

# LF Canada Life Investments Fund II

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 15 OCTOBER 2022



**LF Canlife Diversified Monthly Income Fund**

**LF Canlife Managed 0% – 35% Fund**

**LF Canlife Managed 20% – 60% Fund**

**LF Canlife Portfolio III Fund**

**LF Canlife Portfolio IV Fund**

**LF Canlife Portfolio V Fund**

**LF Canlife Portfolio VI Fund**

**LF Canlife Portfolio VII Fund**

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

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(Authorised and regulated by  
the Financial Conduct Authority)

## DIRECTORS OF THE ACD

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

## PORTFOLIO MANAGER

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### CANADA LIFE ASSET MANAGEMENT LIMITED

Canada Life Place  
High Street  
Potters Bar  
Hertfordshire EN6 5BA  
(Authorised and regulated by  
the Financial Conduct Authority)

## DEPOSITARY

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

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

## REGISTRAR

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### LINK FUND ADMINISTRATORS LIMITED

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## INDEPENDENT AUDITOR

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## ACD'S REPORT

for the year ended 15 October 2022

### Authorised Status

LF Canada Life Investments Fund II ('the Company') is an investment company with variable capital incorporated in England and Wales under registered number IC000980 and authorised by the Financial Conduct Authority with effect from 21 November 2013. The Company has an unlimited duration.

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

The Company is a Non-UCITS Retail Scheme. The base currency of the Company and each sub-fund is pounds sterling.

The AIFM is the legal person appointed on behalf of the Company and which (through this appointment) is responsible for managing the Company 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.

## ACD'S REPORT *continued*

### Important Information

With effect from 8 November 2021, the Prospectus was updated to clarify how the Company's sub-funds may invest in the shares or units of other collective investment schemes.

With effect from 12 December 2022, the following changes were made:

- The LF Canlife Managed 0%-35% Fund changed its name to the LF Canlife Diversified Risk Managed III Fund;
- The LF Canlife Managed 20%-60% Fund changed its name to the LF Canlife Diversified Risk Managed IV Fund;
- Amendments were made to the wording of the Investment Objective and Policy of the LF Canlife Diversified Risk Managed III Fund and the LF Canlife Diversified Risk Managed IV Fund; and
- A new sub-fund, the LF Canlife Diversified Risk Managed V Fund, was launched.

### Cross Holdings

No sub-funds had holdings in any other sub-fund of the Company at the end of the year.

### 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 Company itself.

## ACD'S REPORT *continued*

### Remuneration Policy *continued*

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 Company was valued at £829 million as at that date and represented 1.01% of LFSL's total AuM and 1.86% of its AIF AuM.

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>.

## ACD'S REPORT *continued*

### Securities Financing Transactions

The Company 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 for the sub-funds other than the LF Canlife Diversified Monthly Income Fund.

The following table details the value of securities on loan for the LF Canlife Diversified Monthly Income Fund. Additionally there is an analysis of the maturity tenor of the associated collateral received, as at the balance sheet date, split between counterparty borrower:

#### LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

Counterparty Borrower and Collateral Type Received	Country of Incorporation	Total Securities on Loan £'000
Citigroup Global Markets Ltd	UK	125
JP Morgan Securities Plc	UK	153
Merrill Lynch International	UK	134
The Bank of Nova Scotia	Canada	239
UBS AG	Switzerland	451
Total		1,102

Maturity Tenor of Collateral	1 to 7 days £'000	8 to 30 days £'000	31 to 90 days £'000	91 to 365 days £'000	More than 365 days £'000	Open £'000	Total Collateral £'000
OECD Government rated							
A and above and Supra-							
Nationals Bonds	–	–	–	–	173	–	173
Recognised Equity Index	–	–	–	–	–	1,044	1,044
Total	–	–	–	–	173	1,044	1,217



## ACD'S REPORT *continued*

### Securities Financing Transactions *continued*

Currency of Collateral	Total Collateral £'000	Collateral by Settlement	Total Collateral	
			Triparty £'000	Bilateral £'000
AUD	9			
CHF	80	Citigroup Global Markets Ltd	136	–
EUR	271	JP Morgan Securities Plc	171	–
GBP	248	Merrill Lynch International	141	–
JPY	47	The Bank of Nova Scotia	263	–
USD	562	UBS AG	506	–
Total	<u>1,217</u>	Total	<u>1,217</u>	<u>–</u>

The total value of securities on loan as a proportion of the LF Canlife Diversified Monthly Income Fund's Net Asset Value, as at the balance sheet date, is 3.32% (15.10.21: 0.92%).

The total value of securities on loan as a proportion of the LF Canlife Diversified Monthly Income Fund's total lendable assets, as at the balance sheet date, is 3.43% (15.10.21: 0.95%). Total lendable assets represents the aggregate value of asset type forming part of the LF Canlife Diversified Monthly Income Fund's securities lending programme.

The gross earnings and the fees for the year are £3,000 and £1,000 respectively (15.10.21: £nil and £nil respectively).

### Value Assessment

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

### LINK FUND SOLUTIONS LIMITED

ACD of LF Canada Life Investments Fund II

3 February 2023

## 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 Canada Life Investments Fund II

3 February 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 Company, comprising each of its sub-funds and of the net revenue/expense and net capital gains/losses on the property of the Company's sub-funds 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 Company and its sub-funds' 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 Company or its sub-funds 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 Company 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 Company 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 Company'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 Company and its investors.

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

The Depositary must ensure that:

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

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

## REPORT OF THE DEPOSITARY

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

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

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

Depositary of LF Canada Life Investments Fund II  
3 February 2023

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LF CANADA LIFE INVESTMENTS FUND II

### Opinion

We have audited the financial statements of LF Canada Life Investments Fund II ('the Company') for the year ended 15 October 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 the Distribution Tables comprising each of its sub-funds, and the accounting policies of the Company set out on pages 23 to 26 which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company comprising each of its sub-funds as at 15 October 2022 and of the net revenue and the net capital losses on the scheme property of the Company comprising each of its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Authorised Corporate Director's ('the ACD') use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the ACD with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LF CANADA LIFE INVESTMENTS FUND II *continued*

### Other Information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on Other Matters Prescribed by the Rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (the 'FCA')

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the FCA and the Instrument of Incorporation; and
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- the information given in the ACD's report for the financial year for which the financial statements are prepared 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 matter in relation to which the Collective Investment Schemes Sourcebook of the FCA requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LF CANADA LIFE INVESTMENTS FUND II *continued*

### Responsibilities of the ACD

As explained more fully in the Statement of ACD's Responsibilities set out on page 16, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the ACD is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the ACD either intends to wind up or terminate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Explanation as to What Extent the Audit Was Considered Capable of Detecting Irregularities, Including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice (UK GAAP), the Investment Management Association Statement of Recommended Practice ('IMA SORP'), the FCA Collective Investment Schemes Sourcebook, OEIC Regulations, the Company's Instrument of Incorporation and the Prospectus.
- We understood how the Company is complying with those frameworks through discussions with the ACD and the Company's administrator and a review of the Company's documented policies and procedures.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LF CANADA LIFE INVESTMENTS FUND II *continued*

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified a fraud risk with respect to incomplete or inaccurate income recognition through incorrect classification of special dividends and resulting impact to amounts available for distribution. We tested the appropriateness of management's classification of material special dividends as either a capital or revenue return.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting by the ACD with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Company.
- Due to the regulated nature of the Company, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify non-compliance with the applicable laws and regulations.

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

### Use of Our Report

This report is made solely to the Company's Members, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the FCA. Our audit work has been undertaken so that we might state to the Company's Members 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 Company and the Company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### ERNST & YOUNG LLP

Statutory Auditor  
Edinburgh  
3 February 2023

## ACCOUNTING AND DISTRIBUTION POLICIES

for the year ended 15 October 2022

### 1. Accounting Policies

The principal accounting policies, which have been applied to the financial statements of the sub-funds in both the current and prior year, are set out below. These have been applied consistently across all sub-funds unless otherwise stated in the Notes to the Financial Statements of each sub-fund.

#### (A) BASIS OF ACCOUNTING

The financial statements of each sub-fund 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 each sub-fund's ability to continue as a going concern, and is satisfied they have 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 and key service provider's operational resilience. The ACD also considered each sub-fund's continued ability to meet ongoing costs, and is satisfied they have the resources to meet these costs and to continue in business.

#### (B) RECOGNITION OF REVENUE

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

US REIT dividend revenue is accounted for partly as revenue and partly as capital, depending on the underlying REIT distribution. All REIT dividend revenue is recognised on an accruals basis.

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.

Reportable income from funds with 'reporting fund' status for UK tax purposes is recognised when the information is made available by the reporting fund.

Revenue received from tax transparent funds is recognised when the information is made available by the reporting fund.

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

## ACCOUNTING AND DISTRIBUTION POLICIES *continued*

Rebates of annual management charges (AMC rebates) from underlying investments are accounted for on an accruals basis and are recognised as revenue, or capital in line with the allocation of the annual management charge between capital and revenue of the underlying investments.

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 initially against revenue.

Expenses incurred by tax transparent funds are recognised when the information is made available by the reporting fund.

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

Any revenue or expense not directly attributable to a particular share class or sub-fund will normally be allocated pro-rata to the net assets of the relevant share classes and sub-funds, 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.

Offshore income gains, from funds without reporting status, are liable to corporation tax at 20% and any resulting charge is deducted from capital.

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.

## ACCOUNTING AND DISTRIBUTION POLICIES *continued*

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.

### (G) EXCHANGE RATES

The base and functional currency of the sub-funds 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.

### (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 of a sub-fund is in continual decline; on a sub-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 relevant sub-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.

## ACCOUNTING AND DISTRIBUTION POLICIES *continued*

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

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND ACD'S REPORT

for the year ended 15 October 2022

### Important Information

Refer to the 'Important Information' section on page 11.

### Investment Objective and Policy

The investment objective of the LF Canlife Diversified Monthly Income Fund ('the Fund') is to provide income monthly with the prospect for long term (at least 5 years) capital growth.

The investment policy of the Fund is to invest globally in the following asset classes: equities, debt securities (government, corporate bonds, convertibles and preference shares), cash, near cash, money market instruments, immovable property, infrastructure and commodities.

The Fund may gain exposure to the asset classes listed directly and indirectly by investing in other transferable securities, Real Estate Investment Trusts, Exchange Traded Funds and collective investment schemes (open and closed ended), which may include collective investment schemes managed or advised by the ACD, the Portfolio Manager or their associates. Exposure to immovable property, infrastructure and commodities will be indirect.

The Fund may not have exposure to all asset classes at all times.

The Fund's exposure to the following asset classes will be within the ranges stated:

Asset Class	Min %	Max %
Property	0	20
Equities	25	55
Government and Corporate Bonds	30	70

The Fund has no particular geographic focus.

The Portfolio Manager may employ derivatives for the purpose of efficient portfolio management.

### Additional Information

The Portfolio Manager undertakes asset allocation with a particular focus on both valuation and yield. A review is undertaken at least quarterly which determines target weights for the asset classes (for example, whether government or corporate bonds are preferred and which regions are preferred).

At an individual security level the Portfolio Manager will consider investment in securities which in their opinion have a robust business model, a strong balance sheet and market share and the ability to provide stable and/or growing level of distribution.

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### ACD'S REPORT *continued*

#### Benchmark

The Fund's comparator benchmark is the IA Mixed Investment 20-60% Shares sector.

The Fund's performance may be compared against the Investment Association IA Mixed Investment 20-60% Shares sector. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers). The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. 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. The Fund is not constrained by the requirements of the sector.

#### LINK FUND SOLUTIONS LIMITED

ACD of LF Canlife Diversified Monthly Income Fund

3 February 2023

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 15 October 2022

#### Market Review

Markets were volatile throughout the review period due in large part to rising global inflation, interest rate rises and the impact of Russia's ongoing invasion of Ukraine.

The fallout from the COVID-19 pandemic continued to influence economies over the period, with high infection rates disrupting global supply chains, particularly in China where the country's strict zero-COVID policy slowed manufacturing activity.

In February, Russia's invasion of Ukraine shifted attention away from the pandemic and towards Eastern Europe, where a humanitarian crisis was unfolding. Most major economies sought to deter Russia's actions by imposing a swathe of sanctions; however, as one of the world's largest exporters of oil, gas and wheat, concerns about supply constraints sparked a rise in commodity prices.

During the latter half of the period, inflation reached 40-year highs in the United States and the United Kingdom, respectively. This led to the US Federal Reserve ('Fed') and the Bank of England ('BoE') imposing tighter monetary policy, with each central bank raising interest rates.

However, during the summer, markets began to anticipate a softening in central banks' stance, and subsequently priced in rate cuts from the Fed in 2023. But at its Jackson Hole summit in August, the Fed surprised markets by recommitting to its monetary tightening cycle and waving off any prospect rate cuts until inflation figures were markedly down. This sentiment was later echoed by both the BoE and the European Central Bank. This dislocation between market expectation and central bank policy triggered a significant sell-off in equity markets.

Towards the end of the review period, the UK fixed income market was thrown into turmoil following the UK government's mini-budget, which included a set of growth-oriented tax cuts. The budget was rejected outright by the market on fears of debt sustainability and sparked a sell-off in bonds and gilts, while the pound plunged to an all-time low versus the US dollar. The BoE was forced to intervene just days later, pledging to buy back up to £65bn worth of UK government bonds in order to stabilise markets.

#### Fund Performance

The price of the 'C' Income shares of the Fund decreased by 6.95% in the twelve months to 15 October 2022. This compares with a decrease of 11.71% in the Fund's benchmark, the IA Mixed Investment 20-60% Shares sector.

#### Fund Review

At the beginning of the period, as the global bond market struggled (with yields rising as prices fell), the Fund gradually developed an organic underweight to fixed income. We sought to remedy by purchasing a range of, predominately, investment grade bonds of various maturity levels. In particular, we added bonds from more cyclical industries that offered exposure to the reopening of global economies from issuers such as Gatwick Airport, BMW and Volkswagen.



## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

As the period progressed, we took the opportunity to add to our alternatives allocation, specifically in renewable energy names which not only provide robust income streams but we also see as the likely beneficiaries of the move towards energy transition and ultimately, net zero. The Fund also allocated more towards several of our existing holdings in this area, including the JLEN Environmental Assets Group, Greencoat UK Wind Plc and the Gresham House Energy Storage fund.

In addition, we raised our property allocation via a selection of REITs, including Land Securities, British Land and Secure Income REIT.

Our allocation towards the US dollar was of material benefit during the latter portion of the review period, as the currency strengthened on the back of interest rate rises from the Fed. This allowed our unhedged global equity and bond allocations to provide some capital protection from what were, otherwise, very turbulent markets.

Towards the end of Q3 2022, our bond allocation again drifted lower (down circa 2%) on market weakness. We did however take the opportunity at the beginning of September to switch some dollar-denominated bonds into sterling, on the expectation of weakness in sterling slowing down.

#### Outlook

Lingering inflation, and the heightened probability of stagflation, remain the key headwinds for investors moving into 2023.

As we have seen in both Q2 and Q3, the development of inflationary pressures will play a major role in determining the direction of travel for asset prices. How central bank policy reacts will once again be paramount, with the possibility of inflation proving more resilient. This is, arguably, the key risk for investors in Q4.

But as we have shown in Q3, volatility can often present opportunities, and we were able to add to some positions across our longer-term themes – crucially, at lower valuations. Moving into the final phase of 2022, we remain selective with cash in the portfolio looking for opportunities created by forced sellers and remain mindful of risk but vigilant of opportunities.

#### CANADA LIFE ASSET MANAGEMENT LIMITED

Portfolio Manager

16 November 2022

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### 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. As the Fund has less than 5 years' price history, this calculation incorporates the volatility of an appropriate benchmark index. 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 4 because its volatility has been measured as average.

This indicator 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 change over time. Number 1 on the scale does not mean that a fund is risk free.

**Income Risk:** The amount of income is not guaranteed. The Fund can only distribute income it has and there is no guarantee that income will be paid each month.

**Charges to Capital Risk:** As charges are taken from the Fund's capital, this will erode capital and may constrain capital growth.

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

**Liquidity Risk:** In unfavourable market conditions, corporate bonds may be harder to sell in a timely manner and at reasonable prices, than in normal market conditions. This could have a negative impact on the value of the Fund. In extreme market conditions this could affect the Fund's ability to meet investors' redemptions.

**Property Fund Investment Risk:** Property Funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

**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.

**Emerging Markets Risk:** The Fund may invest in emerging markets, which are markets in countries that are developing. Emerging markets may have more political and economic risks than developed markets, which may result in large and frequent price movements that may cause a loss to the Fund.

**Changes in Interest Rate Risk:** A rise in interest rates generally causes bond prices to fall.

**Credit Risk:** The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

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).

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

##### 'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	106.55	96.34	99.85
Return before operating charges*	(7.45)	15.47	1.16
Operating charges	(0.70)	(0.66)	(0.63)
Return after operating charges	(8.15)	14.81	0.53
Distributions	(4.54)	(4.60)	(4.04)
Closing net asset value per share	93.86	106.55	96.34
* after direct transaction costs of:	0.06	0.03	0.07

##### PERFORMANCE

Return after charges	(7.65)%	15.37%	0.53%
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##### OTHER INFORMATION

Closing net asset value (£'000)	2,306	18.00	4
Closing number of shares	2,456,920	16,513	4,399
Operating charges	0.66%	0.64%	0.65%
Direct transaction costs	0.06%	0.03%	0.07%

##### PRICES

Highest share price	110.91	108.67	104.53
Lowest share price	94.78	93.56	81.32

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	116.93	101.19	100.61
Return before operating charges*	(8.56)	16.46	1.20
Operating charges	(0.78)	(0.72)	(0.62)
Return after operating charges	(9.34)	15.74	0.58
Distributions	(5.06)	(4.92)	(4.07)
Retained distributions on accumulation shares	5.06	4.92	4.07
Closing net asset value per share	107.59	116.93	101.19
* after direct transaction costs of:	0.07	0.04	0.07

##### PERFORMANCE

Return after charges	(7.99)%	15.55%	0.58%
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##### OTHER INFORMATION

Closing net asset value (£'000)	628	26	2
Closing number of shares	583,593	22,547	2,303
Operating charges	0.66%	0.65%	0.63%
Direct transaction costs	0.06%	0.03%	0.07%

##### PRICES

Highest share price	122.03	117.91	106.50
Lowest share price	107.85	98.26	83.14

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'G' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	106.81	96.49	99.86
Return before operating charges*	(7.50)	15.47	1.12
Operating charges	(0.57)	(0.54)	(0.50)
Return after operating charges	(8.07)	14.93	0.62
Distributions	(4.56)	(4.61)	(3.99)
Closing net asset value per share	94.18	106.81	96.49
* after direct transaction costs of:	0.06	0.03	0.07

##### PERFORMANCE

Return after charges	(7.56)	15.47%	0.62%
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##### OTHER INFORMATION

Closing net asset value (£'000)	1,308	473	415
Closing number of shares	1,389,009	442,500	430,095
Operating charges	0.54%	0.52%	0.52%
Direct transaction costs	0.06%	0.03%	0.07%

##### PRICES

Highest share price	111.21	108.95	104.60
Lowest share price	95.16	93.71	81.39

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'G' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	117.37	101.45	100.76
Return before operating charges*	(8.60)	16.49	1.21
Operating charges	(0.64)	(0.57)	(0.52)
Return after operating charges	(9.24)	15.92	0.69
Distributions	(5.09)	(4.94)	(4.09)
Retained distributions on accumulation shares	5.09	4.94	4.09
Closing net asset value per share	108.13	117.37	101.45
* after direct transaction costs of:	0.07	0.04	0.07

##### PERFORMANCE

Return after charges	(7.87)%	15.69%	0.68%
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##### OTHER INFORMATION

Closing net asset value (£'000)	28,939	31,411	30,437
Closing number of shares	26,762,074	26,762,074	30,000,250
Operating charges	0.54%	0.52%	0.52%
Direct transaction costs	0.06%	0.03%	0.07%

##### PRICES

Highest share price	122.52	118.35	106.73
Lowest share price	108.39	98.51	83.32

**LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND**

**ACD'S REPORT** *continued*

**FUND INFORMATION** *continued*

**Fund Performance to 15 October 2022 (%)**

	1 year	3 years	Since launch <sup>1</sup>
LF Canlife Diversified Monthly Income Fund	(6.95)	7.96	9.34
IA Mixed Investment 20–60% Shares sector <sup>2</sup>	(11.71)	(2.14)	(1.34)

<sup>1</sup> Launch date: 28 June 2019.

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

The performance of the Fund is based on the published price per 'C' Income share with income reinvested.

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 59 to 66.

**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.

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 15 October 2022

Holding	Portfolio of Investments	Value £'000	15.10.22 %
	DEBT SECURITIES – 35.72% (15.10.21 – 37.39%)		
	GOVERNMENT BONDS – 0.47% (15.10.21 – 0.00%)		
£150,000	UK Treasury 0.125% index-linked 22/3/2044	155	0.47
	CORPORATE BONDS – 35.25% (15.10.21 – 37.39%)		
£325,000	AA Bond 4.875% 31/7/2043	308	0.93
\$400,000	Allianz 3.2% <i>floating rate notes Perpetual</i>	228	0.69
£275,000	America Movil 5.75% 28/6/2030	260	0.78
\$480,000	Amgen 3% 15/1/2052	264	0.79
\$450,000	Argentum Netherlands BV 5.625% 15/8/2052	352	1.06
£250,000	AT&T 7% 30/4/2040	244	0.74
£320,000	Aviva 6.125% <i>floating rate notes</i> 14/11/2036	296	0.89
€300,000	AXA 3.375% 6/7/2047	236	0.71
\$200,000	BMW US Capital 3.7% 1/4/2032	153	0.46
£200,000	Cheltenham & Gloucester 11.75% <i>Perpetual</i>	292	0.88
\$400,000	Cloverie 5.625% 24/6/2046	328	0.99
€400,000	CNP Assurances 4.75% <i>Perpetual</i>	282	0.85
\$370,000	Comcast 4.25% 15/1/2033	292	0.88
€400,000	Crédit Agricole Assurances 4.25% <i>floating rate notes Perpetual</i>	333	1.00
£300,000	Deutsche Bank 4% 24/6/2026	271	0.82
\$280,000	Deutsche Telekom International Finance 7.625% 15/6/2030	306	0.92
£400,000	Électricité de France 6% <i>Perpetual</i>	300	0.90
£200,000	Gatwick Funding 4.375% 7/4/2026	163	0.49
£300,000	Gatwick Funding 6.125% 2/3/2028	289	0.87
£150,000	HSBC 6.75% 11/9/2028	138	0.42
\$450,000	ING 4.875% <i>Perpetual</i>	274	0.83
\$400,000	International Business Machines 4.15% 15/5/2039	285	0.86
€400,000	Intesa Sanpaolo 7.75% <i>Perpetual</i>	307	0.93
£320,000	Intu Metrocentre Finance & Co. 4.125% 6/12/2028	144	0.43
£300,000	John Lewis 6.125% 21/1/2025	283	0.85
\$460,000	JPMorgan Chase & Co 4.6% <i>Perpetual</i>	361	1.09
£375,000	M&G 5.625% 20/10/2051	294	0.89
£220,506	Marstons Issuer 1.88902% <i>floating rate notes</i> 15/10/2027	199	0.60
£251,488	Mitchells & Butlers Finance 6.013% 15/12/2030	231	0.70



# LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

## ACD'S REPORT *continued*

## PORTFOLIO STATEMENT *continued*

as at 15 October 2022

Holding	Portfolio of Investments	Value £'000	15.10.22 %
£2,000	Nationwide Building Society 10.25% <i>floating rate notes</i> <i>Perpetual</i>	225	0.68
\$450,000	Nordea Bank ABP 6.125% <i>Perpetual</i>	374	1.13
£325,000	Phoenix 5.75% <i>Perpetual</i>	236	0.71
€200,000	Rabobank 4.875% <i>Perpetual</i>	133	0.40
£400,000	RENTOKIL 5% 27/6/2032	342	1.03
£250,000	RL Finance No. 4 4.875% 7/10/2049	156	0.47
£200,000	Society of Lloyd's 4.75% 30/10/2024	189	0.57
\$540,000	Stanley Black & Decker 4% 15/3/2060	399	1.20
€400,000	Telefonica Europe 4.375% <i>Perpetual</i>	327	0.99
\$500,000	UBS Switzerland 7% <i>Perpetual</i>	423	1.27
£300,000	Verizon Communications 5.25% 16/3/2037	245	0.74
£400,000	Vodafone 6.25% 3/10/2078	334	1.01
£400,000	Volkswagen International Finance 3.748% <i>floating rate</i> <i>note Perpetual</i>	287	0.86
£300,000	Yorkshire Power Finance 7.25% 4/8/2028	311	0.94
	TOTAL CORPORATE BONDS	11,694	35.25
	TOTAL DEBT SECURITIES	11,849	35.72
	PREFERENCE SHARES – 4.89% (15.10.21 – 7.00%)		
3,630	Aptiv	315	0.95
10,800	Becton Dickinson	449	1.35
5,100	Boston Scientific	474	1.43
328	Danaher	384	1.16
	TOTAL PREFERENCE SHARES	1,622	4.89
	EQUITIES – 56.10% (15.10.21 – 53.43%)		
	UNITED KINGDOM – 30.64% (15.10.21 – 22.98%)		
3,249	AstraZeneca	319	0.96
68,663	BAE Systems	543	1.64
11,135	Bellway	197	0.59
143,008	BP	650	1.96
8,565	British American Tobacco	281	0.85
86,926	British Land	290	0.87
167,037	Custodian REIT	144	0.43
126,274	Direct Line	242	0.73

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 15 October 2022

Holding	Portfolio of Investments	Value £'000	15.10.22 %
32,856	Dunelm	262	0.79
259,285	Greencoat UK Wind <sup>1</sup>	366	1.10
113,813	Gresham House Energy Storage <sup>1</sup>	176	0.53
23,981	GSK	324	0.98
29,977	Haleon	82	0.25
245,370	HICL Infrastructure <sup>1</sup>	377	1.14
51,360	HSBC	236	0.71
28,231	IG	213	0.64
261,563	International Public Partnership <sup>1</sup>	371	1.12
276,150	JLEN Environmental Assets <sup>1</sup>	314	0.95
58,121	Landsec	295	0.89
149,081	Legal & General	326	0.98
70,633	LondonMetric Property	120	0.36
247,512	LXI REIT	293	0.88
55,239	National Grid	481	1.45
12,550	Persimmon	152	0.46
52,343	Phoenix	273	0.82
179,592	Picton Property Income Fund	138	0.42
160,830	Premier Asset Management	145	0.44
257,101	Primary Health Properties REIT	261	0.79
247,531	Renewables Infrastructure <sup>1</sup>	302	0.91
12,030	Severn Trent	277	0.83
32,058	Shell 'B'	728	2.19
355,040	Supermarket Income REIT	343	1.03
85,087	Tesco	172	0.52
7,258	Unilever	282	0.85
192,050	Vodafone	191	0.58
	TOTAL UNITED KINGDOM	10,166	30.64
	CONTINENTAL EUROPE – 3.03% (15.10.21 – 5.46%)		
2,180	BASF	82	0.25
4,725	CRH	135	0.41
19,965	EDF	206	0.62
12,214	Electrolux 'B'	118	0.36

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 15 October 2022

Holding	Portfolio of Investments	Value £'000	15.10.22 %
284	LVMH Moët Hennessy Louis Vuitton	153	0.46
197,389	Real Estate Credit Investments <sup>1</sup>	243	0.73
45,509	Resurs	66	0.20
	TOTAL CONTINENTAL EUROPE	1,003	3.03
	NORTH AMERICA – 17.06% (15.10.21 – 19.61%)		
8,906	Apollo Global Management	375	1.13
22,538	Ares Commercial Real Estate	217	0.65
5,404	Blackstone	404	1.22
1,627	Broadcom	618	1.86
17,751	Clearway Energy	453	1.37
9,562	Coca-Cola	468	1.41
10,322	Exchange Income	290	0.87
15,365	Kinder Morgan	235	0.71
27,315	Ladder Capital REIT	229	0.69
3,422	Microsoft	695	2.09
16,061	OneMain	468	1.41
3,081	Paychex	299	0.90
8,844	Pfizer	337	1.02
20,755	Sixth Street Specialty Lending	315	0.94
15,736	Starwood Property REIT	263	0.79
	TOTAL NORTH AMERICA	5,666	17.06
	ASIA PACIFIC (EXCLUDING JAPAN) – 0.49% (15.10.21 – 1.73%)		
2,895	Taiwan Semiconductor Manufacturing ADS	164	0.49
	AUSTRALIA – 2.02% (15.10.21 – 1.80%)		
14,536	BHP	317	0.96
7,416	Rio Tinto	352	1.06
	TOTAL AUSTRALIA	669	2.02

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 15 October 2022

Holding	Portfolio of Investments	Value £'000	15.10.22 %
	GLOBAL – 2.86% (15.10.21 – 1.85%)		
225,093	BBGI Global Infrastructure <sup>1</sup>	353	1.06
194,195	CQS New City High Yield <sup>1</sup>	100	0.30
331,958	Foresight Solar <sup>1</sup>	361	1.09
91,753	Invesco Bond Income Plus <sup>1</sup>	135	0.41
	TOTAL GLOBAL	949	2.86
	TOTAL EQUITIES	18,617	56.10
	Portfolio of investments	32,088	96.71
	Net other assets	1,093	3.29
	Net assets	33,181	100.00

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are ordinary shares listed on a regulated market unless stated otherwise.

<sup>1</sup> Closed end fund.

*Definition:*

ADS – American Depositary Shares.

