

# LF Gresham House UK Micro Cap Fund

---

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022



## AUTHORISED CORPORATE DIRECTOR ('ACD') AND ALTERNATIVE INVESTMENT FUND MANAGER ('AIFM')

---

### LINK FUND SOLUTIONS LIMITED

Head Office:  
6th Floor  
65 Gresham Street  
London EC2V 7NQ  
Telephone: 0345 922 0044  
Email: [investorservices@linkgroup.co.uk](mailto:investorservices@linkgroup.co.uk)  
(Authorised and regulated by  
the Financial Conduct Authority)

## DIRECTORS OF THE ACD

---

C. Addenbrooke (retired 2 February 2022)  
N. Boyling  
B. Hammond  
K.J. Midl  
A.G. Reid  
A.J. Stuart  
E.E. Tracey

## PORTFOLIO MANAGER

---

### GRESHAM HOUSE ASSET MANAGEMENT LIMITED

5 New Street Square  
London EC4A 3TW  
(Authorised and regulated by  
the Financial Conduct Authority)

## DEPOSITARY

---

### THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED

One Canada Square  
London E14 5AL  
(Authorised by the Prudential Regulation Authority  
and regulated by the Financial Conduct Authority  
and Prudential Regulation Authority)

## REGISTRAR

---

### LINK FUND ADMINISTRATORS LIMITED

Customer Service Centre:  
Central Square  
29 Wellington Street  
Leeds LS1 4DL  
Telephone: 0345 922 0044  
Fax: 0113 224 6001  
(Authorised and regulated by  
the Financial Conduct Authority)

## INDEPENDENT AUDITOR

---

### KPMG LLP

1 Sovereign Square  
Sovereign Street  
Leeds LS1 4DA  
(Chartered Accountants)

## CONTENTS

ACD's Report . . . . .	.2
Authorised Status . . . . .	.2
ACD's Statement. . . . .	.2
Important Information . . . . .	.2
Investment Objective and Policy . . . . .	.3
Benchmark. . . . .	.4
Remuneration Policy . . . . .	.4
Securities Financing Transactions . . . . .	.5
Value Assessment . . . . .	.6
Portfolio Manager's Report. . . . .	.7
Fund Information . . . . .	11
Portfolio Statement . . . . .	19
Summary of Material Portfolio Changes . . . . .	23
Director's Statement. . . . .	24
Statement of ACD's Responsibilities. . . . .	25
Statement of Depositary's Responsibilities. . . . .	26
Report of the Depositary . . . . .	27
Independent Auditor's Report to the Shareholders of LF Gresham House UK Micro Cap Fund ('the Fund') . . . . .	28

## FINANCIAL STATEMENTS

Statement of Total Return . . . . .	33
Statement of Change in Net Assets Attributable to Shareholders . . . . .	33
Balance Sheet . . . . .	34
Notes to the Financial Statements . . . . .	35
Distribution Table . . . . .	50
General Information. . . . .	52

## ACD'S REPORT

for the year ended 31 December 2022

### Authorised Status

LF Gresham House UK Micro Cap Fund ('the Fund') is an investment company with variable capital incorporated in England and Wales, under registered number IC714 and authorised by the Financial Conduct Authority ('FCA') with effect from 19 February 2009. The Fund has an unlimited duration.

The Fund is a Non-UCITS retail scheme and the base currency of the Fund is pounds sterling or such other currency as may be the lawful currency of the United Kingdom from time to time.

Shareholders are not liable for the debts of the Fund. Shareholders are not liable to make any further payments to the Fund after they have paid the price on purchase of the shares.

The AIFM is the legal person appointed on behalf of the Fund and which (through this appointment) is responsible for managing the Fund in accordance with the AIFM Directive and The Alternative Investment Fund Managers Regulations 2013. This role is performed by the ACD and references to the ACD in this Annual Report and Financial Statements include the AIFM as applicable.

### ACD's Statement

#### Economic Uncertainty

The outbreak of COVID-19 in March 2020 caused significant disruption to business and economic activity, which was reflected in the fluctuations seen in the global stock markets for an extended period. However, after various national governments provided financial support and stimulus to their economies, combined with the development of effective vaccines to immunise populations, society and businesses are learning to operate in the post COVID-19 world which led to a recovery in asset prices.

In the first quarter of 2022, the geopolitical situation came into sharp focus, culminating in February 2022 with Russia's incursion into Ukraine, a position which continues to evolve. The consequences of this, combined with other factors, led to significant disruption to the global supply chains and soaring energy and commodity prices, leading to a significant increase in inflation in many countries. To curb the increase in global inflation, many nations' central banks have been increasing interest rates, a process which is expected to continue until inflation is brought under control. What is not clear at this time is whether the combination of high inflation and increasing interest rates will culminate in a global recession. With this level of uncertainty, it is reasonably foreseeable, that markets may see further periods of instability and consequently volatility in asset pricing.

#### Important Information

On 21 February 2022, the 'C' Euro Accumulation share class was launched in the Fund.

## ACD'S REPORT *continued*

### Investment Objective and Policy

The investment objective of the Fund is to achieve capital growth over any five year period, after all costs and charges have been taken.

Capital invested is at risk and there is no guarantee the objective will be achieved over any time period.

The investment policy of the Fund is to invest directly at least 70% of the scheme property by value in the shares of UK companies. The Portfolio Manager views UK companies to be those that are incorporated or domiciled in the UK; and listed or traded on a UK stock exchange.

The Fund will invest directly and/or indirectly at least 60% of the scheme assets by value, in a combination of UK companies that are either listed/traded on the Alternative Investment Market (AIM), or that have a market capitalisation of £250 million and below. The Fund may also invest directly and/or indirectly in shares of UK companies, which have a market capitalisation above £250 million; unlisted UK companies (limited to 10% of the scheme assets by value); non-UK companies, and corporate bonds. The Fund may also hold money market instruments, deposits and cash.

As part of the equities exposure the Fund may also invest in Real Estate Investment Trusts (REITs).

Investments in collective investment schemes is limited to 10%.

The Fund can invest across different industry sectors without limitation.

The Fund may gain exposure to these assets directly by investing in securities issued by companies and governments, and indirectly by investing in other transferable securities (such as depositary receipts) and collective investment schemes (open and closed ended). Indirect investments may include instruments managed or advised by the ACD or the Portfolio Manager or their associates.

The Fund may use derivatives for Efficient Portfolio Management purposes.

The minimum investment amount and ranges referenced above will not apply under extraordinary market conditions, in which circumstances the Fund may invest in asset classes other than those in which it normally invests in order to mitigate its exposure to market risk. Examples of extraordinary market conditions include economic, political unrest or instability, world events leading to market instability, or any events which give rise to high downside risk. During such periods, the Fund may temporarily invest up to 100% of its total assets in cash and cash equivalents.

## ACD'S REPORT *continued*

### Benchmark

The Fund's comparator benchmark is the IA UK Smaller Companies sector.

The Fund's performance may be compared against the IA UK Smaller Companies sector. The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics. The comparator benchmark has been selected as we consider it assists investors in evaluating the Fund's performance against the performance of other funds invested in similar assets.

### Remuneration Policy

Link Fund Solutions Limited ('LFSL') is committed to ensuring that its remuneration policies and practices are consistent with, and promote, sound and effective risk management. LFSL's remuneration policy is designed to ensure that excessive risk taking is not encouraged by or within LFSL including in respect of the risk profile of the Alternative Investment Funds ('AIFs') it operates, to manage the potential for conflicts of interest in relation to remuneration (having regard, inter alia, to its formal conflicts of interest policy) and to enable LFSL to achieve and maintain a sound capital base.

None of LFSL's staff receives remuneration based on the performance of any individual fund.

LFSL acts as the operator of both UK UCITS funds and AIFs.

