1600)	(8.4900)	(7.4100)
Return after operating charges	27.3200	17.7600	(39.1300)	82.2100
Distribution	(5.7867)	(6.7610)	(4.3005)	(1.1468)
Retained distribution on acc shares	5.7867	6.7610	4.3005	1.1468
Closing NAV per share	525.3200	498.0000	480.2400	519.3700
* After direct transaction costs of	0.0130	0.0056	0.0008	0.0005

Performance

Return after charges	5.49%	3.70%	-7.53%	18.81%
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Other Information

Closing net asset value (£)	24,858,788	25,127,697	28,422,630	34,040,378
Closing number of shares	4,732,148	5,045,793	5,918,497	6,554,167
OCF	2.00%	2.01%	2.01%	2.01%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	515.00	523.64	566.17	548.59
Lowest share price (pence)	455.10	455.10	476.26	429.59

R Accumulation

Change in net assets per share	31/12/2023	30/06/2023	30/06/2022	30/06/2021
Opening net asset value per share	540.0200	516.9700	554.8300	463.3900
Return before operating charges *	31.8700	27.6900	(33.0900)	95.3700
Operating charges	(0.4400)	(4.6400)	(4.7700)	(3.9300)
Return after operating charges	31.4300	23.0500	(37.8600)	91.4400
Distribution	(7.9951)	(11.2160)	(8.8493)	(5.1637)
Retained distribution on acc shares	7.9951	11.2160	8.8493	5.1637
Closing NAV per share	571.4500	540.0200	516.9700	554.8300
* After direct transaction costs of	0.0124	0.0060	0.0009	0.0006

Performance

Return after charges	5.82%	4.46%	-6.82%	19.73%
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Other Information

Closing net asset value (£)	55,371,107	55,287,635	57,130,881	71,431,834
Closing number of shares	9,689,676	10,238,095	11,051,232	12,874,533
OCF	1.22%	1.23%	1.23%	1.23%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	556.77	566.11	577.62	558.09
Lowest share price (pence)	491.02	491.02	512.59	456.57

Net Asset Value per Unit and Comparative Tables (continued)

S Accumulation

Change in net assets per share	31/12/2023	30/06/2023	30/06/2022	30/06/2021
Opening net asset value per share	547.6200	522.5200	558.7400	464.9900
Return before operating charges *	34.0600	27.6400	(33.6400)	95.8400
Operating charges	(1.2800)	(2.5400)	(2.5800)	(2.0900)
Return after operating charges	32.7800	25.1000	(36.2200)	93.7500
Distribution	(8.9982)	(13.1410)	(10.9466)	(7.0639)
Retained distribution on acc shares	8.9982	13.1410	10.9466	7.0639
Closing NAV per share	580.4000	547.6200	522.5200	558.7400
* After direct transaction costs of	0.0132	0.0060	0.0008	0.0005

Performance

Return after charges	5.99%	4.80%	-6.48%	20.16%
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Other Information

Closing net asset value (£)	31,512,542	29,589,267	28,062,801	30,699,781
Closing number of shares	5,429,477	5,403,305	5,370,724	5,494,542
OCF	0.82%	0.83%	0.83%	0.83%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices

Highest share price (pence)	563.85	573.29	585.62	564.82
Lowest share price (pence)	496.88	496.88	518.04	458.69

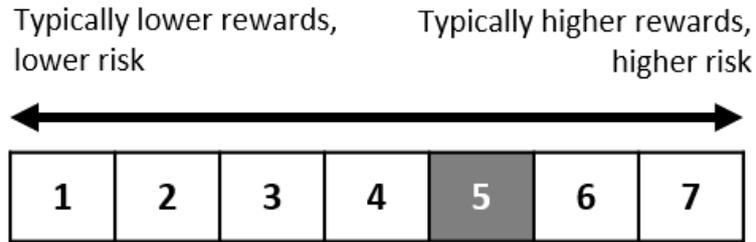
Risk Warning

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.

Fund Performance

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

Synthetic Risk and Reward Indicator



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.

General Information

Valuation Point

The Valuation Point of the Fund is at 08:30 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 Limited, 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 prices of units are published on the Margetts website at <https://investors.mgtsfunds.com/>, selecting the Literature and Prices tab.

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 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.

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 unit capital of the Company is currently £10,000,000,000 and the minimum is £1,000. Units in the Company have no par value and therefore the unit capital of the Company at all times equals the Company's current net asset value.

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.

Remuneration

In accordance with the requirements of FUND 3.3.5(5) the total amount of remuneration paid by the Manager to its staff for the financial year ended 30 September 2023 is:

	£
Fixed Remuneration	3,605,521
Variable Remuneration	978,774
Total	4,584,295
Full Time Equivalent number of staff	69

Analysis of senior management

	£
Senior management	1,519,482
Staff whose actions may have a material impact on the funds	-
Other	-

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.