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### ACD'S REPORT *continued*

#### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 15 October 2022

Total purchases for the year £'000 (note 16)	10,038	Total sales for the year £'000 (note 16)	4,911
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
Landsec	430	ENI USA 7.3% 15/11/2027	380
British Land	412	Navient	377
Foresight Solar	395	Électricité de France 5.625% <i>Perpetual</i>	352
RENTOKIL 5% 27/6/2032	390	SSE 3.625% 16/9/2077	350
BBGI Global Infrastructure	387	Blackstone	330
Greencoat UK Wind	381	Standard Chartered 7.75% <i>Perpetual</i>	320
Amgen 3% 15/1/2052	337	Eutelsat Communications	318
Volkswagen International Finance 3.748%		Petróleos Mexicanos 8.25% 2/6/2022	300
<i>floating rate note Perpetual</i>	336	iShares Developed Markets Property	
JLEN Environmental Assets	331	Yield UCITS ETF	285
Renewables Infrastructure	324	ASML	280

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

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS

#### STATEMENT OF TOTAL RETURN

for the year ended 15 October 2022

	Notes	£'000	15.10.22 £'000	£'000	15.10.21 £'000
Income:					
Net capital (losses)/gains	3		(4,171)		3,482
Revenue	4	1,636		1,689	
Expenses	5	(182)		(169)	
Interest payable and similar charges	7	(1)		–	
Net revenue before taxation		1,453		1,520	
Taxation	6	(149)		(161)	
Net revenue after taxation			1,304		1,359
Total return before distributions			(2,867)		4,841
Distributions	8		(1,453)		(1,493)
Change in net assets attributable to shareholders from investment activities			(4,320)		3,348

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

for the year ended 15 October 2022

	Note	£'000	15.10.22 £'000	£'000	15.10.21 £'000
Opening net assets attributable to shareholders			31,928		30,858
Amounts receivable on issue of shares		4,393		139	
Amounts payable on redemption of shares		(196)		(3,867)	
			4,197		(3,728)
Dilution levy	1(H)		–		8
Change in net assets attributable to shareholders from investment activities			(4,320)		3,348
Retained distributions on Accumulation shares			1,376		1,442
Closing net assets attributable to shareholders			33,181		31,928

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

#### BALANCE SHEET

as at 15 October 2022

	Notes	15.10.22 £'000	15.10.21 £'000
<b>ASSETS</b>			
Fixed assets			
Investments		32,088	31,231
Current assets			
Debtors	9	400	257
Cash and cash equivalents	10	949	557
<b>Total assets</b>		<u>33,437</u>	<u>32,045</u>
<b>LIABILITIES</b>			
Creditors			
Bank overdraft	10	(106)	–
Distribution payable	11	(38)	(6)
Other creditors	11	(112)	(111)
<b>Total liabilities</b>		<u>(256)</u>	<u>(117)</u>
<b>Net assets attributable to shareholders</b>		<u>33,181</u>	<u>31,928</u>

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 15 October 2022

#### 1. Accounting Policies

The accounting policies described on pages 23 to 25 have been applied to the financial statements of the Fund in the current and prior year.

#### 2. Distribution Policies

The distribution policies described on pages 25 and 26 have been applied to the financial statements of the Fund in the current and prior year. The additional distribution policy described below has also been applied to this Fund.

All expenses are transferred to capital for distribution purposes in line with the Fund's investment objective. This will increase the amount of revenue available for distribution; however, will erode capital and may constrain capital growth.

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

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

	15.10.22 £'000	15.10.21 £'000
Non-derivative securities	(4,177)	3,495
Transaction charges	(3)	(4)
Currency gains/(losses)	9	(9)
Net capital (losses)/gains	(4,171)	3,482

The net capital losses figure includes realised gains of £1,000,000 and unrealised losses of £2,305,000 (15.10.21: includes realised gains of £465,000 and unrealised gains of £2,863,000). 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.



## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 4. Revenue

	15.10.22 £'000	15.10.21 £'000
Non-taxable dividends	975	1,030
US property dividends	42	57
UK property income distributions	55	29
Interest on debt securities	560	573
Bank interest	2	–
Stock lending revenue	2	–
Total revenue	1,636	1,689

#### 5. Expenses

	15.10.22 £'000	15.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	128	125
Legal and professional fees	12	6
Typesetting costs	3	3
Registration fees	12	11
	155	145
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	12	12
Safe custody and other bank charges	2	–
	14	12
Other expenses:		
Audit fees	10	10
Legal and professional fees	3	2
	13	12
Total expenses	182	169

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

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 6. Taxation

	15.10.22 £'000	15.10.21 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	97	98
Double tax relief	(8)	(8)
Overseas tax	59	71
Current tax charge	148	161
Deferred tax – origination and reversal of timing differences (note 6c)	1	–
Total taxation (note 6b)	149	161

#### 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%) (15.10.21: 20%). The difference is explained below:

	15.10.22 £'000	15.10.21 £'000
Net revenue before taxation	1,453	1,520
Corporation tax at 20%	291	304
Effects of:		
Non-taxable dividends	(195)	(206)
Double tax relief	(10)	(8)
Capitalised income subject to tax	4	–
Corporation tax charge	90	90
Overseas tax	59	71
Total tax charge (note 6a)	149	161
c) Deferred tax		
Provision at the start of the year	–	–
Deferred tax charge in the year (note 6a)	1	–
Provision on the end of the year	1	–

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 7. Interest Payable and Similar Charges

	15.10.22 £'000	15.10.21 £'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:

	15.10.22 £'000	15.10.21 £'000
First Interim	83	90
Second Interim	82	90
Third Interim	98	108
Fourth Interim	82	90
Fifth Interim	83	90
Sixth Interim	185	150
Seventh Interim	89	90
Eighth Interim	89	90
Ninth Interim	219	150
Tenth Interim	92	90
Eleventh Interim	93	91
Final	276	334
	1,471	1,463
Add: Revenue deducted on redemption of shares	1	31
Deduct: Revenue received on issue of shares	(19)	(1)
Net distributions for the year	1,453	1,493

Details of the distributions per share are set out in the table on pages 59 to 66.

**LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND**  
**FINANCIAL STATEMENTS** *continued*  
**NOTES TO THE FINANCIAL STATEMENTS** *continued*  
for the year ended 15 October 2022

	15.10.22 £'000	15.10.21 £'000
Distributions represented by:		
Net revenue after taxation	1,304	1,359
Allocations to capital:		
Expenses, net of tax relief	149	134
Net distributions for the year	1,453	1,493

**9. Debtors**

	15.10.22 £'000	15.10.21 £'000
Amounts receivable for issue of shares	87	1
Accrued revenue:		
Non-taxable dividends	78	32
Interest from debt securities	227	218
	305	250
Prepaid expenses	1	–
Taxation recoverable:		
Overseas withholding tax	7	6
Total debtors	400	257

**10. Cash and Cash Equivalents**

	15.10.22 £'000	15.10.21 £'000
Bank balances	949	557
Total cash and cash equivalents	949	557
Bank overdraft	106	–
Total bank overdraft	106	–

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 11. Creditors

	15.10.22 £'000	15.10.21 £'000
Distribution payable	38	6
<b>Other Creditors</b>		
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	5	5
Legal and professional fees	1	1
Typesetting costs	2	2
Registration fees	1	1
	9	9
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	1	1
Transaction charges	1	1
	2	2
Other expenses	10	10
Taxation payable:		
Corporation tax	90	90
Deferred tax	1	–
	91	90
Total other creditors	112	111

#### 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 43 and amounts due at the year end are disclosed in note 9.

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

Canada Life Asset Management and its associates (including other authorised investment funds managed by Canada Life Asset Management or its associates) held 28,150,583 (15.10.21: 27,204,074) 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 shareholder held in excess of 20% of the shares in issue of the Fund:

Canada Life Asset Management and its associates	90.25% (15.10.21: 99.86%)
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### 13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (15.10.21: none).

### 14. Shares in Issue

	'C' Income	'C' Accumulation	'G' Income	'G' Accumulation
Annual Management Charge	0.50%	0.50%	0.375%	0.375%
Opening shares in issue	16,513	22,547	442,500	26,762,074
Issues	2,592,575	592,577	946,852	–
Redemptions	(152,168)	(31,531)	(343)	–
Closing shares in issue	<u>2,456,920</u>	<u>583,593</u>	<u>1,389,009</u>	<u>26,762,074</u>

### 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.

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### (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.

The bond investments held are exposed to credit risk which reflects the ability of the issuer to meet its obligations. The ACD monitors the credit rating of bond holdings.

Credit Quality	15.10.22 %	15.10.21 %
Investment grade debt securities	25.33	24.35
Non-investment grade debt securities	7.72	9.12
Non-rated debt securities	2.67	3.92
Other investments	60.99	60.43
Net other assets	3.29	2.18
	<u>100.00</u>	<u>100.00</u>

#### (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. Investment in collective investment schemes may expose the Fund to indirect interest rate risk to the extent that they may invest in interest bearing securities, the returns from which 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 direct interest rate risk posed by the Fund's underlying investments on a regular basis using the DV01 method. As at 15 October 2022, a one basis point change in the yield would have an impact of £6,000 (15.10.21: £7,000) on the direct net assets of the Fund.

# LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

## FINANCIAL STATEMENTS *continued*

## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

The table below shows the direct interest rate risk profile:

	15.10.22 £'000	15.10.21 £'000
Floating rate investments	1,958	1,759
Fixed rate investments	10,126	10,352
Investments on which interest is not paid	20,004	19,120
Total investments	32,088	31,231

The floating rate investments comprise securities that earn interest at rates adjusted by changes in the UK Retail Prices Index (RPI) or its international equivalents and collective investment schemes that pay UK interest distributions.

Investments on which interest is not paid include equities, collective investment schemes that don't pay UK interest, futures and forward currency contracts.

### (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. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

Where the Fund invests in non-Sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and may not seek to hedge all foreign currency risk.

The table below shows the direct foreign currency risk profile:

	15.10.22 £'000	15.10.21 £'000
Currency:		
Canadian dollars	291	532
Euros	2,667	3,162
Swedish krona	207	213
US dollars	12,201	12,600
	15,366	16,507
Pounds sterling	17,815	15,421
Net assets	33,181	31,928

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £768,000 on the net assets of the Fund (15.10.21: £825,000).



## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### (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 15 October 2022, leverage under the gross method was 0.97:1 and leverage under the commitment method was 1:1 (15.10.21: 0.98:1 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.

Based on this analysis 64.48% of the portfolio can be liquidated within 5 days and 98.05% within 21 working days (15.10.21: 75.17% within 5 days and 99.95% 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.

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

A 5% increase in the value of the Fund's portfolio would have the effect of increasing the return and net assets by £1,604,000 (15.10.21: £1,562,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

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

#### 16. Portfolio Transaction Costs

15.10.22	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	3,808	1	13	3,822
Collective investment schemes	2,426	1	3	2,430
Debt securities	3,786	–	–	3,786
Purchases total	10,020	2	16	10,038
<i>Transaction cost % of purchases total</i>		0.02%	0.16%	
<i>Transaction cost % of average NAV</i>		0.01%	0.05%	
Ordinary shares	2,884	(1)	–	2,883
Collective investment schemes	285	–	–	285
Debt securities	1,743	–	–	1,743
Sales total	4,912	(1)	–	4,911
<i>Transaction cost % of sales total</i>		0.02%	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 15.10.22 is 0.55% (15.10.21: 0.37%).

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

15.10.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	4,422	2	8	4,432
Collective investment schemes	287	–	–	287
Debt securities	594	–	–	594
Purchases total	5,303	2	8	5,313
<i>Transaction cost % of purchases total</i>		0.04%	0.15%	
<i>Transaction cost % of average NAV</i>		0.01%	0.02%	
Ordinary shares	4,376	(1)	–	4,375
Collective investment schemes	757	–	–	757
Debt securities	2,096	–	–	2,096
Sales total	7,229	(1)	–	7,228
<i>Transaction cost % of sales total</i>		0.01%	–	
<i>Transaction cost % of average NAV</i>		–	–	

The collective investment schemes include closed end funds.

### 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).

15.10.22	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	20,239	11,849	–	32,088

  

15.10.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	19,294	11,937	–	31,231

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 18. Securities Lending

The revenue arising from the Securities Lending Programme is currently split between the Company and The Bank of New York Mellon, London Branch in the proportion 80%:20%. The 20% paid to The Bank of New York Mellon, London Branch is to cover operational cost, risk and profit.

Collateral accepted is OECD Government Bonds rated A and above and Supra-Nationals bonds and equities from the following indices: FTSE 100 (United Kingdom), CAC40 (France), DAX 30 (Germany), SMI (Switzerland), AEX (Netherlands), Hang Seng (Hong Kong), Nikkei 225 (Japan) and S&P 500 (United States of America).

As at 15 October 2022, £32,080,000 (15.10.21: £30,681,000) of investments were subject to securities lending agreements and on behalf of the Fund £1,217,000 (15.10.21: £297,000) was held in collateral. The collateral is held 14.2% in debt securities and 85.8% in equity securities (15.10.21: debt securities 100% and equity securities 0%).

The gross earnings and the fees for the year are £3,000 and £1,000 respectively (15.10.21: £nil and £nil respectively).

The following table details the value of securities on loan at the year end and the value of the collateral held at the year end for the Fund, by counterparty.

Counterparty	Securities on loan at the year end £'000	Collateral held on behalf of the Fund at the year end £'000
Citigroup Global Markets Ltd	125	136
JP Morgan Securities Plc	153	171
Merrill Lynch International	134	141
The Bank of Nova Scotia	239	263
UBS AG	451	506

**LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND**

**FINANCIAL STATEMENTS** *continued*

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

for the year ended 15 October 2022

**19. Subsequent Events**

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	27.01.23	Movement
'C' Income	95.75	102.39	6.93%
'C' Accumulation	108.96	118.47	8.73%
'G' Income	96.14	102.79	6.92%
'G' Accumulation	109.50	119.11	8.78%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 3 February 2023.

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 15 October 2022 – in pence 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.

Group 2	First Interim	Second Interim	Third Interim	Fourth Interim
From	16.10.21	16.11.21	16.12.21	16.01.22
To	15.11.21	15.12.21	15.01.22	15.02.22

Group 2	Fifth Interim	Sixth Interim	Seventh Interim	Eighth Interim
From	16.02.22	16.03.22	16.04.22	16.05.22
To	15.03.22	15.04.22	15.05.22	15.06.22

Group 2	Ninth Interim	Tenth Interim	Eleventh Interim	Final
From	16.06.22	16.07.22	16.08.22	16.09.22
To	15.07.22	15.08.22	15.09.22	15.10.22

#### ‘C’ INCOME SHARES

First Interim	Net Revenue	Equalisation	Paid 15.01.22	Paid 15.01.21
Group 1	0.2884	–	0.2884	0.2994
Group 2	0.1431	0.1453	0.2884	0.2994

Second Interim	Net Revenue	Equalisation	Paid 15.02.22	Paid 15.02.21
Group 1	0.3055	–	0.3055	0.2994
Group 2	–	0.3055	0.3055	0.2994

Third Interim	Net Revenue	Equalisation	Paid 15.03.22	Paid 15.03.21
Group 1	0.3200	–	0.3200	0.3593
Group 2	–	0.3200	0.3200	0.3593

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### DISTRIBUTION TABLE *continued*

Fourth Interim	Net Revenue	Equalisation	Paid 15.04.22	Paid 15.04.21
Group 1	0.3055	–	0.3055	0.2578
Group 2	0.0763	0.2292	0.3055	0.2578
Fifth Interim	Net Revenue	Equalisation	Paid 15.05.22	Paid 15.05.21
Group 1	0.3054	–	0.3054	0.2995
Group 2	–	0.3054	0.3054	0.2995
Sixth Interim	Net Revenue	Equalisation	Paid 15.06.22	Paid 15.06.21
Group 1	0.5000	–	0.5000	0.4900
Group 2	0.1346	0.3654	0.5000	0.4900
Seventh Interim	Net Revenue	Equalisation	Paid 15.07.22	Paid 15.07.21
Group 1	0.3055	–	0.3055	0.2995
Group 2	0.0411	0.2644	0.3055	0.2995
Eighth Interim	Net Revenue	Equalisation	Paid 15.08.22	Paid 15.08.21
Group 1	0.3055	–	0.3055	0.2995
Group 2	–	0.3055	0.3055	0.2995
Ninth Interim	Net Revenue	Equalisation	Paid 15.09.22	Paid 15.09.21
Group 1	0.6000	–	0.6000	0.4900
Group 2	–	0.6000	0.6000	0.4900
Tenth Interim	Net Revenue	Equalisation	Paid 15.10.22	Paid 15.10.21
Group 1	0.3055	–	0.3055	0.2994
Group 2	0.0011	0.3044	0.3055	0.2994

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE *continued*

Eleventh Interim	Net Revenue	Equalisation	Paid 15.11.22	Paid 15.11.21
Group 1	0.3055	–	0.3055	0.2995
Group 2	–	0.3055	0.3055	0.2995
Final	Net Revenue	Equalisation	Payable 15.12.22	Paid 15.12.21
Group 1	0.6906	–	0.6906	0.9052
Group 2	0.0151	0.6755	0.6906	0.9052
<b>‘C’ ACCUMULATION SHARES</b>				
First Interim	Net Revenue	Equalisation	Allocated 15.01.22	Allocated 15.01.21
Group 1	0.3009	–	0.3009	0.2912
Group 2	0.1084	0.1925	0.3009	0.2912
Second Interim	Net Revenue	Equalisation	Allocated 15.02.22	Allocated 15.02.21
Group 1	0.2980	–	0.2980	0.2912
Group 2	–	0.2980	0.2980	0.2912
Third Interim	Net Revenue	Equalisation	Allocated 15.03.22	Allocated 15.03.21
Group 1	0.3600	–	0.3600	0.3505
Group 2	0.0408	0.3192	0.3600	0.3505
Fourth Interim	Net Revenue	Equalisation	Allocated 15.04.22	Allocated 15.04.21
Group 1	0.2980	–	0.2980	0.2921
Group 2	0.1136	0.1844	0.2980	0.2921
Fifth Interim	Net Revenue	Equalisation	Allocated 15.05.22	Allocated 15.05.21
Group 1	0.2979	–	0.2979	0.2921
Group 2	–	0.2979	0.2979	0.2921



## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### DISTRIBUTION TABLE *continued*

Sixth Interim	Net Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.6500	–	0.6500	0.4900
Group 2	0.0911	0.5589	0.6500	0.4900
Seventh Interim	Net Revenue	Equalisation	Allocated 15.07.22	Allocated 15.07.21
Group 1	0.2980	–	0.2980	0.2921
Group 2	–	0.2980	0.2980	0.2921
Eighth Interim	Net Revenue	Equalisation	Allocated 15.08.22	Allocated 15.08.21
Group 1	0.2980	–	0.2980	0.2921
Group 2	–	0.2980	0.2980	0.2921
Ninth Interim	Net Revenue	Equalisation	Allocated 15.09.22	Allocated 15.09.21
Group 1	0.7500	–	0.7500	0.4900
Group 2	–	0.7500	0.7500	0.4900
Tenth Interim	Net Revenue	Equalisation	Allocated 15.10.22	Allocated 15.10.21
Group 1	0.2980	–	0.2980	0.2921
Group 2	–	0.2980	0.2980	0.2921
Eleventh Interim	Net Revenue	Equalisation	Allocated 15.11.22	Allocated 15.11.21
Group 1	0.2980	–	0.2980	0.2921
Group 2	–	0.2980	0.2980	0.2921
Final	Net Revenue	Equalisation	Allocation 15.12.22	Allocated 15.12.21
Group 1	0.9161	–	0.9161	1.2555
Group 2	0.0981	0.8180	0.9161	1.2555

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### DISTRIBUTION TABLE *continued*

#### 'G' INCOME SHARES

First Interim	Net Revenue	Equalisation	Paid 15.01.22	Paid 15.01.21
Group 1	0.2868	–	0.2868	0.2939
Group 2	0.2868	0.0000	0.2868	0.2939
Second Interim	Net Revenue	Equalisation	Paid 15.02.22	Paid 15.02.21
Group 1	0.2998	–	0.2998	0.2939
Group 2	0.2998	0.0000	0.2998	0.2939
Third Interim	Net Revenue	Equalisation	Paid 15.03.22	Paid 15.03.21
Group 1	0.3200	–	0.3200	0.3527
Group 2	0.3200	0.0000	0.3200	0.3527
Fourth Interim	Net Revenue	Equalisation	Paid 15.04.22	Paid 15.04.21
Group 1	0.2998	–	0.2998	0.2780
Group 2	0.2998	0.0000	0.2998	0.2780
Fifth Interim	Net Revenue	Equalisation	Paid 15.05.22	Paid 15.05.21
Group 1	0.2998	–	0.2998	0.2940
Group 2	0.2998	0.0000	0.2998	0.2940
Sixth Interim	Net Revenue	Equalisation	Paid 15.06.22	Paid 15.06.21
Group 1	0.5000	–	0.5000	0.4900
Group 2	0.5000	0.0000	0.5000	0.4900
Seventh Interim	Net Revenue	Equalisation	Paid 15.07.22	Paid 15.07.21
Group 1	0.2998	–	0.2998	0.2940
Group 2	0.2998	0.0000	0.2998	0.2940

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### DISTRIBUTION TABLE *continued*

Eighth Interim	Net Revenue	Equalisation	Paid 15.08.22	Paid 15.08.21
Group 1	0.2998	–	0.2998	0.2940
Group 2	0.2998	0.0000	0.2998	0.2940

Ninth Interim	Net Revenue	Equalisation	Paid 15.09.22	Paid 15.09.21
Group 1	0.6000	–	0.6000	0.4900
Group 2	0.6000	0.0000	0.6000	0.4900

Tenth Interim	Net Revenue	Equalisation	Paid 15.10.22	Paid 15.10.21
Group 1	0.2998	–	0.2998	0.2939
Group 2	–	0.2998	0.2998	0.2939

Eleventh Interim	Net Revenue	Equalisation	Paid 15.11.22	Paid 15.11.21
Group 1	0.2998	–	0.2998	0.2940
Group 2	0.2998	0.0000	0.2998	0.2940

Final	Net Revenue	Equalisation	Payable 15.12.22	Paid 15.12.21
Group 1	0.7496	–	0.7496	0.9406
Group 2	0.2308	0.5188	0.7496	0.9406

### ‘G’ ACCUMULATION SHARES

First Interim	Net Revenue	Equalisation	Allocated 15.01.22	Allocated 15.01.21
Group 1	0.3051	–	0.3051	0.2962
Group 2	0.3051	0.0000	0.3051	0.2962

Second Interim	Net Revenue	Equalisation	Allocated 15.02.22	Allocated 15.02.21
Group 1	0.3021	–	0.3021	0.2962
Group 2	0.3021	0.0000	0.3021	0.2962

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE *continued*

Third Interim	Net Revenue	Equalisation	Allocated 15.03.22	Allocated 15.03.21
Group 1	0.3600	–	0.3600	0.3554
Group 2	0.3600	0.0000	0.3600	0.3554
Fourth Interim	Net Revenue	Equalisation	Allocated 15.04.22	Allocated 15.04.21
Group 1	0.3021	–	0.3021	0.2962
Group 2	0.3021	0.0000	0.3021	0.2962
Fifth Interim	Net Revenue	Equalisation	Allocated 15.05.22	Allocated 15.05.21
Group 1	0.3021	–	0.3021	0.2962
Group 2	0.3021	0.0000	0.3021	0.2962
Sixth Interim	Net Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.6500	–	0.6500	0.4900
Group 2	0.6500	0.0000	0.6500	0.4900
Seventh Interim	Net Revenue	Equalisation	Allocated 15.07.22	Allocated 15.07.21
Group 1	0.3021	–	0.3021	0.2962
Group 2	0.3021	0.0000	0.3021	0.2962
Eighth Interim	Net Revenue	Equalisation	Allocated 15.08.22	Allocated 15.08.21
Group 1	0.3021	–	0.3021	0.2962
Group 2	0.3021	0.0000	0.3021	0.2962
Ninth Interim	Net Revenue	Equalisation	Allocated 15.09.22	Allocated 15.09.21
Group 1	0.7500	–	0.7500	0.4900
Group 2	0.7500	0.0000	0.7500	0.4900

## LF CANLIFE DIVERSIFIED MONTHLY INCOME FUND

### FINANCIAL STATEMENTS *continued*

### DISTRIBUTION TABLE *continued*

Tenth Interim	Net Revenue	Equalisation	Allocated 15.10.22	Allocated 15.10.21
Group 1	0.3021	–	0.3021	0.2962
Group 2	0.3021	0.0000	0.3021	0.2962
Eleventh Interim	Net Revenue	Equalisation	Allocated 15.11.22	Allocated 15.11.21
Group 1	0.3021	–	0.3021	0.2962
Group 2	0.3021	0.0000	0.3021	0.2962
Final	Net Revenue	Equalisation	Allocation 15.12.22	Allocated 15.12.21
Group 1	0.9105	–	0.9105	1.2310
Group 2	0.9105	0.0000	0.9105	1.2310

## LF CANLIFE MANAGED 0% – 35% FUND ACD'S REPORT

for the year ended 15 October 2022

### Important Information

Refer to the 'Important Information' section on page 11.

### Investment Objective and Policy

The investment objective of the LF Canlife Managed 0% – 35% Fund ('the Fund') is to achieve capital growth and income over the long term (at least five years), 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 at least 90% indirectly, via collective investment schemes, in the following assets: equities, debt securities (including government and public securities, corporate bonds, convertibles and preference shares), cash (including deposits and money market instruments) and immovable property.

The Fund will only have exposure to sterling denominated assets, but can invest, directly or indirectly, in securities issued by non-UK domiciled entities.

The Fund's exposure to equities can be between 0% and 35% of the value of the portfolio, but it will typically hold between 20% and 30%.

The Fund's exposure to the following asset classes will be within the ranges:

Asset Class	Min %	Max %
UK Property	10	20
Investment grade Government Bonds/Corporate Bonds/Cash	50	70

The Fund can invest across different industry sectors without limitation.

The Fund will gain exposure to these asset classes by investing in other collective investment schemes managed by the Portfolio Manager. It may also invest in other collective investment schemes (open and closed ended, including Exchange Traded Funds), other transferable securities (including Real Estate Investment Trusts) and hedge funds. Indirect investments may include instruments managed or advised by the ACD or the Portfolio Manager or their associates.

The Fund may also invest up to 10% directly in the asset classes stated above (except immovable property) by investing in securities issued by companies and governments.

The Fund may not have exposure to all asset classes at all times.

The Portfolio Manager may invest in derivatives for efficient portfolio management purposes.

## LF CANLIFE MANAGED 0% – 35% FUND

### ACD'S REPORT *continued*

#### Investment Objective and Policy *continued*

The ranges referenced above will not apply under extraordinary market conditions, in which circumstances the Fund may invest in asset classes 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, deposits, treasury bills, government and public securities and/or short-term money market instruments, or have substantial holding in cash and cash equivalents.

#### Additional Information

The Portfolio Manager undertakes a strategic asset allocation review at least annually. This determines, for a range of asset classes, minimum and maximum allocation bands for each asset class. A tactical review is undertaken at least quarterly which assesses each asset class at a more granular level (for example, for bonds whether government or corporate bonds are preferred). The Portfolio Manager will use the outcomes of these reviews in determining which asset classes to invest in and the weightings of those asset classes that will be held by the Fund.

#### Benchmark

The Fund's comparator benchmark is the IA Mixed Investment 0-35% Shares sector.

The Fund's performance may be compared against the Investment Association IA Mixed Investment 0-35% Shares sector. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers). The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. 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. The Fund is not constrained by the requirements of the sector.

#### LINK FUND SOLUTIONS LIMITED

ACD of LF Canlife Managed 0% – 35% Fund

3 February 2023

## LF CANLIFE MANAGED 0% – 35% FUND

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 15 October 2022

#### Market Review

Markets were volatile throughout the review period due in large part to rising global inflation, interest rate rises and the impact of Russia's ongoing invasion of Ukraine.

The fallout from the COVID-19 pandemic continued to influence economies over the period, with high infection rates disrupting global supply chains, particularly in China where the country's strict zero-COVID policy slowed manufacturing activity.

In February, Russia's invasion of Ukraine shifted attention away from the pandemic and towards Eastern Europe, where a humanitarian crisis was unfolding. Most major economies sought to deter Russia's actions by imposing a swathe of sanctions; however, as one of the world's largest exporters of oil, gas and wheat, concerns about supply constraints sparked a rise in commodity prices.

During the latter half of the period, inflation reached 40-year highs in the United States and the United Kingdom, respectively. This led to the US Federal Reserve ('Fed') and the Bank of England ('BoE') imposing tighter monetary policy, with each central bank raising interest rates.

However, during the summer, markets began to anticipate a softening in central banks' stance, and subsequently priced in rate cuts from the Fed in 2023. But at its Jackson Hole summit in August, the Fed surprised markets by recommitting to its monetary tightening cycle and waving off any prospect rate cuts until inflation figures were markedly down. This sentiment was later echoed by both the BoE and the European Central Bank. This dislocation between market expectation and central bank policy triggered a significant sell-off in equity markets.

Towards the end of the review period, the UK fixed income market was thrown into turmoil following the UK government's mini-budget, which included a set of growth-oriented tax cuts. The budget was rejected outright by the market on fears of debt sustainability and sparked a sell-off in bonds and gilts, while the pound plunged to an all-time low versus the US dollar. The BoE was forced to intervene just days later, pledging to buy back up to £65bn worth of UK government bonds in order to stabilise markets.

#### Fund Performance

The price of the 'C' Accumulation shares of the Fund decreased by 9.28% in the twelve months to 15 October 2022. This compares with a decrease of 12.26% in the Fund's benchmark, the IA Mixed Investment 0-35% Shares sector.

#### Fund Review

We took the opportunity late in the period to rotate some of our short duration bond exposure into corporate bonds, which had suffered most from the sharp increase in yields.

Our bond allocation was the greatest drag on performance during the year, particularly exposure to UK government bonds.



## LF CANLIFE MANAGED 0% – 35% FUND

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

However, our allocation towards the LF Canlife UK Equity Income Fund was a positive driver of returns for the portfolio, due to its exposures to cyclical sectors such as energy and pharmaceuticals. Our position in the LF Canlife UK Property ACS similarly aided relative performance.

#### Outlook

Sustained inflation and the rising potential of stagflation remain the key concerns for investors moving into 2023.

As seen in both Q2 and Q3 2022, inflationary pressures will play an important role in determining the direction of asset prices. How central bank policy reacts will again be paramount, if inflation is more resilient than markets have forecast.

However, as multi asset investors, we are able to utilise volatility to the Fund's advantage, navigating the market's ebbs and flows to flesh out long-term themes on lower valuations. The diversified nature each fund provides us with a degree of protection, but as witnessed within the UK bond markets at the end of Q3, safe havens are not as easy to come by for now.