LFSL delegates portfolio management for the funds to various investment management firms. The portfolio managers' fees and expenses for providing investment management services are paid by the ACD out of its own remuneration under the ACD agreement. The investment management firms may make information on remuneration publicly available in accordance with the disclosure requirements applicable to them. This disclosure is in respect of LFSL activities (including activities performed by its sister company Link Fund Administrators Limited (LFAL) or by employees of that entity), and excludes activities undertaken by third party investment management firms. LFSL staff do not perform duties solely for particular funds, nor are they remunerated by reference to the performance of any individual fund. Accordingly, the information below is for LFSL as a whole. No attempt has been made to attribute remuneration to the Fund itself.

Information on LFSL's remuneration arrangements is collated annually, as part of its statutory accounts preparation processes. Accordingly, the information disclosed relates to the year ended 30 June 2022, being the most recent accounting period for which accounts have been prepared by LFSL prior to the production of these accounts. As at 30 June 2022, LFSL operated 91 UK UCITS and 105 AIFs, whose respective assets under management ('AuM') were £37,814 million and £44,462 million. The Fund was valued at £212 million as at that date and represented 0.26% of LFSL's total AuM and 0.48% of its AIF AuM.

## ACD'S REPORT *continued*

### Remuneration Policy *continued*

The disclosure below represents that required under FUND 3.3.5R (5) and (6) for funds subject to AIFMD obligations.

2022	Number of beneficiaries	Fixed £'000	Variable £'000	Total £'000
Total amount of remuneration paid by LFSL for the financial year to 30 June 2022	183	8,711	618	9,329
Total amount of remuneration paid to members of staff whose activities have a material impact on the risk profile of the funds for the financial year to 30 June 2022				
Senior management (including all Board members)	7	878	205	1,083
Staff engaged in control functions	7	666	52	718
Risk takers and other identified staff	22	1,577	150	1,727
Any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers	–	–	–	–

LFSL's remuneration arrangement includes fixed salaries, contributory pension arrangements and certain other benefits, and the potential for discretionary bonuses. The amount available for payment of discretionary bonuses is dependent on satisfactory performance by LFSL, and the Link Group as a whole, rather than the performance of any individual fund. Bonuses may then be paid to staff to reflect their contribution to LFSL's success. The precise metrics used vary by function, but consideration is given to both qualitative and quantitative measures.

Further details can be found at: <https://www.linkfundsolutions.co.uk/media/gjcdba2w/lfs-explanation-of-compliance-with-remuneration-code.pdf>.

### Securities Financing Transactions

The Fund has the ability to utilise Securities Financing Transactions (being transactions such as lending or borrowing of securities, repurchase or reverse repurchase transactions, buy-sell back or sell-buy back transactions, or margin lending transactions). No such transactions have been undertaken in the period covered by this report.

## ACD'S REPORT *continued*

### Value Assessment

In accordance with current Financial Conduct Authority rules, the ACD is required to carry out an annual assessment on whether the Fund provides value to investors. The outcome of the latest assessment is available on the ACD's website.

### LINK FUND SOLUTIONS LIMITED

ACD of LF Gresham House UK Micro Cap Fund

28 April 2023



## ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 31 December 2022

#### Investment Strategy

Since inception in May of 2009 the Fund has maintained a consistent focus throughout its life on selecting high conviction, niche growth companies to back for the prospect of long-term capital growth. The Manager seeks to avoid excessive cyclical exposure and early-stage risk and instead focuses on areas of structural growth and segments where its sector expertise and private equity style proprietary fundamental research approach can uncover stocks that may be below the radar of many investors due to their size and limited research coverage.

#### Movements in Net Asset Value

As at 31 December 2022 the gross NAV of the Company was £220.3m<sup>1</sup> of which 88.9% was invested in equities with a concentration on UK micro cap companies. This compared to a NAV of £311.8m<sup>1</sup> at the beginning of the period. The decrease in NAV was a combination of net outflows from shareholders amounting to £0.1m and a downward revaluation of the portfolio of £91.6m. The Fund delivered a negative return of 30.1%<sup>2</sup> over the period, compared to the IA UK Smaller Companies Sector which returned a negative 25.6%<sup>3</sup>.

#### Investment Activity

2022 saw significant market volatility, driven by a perfect storm of macro factors in a post-COVID world including inflationary pressures, interest rate rises and the cost-of-living squeeze, against the backdrop of geopolitical unrest.

Investment activity was steady during the period as £31.1m was deployed primarily as follow-on investments into high conviction existing holdings and into four new investments; the number of portfolio companies decreased from 50 to 48.

Divestment activity was also active with a number of positions fully exited, alongside some profit taking from strongly performing companies. In aggregate £47.2m was received from the proceeds of divestments realising an aggregate positive return of 8.3%.

#### DIVESTMENTS

There were four full exits from the portfolio during the period. The Marshall Motors takeover by Constellation Automotive Group completed, resulting in a delisting of the shares in June 2022, generating a positive return of 101% relative to aggregate cost. The Fund also fully exited Accrol, returning a negative 48%, following a change in the Manager's view of the ongoing prospects of the business, particularly in the face of macro headwinds. Music Magpie was fully exited at a loss of -71%, following a detailed review prompted by a

---

<sup>1</sup> Based on 12pm Valuation Point.

<sup>2</sup> Source: FE Analytics.

<sup>3</sup> Source: Morningstar Direct.

## ACD'S REPORT *continued*

## PORTFOLIO MANAGER'S REPORT *continued*

profit warning and the Manager's fundamental change of view on the investment case. Lastly, the Fund exited Kape Technologies realising a positive return of 69%. The position was divested partly because its market cap increased materially to the point that it was no longer a micro-cap stock and the Manager saw alternative attractive opportunities to redeploy the proceeds into other opportunities.

There were also a number of holdings where the Manager chose to partially exit positions in order to realise some profits from strong performers. These included, Alpha Financial Markets Consulting, a leading global provider of specialist management consultancy services to the asset management, wealth management and insurance industries; and Elixirr, a digital transformation consultancy firm, both of which have seen significant share price outperformance versus the broader market across the investment period.

The Manager also took profits from some larger portfolio holdings as part of rebalancing, including Franchise Brands which had become a more significant holding following its merger with Filta Group (also previously held within the Fund).

### NEW INVESTMENTS

Throughout 2022 the Manager focused attention on an in-depth, bottom-up risk review of the portfolio in the context of the economic headwinds in the market. As a result of the review process, deployment of funds has been primarily into current holdings within the portfolio where the Manager has confidence in the company's resilience and potential to perform strongly despite the macro backdrop. The heightened market volatility has created opportunities to buy into attractive long-term growth stories at compelling valuations through market purchases after widespread selling pressure.

A number of top-ups were made at attractive entry points, including: Inspired, a UK-based energy consultancy firm where growth is underpinned by sector structural tailwinds, Angling Direct, a leading omni-channel fishing tackle retailer with a sticky, hobbyist customer base; and Netcall, a leading provider of customer engagement and intelligent automation software, enabling organisations to efficiently implement digital transformation agendas, all of which experienced share price weakness in 2022, but where the long-term opportunities remain very attractive.

In contrast to 2021, deal activity was relatively muted through the year, with a number of IPOs either being delayed or cancelled. However the Manager did participate in a select number of fundraises across existing portfolio holdings. These included a placing of new equity for Frenkel Topping to fund its ongoing acquisition pipeline and a fund raising for Silver Bullet to bolster its balance sheet and accelerate future growth. The Fund also added to its position in R&Q Insurance Holdings as part of its placing to raise \$125m, which was launched following the rejection at the special general meeting of a takeover offer from Brickell PC Insurance Holdings LLC.

## ACD'S REPORT *continued*

## PORTFOLIO MANAGER'S REPORT *continued*

Four new investments were made during 2022 into EKF Diagnostics, Medica, Oxford Metrics and Hostelworld. EKF Diagnostics is a developer and manufacturer of medical diagnostic products and Medica is the market-leading provider of teleradiology services in the UK and Ireland. Both are businesses that the Manager has followed for a number of years, with both separately playing into attractive structural growth themes within the healthcare sector. The Manager leveraged in-house thematic investment expertise across the healthcare and life sciences sector to drive conviction in the investment cases. Oxford Metrics is an intellectual property rich business that sells hardware and software solutions into a range of applications, with a core competency in motion measurement; the Manager viewed the business as materially undervalued with attractive structural market dynamics. Hostelworld is a leading online travel platform focused on the niche hostel market, with a strong technology underpinning its offering; the business is now demonstrating strong operational momentum and has returned to profitability post the impact of the COVID-19 pandemic on travel activity.

