

# LF Lindsell Train UK Equity Fund

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



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

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(Authorised and regulated by  
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## 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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## DEPOSITARY

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London E14 5AL  
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and Prudential Regulation Authority)

## REGISTRAR

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### LINK FUND ADMINISTRATORS LIMITED

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## INDEPENDENT AUDITOR

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### ERNST & YOUNG LLP

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## ACD'S REPORT

for the year ended 31 May 2022

### Authorised Status

LF Lindsell Train UK Equity Fund ('the Fund') is an investment company with variable capital incorporated in England and Wales under registered number IC000459 and authorised by the Financial Conduct Authority with effect from 30 June 2006. The Fund has an unlimited duration.

The Fund is a Non-UCITS Retail Scheme and the base currency is pounds sterling.

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

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

### ACD's Statement

#### Economic Uncertainty

The outbreak of COVID-19 in March 2019 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. The consequences of this combined with other factors has led to significant disruption to the global supply chains and soaring 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 it 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 will continue to see periods of instability and consequently volatility in asset pricing.

#### Important Information

With effect from 21 July 2021, amendments were made to the wording of the Investment Objective and Policy of the Fund, this change was communicated to shareholders in a letter dated 18 June 2021.

## ACD'S REPORT *continued*

### Investment Objective and Policy

The investment objective of the Fund is to achieve capital and income growth and provide a total return in excess of the FTSE All-Share Total Return Index, over any five-year period, after all costs and charges have been taken.

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

The investment policy of the Fund is to invest at least 70% of its assets directly in the shares of companies incorporated or domiciled in the United Kingdom. Up to 10% of its assets may be invested in companies that are listed on an exchange in the United Kingdom. The Fund will be concentrated with the number of securities unlikely to exceed 35.

The Fund may invest up to 20% of its assets in non-UK equities from countries worldwide (including emerging markets), cash, deposits and money market instruments.

The Fund does not have any restriction on the industry sectors or size of companies that it can invest in.

The minimum investment amount and ranges referenced above will not apply under extraordinary market conditions, in which circumstances the Fund may invest in asset classes other than those in which it normally invests in order to mitigate its exposure to market risk. Examples of extraordinary market conditions include economic or political unrest or instability, world events leading to market instability, or any events which give rise to high potential for investments to suffer a decline in value. During such periods, the Fund may temporarily invest up to 100% of its total assets in cash, deposits, treasury bills, government bonds or short-term money market instruments, or have substantial holdings in cash and cash equivalents.

### Benchmark

The Fund's target benchmark is the FTSE All-Share TR Index.

The FTSE All-Share TR Index has been selected as the Fund's target return benchmark as it represents broad exposure to companies listed on the London Stock Exchange, which is in line with the Fund's investment policy. The Fund is not constrained by the target benchmark and will take positions in individual stocks that differ significantly from the FTSE All-Share TR Index, with the aim of achieving a return (the money made or lost on an investment) in excess of the target benchmark.

### 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.

## ACD'S REPORT *continued*

### Remuneration Policy *continued*

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 AIFs to various investment management firms. The portfolio managers' fees and expense 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 of Pillar 3 of the Capital Requirements Directive. 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 AIFs, nor are they remunerated by reference to the performance of any individual AIF. Accordingly, the information below is for LFSL as a whole. No attempt has been made to attribute remuneration to the Fund itself.

Information on LFSL's remuneration arrangements is collated annually, as part of its statutory accounts preparation processes. Accordingly, the information disclosed relates to the year ended 30 June 2021, being the most recent accounting period which accounts have been prepared for LFSL prior to the production of these accounts. As at 30 June 2021, LFSL operated 92 UK UCITS and 111 AIFs, whose respective assets under management ('AuM') were £40,022 million and £49,171 million. The Fund was valued at £6,504 million as at that date and represented 7.29% of LFSL's total AuM and 13.23% of its AIF AuM.

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

2021	Number of beneficiaries	Fixed £'000	Variable £'000	Total £'000
Total amount of remuneration paid by LFSL for the financial year to 30 June 2021	177	7,903	395	8,298
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 2021				
Senior management (including all Board members)	8	736	175	911
Staff engaged in control functions	7	521	–	521
Risk takers and other identified staff	19	1,579	118	1,697
Any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers	–	–	–	–

## ACD'S REPORT *continued*

### Remuneration Policy *continued*

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 will vary by function, but consideration is given to both qualitative and quantitative measures.

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

### Securities Financing Transactions

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

### Value Assessment

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

### LINK FUND SOLUTIONS LIMITED

ACD of LF Lindsell Train UK Equity Fund  
6 September 2022



**ACD'S REPORT** *continued*  
**PORTFOLIO MANAGER'S REPORT**  
for the year ended 31 May 2022

As at 31 May 2022, the 1 year Fund performance was -4.65% compared to the FTSE All-Share TR Index GBP figure of +8.27%.

This is the third consecutive six-month period I have had to report disappointing returns to fundholders. I am sorry that the longstanding Lindsell Train investment approach and the longstanding major holdings in the portfolio have failed to deliver acceptable performance for your Fund over what is now a meaningful period.