That said, we feel more optimistic now than at previous points in the period, as much of the pain in markets has either been fully priced in or has peaked outright. There will, of course, be more volatility to come, and we must proceed with caution, but we foresee opportunities to add value to the portfolio, particularly in longer-term themes that we believe will deliver positive outcomes for our clients.

#### CANADA LIFE ASSET MANAGEMENT LIMITED

Portfolio Manager

25 November 2022

## LF CANLIFE MANAGED 0% – 35% FUND

### ACD'S REPORT *continued*

### FUND INFORMATION

#### Risk and Reward Profile



This indicator shows how much a fund may have risen and fallen in the past, and therefore how much a fund's returns may 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 Fund has been classed as 4 because its volatility has been measured as 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. The lowest number on the scale does not mean that a fund is risk free.

**Liquidity Risks:** In unfavourable market conditions, corporate bonds may be harder to sell in a timely manner and at reasonable prices, than in normal market conditions. This could have a negative impact on the value of the Fund. In extreme market conditions this could affect the Fund's ability to meet investors' redemptions.

**Property Fund Investment Risk:** Property funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

**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.

**Changes in Interest Rate Risk:** A rise in interest rates generally causes bond prices to fall.

**Credit Risk:** The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

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).

## LF CANLIFE MANAGED 0% – 35% FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

Where the Fund has significant investment in collective investment schemes, exchange-traded funds and similar products, the operating charges figure takes account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

#### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	108.42	102.37	107.15
Return before operating charges*	(8.98)	7.95	(2.90)
Operating charges <sup>1</sup>	(1.72)	(1.69)	(1.72)
Property expenses	(0.19)	(0.21)	(0.16)
Return after operating charges	(10.89)	6.05	(4.78)
Distributions	(1.17)	(1.11)	(1.55)
Retained distributions on accumulation shares	1.17	1.11	1.55
Closing net asset value per share	97.53	108.42	102.37
* after direct transaction costs of:	–	–	–

#### PERFORMANCE

Return after charges	(10.04)%	5.91%	(4.46)%
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#### OTHER INFORMATION

Closing net asset value (£'000)	15,534	20,459	23,552
Closing number of shares	15,927,388	18,871,160	23,006,552
Operating charges <sup>1</sup>	1.62%	1.58%	1.64%
Property expenses	0.18%	0.20%	0.15%
Direct transaction costs	–	–	–

#### PRICES

Highest share price	110.21	109.88	109.90
Lowest share price	95.98	101.00	93.70

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

## LF CANLIFE MANAGED 0% – 35% FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	101.01	96.37	102.46
Return before operating charges*	(8.51)	7.32	(2.98)
Operating charges <sup>1</sup>	(0.81)	(0.78)	(0.84)
Property expenses	(0.18)	(0.20)	(0.15)
Return after operating charges	(9.50)	6.34	(3.97)
Distributions	(1.74)	(1.70)	(2.12)
Closing net asset value per share	89.77	101.01	96.37
* after direct transaction costs of:	–	–	–

##### PERFORMANCE

Return after charges	(9.41)%	6.58%	(3.87)%
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##### OTHER INFORMATION

Closing net asset value (£'000)	107	133	157
Closing number of shares	119,434	131,571	163,159
Operating charges <sup>1</sup>	0.82%	0.78%	0.84%
Property expenses	0.18%	0.20%	0.15%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	102.80	103.36	105.32
Lowest share price	89.37	95.12	89.84

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

## LF CANLIFE MANAGED 0% – 35% FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	111.84	104.93	109.12
Return before operating charges*	(9.48)	7.99	(3.13)
Operating charges <sup>1</sup>	(0.90)	(0.86)	(0.90)
Property expenses	(0.20)	(0.22)	(0.16)
Return after operating charges	(10.58)	6.91	(4.19)
Distributions	(1.93)	(1.86)	(2.27)
Retained distributions on accumulation shares	1.93	1.86	2.27
Closing net asset value per share	101.26	111.84	104.93
* after direct transaction costs of:	–	–	–

##### PERFORMANCE

Return after charges	(9.46)%	6.59%	(3.84)%
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##### OTHER INFORMATION

Closing net asset value (£'000)	2,320	3,234	4,325
Closing number of shares	2,290,766	2,891,386	4,121,271
Operating charges <sup>1</sup>	0.82%	0.78%	0.84%
Property expenses	0.18%	0.20%	0.15%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	113.83	113.23	112.18
Lowest share price	99.64	103.57	95.70

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

## LF CANLIFE MANAGED 0% – 35% FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'G' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	111.97	104.98	109.11
Return before operating charges*	(9.52)	7.99	(3.15)
Operating charges <sup>1</sup>	(0.82)	(0.78)	(0.82)
Property expenses	(0.20)	(0.22)	(0.16)
Return after operating charges	(10.54)	6.99	(4.13)
Distributions	(2.00)	(1.94)	(2.34)
Retained distributions on accumulation shares	2.00	1.94	2.34
Closing net asset value per share	101.43	111.97	104.98
* after direct transaction costs of:	–	–	–

##### PERFORMANCE

Return after charges	(9.41)%	6.66%	(3.79)%
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##### OTHER INFORMATION

Closing net asset value (£'000)	6,416	7,647	8,156
Closing number of shares	6,325,853	6,829,942	7,769,213
Operating charges <sup>1</sup>	0.74%	0.71%	0.77%
Property expenses	0.18%	0.20%	0.15%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	113.97	113.33	112.19
Lowest share price	99.81	103.62	95.71

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

**LF CANLIFE MANAGED 0% – 35% FUND**

**ACD'S REPORT** *continued*

**FUND INFORMATION** *continued*

**Fund Performance to 15 October 2022 (%)**

	1 year	3 years	5 years
LF Canlife Managed 0% – 35% Fund	(9.28)	(7.00)	(2.55)
IA Mixed Investment 0–35% Shares sector <sup>1</sup>	(12.26)	(6.31)	(2.13)

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

The performance of the Fund is based on the published price per 'C' 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 92 and 93.

**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.

## LF CANLIFE MANAGED 0% – 35% FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 15 October 2022

Holding	Portfolio of Investments	Value £'000	15.10.22 %
	FIXED INTEREST – 60.63% (15.10.21 – 52.34%)		
10,544	iShares £ Index-Linked Gilts UCITS ETF	120	0.49
117,871	iShares Core UK Gilts UCITS ETF	1,150	4.72
2,242,423	LF Canlife Corporate Bond <sup>1</sup>	5,247	21.53
5,341,564	LF Canlife Short Duration Corporate Bond <sup>1</sup>	5,216	21.40
2,026,021	LF Canlife Sterling Short Term Bond <sup>1</sup>	2,009	8.24
1,113,388	LF Canlife UK Government Bond <sup>1</sup>	1,037	4.25
	TOTAL FIXED INTEREST	14,779	60.63
	EQUITIES – 25.06% (15.10.21 – 25.18%)		
969,442	LF Canlife UK Equity Income <sup>1</sup>	6,109	25.06
	UK PROPERTY – 10.63% (15.10.21 – 14.55%)		
57,859	iShares UK Property UCITS ETF	241	0.99
2,257,587	LF Canlife UK Property ACS <sup>1</sup>	2,351	9.64
	TOTAL UK PROPERTY	2,592	10.63
	MONEY MARKETS – 3.66% (15.10.21 – 8.02%)		
869,350	LF Canlife UK Sterling Liquidity <sup>1</sup>	892	3.66
	Portfolio of investments	24,372	99.98
	Net other assets	5	0.02
	Net assets	24,377	100.00

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are collective investment schemes.

<sup>1</sup> Related party holding (see note 11).



## LF CANLIFE MANAGED 0% – 35% FUND

### ACD'S REPORT *continued*

#### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 15 October 2022

Total purchases for the year £'000 (note 15)	3,904	Total sales for the year £'000 (note 15)	6,940
	Cost		Proceeds
Purchases	£'000	Sales	£'000
LF Canlife Sterling Short Term Bond	2,017	LF Canlife UK Property ACS	2,628
iShares Core UK Gilts UCITS ETF	541	LF Canlife UK Equity Income	2,035
LF Canlife Short Duration Corporate Bond	460	LF Canlife Short Duration Corporate Bond	910
LF Canlife Corporate Bond	345	LF Canlife Corporate Bond	823
iShares UK Property UCITS ETF	249	LF Canlife UK Government Bond	481
LF Canlife UK Equity Income	171	iShares Core UK Gilts UCITS ETF	63
iShares £ Index-Linked Gilts UCITS ETF	121		

In addition to the above, sales totalling £1,641,000 were made in short term investments during the year.

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

## LF CANLIFE MANAGED 0% – 35% FUND

### FINANCIAL STATEMENTS

#### STATEMENT OF TOTAL RETURN

for the year ended 15 October 2022

	Notes	£'000	15.10.22 £'000	£'000	15.10.21 £'000
Income:					
Net capital (losses)/gains	3		(3,099)		1,708
Revenue	4	786		933	
Expenses	5	(378)		(463)	
Net revenue before taxation		408		470	
Taxation	6	(32)		(44)	
Net revenue after taxation			376		426
Total return before distributions			(2,723)		2,134
Distributions	7		(380)		(437)
Change in net assets attributable to shareholders from investment activities			(3,103)		1,697

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

for the year ended 15 October 2022

	£'000	15.10.22 £'000	£'000	15.10.21 £'000
Opening net assets attributable to shareholders		31,473		36,190
Amounts receivable on issue of shares	1,587		1,661	
Amounts payable on redemption of shares	(5,946)		(8,489)	
		(4,359)		(6,828)
Change in net assets attributable to shareholders from investment activities		(3,103)		1,697
Retained distributions on Accumulation shares		366		414
Closing net assets attributable to shareholders		24,377		31,473

**LF CANLIFE MANAGED 0% – 35% FUND**  
**FINANCIAL STATEMENTS** *continued*  
**BALANCE SHEET**

as at 15 October 2022

	Notes	15.10.22 £'000	15.10.21 £'000
<b>ASSETS</b>			
Fixed assets			
Investments		24,372	31,501
Current assets			
Debtors	8	127	49
Cash and cash equivalents	9	64	60
<b>Total assets</b>		<u>24,563</u>	<u>31,610</u>
<b>LIABILITIES</b>			
Creditors			
Distribution payable	10	(1)	(1)
Other creditors	10	(185)	(136)
<b>Total liabilities</b>		<u>(186)</u>	<u>(137)</u>
<b>Net assets attributable to shareholders</b>		<u>24,377</u>	<u>31,473</u>

**LF CANLIFE MANAGED 0% – 35% FUND**  
**FINANCIAL STATEMENTS** *continued*  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 15 October 2022

**1. Accounting Policies**

The accounting policies described on pages 23 to 25 have been applied to the financial statements of the Fund in the current and prior year.

**2. Distribution Policies**

The distribution policies described on pages 25 and 26 have been applied to the financial statements of the Fund in the current and prior year.

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

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

	15.10.22 £'000	15.10.21 £'000
Non-derivative securities	(3,141)	1,655
Transaction charges	(2)	(2)
AMC rebates from underlying investments	44	55
Net capital (losses)/gains	(3,099)	1,708

The net capital losses figure includes realised gains of £103,000 and unrealised losses of £3,175,000 (15.10.21: includes realised gains of £36,000 and unrealised gains of £69,000). 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**

	15.10.22 £'000	15.10.21 £'000
Non-taxable dividends	268	304
Taxable dividends	12	2
Interest distributions on CIS holdings	352	428
Property – rental income	154	199
Total revenue	786	933

## LF CANLIFE MANAGED 0% – 35% FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 5. Expenses

	15.10.22 £'000	15.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	267	329
Legal and professional fees	7	8
Typesetting costs	3	3
Registration fees	12	14
	289	354
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	10	13
Safe custody and other bank charges	3	3
	13	16
Other expenses:		
Audit fees	10	9
Property income expenses on tax transparent fund	51	70
Expenses on tax transparent fund	34	40
Rebate of expenses from tax transparent fund	(19)	(26)
	76	93
Total expenses	378	463

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

	15.10.22 £'000	15.10.21 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	37	44
Adjustments in respect of prior periods	(5)	–
Current tax charge	32	44
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	32	44

## LF CANLIFE MANAGED 0% – 35% FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

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%) (15.10.21: 20%). The difference is explained below:

	15.10.22 £'000	15.10.21 £'000
Net revenue before taxation	408	470
Corporation tax at 20%	82	94
Effects of:		
Non-taxable dividends	(54)	(61)
AMC rebates taken to capital	9	11
Corporation tax charge	37	44
Adjustments in respect of prior periods	(5)	–
Total tax charge (note 6a)	32	44

c) Deferred tax

There is no deferred tax recognised in the current or prior year.

## 7. Distributions

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

	15.10.22 £'000	15.10.21 £'000
Interim	140	148
Final	228	269
	368	417
Add: Revenue deducted on redemption of shares	19	30
Deduct: Revenue received on issue of shares	(7)	(10)
Net distributions for the year	380	437

Details of the distributions per share are set out in the table on pages 92 and 93.

## LF CANLIFE MANAGED 0% – 35% FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

	15.10.22 £'000	15.10.21 £'000
Distributions represented by:		
Net revenue after taxation	376	426
Allocations to capital:		
Tax relief on capitalised AMC rebates from underlying investments	4	11
Net distributions for the year	380	437

#### 8. Debtors

	15.10.22 £'000	15.10.21 £'000
Amounts receivable for issue of shares	–	1
Sales awaiting settlement	120	40
Accrued revenue:		
AMC rebates from underlying investments	7	8
Total debtors	127	49

#### 9. Cash and Cash Equivalents

	15.10.22 £'000	15.10.21 £'000
Bank balances	64	60
Total cash and cash equivalents	64	60

#### 10. Creditors

	15.10.22 £'000	15.10.21 £'000
Distribution payable	1	1
<b>Other Creditors</b>		
Amounts payable for redemption of shares	7	65
Purchases awaiting settlement	121	–

## LF CANLIFE MANAGED 0% – 35% FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

	15.10.22 £'000	15.10.21 £'000
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	9	13
Typesetting costs	2	2
Legal and professional fees	1	–
Registration fees	2	2
	14	17
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Safe custody and other bank charges	1	–
Other expenses	10	10
Taxation payable:		
Corporation tax	32	44
Total other creditors	185	136

#### 11. 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 10.

The Fund invests in other funds managed by the ACD, or an associate of the ACD. The ACD rebates the Annual Management Charge which is based on the net asset value of these investments in order to eliminate double charging.

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 79 and amounts due at the year end are disclosed in note 10.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 14,677 (15.10.21: 14,677) of the Fund's shares at the balance sheet date.



## LF CANLIFE MANAGED 0% – 35% FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

Canada Life Asset Management Limited and its associates (including other authorised investment funds managed by Canada Life Asset Management Limited) held 23,813,870 (15.10.21: 27,748,354) 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 shareholder held in excess of 20% of the shares in issue of the Fund:

Canada Life Asset Management Limited and its associates	96.56% (15.10.21: 96.61%)
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As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager or for which Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings was as follows:

	15.10.22 £'000	15.10.21 £'000
Portfolio Manager and ACD in common	22,861	30,369

## 12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (15.10.21: none).

## 13. Shares in Issue

	'A' Accumulation	'C' Income	'C' Accumulation	'G' Accumulation
Annual Management Charge	1.25%	0.45%	0.45%	0.375%
Opening shares in issue	18,871,160	131,571	2,891,386	6,829,942
Issues	176,810	2,712	816,679	452,073
Redemptions	(3,120,582)	(14,849)	(1,417,299)	(956,162)
Closing shares in issue	15,927,388	119,434	2,290,766	6,325,853

## 14. 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.

## LF CANLIFE MANAGED 0% – 35% FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

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. Investment in collective investment schemes may expose the Fund to indirect interest rate risk to the extent that they may invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

The Fund invests in collective investment schemes only and as such does not have any significant direct exposure to interest rate risk. The Fund may indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no direct exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

## LF CANLIFE MANAGED 0% – 35% FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### (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. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates. The Fund does not have any direct exposure to foreign currency risk, therefore no foreign currency risk 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 15 October 2022, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (15.10.21: 1:1 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.

Based on this analysis 82.16% of the portfolio can be liquidated within 5 days and 82.16% within 21 working days (15.10.21: 85.46% within 5 days and 85.46% 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.

## LF CANLIFE MANAGED 0% – 35% FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### (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 £1,219,000 (15.10.21: £1,575,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

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

### 15. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
15.10.22				
Collective investment schemes	3,904	–	–	3,904
Purchases total	3,904	–	–	3,904
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	6,940	–	–	6,940
Sales total	6,940	–	–	6,940
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 15.10.22 is 0.02% (15.10.21: 0.00%).

## LF CANLIFE MANAGED 0% – 35% FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

15.10.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Collective investment schemes	4,498	–	–	4,498
Purchases total	4,498	–	–	4,498
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	14,192	–	(1)	14,191
Sales total	14,192	–	(1)	14,191
<i>Transaction cost % of sales total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	

## 16. 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).

15.10.22	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	1,511	22,861	–	24,372

  

15.10.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	1,132	30,369	–	31,501

**LF CANLIFE MANAGED 0% – 35% FUND**

**FINANCIAL STATEMENTS** *continued*

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

for the year ended 15 October 2022

**17. Subsequent Events**

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	27.01.23	Movement
'A' Accumulation	97.73	104.74	7.17%
'C' Income	91.00	96.63	6.19%
'C' Accumulation	101.47	108.99	7.41%
'G' Accumulation	101.64	109.20	7.44%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 3 February 2023.

## LF CANLIFE MANAGED 0% – 35% FUND

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 15 October 2022 – in pence 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.

Group 2	Interim	Final
From	16.10.21	16.04.22
To	15.04.22	15.10.22

#### ‘A’ ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.3887	–	0.3887	0.3193
Group 2	–	0.3887	0.3887	0.3193

Final	Net Revenue	Equalisation	Allocation 15.12.22	Allocated 15.12.21
Group 1	0.7805	–	0.7805	0.7921
Group 2	–	0.7805	0.7805	0.7921

#### ‘C’ INCOME SHARES

Interim	Net Revenue	Equalisation	Paid 15.06.22	Paid 15.06.21
Group 1	0.6926	–	0.6926	0.6169
Group 2	0.1852	0.5074	0.6926	0.6169

Final	Net Revenue	Equalisation	Payable 15.12.22	Paid 15.12.21
Group 1	1.0429	–	1.0429	1.0851
Group 2	0.8759	0.1670	1.0429	1.0851

## LF CANLIFE MANAGED 0% – 35% FUND

### FINANCIAL STATEMENTS *continued*

### DISTRIBUTION TABLE *continued*

#### 'C' ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.7676	–	0.7676	0.6740
Group 2	0.0159	0.7517	0.7676	0.6740
<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocation 15.12.22</b>	<b>Allocated 15.12.21</b>
Group 1	1.1603	–	1.1603	1.1862
Group 2	1.1603	0.0000	1.1603	1.1862

#### 'G' ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.8029	–	0.8029	0.7120
Group 2	0.4815	0.3214	0.8029	0.7120
<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocation 15.12.22</b>	<b>Allocated 15.12.21</b>
Group 1	1.1984	–	1.1984	1.2273
Group 2	0.7472	0.4512	1.1984	1.2273



## LF CANLIFE MANAGED 20% – 60% FUND ACD'S REPORT

for the year ended 15 October 2022

### Important Information

Refer to the 'Important Information' section on page 11.

### Investment Objective and Policy

The investment objective of the LF Canlife Managed 20% – 60% Fund ('the Fund') is to achieve capital growth over the long term (at least five years), 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 at least 90% indirectly, via collective investment schemes, in the following assets: equities, debt securities (including government and public securities, corporate bonds, convertibles and preference shares), cash (including deposits and money market instruments) and immovable property.

The Fund's exposure to equities can be between 20% and 60% of the value of the portfolio, but it will typically hold between 35% and 55%.

The Fund's exposure to the following asset classes will be within the ranges:

Asset Class	Min %	Max %
UK Property	10	20
Investment grade Government Bonds/Corporate Bonds/Cash	30	50

The Fund can invest across different geographic areas and industry sectors without limitation.

The Fund will gain exposure to these asset classes by investing in other collective investment schemes managed by the Portfolio Manager. It may also invest in other collective investment schemes (open and closed ended, including Exchange Traded Funds), other transferable securities (including Real Estate Investment Trusts) and hedge funds. Indirect investments may include instruments managed or advised by the ACD or the Portfolio Manager or their associates.

The Fund may invest up to 10% directly in the asset classes stated above (except immovable property) by investing in securities issued by companies and governments.

The Fund may not have exposure to all asset classes at all times.

The Portfolio Manager may invest in derivatives for efficient portfolio management purposes.

## LF CANLIFE MANAGED 20% – 60% FUND

### ACD'S REPORT *continued*

#### Investment Objective and Policy *continued*

The ranges referenced above will not apply under extraordinary market conditions, in which circumstances the Fund may invest in asset classes 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, deposits, treasury bills, government and public securities and/or short-term money market instruments, or have substantial holding in cash and cash equivalents.

#### Additional Information

The Portfolio Manager undertakes a strategic asset allocation review at least annually. This determines, for a range of asset classes, minimum and maximum allocation bands for each asset class. A tactical review is undertaken at least quarterly which assesses each asset class at a more granular level (for example, for bonds whether government or corporate bonds are preferred). The Portfolio Manager will use the outcomes of these reviews in determining which asset classes to invest in and the weightings of those asset classes that will be held by the Fund.

#### Benchmark

The Fund's comparator benchmark is the IA Mixed Investment 20-60% Shares sector.

The Fund's performance may be compared against the Investment Association IA Mixed Investment 20-60% Shares sector. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers). The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. 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. The Fund is not constrained by the requirements of the sector.

#### LINK FUND SOLUTIONS LIMITED

ACD of LF Canlife Managed 20% – 60% Fund

3 February 2023

## LF CANLIFE MANAGED 20% – 60% FUND

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 15 October 2022

#### Market Review

Markets were volatile throughout the review period due in large part to rising global inflation, interest rate rises and the impact of Russia's ongoing invasion of Ukraine.

The fallout from the COVID-19 pandemic continued to influence economies over the period, with high infection rates disrupting global supply chains, particularly in China where the country's strict zero-COVID policy slowed manufacturing activity.

In February, Russia's invasion of Ukraine shifted attention away from the pandemic and towards Eastern Europe, where a humanitarian crisis was unfolding. Most major economies sought to deter Russia's actions by imposing a swathe of sanctions; however, as one of the world's largest exporters of oil, gas and wheat, concerns about supply constraints sparked a rise in commodity prices.

During the latter half of the period, inflation reached 40-year highs in the United States and the United Kingdom, respectively. This led to the US Federal Reserve ('Fed') and the Bank of England ('BoE') imposing tighter monetary policy, with each central bank raising interest rates.

However, during the summer, markets began to anticipate a softening in central banks' stance, and subsequently priced in rate cuts from the Fed in 2023. But at its Jackson Hole summit in August, the Fed surprised markets by recommitting to its monetary tightening cycle and waving off any prospect rate cuts until inflation figures were markedly down. This sentiment was later echoed by both the BoE and the European Central Bank. This dislocation between market expectation and central bank policy triggered a significant sell-off in equity markets.

Towards the end of the review period, the UK fixed income market was thrown into turmoil following the UK government's mini-budget, which included a set of growth-oriented tax cuts. The budget was rejected outright by the market on fears of debt sustainability and sparked a sell-off in bonds and gilts, while the pound plunged to an all-time low versus the US dollar. The BoE was forced to intervene just days later, pledging to buy back up to £65bn worth of UK government bonds in order to stabilise markets.

#### Fund Performance

The price of the 'C' Accumulation shares of the Fund decreased by 8.35% in the twelve months to 15 October 2022. This compares with a decrease of 11.71% in the Fund's benchmark, the IA Mixed Investment 20-60% Shares sector.

#### Fund Review

Over the period, we opted to reduce the Fund's allocation to the LF Canlife Global Equity Fund and used this to increase exposure to Asia Pacific Equities and US banks.

We also took the opportunity late in the period to rotate some of our short duration bond exposure into corporate bonds, which had suffered most from the sharp increase in yields.

## LF CANLIFE MANAGED 20% – 60% FUND

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

Our bond allocation was the greatest drag on performance during the year, particularly exposure to UK corporate bonds.

However, throughout the review period, our allocation towards the LF Canlife UK Equity Income Fund was a positive driver of returns for the portfolio, due to its exposures to cyclical sectors such as energy and pharmaceuticals. Our position in the LF Canlife UK Property ACS similarly aided relative performance.

US dollar exposure offered downside protection throughout the period, as the currency strengthened on multiple interest rate rises from the Fed. Accordingly, our unhedged global positions in equities and bonds helped fuel relative performance and offset some of the negativity.

#### Outlook

Sustained inflation and the rising potential of stagflation remain the key concerns for investors moving into 2023.

As seen in both Q2 and Q3 2022, inflationary pressures will play an important role in determining the direction of asset prices. How central bank policy reacts will again be paramount, if inflation is more resilient than markets have forecast.

However, as multi asset investors, we are able to utilise volatility to the funds' advantage, navigating the market's ebbs and flows to flesh out long-term themes on lower valuations. The diversified nature each fund provides us with a degree of protection, but as witnessed within the UK bond markets at the end of Q3, safe havens are not as easy to come by for now.

That said, we feel more optimistic now than at previous points in the period, as much of the pain in markets has either been fully priced in or has peaked outright. There will, of course, be more volatility to come, and we must proceed with caution, but we foresee opportunities to add value to the portfolio, particularly in longer-term themes that we believe will deliver positive outcomes for our clients.

#### CANADA LIFE ASSET MANAGEMENT LIMITED

Portfolio Manager

25 November 2022

## LF CANLIFE MANAGED 20% – 60% FUND

### ACD'S REPORT *continued*

#### FUND INFORMATION

##### Risk and Reward Profile



This indicator shows how much a fund may have risen and fallen in the past, and therefore how much a fund's returns may have varied. It is a measure of a fund's volatility. As the Fund has less than 5 years' price history, this calculation incorporates the volatility of an appropriate benchmark index. 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 Fund has been classed as 4 because its volatility has been measured as 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. The lowest number on the scale does not mean that a fund is risk free.

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

**Property Fund Investment Risk:** Property funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

**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.

**Emerging Markets Risk:** The Fund may invest in emerging markets, which are markets in countries that are developing. Emerging markets may have more political and economic risks than developed markets, resulting in price movements that may cause a loss to the Fund.

**Changes in Interest Rate Risk:** A rise in interest rates generally causes bond prices to fall.

**Credit Risk:** The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

**Liquidity Risk:** In unfavourable market conditions, corporate bonds may be harder to sell in a timely manner and at reasonable prices, than in normal market conditions. This could have a negative impact on the value of the Fund. In extreme market conditions this could affect the Fund's ability to meet investors' redemptions.

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).

## LF CANLIFE MANAGED 20% – 60% FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

Where the Fund has significant investment in collective investment schemes, exchange-traded funds and similar products, the operating charges figure takes account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date. Following an update to industry guidance, with effect from 1 July 2021, the operating charges figure also takes account of the ongoing charges incurred in closed end underlying schemes calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

#### 'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	111.33	101.51	102.64
Return before operating charges*	(8.25)	12.78	1.86
Operating charges <sup>1</sup>	(0.85)	(0.82)	(0.81)
Property expenses	(0.12)	(0.12)	(0.11)
Return after operating charges	(9.22)	11.84	0.94
Distributions	(2.10)	(2.02)	(2.07)
Closing net asset value per share	100.01	111.33	101.51
* after direct transaction costs of:	–	–	–

#### PERFORMANCE

Return after charges	(8.28)%	11.66%	0.92%
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#### OTHER INFORMATION

Closing net asset value (£'000)	–	–	–
Closing number of shares	250	250	250
Operating charges <sup>1</sup>	0.77%	0.76%	0.80%
Property expenses	0.11%	0.11%	0.11%
Direct transaction costs	–	–	–

#### PRICES

Highest share price	115.08	113.90	107.02
Lowest share price	100.19	99.07	89.36

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude property operating expenses.

## LF CANLIFE MANAGED 20% – 60% FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	117.11	105.02	104.09
Return before operating charges*	(8.88)	13.07	1.87
Operating charges <sup>1</sup>	(0.89)	(0.86)	(0.83)
Property expenses	(0.13)	(0.12)	(0.11)
Return after operating charges	(9.90)	12.09	0.93
Distributions	(2.03)	(1.90)	(1.96)
Retained distributions on accumulation shares	2.03	1.90	1.96
Closing net asset value per share	107.21	117.11	105.02
* after direct transaction costs of:	–	–	–

##### PERFORMANCE

Return after charges	(8.45)%	11.51%	0.89%
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##### OTHER INFORMATION

Closing net asset value (£'000)	869	736	635
Closing number of shares	810,539	628,001	604,640
Operating charges <sup>1</sup>	0.77%	0.76%	0.80%
Property expenses	0.11%	0.11%	0.11%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	121.04	118.51	108.49
Lowest share price	106.08	102.48	90.60

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude property operating expenses.

## LF CANLIFE MANAGED 20% – 60% FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'G' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	117.23	105.06	104.07
Return before operating charges*	(8.91)	13.06	1.85
Operating charges <sup>1</sup>	(0.81)	(0.77)	(0.75)
Property expenses	(0.13)	(0.12)	(0.11)
Return after operating charges	(9.85)	12.17	0.99
Distributions	(2.10)	(1.97)	(2.02)
Retained distributions on accumulation shares	2.10	1.97	2.02
Closing net asset value per share	107.38	117.23	105.06
* after direct transaction costs of:	–	–	–

##### PERFORMANCE

Return after charges	(8.40)%	11.58%	0.95%
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##### OTHER INFORMATION

Closing net asset value (£'000)	29,305	31,452	31,065
Closing number of shares	27,291,118	26,830,389	29,568,874
Operating charges <sup>1</sup>	0.70%	0.68%	0.73%
Property expenses	0.11%	0.11%	0.11%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	121.18	118.63	108.49
Lowest share price	106.25	102.52	90.60

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude property operating expenses.



## LF CANLIFE MANAGED 20% – 60% FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Fund Performance to 15 October 2022 (%)

	1 year	3 years	Since launch <sup>1</sup>
LF Canlife Managed 20% – 60% Fund	(8.35)	3.09	7.30
IA Mixed Investment 20–60% Shares sector <sup>2</sup>	(11.71)	(2.14)	1.38

<sup>1</sup> Launch date: 22 March 2019.