### Investment Performance

The Fund's price per share decreased 30.1%<sup>1</sup> during the period (based on 'C' Institutional class). This was a weaker performance than the IA UK Smaller Companies Sector which decreased by 25.6%<sup>2</sup> over the same period. This was partially driven by the "size effect" where smaller companies underperformed larger companies within the target universe as risk appetite was subdued across the market. In addition the Fund was exposed to a number of consumer and e-commerce companies that were de-rated during the early part of the year as concerns about the macro-economy gathered momentum. In a period of heightened market volatility the underlying operating performance of the portfolio companies broadly demonstrated resilience against an challenging macro backdrop, where micro-cap UK stocks were materially de-rated. The Manager is committed to targeting strong long-term risk-adjusted returns through employing disciplined risk mitigation processes, leveraging proprietary networks and focusing on quality businesses with sustainable structural capital growth dynamics.

The Manager's strategy of focusing on less cyclical sectors and on established profitable niche growth businesses with sensible valuations has proven, over the long-term, to be more resilient during periods of weaker market sentiment and volatility. The Fund positioning seeks to provide attractive returns through the market cycle and lower than average volatility and greater consistency.

Key contributors to absolute performance during the period were Netcall, following several positive updates indicating strong momentum during the year, including a transformational multi-year contract win with a large international client; Franchise Brands, following its takeover of Filta Group; and Argentex Group, following positive news flow indicating a strong performance throughout the year, including an upgrade to full year expectations announced in December.

---

<sup>1</sup> Source: FE Analytics.

<sup>2</sup> Source: Morningstar Direct.

## ACD'S REPORT *continued*

## PORTFOLIO MANAGER'S REPORT *continued*

Detractors were Inspired, which was de-rated on no stock-specific news but perhaps unfairly impacted by negative sentiment due to the disruption to the UK energy market; Windward, following weaker than expected results due to inflationary pressures; Seraphine, following profit warnings linked to macro headwinds including supply chain issues and increased customer acquisition costs; and R&Q Insurance Holdings, following an unsuccessful recommended takeover offer, which led to a subsequent equity issuance.

### Outlook

The reality of a softening economic environment is likely to continue to weigh on sentiment, as 2023 progresses. Market conditions remain fragile and global geopolitical tensions are an additional ongoing risk. It feels prudent to expect that market conditions will continue to be volatile through 2023, particularly as recessionary behaviour could weigh on corporate earnings. However, the Fund remains well positioned despite the macro-backdrop, with a portfolio of relatively resilient businesses, exposed to structural growth trends and with strong fundamental characteristics, that ought to perform well through the cycle.

The longer-term opportunity within small cap UK equities, underpinned by the persistent discounted valuations applied both to the UK but more accentuated within the smaller companies segment, remains material. Currency movements during 2022 have enhanced this valuation anomaly from the perspective of overseas buyers which has the potential to support a resurgence in takeover activity amongst listed UK companies.

While we view the outlook with suitable caution, we expect heightened volatility to drive attractive long-term investment opportunities and we remain vigilant for evidence of mispricing. We remain selective and disciplined in our approach, seeking high-quality companies with attractive long-term sustainable capital growth characteristics at sensible valuations.

### GRESHAM HOUSE ASSET MANAGEMENT LIMITED

Portfolio Manager

16 February 2023

## ACD'S REPORT *continued*

### FUND INFORMATION

#### Risk and Reward Profile



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

The Fund has been classed as 5 because its volatility has been measured as above average.

This indicator is based on historical data and may not be a reliable indication of the future risk profile of this fund.

The risk and reward profile shown is not guaranteed to remain the same and may shift over time.

**Currency Risk:** As the Fund may be exposed to different currencies, changes in exchange rates may decrease the value of your investment.

**Counterparty Risk:** The failure of a firm involved in a transaction with the Fund or providing services to the Fund may expose the Fund to financial loss.

**Derivative Risk:** A derivative may not perform as expected and may create losses greater than its cost.

**Liquidity Risk:** Smaller companies' securities are often traded less frequently than those of larger companies which means they may be more difficult to buy and sell. Their prices may also be subject to short term swings (both up and down) in their value.

**Concentration Risk:** The Fund may invest in stocks with a particular industry, sector or geographical focus. This means that the performance of a single industry, sector or geographical region within the Fund has a greater effect (loss or gain) on the value of the Fund.

For full details of the Fund's risks, please see the Prospectus which may be obtained upon application and can be found on the ACD's website, [www.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk).

## ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 pence per share	31.12.21 pence per share	31.12.20 pence per share
Opening net asset value per share	6,485.28	5,194.70	4,906.03
Return before operating charges*	(1,878.31)	1,350.77	333.74
Operating charges	(50.10)	(60.19)	(45.07)
Return after operating charges	(1,928.41)	1,290.58	288.67
Distributions	(17.44)	–	–
Retained distributions on accumulation shares	17.44	–	–
Closing net asset value per share	4,556.87	6,485.28	5,194.70
* after direct transaction costs of:	3.33	4.86	8.39

##### PERFORMANCE

Return after charges	(29.74)%	24.85%	5.88%
----------------------	----------	--------	-------

##### OTHER INFORMATION

Closing net asset value (£'000)	51,081	72,699	58,231
Closing number of shares	1,120,973	1,120,973	1,120,973
Operating charges	0.97%	0.96%	0.98%
Direct transaction costs	0.06%	0.08%	0.18%

##### PRICES

Highest share price	6,688.77	6,696.21	5,293.52
Lowest share price	4,421.26	5,304.81	3,324.84

## ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' INSTITUTIONAL INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 pence per share	31.12.21 pence per share	31.12.20 pence per share
Opening net asset value per share	241.48	193.42	182.66
Return before operating charges*	(69.93)	50.30	12.44
Operating charges	(1.87)	(2.24)	(1.68)
Return after operating charges	(71.80)	48.06	10.76
Distributions	(0.70)	–	–
Closing net asset value per share	168.98	241.48	193.42
* after direct transaction costs of:	0.12	0.18	0.31

##### PERFORMANCE

Return after charges	(29.73)%	24.85%	5.89%
----------------------	----------	--------	-------

##### OTHER INFORMATION

Closing net asset value (£'000)	67,735	56,406	66,697
Closing number of shares	40,085,084	23,358,753	34,482,509
Operating charges	0.97%	0.96%	0.98%
Direct transaction costs	0.06%	0.08%	0.18%

##### PRICES

Highest share price	249.05	249.33	197.10
Lowest share price	164.62	197.52	123.80

## ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' INSTITUTIONAL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 pence per share	31.12.21 pence per share	31.12.20 pence per share
Opening net asset value per share	250.80	200.89	189.73
Return before operating charges*	(72.64)	52.24	12.90
Operating charges	(1.94)	(2.33)	(1.74)
Return after operating charges	(74.58)	49.91	11.16
Distributions	(0.63)	–	–
Retained distributions on accumulation shares	0.63	–	–
Closing net asset value per share	176.22	250.80	200.89
* after direct transaction costs of:	0.13	0.19	0.32

##### PERFORMANCE

Return after charges	(29.74)%	24.84%	5.88%
----------------------	----------	--------	-------

##### OTHER INFORMATION

Closing net asset value (£'000)	97,093	175,509	129,709
Closing number of shares	55,096,258	69,980,120	64,567,330
Operating charges	0.97%	0.96%	0.98%
Direct transaction costs	0.06%	0.08%	0.18%