Despite this, I have not and do not propose to change the investment approach, nor has there been any substantive change to the portfolio constituents since my last report. There has been no change for two reasons. First, as a significant investor in our UK strategy myself, I remain convinced that our investment philosophy – of running a concentrated, low turnover portfolio, comprising shares in outstanding companies held for the very long-term – remains the best way for me to deliver the returns we all hope for.

The second reason I propose no change to the investment approach is because to do so would be a disservice to fundholders, in my opinion. It would dilute or even take away the opportunity for them to invest into a distinctive and disciplined investment strategy. Of course, fundholders may decide that this strategy is not for them and they prefer another style. That is fine, but I hope our consistency of approach and its clear articulation is valuable for fundholders when they make their, preferably, infrequent decisions about where to entrust their precious savings.

In truth, I rub my eyes at some of the share price falls your Fund has suffered over the last 12 months. Some holdings have not only done worse than I hoped, but also much worse than I might reasonably have expected.

None more so than the share price of our worst performer over the period, which was also the biggest detractor to our return – Hargreaves Lansdown ('HL'). HL shares fell 45% and are now back to levels last seen over 10 years ago. I would never have imagined this to be possible, not least because HL's business has grown materially over the last decade, albeit 2021/22 will see a temporary dip in profits in comparison to the unprecedented business conditions of the lockdowns of 2020/21. HL remains a highly profitable company with an exceptionally cash-rich balance sheet and its senior executives have recently articulated a credible strategy which should lead to significant growth in client numbers, assets under administration and eventually higher profits. To my mind the shares should be hitting new highs, not plumbing historic lows. However, this can be the way of stock markets. As Warren Buffett has said – even the shares of the best companies can sometimes fall 50%. If HL remains an attractive investment opportunity – which I believe is the case, then the critical thing is that we should not get discouraged and bounced out of our holding because it is out of favour.

Despite our poor investment performance, I propose that the *businesses* of most of our portfolio holdings have done well over the period. In particular, I'd highlight the exceptional performance of Diageo's brands in its biggest market, the United States; the clear acceleration of usage of RELX's data and analytics services; the growing recognition of the strategic acumen of the London Stock Exchange ('LSE') merger with Refinitiv; the growth of Experian's consumer credit division; the inexorable growth and enduring popularity of Mondelēz's Cadbury and Oreo brands; Heineken's success with its newer brand variants – Heineken 0.0 and Heineken Silver; Sage's accelerating transition to "cloud" delivery of its services; Remy's record sales of premium cognac in the USA and China; Fever-Tree's remarkable achievement of becoming the #1 Tonic brand in the United States; Burberry's



## ACD'S REPORT *continued*

## PORTFOLIO MANAGER'S REPORT *continued*

better than expected full-price luxury sales; Schrodgers' recent record profits and Assets under Management and in the same industry, record profits and AUM for Rathbones. Even Unilever's most recent results, although pedestrian, were not as bad as the pessimists feared. And just the companies I have discussed so far amount to c96% of value of your Fund. Despite all this apparent good news, I must acknowledge: although a few of the achievements I list above were applauded by investors, more were ignored or even taken as an opportunity to sell.

What I want to do in the rest of this report is to discuss a formal yardstick of what constitutes an "outstanding company". As you may recall from my second paragraph above – it is outstanding companies we seek to invest in, and we expect holding shares in outstanding companies for long periods of time to offer the opportunity for exceptional investment returns. The formal yardstick is Return on Capital ('RoC'). RoC is the measure of a company's annual net income, expressed as a percentage of all the capital it deploys to run its business, both equity and debt. Outstanding companies tend to sustain RoCs of at least low double digits for long periods, the past and, ideally, well into the future. It is too simplistic, but nonetheless a useful rule of thumb to say that if a company earns a RoC of 10% every year for, say, the next thirty years, probably the average return earned by its shareholders over the three decades will work out at close to 10%pa too. That would be an excellent outcome, by the way, because few businesses sustain high returns decade after decade. Of course, shorter term stock market returns are lumpy, but over time there appears to have been an observable relationship between high, sustained RoCs and satisfactory long term investment returns.

Currently, the weighted average RoC of all holdings in your portfolio above 1% of NAV (amounting to over 98% of the total today) is above 15%. I will review the range of RoCs that make up that average in a moment, but let me say, in the context of the preceding paragraph, it is reassuring to me that the underlying profitability of the portfolio is this strong and it makes me hopeful long term returns from the Fund will also be strong.

The highest RoC in the portfolio is HL, standing at 50%. This reflects the exceptional profitability of the company and, as a technology-platform business, its low requirement for physical capital. Now, as I painfully discussed above, HL is a prime example of the often poor short-term correlation between RoCs and share price returns, because despite the high RoC its shares have been diabolical, notably over the last six months. It must be that other investors believe that HL's RoC is about to decline, probably precipitately. I must repeat, we disagree and expect HL to continue to earn high returns. If we are right, at some stage the HL share price will do well again.