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

The performance of the Fund is based on the published price per 'C' 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 118 and 119.

#### 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.

## LF CANLIFE MANAGED 20% – 60% FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 15 October 2022

Holding	Portfolio of Investments	Value £'000	15.10.22 %
	FIXED INTEREST – 39.87% (15.10.21 – 40.52%)		
276,417	iShares Core Global Aggregate Bond UCITS ETF	1,203	3.99
12,887	iShares Index Linked Gilt Index (UK)	147	0.49
2,201,009	LF Canlife Corporate Bond <sup>1</sup>	5,150	17.07
2,570,660	LF Canlife Global Macro Bond <sup>1</sup>	3,160	10.47
2,427,443	LF Canlife Short Duration Corporate Bond <sup>1</sup>	2,370	7.85
	TOTAL FIXED INTEREST	12,030	39.87
	EQUITIES – 46.38% (15.10.21 – 47.13%)		
94,156	HIICL Infrastructure <sup>2</sup>	145	0.48
11,750	iShares Gold Producers UCITS ETF	102	0.34
64,023	iShares S&P U.S. Banks UCITS ETF	297	0.98
42,329	LF Canlife Asia Pacific <sup>1</sup>	587	1.94
548,430	LF Canlife Global Equity <sup>1</sup>	7,141	23.67
908,272	LF Canlife UK Equity Income <sup>1</sup>	5,723	18.97
	TOTAL EQUITIES	13,995	46.38
	UK PROPERTY – 11.71% (15.10.21 – 12.14%)		
184,991	iShares UK Property UCITS ETF	771	2.56
2,652,297	LF Canlife UK Property ACS <sup>1</sup>	2,762	9.15
	TOTAL PROPERTY	3,533	11.71
	MONEY MARKETS – 0.00% (15.10.21 – 0.00%)		
24	LF Canlife Sterling Liquidity <sup>1</sup>	–	–
	Portfolio of investments	29,558	97.96
	Net other assets	616	2.04
	Net assets	30,174	100.00

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are collective investment schemes unless stated otherwise.

<sup>1</sup> Related party holding (see note 11).

<sup>2</sup> Closed end fund.

## LF CANLIFE MANAGED 20% – 60% FUND

### ACD'S REPORT *continued*

#### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 15 October 2022

Total purchases for the year £'000 (note 15)	3,853	Total sales for the year £'000 (note 15)	3,756
	Cost		Proceeds
Purchases	£'000	Sales	£'000
LF Canlife Corporate Bond	1,057	LF Canlife Global Equity	2,046
LF Canlife Global Equity	669	LF Canlife UK Equity Income	618
LF Canlife Asia Pacific	622	LF Canlife Short Duration Corporate	
LF Canlife Short Duration Corporate		Bond	443
Bond	485	LF Canlife Global Macro Bond	427
iShares S&P U.S. Banks UCITS ETF	318	iShares UK Property UCITS ETF	122
LF Canlife Global Macro Bond	285	LF Canlife UK Property ACS	100
iShares Index Linked Gilt Index (UK)	149		
LF Canlife UK Equity Income	148		
iShares Core Global Aggregate Bond			
UCITS ETF	120		

In addition to the above, purchases totalling £100,000 and sales totalling £100,000 were made in short term investments during the year.

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

## LF CANLIFE MANAGED 20% – 60% FUND

### FINANCIAL STATEMENTS

#### STATEMENT OF TOTAL RETURN

for the year ended 15 October 2022

	Notes	£'000	15.10.22 £'000	£'000	15.10.21 £'000
Income:					
Net capital (losses)/gains	3		(3,324)		3,076
Revenue	4	844		869	
Expenses	5	(209)		(216)	
Net revenue before taxation		635		653	
Taxation	6	(58)		(64)	
Net revenue after taxation			577		589
Total return before distributions			(2,747)		3,665
Distributions	7		(583)		(599)
Change in net assets attributable to shareholders from investment activities			(3,330)		3,066

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

for the year ended 15 October 2022

	Note	£'000	15.10.22 £'000	£'000	15.10.21 £'000
Opening net assets attributable to shareholders			32,188		31,700
Amounts receivable on issue of shares		2,291		1,562	
Amounts payable on redemption of shares		(1,563)		(4,701)	
			728		(3,139)
Change in net assets attributable to shareholders from investment activities			(3,330)		3,066
Retained distributions on Accumulation shares	7		588		561
Closing net assets attributable to shareholders			30,174		32,188

## LF CANLIFE MANAGED 20% – 60% FUND

### FINANCIAL STATEMENTS *continued*

#### BALANCE SHEET

as at 15 October 2022

	Notes	15.10.22 £'000	15.10.21 £'000
<b>ASSETS</b>			
Fixed assets			
Investments		29,558	32,120
Current assets			
Debtors	8	826	77
Cash and cash equivalents	9	99	75
<b>Total assets</b>		<b>30,483</b>	<b>32,272</b>
<b>LIABILITIES</b>			
Creditors			
Other creditors	10	(309)	(84)
<b>Total liabilities</b>		<b>(309)</b>	<b>(84)</b>
<b>Net assets attributable to shareholders</b>		<b>30,174</b>	<b>32,188</b>

**LF CANLIFE MANAGED 20% – 60% FUND**  
**FINANCIAL STATEMENTS** *continued*  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 15 October 2022

**1. Accounting Policies**

The accounting policies described on pages 23 to 25 have been applied to the financial statements of the Fund in the current and prior year.

**2. Distribution Policies**

The distribution policies described on pages 25 and 26 have been applied to the financial statements of the Fund in the current and prior year.

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

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

	15.10.22 £'000	15.10.21 £'000
Non-derivative securities	(3,366)	3,029
Transaction charges	(1)	(2)
AMC rebates from underlying investments	44	49
Currency losses	(1)	–
Net capital (losses)/gains	(3,324)	3,076

The net capital losses figure includes realised gains of £511,000 and unrealised losses of £1,243,000 (15.10.21: includes realised gains of £752,000 and unrealised gains of £2,635,000). 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**

	15.10.22 £'000	15.10.21 £'000
Non-taxable dividends	374	381
Interest distributions on CIS holdings	343	351
AMC rebates from underlying investments	24	26
Bank interest	1	–
Property – rental income	102	111
Total revenue	844	869

## LF CANLIFE MANAGED 20% – 60% FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 5. Expenses

	15.10.22 £'000	15.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	121	127
Legal and professional fees	6	5
Typesetting costs	3	3
Registration fees	10	10
	140	145
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	11	12
Safe custody and other bank charges	2	2
	13	14
Other expenses:		
Audit fees	10	10
Property income expenses on tax transparent fund	35	39
Expenses on tax transparent fund	23	22
Rebate of expenses from tax transparent fund	(12)	(14)
	56	57
Total expenses	209	216

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

	15.10.22 £'000	15.10.21 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	61	64
Adjustments in respect of prior periods	(3)	–
Current tax charge	58	64
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	58	64

## LF CANLIFE MANAGED 20% – 60% FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

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%) (15.10.21: 20%). The difference is explained below:

	15.10.22 £'000	15.10.21 £'000
Net revenue before taxation	635	653
Corporation tax at 20%	127	131
Effects of:		
Non-taxable dividends	(75)	(77)
AMC rebates taken to capital	9	10
Corporation tax charge	61	64
Adjustments in respect of prior periods	(3)	–
Total tax charge (note 6a)	58	64

c) Deferred tax

There is no deferred tax recognised in the current or prior year.

## 7. Distributions

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

	15.10.22 £'000	15.10.21 £'000
First Interim	–	–
Second Interim	228	228
Third Interim	–	–
Final	360	333
	588	561
Add: Revenue deducted on redemption of shares	13	49
Deduct: Revenue received on issue of shares	(18)	(11)
Net distributions for the year	583	599

Details of the distributions per share are set out in the table on pages 118 and 119.



## LF CANLIFE MANAGED 20% – 60% FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

	15.10.22 £'000	15.10.21 £'000
Distributions represented by:		
Net revenue after taxation	577	589
Allocations to capital:		
Tax relief on capitalised AMC rebates from underlying investments	6	10
Net distributions for the year	583	599

#### 8. Debtors

	15.10.22 £'000	15.10.21 £'000
Amounts receivable for issue of shares	637	66
Sales awaiting settlement	173	–
Accrued revenue:		
AMC rebates from underlying investments	16	11
Total debtors	826	77

#### 9. Cash and Cash Equivalents

	15.10.22 £'000	15.10.21 £'000
Bank balances	99	75
Total cash and cash equivalents	99	75

## LF CANLIFE MANAGED 20% – 60% FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 10. Other Creditors

	15.10.22 £'000	15.10.21 £'000
Purchases awaiting settlement	230	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	5	5
Typesetting costs	2	2
Legal and professional fees	1	1
Registration fees	1	1
	9	9
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	–	1
Other expenses	10	10
Taxation payable:		
Corporation tax	60	64
Total other creditors	309	84

#### 11. 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 10.

The Fund invests in other funds managed by the ACD, or an associate of the ACD. The ACD rebates the Annual Management Charge which is based on the net asset value of these investments in order to eliminate double charging.

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 105 and amounts due at the year end are disclosed in note 8.

## LF CANLIFE MANAGED 20% – 60% FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

Canada Life Asset Management Limited and its associates (including other authorised investment funds managed by Canada Life Asset Management Limited) held 27,893,077 (15.10.21: 27,457,889) 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 shareholder held in excess of 20% of the shares in issue of the Fund:

Canada Life Asset Management Limited and its associates 99.26% (15.10.21: 100%)

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager or for which Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings was as follows:

	15.10.22 £'000	15.10.21 £'000
Portfolio Manager and ACD in common	26,893	29,250

## 12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (15.10.21: none).

## 13. Shares in Issue

	'C' Income	'C' Accumulation	'G' Accumulation
Annual Management Charge	0.45%	0.45%	0.375%
Opening shares in issue	250	628,001	26,830,389
Issues	–	445,007	1,627,438
Redemptions	–	(262,469)	(1,166,709)
Closing shares in issue	250	810,539	27,291,118

## 14. 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.

## LF CANLIFE MANAGED 20% – 60% FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

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 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. Investment in collective investment schemes may expose the Fund to indirect interest rate risk to the extent that they may invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

The Fund invests in collective investment schemes only and as such does not have any significant direct exposure to interest rate risk. The Fund may indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no direct exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

**LF CANLIFE MANAGED 20% – 60% FUND****FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 15 October 2022

**(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. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

Where the Fund invests in non-Sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

The table below shows the direct foreign currency risk profile:

	15.10.22 £'000	15.10.21 £'000
Currency:		
US dollars	399	122
Pounds sterling	29,775	32,066
Net assets	30,174	32,188

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £20,000 on the net assets of the Fund (15.10.21: £6,000).

**(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 15 October 2022, leverage under the gross method was 0.98:1 and leverage under the commitment method was 1:1 (15.10.21: 1:1 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.

## LF CANLIFE MANAGED 20% – 60% FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

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.

Based on this analysis 90.40% of the portfolio can be liquidated within 5 days and 90.66% within 21 working days (15.10.21: 89.67% within 5 days and 91.90% 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 £1,478,000 (15.10.21: £1,606,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

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

# LF CANLIFE MANAGED 20% – 60% FUND

## FINANCIAL STATEMENTS *continued*

## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

### 15. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>15.10.22</b>				
Collective investment schemes	3,852	–	1	3,853
Purchases total	3,852	–	1	3,853
<i>Transaction cost % of purchases total</i>		–	0.03%	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	3,756	–	–	3,756
Sales total	3,756	–	–	3,756
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 15.10.22 is 0.02% (15.10.21: 0.01%).

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>15.10.21</b>				
Collective investment schemes	6,545	–	–	6,545
Purchases total	6,545	–	–	6,545
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	9,903	–	–	9,903
Sales total	9,903	–	–	9,903
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

## LF CANLIFE MANAGED 20% – 60% FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 16. 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).

15.10.22	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	2,518	27,040	–	29,558

15.10.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	2,870	29,250	–	32,120

#### 17. Subsequent Events

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	27.01.23	Movement
'C' Income	101.34	107.26	5.84%
'C' Accumulation	107.30	115.02	7.19%
'G' Accumulation	107.47	115.22	7.21%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 3 February 2023.



## LF CANLIFE MANAGED 20% – 60% FUND

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 15 October 2022 – in pence 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.

Group 2	First Interim	Second Interim	Third Interim	Final
From	16.10.21	16.01.22	16.04.22	16.07.22
To	15.01.22	15.04.22	15.07.22	15.10.22

#### ‘C’ INCOME SHARES

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

Second Interim	Net Revenue	Equalisation	Paid 15.06.22	Paid 15.06.21
Group 1	0.8360	–	0.8360	0.7800
Group 2	0.8360	0.0000	0.8360	0.7800

Third Interim	Net Revenue	Equalisation	Paid 15.09.22	Paid 15.09.21
Group 1	0.0120	–	0.0120	0.0080
Group 2	0.0120	0.0000	0.0120	0.0080

Final	Net Revenue	Equalisation	Payable 15.12.22	Paid 15.12.21
Group 1	1.2480	–	1.2480	1.2360
Group 2	1.2480	0.0000	1.2480	1.2360

## LF CANLIFE MANAGED 20% – 60% FUND

### FINANCIAL STATEMENTS *continued*

### DISTRIBUTION TABLE *continued*

#### 'C' ACCUMULATION SHARES

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

Second Interim	Net Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.7883	–	0.7883	0.7263
Group 2	–	0.7883	0.7883	0.7263
Final	Net Revenue	Equalisation	Allocation 15.12.22	Allocated 15.12.21
Group 1	1.2444	–	1.2444	1.1765
Group 2	0.4114	0.8330	1.2444	1.1765

#### 'G' ACCUMULATION SHARES

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

Second Interim	Net Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.8245	–	0.8245	0.7598
Group 2	–	0.8245	0.8245	0.7598
Final	Net Revenue	Equalisation	Allocation 15.12.22	Allocated 15.12.21
Group 1	1.2795	–	1.2795	1.2127
Group 2	0.2034	1.0761	1.2795	1.2127

## LF CANLIFE PORTFOLIO III FUND ACD'S REPORT

for the year ended 15 October 2022

### Important Information

Refer to the 'Important Information' section on page 11.

### Investment Objective and Policy

The investment objective of the LF Canlife Portfolio III Fund ('the Fund') is to achieve capital growth and income over the long term (at least five years), after all costs and charges have been taken, whilst seeking to remain in risk band 3 (on a scale of 1-10, where 1 is the lowest risk and 10 is the highest) on a rolling three year basis.

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 at least 90% indirectly, via collective investment schemes, in the following assets: equities, debt securities (including government and public securities, corporate bonds, convertibles and preference shares), cash (including deposits and money market instruments) and immovable property.

The Fund's exposure to equities can be up to 45% of the value of its portfolio.

The Fund will gain exposure to these asset classes by investing in other collective investment schemes managed by the Portfolio Manager. It may also invest in other collective investment schemes (open and closed ended, including Exchange Traded Funds), other transferable securities (including Real Estate Investment Trusts) and hedge funds. Indirect investments may include instruments managed or advised by the ACD or the Portfolio Manager or their associates.

The Fund may also invest up to 10% directly in the asset classes stated above (except immovable property) by investing in securities issued by companies and governments.

The Fund can invest across different geographic areas or industry sectors without limitation.

The Fund may not have exposure to all asset classes at all times.

The Portfolio Manager may use derivatives for the purpose of efficient portfolio management.

### Additional Information

The Fund's risk band is managed by varying the assets it invests in. The asset allocation is determined by reference to investment research carried out by an external agency and based on the long term historic return and volatility of each asset type.

Whilst the Portfolio Manager aims to keep the volatility of the Fund within the parameters to stay within risk band 3 over a rolling three-year period, it is not guaranteed and the actual volatility may be outside risk band 3 if the Portfolio Manager believes it is expedient to do so in order to mitigate potential losses. At times observing the asset allocation restrictions to remain within risk band 3 may limit capital growth and/or income.

## LF CANLIFE PORTFOLIO III FUND

### ACD'S REPORT *continued*

#### Additional Information *continued*

The asset allocation is provided by an independent third party risk rating provider. Further details of the asset allocation process, volatility parameters and measurement process can be obtained at [www.dynamicplanner.com](http://www.dynamicplanner.com).

#### Benchmark

The Fund's comparator benchmark is the IA Mixed Investment 0-35% Shares sector.

The Fund's performance may be compared against the Investment Association IA Mixed Investment 0-35% Shares sector. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers). The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. 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. The Fund is not constrained by the requirements of the sector.

#### LINK FUND SOLUTIONS LIMITED

ACD of LF Canlife Portfolio III Fund

3 February 2023

## LF CANLIFE PORTFOLIO III FUND

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 15 October 2022

#### Market Review

Markets were volatile throughout the review period due in large part to rising global inflation, interest rate rises and the impact of Russia's ongoing invasion of Ukraine.

The fallout from the COVID-19 pandemic continued to influence economies over the period, with high infection rates disrupting global supply chains, particularly in China where the country's strict zero-COVID policy slowed manufacturing activity.

In February, Russia's invasion of Ukraine shifted attention away from the pandemic and towards Eastern Europe, where a humanitarian crisis was unfolding. Most major economies sought to deter Russia's actions by imposing a swathe of sanctions; however, as one of the world's largest exporters of oil, gas and wheat, concerns about supply constraints sparked a rise in commodity prices.

During the latter half of the period, inflation reached 40-year highs in the United States and the United Kingdom, respectively. This led to the US Federal Reserve ('Fed') and the Bank of England ('BoE') imposing tighter monetary policy, with each central bank raising interest rates.

However, during the summer, markets began to anticipate a softening in central banks' stance, and subsequently priced in rate cuts from the Fed in 2023. But at its Jackson Hole summit in August, the Fed surprised markets by recommitting to its monetary tightening cycle and waving off any prospect rate cuts until inflation figures were markedly down. This sentiment was later echoed by both the BoE and the European Central Bank. This dislocation between market expectation and central bank policy triggered a significant sell-off in equity markets.

Towards the end of the review period, the UK fixed income market was thrown into turmoil following the UK government's mini-budget, which included a set of growth-oriented tax cuts. The budget was rejected outright by the market on fears of debt sustainability and sparked a sell-off in bonds and gilts, while the pound plunged to an all-time low versus the US dollar. The BoE was forced to intervene just days later, pledging to buy back up to £65bn worth of UK government bonds in order to stabilise markets.

#### Fund Performance

The price of the 'C' Accumulation shares of the Fund decreased by 12.45% in the twelve months to 15 October 2022. This compares with a decrease of 12.26% in the Fund's benchmark, the IA Mixed Investment 0-35% Shares sector.

#### Fund Review

During the review period, the Fund's tilt towards more defensive assets, particularly fixed income, suffered due to a series of sell-offs in the market. More specifically, our allocations towards UK government bonds were impacted negatively by the UK government's mini budget in September.

## LF CANLIFE PORTFOLIO III FUND

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

Our exposures outside of the UK proved more beneficial, specifically our allocations towards US fixed income, which performed well. Our holding in the LF Canlife Global Macro Bond Fund was of particular benefit, due to the fund's holding of overseas bonds which benefitted from sterling weakness. The bias towards shorter-duration bonds in the UK corporate bond exposure was also beneficial.

Portfolio activity was busier around the more volatile periods in the market due to our dynamic rebalancing approach.

#### Outlook

Sustained inflation and the rising potential of stagflation remain the key concerns for investors moving into 2023.

As seen in both Q2 and Q3 2022, inflationary pressures will play an important role in determining the direction of asset prices. How central bank policy reacts will again be paramount, if inflation is more resilient than markets have forecast.

However, as multi asset investors, we are able to utilise volatility to the Fund's advantage, navigating the market's ebbs and flows to flesh out long-term themes on lower valuations. The diversified nature of the Fund provides us with a degree of protection, but as witnessed within the UK bond markets at the end of Q3, safe havens are not as easy to come by for now.

That said, we feel more optimistic now than at previous points in the period, as much of the pain in markets has either been fully priced in or has peaked outright. There will, of course, be more volatility to come, and we must proceed with caution, but we foresee opportunities to add value to the portfolio, particularly in longer-term themes that we believe will deliver positive outcomes for our clients.

#### CANADA LIFE ASSET MANAGEMENT LIMITED

Portfolio Manager

17 November 2022

## LF CANLIFE PORTFOLIO III FUND

### ACD'S REPORT *continued*

#### FUND INFORMATION

##### Risk and Reward Profile



The above indicator is known as the Synthetic Risk and Reward Indicator ('SRRI'). It shows how much a fund may have risen and fallen in the past, and therefore how much a fund's returns may have varied. It is the standard measure of volatility required under financial regulations to allow comparisons with other funds. 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 Fund has been classed as 4 because its volatility has been measured as average.

The SRRI measure differs from that used by Dynamic Planner. The Fund aims to remain within Dynamic Planner's band 3 hence the reference to III in the name of the Fund. Further details can be found in the Prospectus.

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. The lowest number on the scale does not mean that a fund is risk free.

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

**Property Fund Investment Risk:** Property funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

**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.

**Changes in Interest Rate Risk:** A rise in interest rates generally causes bond prices to fall.

**Credit Risk:** The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

**Liquidity Risk:** In unfavourable market conditions, corporate bonds may be harder to sell in a timely manner and at reasonable prices, than in normal market conditions. This could have a negative impact on the value of the Fund. In extreme market conditions this could affect the Fund's ability to meet investors' redemptions.

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).

## LF CANLIFE PORTFOLIO III FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

Where the Fund has significant investment in collective investment schemes, exchange-traded funds and similar products, the operating charges figure takes account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

#### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	132.37	126.96	125.36
Return before operating charges*	(15.65)	7.66	3.80
Operating charges <sup>1</sup>	(2.17)	(2.20)	(2.15)
Property expenses	(0.05)	(0.05)	(0.05)
Return after operating charges	(17.87)	5.41	1.60
Distributions	(2.27)	(2.11)	(2.46)
Retained distributions on accumulation shares	2.27	2.11	2.46
Closing net asset value per share	114.50	132.37	126.96
* after direct transaction costs of:	—	—	—

#### PERFORMANCE

Return after charges	(13.50)%	4.26%	1.28%
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#### OTHER INFORMATION

Closing net asset value (£'000)	2,880	2,882	3,042
Closing number of shares	2,515,074	2,177,467	2,395,705
Operating charges <sup>1</sup>	1.70%	1.69%	1.72%
Property expenses	0.04%	0.04%	0.04%
Direct transaction costs	—	—	—

#### PRICES

Highest share price	136.38	134.26	127.76
Lowest share price	113.28	125.04	112.96

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.



## LF CANLIFE PORTFOLIO III FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	122.56	118.28	117.99
Return before operating charges*	(14.53)	7.17	3.53
Operating charges <sup>1</sup>	(0.85)	(0.88)	(0.87)
Property expenses	(0.05)	(0.05)	(0.05)
Return after operating charges	(15.43)	6.24	2.61
Distributions	(2.10)	(1.96)	(2.32)
Closing net asset value per share	105.03	122.56	118.28
* after direct transaction costs of:	–	–	–

##### PERFORMANCE

Return after charges	(12.59)%	5.28%	2.21%
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##### OTHER INFORMATION

Closing net asset value (£'000)	1,778	1,811	1,675
Closing number of shares	1,693,441	1,477,885	1,416,350
Operating charges <sup>1</sup>	0.72%	0.72%	0.74%
Property expenses	0.04%	0.04%	0.04%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	126.45	125.36	120.65
Lowest share price	105.14	116.54	106.76

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

## LF CANLIFE PORTFOLIO III FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	142.06	134.93	131.93
Return before operating charges*	(16.92)	8.19	4.03
Operating charges <sup>1</sup>	(0.99)	(1.00)	(0.98)
Property expenses	(0.06)	(0.06)	(0.05)
Return after operating charges	(17.97)	7.13	3.00
Distributions	(2.45)	(2.25)	(2.60)
Retained distributions on accumulation shares	2.45	2.25	2.60
Closing net asset value per share	124.09	142.06	134.93
* after direct transaction costs of:	–	–	–

##### PERFORMANCE

Return after charges	(12.65)%	5.28%	2.27%
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##### OTHER INFORMATION

Closing net asset value (£'000)	35,942	37,787	38,977
Closing number of shares	28,965,390	26,599,699	28,886,453
Operating charges <sup>1</sup>	0.72%	0.72%	0.74%
Property expenses	0.04%	0.04%	0.04%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	146.57	143.94	135.27
Lowest share price	122.76	132.94	119.38

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

## LF CANLIFE PORTFOLIO III FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'G' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	143.81	136.49	133.36
Return before operating charges*	(17.13)	8.28	4.07
Operating charges <sup>1</sup>	(0.91)	(0.90)	(0.89)
Property expenses	(0.06)	(0.06)	(0.05)
Return after operating charges	(18.10)	7.32	3.13
Distributions	(2.48)	(2.28)	(2.63)
Retained distributions on accumulation shares	2.48	2.28	2.63
Closing net asset value per share	125.71	143.81	136.49
* after direct transaction costs of:	–	–	–

##### PERFORMANCE

Return after charges	(12.59)%	5.36%	2.35%
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##### OTHER INFORMATION

Closing net asset value (£'000)	56,421	68,518	64,261
Closing number of shares	44,883,278	47,646,083	47,081,386
Operating charges <sup>1</sup>	0.65%	0.64%	0.67%
Property expenses	0.04%	0.04%	0.04%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	148.39	145.70	136.83
Lowest share price	124.36	134.48	120.71

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

**LF CANLIFE PORTFOLIO III FUND**

**ACD'S REPORT** *continued*

**FUND INFORMATION** *continued*

**Fund Performance to 15 October 2022 (%)**

	1 year	3 years	5 years
LF Canlife Portfolio III Fund	(12.45)	(5.68)	0.55
IA Mixed Investment 0-35% Shares sector <sup>1</sup>	(12.26)	(6.31)	(2.13)

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

The performance of the Fund is based on the published price per 'C' 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 145 and 146.

**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.

## LF CANLIFE PORTFOLIO III FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 15 October 2022

Holding	Portfolio of Investments	Value £'000	15.10.22 %
	FIXED INTEREST – 60.45% (15.10.21 – 50.84%)		
206,504	iShares \$ TIPS 0-5 UCITS ETF GBP Hedged	1,012	1.04
1,244,965	iShares Core Global Aggregate Bond UCITS ETF	5,418	5.58
413,726	iShares Core UK Gilts UCITS ETF	4,036	4.16
6,486,067	iShares Index Linked Gilt Index (UK)	6,777	6.99
3,954,990	LF Canlife Corporate Bond <sup>1</sup>	9,254	9.54
8,792,085	LF Canlife Global Macro Bond <sup>1</sup>	10,807	11.14
5,825,072	LF Canlife Short Duration Corporate Bond <sup>1</sup>	5,689	5.86
10,529,741	LF Canlife Sterling Short Term Bond <sup>1</sup>	10,440	10.76
5,608,570	LF Canlife UK Government Bond <sup>1</sup>	5,222	5.38
	TOTAL FIXED INTEREST	58,655	60.45
	EQUITIES – 25.88% (15.10.21 – 27.20%)		
1,956,605	iShares Japan Equity Index (UK)	4,747	4.89
109,166	iShares S&P U.S. Banks UCITS ETF	506	0.52
365,552	LF Canlife North American <sup>1</sup>	8,253	8.51
2,547,969	LF Canlife UK Equity <sup>1</sup>	3,353	3.46
1,308,709	LF Canlife UK Equity Income <sup>1</sup>	8,247	8.50
	TOTAL EQUITIES	25,106	25.88
	PROPERTY – 5.20% (15.10.21 – 4.99%)		
102,690	iShares Developed Markets Property Yield UCITS ETF	1,872	1.93
3,044,019	LF Canlife UK Property ACS <sup>1</sup>	3,169	3.27
	TOTAL PROPERTY	5,041	5.20
	MONEY MARKETS – 8.50% (15.10.21 – 16.91%)		
8,042,313	LF Canlife Sterling Liquidity <sup>1</sup>	8,251	8.50
		8,251	8.50
	Portfolio of investments	97,053	100.03
	Net other liabilities	(32)	(0.03)
	Net assets	97,021	100.00

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are collective investment schemes.

<sup>1</sup> Related party holding (see note 12).

## LF CANLIFE PORTFOLIO III FUND

### ACD'S REPORT *continued*

### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 15 October 2022

Total purchases for the year £'000 (note 16)	24,686	Total sales for the year £'000 (note 16)	14,156
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
LF Canlife Sterling Short Term Bond	10,864	LF Canlife North American	4,037
iShares Index Linked Gilt Index (UK)	3,861	LF Canlife Global Macro Bond	2,578
iShares Core UK Gilts UCITS ETF	2,100	LF Canlife UK Equity Income	1,668
LF Canlife Corporate Bond	2,076	iShares Index Linked Gilt Index (UK)	1,508
iShares \$ TIPS 0-5 UCITS ETF GBP Hedged	1,024	LF Canlife Short Duration Corporate	
LF Canlife Global Macro Bond	900	Bond	850
iShares Core Global Aggregate Bond		LF Canlife UK Equity	712
UCITS ETF	844	iShares Japan Equity Index (UK)	700
LF Canlife North American	804	LF Canlife Corporate Bond	574
iShares Japan Equity Index (UK)	700	LF Canlife UK Property ACS	479
LF Canlife Short Duration Corporate		LF Canlife UK Government Bond	449
Bond	540		

In addition to the above, purchases totalling £1,850,000 and sales totalling £12,439,000 were made in short term investments during the year.