##### PRICES

Highest share price	258.67	258.96	204.71
Lowest share price	170.98	205.15	128.58



## ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'D' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 pence per share	31.12.21 pence per share	31.12.20 pence per share
Opening net asset value per share	148.81	119.12	112.43
Return before operating charges*	(43.19)	30.99	7.66
Operating charges	(0.97)	(1.17)	(0.86)
Return after operating charges	(44.16)	29.82	6.80
Distributions	(0.49)	(0.13)	(0.11)
Closing net asset value per share	104.16	148.81	119.12
* after direct transaction costs of:	0.08	0.11	0.19

##### PERFORMANCE

Return after charges	(29.68)%	25.03%	6.05%
----------------------	----------	--------	-------

##### OTHER INFORMATION

Closing net asset value (£'000)	–	59	65
Closing number of shares	250	39,372	54,433
Operating charges	0.82%	0.81%	0.82%
Direct transaction costs	0.06%	0.08%	0.18%

##### PRICES

Highest share price	153.48	153.72	121.50
Lowest share price	101.58	121.65	76.22

## ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'D' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.22 pence per share	31.12.21 pence per share	31.12.20 pence per share
Opening net asset value per share	150.74	120.56	113.69
Return before operating charges*	(43.67)	31.36	7.76
Operating charges	(0.99)	(1.18)	(0.89)
Return after operating charges	(44.66)	30.18	6.87
Distributions	(0.59)	(0.17)	(0.12)
Retained distributions on accumulation shares	0.59	0.17	0.12
Closing net asset value per share	106.08	150.74	120.56
* after direct transaction costs of:	0.08	0.11	0.19

##### PERFORMANCE

Return after charges	(29.63)%	25.03%	6.04%
----------------------	----------	--------	-------

##### OTHER INFORMATION

Closing net asset value (£'000)	73	104	83
Closing number of shares	69,204	69,204	69,204
Operating charges	0.82%	0.81%	0.83%
Direct transaction costs	0.06%	0.08%	0.18%

##### PRICES

Highest share price	155.48	155.58	122.86
Lowest share price	102.90	123.12	77.08

## ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' EURO ACCUMULATION SHARES

	31.12.22 <sup>1</sup> € per share
<b>CHANGE IN NET ASSETS PER SHARE</b>	
Opening net asset value per share	1.0000
Return before operating charges*	(0.2881)
Operating charges	(0.0062)
Return after operating charges	(0.2943)
Distributions	(0.0054)
Retained distributions on accumulation shares	0.0054
Closing net asset value per share	0.7057
* after direct transaction costs of:	0.0443

##### PERFORMANCE

Return after charges	(29.43)%
----------------------	----------

##### OTHER INFORMATION

Closing net asset value (£'000)	–
Closing number of shares	250
Operating charges	0.90% <sup>2</sup>
Direct transaction costs	0.06% <sup>2</sup>

##### PRICES

Highest share price	0.9845
Lowest share price	0.6940

<sup>1</sup> From 21 February 2022.

<sup>2</sup> Annualised figure due to share class launched less than 1 year.

**ACD'S REPORT** *continued*

**FUND INFORMATION** *continued*

**Fund Performance to 31 December 2022 (%)**

	1 year	3 years	5 years
LF Gresham House UK Micro Cap Fund	(30.08)	(6.65)	14.02
IA UK Smaller Companies sector <sup>1</sup>	(25.61)	(3.98)	6.23

<sup>1</sup> Source: Morningstar Direct.

The performance of the Fund is based on the published price per 'C' Institutional Accumulation share which includes reinvested income.

The performance of the Fund disclosed in the above table may differ from the 'Return after charges' disclosed in the Comparative Table due to the above performance being calculated on the latest published price prior to the year end, rather than the year end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 50 and 51.

**RISK WARNING**

An investment in an open-ended investment company 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 fluctuation in exchange rates, which can be favourable or unfavourable.

# ACD'S REPORT *continued*

## PORTFOLIO STATEMENT

as at 31 December 2022

Holding	Portfolio of Investments	Value £'000	31.12.22 %
	DEBT SECURITIES – 1.94% (31.12.21 – 1.62%)		
£6,259,531	Hawkwing 8% 31/12/2024 <sup>1</sup>	3,095	1.43
£1,186,950	Silver Bullet 12% 2/6/2025 <sup>1</sup>	1,102	0.51
	TOTAL DEBT SECURITIES	4,197	1.94
	EQUITIES – 86.89% (31.12.21 – 95.65%)		
	UNITED KINGDOM – 83.65% (31.12.21 – 89.96%)		
	TECHNOLOGY – 11.90% (31.12.21 – 15.97%)		
	SOFTWARE AND COMPUTER SERVICES – 11.90% (31.12.21 – 15.97%)		
5,048,284	Access Intelligence	3,483	1.61
2,939,396	ActiveOps	2,205	1.02
615,672	Instem	4,248	1.97
2,367,961	Kooth	3,220	1.49
10,254,388	Netcall	9,742	4.51
435,771	Oxford Metrics	458	0.21
35,354,979	Rosslyn Data Technologies	336	0.16
7,725,361	SysGroup	2,009	0.93
	TOTAL TECHNOLOGY	25,701	11.90
	TELECOMMUNICATIONS – 0.75% (31.12.21 – 0.99%)		
	TELECOMMUNICATION SERVICE PROVIDERS – 0.75% (31.12.21 – 0.99%)		
4,278,482	Bigblu Broadband	1,626	0.75
	TOTAL TELECOMMUNICATIONS	1,626	0.75

# ACD'S REPORT *continued*

## PORTFOLIO STATEMENT *continued*

as at 31 December 2022

Holding	Portfolio of Investments	Value £'000	31.12.22 %
	HEALTH CARE – 7.71% (31.12.21 – 1.76%)		
	PHARMACEUTICALS AND BIOTECHNOLOGY – 7.71% (31.12.21 – 1.76%)		
5,653,508	Diaceutics	4,240	1.96
8,412,520	EKF Diagnostics	4,038	1.87
6,064,189	Medica	8,369	3.88
	TOTAL HEALTH CARE	16,647	7.71
	FINANCIALS – 22.15% (31.12.21 – 18.78%)		
	FINANCE AND CREDIT SERVICES – 2.28% (31.12.21 – 1.74%)		
7,799,308	Trufin	4,914	2.28
	INVESTMENT BANKING AND BROKERAGE SERVICES – 15.30% (31.12.21 – 13.10%)		
5,656,260	Argentex	7,014	3.25
7,167,899	Frenkel Topping	5,233	2.42
1,048,574	Mattioli Woods	6,396	2.96
1,246,546	Tatton Asset Management	5,609	2.60
6,333,079	XPS Pensions <sup>2</sup>	8,803	4.07
		33,055	15.30
	CLOSED END INVESTMENTS – 4.34% (31.12.21 – 3.74%)		
5,550,342	AdvancedAdvT	4,163	1.93
1,913,328	Strategic Equity Capital <sup>2,3</sup>	5,204	2.41
		9,367	4.34
	OPEN END AND MISCELLANEOUS INVESTMENT VEHICLES – 0.23% (31.12.21 – 0.20%)		
2,774,955	TMT Acquisition	499	0.23
	TOTAL FINANCIALS	47,835	22.15

# ACD'S REPORT *continued*

## PORTFOLIO STATEMENT *continued*

as at 31 December 2022

Holding	Portfolio of Investments	Value £'000	31.12.22 %
	CONSUMER DISCRETIONARY – 17.35% (31.12.21 – 23.07%)		
	HOUSEHOLD GOODS AND HOME CONSTRUCTION – 0.00% (31.12.21 – 1.19%)	–	–
3,124,120	PERSONAL GOODS – 0.11% (31.12.21 – 2.07%) Seraphine	237	0.11
13,333,333	MEDIA – 0.00% (31.12.21 – 0.19%) Hawkwing <sup>2,4</sup>	–	–
13,939,896	RETAILERS – 7.66% (31.12.21 – 9.17%) Angling Direct	3,346	1.55
5,904,733	Franchise Brands	11,514	5.33
2,483,321	Virgin Wines	1,689	0.78
		16,549	7.66
	TRAVEL & LEISURE – 9.58% (31.12.21 – 10.45%)		
5,790,109	City Pub	4,053	1.88
1,251,789	Everyman Media	1,001	0.46
153,698	Hostelworld	176	0.08
2,525,837	Loungers	4,496	2.08
10,198,254	Tasty	357	0.17
2,338,284	TEN Entertainment <sup>2</sup>	5,612	2.60
3,317,225	The Gym <sup>2</sup>	3,576	1.66
1,753,093	Tortilla Mexican	1,402	0.65
		20,673	9.58
	TOTAL CONSUMER DISCRETIONARY	37,459	17.35
	INDUSTRIALS – 23.79% (31.12.21 – 29.39%)		
	CONSTRUCTION AND MATERIALS – 2.28% (31.12.21 – 2.19%)		
12,723,101	Costain <sup>2</sup>	4,930	2.28