The next tier of RoCs in the portfolio is a quartet of companies earning 17% pa returns. These are Burberry, Fever-Tree, LSE and RELX. These attractive rates are generated by the rare and aspirational brands of the first two and the highly profitable data and software services of the latter pair. There are another four delivering 15% pa RoCs – Diageo, Experian, Schrodgers and Unilever. All of these have long histories of stable, high returns – driven by beloved, globally ubiquitous brands, trusted data and the favourable economics of successful Fund Management companies. Unilever's returns will be under pressure, at least temporarily, in 2022 from rising input costs, but there have been other similar episodes in the company's history and in the past Unilever has been able to mitigate rising costs by price increases, cost savings, and most important, building on the success of its secular growth brands and markets, such as, currently, Dove, ice-cream (Ben & Jerry's, Magnum) and India.

## ACD'S REPORT *continued*

## PORTFOLIO MANAGER'S REPORT *continued*

Lower, but still solid RoCs are delivered by Sage, 13.5%, Heineken, Rathbones and Remy at around 11%. Mondelēz, one of the better performers in the portfolio over the period, has a RoC of just under 10%, which we expect to increase over time.

To complete this account of holdings above 1% of the portfolio and therefore most likely to drive future investment returns, I must acknowledge there was one company that reported a loss last year and therefore has a negative RoC. This is Manchester United, 1.4% of the portfolio, whose business in 2021 was still hit by COVID-19. The very keen interest shown in acquiring Chelsea FC demonstrates that sports franchises of this calibre and scarcity remain attractive to strategic investors (it was, purportedly, the highest price ever paid for a sports franchise) and we wonder what the implications will be for Manchester United, where today's stock market value is notably below the offers for the London club.

The portfolio offers, I submit, an attractive overall RoC, delivered by companies with long histories of stable, high returns and critically with good reason to think those returns will be maintained over time. The weighted average Price/Earnings ('P/E') ratio for the portfolio stands at an historic 25x. We hope this will fall quickly in coming years, as the world emerges from COVID-19 and now the effects of this ghastly war. Nonetheless, even this backward-looking P/E of 25x represents an earnings yield of 4%. To us, compared to the returns on cash or fixed interest, that is still highly appealing, given the combination of inflation protection and real growth offered by so many of the portfolio constituents.

Investors are apprehensive about the state of the world and of global stock markets as I write this report. The duration and effects of war are uncertain. There is a speculative bubble deflating in technology company shares. It is possible inflation and interest rates will go higher. We have no particular perspective on any of these issues that would give us an edge in timing the markets. In such circumstances, I always remind myself of this, paraphrased, advice from the late, great investor Sir John Templeton. "The best time to buy sound common stocks is when events look most uncertain." This is indeed great advice. Often events don't work out as badly as people fear; but even if they do, owning shares in solid companies is a good strategy to see you through to the better days to come. Your Fund's strategy will continue to prize long-term ownership of "sound common stocks".

### LINDSELL TRAIN LIMITED

Portfolio Manager

20 June 2022

**ACD'S REPORT** *continued*  
**FUND INFORMATION**

**Risk and Reward Profile**



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains.

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

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

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

**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.

**Concentrated Fund Risk:** The Fund intentionally holds a small number of investments and so will be more concentrated than many other funds. The Fund may also invest in stocks with a particular industry, sector or geographical focus. This means that the performance of a single stock, industry, sector or geographical region within the Fund has a greater effect (loss or gain) on the value of the Fund.

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

## ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables

##### INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.22 pence per share	31.05.21 pence per share	31.05.20 pence per share
Opening net asset value per share	345.08	313.01	331.04
Return before operating charges*	(15.37)	39.76	(9.49)
Operating charges	(2.21)	(2.08)	(2.14)
Return after operating charges	(17.58)	37.68	(11.63)
Distributions	(6.78)	(5.61)	(6.40)
Closing net asset value per share	320.72	345.08	313.01
* after direct transaction costs of:	(0.22)	0.18	0.21

##### PERFORMANCE

Return after charges	(5.09)%	12.04%	(3.51)%
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##### OTHER INFORMATION

Closing net asset value (£'000)	945,760	1,266,996	1,262,615
Closing number of shares	294,886,940	367,159,975	403,379,595
Operating charges	0.64%	0.64%	0.65%
Direct transaction costs	0.06%	0.05%	0.06%

##### PRICES

Highest share price	366.57	351.48	359.40
Lowest share price	304.85	294.12	254.40

## ACD'S REPORT *continued*

## FUND INFORMATION *continued*

### Comparative Tables *continued*

#### ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.22 pence per share	31.05.21 pence per share	31.05.20 pence per share
Opening net asset value per share	496.52	442.95	459.28
Return before operating charges*	(22.44)	56.52	(13.35)
Operating charges	(3.20)	(2.95)	(2.98)
Return after operating charges	(25.64)	53.57	(16.33)
Distributions	(9.80)	(7.97)	(8.92)
Retained distributions on accumulation shares	9.80	7.97	8.92
Closing net asset value per share	470.88	496.52	442.95
* after direct transaction costs of:	(0.32)	0.25	0.29