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

## LF CANLIFE PORTFOLIO III FUND

### FINANCIAL STATEMENTS

#### STATEMENT OF TOTAL RETURN

for the year ended 15 October 2022

	Notes	£'000	15.10.22 £'000	£'000	15.10.21 £'000
Income:					
Net capital (losses)/gains	3		(15,411)		4,484
Revenue	4	1,990		1,859	
Expenses	5	(638)		(643)	
Interest payable and similar charges	7	(1)		–	
Net revenue before taxation		1,351		1,216	
Taxation	6	(14)		(15)	
Net revenue after taxation			1,337		1,201
Total return before distributions			(14,074)		5,685
Distributions	8		(1,917)		(1,797)
Change in net assets attributable to shareholders from investment activities			(15,991)		3,888

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

for the year ended 15 October 2022

	£'000	15.10.22 £'000	£'000	15.10.21 £'000
Opening net assets attributable to shareholders		110,998		108,069
Amounts receivable on issue of shares	14,168		13,606	
Amounts payable on redemption of shares	(14,034)		(16,308)	
		134		(2,702)
Change in net assets attributable to shareholders from investment activities		(15,991)		3,888
Retained distributions on Accumulation shares		1,880		1,743
Closing net assets attributable to shareholders		97,021		110,998

**LF CANLIFE PORTFOLIO III FUND**  
**FINANCIAL STATEMENTS** *continued*  
**BALANCE SHEET**

as at 15 October 2022

	Notes	15.10.22 £'000	15.10.21 £'000
<b>ASSETS</b>			
Fixed assets			
Investments		97,053	110,933
Current assets			
Debtors	9	1,149	498
Cash and cash equivalents	10	67	41
<b>Total assets</b>		<u>98,269</u>	<u>111,472</u>
<b>LIABILITIES</b>			
Creditors			
Distribution payable	11	(21)	(17)
Other creditors	11	(1,227)	(457)
<b>Total liabilities</b>		<u>(1,248)</u>	<u>(474)</u>
<b>Net assets attributable to shareholders</b>		<u>97,021</u>	<u>110,998</u>



**LF CANLIFE PORTFOLIO III FUND**  
**FINANCIAL STATEMENTS** *continued*  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 15 October 2022

**1. Accounting Policies**

The accounting policies described on pages 23 to 25 have been applied to the financial statements of the Fund in the current and prior year.

**2. Distribution Policies**

The distribution policies described on pages 25 and 26 have been applied to the financial statements of the Fund in the current and prior year. The additional distribution policies described below have also been applied to this Fund.

The Fund has satisfied the qualifying investments test of Section 493 of the Corporation Taxes Act 2009, throughout the year. All distributions made are therefore made as gross interest distributions.

All expenses, with the exception of property income expenses, are transferred to capital for distribution purposes in line with the Fund's investment objective. This will increase the amount of revenue available for distribution; however, will erode capital and may constrain capital growth.

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

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

	15.10.22 £'000	15.10.21 £'000
Non-derivative securities	(15,505)	4,373
Transaction charges	(2)	(5)
AMC rebates from underlying investments	99	116
Currency losses	(3)	–
Net capital (losses)/gains	(15,411)	4,484

The net capital gains figure includes realised gains of £994,000 and unrealised losses of £9,425,000 (15.10.21: includes realised gains of £1,404,000 and unrealised gains of £7,077,000). 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.

## LF CANLIFE PORTFOLIO III FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 4. Revenue

	15.10.22 £'000	15.10.21 £'000
Non-taxable dividends	702	655
Taxable dividends	1,108	1,036
AMC rebates from underlying investments	53	56
Bank interest	1	–
Property – rental income	126	112
Total revenue	1,990	1,859

#### 5. Expenses

	15.10.22 £'000	15.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	467	479
Legal and professional fees	8	9
Typesetting costs	3	3
Registration fees	48	49
	526	540
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	38	39
Safe custody and other bank charges	9	8
	47	47
Other expenses:		
Audit fees	10	9
Property income expenses on tax transparent fund	42	39
Expenses on tax transparent fund	28	22
Refund of expenses from tax transparent fund	(15)	(14)
	65	56
Total expenses	638	643

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

## LF CANLIFE PORTFOLIO III FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 6. Taxation

	15.10.22 £'000	15.10.21 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	17	15
Adjustments in respect of prior periods	(3)	–
Current tax charge	14	15
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	14	15

#### 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%) (15.10.21: 20%). The difference is explained below:

	15.10.22 £'000	15.10.21 £'000
Net revenue before taxation	1,351	1,216
Corporation tax at 20%	270	243
Effects of:		
Non-taxable dividends	(140)	(131)
AMC rebates taken to capital	20	23
Tax deductible interest distributions	(133)	(120)
Corporation tax charge	17	15
Adjustments in respect of prior periods	(3)	–
Total tax charge (note 6a)	14	15

#### c) Deferred tax

There is no deferred tax recognised in the current or prior year.

#### 7. Interest Payable and Similar Charges

	15.10.22 £'000	15.10.21 £'000
Interest payable	1	–
Total interest payable and similar charges	1	–

## LF CANLIFE PORTFOLIO III FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 8. Distributions

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

	15.10.22 £'000	15.10.21 £'000
Interim	773	726
Final	1,142	1,044
	<u>1,915</u>	<u>1,770</u>
Add: Revenue deducted on redemption of shares	55	58
Deduct: Revenue received on issue of shares	(53)	(31)
Net distributions for the year	<u>1,917</u>	<u>1,797</u>

Details of the distributions per share are set out in the table on pages 145 and 146.

	15.10.22 £'000	15.10.21 £'000
Distributions represented by:		
Net revenue after taxation	1,337	1,201
Allocations to capital:		
Expenses, net of tax relief	580	596
Net distributions for the year	<u>1,917</u>	<u>1,797</u>

#### 9. Debtors

	15.10.22 £'000	15.10.21 £'000
Amounts receivable for issue of shares	163	77
Sales awaiting settlement	968	401
Accrued revenue:		
AMC rebates from underlying investments	18	20
Total debtors	<u>1,149</u>	<u>498</u>

## LF CANLIFE PORTFOLIO III FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 10. Cash and Cash Equivalents

	15.10.22 £'000	15.10.21 £'000
Bank balances	67	41
Total cash and cash equivalents	67	41

#### 11. Creditors

	15.10.22 £'000	15.10.21 £'000
Distribution payable	21	17
<b>Other Creditors</b>		
Amounts payable for redemption of shares	47	401
Purchases awaiting settlement	1,124	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	18	19
Typesetting costs	2	2
Legal and professional fees	1	1
Registration fees	6	6
	27	28
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	2	2
Transaction charges	1	1
Safe custody and other bank charges	2	1
	5	4
Other expenses	10	9
Taxation payable:		
Corporation tax	14	15
Total other creditors	1,227	457

## LF CANLIFE PORTFOLIO III FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 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 Fund invests in other funds managed by the ACD, or an associate of the ACD. The ACD rebates the Annual Management Charge which is based on the net asset value of these investments in order to eliminate double charging.

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 132 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 6,689 (15.10.21: 6,689) of the Fund's shares at the balance sheet date.

Canada Life Asset Management Limited and its associates (including other authorised investment funds managed by Canada Life Asset Management Limited) held 58,339,557 (15.10.21: 61,423,952) 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 shareholder held in excess of 20% of the shares in issue of the Fund:

Canada Life Asset Management Limited and its associates 74.74% (15.10.21: 78.85%)

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager or for which Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings was as follows:

	15.10.22 £'000	15.10.21 £'000
Portfolio Manager and ACD in common	72,685	85,509

#### 13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (15.10.21: none).

## LF CANLIFE PORTFOLIO III FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 14. Shares in Issue

	'A' Accumulation	'C' Income	'C' Accumulation	'G' Accumulation
Annual Management Charge	1.425%	0.45%	0.45%	0.375%
Opening shares in issue	2,177,467	1,477,885	26,599,699	47,646,083
Issues	575,068	409,652	5,943,183	3,482,207
Redemptions	(237,461)	(194,096)	(3,577,492)	(6,245,012)
Closing shares in issue	<u>2,515,074</u>	<u>1,693,441</u>	<u>28,965,390</u>	<u>44,883,278</u>

#### 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.

## LF CANLIFE PORTFOLIO III FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### (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. Investment in collective investment schemes may expose the Fund to indirect interest rate risk to the extent that they may invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

The Fund invests in collective investment schemes only and as such does not have any significant direct exposure to interest rate risk. The Fund may indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no direct exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

#### (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. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

The table below shows the direct foreign currency risk profile:

	15.10.22 £'000	15.10.21 £'000
Currency:		
US dollars	506	–
	506	–
Pounds sterling	96,515	110,998
Net assets	97,021	110,998

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £25,000 on the net assets of the Fund (15.10.21: nil).

#### (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.



## LF CANLIFE PORTFOLIO III FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

As at 15 October 2022, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (15.10.21: 1:1 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.

Based on this analysis 68.34% of the portfolio can be liquidated within 5 days and 73.33% within 21 working days (15.10.21: 78.06% within 5 days and 80.73% 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 £4,853,000 (15.10.21: £5,547,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

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

## LF CANLIFE PORTFOLIO III FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 16. Portfolio Transaction Costs

15.10.22	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Collective investment schemes	24,685	–	1	24,686
Purchases total	24,685	–	1	24,686
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	14,157	–	(1)	14,156
Sales total	14,157	–	(1)	14,156
<i>Transaction cost % of sales total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 15.10.22 is 0.03% (15.10.21: 0.04%).

15.10.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Collective investment schemes	16,385	–	–	16,385
Purchases total	16,385	–	–	16,385
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	22,168	–	–	22,168
Sales total	22,168	–	–	22,168
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

## LF CANLIFE PORTFOLIO III FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 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).

15.10.22	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	12,844	84,209	–	97,053

15.10.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	11,261	99,672	–	110,933

#### 18. Subsequent Events

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	27.01.23	Movement
'A' Accumulation	114.79	122.43	6.66%
'C' Income	106.55	112.62	5.70%
'C' Accumulation	124.40	133.04	6.95%
'G' Accumulation	126.02	134.81	6.98%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 3 February 2023.

## LF CANLIFE PORTFOLIO III FUND

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 15 October 2022 – in pence 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.

Group 2	Interim	Final
From	16.10.21	16.04.22
To	15.04.22	15.10.22

#### 'A' ACCUMULATION SHARES

Interim	Gross Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.9184	–	0.9184	0.8577
Group 2	0.0752	0.8432	0.9184	0.8577

Final	Gross Revenue	Equalisation	Allocation 15.12.22	Allocated 15.12.21
Group 1	1.3506	–	1.3506	1.2477
Group 2	1.2927	0.0579	1.3506	1.2477

#### 'C' INCOME SHARES

Interim	Gross Revenue	Equalisation	Paid 15.06.22	Paid 15.06.21
Group 1	0.8521	–	0.8521	0.7947
Group 2	0.1089	0.7432	0.8521	0.7947

Final	Gross Revenue	Equalisation	Payable 15.12.22	Paid 15.12.21
Group 1	1.2513	–	1.2513	1.1638
Group 2	1.1152	0.1361	1.2513	1.1638

**LF CANLIFE PORTFOLIO III FUND**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

**'C' ACCUMULATION SHARES**

Interim	Gross Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.9879	–	0.9879	0.9109
Group 2	0.4268	0.5611	0.9879	0.9109
<b>Final</b>	<b>Gross Revenue</b>	<b>Equalisation</b>	<b>Allocation 15.12.22</b>	<b>Allocated 15.12.21</b>
Group 1	1.4607	–	1.4607	1.3364
Group 2	1.1579	0.3028	1.4607	1.3364

**'G' ACCUMULATION SHARES**

Interim	Gross Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	1.0004	–	1.0004	0.9253
Group 2	0.5731	0.4273	1.0004	0.9253
<b>Final</b>	<b>Gross Revenue</b>	<b>Equalisation</b>	<b>Allocation 15.12.22</b>	<b>Allocated 15.12.21</b>
Group 1	1.4799	–	1.4799	1.3527
Group 2	0.7447	0.7352	1.4799	1.3527

## LF CANLIFE PORTFOLIO IV FUND ACD'S REPORT

for the year ended 15 October 2022

### Important Information

Refer to the 'Important Information' section on page 11.

### Investment Objective and Policy

The investment objective of the LF Canlife Portfolio IV Fund ('the Fund') is to achieve capital growth and income over the long term (at least five years), after all costs and charges have been taken, whilst seeking to remain in risk band 4 (on a scale of 1-10, where 1 is the lowest risk and 10 is the highest) on a rolling three year basis.

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 at least 90% indirectly, via collective investment schemes, in the following assets: equities, debt securities (including government and public securities, corporate bonds, convertibles and preference shares), cash (including deposits and money market instruments) and immovable property.

The Fund's exposure to equities can be up to 60% of the value of its portfolio.

The Fund will gain exposure to these asset classes by investing in other collective investment schemes managed by the Portfolio Manager. It may also invest in other collective investment schemes (open and closed ended, including Exchange Traded Funds), other transferable securities (including Real Estate Investment Trusts) and hedge funds. Indirect investments may include instruments managed or advised by the ACD or the Portfolio Manager or their associates.

The Fund may invest up to 10% directly in the asset classes stated above (except immovable property) by investing in securities issued by companies and governments.

The Fund can invest across different geographic areas or industry sectors without limitation.

The Fund may not have exposure to all asset classes at all times.

The Portfolio Manager may use derivatives for the purpose of efficient portfolio management.

### Additional Information

The Fund's risk band is managed by varying the assets it invests in. The asset allocation is determined by reference to investment research carried out by an external agency and based on the long term historic return and volatility of each asset type.

Whilst the Portfolio Manager aims to keep the volatility of the Fund within the parameters to stay within risk band 4 over a rolling three-year period, it is not guaranteed and the actual volatility may be outside risk band 4 if the Portfolio Manager believes it is expedient to do so in order to mitigate potential losses. At times observing the asset allocation restrictions to remain within risk band 4 may limit capital growth and/or income.

## LF CANLIFE PORTFOLIO IV FUND

### ACD'S REPORT *continued*

#### Additional Information *continued*

The asset allocation is provided by an independent third party risk rating provider. Further details of the asset allocation process, volatility parameters and measurement process can be obtained at [www.dynamicplanner.com](http://www.dynamicplanner.com).

#### Benchmark

The Fund's comparator benchmark is the IA Mixed Investment 20-60% Shares sector.

The Fund's performance may be compared against the Investment Association IA Mixed Investment 20-60% Shares sector. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers). The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. 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. The Fund is not constrained by the requirements of the sector.

#### LINK FUND SOLUTIONS LIMITED

ACD of LF Canlife Portfolio IV Fund

3 February 2023

## LF CANLIFE PORTFOLIO IV FUND

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 15 October 2022

#### Market Review

Markets were volatile throughout the review period due in large part to rising global inflation, interest rate rises and the impact of Russia's ongoing invasion of Ukraine.

The fallout from the COVID-19 pandemic continued to influence economies over the period, with high infection rates disrupting global supply chains, particularly in China where the country's strict zero-COVID policy slowed manufacturing activity.

In February, Russia's invasion of Ukraine shifted attention away from the pandemic and towards Eastern Europe, where a humanitarian crisis was unfolding. Most major economies sought to deter Russia's actions by imposing a swathe of sanctions; however, as one of the world's largest exporters of oil, gas and wheat, concerns about supply constraints sparked a rise in commodity prices.

During the latter half of the period, inflation reached 40-year highs in the United States and the United Kingdom, respectively. This led to the US Federal Reserve ('Fed') and the Bank of England ('BoE') imposing tighter monetary policy, with each central bank raising interest rates.

However, during the summer, markets began to anticipate a softening in central banks' stance, and subsequently priced in rate cuts from the Fed in 2023. But at its Jackson Hole summit in August, the Fed surprised markets by recommitting to its monetary tightening cycle and waving off any prospect rate cuts until inflation figures were markedly down. This sentiment was later echoed by both the BoE and the European Central Bank. This dislocation between market expectation and central bank policy triggered a significant sell-off in equity markets.

Towards the end of the review period, the UK fixed income market was thrown into turmoil following the UK government's mini-budget, which included a set of growth-oriented tax cuts. The budget was rejected outright by the market on fears of debt sustainability and sparked a sell-off in bonds and gilts, while the pound plunged to an all-time low versus the US dollar. The BoE was forced to intervene just days later, pledging to buy back up to £65bn worth of UK government bonds in order to stabilise markets.

#### Fund Performance

The price of the 'C' Accumulation shares of the Fund decreased by 11.49% in the twelve months to 15 October 2022. This compares with a decrease of 11.71% in the Fund's benchmark, the IA Mixed Investment 20-60% Shares sector.

#### Fund Review

During the review period, the Fund's tilt towards more defensive assets, particularly fixed income, suffered due to a series of sell-offs in the market. More specifically, our allocations towards UK government bonds were impacted negatively by the UK government's mini budget in September.



## LF CANLIFE PORTFOLIO IV FUND

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

Our exposures outside of the UK proved more beneficial, specifically our allocations towards US fixed income, which performed well. Our holding in the LF Canlife Global Macro Bond Fund was of particular benefit, due to the fund's holding of overseas bonds which benefitted from sterling weakness. The bias towards shorter-duration bonds in the UK corporate bond exposure was also beneficial.

Performance in our equity allocations, which represented a slightly smaller proportion of the portfolio than fixed income, reflected the turbulence of markets during the period, particularly in emerging markets, but the Fund benefitted from its allocations to the LF Canlife UK Equity Income Fund, particularly during the first half of 2022, and the LF Canlife North American Fund, specifically at the end of the period.

Portfolio activity was busier around the more volatile periods in the market due to our dynamic rebalancing approach.

#### Outlook

Sustained inflation and the rising potential of stagflation remain the key concerns for investors moving into 2023.

As seen in both Q2 and Q3 2022, inflationary pressures will play an important role in determining the direction of asset prices. How central bank policy reacts will again be paramount, if inflation is more resilient than markets have forecast.

However, as multi asset investors, we are able to utilise volatility to the Fund's advantage, navigating the market's ebbs and flows to flesh out long-term themes on lower valuations. The diversified nature of the Fund provides us with a degree of protection, but as witnessed within the UK bond markets at the end of Q3, safe havens are not as easy to come by for now.

That said, we feel more optimistic now than at previous points in the period, as much of the pain in markets has either been fully priced in or has peaked outright. There will, of course, be more volatility to come, and we must proceed with caution, but we foresee opportunities to add value to the portfolio, particularly in longer-term themes that we believe will deliver positive outcomes for our clients.

#### CANADA LIFE ASSET MANAGEMENT LIMITED

Portfolio Manager

17 November 2022

## LF CANLIFE PORTFOLIO IV FUND

### ACD'S REPORT *continued*

#### FUND INFORMATION

##### Risk and Reward Profile



The above indicator is known as the Synthetic Risk and Reward Indicator ('SRRI'). It shows how much a fund may have risen and fallen in the past, and therefore how much a fund's returns may have varied. It is the standard measure of volatility required under financial regulations to allow comparisons with other funds. 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 Fund has been classed as 4 because its volatility has been measured as average.

The SRRI measure differs from that used by Dynamic Planner. The Fund aims to remain within Dynamic Planner's band 4 hence the reference to IV in the name of the Fund. Further details can be found in the Prospectus.

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. The lowest number on the scale does not mean that a fund is risk free.

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

**Property Fund Investment Risk:** Property funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

**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.

**Changes in Interest Rate Risk:** A rise in interest rates generally causes bond prices to fall.

**Credit Risk:** The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

**Liquidity Risk:** In unfavourable market conditions, corporate bonds may be harder to sell in a timely manner and at reasonable prices, than in normal market conditions. This could have a negative impact on the value of the Fund. In extreme market conditions this could affect the Fund's ability to meet investors' redemptions.

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).

## LF CANLIFE PORTFOLIO IV FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

Where the Fund has significant investment in collective investment schemes, exchange-traded funds and similar products, the operating charges figure takes account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

#### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	145.14	133.13	130.86
Return before operating charges*	(15.46)	14.42	4.51
Operating charges <sup>1</sup>	(2.34)	(2.35)	(2.19)
Property expenses	(0.06)	(0.06)	(0.05)
Return after operating charges	(17.86)	12.01	2.27
Distributions	(2.51)	(2.31)	(2.46)
Retained distributions on accumulation shares	2.51	2.31	2.46
Closing net asset value per share	127.28	145.14	133.13
* after direct transaction costs of:	–	–	–

#### PERFORMANCE

Return after charges	(12.31)%	9.02%	1.73%
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#### OTHER INFORMATION

Closing net asset value (£'000)	5,317	5,524	5,759
Closing number of shares	4,177,554	3,805,804	4,326,190
Operating charges <sup>1</sup>	1.66%	1.67%	1.68%
Property expenses	0.04%	0.04%	0.04%
Direct transaction costs	–	–	–

#### PRICES

Highest share price	149.98	147.11	135.21
Lowest share price	126.04	130.19	114.02

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

## LF CANLIFE PORTFOLIO IV FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	131.44	121.51	120.72
Return before operating charges*	(14.27)	12.93	3.88
Operating charges <sup>1</sup>	(0.88)	(0.89)	(0.85)
Property expenses	(0.05)	(0.05)	(0.05)
Return after operating charges	(15.20)	11.99	2.98
Distributions	(2.23)	(2.06)	(2.19)
Closing net asset value per share	114.01	131.44	121.51
* after direct transaction costs of:	–	–	–

##### PERFORMANCE

Return after charges	(11.56)%	9.87%	2.47%
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##### OTHER INFORMATION

Closing net asset value (£'000)	2,564	2,368	2,211
Closing number of shares	2,248,346	1,801,677	1,819,893
Operating charges <sup>1</sup>	0.69%	0.69%	0.71%
Property expenses	0.04%	0.04%	0.04%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	136.02	134.47	125.08
Lowest share price	114.32	118.88	105.54

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

## LF CANLIFE PORTFOLIO IV FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	153.56	139.75	136.30
Return before operating charges*	(16.75)	14.89	4.47
Operating charges <sup>1</sup>	(1.03)	(1.02)	(0.97)
Property expenses	(0.06)	(0.06)	(0.05)
Return after operating charges	(17.84)	13.81	3.45
Distributions	(2.61)	(2.38)	(2.49)
Retained distributions on accumulation shares	2.61	2.38	2.49
Closing net asset value per share	135.72	153.56	139.75
* after direct transaction costs of:	–	–	–

##### PERFORMANCE

Return after charges	(11.62)%	9.88%	2.53%
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##### OTHER INFORMATION

Closing net asset value (£'000)	96,779	102,204	95,095
Closing number of shares	71,306,999	66,557,060	68,045,298
Operating charges <sup>1</sup>	0.69%	0.69%	0.71%
Property expenses	0.04%	0.04%	0.04%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	158.91	155.52	141.23
Lowest share price	134.39	136.72	119.16

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

## LF CANLIFE PORTFOLIO IV FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'G' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	155.12	141.09	137.52
Return before operating charges*	(16.96)	15.02	4.50
Operating charges <sup>1</sup>	(0.92)	(0.93)	(0.87)
Property expenses	(0.06)	(0.06)	(0.06)
Return after operating charges	(17.94)	14.03	3.57
Distributions	(2.64)	(2.41)	(2.51)
Retained distributions on accumulation shares	2.64	2.41	2.51
Closing net asset value per share	137.18	155.12	141.09
* after direct transaction costs of:	–	–	–

##### PERFORMANCE

Return after charges	(11.57)%	9.94%	2.60%
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##### OTHER INFORMATION

Closing net asset value (£'000)	145,370	163,948	143,527
Closing number of shares	105,966,938	105,691,194	101,728,214
Operating charges <sup>1</sup>	0.61%	0.62%	0.63%
Property expenses	0.04%	0.04%	0.04%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	160.54	157.09	142.53
Lowest share price	135.84	138.03	120.26

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

**LF CANLIFE PORTFOLIO IV FUND**

**ACD'S REPORT** *continued*

**FUND INFORMATION** *continued*

**Fund Performance to 15 October 2022 (%)**

	1 year	3 years	5 years
LF Canlife Portfolio IV Fund	(11.49)	(0.23)	6.09
IA Mixed Investment 20-60% Shares sector <sup>1</sup>	(11.71)	(2.14)	2.20

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

The performance of the Fund is based on the published price per 'C' 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 174 and 175.

**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.

## LF CANLIFE PORTFOLIO IV FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 15 October 2022

Holding	Portfolio of Investments	Value £'000	15.10.22 %
	FIXED INTEREST – 43.91% (15.10.21 – 37.77%)		
2,266,661	iShare Core Global Aggregate Bond UCITS ETF	9,863	3.95
503,754	iShares \$ TIPS 0-5 UCITS ETF GBP Hedged	2,469	0.99
618,182	iShares Core UK Gilts UCITS ETF	6,030	2.41
16,650,424	iShares Index Linked Gilt Index (UK)	17,397	6.96
9,022,132	LF Canlife Corporate Bond <sup>1</sup>	21,111	8.44
12,372,129	LF Canlife Global Macro Bond <sup>1</sup>	15,208	6.08
14,420,480	LF Canlife Short Duration Corporate Bond <sup>1</sup>	14,083	5.63
17,977,722	LF Canlife Sterling Short Term Bond <sup>1</sup>	17,825	7.13
6,225,644	LF Canlife UK Government Bond <sup>1</sup>	5,797	2.32
	TOTAL FIXED INTEREST	109,783	43.91
	EQUITIES – 43.90% (15.10.21 – 45.24%)		
3,974,350	iShares Continental European Equity Index (UK)	10,984	4.39
5,125,523	iShares Japan Equity Index (UK)	12,435	4.97
235,316	iShares S&P U.S. Banks UCITS ETF	1,090	0.44
30,379	iShares STOXX Europe 600 Industrial Goods & Services UCITS ETF	1,529	0.61
702,261	LF Canlife Asia Pacific <sup>1</sup>	9,743	3.90
1,480,048	LF Canlife North American <sup>1</sup>	33,415	13.36
11,564,074	LF Canlife UK Equity <sup>1</sup>	15,217	6.09
4,023,484	LF Canlife UK Equity Income <sup>1</sup>	25,353	10.14
	TOTAL EQUITIES	109,766	43.90
	PROPERTY – 5.23% (15.10.21 – 5.05%)		
260,167	iShares Developed Markets Property Yield UCITS ETF	4,741	1.90
8,005,782	LF Canlife UK Property ACS <sup>1</sup>	8,336	3.33
	TOTAL PROPERTY	13,077	5.23
	MONEY MARKETS – 7.03% (15.10.21 – 11.87%)		
17,127,381	LF Canlife Sterling Liquidity <sup>1</sup>	17,573	7.03



**LF CANLIFE PORTFOLIO IV FUND**

**ACD'S REPORT** *continued*

**PORTFOLIO STATEMENT** *continued*

as at 15 October 2022

Holding	Portfolio of Investments	Value £'000	15.10.22 %
	Portfolio of investments	250,199	100.07
	Net other liabilities	(169)	(0.07)
	Net assets	<u>250,030</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are collective investment schemes.

<sup>1</sup> Related party holding (see note 12).

## LF CANLIFE PORTFOLIO IV FUND

### ACD'S REPORT *continued*

#### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 15 October 2022

Total purchases for the year £'000 (note 16)	53,129	Total sales for the year £'000 (note 16)	29,517
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
LF Canlife Sterling Short Term Bond	18,219	LF Canlife North American	10,334
iShares Index Linked Gilt Index (UK)	10,385	LF Canlife UK Equity Income	3,834
iShares Core UK Gilts UCITS ETF	3,379	LF Canlife Short Duration Corporate	
LF Canlife Corporate Bond	2,870	Bond	3,486
iShares Continental European Equity		iShares Index Linked Gilt Index (UK)	3,404
Index (UK)	2,836	iShares Japan Equity Index (UK)	1,452
iShares \$ TIPS 0-5 UCITS ETF GBP Hedged	2,638	LF Canlife UK Equity	1,221
LF Canlife Short Duration Corporate		iShares STOXX Europe 600 Automobiles &	
Bond	2,379	Parts UCITS ETF	1,090
LF Canlife Global Macro Bond	1,851	LF Canlife Asia Pacific	896
iShares Japan Equity Index (UK)	1,850	LF Canlife UK Property ACS	710
LF Canlife Asia Pacific	1,165	iShares Core UK Gilts UCITS ETF	647

In addition to the above, purchases totalling £5,260,000 and sales totalling £20,352,000 were made in short term investments during the year.

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

**LF CANLIFE PORTFOLIO IV FUND**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF TOTAL RETURN**  
for the year ended 15 October 2022

	Notes	£'000	15.10.22 £'000	£'000	15.10.21 £'000
Income:					
Net capital (losses)/gains	3		(36,616)		21,527
Revenue	4	5,422		4,790	
Expenses	5	(1,507)		(1,435)	
Interest payable and similar charges	7	–		(2)	
Net revenue before taxation		3,915		3,353	
Taxation	6	(249)		(226)	
Net revenue after taxation			3,666		3,127
Total return before distributions			(32,950)		24,654
Distributions	8		(4,795)		(4,230)
Change in net assets attributable to shareholders from investment activities			(37,745)		20,424

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**  
for the year ended 15 October 2022

	£'000	15.10.22 £'000	£'000	15.10.21 £'000
Opening net assets attributable to shareholders		274,044		247,069
Amounts receivable on issue of shares	30,808		26,261	
Amounts payable on redemption of shares	(21,855)		(23,926)	
		8,953		2,335
Change in net assets attributable to shareholders from investment activities		(37,745)		20,424
Retained distributions on Accumulation shares		4,778		4,216
Closing net assets attributable to shareholders		250,030		274,044

**LF CANLIFE PORTFOLIO IV FUND**  
**FINANCIAL STATEMENTS** *continued*  
**BALANCE SHEET**

as at 15 October 2022

	Notes	15.10.22 £'000	15.10.21 £'000
<b>ASSETS</b>			
Fixed assets			
Investments		250,199	273,865
Current assets			
Debtors	9	3,144	366
Cash and cash equivalents	10	246	300
<b>Total assets</b>		<u>253,589</u>	<u>274,531</u>
<b>LIABILITIES</b>			
Creditors			
Distribution payable	11	(32)	(24)
Other creditors	11	(3,527)	(463)
<b>Total liabilities</b>		<u>(3,559)</u>	<u>(487)</u>
<b>Net assets attributable to shareholders</b>		<u>250,030</u>	<u>274,044</u>

**LF CANLIFE PORTFOLIO IV FUND**  
**FINANCIAL STATEMENTS** *continued*  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 15 October 2022

**1. Accounting Policies**

The accounting policies described on pages 23 to 25 have been applied to the financial statements of the Fund in the current and prior year.

**2. Distribution Policies**

The distribution policies described on pages 25 and 26 have been applied to the financial statements of the Fund in the current and prior year. The additional accounting policy described below has also been applied to this Fund.