# ACD'S REPORT *continued*

## PORTFOLIO STATEMENT *continued*

as at 31 December 2022

Holding	Portfolio of Investments	Value £'000	31.12.22 %
	INDUSTRIAL SUPPORT SERVICES – 21.51% (31.12.21 – 27.20%)		
886,214	Alpha Financial Markets Consulting	4,210	1.95
3,534,391	Anexo	3,640	1.69
2,782,408	Begbies Traynor	3,957	1.83
4,509,986	Driver	1,037	0.48
1,317,364	Elixir International	6,587	3.05
3,831,992	Fintel	7,664	3.55
58,632,948	Inspired	3,928	1.82
1,503,863	Knights	1,594	0.74
1,585,869	Ricardo <sup>2</sup>	7,588	3.51
1,641,868	Silver Bullet Data Services	1,149	0.53
13,437,655	Staffline	5,106	2.36
		46,460	21.51
	TOTAL INDUSTRIALS	51,390	23.79
	TOTAL UNITED KINGDOM	180,658	83.65
	BERMUDA – 1.46% (31.12.21 – 2.55%)		
5,436,784	R&Q Insurance	3,164	1.46
	ISRAEL – 1.78% (31.12.21 – 3.14%)		
6,405,945	Windward	3,844	1.78
	TOTAL EQUITIES	187,666	86.89
	Portfolio of investments	191,863	88.83
	Net other assets	24,119	11.17
	Net assets	215,982	100.00

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are ordinary shares quoted on the Alternative Investment Market (AIM) unless stated otherwise.

<sup>1</sup> Unlisted security.

<sup>2</sup> Listed on a regulated market.

<sup>3</sup> Closed end fund.

<sup>4</sup> Suspended security.



## ACD'S REPORT *continued*

### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 December 2022

Total purchases for the year £'000 (note 16)	31,120	Total sales for the year £'000 (note 16)	47,265
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
Medica	8,881	Alpha Financial Markets Consulting	10,396
EKF Diagnostics	3,181	Kape Technologies	9,931
Frenkel Topping	1,380	Franchise Brands	6,351
Angling Direct	1,292	Marshall Motor	3,655
Inspired	1,188	Mattioli Woods	3,219
Silver Bullet 12% 2/6/2025	1,187	Accrol	2,649
Windward	1,137	XPS Pensions	2,286
Netcall	1,124	Elixirr International	1,854
Begbies Traynor	1,022	musicMagpie	1,043
Trufin	930	The Gym	814

The summary of material portfolio changes represents the 10 largest purchases and sales during the year.

## DIRECTOR'S STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook and the Investment Funds Sourcebook, as applicable, as issued and amended by the Financial Conduct Authority together with the relevant provisions of the Alternative Investment Fund Manager's Directive and modified by a direction given by the Financial Conduct Authority where the ACD has opted to provide a NURS KII Document, a Key Investor Information Document for Non-UCITS Retail Schemes.

N. BOYLING

LINK FUND SOLUTIONS LIMITED

ACD of LF Gresham House UK Micro Cap Fund

28 April 2023

## STATEMENT OF ACD'S RESPONSIBILITIES

The Collective Investment Schemes Sourcebook published by the Financial Conduct Authority ('the COLL Sourcebook') and the Investment Funds Sourcebook (the 'FUND Sourcebook'), as applicable, requires the ACD to prepare financial statements for each annual accounting year which give a true and fair view of the financial position of the Fund and of the net revenue/expense and net capital gains/losses on the property of the Fund for the year.

In preparing the financial statements the ACD is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Association in May 2014;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up the Fund or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The ACD is responsible for the management of the Fund in accordance with its Instrument of Incorporation, the Prospectus, the COLL and FUND Sourcebook.

## STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

The Depositary must ensure that the Fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook and, from 22 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 Fund's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as summarised below.

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

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

The Depositary must ensure that:

- the Fund's cash flows are properly monitored and that cash of the Fund is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried in accordance with the Regulations;
- the value of shares of the Fund are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Fund's assets is remitted to the Fund within the usual time limits;
- the Fund'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 has a duty to take reasonable care to ensure that the Fund is managed in accordance with the Scheme documents and the Regulations in relation to the investment and borrowing powers applicable to the Fund.

## REPORT OF THE DEPOSITARY

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

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

### THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED

Depositary of LF Gresham House UK Micro Cap Fund

28 April 2023

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF GRESHAM HOUSE UK MICRO CAP FUND ('THE FUND')

### Opinion

We have audited the financial statements of the Fund for the year ended 31 December 2022 which comprise the *Statement of Total Return*, the *Statement of Change in Net Assets Attributable to Shareholders*, the *Balance Sheet*, the *Related Notes and Distribution Tables* for the Fund and the accounting policies set out on pages 35 to 37.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the financial position of the Fund as at 31 December 2022 and of the net revenue and the net capital losses on the property of the Fund for the year then ended; and
- have been properly prepared in accordance with the Instrument of Incorporation, the Statement of Recommended Practice relating to Authorised Funds, and the COLL Rules.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Fund in accordance with, UK ethical requirements including the FRC Ethical Standard.

We have received all the information and explanations which we consider necessary for the purposes of our audit and we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going Concern

The Authorised Corporate Director has prepared the financial statements on the going concern basis as they do not intend to liquidate the Fund or to cease their operations, and as they have concluded that the Fund's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

In our evaluation of the Authorised Corporate Director's conclusions, we considered the inherent risks to the Fund's business model and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF GRESHAM HOUSE UK MICRO CAP FUND ('THE FUND') *continued*

Our conclusions based on this work:

- we consider that the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Authorised Corporate Director's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Fund will continue in operation.

### Fraud and Breaches of Laws and Regulations – Ability to Detect

#### IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO FRAUD

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of directors as to the Fund's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- assessing the segregation of duties in place between the ACD, the Depositary, the Administrator and the Portfolio Manager.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is principally non-judgemental and based on publicly available information, with limited opportunity for manipulation. We did not identify any additional fraud risks.

We evaluated the design and implementation of the controls over journal entries and other adjustments and made inquiries of the Administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We identified and selected a sample of journal entries made at the end of the reporting period and tested those substantively including all material post-closing entries. Based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Directors and the Administrator, no further high-risk journal entries or other adjustments were identified.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF GRESHAM HOUSE UK MICRO CAP FUND ('THE FUND') *continued*

### IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the ACD and the Administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Fund is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related authorised fund legislation maintained by the Financial Conduct Authority) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Fund is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, data protection and bribery and corruption legislation recognising the Fund's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the Administrator and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### CONTEXT OF THE ABILITY OF THE AUDIT TO DETECT FRAUD OR BREACHES OF LAW OR REGULATION

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### Other Information

The Authorised Corporate Director is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.



## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF GRESHAM HOUSE UK MICRO CAP FUND ('THE FUND') *continued*

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Authorised Corporate Director's Report is consistent with the financial statements.

### Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following matters where under the COLL Rules we are required to report to you if, in our opinion:

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

### Authorised Corporate Director's (Link Fund Solutions Limited) Responsibilities

As explained more fully in their statement set out on page 25 the Authorised Corporate Director is responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF GRESHAM HOUSE UK MICRO CAP FUND ('THE FUND') *continued*

### The Purpose of Our Audit Work and to Whom We Owe Our Responsibilities

This report is made solely to the Fund's shareholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under the Open-Ended Investment Companies Regulations 2001. Our audit work has been undertaken so that we might state to the Fund's 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.

GRANT ARCHER  
FOR AND ON BEHALF OF KPMG LLP, STATUTORY AUDITOR

Chartered Accountants  
St Vincent Plaza  
319 St Vincent Street  
Glasgow G2 5AS  
28 April 2023

## FINANCIAL STATEMENTS

### STATEMENT OF TOTAL RETURN

for the year ended 31 December 2022

	Notes	£'000	31.12.22 £'000	£'000	31.12.21 £'000
Income:					
Net capital (losses)/gains	3		(88,406)		66,153
Revenue	4	3,061		2,907	
Expenses	5	(2,282)		(3,059)	
Interest payable and similar charges	7	(1)		–	
Net revenue/(expense) before taxation		778		(152)	
Taxation	6	–		–	
Net revenue/(expense) after taxation			778		(152)
Total return before distributions			(87,628)		66,001
Distributions	8		(778)		2
Change in net assets attributable to shareholders from investment activities			(88,406)		66,003

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 December 2022

	Note	£'000	31.12.22 £'000	£'000	31.12.21 £'000
Opening net assets attributable to shareholders			304,777		254,787
Amounts receivable on issue of shares		61,414		118,591	
Amounts payable on redemption of shares		(62,345)		(134,715)	
			(931)		(16,124)
Dilution levy	1(H)		–		111
Change in net assets attributable to shareholders from investment activities			(88,406)		66,003
Retained distribution on Accumulation shares			542		–
Closing net assets attributable to shareholders			215,982		304,777

## FINANCIAL STATEMENTS *continued*

### BALANCE SHEET

as at 31 December 2022

	Notes	31.12.22 £'000	31.12.21 £'000
<b>ASSETS</b>			
Fixed assets			
Investments		191,863	296,412
Current assets			
Debtors	9	642	576
Cash and cash equivalents	10	23,969	8,057
<b>Total assets</b>		<u>216,474</u>	<u>305,045</u>
<b>LIABILITIES</b>			
Creditors			
Distribution payable	11	(280)	–
Other creditors	11	(212)	(268)
<b>Total liabilities</b>		<u>(492)</u>	<u>(268)</u>
<b>Net assets attributable to shareholders</b>		<u>215,982</u>	<u>304,777</u>

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

#### 1. Accounting Policies

The principal accounting policies, which have been applied in both the current and prior year, are set out below.

##### (A) BASIS OF ACCOUNTING

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

These financial statements are prepared on a going concern basis. The ACD has made an assessment of the Fund's ability to continue as a going concern, and is satisfied it has the resources to continue in business for the foreseeable future and is not aware of any material uncertainties that may cast significant doubt on this assessment. This assessment is made as at the date of issue of these financial statements, covering the subsequent 12 months, and considers liquidity, declines in global capital markets, known redemption levels, expense projections and key service provider's operational resilience. The ACD also considered the Fund's continued ability to meet ongoing costs, and is satisfied it has the resources to meet these costs and to continue in business.

##### (B) RECOGNITION OF REVENUE

Dividends on quoted equities are recognised when the securities are quoted ex-dividend.

Distributions from collective investment schemes are recognised when the schemes are quoted ex-distribution. Equalisation returned with the distribution is deducted from the cost of the investment in the scheme and does not form part of the distributable revenue.

Revenue from unquoted equity investments is recognised when the dividend is declared.

Revenue on debt securities is accounted for on an effective yield basis.

Interest on bank and other cash deposits is recognised on an accruals basis.

Revenue is recognised gross of any withholding taxes but excludes attributable tax credits.

##### (C) TREATMENT OF EXPENSES

All expenses, except for those relating to the purchase and sale of investments, are charged against revenue.

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

#### (D) ALLOCATION OF REVENUE AND EXPENSES TO MULTIPLE SHARE CLASSES

Any revenue or expense not directly attributable to a particular share class will normally be allocated pro-rata to the net assets of the relevant share classes unless a different allocation method is deemed more appropriate by the ACD.

All share classes are ranked pari passu and have no particular rights or terms attached, including rights on winding up.

#### (E) TAXATION

Corporation tax is provided at 20% on taxable revenue, after deduction of allowable expenses.

Where overseas tax has been deducted from overseas revenue that tax can, in some instances, be set off against the corporation tax payable by way of double tax relief and where this is the case the offset is reflected in the tax charge.

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, 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.

#### (F) BASIS OF VALUATION OF INVESTMENTS

All investments are valued at their fair value as at close of business on the last business day of the financial year.

Quoted investments are valued at fair value which generally is the bid price, excluding any accrued interest in the case of debt securities. Accrued interest on debt securities is included in revenue.

Collective investment schemes are valued at published bid prices for dual priced funds and at published prices for single priced funds.

For investments for which there is no quoted price or for which the quoted price is unreliable, fair value is determined by the ACD, taking into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance, maturity of the company and other relevant factors.

#### (G) EXCHANGE RATES

The base and functional currency of the Fund is pounds sterling. 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 exchange rate prevailing at close of business on the last business day of the financial year.

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

#### (H) DILUTION LEVY

The ACD may require a dilution levy on the purchase and redemption of shares if, in its opinion, the existing shareholders (for purchases) or remaining shareholders (for redemptions) might otherwise be adversely affected. For example, the dilution levy may be charged in the following circumstances: where the scheme property is in continual decline; on the Fund experiencing large levels of net purchases relative to its size; on 'large deals' (typically being a purchase or redemption of shares to a size exceeding 5% of the Net Asset Value of the Fund); in any case where the ACD is of the opinion that the interests of existing or remaining shareholders require the imposition of a dilution levy.

#### (I) PORTFOLIO TRANSACTION COSTS

Direct transaction costs may consist of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Debt security investments have no separately identifiable transaction costs as they form part of the dealing spread. Indirect transaction costs may be incurred on transactions in underlying schemes but these do not form part of the direct transaction costs disclosures. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The average portfolio dealing spread disclosed is the difference between the bid and offer prices of investments at the balance sheet date, including the effect of foreign exchange, expressed as a percentage of the value determined by reference to the offer price.

## 2. Distribution Policies

Surplus revenue after expenses and taxation, as disclosed in the financial statements, after adjustment for items of a capital nature, is distributable to shareholders. Any deficit of revenue is deducted from capital.

Interim distributions may be made at the ACD's discretion. Final distributions are made in accordance with the COLL Sourcebook.

Distributions which have remained unclaimed by shareholders for more than six years are credited to the capital property of the Fund.

The ordinary element of stock received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue of the Fund. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of any distribution.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue. Amounts recognised as capital are deducted from the cost of the investment. The tax accounting treatment follows the treatment of the principal amount.

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

#### 3. Net Capital (Losses)/Gains

The net capital (losses)/gains during the year comprise:

	31.12.22 £'000	31.12.21 £'000
Non-derivative securities	(88,403)	66,155
Transaction charges	(3)	(2)
Net capital (losses)/gains	(88,406)	66,153

The net capital losses figure includes realised gains of £3,603,000 and unrealised losses of £42,041,000 (31.12.21: includes realised gains of £42,700,000 and unrealised gains of £49,965,000). The realised gains on investments in the current year include amounts previously recognised as unrealised gains in the prior year.

Where realised gains/losses include gains/losses arising in previous periods, a corresponding loss/gain is included in unrealised gains/losses.