#### PERFORMANCE

Return after charges	(5.16)%	12.09%	(3.56)%
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#### OTHER INFORMATION

Closing net asset value (£'000)	2,720,556	3,728,133	3,406,149
Closing number of shares	577,760,473	750,857,465	768,974,960
Operating charges	0.64%	0.64%	0.65%
Direct transaction costs	0.06%	0.05%	0.06%

#### PRICES

Highest share price	532.40	500.98	498.65
Lowest share price	442.76	416.21	356.04

## ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'D' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.22 pence per share	31.05.21 pence per share	31.05.20 pence per share
Opening net asset value per share	174.68	158.32	167.32
Return before operating charges*	(7.79)	20.12	(4.81)
Operating charges	(0.86)	(0.80)	(0.83)
Return after operating charges	(8.65)	19.32	(5.64)
Distributions	(3.56)	(2.96)	(3.36)
Closing net asset value per share	162.47	174.68	158.32
* after direct transaction costs of:	(0.11)	0.09	0.10

##### PERFORMANCE

Return after charges	(4.95)%	12.20%	(3.37)%
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##### OTHER INFORMATION

Closing net asset value (£'000)	398,452	752,560	744,189
Closing number of shares	245,246,177	430,818,009	470,044,706
Operating charges	0.49%	0.49%	0.50%
Direct transaction costs	0.06%	0.05%	0.06%

##### PRICES

Highest share price	185.65	177.98	181.72
Lowest share price	154.44	148.86	128.69

## ACD'S REPORT *continued*

### FUND INFORMATION *continued*

#### Comparative Tables *continued*

##### 'D' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.05.22 pence per share	31.05.21 pence per share	31.05.20 pence per share
Opening net asset value per share	203.48	181.25	187.65
Return before operating charges*	(9.22)	23.15	(5.46)
Operating charges	(1.00)	(0.92)	(0.94)
Return after operating charges	(10.22)	22.23	(6.40)
Distributions	(4.17)	(3.41)	(3.79)
Retained distributions on accumulation shares	4.17	3.41	3.79
Closing net asset value per share	193.26	203.48	181.25
* after direct transaction costs of:	(0.13)	0.10	0.12

##### PERFORMANCE

Return after charges	(5.02)%	12.26%	(3.41)%
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##### OTHER INFORMATION

Closing net asset value (£'000)	938,208	858,270	839,484
Closing number of shares	485,460,892	421,800,695	463,162,273
Operating charges	0.49%	0.49%	0.50%
Direct transaction costs	0.06%	0.05%	0.06%

##### PRICES

Highest share price	218.38	205.30	203.82
Lowest share price	181.66	170.42	145.65



**ACD'S REPORT** *continued*

**FUND INFORMATION** *continued*

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

	1 year	3 years	5 years
LF Lindsell Train UK Equity Fund	(4.65)	3.03	26.56
FTSE All-Share TR Index GBP <sup>1</sup>	8.27	18.44	22.17

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

The performance of the Fund is based on the published price per 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 41 and 42.

**RISK WARNING**

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

## ACD'S REPORT *continued*

### PORTFOLIO STATEMENT

as at 31 May 2022

Holding	Portfolio of Investments	Value £'000	31.05.22 %
	UNITED KINGDOM – 80.83% (31.05.21 – 80.43%)		
	TECHNOLOGY – 5.94% (31.05.21 – 5.63%)		
	SOFTWARE AND COMPUTER SERVICES – 5.94% (31.05.21 – 5.63%)		
45,239,000	Sage	297,039	5.94
	TOTAL TECHNOLOGY	297,039	5.94
	FINANCIALS – 31.65% (31.05.21 – 26.65%)		
	FINANCE AND CREDIT SERVICES – 8.91% (31.05.21 – 2.59%)		
16,803,500	Experian	445,797	8.91
	INVESTMENT BANKING AND BROKERAGE SERVICES – 22.74% (31.05.21 – 24.06%)		
23,460,000	Hargreaves Lansdown	201,005	4.02
6,588,000	London Stock Exchange	487,644	9.75
3,990,000	Rathbone Brothers	82,194	1.64
12,411,000	Schroders	366,621	7.33
		1,137,464	22.74
	TOTAL FINANCIALS	1,583,261	31.65
	CONSUMER DISCRETIONARY – 30.27% (31.05.21 – 35.62%)		
	PERSONAL GOODS – 18.42% (31.05.21 – 18.32%)		
25,565,000	Burberry	437,673	8.75
12,650,000	Unilever	483,673	9.67
		921,346	18.42
	MEDIA – 9.64% (31.05.21 – 15.34%)		
21,200,000	RELX	482,300	9.64