All expenses, with the exception of property income expenses, are transferred to capital for distribution purposes in line with the Fund's investment objective. This will increase the amount of revenue available for distribution; however, will erode capital and may constrain capital growth.

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

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

	15.10.22 £'000	15.10.21 £'000
Non-derivative securities	(36,816)	21,299
Transaction charges	(4)	(8)
AMC rebates from underlying investments	208	233
Currency (losses)/gains	(4)	3
Net capital (losses)/gains	(36,616)	21,527

The net capital losses figure includes realised gains of £2,944,000 and unrealised losses of £12,716,000 (15.10.21: includes realised gains of £4,369,000 and unrealised gains of £27,048,000). 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.

## LF CANLIFE PORTFOLIO IV FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 4. Revenue

	15.10.22 £'000	15.10.21 £'000
Non-taxable dividends	2,836	2,461
Taxable dividends	205	96
Interest distributions on CIS holdings	1,845	1,758
AMC rebates from underlying investments	221	208
Bank interest	1	–
Property – rental income	314	267
Total revenue	5,422	4,790

#### 5. Expenses

	15.10.22 £'000	15.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,165	1,128
Legal and professional fees	8	9
Typesetting costs	3	3
Registration fees	104	97
	1,280	1,237
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	61	60
Safe custody and other bank charges	17	13
	78	73
Other expenses:		
Audit fees	10	10
Property income expenses on tax transparent fund	107	94
Expenses on tax transparent fund	70	54
Rebate of expenses from tax transparent fund	(38)	(33)
	149	125
Total expenses	1,507	1,435

## LF CANLIFE PORTFOLIO IV FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

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

	15.10.22 £'000	15.10.21 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	258	225
Overseas tax	(1)	1
Adjustments in respect of prior periods	(8)	–
Current tax charge	249	226
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	249	226

#### 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%) (15.10.21: 20%). The difference is explained below:

	15.10.22 £'000	15.10.21 £'000
Net revenue before taxation	3,915	3,353
Corporation tax at 20%	783	671
Effects of:		
Non-taxable dividends	(567)	(492)
AMC rebates taken to capital	42	46
Corporation tax charge	258	225
Overseas tax	(1)	1
Adjustments in respect of prior periods	(8)	–
Total tax charge (note 6a)	249	226

#### c) Deferred tax

There is no deferred tax recognised in the current or prior year.

## LF CANLIFE PORTFOLIO IV FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 7. Interest Payable and Similar Charges

	15.10.22 £'000	15.10.21 £'000
Interest payable	–	2
Total interest payable and similar charges	–	2

#### 8. Distributions

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

	15.10.22 £'000	15.10.21 £'000
Interim	1,715	1,487
Final	3,112	2,766
	4,827	4,253
Add: Revenue deducted on redemption of shares	78	61
Deduct: Revenue received on issue of shares	(110)	(84)
Net distributions for the year	4,795	4,230

Details of the distributions per share are set out in the table on pages 174 and 175.

	15.10.22 £'000	15.10.21 £'000
Distributions represented by:		
Net revenue after taxation	3,666	3,127
Allocations to capital:		
Expenses, net of tax relief	1,129	1,103
Net distributions for the year	4,795	4,230

#### 9. Debtors

	15.10.22 £'000	15.10.21 £'000
Amounts receivable for issue of shares	268	148
Sales awaiting settlement	2,825	162



## LF CANLIFE PORTFOLIO IV FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

	15.10.22 £'000	15.10.21 £'000
Accrued revenue:		
AMC rebates from underlying investments	51	55
Taxation recoverable:		
Overseas withholding tax	–	1
Total debtors	3,144	366

#### 10. Cash and Cash Equivalents

	15.10.22 £'000	15.10.21 £'000
Bank balances	246	300
Total cash and cash equivalents	246	300

#### 11. Creditors

	15.10.22 £'000	15.10.21 £'000
Distribution payable	32	24
<b>Other Creditors</b>		
Amounts payable for redemption of shares	79	120
Purchases awaiting settlement	3,181	104
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	44	47
Typesetting costs	3	2
Legal and professional fees	1	1
Registration fees	13	12
	61	62

## LF CANLIFE PORTFOLIO IV FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

	15.10.22 £'000	15.10.21 £'000
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	2	3
Transaction charges	1	1
Safe custody and other bank charges	3	1
	6	5
Other expenses	10	10
Taxation payable:		
Corporation tax	190	162
Total other creditors	3,527	463

## 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 Fund invests in other funds managed by the ACD, or an associate of the ACD. The ACD rebates the Annual Management Charge which is based on the net asset value of these investments in order to eliminate double charging.

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 160 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 47,844 (15.10.21: 47,844) of the Fund's shares at the balance sheet date.

Canada Life Asset Management Limited and its associates (including other authorised investment funds managed by Canada Life Asset Management Limited) held 153,352,578 (15.10.21: 153,337,499) of the Fund's shares at the balance sheet date.

**LF CANLIFE PORTFOLIO IV FUND****FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 15 October 2022

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 shareholder held in excess of 20% of the shares in issue of the Fund:

Canada Life Asset Management Limited and its associates 83.48% (15.10.21: 86.22%)

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager or for which Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings was as follows:

	15.10.22 £'000	15.10.21 £'000
Portfolio Manager and ACD in common	183,661	203,963

**13. Contingent Liabilities and Commitments**

There are no contingent liabilities or unrecorded outstanding commitments (15.10.21: none).

**14. Shares in Issue**

	'A' Accumulation	'C' Income	'C' Accumulation	'G' Accumulation
Annual Management Charge	1.425%	0.45%	0.45%	0.375%
Opening shares in issue	3,805,804	1,801,677	66,557,060	105,691,194
Issues	915,806	1,000,282	10,631,762	8,146,672
Redemptions	(544,056)	(553,613)	(5,881,823)	(7,870,928)
Closing shares in issue	4,177,554	2,248,346	71,306,999	105,966,938

**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.

## LF CANLIFE PORTFOLIO IV FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

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. Investment in collective investment schemes may expose the Fund to indirect interest rate risk to the extent that may invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

The Fund invests in collective investment schemes only and as such does not have any significant direct exposure to interest rate risk. The Fund may indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no direct exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

**LF CANLIFE PORTFOLIO IV FUND****FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 15 October 2022

**(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. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

Where the Fund invests in non-Sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

The table below shows the direct foreign currency risk profile:

	15.10.22 £'000	15.10.21 £'000
Currency:		
Euros	1,529	2,662
US dollars	1,090	–
	<u>2,619</u>	<u>2,662</u>
Pounds sterling	247,411	271,382
Net assets	<u>250,030</u>	<u>274,044</u>

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £131,000 on the net assets of the Fund (15.10.21: £133,000).

**(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 15 October 2022, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (15.10.21: 1:1 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.

## LF CANLIFE PORTFOLIO IV FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

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.

Based on this analysis 66.33% of the portfolio can be liquidated within 5 days and 69.47% within 21 working days (15.10.21: 73.82% within 5 days and 74.96% 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 £12,510,000 (15.10.21: £13,693,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

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

## LF CANLIFE PORTFOLIO IV FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 16. Portfolio Transaction Costs

15.10.22	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Collective investment schemes	53,129	–	–	53,129
Purchases total	53,129	–	–	53,129
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	29,517	–	–	29,517
Sales total	29,517	–	–	29,517
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 15.10.22 is 0.02% (15.10.21: 0.04%).

15.10.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Collective investment schemes	48,845	–	–	48,845
Purchases total	48,845	–	–	48,845
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	55,105	–	–	55,105
Sales total	55,105	–	–	55,105
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

## LF CANLIFE PORTFOLIO IV FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 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
15.10.22				
Investment assets	25,722	224,477	–	250,199
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
15.10.21				
Investment assets	24,406	249,459	–	273,865

#### 18. Subsequent Events

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	27.01.23	Movement
'A' Accumulation	127.50	137.88	8.14%
'C' Income	115.65	123.78	7.03%
'C' Accumulation	135.95	147.35	8.39%
'G' Accumulation	137.41	148.96	8.41%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 3 February 2023.



**LF CANLIFE PORTFOLIO IV FUND****FINANCIAL STATEMENTS** *continued***DISTRIBUTION TABLE**

for the year ended 15 October 2022 – in pence 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.

Group 2	Interim	Final
From	16.10.21	16.04.22
To	15.04.22	15.10.22

**‘A’ ACCUMULATION SHARES**

Interim	Net Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.9504	–	0.9504	0.8583
Group 2	0.5820	0.3684	0.9504	0.8583

Final	Net Revenue	Equalisation	Allocation 15.12.22	Allocated 15.12.21
Group 1	1.5568	–	1.5568	1.4532
Group 2	0.9593	0.5975	1.5568	1.4532

**‘C’ INCOME SHARES**

Interim	Net Revenue	Equalisation	Paid 15.06.22	Paid 15.06.21
Group 1	0.7895	–	0.7895	0.7239
Group 2	0.0379	0.7516	0.7895	0.7239

Final	Net Revenue	Equalisation	Payable 15.12.22	Paid 15.12.21
Group 1	1.4378	–	1.4378	1.3395
Group 2	0.9930	0.4448	1.4378	1.3395

**LF CANLIFE PORTFOLIO IV FUND**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

**'C' ACCUMULATION SHARES**

Interim	Net Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.9229	–	0.9229	0.8325
Group 2	0.2439	0.6790	0.9229	0.8325
<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocation 15.12.22</b>	<b>Allocated 15.12.21</b>
Group 1	1.6896	–	1.6896	1.5496
Group 2	1.2661	0.4235	1.6896	1.5496

**'G' ACCUMULATION SHARES**

Interim	Net Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.9326	–	0.9326	0.8423
Group 2	0.6063	0.3263	0.9326	0.8423
<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocation 15.12.22</b>	<b>Allocated 15.12.21</b>
Group 1	1.7075	–	1.7075	1.5656
Group 2	1.1744	0.5331	1.7075	1.5656

## LF CANLIFE PORTFOLIO V FUND ACD'S REPORT

for the year ended 15 October 2022

### Important Information

Refer to the 'Important Information' section on page 11.

### Investment Objective and Policy

The investment objective of the LF Canlife Portfolio V Fund ('the Fund') is to achieve capital growth over the long term (at least five years), after all costs and charges have been taken, whilst seeking to remain in risk band 5 (on a scale of 1-10, where 1 is the lowest risk and 10 is the highest) on a rolling three year basis.

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 at least 90% indirectly, via collective investment schemes, in the following assets: equities, debt securities (including government and public securities, corporate bonds, convertibles and preference shares), cash (including deposits and money market instruments) and immovable property.

The Fund's exposure to equities may be up to 75% of the value of its portfolio.

The Fund will gain exposure to these asset classes by investing in other collective investment schemes managed by the Portfolio Manager. It may also invest in other collective investment schemes (open and closed ended, including Exchange Traded Funds), other transferable securities (including Real Estate Investment Trusts) and hedge funds. Indirect investments may include instruments managed or advised by the ACD or the Portfolio Manager or their associates.

The Fund may invest up to 10% directly in the asset classes stated above (except immovable property) by investing in securities issued by companies and governments.

The Fund can invest across different geographic areas or industry sectors without limitation.

The Fund may not have exposure to all asset classes at all times.

The Portfolio Manager may use derivatives for the purpose of efficient portfolio management.

### Additional Information

The Fund's risk band is managed by varying the assets it invests in. The asset allocation is determined by reference to investment research carried out by an external agency and based on the long term historic return and volatility of each asset type.

Whilst the Portfolio Manager aims to keep the volatility of the Fund within the parameters to stay within risk band 5 over a rolling three-year period, it is not guaranteed and the actual volatility may be outside risk band 5 if the Portfolio Manager believes it is expedient to do so in order to mitigate potential losses. At times observing the asset allocation restrictions to remain within risk band 5 may limit capital growth and/or income.

## LF CANLIFE PORTFOLIO V FUND

### ACD'S REPORT *continued*

#### Additional Information *continued*

The asset allocation is provided by an independent third party risk rating provider. Further details of the asset allocation process, volatility parameters and measurement process can be obtained at [www.dynamicplanner.com](http://www.dynamicplanner.com).

#### Benchmark

The Fund's comparator benchmark is the IA Mixed Investment 40-85% Shares sector.

The Fund's performance may be compared against the Investment Association IA Mixed Investment 40-85% Shares sector. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers). The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. 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. The Fund is not constrained by the requirements of the sector.

#### LINK FUND SOLUTIONS LIMITED

ACD of LF Canlife Portfolio V Fund

3 February 2023

## LF CANLIFE PORTFOLIO V FUND

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 15 October 2022

#### Market Review

Markets were volatile throughout the review period due in large part to rising global inflation, interest rate rises and the impact of Russia's ongoing invasion of Ukraine.

The fallout from the COVID-19 pandemic continued to influence economies over the period, with high infection rates disrupting global supply chains, particularly in China where the country's strict zero-COVID policy slowed manufacturing activity.

In February, Russia's invasion of Ukraine shifted attention away from the pandemic and towards Eastern Europe, where a humanitarian crisis was unfolding. Most major economies sought to deter Russia's actions by imposing a swathe of sanctions; however, as one of the world's largest exporters of oil, gas and wheat, concerns about supply constraints sparked a rise in commodity prices.

During the latter half of the period, inflation reached 40-year highs in the United States and the United Kingdom, respectively. This led to the US Federal Reserve ('Fed') and the Bank of England ('BoE') imposing tighter monetary policy, with each central bank raising interest rates.

However, during the summer, markets began to anticipate a softening in central banks' stance, and subsequently priced in rate cuts from the Fed in 2023. But at its Jackson Hole summit in August, the Fed surprised markets by recommitting to its monetary tightening cycle and waving off any prospect rate cuts until inflation figures were markedly down. This sentiment was later echoed by both the BoE and the European Central Bank. This dislocation between market expectation and central bank policy triggered a significant sell-off in equity markets.

Towards the end of the review period, the UK fixed income market was thrown into turmoil following the UK government's mini-budget, which included a set of growth-oriented tax cuts. The budget was rejected outright by the market on fears of debt sustainability and sparked a sell-off in bonds and gilts, while the pound plunged to an all-time low versus the US dollar. The BoE was forced to intervene just days later, pledging to buy back up to £65bn worth of UK government bonds in order to stabilise markets.

#### Fund Performance

The price of the 'C' Accumulation shares of the Fund decreased by 8.07% in the twelve months to 15 October 2022. This compares with a decrease of 11.48% in the Fund's benchmark, the IA Mixed Investment 40-85% Shares sector.

#### Fund Review

Performance in our equity allocations, which represented around 65% of the Fund, reflected the turbulence of markets during the period, particularly in emerging markets, but the Fund benefitted from its allocations to the LF Canlife UK Equity Income Fund, particularly the first half of 2022, and the LF Canlife North American Fund, specifically at the end of the period.

## LF CANLIFE PORTFOLIO V FUND

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

During the review period, the Fund's more defensive allocations, particularly fixed income, suffered due to a series of sell-offs in the market. More specifically, our allocations towards UK government bonds were impacted negatively by the UK government's mini budget in September.

Our exposures outside of the UK proved more beneficial, specifically our allocations towards US fixed income, which performed well. Our holding in the LF Canlife Global Macro Bond Fund was of benefit due to the fund's holding of overseas bonds which benefitted from sterling weakness. The bias towards shorter-duration bonds in the UK corporate bond exposure was also beneficial.

Portfolio activity was busier around the more volatile periods in the market due to our dynamic rebalancing approach.

#### Outlook

Sustained inflation and the rising potential of stagflation remain the key concerns for investors moving into 2023.

As seen in both Q2 and Q3 2022, inflationary pressures will play an important role in determining the direction of asset prices. How central bank policy reacts will again be paramount, if inflation is more resilient than markets have forecast.

However, as multi asset investors, we are able to utilise volatility to the Fund's advantage, navigating the market's ebbs and flows to flesh out long-term themes on lower valuations. The diversified nature of the Fund provides us with a degree of protection, but as witnessed within the UK bond markets at the end of Q3, safe havens are not as easy to come by for now.

That said, we feel more optimistic now than at previous points in the period, as much of the pain in markets has either been fully priced in or has peaked outright. There will, of course, be more volatility to come, and we must proceed with caution, but we foresee opportunities to add value to the portfolio, particularly in longer-term themes that we believe will deliver positive outcomes for our clients.

#### CANADA LIFE ASSET MANAGEMENT LIMITED

Portfolio Manager

17 November 2022

## LF CANLIFE PORTFOLIO V FUND

### ACD'S REPORT *continued*

#### FUND INFORMATION

##### Risk and Reward Profile



The above indicator is known as the Synthetic Risk and Reward Indicator ('SRRI'). It shows how much a fund may have risen and fallen in the past, and therefore how much a fund's returns may have varied. It is the standard measure of volatility required under financial regulations to allow comparisons with other funds. 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 Fund has been classed as 4 because its volatility has been measured as average.

The SRRI measure differs from that used by Dynamic Planner. The Fund aims to remain within Dynamic Planner's band 5 hence the reference to V in the name of the Fund. Further details can be found in the Prospectus.

The risk profile is not guaranteed to remain the same and may shift over time. It is based on historical data and may not be a reliable indication of the Fund's future risk profile. The lowest number on the scale does not mean that a fund is risk free.

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

**Property Fund Investment Risk:** Property funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

**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.

**Emerging Markets Risk:** The Fund may invest in emerging markets, which are markets in countries that are developing. Emerging markets may have more political and economic risks than developed markets, resulting in price movements that may cause a loss to the Fund.

**Changes in Interest Rate Risk:** A rise in interest rates generally causes bond prices to fall.

**Credit Risk:** The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

**Liquidity Risk:** In unfavourable market conditions, corporate bonds may be harder to sell in a timely manner and at reasonable prices, than in normal market conditions. This could have a negative impact on the value of the Fund. In extreme market conditions this could affect the Fund's ability to meet investors' redemptions.

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).

## LF CANLIFE PORTFOLIO V FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

Where the Fund has significant investment in collective investment schemes, exchange-traded funds and similar products, the operating charges figure takes account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

#### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	156.45	138.01	134.60
Return before operating charges*	(11.25)	21.00	5.74
Operating charges <sup>1</sup>	(2.60)	(2.52)	(2.28)
Property expenses	(0.06)	(0.04)	(0.05)
Return after operating charges	(13.91)	18.44	3.41
Distributions	(1.15)	(0.93)	(1.05)
Retained distributions on accumulation shares	1.15	0.93	1.05
Closing net asset value per share	142.54	156.45	138.01
* after direct transaction costs of:	—	—	—

#### PERFORMANCE

Return after charges	(8.89)%	13.36%	2.53%
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#### OTHER INFORMATION

Closing net asset value (£'000)	7,695	7,101	4,632
Closing number of shares	5,398,422	4,539,177	3,356,305
Operating charges <sup>1</sup>	1.69%	1.68%	1.70%
Property expenses	0.04%	0.03%	0.04%
Direct transaction costs	—	—	—

#### PRICES

Highest share price	162.04	158.44	141.14
Lowest share price	141.02	134.05	114.12

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.



## LF CANLIFE PORTFOLIO V FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	165.46	144.82	140.15
Return before operating charges*	(12.27)	21.79	5.74
Operating charges <sup>1</sup>	(1.18)	(1.10)	(1.02)
Property expenses	(0.07)	(0.05)	(0.05)
Return after operating charges	(13.52)	20.64	4.67
Distributions	(2.46)	(2.19)	(2.22)
Retained distributions on accumulation shares	2.46	2.19	2.22
Closing net asset value per share	151.94	165.46	144.82
* after direct transaction costs of:	–	–	–

##### PERFORMANCE

Return after charges	(8.17)%	14.25%	3.33%
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##### OTHER INFORMATION

Closing net asset value (£'000)	84,455	73,693	62,510
Closing number of shares	55,584,081	44,539,376	43,164,334
Operating charges <sup>1</sup>	0.72%	0.70%	0.73%
Property expenses	0.04%	0.03%	0.04%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	171.62	167.42	147.33
Lowest share price	150.31	140.72	119.21

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

## LF CANLIFE PORTFOLIO V FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'G' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	167.17	146.23	141.43
Return before operating charges*	(12.43)	21.99	5.78
Operating charges <sup>1</sup>	(1.06)	(1.00)	(0.92)
Property expenses	(0.07)	(0.05)	(0.06)
Return after operating charges	(13.56)	20.94	4.80
Distributions	(2.58)	(2.32)	(2.34)
Retained distributions on accumulation shares	2.58	2.32	2.34
Closing net asset value per share	153.61	167.17	146.23
* after direct transaction costs of:	–	–	–

##### PERFORMANCE

Return after charges	(8.11)%	14.32%	3.39%
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##### OTHER INFORMATION

Closing net asset value (£'000)	128,111	137,259	109,876
Closing number of shares	83,400,847	82,107,325	75,137,775
Operating charges <sup>1</sup>	0.64%	0.63%	0.65%
Property expenses	0.04%	0.03%	0.04%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	173.41	169.14	148.71
Lowest share price	151.96	142.10	120.33

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

**LF CANLIFE PORTFOLIO V FUND**

**ACD'S REPORT** *continued*

**FUND INFORMATION** *continued*

**Fund Performance to 15 October 2022 (%)**

	1 year	3 years	5 years
LF Canlife Portfolio V Fund	(8.07)	8.52	15.14
IA Mixed Investment 40-85% Shares sector <sup>1</sup>	(11.48)	4.66	11.24

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

The performance of the Fund is based on the published price per 'C' 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 202 and 203.

**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.

## LF CANLIFE PORTFOLIO V FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 15 October 2022

Holding	Portfolio of Investments	Value £'000	15.10.22 %
	FIXED INTEREST – 26.97% (15.10.21 – 21.13%)		
230,604	iShares \$ TIPS 0-5 UCITS ETF GBP Hedged	1,130	0.51
136,632	iShares Core Global Aggregate Bond UCITS ETF	595	0.27
449,964	iShares Core UK Gilts UCITS ETF	4,389	1.99
7,257,898	iShares Index Linked Gilt Index (UK)	7,583	3.44
5,503,035	LF Canlife Corporate Bond <sup>1</sup>	12,877	5.85
7,634,192	LF Canlife Global Macro Bond <sup>1</sup>	9,384	4.26
8,184,025	LF Canlife Short Duration Corporate Bond <sup>1</sup>	7,993	3.63
13,737,552	LF Canlife Sterling Short Term Bond <sup>1</sup>	13,621	6.19
1,963,763	LF Canlife UK Government Bond <sup>1</sup>	1,828	0.83
	TOTAL FIXED INTEREST	59,400	26.97
	EQUITIES – 57.71% (15.10.21 – 59.98%)		
3,416,187	iShares Continental European Equity Index (UK)	9,441	4.29
4,707,965	iShares Japan Equity Index (UK)	11,422	5.18
469,083	iShares S&P U.S. Banks UCITS ETF	2,173	0.99
25,742	iShares STOXX Europe 600 Industrial Goods & Services UCITS ETF	1,295	0.59
617,139	LF Canlife Asia Pacific <sup>1</sup>	8,562	3.89
1,955,206	LF Canlife North American <sup>1</sup>	44,143	20.04
18,016,398	LF Canlife UK Equity <sup>1</sup>	23,708	10.76
4,184,654	LF Canlife UK Equity Income <sup>1</sup>	26,369	11.97
	TOTAL EQUITIES	127,113	57.71
	PROPERTY – 5.20% (15.10.21 – 4.95%)		
238,218	iShares Developed Markets Property Yield UCITS ETF	4,342	1.97
6,835,789	LF Canlife UK Property ACS <sup>1</sup>	7,117	3.23
	TOTAL PROPERTY	11,459	5.20
	EMERGING MARKETS – 3.94% (15.10.21 – 4.01%)		
4,921,196	iShares Emerging Markets Equity Index (UK)	8,683	3.94
	MONEY MARKETS – 6.61% (15.10.21 – 9.88%)		
14,182,822	LF Canlife Sterling Liquidity <sup>1</sup>	14,552	6.61

**LF CANLIFE PORTFOLIO V FUND**

**ACD'S REPORT** *continued*

**PORTFOLIO STATEMENT** *continued*

as at 15 October 2022

Holding	Portfolio of Investments	Value £'000	15.10.22 %
	Portfolio of investments	221,207	100.43
	Net other liabilities	(946)	(0.43)
	Net assets	<u>220,261</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are collective investment schemes.

<sup>1</sup> Related party holding (see note 12).

## LF CANLIFE PORTFOLIO V FUND

### ACD'S REPORT *continued*

### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 15 October 2022

Total purchases for the year £'000 (note 16)	51,594	Total sales for the year £'000 (note 16)	22,714
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
LF Canlife Sterling Short Term Bond	13,844	LF Canlife North American	8,192
iShares Index Linked Gilt Index (UK)	5,473	LF Canlife UK Equity Income	4,150
LF Canlife UK Equity	4,477	iShares Japan Equity Index (UK)	2,382
LF Canlife North American	3,742	iShares Index Linked Gilt Index (UK)	2,117
LF Canlife Corporate Bond	2,881	LF Canlife Short Duration Corporate	
LF Canlife Global Macro Bond	2,856	Bond	1,286
iShares Core UK Gilts UCITS ETF	2,813	iShares STOXX Europe 600 Automobiles &	
iShares Continental European Equity		Parts UCITS ETF	856
Index (UK)	2,619	LF Canlife Global Macro Bond	767
iShares Japan Equity Index (UK)	2,374	LF Canlife UK Government Bond	604
iShares S&P U.S. Banks UCITS ETF	2,270	iShares Core UK Gilts UCITS ETF	556
		LF Canlife Corporate Bond	524

In addition to the above, purchases totalling £6,825,000 and sales totalling £13,915,000 were made in short term investments during the year.

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

**LF CANLIFE PORTFOLIO V FUND**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF TOTAL RETURN**  
for the year ended 15 October 2022

	Notes	£'000	15.10.22 £'000	£'000	15.10.21 £'000
Income:					
Net capital (losses)/gains	3		(22,568)		23,153
Revenue	4	4,756		3,999	
Expenses	5	(1,276)		(1,099)	
Interest payable and similar charges	7	(1)		(1)	
Net revenue before taxation		3,479		2,899	
Taxation	6	(72)		(84)	
Net revenue after taxation			3,407		2,815
Total return before distributions			(19,161)		25,968
Distributions	8		(3,431)		(2,847)
Change in net assets attributable to shareholders from investment activities			(22,592)		23,121

**STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS**  
for the year ended 15 October 2022

	Note	£'000	15.10.22 £'000	£'000	15.10.21 £'000
Opening net assets attributable to shareholders			218,053		177,244
Amounts receivable on issue of shares		37,760		31,354	
Amounts payable on redemption of shares		(16,503)		(16,555)	
			21,257		14,799
Change in net assets attributable to shareholders from investment activities			(22,592)		23,121
Retained distributions on Accumulation shares	8		3,543		2,889
Closing net assets attributable to shareholders			220,261		218,053

**LF CANLIFE PORTFOLIO V FUND**  
**FINANCIAL STATEMENTS** *continued*  
**BALANCE SHEET**

as at 15 October 2022

	Notes	15.10.22 £'000	15.10.21 £'000
<b>ASSETS</b>			
Fixed assets			
Investments		221,207	217,946
Current assets			
Debtors	9	1,206	217
Cash and cash equivalents	10	375	288
<b>Total assets</b>		<u>222,788</u>	<u>218,451</u>
<b>LIABILITIES</b>			
Creditors			
Other creditors	11	(2,527)	(398)
<b>Total liabilities</b>		<u>(2,527)</u>	<u>(398)</u>
<b>Net assets attributable to shareholders</b>		<u>220,261</u>	<u>218,053</u>



## LF CANLIFE PORTFOLIO V FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 15 October 2022

#### 1. Accounting Policies

The accounting policies described on pages 23 to 25 have been applied to the financial statements of the Fund in the current and prior year.

#### 2. Distribution Policies

The distribution policies described on pages 25 and 26 have been applied to the financial statements of the Fund in the current and prior year.

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

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

	15.10.22 £'000	15.10.21 £'000
Non-derivative securities	(22,706)	22,999
Transaction charges	(4)	(7)
AMC rebates from underlying investments	149	158
Currency (losses)/gains	(7)	3
Net capital (losses)/gains	(22,568)	23,153

The net capital gain figure includes realised gains of £2,786,000 and unrealised gains of £2,103,000 (15.10.21: includes realised gains of £3,714,000 and unrealised gains of £27,602,000). 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

	15.10.22 £'000	15.10.21 £'000
Non-taxable dividends	3,236	2,641
Interest distributions on CIS holdings	1,016	953
AMC rebates from underlying investments	246	208
Bank interest	1	–
Property – rental income	257	197
Total revenue	4,756	3,999

## LF CANLIFE PORTFOLIO V FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 5. Expenses

	15.10.22 £'000	15.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	988	858
Legal and professional fees	6	6
Typesetting costs	3	3
Registration fees	90	76
	1,087	943
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	55	52
Safe custody and other bank charges	10	9
	65	61
Other expenses:		
Audit fees	10	10
Property income expenses on tax transparent fund	88	69
Expenses on tax transparent fund	57	40
Rebate of expenses from tax transparent fund	(31)	(24)
	124	95
Total expenses	1,276	1,099

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

## LF CANLIFE PORTFOLIO V FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 6. Taxation

	15.10.22 £'000	15.10.21 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	78	83
Overseas tax	(1)	1
Adjustments in respect of prior periods	(5)	–
Current tax charge	72	84
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	72	84

#### 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%) (15.10.21: 20%). The difference is explained below:

	15.10.22 £'000	15.10.21 £'000
Net revenue before taxation	3,479	2,899
Corporation tax at 20%	696	580
Effects of:		
Non-taxable dividends	(647)	(529)
AMC rebates taken to capital	29	32
Corporation tax charge	78	83
Overseas tax	(1)	1
Adjustments in respect of prior periods	(5)	–
Total tax charge (note 6a)	72	84

#### c) Deferred tax

There is no deferred tax recognised in the current or prior year.

#### 7. Interest Payable and Similar Charges

	15.10.22 £'000	15.10.21 £'000
Interest payable	1	1
Total interest payable and similar charges	1	1

## LF CANLIFE PORTFOLIO V FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 8. Distributions

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

	15.10.22 £'000	15.10.21 £'000
Interim	875	701
Final	2,668	2,188
	<u>3,543</u>	<u>2,889</u>
Add: Revenue deducted on redemption of shares	31	48
Deduct: Revenue received on issue of shares	(143)	(90)
Net distributions for the year	<u>3,431</u>	<u>2,847</u>

Details of the distributions per share are set out in the table on pages 202 and 203.