#### 4. Revenue

	31.12.22 £'000	31.12.21 £'000
Non-taxable dividends	2,422	2,726
Interest on debt securities	555	180
Bank interest	84	1
Total revenue	3,061	2,907

#### 5. Expenses

	31.12.22 £'000	31.12.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	2,118	2,863
Legal and professional fees	13	13
Typesetting costs	1	1
Registration fees	75	97
	2,207	2,974



## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

	31.12.22 £'000	31.12.21 £'000
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	57	67
Safe custody and other bank charges	8	9
	65	76
Other expenses:		
Audit fees	9	8
Professional fees	1	1
	10	9
Total expenses	2,282	3,059

The Portfolio Manager's fees and expenses (plus VAT thereon) for providing portfolio management services are paid by the ACD out of its remuneration.

## 6. Taxation

	31.12.22 £'000	31.12.21 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	—	—
Current tax charge	—	—
Deferred tax – origination and reversal of timing differences (note 6c)	—	—
Total taxation (note 6b)	—	—

### b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.12.21: 20%). The difference is explained below:

	31.12.22 £'000	31.12.21 £'000
Net revenue/(expense) before taxation	778	(152)
Corporation tax at 20%	156	(30)

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

	31.12.22 £'000	31.12.21 £'000
Effects of:		
Non-taxable dividends	(484)	(545)
Prior year adjustment	(1)	–
Unutilised excess management expenses	329	575
Corporation tax charge	–	–
Total tax charge (note 6a)	–	–

#### c) Deferred tax

At the year end there is a potential deferred tax asset of £2,685,000 (31.12.21: £2,356,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

## 7. Interest Payable and Similar Charges

	31.12.22 £'000	31.12.21 £'000
Interest payable	1	–
Total interest payable and similar charges	1	–

## 8. Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on redemption of shares, and comprise:

	31.12.22 £'000	31.12.21 £'000
Final	822	–
Add: Revenue deducted on redemption of shares	11	1
Deduct: Revenue received on issue of shares	(55)	(3)
Net distributions for the year	778	(2)

Details of the distributions per share are set out in the table on pages 50 and 51.

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

	31.12.22 £'000	31.12.21 £'000
Distributions represented by:		
Net revenue/(expense) after taxation	778	(152)
Allocations to capital:		
Revenue deficit – 'A' Accumulation	–	22
– 'C' Institutional Income	–	83
– 'C' Institutional Accumulation	–	45
Net distributions for the year	778	(2)

#### 9. Debtors

	31.12.22 £'000	31.12.21 £'000
Amounts receivable for issue of shares	299	310
Accrued revenue:		
Non-taxable dividends	66	77
Interest from debt securities	272	180
	338	257
Taxation recoverable:		
Overseas withholding tax	5	9
Total debtors	642	576

#### 10. Cash and Cash Equivalents

	31.12.22 £'000	31.12.21 £'000
Bank balances	23,969	8,057
Total cash and cash equivalents	23,969	8,057

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

#### 11. Creditors

	31.12.22 £'000	31.12.21 £'000
Distribution payable	280	–
<b>Other Creditors</b>		
Amounts payable for redemption of shares	22	9
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	167	234
Legal and professional fees	1	–
Typesetting costs	1	1
Registration fees	6	8
	175	243
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	4	6
Transaction charges	1	–
Safe custody and other bank charges	1	1
	6	7
Other expenses	9	9
Total other creditors	212	268

#### 12. Related Party Transactions

The Annual Management Charge and legal and professional fees payable to Link Fund Solutions Limited ('the ACD'), registration fees payable to Link Fund Administrators Limited and typesetting costs payable to Link Alternative Fund Administrators Limited (both companies are associates of the ACD) are disclosed in note 5 and amounts due at the year end are disclosed in note 11.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 33 and amounts due at the year end are disclosed in notes 9 and 11.

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 1,094 (31.12.21: 792) of the Fund's shares at the balance sheet date.

A shareholder may be able to exercise significant influence over the financial and operating policies of the Fund and as such is deemed to be a related party. At the balance sheet date the following shareholders held in excess of 20% of the shares in issue of the Fund:

Transact Nominees Limited	21.39% (31.12.21: 19.61%)
Allfunds Nominee Limited	20.09% (31.12.21: 2.65%)

### 13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.12.21: none).

### 14. Shares in Issue

	'A' Accumulation	'C' Institutional Income	'C' Institutional Accumulation
Annual Management Charge	0.90%	0.90%	0.90%
Opening shares in issue	1,120,973	23,358,753	69,980,120
Issues	–	21,787,227	10,958,960
Redemptions	–	(5,060,896)	(25,842,822)
Closing shares in issue	<u>1,120,973</u>	<u>40,085,084</u>	<u>55,096,258</u>

  

	'D' Income	'D' Accumulation	'C' Euro Accumulation
Annual Management Charge	0.75%	0.75%	0.90%
Opening shares in issue	39,372	69,204	–
Issues	–	–	250
Redemptions	(39,122)	–	–
Closing shares in issue	<u>250</u>	<u>69,204</u>	<u>250</u>

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

#### 15. 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 currency contracts, may be utilised for Efficient Portfolio Management (including hedging) purposes.

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

The ACD has in place a Risk Management Policy and Procedures Document ('RMPPD') that sets out the risks that may impact a fund and how the ACD seeks, where appropriate, to manage, monitor and mitigate those risks, and in particular those risks associated with the use of derivatives. The RMPPD sets out both the framework and the risk mitigations operated by the ACD in managing the identified risks of the Fund. The ACD requires that the appointed Portfolio Manager to the Fund has in place its own governance structure, policies and procedures that are commensurate with its regulatory obligations and the risks posed by the fund managed.

##### (A) CREDIT RISK

Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfil contractual obligations. This may be in terms of an actual default or by deterioration in a counterparty's credit quality.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. As part of its due diligence process, the ACD undertakes a review of the controls operated over counterparties by the Portfolio Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the ACD has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

##### (B) INTEREST RATE RISK

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in interest rates, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate investments and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates.

The Fund takes on interest rate risk within its investment portfolio where the ACD and Portfolio Manager believe that the expected return compensates for the overall risk. The ACD and Portfolio Manager continue to monitor the level of interest rate risk posed by the Fund's underlying investments on a regular basis. As the Fund has no significant direct exposure to interest rate risk, no sensitivity analysis has been presented.

**FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31 December 2022

The table below shows the direct interest rate risk profile:

	31.12.22 £'000	31.12.21 £'000
Fixed rate investments	4,197	4,945
Investments on which interest is not paid	187,666	291,467
Total investments	191,863	296,412

**(C) FOREIGN CURRENCY RISK**

Foreign currency risk is the risk that the Sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than Sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the Sterling equivalent value.

The Fund does not have any significant exposure to foreign currency risk, and therefore no foreign currency table or sensitivity analysis has been presented.

**(D) LEVERAGE**

The ACD is required to calculate and monitor the level of leverage of the Fund, expressed as a ratio between the exposure of the Fund and its Net Asset Value, under both the gross and commitment methods (in accordance with articles 7 and 8 of The Alternative Investment Fund Managers Regulations 2013). For a fund with no borrowing or derivative usage the leverage ratio would be 1:1 under the commitment method. The gross method calculation excludes cash and cash equivalents which are highly liquid.

As at 31 December 2022, leverage under the gross method was 0.89:1 and leverage under the commitment method was 1:1 (31.12.21: 0.97:1 and 1:1 respectively).

**(E) LIQUIDITY RISK**

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions should insufficient cash be held at the bank to meet this obligation. The ACD monitors the liquidity profile of the Fund daily.

In assessing the liquidity profile of the Fund, the ACD assesses how much of the Fund can be realised in one and five days, under normal and stressed market conditions, and the impact this would have on the overall subsequent liquidity profile.

In assessing the liquidity of a company's shares, the ACD utilises the lower of the 5 and 20 day average market volume of that company's shares. An in depth review takes place by assessing the liquidity profile of the Fund against a 25% market participation of the average daily volume.

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

Based on this analysis 12.45% of the portfolio can be liquidated within 5 days and 16.58% within 21 working days (31.12.21: 4.63% within 5 days and 10.94% within 21 days). Given this and the ACD's understanding of the investor base, it is considered that the liquidity profile of the Fund is appropriate.

All financial liabilities are payable in one year or less, or on demand.