# ACD'S REPORT *continued*

## PORTFOLIO STATEMENT *continued*

as at 31 May 2022

Holding	Portfolio of Investments	Value £'000	31.05.22 %
	TRAVEL AND LEISURE – 1.97% (31.05.21 – 1.96%)		
7,876,991	Celtic <sup>1</sup>	10,279	0.21
461,527	Celtic 6% <i>Perpetual</i> <sup>1</sup>	621	0.01
6,875,000	Manchester United	69,552	1.39
213,226	Young & Co's Brewery 'A' <sup>1</sup>	2,742	0.05
2,018,000	Young & Co's Brewery ( <i>non-voting</i> ) <sup>1</sup>	15,337	0.31
		<u>98,531</u>	<u>1.97</u>
	RETAILERS – 0.24% (31.05.21 – 0.00%)		
11,193,303	Cazoo	11,990	0.24
	TOTAL CONSUMER DISCRETIONARY	<u>1,514,167</u>	<u>30.27</u>
	CONSUMER STAPLES – 12.97% (31.05.21 – 12.53%)		
	BEVERAGES – 12.97% (31.05.21 – 12.53%)		
6,315,000	A.G. Barr	33,722	0.67
13,212,500	Diageo	485,493	9.70
8,510,000	Fever-Tree Drinks <sup>1</sup>	130,288	2.60
	TOTAL CONSUMER STAPLES	<u>649,503</u>	<u>12.97</u>
	TOTAL UNITED KINGDOM	<u>4,043,970</u>	<u>80.83</u>
	OVERSEAS – 17.53% (31.05.21 – 17.07%)		
	FRANCE – 5.15% (31.05.21 – 4.33%)		
1,769,000	Rémy Cointreau	257,580	5.15
	NETHERLANDS – 5.56% (31.05.21 – 5.78%)		
27,500	Heineken	1,724	0.04
3,465,000	Heineken NV	276,328	5.52
	TOTAL NETHERLANDS	<u>278,052</u>	<u>5.56</u>

## ACD'S REPORT *continued*

### PORTFOLIO STATEMENT *continued*

as at 31 May 2022

Holding	Portfolio of Investments	Value £'000	31.05.22 %
	UNITED STATES – 6.82% (31.05.21 – 6.96%)		
6,769,000	Mondelēz International	341,216	6.82
	TOTAL OVERSEAS	876,848	17.53
	Portfolio of investments	4,920,818	98.36
	Net other assets	82,158	1.64
	Net assets	5,002,976	100.00

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

<sup>1</sup> Quoted on the Alternative Investment Market (AIM).

## ACD'S REPORT *continued*

### SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the year ended 31 May 2022

Total purchases for the year £'000 (note 16)	1,046,302	Total sales for the year £'000 (note 16)	2,096,797
	Cost £'000		Proceeds £'000
<b>Major purchases</b>		<b>Major sales</b>	
Experian	325,835	RELX	386,766
London Stock Exchange	177,217	Diageo	349,733
Diageo	115,008	London Stock Exchange	193,168
RELX	90,282	Mondelēz International	168,893
Heineken NV	87,660	Heineken	164,191
Fever-Tree Drinks	79,053	Unilever	117,376
Unilever	63,911	Pearson	97,581
Burberry	34,950	Schroders	95,755
Rémy Cointreau	30,148	Sage	89,121
Daily Mail & General Trust 'A'	17,839	Euromoney Institutional Investor	89,027

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

## DIRECTOR'S STATEMENT

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

**N. BOYLING**

**LINK FUND SOLUTIONS LIMITED**

ACD of LF Lindsell Train UK Equity Fund

*6 September 2022*

## STATEMENT OF ACD'S RESPONSIBILITIES

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

In preparing the financial statements the ACD is responsible for:

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

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



## STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

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

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

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

The Depositary must ensure that:

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

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

## REPORT OF THE DEPOSITARY

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

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

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

Depositary of LF Lindsell Train UK Equity Fund

6 September 2022

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF LINDSELL TRAIN UK EQUITY FUND

### Opinion

We have audited the financial statements of LF Lindsell Train UK Equity Fund ('the Fund') for the year ended 31 May 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, and the accounting and distribution policies of the Fund set out on pages 28 to 30, 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 Fund as at 31 May 2022 and of the net revenue and the net capital losses on the scheme property of the Fund 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 Fund 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 of the Fund, 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 Fund'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 Fund's ability to continue as a going concern.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF LINDSELL TRAIN UK EQUITY FUND** *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 Financial Conduct Authority 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.

### **Responsibilities of ACD**

As explained more fully in the Statement of ACD's Responsibilities set out on page 20, 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF LINDSELL TRAIN UK EQUITY FUND** *continued*

In preparing the financial statements, the ACD is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the ACD either intends to wind up or terminate the Fund 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 Fund and determined that the most significant are United Kingdom Accounting Standards (UK GAAP), the Investment Management Association Statement of Recommended Practice ('IMA SORP'), the FCA Collective Investment Schemes Sourcebook, OEIC Regulations, the Fund's Instrument of Incorporation and the Prospectus.
- We understood how the Fund is complying with those frameworks through discussions with the ACD and the Fund's administrator and a review of the Fund's documented policies and procedures.
- We assessed the susceptibility of the Fund'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 the 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.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LF LINDSELL TRAIN UK EQUITY FUND *continued*

- 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 to 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 Fund.
- Due to the regulated nature of the Fund, 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 Fund's Shareholders, 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 Fund's Shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**ERNST & YOUNG LLP**