	15.10.22 £'000	15.10.21 £'000
Distributions represented by:		
Net revenue after taxation	3,407	2,815
Allocations to capital:		
Tax relief on capitalised AMC rebates from underlying investments	24	32
Net distributions for the year	<u>3,431</u>	<u>2,847</u>

#### 9. Debtors

	15.10.22 £'000	15.10.21 £'000
Amounts receivable for issue of shares	193	167
Sales awaiting settlement	959	–
Accrued revenue:		
AMC rebates from underlying investments	49	49

## LF CANLIFE PORTFOLIO V FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

	15.10.22 £'000	15.10.21 £'000
Taxation recoverable:		
Corporation tax refund	5	–
Overseas withholding tax	–	1
	5	1
Total debtors	1,206	217

#### 10. Cash and Cash Equivalents

	15.10.22 £'000	15.10.21 £'000
Bank balances	375	288
Total cash and cash equivalents	375	288

#### 11. Other Creditors

	15.10.22 £'000	15.10.21 £'000
Amounts payable for redemption of shares	212	95
Purchases awaiting settlement	2,181	178
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	40	39
Typesetting costs	2	2
Legal and professional fees	1	1
Registration fees	11	10
	54	52
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	2	2
Transaction charges	1	1
Safe custody and other bank charges	2	–
	5	3

## LF CANLIFE PORTFOLIO V FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

	15.10.22 £'000	15.10.21 £'000
Other expenses	10	10
Taxation payable:		
Corporation tax	65	60
Total other creditors	2,527	398

#### 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 Fund invests in other funds managed by the ACD, or an associate of the ACD. The ACD rebates the Annual Management Charge which is based on the net asset value of these investments in order to eliminate double charging.

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 188 and amounts due at the year end are disclosed in notes 9 and 11.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 38,546 (15.10.21: 37,534) of the Fund's shares at the balance sheet date.

Canada Life Asset Management Limited and its associates (including other authorised investment funds managed by Canada Life Asset Management Limited) held 113,239,552 (15.10.21: 109,942,084) 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 shareholder held in excess of 20% of the shares in issue of the Fund:

Canada Life Asset Management Limited and its associates	78.43% (15.10.21: 83.81%)
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## LF CANLIFE PORTFOLIO V FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager or for which Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings was as follows:

	15.10.22 £'000	15.10.21 £'000
Portfolio Manager and ACD in common	170,154	169,381

### 13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (15.10.21: none).

### 14. Shares in Issue

	'A' Accumulation	'C' Accumulation	'G' Accumulation
Annual Management Charge	1.425%	0.45%	0.375%
Opening shares in issue	4,539,177	44,539,376	82,107,325
Issues	924,565	15,306,722	7,030,302
Redemptions	(65,320)	(4,262,017)	(5,736,780)
Closing shares in issue	5,398,422	55,584,081	83,400,847

### 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.

## LF CANLIFE PORTFOLIO V FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### (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. Investment in collective investment schemes may expose the Fund to indirect interest rate risk to the extent that they may invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

The Fund invests in collective investment schemes only and as such does not have any significant direct exposure to interest rate risk. The Fund may indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no direct exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

#### (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. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

Where the Fund invests in non-Sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.



**LF CANLIFE PORTFOLIO V FUND****FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 15 October 2022

The table below shows the direct foreign currency risk profile:

	15.10.22 £'000	15.10.21 £'000
Currency:		
Euros	1,296	2,080
US dollars	1,970	–
	<u>3,266</u>	<u>2,080</u>
Pounds sterling	216,995	215,973
Net assets	<u>220,261</u>	<u>218,053</u>

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £163,000 on the net assets of the Fund (15.10.21: £104,000).

**(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 15 October 2022, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (15.10.21: 1:1 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.

Based on this analysis 70.79% of the portfolio can be liquidated within 5 days and 72.01% within 21 working days (15.10.21: 76.60% within 5 days and 77.19% 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.

## LF CANLIFE PORTFOLIO V FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

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 £11,060,000 (15.10.21: £10,897,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

The Fund held no derivatives during the current and prior year.

### 16. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
15.10.22				
Collective investment schemes	51,593	–	1	51,594
Purchases total	51,593	–	1	51,594
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	22,716	–	(2)	22,714
Sales total	22,716	–	(2)	22,714
<i>Transaction cost % of sales total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	

## LF CANLIFE PORTFOLIO V FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

Average portfolio dealing spread at 15.10.22 is 0.01% (15.10.21: 0.05%).

15.10.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Collective investment schemes	39,518	–	–	39,518
Purchases total	39,518	–	–	39,518
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	37,960	–	–	37,960
Sales total	37,960	–	–	37,960
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

### 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).

15.10.22	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	13,924	207,283	–	221,207

  

15.10.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	10,014	207,932	–	217,946

**LF CANLIFE PORTFOLIO V FUND**

**FINANCIAL STATEMENTS** *continued*

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

for the year ended 15 October 2022

**18. Subsequent Events**

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	27.01.23	Movement
'A' Accumulation	142.72	154.38	8.17%
'C' Accumulation	152.13	164.92	8.41%
'G' Accumulation	153.80	166.76	8.43%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 3 February 2023.

## LF CANLIFE PORTFOLIO V FUND

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 15 October 2022 – in pence 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.

Group 2	Interim	Final
From	16.10.21	16.04.22
To	15.04.22	15.10.22

#### 'A' ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.0147	–	0.0147	–
Group 2	0.0048	0.0099	0.0147	–

Final	Net Revenue	Equalisation	Allocation 15.12.22	Allocated 15.12.21
Group 1	1.1400	–	1.1400	0.9285
Group 2	0.8271	0.3129	1.1400	0.9285

#### 'C' ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.6262	–	0.6262	0.5413
Group 2	0.1815	0.4447	0.6262	0.5413

Final	Net Revenue	Equalisation	Allocation 15.12.22	Allocated 15.12.21
Group 1	1.8325	–	1.8325	1.6499
Group 2	1.0594	0.7731	1.8325	1.6499

**LF CANLIFE PORTFOLIO V FUND**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

**'G' ACCUMULATION SHARES**

<b>Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocated 15.06.22</b>	<b>Allocated 15.06.21</b>
Group 1	0.6776	–	0.6776	0.5996
Group 2	0.3729	0.3047	0.6776	0.5996
<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocation 15.12.22</b>	<b>Allocated 15.12.21</b>
Group 1	1.9043	–	1.9043	1.7182
Group 2	1.1537	0.7506	1.9043	1.7182

## LF CANLIFE PORTFOLIO VI FUND ACD'S REPORT

for the year ended 15 October 2022

### Important Information

Refer to the 'Important Information' section on page 11.

### Investment Objective and Policy

The investment objective of the LF Canlife Portfolio VI Fund ('the Fund') is to achieve capital growth over the long term (at least five years), after all costs and charges have been taken, whilst seeking to remain in risk band 6 (on a scale of 1-10, where 1 is the lowest risk and 10 is the highest) on a rolling three year basis.

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 at least 90% indirectly, via collective investment schemes, in the following assets: equities, debt securities (including government and public securities, corporate bonds, convertibles and preference shares), cash (including deposits and money market instruments) and immovable property.

The Fund's exposure to equities can be up to 90% of the value of its portfolio.

The Fund will gain exposure to these asset classes by investing in other collective investment schemes managed by the Portfolio Manager. It may also invest in other collective investment schemes (open and closed ended, including Exchange Traded Funds), other transferable securities (including Real Estate Investment Trusts) and hedge funds. Indirect investments may include instruments managed or advised by the ACD or the Portfolio Manager or their associates.

The Fund may also invest up to 10% directly in the asset classes stated above (except immovable property) by investing in securities issued by companies and governments.

The Fund can invest across different geographic areas or industry sectors without limitation.

The Fund may not have exposure to all asset classes at all times.

The Portfolio Manager may use derivatives for the purpose of efficient portfolio management.

### Additional Information

The Fund's risk band is managed by varying the assets it invests in. The asset allocation is determined by reference to investment research carried out by an external agency and based on the long term historic return and volatility of each asset type.

Whilst the Portfolio Manager aims to keep the volatility of the Fund within the parameters to stay within risk band 6 over a rolling three-year period, it is not guaranteed and the actual volatility may be outside risk band 6 if the Portfolio Manager believes it is expedient to do so in order to mitigate potential losses. At times observing the asset allocation restrictions to remain within risk band 6 may limit capital growth and/or income.

## LF CANLIFE PORTFOLIO VI FUND

### ACD'S REPORT *continued*

#### Additional Information *continued*

The asset allocation is provided by an independent third party risk rating provider. Further details of the asset allocation process, volatility parameters and measurement process can be obtained at [www.dynamicplanner.com](http://www.dynamicplanner.com).

#### Benchmark

The Fund's comparator benchmark is the IA Mixed Investment 40-85% Shares sector.

The Fund's performance may be compared against the Investment Association IA Mixed Investment 40-85% Shares sector. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers). The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. 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. The Fund is not constrained by the requirements of the sector.

#### LINK FUND SOLUTIONS LIMITED

ACD of LF Canlife Portfolio VI Fund

3 February 2023



## LF CANLIFE PORTFOLIO VI FUND

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 15 October 2022

#### Market Review

Markets were volatile throughout the review period due in large part to rising global inflation, interest rate rises and the impact of Russia's ongoing invasion of Ukraine.

The fallout from the COVID-19 pandemic continued to influence economies over the period, with high infection rates disrupting global supply chains, particularly in China where the country's strict zero-COVID policy slowed manufacturing activity.

In February, Russia's invasion of Ukraine shifted attention away from the pandemic and towards Eastern Europe, where a humanitarian crisis was unfolding. Most major economies sought to deter Russia's actions by imposing a swathe of sanctions; however, as one of the world's largest exporters of oil, gas and wheat, concerns about supply constraints sparked a rise in commodity prices.

During the latter half of the period, inflation reached 40-year highs in the United States and the United Kingdom, respectively. This led to the US Federal Reserve ('Fed') and the Bank of England ('BoE') imposing tighter monetary policy, with each central bank raising interest rates.

However, during the summer, markets began to anticipate a softening in central banks' stance, and subsequently priced in rate cuts from the Fed in 2023. But at its Jackson Hole summit in August, the Fed surprised markets by recommitting to its monetary tightening cycle and waving off any prospect rate cuts until inflation figures were markedly down. This sentiment was later echoed by both the BoE and the European Central Bank. This dislocation between market expectation and central bank policy triggered a significant sell-off in equity markets.

Towards the end of the review period, the UK fixed income market was thrown into turmoil following the UK government's mini-budget, which included a set of growth-oriented tax cuts. The budget was rejected outright by the market on fears of debt sustainability and sparked a sell-off in bonds and gilts, while the pound plunged to an all-time low versus the US dollar. The BoE was forced to intervene just days later, pledging to buy back up to £65bn worth of UK government bonds in order to stabilise markets.

#### Fund Performance

The price of the 'C' Accumulation shares of the Fund decreased by 6.56% in the twelve months to 15 October 2022. This compares with a decrease of 11.48% in the Fund's benchmark, the IA Mixed Investment 40-85% Shares sector.

#### Fund Review

Performance in our equity allocations reflected the turbulence of markets during the period, particularly in emerging markets, but the Fund benefitted from its allocations to the LF Canlife UK Equity Income Fund, particularly the first half of 2022, and the LF Canlife North American Fund, specifically at the end of the period.

## LF CANLIFE PORTFOLIO VI FUND

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

The Fund's more defensive allocations, particularly fixed income, suffered due to a series of sell-offs in the market.

Our exposures outside of the UK proved more beneficial, specifically our allocations towards US fixed income, which performed well. Our holding in the LF Canlife Global Macro Bond Fund was of benefit, due to the fund's holding of overseas bonds which benefitted from sterling weakness. The bias towards shorter-duration bonds in the UK corporate bond exposure was also beneficial.

Portfolio activity was busier around the more volatile periods in the market due to our dynamic rebalancing approach.

#### Outlook

Sustained inflation and the rising potential of stagflation remain the key concerns for investors moving into 2023.

As seen in both Q2 and Q3 2022, inflationary pressures will play an important role in determining the direction of asset prices. How central bank policy reacts will again be paramount, if inflation is more resilient than markets have forecast.

However, as multi asset investors, we are able to utilise volatility to the Fund's advantage, navigating the market's ebbs and flows to flesh out long-term themes on lower valuations. The diversified nature of the Fund provides us with a degree of protection, but as witnessed within the UK bond markets at the end of Q3, safe havens are not as easy to come by for now.

That said, we feel more optimistic now than at previous points in the period, as much of the pain in markets has either been fully priced in or has peaked outright. There will, of course, be more volatility to come, and we must proceed with caution, but we foresee opportunities to add value to the portfolio, particularly in longer-term themes that we believe will deliver positive outcomes for our clients.

#### CANADA LIFE ASSET MANAGEMENT LIMITED

Portfolio Manager

17 November 2022

## LF CANLIFE PORTFOLIO VI FUND

### ACD'S REPORT *continued*

#### FUND INFORMATION

##### Risk and Reward Profile



The above indicator is known as the Synthetic Risk and Reward Indicator ('SRRI'). It shows how much a fund may have risen and fallen in the past, and therefore how much a fund's returns may have varied. It is the standard measure of volatility required under financial regulations to allow comparisons with other funds. 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 Fund has been classed as 5 because its volatility has been measured as above average.

The SRRI measure differs from that used by Dynamic Planner. The Fund aims to remain within Dynamic Planner's band 6 hence the reference to VI in the name of the Fund. Further details can be found in the Prospectus.

The risk profile is not guaranteed to remain the same and may shift over time. It is based on historical data and may not be a reliable indication of the Fund's future risk profile. The lowest number on the scale does not mean that a fund is risk free.

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

**Property Fund Investment Risk:** Property funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

**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.

**Emerging Markets Risk:** The Fund may invest in emerging markets, which are markets in countries that are developing. Emerging markets may have more political and economic risks than developed markets, resulting in price movements that may cause a loss to the Fund.

**Changes in Interest Rate Risk:** A rise in interest rates generally causes bond prices to fall.

**Credit Risk:** The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

**Liquidity Risk:** In unfavourable market conditions, corporate bonds may be harder to sell in a timely manner and at reasonable prices, than in normal market conditions. This could have a negative impact on the value of the Fund. In extreme market conditions this could affect the Fund's ability to meet investors' redemptions.

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).

## LF CANLIFE PORTFOLIO VI FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

Where the Fund has significant investment in collective investment schemes, exchange-traded funds and similar products, the operating charges figure takes account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

#### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	160.32	139.57	136.17
Return before operating charges*	(9.16)	23.43	5.79
Operating charges <sup>1</sup>	(2.71)	(2.63)	(2.34)
Property expenses	(0.06)	(0.05)	(0.05)
Return after operating charges	(11.93)	20.75	3.40
Distributions	(1.30)	(0.84)	(1.27)
Retained distributions on accumulation shares	1.30	0.84	1.27
Closing net asset value per share	148.39	160.32	139.57
* after direct transaction costs of:	0.01	–	–

#### PERFORMANCE

Return after charges	(7.44)%	14.87%	2.50%
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#### OTHER INFORMATION

Closing net asset value (£'000)	35,893	38,435	34,257
Closing number of shares	24,187,740	23,974,673	24,544,466
Operating charges <sup>1</sup>	1.71%	1.71%	1.73%
Property expenses	0.04%	0.03%	0.04%
Direct transaction costs	–	–	–

#### PRICES

Highest share price	165.73	162.73	144.41
Lowest share price	146.82	135.20	112.77

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

## LF CANLIFE PORTFOLIO VI FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	170.44	146.99	142.26
Return before operating charges*	(9.91)	24.69	5.87
Operating charges <sup>1</sup>	(1.23)	(1.19)	(1.08)
Property expenses	(0.07)	(0.05)	(0.06)
Return after operating charges	(11.21)	23.45	4.73
Distributions	(2.97)	(2.43)	(2.48)
Retained distributions on accumulation shares	2.97	2.43	2.48
Closing net asset value per share	159.23	170.44	146.99
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(6.58)%	15.95%	3.32%
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##### OTHER INFORMATION

Closing net asset value (£'000)	34,032	28,302	23,226
Closing number of shares	21,372,320	16,605,282	15,801,541
Operating charges <sup>1</sup>	0.73%	0.73%	0.76%
Property expenses	0.04%	0.03%	0.04%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	176.45	172.81	151.26
Lowest share price	157.53	142.44	118.21

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

## LF CANLIFE PORTFOLIO VI FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'G' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	172.98	149.08	144.21
Return before operating charges*	(10.08)	25.04	5.91
Operating charges <sup>1</sup>	(1.13)	(1.09)	(0.98)
Property expenses	(0.07)	(0.05)	(0.06)
Return after operating charges	(11.28)	23.90	4.87
Distributions	(3.11)	(2.55)	(2.59)
Retained distributions on accumulation shares	3.11	2.55	2.59
Closing net asset value per share	161.70	172.98	149.08
* after direct transaction costs of:	0.01	–	–

##### PERFORMANCE

Return after charges	(6.52)%	16.03%	3.38%
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##### OTHER INFORMATION

Closing net asset value (£'000)	42,003	41,030	30,644
Closing number of shares	25,975,600	23,720,584	20,555,026
Operating charges <sup>1</sup>	0.66%	0.66%	0.68%
Property expenses	0.04%	0.03%	0.04%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	179.10	175.37	153.35
Lowest share price	159.98	144.48	119.85

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

**LF CANLIFE PORTFOLIO VI FUND**

**ACD'S REPORT** *continued*

**FUND INFORMATION** *continued*

**Fund Performance to 15 October 2022 (%)**

	1 year	3 years	5 years
LF Canlife Portfolio VI Fund	(6.56)	11.88	17.51
IA Mixed Investment 40-85% Shares sector <sup>1</sup>	(11.48)	4.66	11.24

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

The performance of the Fund is based on the published price per 'C' 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 229 and 230.

**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.

## LF CANLIFE PORTFOLIO VI FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 15 October 2022

Holding	Portfolio of Investments	Value £'000	15.10.22 %
	FIXED INTEREST – 15.96% (15.10.21 – 12.02%)		
45,589	iShares Core Global Aggregate Bond UCITS ETF	198	0.18
2,587,214	LF Canlife Corporate Bond <sup>1</sup>	6,055	5.41
3,132,052	LF Canlife Global Macro Bond <sup>1</sup>	3,850	3.44
3,158,055	LF Canlife Short Duration Corporate Bond <sup>1</sup>	3,084	2.75
4,719,498	LF Canlife Sterling Short Term Bond <sup>1</sup>	4,679	4.18
	TOTAL FIXED INTEREST	17,866	15.96
	EQUITIES – 64.76% (15.10.21 – 67.09%)		
1,758,504	iShares Continental European Equity Index (UK)	4,860	4.34
2,467,346	iShares Japan Equity Index (UK)	5,986	5.35
189,088	iShares S&P U.S. Banks UCITS ETF	876	0.78
11,648	iShares STOXX Europe 600 Industrial Goods & Services UCITS ETF	586	0.52
789,715	LF Canlife Asia Pacific <sup>1</sup>	10,956	9.79
1,054,876	LF Canlife North American <sup>1</sup>	23,816	21.28
9,155,850	LF Canlife UK Equity <sup>1</sup>	12,048	10.77
2,119,358	LF Canlife UK Equity Income <sup>1</sup>	13,355	11.93
	TOTAL EQUITIES	72,483	64.76
	PROPERTY – 5.15% (15.10.21 – 4.94%)		
120,299	iShares Developed Markets Property Yield UCITS ETF	2,192	1.96
3,435,892	LF Canlife UK Property ACS <sup>1</sup>	3,578	3.19
	TOTAL PROPERTY	5,770	5.15
	EMERGING MARKETS – 9.98% (15.10.21 – 9.98%)		
6,328,056	iShares Emerging Markets Equity Index (UK)	11,165	9.98
	MONEY MARKETS – 4.24% (15.10.21 – 5.88%)		
4,626,641	LF Canlife Sterling Liquidity <sup>1</sup>	4,747	4.24



**LF CANLIFE PORTFOLIO VI FUND**

**ACD'S REPORT** *continued*

**PORTFOLIO STATEMENT** *continued*

as at 15 October 2022

Holding	Portfolio of Investments	Value £'000	15.10.22 %
	Portfolio of investments	112,031	100.09
	Net other liabilities	(103)	(0.09)
	Net assets	<u>111,928</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are collective investment schemes.

<sup>1</sup> Related party holding (see note 11).

## LF CANLIFE PORTFOLIO VI FUND

### ACD'S REPORT *continued*

#### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 15 October 2022

Total purchases for the year £'000 (note 15)	20,686	Total sales for the year £'000 (note 15)	7,307
	Cost		Proceeds
Major purchases	£'000	Sales	£'000
LF Canlife Sterling Short Term Bond	4,719	LF Canlife UK Equity Income	2,823
LF Canlife UK Equity	3,539	iShares Japan Equity Index (UK)	1,984
LF Canlife Corporate Bond	2,020	LF Canlife North American	843
LF Canlife Asia Pacific	1,760	LF Canlife Global Macro Bond	598
iShares Emerging Markets Equity Index (UK)	1,731	iShares STOXX Europe 600 Automobiles & Parts UCITS ETF	411
iShares Continental European Equity Index (UK)	1,368	LF Canlife Corporate Bond	398
iShares Japan Equity Index (UK)	1,266	LF Canlife Short Duration Corporate Bond	200
iShares S&P U.S. Banks UCITS ETF	913	LF Canlife Asia Pacific	50
LF Canlife Global Macro Bond	799		
LF Canlife North American	753		

In addition to the above, purchases totalling £2,305,000 and sales totalling £3,922,000 were made in short term investments during the year.

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

## LF CANLIFE PORTFOLIO VI FUND

### FINANCIAL STATEMENTS

#### STATEMENT OF TOTAL RETURN

for the year ended 15 October 2022

	Notes	£'000	15.10.22 £'000	£'000	15.10.21 £'000
Income:					
Net capital (losses)/gains	3		(9,745)		12,713
Revenue	4	2,697		2,074	
Expenses	5	(1,009)		(920)	
Net revenue before taxation		1,688		1,154	
Taxation	6	–		1	
Net revenue after taxation			1,688		1,155
Total return before distributions			(8,057)		13,868
Distributions	7		(1,700)		(1,170)
Change in net assets attributable to shareholders from investment activities			(9,757)		12,698

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

for the year ended 15 October 2022

	Note	£'000	15.10.22 £'000	£'000	15.10.21 £'000
Opening net assets attributable to shareholders			107,767		88,300
Amounts receivable on issue of shares		18,013		12,460	
Amounts payable on redemption of shares		(5,824)		(6,884)	
			12,189		5,576
Change in net assets attributable to shareholders from investment activities			(9,757)		12,698
Retained distributions on Accumulation shares	7		1,729		1,193
Closing net assets attributable to shareholders			111,928		107,767

## LF CANLIFE PORTFOLIO VI FUND

### FINANCIAL STATEMENTS *continued*

#### BALANCE SHEET

as at 15 October 2022

	Notes	15.10.22 £'000	15.10.21 £'000
<b>ASSETS</b>			
Fixed assets			
Investments		112,031	107,669
Current assets			
Debtors	8	510	328
Cash and cash equivalents	9	334	77
<b>Total assets</b>		<u>112,875</u>	<u>108,074</u>
<b>LIABILITIES</b>			
Creditors			
Other creditors	10	(947)	(307)
<b>Total liabilities</b>		<u>(947)</u>	<u>(307)</u>
<b>Net assets attributable to shareholders</b>		<u>111,928</u>	<u>107,767</u>

## LF CANLIFE PORTFOLIO VI FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 15 October 2022

#### 1. Accounting Policies

The accounting policies described on pages 23 to 25 have been applied to the financial statements of the Fund in the current and prior year.

#### 2. Distribution Policies

The distribution policies described on pages 25 and 26 have been applied to the financial statements of the Fund in the current and prior year.

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

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

	15.10.22 £'000	15.10.21 £'000
Non-derivative securities	(9,810)	12,641
Transaction charges	(3)	(4)
AMC rebates from underlying investments	71	75
Currency (losses)/gains	(3)	1
Net capital (losses)/gains	(9,745)	12,713

The net capital losses figure includes realised gains of £610,000 and unrealised gains of £5,388,000 (15.10.21: includes realised gains of £1,876,000 and unrealised gains of £15,811,000). 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

	15.10.22 £'000	15.10.21 £'000
Non-taxable dividends	2,032	1,529
Interest distributions on CIS holdings	396	333
AMC rebates from underlying investments	139	113
Bank interest	1	–
Property – rental Income	129	99
Total revenue	2,697	2,074

## LF CANLIFE PORTFOLIO VI FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 5. Expenses

	15.10.22 £'000	15.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	844	780
Legal and professional fees	6	6
Typesetting costs	3	3
Registration fees	44	38
	897	827
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	39	35
Safe custody and other bank charges	6	5
	45	40
Other expenses:		
Audit fees	10	10
Property income expenses on tax transparent fund	44	35
Expenses on tax transparent fund	29	20
Rebate of expenses from tax transparent fund	(16)	(12)
	67	53
Total expenses	1,009	920

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

	15.10.22 £'000	15.10.21 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Irrecoverable income tax	–	(1)
Current tax charge	–	(1)
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	–	(1)

## LF CANLIFE PORTFOLIO VI FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

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%) (15.10.21: 20%). The difference is explained below:

	15.10.22 £'000	15.10.21 £'000
Net revenue before taxation	1,688	1,154
Corporation tax at 20%	338	231
Effects of:		
Non-taxable dividends	(406)	(306)
Prior year adjustment	(4)	–
AMC rebates taken to capital	14	15
Unutilised excess management expenses	58	59
Corporation tax charge	–	(1)
Total tax charge (note 6a)	–	(1)

c) Deferred tax

At the year end there is a potential deferred tax asset of £171,000 (15.10.21: £113,000) 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. Distributions

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

	15.10.22 £'000	15.10.21 £'000
Interim	337	208
Final	1,392	985
	1,729	1,193
Add: Revenue deducted on redemption of shares	14	25
Deduct: Revenue received on issue of shares	(43)	(48)
Net distributions for the year	1,700	1,170

Details of the distributions per share are set out in the table on pages 229 and 230.

## LF CANLIFE PORTFOLIO VI FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

	15.10.22 £'000	15.10.21 £'000
Distributions represented by:		
Net revenue after taxation	1,688	1,155
Allocations to capital:		
Expenses, net of tax relief	12	15
Net distributions for the year	1,700	1,170

#### 8. Debtors

	15.10.22 £'000	15.10.21 £'000
Amounts receivable for issue of shares	205	302
Sales awaiting settlement	278	–
Accrued revenue:		
AMC rebates from underlying investments	27	26
Total debtors	510	328

#### 9. Cash and Cash Equivalents

	15.10.22 £'000	15.10.21 £'000
Bank balances	334	77
Total cash and cash equivalents	334	77

#### 10. Other Creditors

	15.10.22 £'000	15.10.21 £'000
Amounts payable for redemption of shares	–	2
Purchases awaiting settlement	891	251



## LF CANLIFE PORTFOLIO VI FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

	15.10.22 £'000	15.10.21 £'000
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	34	34
Typesetting costs	2	2
Legal and professional fees	1	1
Registration fees	6	5
	43	42
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	2	2
Transaction charges	–	1
Safe custody and other bank charges	1	–
	3	3
Other expenses	10	9
Total other creditors	947	307

#### 11. 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 10.

The Fund invests in other funds managed by the ACD, or an associate of the ACD. The ACD rebates the Annual Management Charge which is based on the net asset value of these investments in order to eliminate double charging.

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 216 and amounts due at the year end are disclosed in note 8.

Link Fund Solutions Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 78,860 (15.10.21: 81,498) of the Fund's shares at the balance sheet date.

## LF CANLIFE PORTFOLIO VI FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

Canada Life Asset Management Limited and its associates (including other authorised investment funds managed by Canada Life Asset Management Limited) held 62,748,703 (15.10.21: 58,963,080) 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 shareholder held in excess of 20% of the shares in issue of the Fund:

Canada Life Asset Management Limited and its associates 87.72% (15.10.21: 91.70%)

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager or for which Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings was as follows:

	15.10.22 £'000	15.10.21 £'000
Portfolio Manager and ACD in common	86,168	82,195

## 12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (15.10.21: none).

## 13. Shares in Issue

	'A' Accumulation	'C' Accumulation	'G' Accumulation
Annual Management Charge	1.425%	0.45%	0.375%
Opening shares in issue	23,974,673	16,605,282	23,720,584
Issues	892,516	5,826,779	3,985,854
Redemptions	(679,449)	(1,059,741)	(1,730,838)
Closing shares in issue	24,187,740	21,372,320	25,975,600

## 14. 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.

## LF CANLIFE PORTFOLIO VI FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

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. Investment in collective investment schemes may expose the Fund to indirect interest rate risk to the extent that they may invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

The Fund invests in collective investment schemes only and as such does not have any significant direct exposure to interest rate risk. The Fund may indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no direct exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

## LF CANLIFE PORTFOLIO VI FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### (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. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

Where the Fund invests in non-Sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

The table below shows the direct foreign currency risk profile:

	15.10.22 £'000	15.10.21 £'000
Currency:		
Euros	586	1,024
US dollars	673	–
	<u>1,259</u>	<u>1,024</u>
Pounds sterling	110,669	106,743
Net assets	<u>111,928</u>	<u>107,767</u>

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £63,000 on the net assets of the Fund (15.10.21: £51,000).

#### (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 15 October 2022, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (15.10.21: 1:1 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.

## LF CANLIFE PORTFOLIO VI FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

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.

Based on this analysis 70.96% of the portfolio can be liquidated within 5 days and 72.06% within 21 working days (15.10.21: 73.81% within 5 days and 75.01% 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 £5,602,000 (15.10.21: £5,383,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

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

# LF CANLIFE PORTFOLIO VI FUND

## FINANCIAL STATEMENTS *continued*

## NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

### 15. Portfolio Transaction Costs

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>15.10.22</b>				
Collective investment schemes	20,684	–	2	20,686
Purchases total	20,684	–	2	20,686
<i>Transaction cost % of purchases total</i>		–	0.01%	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	7,309	–	(2)	7,307
Sales total	7,309	–	(2)	7,307
<i>Transaction cost % of sales total</i>		–	0.02%	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 15.10.22 is 0.01% (15.10.21: 0.07%).