#### (F) 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 rate or foreign currency movement. 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. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £9,593,000 (31.12.21: £14,821,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

The Fund held no derivatives in the current or prior year.



# FINANCIAL STATEMENTS *continued*

## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

### 16. Portfolio Transaction Costs

31.12.22	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	29,176	36	55	29,267
Collective investment schemes	201	–	1	202
Debt securities	1,651	–	–	1,651
Purchases total	31,028	36	56	31,120
<i>Transaction cost % of purchases total</i>		0.12%	0.18%	
<i>Transaction cost % of average NAV</i>		0.02%	0.02%	
Ordinary shares	47,157	(59)	–	47,098
Collective investment schemes	167	–	–	167
Sales total	47,324	(59)	–	47,265
<i>Transaction cost % of sales total</i>		0.12%	–	
<i>Transaction cost % of average NAV</i>		0.02%	–	

Average portfolio dealing spread at 31.12.22 is 4.30% (31.12.21: 3.89%).

# FINANCIAL STATEMENTS *continued*

## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>31.12.21</b>				
Ordinary shares	99,923	58	16	99,997
Collective investment schemes	6,879	14	34	6,927
Debt securities	5,796	–	–	5,796
Purchases total	112,598	72	50	112,720
<i>Transaction cost % of purchases total</i>		0.06%	0.04%	
<i>Transaction cost % of average NAV</i>		0.02%	0.02%	
Ordinary shares	124,517	(125)	–	124,392
Collective investment schemes	1,304	–	–	1,304
Sales total	125,821	(125)	–	125,696
<i>Transaction cost % of sales total</i>		0.10%	–	
<i>Transaction cost % of average NAV</i>		0.04%	–	

### 17. Fair Value Hierarchy

Investments are categorised into the following levels based on their fair value measurement:

**Level 1:** Unadjusted quoted price in an active market for an identical instrument;

**Level 2:** Valuation techniques using observable inputs other than quoted prices within Level 1;

**Level 3:** Valuation techniques using unobservable inputs (see note 1(F) of the Accounting Policies).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>31.12.22</b>				
Investment assets	187,666	–	4,197	191,863
<b>31.12.21</b>				
Investment assets	290,900	–	5,512	296,412

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 December 2022

#### 18. Subsequent Events

On 20 April 2023 Link Group announced the sale of the Fund Solutions Business ('FS Business') and that certain subsidiaries of Link Group, including Link Fund Solutions Limited ('LFSL'), entered into sale agreements with entities within the Waystone Group pursuant to which Link Group companies have agreed to sell to the Waystone Group: (i) the business and certain assets of LFSL; (ii) the business and certain assets of Link Fund Manager Solutions (Ireland) Limited (LFMS(I)L); and (iii) the entire issued share capital of certain other subsidiaries of Link Group, which together with the business of LFSL and LFMS(I)L comprise the FS Business (other than its Luxembourg and Swiss entities), but excluding Woodford related liabilities and, subject to normalised working capital adjustments, on a debt and cash free basis. The sale is conditional on various matters, including receipt of certain regulatory approvals, notices and consents from the FCA and the Central Bank of Ireland, anti-trust approval from the Competition and Consumer Protection Commission of Ireland and no in-depth investigation of the sale by the UK Competition and Markets Authority. It is possible that Irish foreign investment approval may also be needed depending on whether a foreign investment regime is introduced in Ireland before completion of the sale and the parties agree a filing is required. The sale is also conditional on contracts representing a significant majority of revenue in respect of LFSL's ACD business and LFMS(I)L's business being transferred to the Waystone Group and consent having been received from certain third parties in respect of the transfer of their business to the Waystone Group. The Waystone Group, LFSL and LFMS(I)L have agreed to work to achieve those and other conditions. The sale is not contingent on the Scheme or the Settlement becoming unconditional. The sale is targeted to complete by October 2023.

The above proposed changes will not impact either the ongoing management of the Fund nor its continuing viability. Investors will be notified, assuming the proposed changes conclude satisfactorily, in due course on the timing of the transfer of the Fund to Waystone Group.

## FINANCIAL STATEMENTS *continued*

### DISTRIBUTION TABLE

for the year ended 31 December 2022 – per share

#### EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue 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. Where there is no distribution at interim, the final distribution is deemed to run for the whole year.

Group 2	Interim	Final
From	01.01.22	01.07.22
To	30.06.22	31.12.22

#### ‘A’ ACCUMULATION SHARES

There was no interim distribution in the current or prior year.

Final	Net Revenue	Equalisation	Allocation 30.04.23	Allocated 30.04.22
Group 1	17.4380	–	17.4380	–
Group 2	17.4380	0.0000	17.4380	–

#### ‘C’ INSTITUTIONAL INCOME SHARES

There was no interim distribution in the current or prior year.

Final	Net Revenue	Equalisation	Payable 30.04.23	Paid 30.04.22
Group 1	0.6975	–	0.6975	–
Group 2	0.4405	0.2570	0.6975	–

#### ‘C’ INSTITUTIONAL ACCUMULATION SHARES

There was no interim distribution in the current or prior year.

Final	Net Revenue	Equalisation	Allocation 30.04.23	Allocated 30.04.22
Group 1	0.6289	–	0.6289	–
Group 2	0.4300	0.1989	0.6289	–

## FINANCIAL STATEMENTS *continued*

### DISTRIBUTION TABLE *continued*

#### 'D' INCOME SHARES

There was no interim distribution in the current or prior year.

Final	Net Revenue	Equalisation	Payable 30.04.23	Paid 30.04.22
Group 1	0.4919	–	0.4919	0.1328
Group 2	0.4919	0.0000	0.4919	0.1328

#### 'D' ACCUMULATION SHARES

There was no interim distribution in the current or prior year.

Final	Net Revenue	Equalisation	Allocation 30.04.23	Allocated 30.04.22
Group 1	0.5870	–	0.5870	0.1730
Group 2	0.5870	0.0000	0.5870	0.1730

#### 'C' EURO ACCUMULATION SHARES

There was no interim distribution in the current year.

No comparative figures are presented as share class launched on 21 February 2022.

Final	Net Revenue	Equalisation	Allocation 30.04.23
Group 1	0.5400	–	0.5400
Group 2	0.5400	0.0000	0.5400

## GENERAL INFORMATION

### Share Capital

The minimum share capital of the Fund is £1,000,000 and the maximum share capital is £500,000,000.

### Classes of Shares

The Instrument of Incorporation allows income and accumulation shares to be issued.

Holders of income shares are entitled to be paid the distributable income attributed to such shares on any relevant interim and annual allocation dates.

Holders of accumulation shares are not entitled to be paid the income attributed to such shares, but that income is automatically transferred to (and retained as part of) the capital assets of the Fund on the relevant interim and/or annual accounting dates. This is reflected in the price of an accumulation share.

### Valuation Point

The current valuation point of the Fund is at 12.00 noon (London time) on each business day. Valuations may be made at other times with the Depositary's approval.

### Buying and Selling Shares

The ACD will accept orders to buy or sell shares on normal business days between 8.30am and 5.30pm (London time) and transactions will be effected at prices determined by the following valuation. Instructions to buy or sell shares may be either in writing to: PO Box 389, Darlington DL1 9UF or by telephone on 0345 922 0044.

### Prices

The prices of all shares are published on every dealing day on the ACD's website:

[www.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk). The prices of shares may also be obtained by calling 0345 922 0044 during the ACD's normal business hours.

### Other Information

The Instrument of Incorporation, Prospectus, Key Investor Information Documents and the most recent interim and annual reports may be inspected at the office of the ACD which is also the Head Office. Copies of these may be obtained upon application and, excepting the Instrument of Incorporation, can be found on the ACD's website, [www.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk).

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 shareholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at Exchange Tower, London E14 9SR.

## GENERAL INFORMATION *continued*

### 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.



 6th Floor, 65 Gresham Street, London EC2V 7NQ

 0345 922 0044

 [linkfundsolutions.co.uk](http://linkfundsolutions.co.uk)