Statutory Auditor

Edinburgh

6 September 2022

## FINANCIAL STATEMENTS

### STATEMENT OF TOTAL RETURN

for the year ended 31 May 2022

	Notes	£'000	31.05.22 £'000	£'000	31.05.21 £'000
Income:					
Net capital (losses)/gains	3		(359,209)		647,694
Revenue	4	137,363		132,491	
Expenses	5	(36,164)		(38,610)	
Interest payable and similar charges	7	(1)		—	
Net revenue before taxation		101,198		93,881	
Taxation	6	(1,773)		(1,985)	
Net revenue after taxation			99,425		91,896
<b>Total return before distributions</b>			(259,784)		739,590
Distributions	8		(117,550)		(111,202)
<b>Change in net assets attributable to shareholders from investment activities</b>			(377,334)		628,388

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

for the year ended 31 May 2022

	£'000	31.05.22 £'000	£'000	31.05.21 £'000
<b>Opening net assets attributable to shareholders</b>		6,605,959		6,252,437
Amounts receivable on issue of shares	114,565		412,935	
Amounts payable on redemption of shares	(1,420,666)		(762,372)	
		(1,306,101)		(349,437)
Change in net assets attributable to shareholders from investment activities		(377,334)		628,388
Retained distributions on Accumulation shares		80,452		74,571
<b>Closing net assets attributable to shareholders</b>		5,002,976		6,605,959

## FINANCIAL STATEMENTS *continued*

### BALANCE SHEET

as at 31 May 2022

	Notes	31.05.22 £'000	31.05.21 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments		4,920,818	6,440,640
<b>Current assets</b>			
Debtors	9	17,154	74,401
Cash and cash equivalents	10	90,806	242,304
<b>Total assets</b>		<u>5,028,778</u>	<u>6,757,345</u>
<b>LIABILITIES</b>			
<b>Creditors</b>			
Distribution payable	11	(14,777)	(19,410)
Other creditors	11	(11,025)	(131,976)
<b>Total liabilities</b>		<u>(25,802)</u>	<u>(151,386)</u>
<b>Net assets attributable to shareholders</b>		<u>5,002,976</u>	<u>6,605,959</u>



## **FINANCIAL STATEMENTS** *continued*

### **NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 May 2022

#### **1. Accounting Policies**

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

##### **(A) BASIS OF ACCOUNTING**

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

These financial statements are prepared on a going concern basis. The ACD has made an assessment of the Fund's ability to continue as a going concern, and is satisfied it has the resources to continue in business for the foreseeable future and is not aware of any material uncertainties that may cast significant doubt on this assessment. This assessment is made as at the date of issue of these financial statements, covering the subsequent 12 months, and considers liquidity, declines in global capital markets, known redemption levels, expense projections, key service provider's operational resilience, and the impact of COVID-19. The ACD also considered the Fund's continued ability to meet ongoing costs, and is satisfied it has the resources to meet these costs and to continue in business.

##### **(B) RECOGNITION OF REVENUE**

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

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.

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

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

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

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2022

#### (E) TAXATION

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

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

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

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

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

Quoted investments are valued at fair value which generally is the bid price.

#### (G) EXCHANGE RATES

The base and functional currency of the Fund is pounds sterling. Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the exchange rate prevailing at close of business on the last business day of the financial year.

#### (H) DILUTION LEVY

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

#### (I) PORTFOLIO TRANSACTION COSTS

Direct transaction costs may consist of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. 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.

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2022

#### 2. Distribution Policies

For the purpose of calculating the distributable amount 50% of all charges, costs and expenses (excluding transaction charges and the cost of establishing the Fund which will be wholly allocated to capital) are allocated to the capital of the Fund. This will increase the amount of revenue available for distribution; however, will erode capital and may constrain capital growth.

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

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

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

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

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

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

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

	31.05.22 £'000	31.05.21 £'000
Non-derivative securities	(358,735)	647,591
Transaction charges	(18)	(14)
Currency (losses)/gains	(456)	117
Net capital (losses)/gains	(359,209)	647,694

The net capital losses figure includes realised gains of £553,820,000 and unrealised gains of £626,357,000 (31.05.21: includes realised gains of £304,283,000 and unrealised gains of £1,539,368,000). 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.

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2022

#### 4. Revenue

	31.05.22 £'000	31.05.21 £'000
Non-taxable dividends	137,363	132,467
Bank interest	–	7
Non-taxable stock dividends	–	17
Total revenue	137,363	132,491

#### 5. Expenses

	31.05.22 £'000	31.05.21 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	33,539	35,882
Rebate of Annual Management Charge <sup>1</sup>	–	(5)
Accounting fees	1,593	1,640
Legal and professional fees	10	10
Typesetting costs	4	4
Registration fees	487	544
	35,633	38,075
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	328	340
Safe custody and other bank charges	192	186
	520	526
Other expenses:		
Audit fees	11	9
Total expenses	36,164	38,610

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

<sup>1</sup> Rebate of Annual Management Charge ('AMC') ceased paying to the Income and Accumulation shares following the reduction of AMC, effective 1 July 2019.