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>15.10.21</b>				
Collective investment schemes	18,323	–	–	18,323
Purchases total	18,323	–	–	18,323
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	16,149	–	–	16,149
Sales total	16,149	–	–	16,149
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

## LF CANLIFE PORTFOLIO VI FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 16. 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).

15.10.22	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	3,852	108,179	–	112,031

15.10.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	3,215	104,454	–	107,669

#### 17. Subsequent Events

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	27.01.23	Movement
'A' Accumulation	148.45	160.97	8.43%
'C' Accumulation	159.29	173.20	8.73%
'G' Accumulation	161.76	175.93	8.76%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 3 February 2023.

## LF CANLIFE PORTFOLIO VI FUND

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 15 October 2022 – in pence 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.

Group 2	Interim	Final
From	16.10.21	16.04.22
To	15.04.22	15.10.22

#### 'A' ACCUMULATION SHARES

There were no interim distributions in the current or prior year.

Final	Net Revenue	Equalisation	Allocation 15.12.22	Allocated 15.12.21
Group 1	1.3002	–	1.3002	0.8441
Group 2	1.3002	0.0000	1.3002	0.8441

#### 'C' ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.7367	–	0.7367	0.5278
Group 2	0.3949	0.3418	0.7367	0.5278

Final	Net Revenue	Equalisation	Allocation 15.12.22	Allocated 15.12.21
Group 1	2.2347	–	2.2347	1.8976
Group 2	1.4932	0.7415	2.2347	1.8976



**LF CANLIFE PORTFOLIO VI FUND**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

**'G' ACCUMULATION SHARES**

Interim	Net Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.8036	–	0.8036	0.5794
Group 2	0.6050	0.1986	0.8036	0.5794
Final	Net Revenue	Equalisation	Allocation 15.12.22	Allocated 15.12.21
Group 1	2.3084	–	2.3084	1.9719
Group 2	2.1339	0.1745	2.3084	1.9719

## LF CANLIFE PORTFOLIO VII FUND

### ACD'S REPORT

for the year ended 15 October 2022

#### Important Information

Refer to the 'Important Information' section on page 11.

#### Investment Objective and Policy

The investment objective of the LF Canlife Portfolio VII Fund ('the Fund') is to achieve capital growth over the long term (at least five years), after all costs and charges have been taken, whilst seeking to remain in risk band 7 (on a scale of 1-10, where 1 is the lowest risk and 10 is the highest) on a rolling three year basis.

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 at least 90% indirectly, via collective investment schemes, in the following assets: equities, debt securities (including government and public securities, corporate bonds, convertibles and preference shares), cash (including deposits and money market instruments) and immovable property.

The Fund's exposure to equities can be up to 100% of the value of its portfolio.

The Fund will gain exposure to these asset classes by investing in other collective investment schemes managed by the Portfolio Manager. It may also invest in other collective investment schemes (open and closed ended, including Exchange Traded Funds), other transferable securities (including Real Estate Investment Trusts) and hedge funds. Indirect investments may include instruments managed or advised by the ACD or the Portfolio Manager or their associates.

The Fund may also invest up to 10% directly in the asset classes stated above (except immovable property) by investing in securities issued by companies and governments.

The Fund can invest across different geographic areas or industry sectors without limitation.

The Fund may not have exposure to all asset classes at all times.

The Portfolio Manager may use derivatives for the purpose of efficient portfolio management.

#### Additional Information

The Fund's risk band is managed by varying the assets it invests in. The asset allocation is determined by reference to investment research carried out by an external agency and based on the long term historic return and volatility of each asset type.

Whilst the Portfolio Manager aims to keep the volatility of the Fund within the parameters to stay within risk band 7 over a rolling three-year period, it is not guaranteed and the actual volatility may be outside risk band 7 if the Portfolio Manager believes it is expedient to do so in order to mitigate potential losses. At times observing the asset allocation restrictions to remain within risk band 7 may limit capital growth and/or income.

## LF CANLIFE PORTFOLIO VII FUND

### ACD'S REPORT *continued*

#### Additional Information *continued*

The asset allocation is provided by an independent third party risk rating provider. Further details of the asset allocation process, volatility parameters and measurement process can be obtained at [www.dynamicplanner.com](http://www.dynamicplanner.com).

#### Benchmark

The Fund's comparator benchmark is the IA Flexible Investment sector.

The Fund's performance may be compared against the Investment Association IA Flexible Investment sector. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers). The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. 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. The Fund is not constrained by the requirements of the sector.

#### LINK FUND SOLUTIONS LIMITED

ACD of LF Canlife Portfolio VII Fund

3 February 2023

## LF CANLIFE PORTFOLIO VII FUND

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT

for the year ended 15 October 2022

#### Market Review

Markets were volatile throughout the review period due in large part to rising global inflation, interest rate rises and the impact of Russia's ongoing invasion of Ukraine.

The fallout from the COVID-19 pandemic continued to influence economies over the period, with high infection rates disrupting global supply chains, particularly in China where the country's strict zero-COVID policy slowed manufacturing activity.

In February, Russia's invasion of Ukraine shifted attention away from the pandemic and towards Eastern Europe, where a humanitarian crisis was unfolding. Most major economies sought to deter Russia's actions by imposing a swathe of sanctions; however, as one of the world's largest exporters of oil, gas and wheat, concerns about supply constraints sparked a rise in commodity prices.

During the latter half of the period, inflation reached 40-year highs in the United States and the United Kingdom, respectively. This led to the US Federal Reserve ('Fed') and the Bank of England ('BoE') imposing tighter monetary policy, with each central bank raising interest rates.

However, during the summer, markets began to anticipate a softening in central banks' stance, and subsequently priced in rate cuts from the Fed in 2023. But at its Jackson Hole summit in August, the Fed surprised markets by recommitting to its monetary tightening cycle and waving off any prospect rate cuts until inflation figures were markedly down. This sentiment was later echoed by both the BoE and the European Central Bank. This dislocation between market expectation and central bank policy triggered a significant sell-off in equity markets.

Towards the end of the review period, the UK fixed income market was thrown into turmoil following the UK government's mini-budget, which included a set of growth-oriented tax cuts. The budget was rejected outright by the market on fears of debt sustainability and sparked a sell-off in bonds and gilts, while the pound plunged to an all-time low versus the US dollar. The BoE was forced to intervene just days later, pledging to buy back up to £65bn worth of UK government bonds in order to stabilise markets.

#### Fund Performance

The price of the 'C' Accumulation shares of the Fund decreased by 6.15% in the twelve months to 15 October 2022. This compares with a decrease of 10.50% in the Fund's benchmark, the IA Flexible Investment sector.

#### Fund Review

Performance in our equity allocations also reflected the turbulence of markets during the period, particularly in emerging markets, but the Fund benefitted from its allocations to the LF Canlife UK Equity Income Fund, particularly the first half of 2022, and the LF Canlife North American Fund, specifically at the end of the period.

The Fund's small allocation to fixed income also suffered due to a series of sell-offs in the market.

## LF CANLIFE PORTFOLIO VII FUND

### ACD'S REPORT *continued*

### PORTFOLIO MANAGER'S REPORT *continued*

Portfolio activity was busier around the more volatile periods in the market due to our dynamic rebalancing approach.

#### Outlook

Sustained inflation and the rising potential of stagflation remain the key concerns for investors moving into 2023.

As seen in both Q2 and Q3 2022, inflationary pressures will play an important role in determining the direction of asset prices. How central bank policy reacts will again be paramount, if inflation is more resilient than markets have forecast.

However, as multi asset investors, we are able to utilise volatility to the Fund's advantage, navigating the market's ebbs and flows to flesh out long-term themes on lower valuations. The diversified nature of the Fund provides us with a degree of protection, but as witnessed within the UK bond markets at the end of Q3, safe havens are not as easy to come by for now.

That said, we feel more optimistic now than at previous points in the period, as much of the pain in markets has either been fully priced in or has peaked outright. There will, of course, be more volatility to come, and we must proceed with caution, but we foresee opportunities to add value to the portfolio, particularly in longer-term themes that we believe will deliver positive outcomes for our clients.

#### CANADA LIFE ASSET MANAGEMENT LIMITED

Portfolio Manager

17 November 2022

## LF CANLIFE PORTFOLIO VII FUND

### ACD'S REPORT *continued*

#### FUND INFORMATION

##### Risk and Reward Profile



The above indicator is known as the Synthetic Risk and Reward Indicator ('SRRI'). It shows how much a fund may have risen and fallen in the past, and therefore how much a fund's returns may have varied. It is the standard measure of volatility required under financial regulations to allow comparisons with other funds. 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 Fund has been classed as 5 because its volatility has been measured as above average.

The SRRI measure differs from that used by Dynamic Planner. The Fund aims to remain within Dynamic Planner's band 7 hence the reference to VII in the name of the Fund. Further details can be found in the Prospectus.

The risk profile is not guaranteed to remain the same and may shift over time. It is based on historical data and may not be a reliable indication of the Fund's future risk profile. The lowest number on the scale does not mean that a fund is risk free.

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

**Property Fund Investment Risk:** Property funds can become illiquid increasing the risk that a position cannot be sold in a timely manner or at a reasonable price.

**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.

**Emerging Markets Risk:** The Fund may invest in emerging markets, which are markets in countries that are developing. Emerging markets may have more political and economic risks than developed markets, resulting in price movements that may cause a loss to the Fund.

**Changes in Interest Rate Risk:** A rise in interest rates generally causes bond prices to fall.

**Credit Risk:** The value of a bond may be affected by its credit rating, the lower the rating the higher the risk of the issuer not paying interest or repaying the loan.

**Liquidity Risk:** In unfavourable market conditions, corporate bonds may be harder to sell in a timely manner and at reasonable prices, than in normal market conditions. This could have a negative impact on the value of the Fund. In extreme market conditions this could affect the Fund's ability to meet investors' redemptions.

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).

## LF CANLIFE PORTFOLIO VII FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

Where the Fund has significant investment in collective investment schemes, exchange-traded funds and similar products, the operating charges figure takes account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the year end weighted against the net asset value of the share class at that date.

#### 'A' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	159.78	134.72	134.40
Return before operating charges*	(8.39)	27.80	2.74
Operating charges <sup>1</sup>	(2.83)	(2.69)	(2.37)
Property expenses	(0.06)	(0.05)	(0.05)
Return after operating charges	(11.28)	25.06	0.32
Distributions	(1.81)	(1.36)	(1.52)
Retained distributions on accumulation shares	1.81	1.36	1.52
Closing net asset value per share	148.50	159.78	134.72
* after direct transaction costs of:	–	–	–

#### PERFORMANCE

Return after charges	(7.06)%	18.60%	0.24%
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#### OTHER INFORMATION

Closing net asset value (£'000)	774	770	232
Closing number of shares	521,399	482,029	172,411
Operating charges <sup>1</sup>	1.79%	1.77%	1.80%
Property expenses	0.04%	0.03%	0.04%
Direct transaction costs	–	–	–

#### PRICES

Highest share price	165.22	162.10	143.96
Lowest share price	146.73	130.08	106.51

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

## LF CANLIFE PORTFOLIO VII FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'C' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	169.61	141.62	140.19
Return before operating charges*	(8.99)	29.33	2.62
Operating charges <sup>1</sup>	(1.37)	(1.29)	(1.13)
Property expenses	(0.07)	(0.05)	(0.06)
Return after operating charges	(10.43)	27.99	1.43
Distributions	(3.60)	(2.77)	(2.65)
Retained distributions on accumulation shares	3.60	2.77	2.65
Closing net asset value per share	159.18	169.61	141.62
* after direct transaction costs of:	–	–	–

##### PERFORMANCE

Return after charges	(6.15)%	19.76%	1.02%
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##### OTHER INFORMATION

Closing net asset value (£'000)	13,883	8,902	6,027
Closing number of shares	8,721,311	5,248,281	4,255,759
Operating charges <sup>1</sup>	0.81%	0.80%	0.82%
Property expenses	0.04%	0.03%	0.04%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	175.53	171.90	150.47
Lowest share price	157.27	136.80	111.48

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.



## LF CANLIFE PORTFOLIO VII FUND

### ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'G' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	15.10.22 pence per share	15.10.21 pence per share	15.10.20 pence per share
Opening net asset value per share	171.44	143.04	141.51
Return before operating charges*	(9.09)	29.62	2.64
Operating charges <sup>1</sup>	(1.26)	(1.17)	(1.05)
Property expenses	(0.07)	(0.05)	(0.06)
Return after operating charges	(10.42)	28.40	1.53
Distributions	(3.76)	(2.92)	(2.78)
Retained distributions on accumulation shares	3.76	2.92	2.78
Closing net asset value per share	161.02	171.44	143.04
* after direct transaction costs of:	–	–	–

##### PERFORMANCE

Return after charges	(6.08)%	19.85%	1.08%
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##### OTHER INFORMATION

Closing net asset value (£'000)	22,133	22,826	25,370
Closing number of shares	13,745,496	13,314,296	17,735,787
Operating charges <sup>1</sup>	0.74%	0.72%	0.75%
Property expenses	0.04%	0.03%	0.04%
Direct transaction costs	–	–	–

##### PRICES

Highest share price	177.44	173.75	151.92
Lowest share price	159.09	138.18	112.56

<sup>1</sup> The operating charges figure does not take into account the property operating expenses in relation to the Fund's holding in the LF Canada UK Property ACS. The combined total of the Operating Charges and Property expenses represents the total charges incurred by an investor. The Operating Charges for the year ending 15 October 2020 have been restated to exclude the property operating expenses.

**LF CANLIFE PORTFOLIO VII FUND**

**ACD'S REPORT** *continued*

**FUND INFORMATION** *continued*

**Fund Performance to 15 October 2022 (%)**

	1 year	3 years	5 years
LF Canlife Portfolio VII Fund	(6.15)	13.46	17.66
IA Flexible Investment sector <sup>1</sup>	(10.50)	8.40	13.90

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

The performance of the Fund is based on the published price per 'C' 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 255 and 256.

**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.

## LF CANLIFE PORTFOLIO VII FUND

### ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 15 October 2022

Holding	Portfolio of Investments	Value £'000	15.10.22 %
	FIXED INTEREST – 4.96% (15.10.21 – 3.93%)		
9,886	iShares Global High Yield Corporate Bond UCITS ETF	650	1.77
376,078	LF Canlife Sterling Short Term Bond <sup>1</sup>	373	1.01
214,099	Putnam Global High Yield Bond <sup>1</sup>	803	2.18
	TOTAL FIXED INTEREST	1,826	4.96
	EQUITIES – 75.99% (15.10.21 – 77.98%)		
721,639	iShares Continental European Equity Index (UK)	1,994	5.42
914,943	iShares Japan Equity Index (UK)	2,220	6.03
35,303	iShares S&P U.S. Banks UCITS ETF	164	0.45
3,939	iShares STOXX Europe 600 Industrial Goods and Services UCITS ETF	198	0.54
261,157	LF Canlife Asia Pacific <sup>1</sup>	3,623	9.85
309,488	LF Canlife North American <sup>1</sup>	6,987	18.99
4,415,443	LF Canlife UK Equity <sup>1</sup>	5,810	15.79
1,104,766	LF Canlife UK Equity Income <sup>1</sup>	6,962	18.92
	TOTAL EQUITIES	27,958	75.99
	PROPERTY – 5.00% (15.10.21 – 4.99%)		
42,432	iShares Developed Markets Property Yield UCITS ETF	773	2.10
1,023,976	LF Canlife UK Property ACS <sup>1</sup>	1,066	2.90
	TOTAL PROPERTY	1,839	5.00
	EMERGING MARKETS – 12.77% (15.10.21 – 13.08%)		
2,662,004	iShares Emerging Markets Equity Index (UK)	4,697	12.77
	MONEY MARKETS – 1.01% (15.10.21 – 0.00%)		
360,919	LF Canlife Sterling Liquidity <sup>1</sup>	370	1.01
	Portfolio of investments	36,690	99.73
	Net other assets	100	0.27
	Net assets	36,790	100.00

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are collective investment schemes unless stated otherwise.

<sup>1</sup> Related party holding (see note 11).

## LF CANLIFE PORTFOLIO VII FUND

### ACD'S REPORT *continued*

### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 15 October 2022

Total purchases for the year £'000 (note 15)	8,652	Total sales for the year £'000 (note 15)	2,570
	Cost		Proceeds
Major purchases	£'000	Sales	£'000
LF Canlife UK Equity Income	1,511	iShares Japan Equity Index (UK)	664
LF Canlife UK Equity	1,439	LF Canlife North American	543
LF Canlife North American	1,227	LF Canlife UK Equity Income	506
iShares Emerging Markets Equity Index (UK)	979	LF Canlife UK Equity	310
LF Canlife Asia Pacific	812	LF Canlife Asia Pacific	278
iShares Continental European Equity Index (UK)	696	iShares STOXX Europe 600 Automobiles & Parts UCITS ETF	114
iShares Japan Equity Index (UK)	626	iShares Developed Markets Property Yield UCITS ETF	80
iShares Global High Yield Corporate Bond UCITS ETF	425	iShares Continental European Equity Index (UK)	45
LF Canlife Sterling Short Term Bond	375	iShares Global High Yield Corporate Bond UCITS ETF	30
iShares Developed Markets Property Yield UCITS ETF	323		

In addition to the above, purchases totalling £370,000 were made in short term investments during the year.

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

## LF CANLIFE PORTFOLIO VII FUND

### FINANCIAL STATEMENTS

#### STATEMENT OF TOTAL RETURN

for the year ended 15 October 2022

	Notes	£'000	15.10.22 £'000	£'000	15.10.21 £'000
Income:					
Net capital (losses)/gains	3		(3,069)		5,871
Revenue	4	987		926	
Expenses	5	(216)		(221)	
Net revenue before taxation		771		705	
Taxation	6	1		–	
Net revenue after taxation			772		705
Total return before distributions			(2,297)		6,576
Distributions	7		(775)		(709)
Change in net assets attributable to shareholders from investment activities			(3,072)		5,867

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

for the year ended 15 October 2022

	Note	£'000	15.10.22 £'000	£'000	15.10.21 £'000
Opening net assets attributable to shareholders			32,498		31,639
Amounts receivable on issue of shares		9,229		9,802	
Amounts payable on redemption of shares		(2,682)		(15,378)	
			6,547		(5,576)
Change in net assets attributable to shareholders from investment activities			(3,072)		5,867
Retained distributions on Accumulation shares	7		817		568
Closing net assets attributable to shareholders			36,790		32,498

## LF CANLIFE PORTFOLIO VII FUND

### FINANCIAL STATEMENTS *continued*

#### BALANCE SHEET

as at 15 October 2022

	Notes	15.10.22 £'000	15.10.21 £'000
<b>ASSETS</b>			
Fixed assets			
Investments		36,690	32,491
Current assets			
Debtors	8	16	215
Cash and cash equivalents	9	113	23
<b>Total assets</b>		<b>36,819</b>	<b>32,729</b>
<b>LIABILITIES</b>			
Creditors			
Other creditors	10	(29)	(231)
<b>Total liabilities</b>		<b>(29)</b>	<b>(231)</b>
<b>Net assets attributable to shareholders</b>		<b>36,790</b>	<b>32,498</b>

## LF CANLIFE PORTFOLIO VII FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 15 October 2022

#### 1. Accounting Policies

The accounting policies described on pages 23 to 25 have been applied to the financial statements of the Fund in the current and prior year.

#### 2. Distribution Policies

The distribution policies described on pages 25 and 26 have been applied to the financial statements of the Fund in the current and prior year.

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

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

	15.10.22 £'000	15.10.21 £'000
Non-derivative securities	(3,083)	5,856
Transaction charges	(3)	(5)
AMC rebates from underlying investments	18	20
Currency losses	(1)	–
Net capital (losses)/gains	(3,069)	5,871

The net capital losses figure includes realised gains of £297,000 and unrealised gains of £1,083,000 (15.10.21: includes realised gains of £2,333,000 and unrealised gains of £4,464,000). 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

	15.10.22 £'000	15.10.21 £'000
Non-taxable dividends	780	775
Taxable dividends	118	60
Interest distributions on CIS holdings	–	1
AMC rebates from underlying investments	51	53
Property – rental income	38	37
Total revenue	987	926

## LF CANLIFE PORTFOLIO VII FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 5. Expenses

	15.10.22 £'000	15.10.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	147	152
Legal and professional fees	6	6
Typesetting costs	3	3
Registration fees	17	17
	173	178
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	13	14
Safe custody and other bank charges	3	3
	16	17
Other expenses:		
Audit fees	10	10
Property income expenses on tax transparent fund	13	13
Expenses on tax transparent fund	9	7
Rebate of expenses from tax transparent fund	(5)	(4)
	27	26
Total expenses	216	221

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

	15.10.22 £'000	15.10.21 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	1	-
Irrecoverable income tax	-	-
Current tax charge	1	-
Deferred tax – origination and reversal of timing differences (note 6c)	-	-
Total taxation (note 6b)	1	-



## LF CANLIFE PORTFOLIO VII FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

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%) (15.10.21: 20%). The difference is explained below:

	15.10.22 £'000	15.10.21 £'000
Net revenue before taxation	771	705
Corporation tax at 20%	154	141
Effects of:		
Non-taxable dividends	(156)	(155)
AMC rebates taken to capital	4	4
(Utilisation of)/unutilised excess management expenses	(1)	10
Corporation tax charge	1	–
Total tax charge (note 6a)	1	–

c) Deferred tax

At the year end there is a potential deferred tax asset of £9,000 (15.10.21: £10,000) 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. Distributions

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

	15.10.22 £'000	15.10.21 £'000
Interim	199	128
Final	618	440
	817	568
Add: Revenue deducted on redemption of shares	12	175
Deduct: Revenue received on issue of shares	(54)	(34)
Net distributions for the year	775	709

Details of the distributions per share are set out in the table on pages 255 and 256.

## LF CANLIFE PORTFOLIO VII FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

	15.10.22 £'000	15.10.21 £'000
Distributions represented by:		
Net revenue after taxation	772	705
Allocations to capital:		
Tax relief on capitalised AMC rebates from underlying investments	3	4
Net distributions for the year	775	709

#### 8. Debtors

	15.10.22 £'000	15.10.21 £'000
Amounts receivable for issue of shares	5	–
Sales awaiting settlement	–	201
Accrued revenue:		
Taxable dividends	–	3
AMC rebates from underlying investments	9	11
	9	14
Taxation recoverable:		
Income tax	2	–
Total debtors	16	215

#### 9. Cash and Cash Equivalents

	15.10.22 £'000	15.10.21 £'000
Bank balances	113	23
Total cash and cash equivalents	113	23

## LF CANLIFE PORTFOLIO VII FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 10. Other Creditors

	15.10.22 £'000	15.10.21 £'000
Amounts payable for redemption of shares	5	209
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	6	6
Typesetting costs	2	2
Legal and professional fees	1	1
Registration fees	2	2
	11	11
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	1	–
Transaction charges	1	1
Safe custody and other bank charges	1	–
	3	1
Other expenses	10	10
Total other creditors	29	231

#### 11. 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 10.

The Fund invests in other funds managed by the ACD, or an associate of the ACD. The ACD rebates the Annual Management Charge which is based on the net asset value of these investments in order to eliminate double charging.

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 242 and amounts due at the year end are disclosed in notes 8 and 10.

## LF CANLIFE PORTFOLIO VII FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

Canada Life Asset Management Limited and its associates (including other authorised investment funds managed by Link Fund Solutions Limited or its associates) held 18,861,273 (15.10.21: 16,248,042) 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 shareholder held in excess of 20% of the shares in issue of the Fund:

Canada Life Asset Management Limited and its associates 82.05% (15.10.21: 85.32%)

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Portfolio Manager or for which Link Fund Solutions Limited is also the ACD. At the balance sheet date the value of the holdings was as follows:

	15.10.22 £'000	15.10.21 £'000
Portfolio Manager and ACD in common	25,191	21,882
Sister company of the Portfolio Manager	803	989

## 12. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (15.10.21: none).

## 13. Shares in Issue

	'A' Accumulation	'C' Accumulation	'G' Accumulation
Annual Management Charge	1.425%	0.45%	0.375%
Opening shares in issue	482,029	5,248,281	13,314,296
Issues	61,403	4,236,242	1,238,440
Redemptions	(22,033)	(763,212)	(807,240)
Closing shares in issue	521,399	8,721,311	13,745,496

## 14. 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.

## LF CANLIFE PORTFOLIO VII FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

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. Investment in collective investment schemes may expose the Fund to indirect interest rate risk to the extent that they may invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

The Fund invests in collective investment schemes only and as such does not have any significant direct exposure to interest rate risk. The Fund may indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no direct exposure to interest rate risk, no interest rate risk table or sensitivity analysis has been presented.

**LF CANLIFE PORTFOLIO VII FUND****FINANCIAL STATEMENTS** *continued***NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 15 October 2022

**(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. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

Where the Fund invests in non-Sterling assets, the Portfolio Manager allows for the foreign currency risk when considering whether to invest and may not seek to hedge all foreign currency risk.

The table below shows the direct foreign currency risk profile:

	15.10.22 £'000	15.10.21 £'000
Currency:		
Euros	198	323
US dollars	164	–
	<u>362</u>	<u>323</u>
Pounds sterling	36,428	32,175
Net assets	<u>36,790</u>	<u>32,498</u>

A 5% change in the pounds Sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £18,000 on the net assets of the Fund (15.10.21: £16,000).

**(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 15 October 2022, leverage under the gross method was 1:1 and leverage under the commitment method was 1:1 (15.10.21: 1:1 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.

## LF CANLIFE PORTFOLIO VII FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

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.

Based on this analysis 68.57% of the portfolio can be liquidated within 5 days and 69.95% within 21 working days (15.10.21: 68.91% within 5 days and 70.55% 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 £1,835,000 (15.10.21: £1,625,000). A 5% decrease would have an equal and opposite effect.

#### (G) DERIVATIVES

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

## LF CANLIFE PORTFOLIO VII FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 15. Portfolio Transaction Costs

15.10.22	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Collective investment schemes	8,652	–	–	8,652
Purchases total	8,652	–	–	8,652
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	2,570	–	–	2,570
Sales total	2,570	–	–	2,570
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	

Average portfolio dealing spread at 15.10.22 is 0.01% (15.10.21: 0.09%).

15.10.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Collective investment schemes	11,741	–	–	11,741
Purchases total	11,741	–	–	11,741
<i>Transaction cost % of purchases total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	
Collective investment schemes	17,492	–	–	17,492
Sales total	17,492	–	–	17,492
<i>Transaction cost % of sales total</i>		–	–	
<i>Transaction cost % of average NAV</i>		–	–	



## LF CANLIFE PORTFOLIO VII FUND

### FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 15 October 2022

#### 16. 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).

15.10.22	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	1,785	34,905	–	36,690

15.10.21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	1,261	31,230	–	32,491

#### 17. Subsequent Events

Since the balance sheet date the price of each of the Fund's share classes has moved as follows:

Share class	Balance sheet date	27.01.23	Movement
'A' Accumulation	148.55	163.01	9.73%
'C' Accumulation	159.23	175.21	10.04%
'G' Accumulation	161.07	177.28	10.06%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 3 February 2023.

## LF CANLIFE PORTFOLIO VII FUND

### FINANCIAL STATEMENTS *continued*

#### DISTRIBUTION TABLE

for the year ended 15 October 2022 – in pence 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.

Group 2	Interim	Final
From	16.10.21	16.04.22
To	15.04.22	15.10.22

#### 'A' ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.0977	–	0.0977	–
Group 2	0.0977	0.0000	0.0977	–

Final	Net Revenue	Equalisation	Allocation 15.12.22	Allocated 15.12.21
Group 1	1.7083	–	1.7083	1.3569
Group 2	0.6148	1.0935	1.7083	1.3569

#### 'C' ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 15.06.22	Allocated 15.06.21
Group 1	0.9407	–	0.9407	0.4949
Group 2	0.3732	0.5675	0.9407	0.4949

Final	Net Revenue	Equalisation	Allocation 15.12.22	Allocated 15.12.21
Group 1	2.6594	–	2.6594	2.2725
Group 2	1.1758	1.4836	2.6594	2.2725

**LF CANLIFE PORTFOLIO VII FUND**  
**FINANCIAL STATEMENTS** *continued*  
**DISTRIBUTION TABLE** *continued*

**'G' ACCUMULATION SHARES**

<b>Interim</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocated 15.06.22</b>	<b>Allocated 15.06.21</b>
Group 1	1.0145	–	1.0145	0.5614
Group 2	0.9444	0.0701	1.0145	0.5614
<b>Final</b>	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Allocation 15.12.22</b>	<b>Allocated 15.12.21</b>
Group 1	2.7449	–	2.7449	2.3563
Group 2	2.1810	0.5639	2.7449	2.3563

## GENERAL INFORMATION

### Share Capital

The minimum share capital of the Company is £1 and the maximum is £100,000,000,000.

### Structure of the Company

The Company is structured as an umbrella company, in that different sub-funds may be established from time to time by the ACD with the approval of the FCA. On the introduction of any new sub-fund or class of share, a revised Prospectus will be prepared setting out the relevant details of each sub-fund or class.

The assets of each sub-fund will be treated as separate from those of every other sub-fund and will be invested in accordance with the investment objective and investment policy applicable to that sub-fund. The sub-funds which are currently available are:

- LF Canlife Diversified Monthly Income Fund
- LF Canlife Diversified Risk Managed III Fund
- LF Canlife Diversified Risk Managed IV Fund
- LF Canlife Diversified Risk Managed V Fund
- LF Canlife Portfolio III Fund
- LF Canlife Portfolio IV Fund
- LF Canlife Portfolio V Fund
- LF Canlife Portfolio VI Fund
- LF Canlife Portfolio VII Fund

In future there may be other sub-funds of the Company.

### Valuation Point

The current valuation point of each sub-fund is 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 each business day 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 606 6180.

### Prices

The prices of all shares are published on every dealing day on the website of the ACD: [www.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk) and by calling 0345 606 6180 during the ACD's normal business hours.

## GENERAL INFORMATION *continued*

### 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 Company 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.

### 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.





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