**FINANCIAL STATEMENTS** *continued*  
**NOTES TO THE FINANCIAL STATEMENTS** *continued*  
for the year ended 31 May 2022

**6. Taxation**

	31.05.22 £'000	31.05.21 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	1,773	1,985
Current tax charge	1,773	1,985
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	1,773	1,985

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.05.21: 20%). The difference is explained below:

	31.05.22 £'000	31.05.21 £'000
Net revenue before taxation	101,198	93,881
Corporation tax at 20%	20,240	18,776
Effects of:		
Non-taxable dividends	(27,473)	(26,496)
Unutilised excess management expenses	7,233	7,720
Corporation tax charge	–	–
Overseas tax	1,773	1,985
Total tax charge (note 6a)	1,773	1,985

c) Deferred tax

At the year end there is a potential deferred tax asset of £48,314,000 (31.05.21: £41,081,000) 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.

**FINANCIAL STATEMENTS** *continued*  
**NOTES TO THE FINANCIAL STATEMENTS** *continued*  
for the year ended 31 May 2022

**7. Interest Payable and Similar Charges**

	31.05.22 £'000	31.05.21 £'000
Interest payable	1	–
Total interest payable and similar charges	1	–

**8. Distributions**

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

	31.05.22 £'000	31.05.21 £'000
Interim	57,341	46,300
Final	54,519	62,766
	111,860	109,066
Add: Revenue deducted on redemption of shares	6,114	3,704
Deduct: Revenue received on issue of shares	(424)	(1,568)
Net distributions for the year	117,550	111,202

Details of the distributions per share are set out in the table on pages 41 and 42.

	31.05.22 £'000	31.05.21 £'000
Distributions represented by:		
Net revenue after taxation	99,425	91,896
Allocations to capital:		
Expenses	18,082	19,305
Equalisation on conversions <sup>1</sup>	43	1
Net distributions for the year	117,550	111,202

<sup>1</sup> Where an investor converts to a class with a higher income yield, the investor will receive an equalisation as if they had held the new class throughout the period from the last distribution to the conversion date. The yield differential at the point of conversion is an equalisation which will be offset by capital erosion for the converted investor.

**FINANCIAL STATEMENTS** *continued*  
**NOTES TO THE FINANCIAL STATEMENTS** *continued*  
for the year ended 31 May 2022

**9. Debtors**

	31.05.22 £'000	31.05.21 £'000
Amounts receivable for issue of shares	412	246
Sales awaiting settlement	850	53,398
Accrued revenue:		
Non-taxable dividends	15,734	20,598
Taxation recoverable:		
Overseas withholding tax	158	159
Total debtors	17,154	74,401

**10. Cash and Cash Equivalents**

	31.05.22 £'000	31.05.21 £'000
Bank balances	90,806	242,304
Total cash and cash equivalents	90,806	242,304

**11. Creditors**

	31.05.22 £'000	31.05.21 £'000
Distribution payable	14,777	19,410
<b>Other Creditors</b>		
Amounts payable for redemption of shares	7,766	128,468
Purchases awaiting settlement	489	–



**FINANCIAL STATEMENTS** *continued*  
**NOTES TO THE FINANCIAL STATEMENTS** *continued*  
for the year ended 31 May 2022

	31.05.22 £'000	31.05.21 £'000
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	2,393	3,215
Accounting fees	253	147
Legal and professional fees	1	1
Typesetting costs	2	2
Registration fees	40	47
	2,689	3,412
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	38	30
Transaction charges	3	2
Safe custody and other bank charges	30	55
	71	87
Other expenses	10	9
Total other creditors	11,025	131,976

## 12. Related Party Transactions

The Annual Management Charge, accounting fees 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 26 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 2,227,000 (31.05.21: 2,377,000) of the Fund's shares at the balance sheet date.

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 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:

Hargreaves Lansdown Nominees Limited 23.07% (31.05.21: 20.65%)

### 13. Contingent Liabilities and Commitments

There are no contingent liabilities or unrecorded outstanding commitments (31.05.21: none).

### 14. Shares in Issue

	Income	Accumulation	'D' Income	'D' Accumulation
Annual Management Charge	0.60%	0.60%	0.45%	0.45%
Opening shares in issue	367,159,975	750,857,465	430,818,009	421,800,695
Issues	13,365,802	8,190,794	5,782,823	8,380,559
Redemptions	(86,385,212)	(139,434,723)	(191,368,308)	(45,538,104)
Conversions	746,375	(41,853,063)	13,653	100,817,742
Closing shares in issue	294,886,940	577,760,473	245,246,177	485,460,892

### 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.

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 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. 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.

As the Fund seeks to obtain its return from investing in equities and has no significant 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.

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:

	31.05.22 £'000	31.05.21 £'000
Currency:		
Euros	535,954	675,678
US dollars	422,758	558,141
	958,712	1,233,819
Pounds sterling	4,044,264	5,372,140
Net assets	5,002,976	6,605,959

## **FINANCIAL STATEMENTS** *continued*

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

#### **for the year ended 31 May 2022**

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 £47,936,000 on the net assets of the Fund (31.05.21: £61,691,000).

#### **(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 31 May 2022, leverage under the gross method was 0.98:1 and leverage under the commitment method was 1:1 (31.05.21: 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 21.70% of the portfolio can be liquidated within 5 days and 55.73% within 21 working days (31.05.21: 17.60% within 5 days and 45.99% within 21 days). An in depth review is deemed necessary as the Fund is invested in a concentrated portfolio. A portfolio may be considered concentrated due to the number of stocks it holds and/or due to it being invested in stocks with a particular industry, sector or geographical focus.

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.

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2022

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 £246,041,000 (31.05.21: £322,032,000). 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

	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
<b>31.05.22</b>				
Ordinary shares	1,043,188	426	2,688	1,046,302
Purchases total	1,043,188	426	2,688	1,046,302
<i>Transaction cost % of purchases total</i>		0.04%	0.26%	
<i>Transaction cost % of average NAV</i>		0.01%	0.04%	
Ordinary shares	2,097,566	(766)	(3)	2,096,797
Sales total	2,097,566	(766)	(3)	2,096,797
<i>Transaction cost % of sales total</i>		0.04%	–	
<i>Transaction cost % of average NAV</i>		0.01%	–	

Average portfolio dealing spread at 31.05.22 is 0.11% (31.05.21: 0.08%).

## FINANCIAL STATEMENTS *continued*

### NOTES TO THE FINANCIAL STATEMENTS *continued*

for the year ended 31 May 2022

31.05.21	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	828,513	321	2,768	831,602
Purchases total	828,513	321	2,768	831,602
<i>Transaction cost % of purchases total</i>		0.04%	0.33%	
<i>Transaction cost % of average NAV</i>		–	0.04%	
Ordinary shares	1,138,324	(407)	(3)	1,137,914
Sales total	1,138,324	(407)	(3)	1,137,914
<i>Transaction cost % of sales total</i>		0.04%	–	
<i>Transaction cost % of average NAV</i>		0.01%	–	

## 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).

All of the Fund's investments are ordinary and preference shares categorised as Level 1 in the current and prior year.

# FINANCIAL STATEMENTS *continued*

## DISTRIBUTION TABLE

for the year ended 31 May 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	01.06.21	01.12.21
To	30.11.21	31.05.22

### INCOME SHARES

Interim	Net Revenue	Equalisation	Paid 31.01.22	Paid 31.01.21
Group 1	3.2886	–	3.2886	2.3383
Group 2	1.7485	1.5401	3.2886	2.3383

Final	Net Revenue	Equalisation	Payable 30.09.22	Paid 30.09.21
Group 1	3.4893	–	3.4893	3.2703
Group 2	2.0876	1.4017	3.4893	3.2703

### ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 31.01.22	Allocated 31.01.21
Group 1	4.7314	–	4.7314	3.3088
Group 2	2.6014	2.1300	4.7314	3.3088

Final	Net Revenue	Equalisation	Allocation 30.09.22	Allocated 30.09.21
Group 1	5.0682	–	5.0682	4.6607
Group 2	3.0156	2.0526	5.0682	4.6607

## FINANCIAL STATEMENTS *continued*

### DISTRIBUTION TABLE *continued*

#### 'D' INCOME SHARES

Interim	Net Revenue	Equalisation	Paid 31.01.22	Paid 31.01.21
Group 1	1.7325	–	1.7325	1.2431
Group 2	0.8762	0.8563	1.7325	1.2431
Final	Net Revenue	Equalisation	Payable 30.09.22	Paid 30.09.21
Group 1	1.8300	–	1.8300	1.7183
Group 2	1.0707	0.7593	1.8300	1.7183

#### 'D' ACCUMULATION SHARES

Interim	Net Revenue	Equalisation	Allocated 31.01.22	Allocated 31.01.21
Group 1	2.0183	–	2.0183	1.4230
Group 2	1.1179	0.9004	2.0183	1.4230
Final	Net Revenue	Equalisation	Allocation 30.09.22	Allocated 30.09.21
Group 1	2.1546	–	2.1546	1.9820
Group 2	1.3516	0.8030	2.1546	1.9820



## GENERAL INFORMATION

### Share Capital

The minimum share capital of the Fund is £1 and the maximum share capital is £100,000,000,000.

### Classes of Shares

Different classes of shares can be issued in respect of the Fund.

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

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

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

### Valuation Point

The current valuation point of the Fund is 10.00am (London time) on each business day. Valuations may be made at other times under the terms contained within the Prospectus.

### Buying and Selling Shares

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

### Prices

The prices of all shares are published on every dealing day on the ACD's website: [www.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk) and [www.lindselltrain.com](http://www.lindselltrain.com). The prices of shares may also be obtained by calling 0345 922 0044 during the ACD's normal business hours.

### Other Information

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

Shareholders who have any complaints about the operation of the Fund should contact the ACD or the Depositary in the first instance. In the event that a shareholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at Exchange Tower, London E14 9SR.

**GENERAL INFORMATION** *continued*

**Data Protection Act**

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





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

 0345 922 0044

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